Annual report and accounts 2019

Vistry Group PLC

Vistry Group

vistrygroup.co.uk

Annual report and accounts 2019

Vistry Group PLC

Strategic report

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

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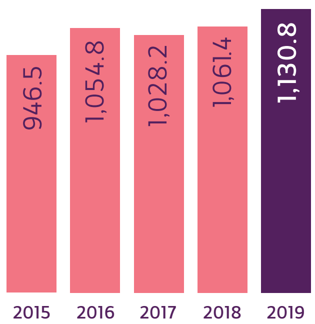
Financial highlights

Profit before tax(1)
12% Up

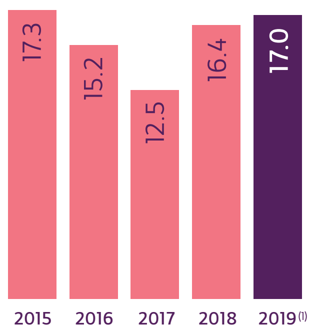
Ordinary dividend(3)
8% Up

ROCE(1) (2)
3% Up

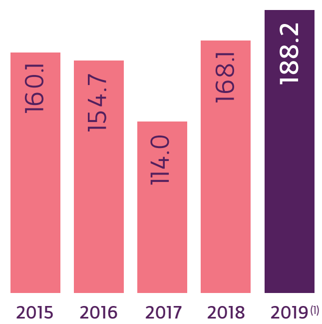
Revenue
£1,130.8m



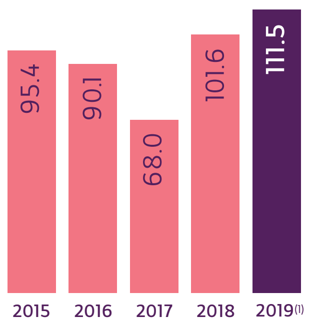
Operating profit margin
17.0%(1)



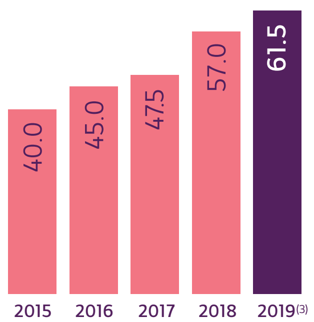
Profit before tax
£188.2m(1)



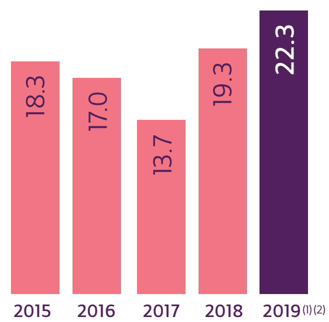
Earnings per share
111.5p(1)



Ordinary dividend
61.5p(3)



ROCE
22.3%(1) (2)



Notes: (1) Pre exceptional operating profit margin, profit before, EPS tax and ROCE are calculated prior to exceptional costs of £13.5m relating to the Acquisition.

(2) Return on capital employed is calculated as pre exceptional operating profit (2019: £192.6m) divided by the average of opening and closing shareholders' funds plus net debt or less net cash, excluding investment in joint ventures (2019: £863.7m). See section 5.11 on page 160 for the full reconciliation.

(3) Excludes special dividend of 45.0p in 2018.

Operational highlights

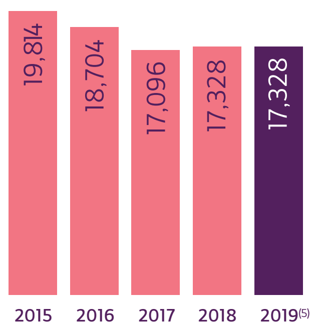
Legal completions[8]
3% Up

HBF customer satisfaction[4]
5★

NHBC reportable items[7]
28% Down

Consented land

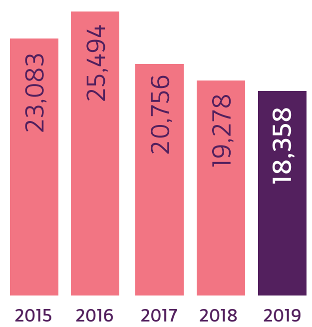
17,328 plots[5]



Strategic land

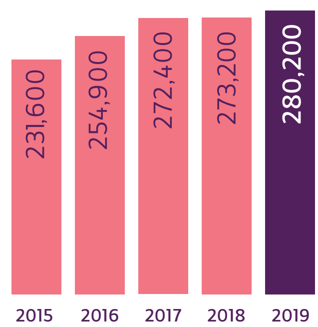
18,358

legal plots



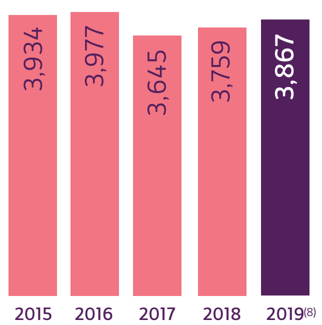
Average sales price

£280,200



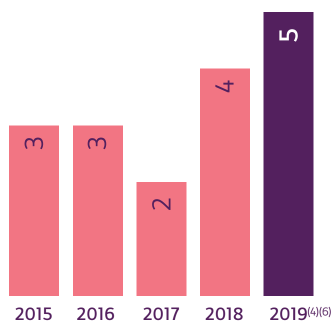
Legal completions

3,867[8]



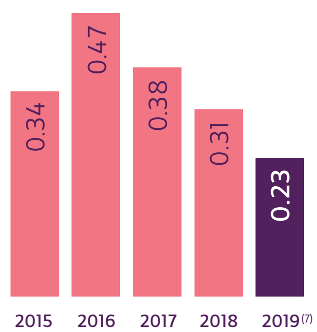
HBF customer satisfaction

5 star[4][6]



NHBC reportable items

0.23[7]



Notes: (4) Based on responses from customers who legally completed between 1 October 2018 to 30 September 2019. Star rating awarded according to the proportion responding 'yes' to the question 'would you recommend your builder to a friend?': 5-star rating 90% and above.

(5) Based on owned land including joint ventures and joint arrangements.

(6) Based on HBF star rating announced in March of the following year, relating to the period of 1 October to 30 September.

(7) This shows the average number of reportable items found for each NHBC inspection.

(8) Includes joint venture completions.

Chairman's statement | Ian Tyler

Further progress, delivering a record year of profits

2019 has been another very positive year for the Group with continued improvement in build quality and customer satisfaction, the successful launch of our new housing range and the continued investment in people, systems and infrastructure.

Delivering high quality homes and excellent customer service has been an absolute priority for the Group and at that core of all we have done over the past three years. As such, I am delighted to report that the Group has been awarded a 5-star HBF customer satisfaction rating for 2019.

The Group delivered another record year of profits with pre exceptional profit before tax increasing by 12.0% to £188.2m (2018: £168.1m). Operating margin improved by 60 basis points to 17.0% despite a backdrop on on-going market uncertainty during the year, and return on capital employed increased by 300 basis points to 22.3% (2019: 19.3%).

Transformational acquisition

It is from this position of strength that the Group entered into discussions with Galliford Try regarding a potential combination with their housebuilding businesses. Following a period of detailed due diligence, the Group agreed to acquire the Linden Homes and Partnerships & Regeneration businesses from Galliford Try for an agreed price of £1.075 billion (the "Acquisition") on 7 November 2019. In order to fund the Acquisition, the Group completed a placing (the "Placing") of 13,472,591 new ordinary shares at a price of 1130 pence per Placing share with existing and new institutional investors, raising net proceeds of c. £150m.

This transformational acquisition was a unique opportunity for Bovis Homes to acquire both a top UK housebuilder in Linden Homes and a leading partnerships business. The combination is expected to deliver annualised pre-tax cost synergies of at least £35m, with £12m expected to be achieved in 2020. The Acquisition was completed on 3 January 2020 and as a first step of the integration process, the Group was renamed Vistry Group PLC, with the new corporate name being used for the Vistry Partnerships business.

A top five UK housebuilder

Vistry Group is a top five national housebuilder with the capacity to grow and deliver c. 14,000 new units p.a. The enlarged Group has an enhanced national customer proposition and coverage, enabling it to compete more effectively against the major players in the UK private and affordable housebuilding sector.

Leading partnerships business

The Acquisition has firmly established Vistry Group as a leader in the high growth, counter cyclical partnerships sector. Vistry Partnerships is one of the leading and most established national brands and, with a very strong track 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 support to increase housing supply is strong, with a significant increase in investment from housing associations in particular.

Vistry Partnerships combines contracting and development capabilities, supplying new homes across all housing tenures. As part of Vistry Group with its strong balance sheet, land supply, and strategic land capability, our strategy, whilst retaining the core ethos of the business, is to accelerate Vistry Partnerships' revenue growth with an increase in higher margin, development led revenues. The business is targeting increasing volumes to 6,000 units p.a., revenues to over £1 billion and an operating margin in excess of 10 per cent.

Two leading housebuilding brands

Bovis Homes and Linden Homes bring together two high quality, well-recognised housebuilding brands. For 2020, we are firmly focused on successfully integrating the housebuilding businesses and establishing the best operating structure from which to maximise the benefits of the combination, including the significant cost synergies. For 2021 and beyond, the strategy is to maximise output through controlled volume growth, and driving margin progression. We will maximise the benefits from dual branding, especially increasing output and returns on our larger developments.

Senior management

Greg Fitzgerald, CEO of the Group, is uniquely positioned to successfully integrate the businesses having formerly been CEO and then Executive Chairman of Galliford Try plc over a period of 11 years until 2016. Greg has established a strong leadership team across the enlarged Group bringing the best from each business, and this continuity of management will help mitigate risks arising through the integration process.

I am delighted to welcome Graham Prothero, former CEO of Galliford Try plc, Stephen Teagle, Managing Director of Galliford Try's partnerships business (now Vistry Partnerships) and Andrew Hammond, former Managing Director of Linden Homes, to our senior leadership team following the Acquisition on 3 January 2020. I believe the combination of our two managements creates a strong and experienced team to deliver value from the Acquisition.

People

People remain a key priority and we continue to invest in the training and development of our employees and subcontractors. In the year, there has been a particular focus on mental health, and we have rolled out our mental health first-aid programme across the business. We remain very committed to our Vistry Group Apprenticeship and Trainee Assistant Site Manager Schemes.

On behalf of the Board, I would like to thank all of our employees for their commitment and hard work in delivering the successful performance across all business areas in 2019, and in particular the attainment of our 5-star HBF customer satisfaction rating.

We welcome our new colleagues at Linden Homes and Vistry Partnerships and look forward to working with them and delivering the benefits from this exciting combination. I recognise the period of integration will have its challenges and thank everyone for their patience, dedication and enthusiasm through this.

"Bovis Homes and Linden Homes brings together two high quality, well-recognised housebuilding brands"

I would also like to extend my thanks to our subcontractors, suppliers and partners who have supported us during the year, and with this acquisition, and are such an important and valued component of our business.

Ordinary dividends and capital return plan

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

With the Acquisition we announced the return of a further £60m to our shareholders by way of a bonus issue of shares in January 2020 on completion of the transaction.

The Board recommended that instead of paying the Bovis Homes 2019 final dividend, it would pay a second interim cash dividend of 41 pence per share on 29 May 2020 to shareholders on the register on 27 December 2019. This takes the total ordinary dividend for 2019 to 61.5 (2018: 57.0) pence per share, an increase of 8 per cent.

Going forwards the Group expects to maximise sustainable dividends to shareholders through an initial ordinary dividend cover of 2 times, moving towards a cover of 1.75 times following a period of integration and deleveraging. The Board will also consider the prevailing strength of the balance sheet and general economic circumstances, with particular regard to the cyclicality of the industry.

The Board

I would like to thank my colleagues on the Board for their support and guidance to the leadership team and to me personally in what has been a busy and significant year for the Group.

I am pleased to welcome Graham Prothero to the Group and to the Board. Graham, who was previously the Chief Executive of Galliford Try plc joined the Group as Chief Operating Officer following the Acquisition on 3 January 2020. Graham brings deep knowledge of the acquired businesses as well as broad sector experience.

The future

The Group has an exciting future with very significant opportunities to be realised from the Acquisition. The progress, achievements and learning from the past three years positions us well, and the integration process, taking the best from both, is well underway. The market fundamentals remain strong and with greater political certainty, we have seen a welcome increase in consumer confidence and demand for our new houses. I look forward to updating you with our progress.

Ian Tyler
Chairman

Directors Remuneration Report pages 88 to 106

What we do

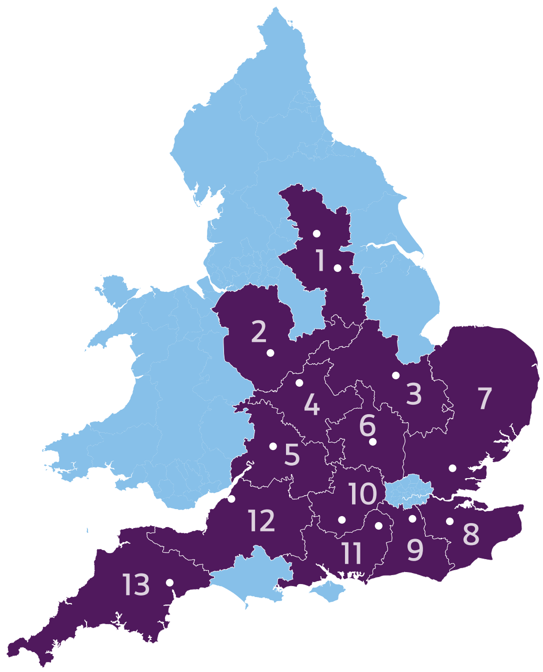
Vistry Group is a top five national housebuilder incorporating the operations of Bovis Homes, Linden Homes and Vistry Partnerships.

With a 5-star HBF customer satisfaction rating, we are focused on delivering high quality, sustainable new developments and communities across England.

We have a high-quality land bank totalling 40,135 plots, and a valuable pipeline of strategic land plots totalling 31,965.

Housebuilding

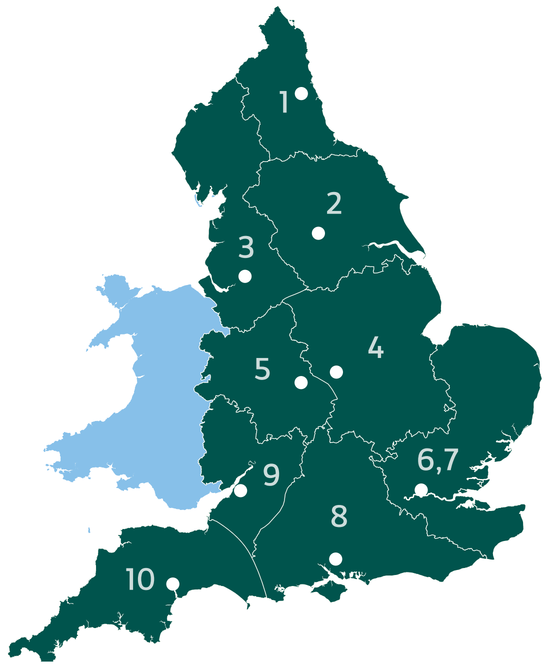
The housebuilding business operates across 13 regions, each with a regional office. Our housing ranges, The Phoenix Collection developed by Bovis Homes, and the Linden Collection are designed to meet today's consumers needs. The design and construction blend tradition and innovation, creating homes and developments with contemporary living standards. Our product range includes two-bedroom starter homes to larger four and five-bedroom family homes.



1 Yorkshire
2 Mercia
3 East Midlands
4 West Midlands
5 Cotswolds
6 Northern Home Counties
7 Eastern
8 Kent
9 South East
10 Thames Valley
11 Southern
12 Western
13 South West

Vistry Partnerships

Vistry Partnerships is a market leader in the high growth, counter cyclical partnerships business. It combines both contracting and development led capabilities and has a leading reputation for delivery, quality and sector knowledge across all housing tenures. The business works closely with Governmental bodies, housing associations and local authorities through its 10 operating regions, each with its own regional office.



1 North East
2 Yorkshire
3 North West
4 East Midlands
5 West Midlands
6 East England
7 London
8 Drew Smith
9 West
10 South West

Reasons to invest

Uniquely positioned national housebuilder combining two high quality housebuild brands with a leading high growth counter cyclical partnerships business.

Bovis Homes

Linden HOMES

Vistry Partnerships

Unique market position

- Combination of a leading national housebuilder with a market leading partnerships business
- Diversified, more resilient revenue base
- Strong growth profile

Market leader in Partnership housing

- Excellent reputation for delivery, quality and sector knowledge
- Strong growth market, less connected to the traditional housing cycle
- Targeting accelerated revenue and earnings growth

Two leading housing brands

- Two established, leading, high quality brands: Bovis Homes and Linden Homes
- Significant opportunity to increase output and returns from dual branding strategy
- Economies of scale

High quality owned land bank

- Over 40,000 plots of high quality owned land
- Attractive market positioning with more than 95% of housebuilding land bank with ASP below £600k and nearly 45% below £300k
- Balanced portfolio across the regions

Excellent strategic land supply

- Strong track record and expertise in strategic land
- Significant, deliverable strategic land pipeline
- Strength in partnerships increases potential from strategic land

Significant improvement in financial returns

- Strategy of controlled organic volume growth in housebuilding and operating margin progression
- Targeting accelerated revenue growth in Vistry Partnerships to over £1 billion, with an operating margin of at least 10%

Housing market overview

Demand for housing in the UK continues to outstrip supply, with the market consistently falling short of the 300,000 new homes p.a. now targeted by the Government.

Demand continues to outstrip supply

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For the 12 months to 31 March 2019, there were a reported 213,860 new build completions. Including net additions from change of use, net additional dwellings in the same period totalled 241,340[1].

Whilst affordability remains a challenge, the wider fundamentals remain supportive. The level of employment is at a record high and is accompanied by strengthening wage inflation.

The lending environment remains favourable with an increasingly competitive mortgage market. Mortgage interest rates have been decreasing with three, five, and ten-year fixed rate mortgages now at record lows.

Government support

The Government continues to be supportive of the housing industry recognising the importance of increasing the supply of new homes to meet the housing shortage.

The Government's Help to Buy equity loan scheme launched in 2013, has helped thousands of buyers, in particular first time buyers, purchase a new home. In 2018, usage of the policy contributed to 5% of total housing transactions and 31% of new build sales in England.

The Government's extension of the programme beyond 2021 was welcomed. Whilst we do not believe the restriction of the scheme to first time buyers only, and the introduction of regional price caps from 2021 will significantly change the utilisation of the scheme, we are factoring these future policy changes into our land buying decisions today.

Good land availability

Land availability remains good and is supported by the overall planning regime across the country, with land vendors remaining incentivised to bring land forward as a result of a large number of local authorities still failing tests set by the National Planning Policy Framework ('NPPF'). Under these tests, local authorities are required to adopt a Local Plan which is less than five years old, which has a proven five-year land supply, and meets a certain rate of annual housing output. Failure to do so results in the local authority foregoing control of planning decisions and the 'presumption in favour of sustainable development' applying. Consequently, applications which are turned down at a local level are more likely to be overruled by central government.

UK planning system

We continue to have a relatively complex, time-consuming and expensive land planning system in the UK. This is compounded by local authorities not putting in place their housing supply plans required under the NPPF. We work very closely with the local authorities and our established relationships and in-house knowledge of the planning system and expertise are often critical in attaining detailed planning and technical consents on development land opportunities.

Shortage of skilled labour

The lack of skilled labour remains a challenge across our industry and one that we are very focused on helping to address. We have a fully developed apprenticeship scheme and trainee site manager programme. Where possible we partner with our supply chain to develop strong relationships that allow them to invest in bringing more people into our industry.

Notes: (1) National Statistics, Housing Statistical Release 13 December 2019

Housing market overview

Demand continues to outstrip supply – outlook for the industry remains positive

Vistry Partnerships

Building sustainable communities

Wixams Retirement Village in Bedford

Chief Executive's report | Greg Fitzgerald

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.

"Customer service remains central to everything we do and I am delighted this is reflected in our 5-star HBF Customer Satisfaction rating for 2019"

"I am pleased to report further significant operational progress in 2019, resulting in another year of record profits"

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.

"The Acquisition firmly postitions Vistry Group as a top UK housebuilder and one of the leaders in the counter cyclical partnerships business"

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.

Partnership housing

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.

Vistry Group

"People satisfaction remains a key priority and we continue to invest in development and training"

Chief Executive's report | Greg Fitzgerald

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 leader 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.

"Vistry Partnerships is one of the leading, most established operators with a very strong record of growth"

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%.

"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"

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 housebuildingin 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.

Vistry Partnerships

Chief Executive's report | Greg Fitzgerald

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.

Greg Fitzgerald
Chief Executive

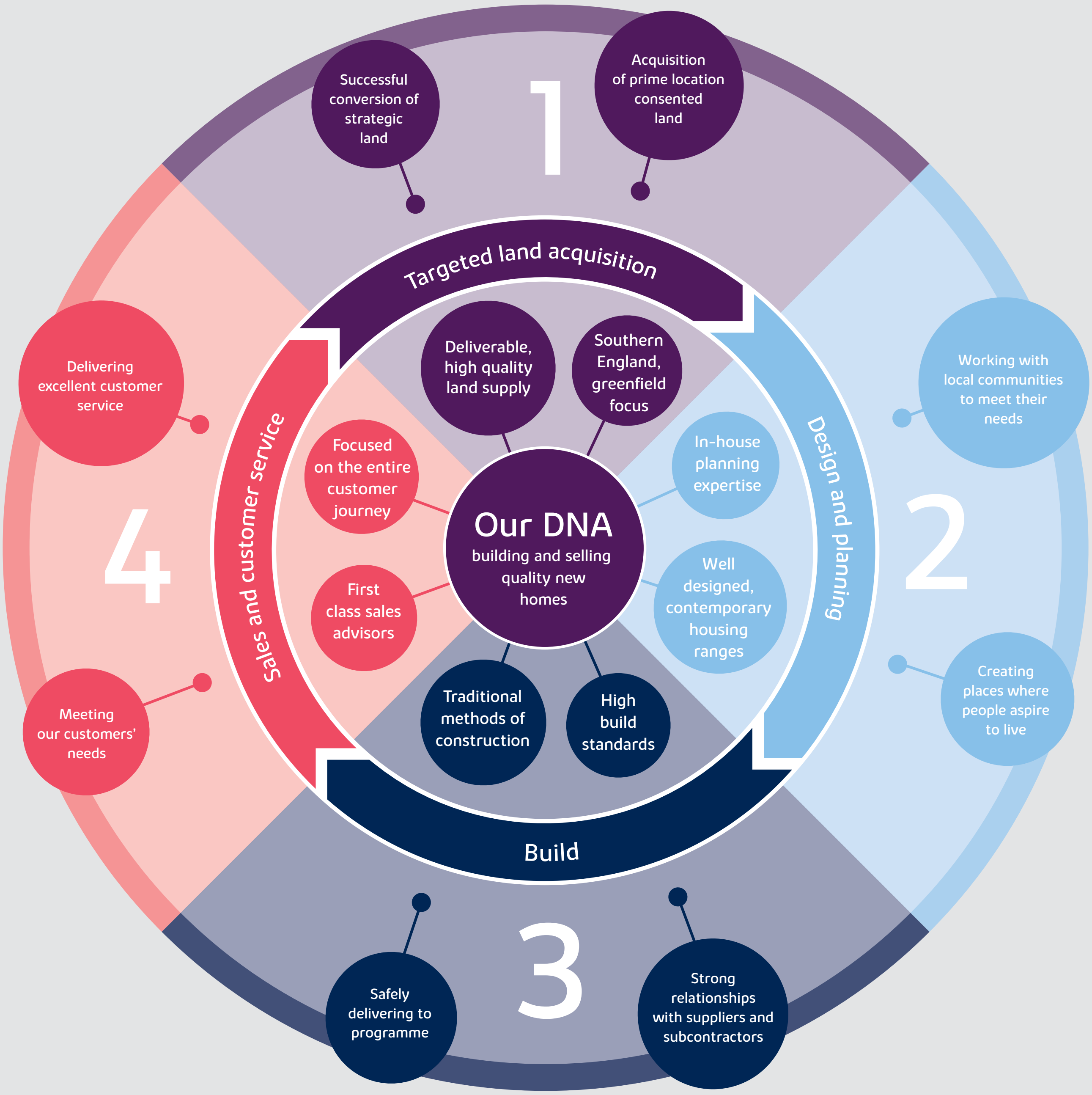
The Aspen | 4 bedroom home
Whiteley Meadows, Whiteley

Transformational Acquisition creating a top UK housebuilder and leader in partnership housing

Our business model

Driving value across the cycle…

We have core expertise and competitive advantage across all the areas we operate, with our business model set up to deliver a strong performance across the cycle



...From our portfolio of brands

Vistry Group

Vistry Group is one of the UK's top five housebuilders

The Maple | 5 bedroom home
Furrowfields Bishops Itchington

Strategic priorities

Strategic priorities	Risks involved	Measuring success

People satisfaction

See page 24

Strategic priorities	Risks involved	Measuring success
Investment in the development and training of our people to ensure a committed, motivated and engaged workforce	• People capability and change • Health, safety and environmental • Increased regulation	• Unplanned staff turnover • Employee engagement score

Customer satisfaction

See page 26

Strategic priorities	Risks involved	Measuring success
Delivering our customers quality new homes and a high level of customer service that meets their expectations throughout their entire journey with Bovis Homes	• Customer service • Increased regulation	• HBF customer satisfaction • NHBC reportable items

Healthy and safe working environment

See page 28

Strategic priorities	Risks involved	Measuring success
Ensuring the health and safety of our people and minimising the accident frequency rate whilst delivering on time, is unequivocally at the core of our business	• Materials and subcontract labour • Health, safety and environmental • Increased regulation	• RIDDOR • Accident frequency rate

Enhanced shareholder returns

See page 30

Strategic priorities	Risks involved	Measuring success
Driving enhanced returns for our shareholders through increased profitability, return on capital employed and total shareholder returns	• Economic and sales environment • Materials and subcontract labour • Project delivery • People capability and change • Increased regulation	• Profitability • ROCE • TSR

Strategic priorities

We have a clear set of strategic priorities which underpin how we operate across all aspects of our business and will support driving towards our medium term targets

People satisfaction

Investment in the development and training of our people to ensure a committed, motivated and engaged workforce

Progress in 2019

In 2019, we continued to invest in the development, training and well-being of our workforce including our subcontractors. The Bovis Homes Training Centre remained a key focal point through its offering of bespoke learning & development solutions to support our people and the needs of the business.

In the year, we delivered more than 4,500 delegate training days, including training support to key business improvement projects. The attendance rate rose to over 90% highlighting the value and importance our people place on their own development.

With the ever-increasing prevalence of mental health issues in the home building and wider construction industry, a key focal point has been the rollout of mental health first aid. Led and delivered by our in-house Learning & Development team, in partnership with Human Resources and Safety, Health, and Environment (SHE), we trained over 30 mental health first aiders throughout the business to raise awareness of the issues and provide support.

We continued the development of our leadership teams with the rollout of Foundation Leadership Training, the final phase of our Building Leadership Excellence programme, which has been delivered to over 60 front line leaders across 240 delegate training days.

We are delighted that leadership frame work has received external endorsement with a nomination for the Construction News Talent Awards for Excellence in Learning & Development.

Our trainee assistant site manager programme ramped up its activity with 2 further cohorts joining in 2019, and we took on a further 23 apprenticeships following a record level of applications.

We advanced work on the functional development framework through working with subject matter experts across all regions to profile key skills, knowledge, behaviours and learning and development requirements for all job roles in sales, customer care, build, and health & safety.

The sales programmes were refreshed in line with the changing needs of the business and a brand-new sales onboarding programme was designed and rolled out to drive ownership and accountability through coaching and on the job learning; giving our new sales people the knowledge, skills and behaviours for the best possible start.

Focus on the digital solutions reached new milestones, with the design and rollout of a mobile training booking service.

Priorities for 2020

The successful integration of the business following the Acquisition is our key focus for 2020. We have made good progress to date with in particular, the operating structure for housebuilding of 13 regions agreed.

We recognise the challenges this period of integration has placed on many of our employees with a c.8% reduction in headcount expected across the business including central services.

Key message

In 2020 we will continue to invest in the learning & development of our people by updating our bespoke offerings to focus on the key knowledge, skills and behaviours of the entire Vistry Group including all SHE development requirements.

There will be a continued rollout of mental health first aid training including awareness courses for line managers.

2020 will also see investment in digital learning solutions for the newly created Vistry Group to include the construction of bespoke eLearning modules, virtual training delivery, and the continued expansion and evolution of the training booking systems and online learning platforms.

KPIs

Unplanned staff turnover

17%

(2018: 22%)

Peakon engagement score

7.9

(2018: 7.7)

Investing in our people

Putting the focus on training and employee engagement

Customer satisfaction

Delivering quality service and homes for our customers remains a key strategic commitment

Progress in 2019

We have seen a continued uplift in our HBF Customer Satisfaction score, moving from a 2-star rating in 2017 to the top 5-star performance for 2019.

There remains a firm focus on placing the customer at the core of everything we do and embedding a service centric ethos across the business.

Customer

This year we delivered many of the new capabilities our customers have been asking for, facilitated by the successful implementation of our customer relationship management system 'Keys' across our Sales and Care teams.

Keys provides a single view of each customer's journey giving our teams far greater insight and information, and enabling them to provide a more personalised and seamless service. It also gives our customers self-help and self-serve functionality, providing them more choice of how and when they choose to do things, making us easier to do business with.

Importantly, this new capability also provides on-going insight and feedback from our customers that has enabled us to:

- Improve visibility of customer insight and feedback across the business
- Continue to improve our policies and processes
- Enhance our analysis capabilities and feedback to our Commercial and Technical teams to ensure continuous improvement in our products.

Following feedback from our Home-Buyers Panel, we launched our first "Unwrapped Home" in 2019. The brief was to take our customers through the journey that their new Bovis Home will go through during construction, and to demonstrate the standard of the build and quality processes followed. The Unwrapped Home, a 3 bedroom Spruce, is now open at Embrook Place in Wokingham and provides a bespoke and unique learning experience for our customers. Visitors are able to clearly see the different stages of construction including wiring, plumbing, structure and design and all the health and safety aspects that are an integral part of the process; providing our customers full transparency of the homes.

Key message

We have seen a continued uplift in our HBF Customer Satisfaction score, moving to a

★★★★★

star performance

Listening to our customers

Our industry leading Home Buyers panel continues to provide valuable feedback, ensuring our customers have a voice and are able to share their views about important changes at Bovis Homes.

This has included the launch of our new housing range, updates and enhancements to our consumer website, the type of training and development our people would best benefit from, as well as helping shape the future customer journey.

Survey feedback is also shared throughout the organisation on a daily basis enabling people to act and continuously improve, whilst get recognised for the great service they are delivering.

People

We continue to invest in our people , working with the Institute of Customer Service to maintain externally benchmarked service training across the business. This year all our Sales and Care Teams have received training on our new customer relationship management platform, Keys.

During the year we have completed a refresh of our Bovis Homes brand. Following feedback from across the business, an updated identity was launched including a new uniform and site and van livery.

Priorities for 2020

Customer service remains central to everything we do and as the Vistry Group, we are committed to continuing to deliver a high quality service to our customers across all our brands.

We will engage with customer panels across the brands to help shape any product or service improvements and ensure what we develop meets our customer needs. Performance will continue to be benchmarked through tracking the 8 week and 9 month HBF survey responses, using insight and feedback from them to identify service improvements.

Delivering for our customers

Listening and engaging to improve quality and service

Healthy and safe working environment

Ensuring the health and safety of our people and minimising the accident frequency rate whilst delivering on time, remains at the core of our business

Our approach

The Group is committed to delivering a high standard of safety for all our employees, subcontractors and other on-site visitors.

With much progress made during 2019, our focus is to continue to further improve all aspects of our SHE systems and ensure we have the teams and processes in place to continue to deliver an improving SHE track record.

Key message

Our key priority for 2020 is to merge the three existing safety management systems into one Vistry Group Safety, Health and Environmental ('SHE') management system

SHE

Progress in 2019

During 2019 we fully refreshed our health, safety and environmental system through the delivery of standard operating procedures. Promoted by a new SHE Director, the standard operating procedures set mandatory best practice design, management and implementation requirements that are regularly audited by our dedicated in-house team of SHE experts.

This internal inspection regime features an overall SHE performance KPI which has been set for all sites and provides a "**Gold – Green – Amber – Red – Black**" dashboard indicator that is updated by the regions daily. This continues to be well received by site teams and has increased the level of engagement for both site management teams and contractors, and is consistent with our strategy to bring about behavioural change.

The Bovis Homes safety awards recognise excellent performance in health and safety at our developments. This year there were awards for the overall site winner, two divisional site winners, two regional winners and two that were highly commended. In recognising performance, more emphasis has been placed on planning, attitude, team relationships as well as performance.

Priorities for 2020

Our key priority for 2020 is to merge the three existing safety management systems into one Vistry Group SHE management system and to ensure we have strong environmental, health and safety teams and processes in place across all areas of the business.

In addition, we will be introducing our new online reporting system for all accidents and incidents. This database known as 'ActivSHEQ' will hold the all future inspection and investigation reports as well as recording near misses.

Following on from this, we will digitalise all SHE Forms, allowing our site teams to complete electronic forms out on site.

We are also introducing our bespoke off-site induction video for workers and visitors accessible through a mobile app.

KPIs

RIDDOR

21

(2018: 21)

Total recordable injury frequency rate (TRIFR)*

1.14

(2018: 1.14)

*As part of our bottom-up safety management strategy and to better align to industry standards leaders, we have adjusted the way we report in 2018 by focusing on lagging indicators such as RIDDORs and recordable incidents. These indicators will tell us how we have performed in the past to help build upon our existing foundations.

Keeping our sites safe

Committed to protecting the public and our people

Enhanced shareholder returns

Driving enhanced returns for our shareholders through increased profitability, return on capital and total shareholder returns

Our approach

The Group is focused on maximising the clear and significant benefits it expects to realise from the combination of Bovis Homes, Linden Homes and Vistry Partnerships and on strengthening Vistry Group's position as a top five UK housebuilder.

The remuneration policy including the management incentive schemes are aligned to the execution of our strategy, with performance measures including an improvement in profitability and customer satisfaction. For 2020, synergy delivery is introduced to maximise acquisition benefits for shareholders.

Progress in 2019

The Group continued to make progress operationally in 2019 delivering further improvement in the business and financial performance.

As a result, the Group had another year of record profit with operating margin improving by 60 basis points to 17.0% and profit before tax before exceptional items increasing by 12% to £188.2m. The Group returned value to shareholders by way of a bonus share issue totalling £60m.

It is from this position of strength, both operationally and financially, that the Group undertook the acquisition of Linden Homes and Vistry Partnerships in January 2020.

Priorities for 2020

The Group is focused on successfully integrating the Vistry Group in 2020 and in particular, the housebuilding businesses of Bovis Homes and Linden Homes. This will ensure it is best positioned to deliver the clear and significant benefits from this compelling combination to our shareholders, including pre-tax cost savings of at least £35m p.a. by 2021.

Vistry Partnerships operates in a high growth market and is targeting accelerated revenue growth and margin expansion, delivering increasing returns.

Deleveraging the Group over the next two years is a key priority to best deliver enhanced returns to our shareholders.

Key message

The Group is focused on maximising the clear and significant benefits from the Acquisition

KPIs

Profit before tax (pre exceptional)

£188.2m

(2018: £168.1m)

Return on capital employed (pre exceptional)

22.3%

(2018: 19.3%)

For calculation of ROCE, see table on page 160

Total shareholder return

71.2%

(2018: 14.4%)

Linden HOMES

Linden Homes:
Berengrave Gardens, Rainham

Focus on better returns

Driving improvements for our shareholders

Risk management

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

The assessment context

The Board has considered the longer term viability of the Group, reviewing this over a 5 year period based on the strategy as outlined on pages 22 to 30 to the current performance of the Group and its principal risks. The average life cycle of our developments falls within a 5 year time period and this aligns with the timeframe focused on for the annual strategic review exercise conducted within the business and reviewed by the Board.

The Group's strategy was communicated in detail at the beginning of 2019 and then refreshed and recommunicated in November 2019 as part of the acquisition.

The Board have highlighted the following elements of the strategy as key considerations in reaching this view, all of which have an impact on the Group's key investment decisions:

- Focused on high quality housing developments through two accompanying brands
- Housebuilding targets edge of town and large village "chimney pot" locations
- Traditional two storey family homes are the core product offering for our housebuilding brands, increasingly through standardised design
- Continued to reduce the average size of our homes over time and ensure they remain affordable
- Partnership programmes include contracting, land-led solutions and mixed tenure housing delivery to better weather changes in UK economic environment
- The Group's strategy is to drive cash into the business leading to a reduction in gearing

Assessment process & assumptions

A Risk Governance Committee operates with representation from all parts of our business to identify and monitor the threats identified from within the Group. This is coupled with a robust assessment carried out by the Board to formally agree and assess the principal risks facing the Group, including those that would threaten the execution of its strategy, future performance and liquidity. Management and mitigation of these principal risks, as set out on pages 34 to 37 have been taken into consideration when considering the future viability of the Group.

As part of its annual strategic review the Board also considered the Group's 5 year financial plan, the core assumptions underpinning this plan and how the current economic and regulatory environment may impact this plan. The early years of the financial plan are prepared in detail with the basis being the development of our existing land bank. There is inherently more uncertainty in the later years of the plan as these incorporate a higher level of assumed housing completions from land owned currently without planning or land not currently owned by the Group. The Group's financial plan has been reviewed in the context of its operational performance during 2019 and stress tested against scenarios to assess the future viability of the Group.

The potentially highest impact risks, from a Group viability point of view, are seen as those which arise from either a downturn in the economic environment, for example following the Brexit transitional period or fundamental changes in government policy, leading to decreased affordability, reduced demand for housing and falling house prices.

Further information on the risk and internal control processes is outlined on pages 84 to 85.

Viability statement

Based on the results of this analysis, the Board have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the 5 year period reviewed.

Going concern

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

Following refinancing in January 2020, the Group currently has a revolving credit facility of £450m, plus £150m of term borrowings, expiring between 2023 and 2025. The Group regards its current banking arrangements as adequate for its needs in term of flexibility and liquidity. As at 31 December 2019, the Group had nil drawings under facilities and had net cash of £362.0m.

Principal risks and uncertainties

More details on the Group's approach to financial risk management are laid out in note 4.5

Principal risks and uncertainties

		Description	Potential impact	Link to strategic priorities	Annual change
Market risk	Economic and sales environment	1 Deterioration of the health of the UK economy, brought about by uncertainty, loss of consumer confidence, higher interest rates and increasing unemployment, leading to decreased affordability, reducing demand for housing and falling house prices.	Adverse affects on consumer confidence and demand for new homes, with consequential impact on revenues, profits and potentially asset carrying values. Potential for increased restrictions on mortgages granted could reduce demand for new homes.		
Operational risk	Materials and subcontract labour	2 Increasing production across the industry may lead to shortages of both materials and subcontract labour. Pressures on supply chain brought about by integration activity that could impact the supply of materials or subcontractor services.	The Group's ability to build is constrained and may impact profitability if costs rise. Inability to source raw materials or unplanned delays in our supply chain. Delays or issues resulting from failed Vistry Group activity.		
Operational risk	Project delivery	3 Inability to convert land assets to support required housing development. A failure to achieve our operational targets due to new programme complexity within our Vistry Partnership business, an inability to execute our homebuilding programme, or a failure to control our life of site costs.	Unable to deliver sufficient shareholder returns from current developments or a failure to achieve our anticipated completions. Cost overruns that have a material impact over financial performance.		

Increase | Decrease | No change

People satisfaction | Healthy & safe working environment | Customer satisfaction | Enhanced shareholder returns

What's changed over the last year?		How we are mitigating the risks?	
• UK general election resulting in a majority government providing some stability.	• After a period of uncertainty during 2019, the UK has entered a transitional period on the 31st January 2020 as part of our exit from the European Union.	• Diversification of our business through the acquisition of Vistry Partnerships with a broader portfolio that includes partnership and regeneration activity. In addition to private housing, programmes now include contracting, land-led solutions and mixed tenure housing delivery to better weather changes in UK economic environment.	• Close monitoring of lead indicators in the housing market, notably visitors to sales outlets, sales rates and price achieved. • Maintaining a rigorous risk based approach to land acquisition and portfolio of partnership and regeneration with senior board scrutiny where required. • A focus on cash generation and post-acquisition synergy saving to further strengthen our financial resilience.
• Standardised housing range designed and implemented for each homebuilding brand – Bovis Homes and Linden Homes.	• Recent events in China (coronavirus) may have an impact on our ability to source materials and/or any pandemic that may impact availability of UK workforce.	• Maintain clear visibility of future production requirements and its impact on suppliers and subcontractors. • Maintain close relationships with key suppliers and subcontractors to gain visibility of future supply against need. • Dedicated steering group to assess financial synergies and operational performance of new Vistry group supplier agreements.	• Centralised processes to monitor life of site costs across all our active sites, providing early warning and trend analysis. • A quarterly supplier survey process established to better understand Vistry Group strengths and areas for improvement in managing our supply-chain relationships.
• Expansion of our ERP system that has delivered new system capability to improve build forecasting and planning processes.	• Vistry Partnerships adds significant complexity as our programmes now include contracting, land-led solutions and mixed tenure housing delivery which could have a significant impact on our cost, revenue and delivery performance.	• Monthly build and cost forecasting processes with regular group oversight of regional performances. • Close monitoring of build performance and delivery against plan through regular onsite visits from the leadership community.	

Operational risk continued on next page ▼

		Description	Potential impact	Link to strategic priorities	Annual change
Operational risk	Customer service	4 Product quality and service standards that do not meet our customers' expectations or fall short of the standards expected from supervisory bodies.	The reputation of the Vistry Group brands is diminished with an adverse effect on sales volumes and returns. Excessive time and expense rectifying and compensating customer, impacting planned business operations.		
Operational risk	People, change and business continuity	5 An inability to attract, develop or retain good people alongside the impact resulting from the acquisition. Major IT failure or cyber-attack disabling critical systems.	The loss of retained knowledge or skill may inhibit the Group's ability to achieve both its integration strategy and/or financial performance targets. The loss of IT capability or significant data loss.		
Operational risk	Health, safety and environmental	6 Unsafe practices in our construction activities causing injury or death to our stakeholders and damage to communities.	A loss of trust in the ability of Bovis Homes to build homes safely and in an environmentally responsible way, affecting the reputation and financial health of the business.		
Financial risk	Liquidity and funding	7 A failure to generate enough liquidity to manage short-term and long-term funding or investment requirements.	Failure to service debt, comply with borrowing covenants or generate sufficient cash to meet working capital requirements. A failure to manage liquidity requirements impacts preparedness for potential changes in economic environment and take advantage of appropriate land buying or investment opportunities to help deliver improved financial performance.		
Financial risk	Increased Regulation	8 Inability to adhere to an increasingly stringent regulatory planning and technical requirements affecting the market. Continued pressure from the government to ensure sufficient homes are built, and built in a sustainable way.	Increased costs, disruption and reputational damage.		

	What's changed over the last year?	How we are mitigating the risks?
	• Continued TV and print media scrutiny of customer issues relating to home build quality across the sector. • Bovis Homes trending as a "5-star" builder due to a much improved HBF satisfaction score. • Implementation of a new CRM tool that is allowing us to revisit all our customer processes to simplify and improve the customer experience.	• All homes built are subject to NHBC building control inspections. • Quality inspections completed by build staff, sales staff and regional directors. • Customer Home Buyer panel to gather insights which are being used to improve our customer offering and service. • CRM system that puts customers in control when raising issues and communicating with customer care teams.
	• The implementation of a transitional service agreement (TSA) through Galliford Try group services to provide some system and process capability until appropriate transition to Vistry Group. • Significant investment in IT capability and networking delivered replacing legacy systems, improving resilience and customer and back-office processes.	• New staff policies and processes to improve employee experience with a particular focus on family friendly benefits. • A working group overseeing all project and programme change, with heavy internal promotion to ensure change is managed effectively. • Engagement strategy with continued refinement of internal communications supported by a quarterly employee survey to create a strong framework of two-way communication.
	• Investment made in additional health and safety advisors to increase performance across the business. • Implementation of a standard operating procedure to ensure SHE is considered in all aspects of site operation and build processes.	• A consultative committee reviews performance and regulatory requirements for SHE matters. • Monitoring health, safety and environmental performance against a standard of excellence. • A requirement for regular training for all staff and site based personnel. • Effective communication processes in place to proactively manage and monitor issues.
	• New banking and loan agreements as part of the formation of Vistry Group with suitable covenants and headroom implemented. • The new group has a more diversified portfolio that has a different working capital requirement than just homebuilding.	• Regular reporting from within all business units to ensure our cash position is sustainable. • Regular reviews of our banking arrangements, covenants and capital structure, which were reviewed in depth as part of the acquisition.
	• The government has now approved a policy drawn up by lenders, surveyors and developers, designed to streamline the safety certification required. The "Fire Safety Review" has made recommendations on building safety which will impact all parts of the Vistry Group. • Partnership blend of programmes introduces a significant increase in mixed tenure social and afforable housing increasing the scruitiny in terms of social value and requirements for sustainability within the communities we build. • An increase in the awareness of sustainability including a new government declaration on a UK carbon neutral target.	• Self-assessment process to check that controls and external standards are being adhered to across the business. • Participation in industry forums and events discussing potential regulatory changes and impacts. • Investment in customer facing systems that help support compliance to anticipated standards should a regulator be enacted. • Recruitment and upskilling of our company secretarial team to ensure ongoing compliance to key external laws and regulations.

Vistry Group

Delivering quality new homes

Millwood Meadows, Redditch

Introduction

2019 Highlights:

Gold award

We are the first dedicated housebuilder to be awarded the Ministry of Defence's Employer Recognition Scheme Gold Award.

5-star housebuilder

The HBF has independently measured the satisfaction of our customers and we're proud to be one of the top performing, 5-star housebuilders.

Hedgehog highways

We're the first housebuilder to commit to building hedgehog highways on all our Bovis Homes branded developments.

Mental Health First Aiders

We're training employees across the business in mental health first aid to raise awareness of mental health in the work, reduce the stigma and provide practical support to those affected.

We're committed to operating in a sustainable manner, for the benefit of our stakeholders and to support the delivery of our strategy.

We focus our efforts in four key areas - people, health and safety, the environment, and the community, with a view to delivering long-term sustainable success. A new sustainability strategy for Vistry Group is also in development. This will set out a new challenge in how we maximise the social contribution and leverage the unique opportunity that Vistry Partnerships provides in delivering positive change in local communities. Our CSR priorities are shaped around the issues that are both important to our stakeholders, and important to our business, be it addressing a business risk or opportunity, or strategy delivery. We actively engage with all our key stakeholder groups to shape our long-term approach and share details of our engagements in our Section 172(1) Statement on page 42.

For each of our CSR priorities we operate a framework of Group policies and procedures, all underpinned by a culture of Integrity, Caring and Quality. A summary of the CSR policies are shown below in our Non-financial Information statement.

These policies are introduced to employees in our induction process, are available on our intranet, and are shared with our suppliers.

Compliance is monitored quarterly, with all Group and regional leaders required to confirm that they, and their teams, have abided by the policies.

Any suspected policy non-conformities can be raised in accordance with our "Speak Up" Policy. This policy has been substantially evolved this year and not only details the whistleblowing process but reflects the company's commitment to openness and proactively raising concerns.

The Group recognises the importance of climate change and the collective responsibility we all have to mitigate its negative effects. We strive to continuously improve our CSR approach and drive this at both a Group and local level, empowering employees across the business to drive change.

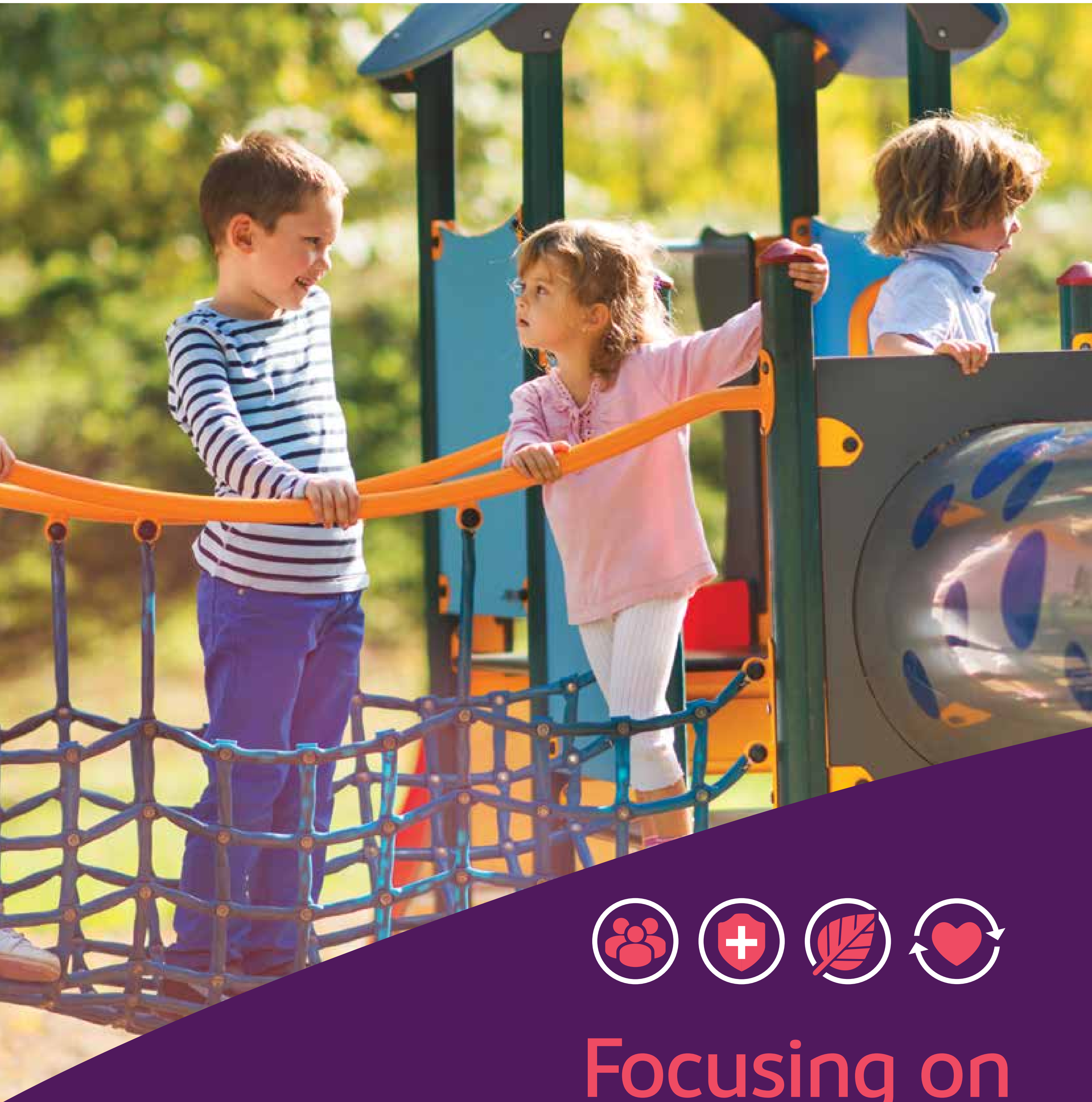
Our Sustainability Committee, established in 2019, centrally co-ordinates our efforts and facilitates the sharing of best practice across our regional business units.

The outcomes from our efforts are measured by a series of key performance indicators which are detailed over the coming pages.

Non-financial Information statement

In accordance with The Companies (Miscellaneous Reporting) Regulations 2018 a summary of the Vistry Group non-financial policies are detailed below. Copies of these can be found on our website here: **vistrygroup.co.uk/responsibilities/csr-reports/2019**. For details of our business model please see page 18.

Reporting requirement	Group principle risk	Relevant policies
Company employees	• People change and business continuity • Health, safety and environmental	• Health, Safety and Welfare Policy • Diversity and Inclusion Policy • Ethical Code of Conduct Policy • "Speak Up" Policy
Social matters		We do not operate a Group policy because social issues are assessed, managed and mitigated at a local level. Regardless, any concerns can still be raised via our "Speak Up" Policy.
Human rights		• Anti-Slavery and Human Trafficking Policy • Diversity and Inclusion Policy • "Speak Up" Policy
Anti-corruption and bribery		• Anti-Bribery and Corruption Policy • Anti-Money Laundering Policy • Anti-Fraud Policy • "Speak Up" Policy
Environment	• Health, safety and environmental	• Environment Policy • "Speak Up" Policy



Focusing on our CSR priorities

Supporting sustainability, our people and communities

Stakeholder engagement

We're committed to operating fairly, with integrity and with respect for the opinions and perspectives of our stakeholders. A summary of our engagements is outlined below, and this information forms our Section 172(1) Statement.

Our key stakeholder groups are our customers, employees, supply chain, investors, local and national government and the communities in which we operate. Throughout the year we conduct a series of planned engagements at a Group and local level, as well as informal and ad hoc meetings.

Engagements are conducted by employees at many levels of the organisation. The Board directly participates in some of these engagements and has visibility of some other engagements through the Board reporting process. The views of key stakeholders are used to shape the Company's long-term strategic approach and its CSR priorities – people, health and safety, environment and community.

Stakeholder Group	Key engagements	Outcomes
Investors Institutions and people who are shareholders of our business	**Director involvement:** • Annual General Meeting and other shareholder meetings following the announcement of final and half-year results • One-to-one meetings with investors • Consultation on the Remuneration Policy • Investor feedback results **Other engagements:** • Shareholder information is available on our website • Responses to shareholder information requests • Responses to voting agencies, including IVIS, ISS and PRIC For more information see pages 40 to 63 and pages 70 to 85	The Board has a deeper understanding of shareholder views as a result of one to one meetings with investors Implementation of the new Remuneration Policy is under consideration, taking the views of shareholders into account The Board has greater understanding of what our investors expect from our engagement with voting agencies Feedback received from investors regarding the acquisition of Linden Homes and Vistry Partnerships was extremely helpful and was used to shape various aspects of the transaction, including structure, financing and the Placing
Customers The people who purchase our homes	**Director involvement:** • Engagements with housing associations **Director visibility** • HBF customer satisfaction survey (8 week and 9-month) • Group Home Buyers' panel • Feedback from ad hoc engagements are made visible to the CEO as necessary by the Customer Experience Director who reports directly to the CEO **Other engagements:** • Direct engagements with sales and construction teams on site • Digital engagements via our CRM system • Social media For more information see pages 40 to 63 and pages 70 to 85	The HBF has independently measured the satisfaction of our customers and we're proud to be one of the top performing, 5-star housebuilders We introduced a new customer care management system 'Keys' which delivers many of the new capabilities our customers have been asking for Our first Unwrapped Home was launched following feeedback from the Home Buyers' panel
Employees Our directly employed staff	**Director involvement:** • The Vistry Voice, a weekly podcast, usually by the CEO • Regional roadshows • People Forums • Regionally located Board meetings • Non-Executive Director business unit visits • SAYE and SIP schemes **Director visibility (board reports)** • Quarterly engagement survey	In 2019, the approximately 43% of employees were participants in a ShareSave plan, which represented approximately a 10% increase from 2018. The share plans encourage employee engagement in Group success We updated our whistleblowing policy to our "Speak Up" policy following employee feedback

Stakeholder Group	Key engagements	Outcomes
Employees Our directly employed staff	**Other engagements:** • Employee representatives • Update news (quarterly newsletter) • Intranet • Health and well-being training For more information see pages 40 to 63 and pages 70 to 85	We're training employees across the business in mental health first aid to raise awareness of mental health in the work, reduce the stigma and provide practical support to those affected
Supply chain Our supply chain consists of material suppliers and subcontractors. Relationships with material suppliers are coordinated at a Group level and complemented by local business units. Relationships with subcontractors are driven by the local business unit	**Director involvement:** • The CEO and CFO maintain relationships with directors of the Group's key suppliers **Director visibility** • Supplier 360° feedback survey results are shared with the Risk Governance Committee and Board **Other engagements:** • Regional MDs host local supply chain engagement events • Group Commercial deal with procurement and hold face-to-face account reviews with all key suppliers on a regular basis • Local business units frequently meet with key subcontractors • Supplier website hosting all technical specifications • Project pipeline information is periodically emailed • Supply Chain Sustainability School partners • Performance questionnaire sent to group and local subcontractors and suppliers. For more information see pages 40 to 63 and pages 70 to 85	We held roadshows rolling out SHE Standard Operating Procedures (SOPs) following engagement with supply chain We provide access to CSR training resources to our supply chain through the Supply Chain Sustainability School Feedback from suppliers and subcontractors is provided through Risk Governance Committee The 360° supplier feedback has resulted in the implementation of fuel efficient telehandlers, a reduction in idling time and carbon emissions, and the launch of our project pipeline giving overall visibility to aspects of our construction activity to the supply chain
National and local governments Government departments that shape the legislative environment in which we operate and local planning departments	**Director visibility** • HBF Skills Panel • Industry body memberships and events (including HBF and NHBC) • Meetings with Housing Association partners **Other engagements:** • Local planning meetings • Environment Agency and local water authorities For more information see pages 40 to 63 and pages 70 to 85	We have a better understanding of what our housing association partners expect from our engagement with them Awarded six Pride in the Job awards and two Seals of Excellence from NHBC
Environment and Community The environment and communities local to our offices and sites	**Director involvement:** • Group-level charitable donations **Director visibility** • Land purchase and planning application decisions • Armed Forces Covenant initiatives and award (see page 60) • British Hedgehog Preservation Society Partnership (see page 51) • Feedback direct from Housing Associations through a questionnaire **Other engagements:** • Public consultations For more information see pages 40 to 63 and pages 70 to 85	Gold award received in the MOD's Employer Recognition Scheme for support for Armed Services Formation of Sustainability Committee reporting to the Board Commitment to build hedgehog highways on all 'Bovis Homes' branded developments Feedback from housing associations on the company performance and communication is provided through Risk Governance Committee

CSR strategic priorities

Our CSR strategic priorities are shaped around our four pillars of people, health and safety, environment and community.

Hampton Meadow, Stadhampton

1 People

2 Health and safety

3 Environment

4 Community

Performance 2019

1 People

- Improve our customer satisfaction rating
- Embed our core values across the Group and new joiners
- Continue to develop our apprenticeship programme
- **Employee:** engagement score
- **Employee:** wellbeing initiatives

2 Health and safety

- Reduce annual injury incidence rate
- Improving leadership behaviours
- Enhancing quality of workforce engagement
- Harmonise Health & Safety practices across the Group

3 Environment

- Refine our waste reduction strategy
- Reduce active waste per home
- Reduce active waste sent to landfill
- Set target for active waste per plot
- Reduce our Greenhouse Gas (GHG) emissions against our chosen intensity measures

4 Community

- Continue to develop our strategic offering to assist with affordable housing
- Continue to build on our relationships and support our subcontractors and suppliers
- Ensure our charitable giving maximises social impact locally and nationally

Priorities for 2020

1 People

- Align and enhance employee experience across the entire Vistry Group through a focus on communication, support and employee engagement
- Align and enhance rewards and benefits offering, leadership training and employee wellbeing initiatives, together with a revised recruitment strategy to attract talented individuals
- Continued investment in IT to improve ways of working and employee experience across the entire company, sharing the best practice from all areas of Vistry Group
- Investment in training to support our change programmes including investment in new processes and systems across Vistry Group
- Continue our focus on mental health training and awareness

See page 46

2 Health and safety

Strengthening our environmental, health and safety teams, committee structure and safety management system;

- Continuing to take a sensible, proportionate approach to managing the hazards associated with our work activities
- Roll-out the off-site induction video for workers and visitors accessible through a mobile app
- Introduce the online reporting system providing real time feedback. The system will be is accessible via the intranet and SHE Advisors can complete reports as soon as an event ends providing immediate feedback
- Develop one Vistry Group health and safety management system

See page 52

3 Environment

- Reduce our GHG emissions against our chosen intensity measures
- To reduce the cost and tonnes per sq ft built
- Measure and therefore maximise skip volume to ensure skip capacity is fully utilised on site

See page 54

4 Community

- Continue to develop our strategic offering to assist with affordable housing
- Continue to build on our relationships and support our subcontractors and suppliers trough regular meetings and training opportunities
- CSR volunteer days for our people

See page 58

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

Our corporate social responsibility (CSR) priorities

1

People

KPIs	2019	2018
Staff turnover (unplanned)	17%	22%
Training days	4,548	4,505
Apprentices*	23	37
Customer satisfaction rating**	5-star	4-star

* Our 2018 apprentice numbers represented our initial intake as a result of the launch of our new apprentice programme
** Based on an industry recognised independent survey conducted by the HBF

Our people are critical to the success of our business and the delivery of our strategy.

We recognise that not being able to attract and retain good people is a principal risk to our business, so we work hard to understand our employee views and ensure that we provide an environment they can thrive in.

Our approach to people is guided by a robust framework of Group policies and procedures and a network of HR professionals.

As at 31 December 2019, the Group directly employed 1,360 people (2018: 1,295). This year the total employee turnover rate decreased to 24% (2018: 28%) due in part to a reduction in the number of redundancies made during the year. Furthermore, unplanned staff turnover reduced significantly to 17% (2018: 22%) which is supported by a improved overall employee satisfaction score, which rose to 7.9 out of 10 (2018: 7.7) in November 2019.

integrity Caring Quality IQ

Culture and values

Our company culture is shaped by our three company values of Integrity, Caring and Quality.

We embed these into the business through our induction and appraisal processes and through leadership promotion. They are regularly referenced in the CEO's messages and those of other ELT members and regional directors.

Our values and the minimum ethical standards we expect are set out in our Code of Conduct Policy. As with our other policies, non-conformities can be raised in accordance with our "Speak Up" Policy.

Communication and engagement

We recognise the importance of keeping employees informed of operational, financial and strategic business matters and do this in a number of ways, including:

Vistry voice

- **Vistry Voice**
  A weekly podcast from the Chief Executive or other ELT member provides regular light-hearted updates on a range of topics including business priorities, performance and an opportunity to provide individual and collective recognition across the business.

Update news

- **Update News**
  The quarterly staff newsletter.
- **Regional roadshows**
  These biannual events see the CEO and CFO travel around the regional offices in the weeks following the full-year and half-year results to deliver a bespoke presentation to both site and office staff, supported by that business units Managing Director. During these roadshows there are opportunities for employees to ask questions.
- **Employee representatives**
  Each regional business meets regularly with employee representatives to discuss matters that may impact staff.

dug

- **Intranet**
  Two-way communication is encouraged across all employee engagement platforms and specific exercises to understand employee viewpoints are conducted.

We run a People Forum periodically throughout the year. The two sessions in 2019 were hosted by one of our Non-Executive Directors and attended by employee representatives from each of our regional businesses. Feedback from these forums is directly fed back to the board by the Non-Executive Director.

In addition, a confidential employee engagement survey is sent to all employees every quarter covering a number of topics that are assessed regularly by the senior leadership team.

Alison Shipway | Sales Advisor

Putting the focus on people

Supporting our staff to deliver quality for customers

Our corporate social responsibility (CSR) priorities

Vistry Group: Reading training centre

Training and development

We have continued our investment in training during the year to ensure our employees are equipped to undertake the functions for which they are employed, and to provide the opportunity for career development equally and without discrimination.

All new starters attend the centralised company induction on their first day, with personal emphasis on our values from the Chief Executive. They receive a welcome personally from a member of the ELT, followed by subject matter experts providing key information on subjects such as our values, HR, SHE, learning and development and IT. This is then complemented by regional and functional inductions at the employee's normal place of work from day two.

Any further training needs are identified during the employee's probation period and thereafter formally during the annual appraisal process, as well as when business or role changes require it. Training is offered on a range of topics, including health, safety and environmental matters (in accordance with the Group's SHE core training matrix), IT, General Data Protection Regulation, sales and customer care (supported by the Institute of Customer Service) and managerial skills.

Structured development programmes are also offered. These include trade, office and sales apprenticeships (our 23 places received a record 900 applications this year), a trainee assistant site manager programme (2 cohorts in 2019) and a leadership training programme for directors and middle management.

Professional qualifications are supported through our Group educational sponsorship policy which will meet course expenses, including allowing day release, where appropriate. We also partner with organisations such as the Royal Institute of Chartered Surveyors (RICS) to facilitate professional qualification for our surveying teams.

A total of 4,548 training days were delivered during the year via our Group Learning & Development team (2018: 4,505), equivalent to 3.3 days per employee (2018: 3.5).

Respect for employee rights

The Group operates solely in the UK and complies with all relevant legislation and regulations. As a result, human rights issues are not deemed as a significant risk to the business and the Group does not operate a stand-alone human rights policy.

The Group does however operate policies covering our most significant human-rights related issues, a Diversity and Inclusion Policy and an Anti-Slavery and Human Trafficking Policy.

In addition, the Group believes that it has a key role to play in ensuring that employees have an appropriate work life balance. We aim for no employees to work excessive hours, seek to minimise weekend and late night working and allow the purchase and sale of holiday days. We also encourage flexible working and offer enhanced maternity, paternity, adoption and shared parental leave.

Equality, diversity and inclusion

The Group passionately believes in equality and diversity for all and does not discriminate between employees, or potential employees, on the grounds of gender, sexual orientation, age, colour, creed, ethnic origin or religious belief. To that end, we have a Diversity and Inclusion policy which is rigorously enforced and promoted.

It is also Group policy to give full and fair consideration to the employment needs of disabled persons (and persons who become disabled whilst employed by the Group) where requirements may be adequately covered by these persons and to comply with any current legislation with regard to disabled persons. The Group's policies are supported by the Group's Dignity at Work policy which prohibits bullying, harassment or victimisation.

We have undertaken a number of measures to promote an inclusive environment, including raising the profile of our diverse leaders and reflecting diversity in our communication materials. We're also proud to be signatories of the Government's Social Mobility Pledge which facilitates employment of people from disadvantaged backgrounds. Our latest employee survey affirmed our inclusive culture with 77% agreeing that colleagues welcome opinions different from their own.

A breakdown of our employee profile by gender and age as at 31 December 2019 is shown below.

Analysis by role and gender

Role	Female	Male	Total
Non-executive directors	2	4	6
Executive directors	0	2	2
Senior managers	6	20	26
Managers	89	171	260
Site based staff	143	428	571
Support staff	232	200	432
Apprentices	7	56	63
Total	**479**	**881**	**1,360**

Analysis by age

Age	No. of employees	%
<21 years	55	4.0
21 – 30 years	231	17.0
31 – 40 years	332	24.4
41 – 50 years	344	25.3
51 – 60 years	307	22.6
>60 years	91	6.7
Total	**1,360**	**100%**

In common with the construction industry as a whole, the majority of our workforce is male (2019: 64.8%). While a lower proportion of senior management and directors are female, the Group encourages and supports diversity, including gender.

The Group's gender pay gap report detailing performance and priorities is available on our website.

Modern Slavery

We recognise that modern slavery can occur in the construction industry and it is a risk to our business. We operate an Anti-Slavery and Human Trafficking Policy which applies to all staff and is incorporated into our agreements with subcontractors and suppliers. It outlines our zero-tolerance approach to slavery and human trafficking and supports the Group's efforts to combat modern slavery.

The Modern Slavery Act working group oversees the Group's approach to eliminating modern slavery from the business and comprises a collaborative cross-functional team which meets on an at least quarterly basis. We are also a member of the Supply Chain Sustainability School Modern Slavery Engagement Programme which aims to increase awareness and provide guidance and training to our supply chain.

Any modern slavery related concerns can be raised in accordance with our "Speak Up" Policy. There were no reports of modern slavery in the Group made in 2019.

Anti-corruption and anti-bribery

The Group is committed to high ethical, legal and moral standards but recognises that corrupt behaviours are a potential risk. To mitigate this risk the Group operates an Anti-Bribery and Corruption Policy, Anti-Money Laundering Policy and Anti-Fraud Policy. These policies are supported by a network of procedures and checks.

Our controls focus on our relationships with our customers and supply chain. We work hard to make sure we know all our customers and all customer interactions are logged in our new CRM system. We conduct mystery shopper activities and do not accept any cash payments. Cross-regional cost checks and land purchase processes allow for monitoring of potentially suspicious supply chain activity and all employees are subject to the Group's corporate hospitality policy. All subcontractors are made aware of our policies and are encouraged to adopt their own policies.

Our internal checks are complemented by our external lawyers who are made aware of all of our policies and take them into consideration when reviewing contracts.

The effectiveness of these policies is scrutinised and reviewed by the Audit Committee. As with our other policies, any suspected non-conformities can be raised via our "Speak Up" Policy.

Health and safety:

Vistry Group backs industry's mental health campaign

We were the first housebuilder to sign up to back the charity Mates in Mind that supports construction employees, and we're fully behind this new industry-wide initiative.

Health and safety:

Mental health is a priority for the Vistry Group

The Group is proud to have signed up to the Building Mental Health Charter, an industry initiative being driven by the Home Builders Federation and the Lighthouse Construction Industry Charity.

Bob Wolstenholme
Safety, Health & Environment Director

The charter gives best practice guidance to companies on how to provide mental health support for workers in the housebuilding industry.

The Group trains staff as Mental Health First Aiders in every location and office in which they operate. We recognise that the symptoms of mental ill-health can be much harder to identify than physical ailments and this training will help equip our staff with the skills to spot the signs early.

The Mental Health First Aiders will be points of contact for employees or subcontractors to raise concerns to, and they will also proactively reach out to colleagues they feel may need support.

Mental Health First Aid
Training delivered to Home Builders Federation staff by Sam Davey (Core Training and Planning Manager) **and Rob Middleton** (Training Development Officer)

Environment:

First housebuilder to install hedgehog highways on all developments

The Group has joined forces with the British Hedgehog Preservation Society (BHPS) to launch a trailblazing campaign to protect hedgehogs and other endangered creatures.

The population of hedgehogs is sadly in decline as they struggle to find enough food, mates and shelter. In response to this important issue, the Group has committed to installing hedgehog highways in all existing "Bovis Homes" branded developments, as well as all future sites.

These ground-level holes in fencing and other barriers facilitate the movement of hedgehogs and other small mammals between gardens.

As part of our ongoing partnership with the BHPS we have also donated £5,000, will build hedgehog homes in open green spaces and will work with the BHPS to provide our customers with literature on helping hedgehogs.

2

Health and safety

KPIs	2019	2018
RIDDORs	**21**	21
Total Recordable Injuries	**182**	220
Lost Time Injury Frequency Rate (LTIFR)	**0.13**	0.11
Total Recordable Injury Frequency Rate (TRIFR)	**1.14**	1.14

The safety of our people, and those who work with us, is our top priority.

We mitigate the risk of incidents with a robust Health, Safety and Welfare Policy, associated procedures, a team of health and safety professionals and a culture of behavioural safety. Going beyond just safety, we recognise the impact of mental ill-health and are taking a number of steps to address this important issue.

Safety

Achieving high standards of health and safety is an integral part of business performance. Its importance is evident throughout all levels of the organisation. Health and safety is one of the first topics to be covered in executive meetings, and it is highlighted early in our new starter induction, with clear linkage to our values and ethos.

Our approach is to comply with all statutory provisions at a minimum and strive for continual improvement by setting appropriate health and safety objectives and targets. We're very sad to report that this year we did incur a fatality on one of our construction sites. We are investigating this fully and continue to drive improvements in all aspects of safety to prevent this occurring again.

During 2019 we fully refreshed our health, safety and environmental system through the delivering of standard operating procedures (SOPs).

Promoted by a new Health, Safety and Environment Director, the SOPs set mandatory best practice design, management and implementation requirements that are regularly audited by our dedicated in-house team of SHE experts.This internal inspection regime features an overall H&S performance KPI which has been set for all sites and provides a **"Gold – Green – Amber – Red – Black"** dashboard indicator that is updated by the regions daily. This continues to be well received by site teams and has increased the level of engagement with both site management teams and contractors and is consistent with our strategy to bring about behavioural change.

A key facet of the new management system is stakeholder engagement. We involve contractors early in the project to deliver improved quality and safety of works. This approach has already resulted in a 30% reduction in service strikes.

Whilst the LTIFR has increased slightly (0.13 in 2019 compared to 0.11 in 2018), this is well within our tolerance levels and the marginal increase is due in part to a reduction in overall working hours, rather than an increase in injuries.

Furthermore, we actively promote worker engagement at site level through daily activity briefings ("DABs"). These provide an opportunity for site management to communicate with subcontractors in respect of tasks scheduled to occur that day and particular risks that may arise as a result. They also provide a forum for subcontractors to provide feedback, for example in respect of near-misses and agree improvements implemented.

We think it's important to recognise and encourage excellence in safety and run an annual safety award scheme, the Best Sites Award. This year there were awards for the overall site winner, two divisional site winners, two regional winners and two that were highly commended. Winners were selected based on their approach to safety planning, attitude, team relationships as well as performance.

Health and wellbeing

Sadly, incidents of suicide in the construction industry are high. We recognise the importance of this issue and are determined to be an industry leader in tackling mental health.

We were the first housebuilder to become a supporter of Mates in Mind, a construction industry initiative which aims to increase awareness of mental health and to reduce the stigma attached to it.

Building on this, this year we have committed to ensuring there are qualified Mental Health First Aiders (MHFA) available in all areas of our business. The role of the MHFAs will be to raise awareness of mental health in the workplace, reduce the stigma surrounding mental health issues and provide practical support to anyone personally effected.

We also strive to facilitate wellbeing with a range of regionally co-ordinated activities, including regular teambuilding exercises, away days and yoga sessions.

Jack Allen | Site Manager

Committed to health and safety

Comprehensive health and safety training for all employees

Our corporate social responsibility (CSR) priorities

Environment

KPIs	2019	2018
Recycling	**96%**	94%
Waste per plot	**6.77**	5.94
GHG emissions	**1.55**	1.59

The Group recognises its responsibilities to protect and enhance the environment and to minimise, so far as it is safe, practicable and economically sound, any adverse environmental impact of its activities.

The Group's commitment to the environment is set out in the company's Environment Policy, which is underpinned by associated procedures.

Our key environmental risks are waste, climate change, biodiversity, flooding and sustainable timber. We strive to minimise our impacts in these areas and to have a positive impact where we can.

Waste

The 2019 reporting period showed an increase in overall waste per plot, driven by less waste being removed by ground workers. Reducing this will be a focus for 2020. One solution to this issue that we have introduced this year is the use of green waste soil improvers. In certain circumstances these can be added to existing topsoil to make it suitable for use, thus reducing the need to landfill and replace the pre-existing soil.

Overall our level of recycling increased to 96%. To drive further improvements we continue to enforce waste segregation on all sites and have increased transparency of waste performance metrics with monthly waste reports.

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

Climate change

We continue to recognise the importance of climate change and strive to minimise the long-term impact of our homes, as well as our operational footprint.

For our homes we take a fabric first approach, using design and careful material selection to reduce the need for heating. In some cases this will be complemented with the provision of renewable energy sources.

From an operational perspective our focus this year has been on revising our company car policy to limit CO_2 emissions. We have also renewed our forklift truck fleet and specified machines that are no more than two years old, to ensure improved efficiency.

Our overall GHG emissions for the year are 6,245 tonnes, a small increase from last year due to an increase in the number of homes built.

GHG emissions have been reported from all sources required under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. These sources fall within the Group's operational control.

Tonnes	2019	2018
Total waste diverted from landfill	**25,133**	23,972
Comprising: Timber	**2,965**	3,094
Plasterboard	**2,920**	3,291
Hazardous	**6**	19
Light Mixed Compactable Waste	**17,937**	16,399
Other	**1,306**	1,169
Total waste to landfill	**1,057**	1,469
Comprising: Timber	**0**	0
Plasterboard	**0**	0
Hazardous	**1**	0.2
Light Mixed Compactable Waste	**1,028**	1,430
Other	**28**	39
Total waste	**26,191**	25,441
Number of plots	3,867	3,759

Protect and enhance the environment

Aiming to take a sustainable approach

Our corporate social responsibility (CSR) priorities

The Group does not have responsibility for any emission sources that are not included in the consolidated financial statements and are outside the boundary of operational control.

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

GHG emissions have been calculated using emission factors from UK Government's GHG Conversion Factors for Company Reporting 2019. Scope 1 emissions arise from the consumption of gas at our facilities, diesel on construction sites and UK business mileage in fleet cars.

Emissions from air conditioning in offices have been excluded as not being material. Scope 2 emissions represent purchased electricity.

Greenhouse gas (GHG) emissions data for the period 1 January 2019 to 31 December 2019 (with prior year comparatives)

Emissions from:	2019	2018	2017	Unit
Combustion of fuel at our facilities and construction sites as well as fleet vehicle use (Scope 1 emissions)	5,275	4,902	5,683	*
Purchased electricity (Scope 2 emissions)	970	1,336	1,522	*
Total GHG emissions (Scope 1 and Scope 2)	6,245	6,238	7,160	*
Company's chosen intensity measurements:				
(i) Total GHG emissions per legally completed unit[1]	1.61	1.65	1.96	**
(ii) Total GHG emissions per 1,000 sq ft legally completed	1.55	1.59	1.81	†

*Tonnes of CO_2e. ** Tonnes of CO_2e per legally completed unit. †Tonnes of CO_2e per 1,000 sq ft legally completed.

Waste management – a joined up approach

"All waste and recycling services for the Group are managed by its appointed partner, Reconomy – the UK's leading provider of outsourced waste management services. Since first joining forces in 2009, the two companies have formed a close working relationship, with an ongoing commitment to minimising waste volumes, increasing recycling rates and reducing waste sent to landfill.

During the start of 2019 the waste policy was reaffirmed by both the Group and Reconomy to support the new housing range and focus trades on the importance of waste segregation. Reconomy also welcomed the Regional buying team to their Head office to demonstrate the new 'Sitebuddy' app, which enables site teams to efficiently order skip exchanges and to take part in the National meeting.

Regular review meetings with Build Directors, together with the production of a monthly management dashboard to monitor cost and waste have enabled the swift identification of any corrective actions, thereby ensuring the delivery of waste management KPIs.

Regular reporting and communication has also led to the creation of a regional league table for waste performance, which has fuelled internal competition and driven further improvements."

Tony Filson,
Corporate Account Manager, Reconomy

Biodiversity

We see biodiversity as an increasingly important issue and strive to not only mitigate our impacts in this area but also to positively encourage biodiversity where we can.

To do this we first conduct extensive pre-construction ecology assessments. These assessments evaluate the suitability of habitats for protected species and log proposals to mitigate the impact of our developments more generally.

Mitigations may include the retention and protection of trees, hedgerows and existing landscape features, new landscaping which provides enhanced habitats for local wildlife and the provision of amenities for the community (e.g. open spaces for community food production). The ecological enhancements provided during 2019 include:

- Hedgehog Highways
- Bird and bat boxes
- Bat garage
- Reptile hibernacula
- Insect hotels
- Orchard planting with associated rough grassland
- Wildflower areas
- Native planting of trees, hedgerows and scrub areas

Two notable Group-wide biodiversity initiatives this year have been the introduction of hedgehog highways on all sites (see page 51) and making improvements to our handling of topsoil.

For the latter we worked closely with a specialist soils consultancy to produce clearer guidance to our sites on the handling of soils at different stages of the project.

This has resulted in improved establishment of planted and seeded landscape schemes and reduced issues with plot gardens.

Going forward we are working to enhance stakeholder awareness of the ecological benefits that our development designs and material choices can create.

Flooding

All sites are reviewed at acquisition stage to determine the likely ground conditions and the type of surface water measures required to limit surface water discharge and any potential for localised flooding. This involves active consultation with the Environment Agency and relevant water authorities to ensure that there is, as a minimum, no impact from our development on local flood conditions.

Our approach is not to acquire sites on flood plains and to incorporate Sustainable Drainage Systems where appropriate for the development.

Sustainable timber supplies

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

Our corporate social responsibility (CSR) priorities

Community

KPIs	2019	2018
Affordable housing completions	1,189	1,192
Planning obligations spend	£37.0m	£25.7m

We take our social responsibilities very seriously. We create spaces where communities will thrive, provide affordable housing, support Force's personnel and contribute to the economy and charitable causes.

Creating thriving communities

We collaboratively design our developments to foster a sense of community.

All of our developments are subject to extensive public consultation prior to commencing on site. We incorporate this feedback into the design process.

Our approach to development design focusses on the principles of Green Infrastructure (GI) - networks of multi-functional green space which includes parks, open spaces, playing fields, woodlands, street trees, allotments, private gardens, sustainable drainage systems and soils. This holistic approach supports peoples' mental and physical health, encourages active travel, improves drainage and improves carbon storage. This year we have been working closely with landscape and ecology consultants to deliver improvements to our GI design and delivery.

Where possible we seek to incorporate leisure and amenity areas, together with integrating developments into local public transport infrastructure. In some cases local resident travel vouchers may be provided to encourage use of public transport.

Where play spaces are included, we work with specialist play space designers to ensure they are inclusive, fun and encourage healthy lifestyles.

Our larger developments will often include provision of a local school or other building of benefit to the local area. As a minimum we commit to provide resources and improvements to the local area in agreement with the local authority.

All of our sites have defibrillators installed and staff are trained how to use them. These can be called upon by local communities and we have also taken the step to ensure that these defibrillators remain within the local area once our developments have been completed.

Affordable housing

We recognise that we have a fundamental role to play in tackling the country's housing supply challenge. We work collaboratively with local authorities and registered providers (RPs) to provide affordable housing across a range of different tenure types. The Government's Help to Buy Scheme and our own Trinity Discount Scheme for Armed Forces personnel are offered on all our developments.

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

Of our 3,867 homes (2018: 3,759) completed in 2019, 31% were sold to RPs (2018: 1,192 and 32%).

Armed Forces Covenant

The Group is proud to be a supporter of the Armed Forces Covenant and to be the first housebuilder to have achieved gold status in the MOD's Employer Recognition Scheme.

We are committed to ensuring that our nation's Forces personnel (past and present), and their families, are treated with respect and fairness and have implemented a number of initiatives to support them. A copy of our commitments can be found on our website.

Driving the local economy

The majority of our site-based population are employed by local subcontractors. The use of local and regional suppliers means that our developments provide benefits for the wider community, through job creation and opportunities for other local businesses to support the development.

Creating vibrant new communities

Supporting our customers on their new home adventure

Our corporate social responsibility (CSR) priorities

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

We upskill our supply chain by providing training on topics such as health and safety and site supervisor safety.

As members of the Supply Chain Sustainability School we also leverage their resources to educate our supply chain on sustainability-related matters.

Our suppliers and subcontractors are involved at an early stage in site development to ensure adequate resource planning is in place and health and safety remains a number one priority. We continue to work with our supply chain to ensure timely delivery of our homes in an environmentally and socially aware way. We actively seek and respond to feedback from our suppliers through quarterly 360 surveys.

Charitable giving

Bovis Homes regularly supports charitable fundraising events and local sponsorship opportunities, as well as facilitating staff-led fundraising activities.

Charitable donations and sponsorship (one-off and ongoing) are managed by each regional business to ensure that local causes and charities important to staff are given priority.

Causes supported include schools and school fetes, local sports clubs, hospitals and hospices, roundtables, elderly care, local community initiatives and other local and national charities.

A payroll giving initiative is offered to employees to enable them to contribute to their chosen charities directly from their salary.

Community:

The Group is proud to have achieved the highest award from the Ministry of Defence for supporting Armed Forces personnel

The Group is the first dedicated housebuilder in the industry to receive the recognition.

The Group received the Government's Defence Employer Recognition Scheme Gold Award for a raft of initiatives put in place to support Forces personnel. These include:

- Being a signatory to the Armed Forces Covenant; a promise to ensure that those who serve or who have served in the Forces, and their families, are treated fairly
- Offering a discount scheme to help those connected to the Military onto the housing ladder
- Introducing a trainee assistant site manager programme, specifically targeted at ex-armed forces personnel
- Offering mentoring and work placements to those with military background
- Sponsoring the 2019 Armed Forces Day National Event in Salisbury, which marks the service of men and women in the Armed Forces and includes three days of celebrations including a military parade
- Regularly attending Career Transition Partnership recruiting events for members of the Armed Forces
- Supporting staff members who choose to be members of the Reserve Forces

The Group currently employs around 100 people with ex-military backgrounds, including site managers, technical staff and trainers.

Former Welsh Guard Josh Beesley, who is trainee assistant site manager at the Group's Filton location, was medically discharged from the Army before we offered him a second career.

The 26-year-old said: *"For many young people leaving the Armed Forces, it can feel quite daunting trying to find Civilian work. The Group was there to give me an opportunity and train me and I'm not surprised the Company has won the Gold award."*

Strategic report approval

The strategic report outlined on pages 2 to 67, incorporates the financial highlights, the Chairman's statement, the strategic review, the Chief Executive's report, the financial review, the principle risks and uncertainties review and corporate social responsibility review.

By Order of the Board
Earl Sibley, Chief Financial Officer
27 February 2020

From left, Roger Morton, Josh Beesley, Chris Pugh, Darren Partridge at Bovis Homes' Faringdon Fields in Oxfordshire

Community:

Bovis Homes first to gain **MOD Gold award** for backing military personnel

The Group delivered controlled growth during 2019

Orchard Fields, Maidstone

Financial review | Earl Sibley

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).

Housing revenue was £1,067.4m, 4% ahead of the prior year (2018: £1,026.9m). 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.

Volume

	2019 £m	2018 £m
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

	2019	2018
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

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.

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 22.4% 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 c3-4% 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 inflationary impacts being offset by reductions in our cost base as we delivered production in a controlled manner, changes in specification and the under-utilisation of contingency in line with our margin initiative.

Operating profit increased to £192.6m before exceptionals (2018: £174.2m) at an operating profit margin of 17.0% (2018: 16.4%). Administrative expenses increased in 2019 to £60.8m (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.

(1) Inclusive of joint venture completions
(2) Gross profit plus other operating income

Building on strong foundations

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 exceptionals 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 costs 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 exceptionals 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 IFRS16 in the period, (0.6m) disclosed 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-deductable 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

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 dividends for the year to 61.5 pence per share (2018: 57 pence).

Cash flow

	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

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 consitent 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 cashflow 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 Regeneration 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).

Financial review | Earl Sibley

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 IFRS16 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.

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

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 IFRS16, 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 cash outflows decreased to £112.4m (2018: £158.8m) driven by decreased corporation tax payments and the payment of a 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 Acquisition.

The Group's total land bank including share of joint ventures 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 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 over 26% and a ROCE in excess of 25%. The average selling price of all units within the consented land bank increased 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 is 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.

Earl Sibley
Chief Financial Officer

Both images:
Haygate Fields, Wellington

Directors and officers

1 Ian Tyler

2 Ralph Findlay

3 Chris Browne

4 Nigel Keen

5 Katherine Innes Ker

6 Mike Stansfield

7 Greg Fitzgerald ELT

8 Graham Prothero ELT

9 Earl Sibley ELT

10 Keith Carnegie ELT

11 Martin Palmer ELT

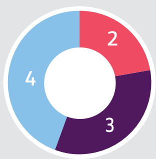
12 Stephen Teagle ELT

13 Darrell White

14 Andrew Hammond

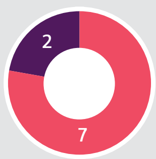
- Vistry Group PLC
- Executive Leadership Team
- Company secretary
- Vistry Partnerships Limited

Tenure
(Number of directors)



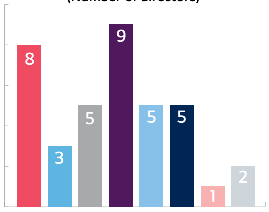
0-2 years | 2-4 years | 4+ years

Diversity
(Number of directors)



Male | Female

Board skillset
(Number of directors)



- Construction and property
- Retail
- Financial
- Strategy and business development
- People and culture
- Health and safety and regulation
- Public sector
- Environment and sustainability

1 Ian Tyler (59)

Non-executive Chairman

Committee membership: Nomination Committee

Date appointed: 29 November 2013

Experience: Ian is Chairman of Cairn Energy PLC., AWE Management Ltd and Amey PLC. Ian was Chief Executive of Balfour Beatty plc from 2005 to March 2013, having joined the company in 1996 as Finance Director and becoming Chief Operating Officer in 2002. He is a Chartered Accountant and prior to 1996 was Financial Comptroller of Hanson and Finance Director of ARC Ltd, one of its principal subsidiaries, and held financial roles at Storehouse plc. He was a non-executive director of Mediclinic International Plc until February 2017 and Cable & Wireless Communications Plc until September 2015, where he was also chairman of its audit committee, and a non-executive director of VT Group plc until 2010.

What he brings to the Board: Board leadership and debate, construction health and safety matters, familiarity with dealing with international shareholders, business growth and value creation.

External directorships: ***Listed:*** BAE Systems plc, Cairn Energy PLC. ***Non-listed:*** Amey PLC, a subsidiary of Ferrovial S.A., AWE Management Ltd (a joint venture company between Lockheed Martin, Jacobs Engineering and Serco)

2 Ralph Findlay (59)

Independent Non-executive Director and Senior Independent Director

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

Date appointed: 07 April 2015

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

What he brings to the Board: Commercial, financial and general management experience in a consumer facing industry. Land acquisition and business growth experience.

External directorships: ***Listed:*** Chief Executive of Marston's PLC.

3 Chris Browne OBE (59)

Independent, Non-executive Director

Committee membership: Nomination, Remuneration and Audit Committees

Date appointed: 01 September 2014

Experience: Chris was Chief Operating Officer of easyJet plc until June 2019 and also served as a non-executive director from January to September 2016. She was Chief Operating Officer, Aviation, of TUI Travel plc until September 2015 and was managing director of Thomson Airways from 2007 to May 2014 and managing director First Choice Airways from 2002 to 2007. She has a Doctorate of Science (Honorary) for Leadership in Management and was awarded an OBE in 2013 for services to aviation.

What she brings to the Board: Commercial and general management experience in a consumer facing and highly regulated industry, plus leadership and operational skills.

External directorships: None

4 Nigel Keen (58)

Independent Non-executive Director

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

Date appointed: 15 November 2016

Experience: Nigel was Property and Development Director of the John Lewis Partnership until January 2018, where he was responsible for the property strategy and portfolio across both John Lewis and Waitrose, including stores, supermarkets, distribution centres and manufacturing sites. He joined the John Lewis Partnership in 1999, having previously held roles with Tesco plc from 1989 to 1999, including as Construction Director, and with John Evers & Partners from 1985 to 1989, having trained as a Quantity Surveyor.

What he brings to the Board: Property, construction and customer experience in a consumer facing industry. Property strategy, land acquisition and development.

External directorships: ***Listed:*** Non-executive director of PPHE Hotel Group Limited. ***Non-listed:*** Non-executive director of RG Carter Construction, Trustee of Sported Foundation and Trustee of Maudsley mental health charity.

5 Katherine Innes Ker (59)

Independent Non-executive Director

Committee membership: Nomination, Remuneration and Audit Committees

Date appointed: 09 October 2018

Experience: Katherine Innes Ker is a non-executive director at Go-Ahead Group PLC, Chair of the Mortgage Advice Bureau (Holdings) plc, and Senior Independent Director and Chair of the Remuneration Committee of building products company Forterra plc. Katherine was a non-executive director of Taylor Wimpey plc from 2001 to 2011 and Chair of the Remuneration Committee from 2004 to 2011 and non-executive director of Bryant Group plc prior to the acquisition by Taylor Woodrow. She was non-executive director at St Modwen Properties PLC from 2010-2013, and other appointments include Gigaclear Limited until 2018 and Colt Telecom Group SA until 2015. Katherine has a degree in Chemistry and a PhD in Molecular Biophysics from Oxford University.

What she brings to the Board: Strong Board and broad commercial experience, corporate finance, mortgage lending, house building and residential construction industry.

External directorships: ***Listed***: Go-Ahead Group PLC, Chair of the Mortgage Advice Bureau (Holdings) plc, Forterra PLC. ***Non-listed:*** Independent Chair of the Remuneration Committee of Balliol College, Oxford and member of the Management Board of the Bonavero Institute of Human Rights, Oxford University

6 Mike Stansfield (63)

Independent Non-executive Director

Committee membership: Nomination, Remuneration and Audit Committees

Date appointed: 28 November 2017

Experience: Mike Stansfield is non-executive Chairman of Braidwater Limited and a non-executive director of Moulded Foams Limited, both private equity backed companies. During his executive career he was Chief Executive of David Wilson Homes from 1997 until 2005, having been appointed a director of Wilson Bowden plc in 1994 and holding positions with David Wilson Homes, including Divisional Chairman and Managing Director. He was also Chairman of WBD City Homes Limited from 2003 to 2005, a board member of the Housing Forum from 2002 to 2011, and a non-executive director of NHBC Building Services from 2005 to 2014.

What he brings to the Board: House building and residential construction industry, strategy and business development.

External directorships: ***Non-listed:*** Non-executive chairman of Braidwater Limited, non-executive director of Moulded Foams Limited, and Partner of MJS Development Consultancy LLP.

7 Greg Fitzgerald (55)

Chief Executive

Committee membership: None

Date appointed: 18 April 2017

Experience: Greg was Chief Executive of Galliford Try Plc from 2005 to 2015, having previously been Managing Director of its house building division from 2003. Prior to this he was a founder and later Managing Director of Midas Homes, which was acquired by Galliford Try Plc in 1997. As Chief Executive, he transformed Galliford Try Plc from a building contractor into a well-respected house building and construction business, which included the acquisition of Linden Homes in 2007. Greg was Executive Chairman of Galliford Try Plc during 2015 before becoming non-executive Chairman from January to November 2016. He was a non-executive Director of the National House Building Council from 2010 until July 2016.

What he brings to the Board: Leadership and strategic focus in house building and construction industry, business growth and value creation.

External directorships: ***Non-listed:*** Non-executive Chairman of Ardent Hire Solutions Limited and Baker Estates Limited.

8 Graham Prothero (58)

Chief Operating Officer

Committee membership: None

Date appointed: 3 January 2020

Experience: Graham was appointed as COO of Vistry Group PLC on 3 January. Graham was Chief Executive of Galliford Try Plc from March 2019, having previously served as Finance Director since 2013.
From 2008 to 2013, he was Finance Director of Development Securities plc (now U&I Group plc).
He is a Fellow of the Institute of Chartered Accountants in England and Wales and was previously a partner at Ernst & Young LLP.

What he brings to the Board: Leadership, strategic focus, financial and accounting expertise.

External directorships: ***Listed***: Non-Executive Director and Chair of the Audit Committee of Marshalls plc. ***Non-listed***: Trustee and Vice Chair of the Jigsaw Trust (a charitable trust).

9 Earl Sibley (47)

BA (Hons) ACA, Group Chief Financial Officer

Committee membership: None

Date appointed: 16 April 2015

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

What he brings to the Board: Leadership, strategic focus, financial and accounting expertise.

External directorships: None.

10 Keith Carnegie (50)

Executive Director

Experience: Keith is a qualified solicitor (non-practising) and joined Bovis Homes in 1999 as a Regional Legal Director, having been a partner in private practice. He has held a number of senior roles within the Group, including Regional Managing Director, Division Chairman and Chief Operating Officer.

11 Martin Palmer (61)

FCIS, Group Company Secretary

Committee membership: Secretary to the Board and Board committees

Date appointed: 01 December 2001

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

What he brings to the Board: Governance, regulation and compliance.

External directorships: None

12 Stephen Teagle (60)

Chief Executive of Vistry Partnerships Limited

Experience: Stephen was appointed as Chief Executive of Vistry Partnerships Limited on completion of the acquisition of Linden Homes and Vistry Partnerships. Stephen joined Galliford Try in 2006 and was appointed Chief Executive of its Partnerships business in 2016. He is a chartered surveyor and has more than 25 years' experience in the regeneration and affordable housing sectors, with time spent both commissioning schemes as well as working in the private sector, giving him a unique perspective on joint ventures, regeneration and mixed-tenure delivery. Stephen is also Chair of the Housing Forum, a cross-sector membership network of 150 organisations and businesses that collaborates to promote improved supply and better quality homes.

13 Darrell White (48)

Divisional Chairman – North Division

Experience: Darrell joined Bovis Homes in 1995 as a surveyor. He has held a number of roles and was promoted to Division Chairman in 2019 having been Divisional Managing Director, Regional Managing Director for the Northern region and Operations Director for Central region.

14 Andrew Hammond (49)

Divisional Chairman – South Division

Experience: Andrew was appointed as Divisional Chairman on completion of the acquisition of the Linden Homes and Vistry Partnerships businesses. Andrew joined Galliford Try in 2015 as Divisional Managing Director and was promoted to its Executive Board in 2016 as Divisional Chairman and latterly Chief Executive of Linden in 2019. He was previously with Persimmon where he held a number of roles including, Commercial Director, Managing Director and ultimately Regional Chairman from 2007.

Corporate governance report

2019 continued the significant progress in the Group's operational and financial performance and saw it well-placed to make an approach for Galliford Try plc's Linden Homes and Partnerships & Regeneration businesses.

Ian Tyler | Chairman

The Board was heavily involved in all aspects of the acquisition process, which was successfully concluded early in 2020, transforming the Group into a top five housebuilder, in terms of size, improving the Group's competitive capability across the housing market, and opening up significant opportunity for the future to deliver improved returns for shareholders.

I am delighted with this progress. As we move through all the change and opportunity ahead, we will continue to invest in our people and systems to deliver sustainable success and will maintain our focus on customer service and the consistent delivery of quality homes to satisfied customers.

Our people, subcontractors and suppliers continued to demonstrate their exceptional talents and wide-ranging abilities in delivering the outstanding progress made by the Group in 2019. I would like to thank them all for their contribution and commitment. The Group's operational performance has improved significantly and is demonstrated for our customers by the Group achieving a 4-star rating for the 2017/18 HBF year and trending at a 5-star rating for the 2018/19 HBF year.

Our financial performance has been strong and, coupled with the achievement of key objectives more quickly than expected, provided a position of strength from which we were able to pursue and conclude the recent acquisition.

The Board is pleased with what has been achieved and looks forward to the challenge ahead in delivering for all our stakeholders as a top five housebuilder.

In 2019 the Group leveraged the foundations laid in 2017 and the progress of 2018. Medium term targets set in 2017 to be achieved by 2020 have provided a clear direction and, with many already attained, we are delivering improving returns to our shareholders. As we move forward as a larger Group, our management teams are energised to achieve progress in a new era, with the initial focus on the integration and the delivery of synergies for the benefit of shareholders. The housebuilding business will maximise output through controlled volume growth in the medium term, whilst maintaining high quality delivery. The Partnerships business will accelerate revenue growth, increasing output from it's existing structure and expanding into geographies.

Strong leadership has continued to reap rewards, with our Chief Executive providing a driven "hands on" operational focus and regularly visiting offices and as many development sites as he can to assess performance, talk about the challenges faced, and reinforce our culture and values, an activity which will be supported by the Chief Operating Officer going forward. The Executive Leadership Team ("ELT") has ensured that this focus has cascaded through the governance structure, supported by divisional staff in monitoring business units as they strive to meet expectations and deliver in the right way. I am pleased to say that our business units now have renewed confidence and discipline and I am proud of the progress they have made over the past three years.

I also completed a series of visits to business units and their sites during 2019, talking to Divisional staff, business unit MDs, their teams, and our hard working site staff and subcontractors.

The programme of office and site visits for the non-executive directors continued, helping them to better understand the Group's operations, test culture, observe behaviours first-hand, and assess progress in embedding the Group's values of Integrity, Quality and Caring.

Change projects designed to deliver significant operational improvements moved further forward in 2019, continuing our focus on investing in our people and in systems to allow them to work more effectively and the Group to function cost efficiently. The full benefit of these investments is now coming through and it is highly positive that the Group is an organisation that quality people now actively want to join.

Looking ahead, 2020 is set to be an exciting year for the enlarged Group, with many challenges ahead. The integration is in full swing, an optimal organisation and asset management structure is being put in place, and operational and procurement synergies are being actively pursued. Housebuilding operations are being aligned and will operate under the dual brands of Bovis Homes and Linden Homes and we are delighted to have Vistry Partnerships as part of the Group, bringing a new dimension to the Group business capability and market presence.

The Board has ultimate responsibility for the success of the Company and my task focuses on ensuring that it provides strong strategic leadership, monitors the delivery of strategic priorities and objectives and rises to challenges along the way, whilst keeping an eye on emerging and principal risks. In doing so, the Board must ensure that it upholds the highest standards of integrity and promotes effective relationships, communication, openness and accountability in the boardroom, throughout the business and externally with stakeholders.

Bowbrook Meadows, Shrewsbury

The Board believes that the right culture and values play a pivotal role in delivering long term sustainable success. This requires a continuous focus. The right standards and behaviours enable the Board to function effectively in supporting and overseeing senior management as they reinforce the Group's culture and values. As an enlarged Group, we are redesigning our induction process, which all staff will experience, to support this process, and staff presentations and training sessions will also contain repeat messaging, including the publicising of our whistleblowing reporting line "Speak up", designed to promote transparency and accountability.

The Board completed an internal formal evaluation of its 2019 performance at the beginning of 2020. The last external independent evaluation was in respect of 2017. The process adopted has allowed the Board to assess performance in 2019 and the progress with the action plan arising from the 2018 internal evaluation, whilst looking forward to the challenges and opportunities ahead in 2020 as an enlarged Group and areas for further development. The Board is performing effectively and the action plan for 2020 has been designed to build on the progress already made in many areas, recognising the increased demands the Board will face at the helm of a larger enterprise. The development of structured succession planning will continue, engagement with shareholders is ongoing in respect of remuneration and will be further developed more generally, and the focus on the monitoring of culture will be maintained as the integration progresses and the enlarged Group moves to its desired organisational shape.

The main activities of the Board during 2019 are provided in detail in the report and, in addition to regular activities and the acquisition process, included two visits to the regions, an in-depth review of strategy at the annual strategy day, a review of succession planning, and receiving reviews and presentations on a range of topics from senior management and the NHBC.

Our corporate governance practices remain aligned with the version of the UK Corporate Governance Code applicable to our 2019 financial year. The Board monitored progress with the action plan put in place to deliver compliance with the Code at each meeting during the year. The Group's new diversity and inclusion policy saw its first full year in 2019 with a number of implementation measures taking place across the business to promote and support a diverse and inclusive culture, supported by our values, both in the boardroom and across the Group.

I would like to thank my colleagues on the Board for their collective support and strong individual contributions during a highly successful year in 2019. The Board has functioned well and held a number of additional meetings, many at short notice. Notably, the non-executive directors made a significant contribution and utilised their collective skills and experience during the acquisition process in challenging and testing views, assumptions and modelling put forward by the executive directors and advisors, leading to a successful conclusion and the strong position the enlarged Group stands in today.

We value dialogue with all our shareholders, institutional and retail, and have maintained ongoing engagement with our major shareholders during 2019. The Board is very cognizant of the vote on the new Remuneration Policy at the General Meeting held on 2 December 2019. The Remuneration Committee engaged with shareholders, institutions and proxy advisors ahead of the vote and has continued to engage since, responding to the concerns of those shareholders who voted against the new Policy and setting out developing thoughts, proposals and intentions in implementing the new Policy in 2020.

Looking forward, our 2020 AGM will be held on 20 May 2020 and you will find the Notice at the end of this Annual Report.

This report has been approved by the Board and I can confirm that your Company was compliant with the provisions of the UK Corporate Governance Code during 2019.

Ian Tyler
Chairman

Further information on pages 74 to 85

Visit our website for details

vistrygroup.co.uk/investors/corporate-governance

Corporate governance report

Priory Fields, Wells

Corporate governance report

Introduction

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

The Board is pleased to report that the Company has, throughout 2019, complied with and applied the provisions of the 2018 UK Corporate Governance Code.

Corporate governance report

Our purpose, culture and values

As a housebuilder, Vistry Group exists to develop sustainable new homes and communities across all sectors of the UK housing market.

The Group's values are defined as Integrity, Quality and Caring. We distilled our values in consultation with employees and other stakeholders, ensuring a natural fit with what Vistry Group is all about. With the acquisition of Linden Homes and Vistry Partnerships we are promoting our culture and values to ensure that natural fit is established right across the Group, working from a position of strength that comes from the clear cultural similarities already existing between the businesses. Linden Homes and Vistry Partnerships have, for some time, operated under the ethos "Doing the right thing", very close to our ethos "Do the right thing".

We are building on these similarities to strengthen our culture and presentations, meetings and visits from the CEO, the ELT and the wider leadership team, together with our new induction programme, which all staff will experience, are being used to reinforce our purpose, culture and values.

Our induction explains the importance of culture, how our values feed into the right behaviours, and our expectations of staff as they go about their daily working lives. Our leadership teams know the importance of modelling our values in all contact with staff, suppliers and other stakeholders. Our internal messaging to staff is tailored to reflect them and all staff presentations and events carry reminders of who we are and how we go about what we do. We listen to staff feedback, provide support to underpin the right behaviours, which includes an open and accessible management style and people functions that provide the right advice when needed. All of this is supported by "Speak up", our independent whistleblowing reporting line, which allows concerns to be raised in confidence.

We regard our culture as a key contributor to long-term sustainable business success. It links to our purpose and underpins our strategy, prioritising people in our operations, both in the delivery of satisfaction for our people and our customers and in the provision of quality service. The same is true in ensuring a healthy and safe working environment for all our staff, with the aim that everyone safely reaches the end of their working day. Our culture supports the range of our activities in meeting our purpose and it is through our focus on long-term sustainable success that we will deliver enhanced returns for our shareholders.

The Board maintains a clear focus on culture and uses discussion inside and outside Board meetings to hear the views of senior management on how well our values are embedded and the further work needed to maintain and improve this position. Coupled with visits to business units and sites, which allow the directors to talk to staff at all levels and hear their views, the Board has the opportunity to get a real sense of how our culture is working and the underlying behaviours and attitudes being portrayed.

These visits also provide opportunity for the non-executives to engage in a way that models and reinforces our values and behaviours, supporting the message from the wider leadership team.

Together with KPIs and other data, this engagement allows the Board to periodically assess whether purpose, culture, values and strategy are aligned and reflect the expectations of the Board, leaving it to influence where necessary. A culture review was carried out by an external party and Internal Audit in 2018 and it is intended that a further review take place once the integration process is complete.

The Board reviewed workforce related policies and practices during the year and how they are implemented throughout the Group, considering a comprehensive document prepared by the HR function with support from advisors, and concluded that they are fit for purpose and consistent with the Group's culture and values and could be expected to support long term sustainable success.

Our leadership structure

The Board is responsible to the Company's shareholders for the long-term success of the Group and its values, strategy, business model and governance.

It sets and reaffirms the Group's culture, provides leadership and direction, and determines the strategy and strategic objectives. The implementation of strategy by the executives is monitored and business plans, budgets and forecasts are reviewed and challenged, together with outcomes, with independent judgement being applied by the non-executive directors.

The monitoring of overall performance and progress with operations against business plans, using KPIs and coupled with development site and business unit office visits, allows the Board to test the individual and collective capabilities of the Group and its ability to deliver quality homes, on time and on budget, to satisfied customers. These activities are carried out within an approved risk appetite and with regular monitoring of internal controls and risk management.

The Board has a schedule of matters reserved for its decision, which is reviewed and approved on an annual basis. A copy is available on the Company's website (**vistrygroup.co.uk/investors/corporate-governance**). This schedule dovetails with delegation of authority documents which operate across the Group's activities and down through the governance structure. These delegations have recently been reviewed to ensure that they are consistent in purpose and design, provide appropriate controls, and are understood by those responsible for their effective operation.

Below the Board, the ELT is responsible for the day to day operations of the Group, comprising the CEO, COO, CFO, Executive Director, CEO of Partnerships and Group Company Secretary. The CEO, COO and CFO report to the Board as executive directors and the Executive Director and CEO of Partnerships regularly attend Board meetings to report on operations within their remit.

Following the acquisition, housebuilding operations are managed in two Divisions, North and South, which are responsible for the collective management of the business units within their operating areas. Divisional staff provide leadership, operational direction and finance support. The Divisions report through the Divisional Chairmen to the COO.

The Group currently has 23 business units, with housebuilding having 13 and Partnerships comprising 10.

Each business unit operates within an allocated geography and is run by a board comprising directors responsible for specific disciplines. Standardised operating procedures and systems are being rolled out across the Group as part of the integration and their implementation and application will be monitored to provide a consistent and effective method of operating, reducing risk and supporting the delivery of longer term business objectives.

The business unit MDs report into the Divisional Chairmen. Group functions provide support to the Board, the executive directors, the ELT, the Divisions and the business units. In total, the leadership team comprises approximately 50 members of staff.

The leadership and governance structure for 2020 has expanded significantly as a result of the acquisition and is shown below.

Vistry Group PLC Board

Responsible for leadership, strategy, values and governance

Audit Committee

- Oversees financial statements and reporting
- Monitors internal controls and risk management
- Monitors reporting and effectiveness of external and internal auditors

Remuneration Committee

- Sets and reviews remuneration policy
- Determines remuneration and incentives of the executive directors and the Chairman
- Sets performance criteria for incentive plans

Nomination Committee

- Reviews balance and composition of the Board
- Maintains focus on succession planning
- Leads recruitment process for the Board
- Recommends appointment of directors
- Sets diversity policy

ELT Executive Leadership Team

Vistry Homes Limited Board

Responsible for the operations of the Group

North Division board

Responsible for the operational management of the North Division

1 Yorkshire
2 Mercia
3 East Midlands
4 West Midlands
5 Cotswolds
6 Northern Home Counties

South Division board

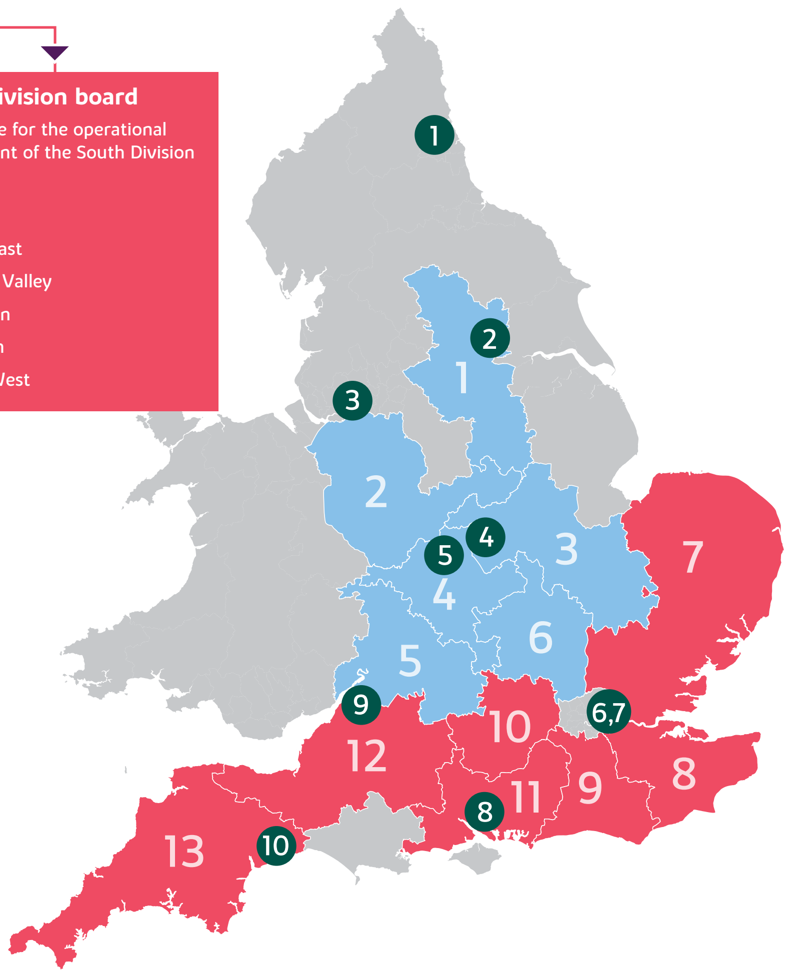
Responsible for the operational management of the South Division

7 Eastern
8 Kent
9 South East
10 Thames Valley
11 Southern
12 Western
13 South West

Partnerships board

Responsible for the operational management of Partnerships

1 North East
2 Yorkshire
3 North West
4 East Midlands
5 West Midlands
6 East England
7 London
8 Drew Smith
9 West
10 South West



Corporate governance report

The Board

There were no changes in the membership of the Board during 2019, which comprised the non-executive Chairman, five independent non-executive and two executive directors. Graham Prothero was appointed to the Board as an executive director and as COO on 3 January 2020, increasing the number to three executive directors.

Biographical details for the directors are provided on pages 68 to 69. Their dates of appointment, length of service to the end of 2019 and attendance at Board meetings are shown below. The Board held eight main board meetings and all members attended the AGM and a strategy day in accordance with the calendar scheduled for the year. In addition, the Board held nine meetings in connection with the acquisition as it progressed through its various stages during the year. Chris Browne and Katherine Innes Ker were unable to attend one scheduled meeting each, both as a result of prior commitments. Nigel Keen was unable to attend one additional meeting as a result of a pre-existing commitment.

The Board maintains a broad range of expertise and experience and a strong blend of skills, which has allowed it to perform effectively during a period of significant momentum for the business, which included progressing the acquisition, with all that entails. The non-executive Chairman brings a strong track record of commercial experience in construction and infrastructure related industries, which benefit the Group in the delivery of its strategy and oversight of its business plans and performance and were invaluable during the acquisition process. Ralph Findlay, Senior Independent Director, has strong commercial, financial and general management expertise from a consumer facing industry and Chris Browne brings a strong commercial and operational background, again from a consumer facing industry.

Name	Date of appointment	Current role	Tenure in current role	Attendance at scheduled meetings	Attendance at additional meetings
Ian Tyler	29/11/13	Chairman	6.1 years	8/8	9/9
Chris Browne	01/09/14	Non-executive	5.3 years	7/8	9/9
Ralph Findlay	07/04/15	Non-executive	4.75 years	8/8	9/9
Nigel Keen	15/11/16	Non-executive	3.1 years	8/8	8/9
Mike Stansfield	28/11/17	Non-executive	2.1 years	8/8	9/9
Katherine Innes Ker	09/10/18	Non-executive	1.25 years	7/8	9/9
Greg Fitzgerald	18/04/17	Chief Executive	2.75 years	8/8	9/9
Earl Sibley	16/04/15	Chief Financial Officer	4.75 years	8/8	9/9

Nigel Keen has an in-depth construction and property background and experience of running property strategy and portfolios, once again from a consumer facing industry, while Mike Stansfield brings a strong housebuilding industry background, spanning three decades.

Katherine Innes Ker is an experienced non-executive director across a range of sectors and has extensive experience of the City, in addition to housebuilding experience. All the non-executive directors contributed strongly during the acquisition process, bringing their previous experience to bear in debate and challenging the executive directors and advisors in specific areas and on modelling assumptions.

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

All the directors will be offering themselves for re-election at the forthcoming AGM, in accordance with the Code. The Board strongly supports all the individual director's re-elections, taking account of the balance of skills and expertise and the performance of the Board as a whole. The directors' biographies on pages 68 to 69 and the notes to the AGM Notice on pages 164 to 170 together provide details explaining why their individual contributions are and continue to be important for the Group's long-term sustainable success.

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

A diversity and inclusion policy was put in place in December 2018 to promote and support a diverse and inclusive culture, supported by our values, both in the boardroom and across the Group. The Board seeks a mix of talented people with a range of experience, skills, vision and independence, recognising the importance of a blend of abilities, views and social and ethnic backgrounds to enable it, as the objective of the policy, to function effectively.

The Board has two female non-executive directors and six female members of senior management report into the level below the Board. A high emphasis continues to be placed on ensuring the development of diversity in senior management roles across the Group by strengthening the talent pipeline, something that the acquisition has supported, and through internal promotion and recruitment. There are no particular considerations, applicable to the Board or senior management, concerning aspects such as age, gender, or educational and professional backgrounds, beyond the requirement for qualified professional staff to hold certain positions. Diversity and inclusion training is refreshed and the policy is implemented by circulation throughout the Group and publication on the Group's website and incorporates the Group's long-standing equal opportunities policy. Further information on implementation of the policy in 2019 is contained in the Nomination Committee report on page 112. Gender metrics are contained in the corporate social responsibility report on page 49.

All the directors have service agreements or contracts and the details are set out in the current remuneration policy, available at **vistrygroup.co.uk./investors/corporate-governance**.

Board meetings and main activities

There were eight scheduled Board meetings in 2019 and an additional nine meetings in connection with the acquisition.

The Board maintains and reviews a scheduled agenda plan, which ensures that all key issues and matters reserved to the Board are discussed at the appropriate time in the year, and any requirement for additional meetings is identified by the Chairman, in conjunction with the CEO, COO, CFO and Company Secretary.

The Chairman reviews meeting agendas with the CEO and Company Secretary, who maintains a rolling schedule of matters arising, which tracks progress with actions and is reviewed at each meeting.

The Board receives a comprehensive electronic meeting pack a week in advance of each meeting, plus other information required to enable it to discharge its duties. Meetings are conducted in an atmosphere of open and free flowing discussion and debate, with a questioning approach which enables the non-executive directors to challenge and test the strategy, progress made with implementation and delivery, and proposals put forward by the executive directors. Members of the ELT attended a number of meetings during 2019 and this widens debate and increases the range of views and input available to the non-executive directors.

Visit our website for details

vistrygroup.co.uk
/investors/corporate-governance

The main activities at Board meetings in 2019 were as follows:

- the Chief Executive provided reports and updates spanning the Group's activities, including progress with implementation of the strategy, customer satisfaction, health and safety, HR matters, investor feedback, trading performance, land acquisitions/ sales, affordable housing, part-exchange, and progress with key projects, including joint ventures.
- the Chief Financial Officer presented the 2019 Budget for approval and provided a regular finance report. The finance report includes, at various times, rolling forecasts, Group KPIs, budgets, results, projections, leading market indicators, analyst consensus data, an analysis of share price valuation and movements, as well as progress reports from disciplines reporting to the Chief Financial Officer and project updates.
- the Budget for 2020 was the subject of debate, challenge and detailed consideration and included consideration of a combined Budget for the enlarged Group.
- the Divisional Chairmen presented on the performance of their Divisions and explained the progress made across the range of their operations and activities, taking questions on the challenges experienced and those lying ahead.
- the Board received regular reports covering health and safety and discussed performance against KPIs, areas for improvement and monitored actions taken, including service strikes and the effectiveness of training and engagement with site teams and subcontractors.
- the Board monitored customer satisfaction performance and rolling HBF survey results.
- the Board received feedback from the non-executive director responsible for leading workforce engagement, following two People Forum meetings held during the year, and discussed employee views regarding the acquisition.
- the Board continued to review progress with margin initiatives and approved specification and design changes following customer feedback on the Group's Phoenix housing range establishing a cycle of continuous improvement.
- post investment appraisals were reviewed.
- the Board received progress updates on the Group's fledgling Partnerships Housing operation.
- a presentation was provided by the NHBC, which provided feedback and external assurance on the Group's performance across a range of KPIs and included a question and answer session.
- the 2018 full-year results and the 2019 interim results were reviewed and approved, including release to the London Stock Exchange.
- actions arising from the 2018 Board performance evaluation were progressed and monitored and the approach to the internal formal evaluation for 2019 was approved and the evaluation process commenced.
- an engagement strategy was developed to give momentum to the acquisition and the various stages were followed through as the transaction progressed, requiring a significant time commitment during the year and reaching a successful conclusion early in 2020.
- the Board continued to keep the requirements of the new UK Corporate Governance Code under review and monitored an action plan to ensure they were met.
- the Board continued to assess the possible impact of Brexit on the Group's activities.

The Board also reviewed emerging and principal risks and their mitigation, regulatory announcements, major shareholdings, litigation, the process for the longer-term viability statement, and plans for the 2019 strategy day.

Corporate governance report

Site visit: Cotswolds

The Board's site visit to the Group's Moreton-in Marsh development

In July 2019, the Board visited Western region's The Avenue development in Moreton-in-Marsh.

The Avenue was opened in May 2017 and is located on the edge of the traditional Cotswold market town of Moreton-in-Marsh. The development is close to a former RAF station where some of the bygone runway areas are now known as 'avenues'. Moreton-in-Marsh town centre is just under a mile away where the picturesque High Street boasts a variety of local shops and services. There is a convenience store and bank as well as supermarket, primary school, health facilities and trains direct to London in under two hours. The development features 2, 3, 4 and 5 bedroom homes including a range of discounted housing offered in partnership with Cotswold District Council.

The Avenue Phase 2 includes house types from our Phoenix range.

During the site tour the Board had opportunity to review progress of the build programme with the site team, and to discuss specific features of the development such as the footpath to the village, and site-specific training, welfare support and health and safety performance.

The site visit included a viewing of the sales office and show homes and the regional management team and site and sales staff discussed the local market, production, sales rates and customer satisfaction with the Board. The site visit concluded with an overview of the site's overall performance and objectives for 2019 and 2020.

Two of eight scheduled meetings were held in London and six were held in the regions, providing the opportunity to interact with business unit management teams, tour their offices and active sites and meet staff at all levels. Two business unit management teams provided presentations to the Board in informative open discussion and question and answer sessions. These followed site visits to view construction activities and site set-up, show homes and sales offices. All sessions concluded with an evening meeting with management and members of the ELT, allowing more informal discussion to take place, including individual interaction with the non-executive directors.

The Board continues to consider stakeholders in its deliberations and takes the views and feedback from shareholders, employees, subcontractors, suppliers, and customers into account in its decision making, considering their interests and the impact of certain decisions upon them.

This was particularly the case as the acquisition progressed through its various stages during the year. Further information on stakeholder engagement can be found in the section 172(1) statement on pages 42 to 43.

Prior to and following the vote on the new Remuneration Policy at the 2019 General Meeting, the Board engaged with major shareholders and that consultation is ongoing, with the objective of understanding their concerns and taking their views into account in the implementation of the new Policy in 2020, ahead of the vote on the directors' remuneration report at the 2020 AGM.

The Board selected a non-executive director, Nigel Keen, for workforce engagement from the beginning of 2019, as the most suitable approach for the Group, which method operates alongside other feedback channels. Two People Forum meetings were held during the year and Nigel Keen attended to hear the views of employees and, subsequently, feedback was provided to the Board.

The feedback was informative and helpful to the Board and included employee views on the acquisition. Apart from maintaining awareness of workforce views, there were no particular decisions or actions that needed to be taken in response during 2019. The views of employees were also received via the executive team, from employee liaison groups and in reports from the HR function, which were taken into account in decisions taken by the Board affecting operations and employment conditions.

Engagement with suppliers is considered by the Board in discussions on build activity, supply relationship management, and procurement and the views of the Group Commercial Director are taken into account in decision making.

A 360° supply chain survey, which has been in place for over a year, is providing useful feedback and engagement, and has led to positive initiatives, such as the implementation of fuel efficient telehandlers, a reduction in idling time and carbon emissions, and the launch of our project pipeline giving visibility over all aspects of our construction activity to the supply chain. Independent feedback also comes from the NHBC on the Group's performance. Subcontractors attend adjudication and project meetings at business unit offices and they also have ongoing involvement in health and safety and other matters which affect the well-being of the employees on site.

Subcontractors are also regularly engaged on our product and development of our specification and construction details, which has enabled us to enhance our quality and specification. Our suppliers also attend regular meetings and provide input to the product, specification, and effective ways of working.

KPIs remain under consideration to monitor relationships and service charters, portal websites, supplier visits and supply chain events are continually being developed to maintain this key area of engagement.

Feedback from customers is monitored on a continual basis, both in terms of customer satisfaction and the HBF survey. The Group implemented a CRM system during the year and this is providing digital engagement with customers and is already receiving positive feedback. The system provides a tailored personal service, maintains a record of individual customer contacts, and provides build stage updates, together with elements of self service. Customer feedback is also provided via our site teams, updates on individual cases, and the Group's Homebuyers Panel. This includes views on the Group's product range and service provision, which are passed to the teams responsible to consider improvements.

The annual strategy day held in July 2019 provided the Board with the opportunity for an in-depth review of the strategy for the Group and progress with implementation. Discussion included consideration of organic growth versus acquisition options and the pro and cons of both.

An operational strategy update was provided covering the range of the Group's activities, followed by sessions on people and succession planning, long term capital structure, a risk assessment update and the risk appetite. Operational and financial plan targets were also discussed.

The programme of informal non-executive visits to the business units continued during 2019, allowing them to increase their knowledge of the Group's activities and hear a range of views directly from staff at all levels on the Group progress. Importantly, the visits allow the non-executives to establish a relationship with local management, test the culture, reassure themselves that our values and the right behaviours are embedded, and hear any concerns from staff. A total of 24 non-executive director visits took place across our sites and offices.

Once again, the Chairman led the way in 2019 in terms of increased engagement with our business unit teams and completed 13 visits to our offices, holding discussions with the regional MDs and the wider management teams, before visiting sites. The Chairman visited 21 sites during 2019.

During the year, the Chairman held two meetings with the non-executive directors, without the executive directors present, and the Senior Independent Director held a meeting with the non-executives, without the Chairman present.

The Grenadier | 5 bedroom home
The Silk Mill, East Hanney

Corporate governance report

Board perforance evaluation

The Board carried out an internal formal evaluation of its 2018 performance at the beginning of 2019 using a questionnaire, followed by open discussion between the Chairman and each director. A draft paper prepared by the Chairman was then considered by the Board and an action plan was put in place, which was set out in the 2018 Annual Report. Progress was reviewed regularly during 2019 and all actions were completed, it being acknowledged that further steps would be required in 2020 as an enlarged Group.

The Board carried out an internal formal evaluation of its 2019 performance at the beginning of 2020 using a questionnaire designed to capture feedback on implementation of the 2019 action plan, assess the performance of the Board during the year, and to look forward to areas for development and action in 2020, recognising the challenges, risks and opportunities ahead as an enlarged Group.

2019 action plan

Investment review	Succession planning
Past investment decisions to receive review and appraisal periodically, focusing on those made since January 2017.	Further progress to be made with structured succession planning, particularly for the executive directors, but also for the wider executive team, including monitoring development plans.
Understanding culture	**Engagement**
Monitoring of culture and Chairman and non-executive director visits to the regions and sites to be more accurately recorded and regular debriefs to be held drawing conclusions.	Further develop engagement with major shareholders and particularly with proxy voting agencies.

The Maple | 5 bedroom home
Furrowfields Bishops Itchington

2020 action plan

Succession planning	Investment review
Succession planning for the leadership of the enlarged Group to be developed, with increased focus on executive director succession, Board composition and the skill sets required. Succession planning for the role of Chairman also to be considered.	Progress with the periodic review of investment decisions to be maintained, focusing on investments made since January 2017.
Stakeholders engagement	**Technology as a determinant of future strategy**
Relationships and visibility with shareholders and proxy advisors to be developed from a corporate governance perspective, particularly in respect of remuneration.	Board to give focus to emerging areas, such as the development of a digital offering as an integral part of determining future strategy.
Competitor performance	**Integration and delivery of synergies**
Board to regularly review external data on the performance of competitors to supplement actions already taken to provide increased visibility and assurance regarding the market/industry.	Board to monitor the integration process and progress with the delivery of synergies at each meeting.

Led by the Chairman, the Board then had an open discussion session on the feedback received and the key themes that had emerged. A draft paper was subsequently prepared for Board consideration.

The Board performed effectively during 2019, delivering on its scheduled commitments and holding a number of additional meetings, many at short notice, to progress the acquisition. Discussion was open and transparent at all times, challenging and testing the views, assumptions and modelling put forward by the executive and advisors. Steps to be taken in 2020 at the helm of an enlarged Group were agreed, including monitoring the integration process, monitoring the delivery of synergies, and familiarising the Board with the Partnerships business and its risk management and internal controls.

The relationship between the executive and the Board continues to be open and positive and the access of the non-executive directors to the business through the executive is excellent.

The performance evaluation of the Chairman was led by the Senior Independent Director, with input from all other members of the Board. It was considered that the Chairman and the Board had operated effectively and successfully addressed the challenges in the period. The Chairman's contribution during the various stages of the acquisition was a significant feature enhancing the Board's effectiveness during 2019 and it was noted that he had increased the level of communication with Board members between Board meetings, welcoming debate and challenge.

The Chairman engages the Board well, runs meetings efficiently, and facilitates and engages contribution from all the directors.

Board meetings are well-planned and have appropriate agendas, based on a good understanding of the Company's business model and strategy and continue to be held in a conducive environment with a strong focus on the important issues. The Chairman has a positive and constructive relationship with the CEO.

During 2019, the Chairman spent time visiting business units and sites and engaging with the Company's executives and relevant external advisers. He also spent considerable time on the acquisition in leading Board discussions, engaging with the executive directors, and in sessions with the various advisors.

Following the internal formal evaluation for 2018, he ensured that an action plan was put in place and was followed through in 2019, with discussion on progress taking place at every scheduled meeting.

As Chairman of the Nomination Committee, the Chairman maintained the clear focus on succession planning, with the position evolving as the year progressed and the acquisition moved forward, particularly in respect of senior executive succession in the context of the Group's strategy and the challenges and opportunities ahead.

Corporate governance report

Board committees

The Board is supported by standing Audit, Nomination and Remuneration Committees.

Membership, roles and activities are set out in separate reports. The Audit Committee report is on pages 108 to 111, the Nomination Committee report is on pages 112 and 113, and the Remuneration Committee report is on pages 88 to 106. Each Committee reports to and has terms of reference approved by the Board and the minutes of Committee meetings are circulated to the Board.

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

The internal formal Board evaluation included performance evaluations of the Committees and all were identified as having areas where performance could be improved. Further detail is given in the individual Committee reports.

Governance as a business enabler

The Board aims to meet governance best practice taking account of the business model, organisation structure, processes and internal controls that are right for the Group. The Group's approach to governance best practice is set out below and designed to enable and support the sustainable long-term success of the business.

The Group currently complies with and applies the provisions of the 2018 UK Corporate Governance Code and has continued to review its principles and provisions during 2019 to ensure that the actions determined in 2018 meet the revised requirements. They included measures to enable greater engagement with the workforce, strengthening the role of the Nomination Committee, and widening the role of the Remuneration Committee.

Matters reserved for the Board include the overall leadership of the Group, setting the Group's values and standards, approval of strategy and budgets, oversight of operations and performance, structure and capital, financial reporting, internal controls, corporate governance, delegation of authority, and approval of major expenditure and transactions.

The Board has approved a written division of responsibilities between the non-executive Chairman and the Chief Executive and the role of the Senior Independent Director has been similarly defined.

The Chairman is primarily responsible for:

- the effective working of the Board,
- taking a leading role in determining the Board's composition and structure, and
- ensuring that effective communications are maintained with shareholders.

The Chief Executive is responsible for:

- the operational management of the Group,
- developing strategic operating plans and presenting them to the Board, and
- the implementation of strategy agreed by the Board.

The Senior Independent Director supports the Chairman in ensuring that the Board is effective and constructive relations are maintained, in addition to leading the annual performance evaluation of the Chairman and providing an additional point of contact for shareholders.

The control framework is subject to Board review. The Group has a defined set of delegated authorities, procedures and controls across the range of its activities, which have been documented and are available to all staff via the Group's intranet, including the authorities and decision making delegated by the Board to management in respect of the operational control of the Group.

They are regularly and formally assessed both by internal and external audit, in addition to being subject to a quarterly self-assessment process established in 2017. These delegated authorities were reviewed early in 2020 to ensure that appropriate controls are in place for the enlarged Group.

The Group's leadership structure provides the framework for governance control, reporting and risk management and is set out on page 68.

The advice and services of the Group Company Secretary are available to the directors. All directors have access to the Company's professional advisers and can seek independent professional advice at the Company's expense. There was no advice sought during the year.

Training is made available to directors at induction and as required to develop and maintain knowledge. The Chairman is responsible for ensuring that directors continually update and refresh their knowledge and skills appropriate to their role on the Board and Board Committees. Directors are also required to maintain their awareness of the culture and operations of the Group. During 2019, the directors received refresher training on directors' duties and responsibilities in connection with the acquisition and they also received regular updates on regulatory developments.

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

Information on share capital is provided on pages 115 to 116

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Shareholder engagement

The Company has a regular comprehensive investor relations programme, which allows our major shareholders to engage with the Chief Executive and Chief Financial Officer at various points in the year.

In addition to one-to-one meetings through the year, the Company holds a series of presentations and meetings following the announcement of the final and half-yearly results. These presentations are made publicly available so that all shareholders can access them on the Group's website at **vistrygroup.co.uk/investors/corporate-governance**.

An increased level of shareholders engagement was seen in connection with the acquisition as it progressed, with the Chairman seeking views on various aspects and attending meetings, together with the CEO and CFO. The feedback received was extremely helpful and was used to shape various aspects of the transaction, including structure, financing and the placing.

Engagement then took place with shareholders and proxy advisors prior to the General Meeting held on 2 December 2019 to approve the transaction, particularly around remuneration and adoption of the new remuneration policy. It was recognised that the time for consultation was short, which resulted from the timescales driven by the transaction.

Following the vote on the Remuneration Policy at the General Meeting, engagement has continued with the objective of understanding shareholders' concerns and taking their views into account in the implementation of the new Policy in 2020, ahead of the vote on the directors' remuneration report at the 2020 AGM.

The Board reviews feedback from investor relations meetings, visits and presentations, including commentary on the matters discussed. The overall feedback received during 2019 was extremely helpful to the Board in terms of the strategic direction of the Group.

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

All shareholders are invited to attend the Company's AGM, which this year will be held on 20 May 2020. The full Board, including all Committee Chairmen, attend and value this meeting as a means of communicating with private investors, encouraging their participation.

All shareholders have the opportunity to exercise their right to vote and can appoint proxies if they are unable to attend. To increase ease of voting an electronic voting facility is provided. Shareholders attending the AGM have the opportunity to ask questions relevant to the business of the meeting and hear the views of other shareholders before casting their vote. After the meeting the results of voting on all resolutions are published on the Group's website.

Corporate governance report


Winchester Village, Winchester

Risk management and internal control

The Board has responsibility for maintaining and monitoring sound risk management and internal control systems.

The Board's role includes responsibility for the risk appetite and the identification, management and mitigation of risk, including emerging risk. Risk is a regular discussion item, which allows the directors to review the risk appetite and principal and emerging risks and assess the quality of risk identification, risk management processes, and risk mitigation.

Risk is a theme that runs naturally through Board discussions on a range of topics and adopting this approach ensures that risk identification and consideration of emerging risk feature regularly in the Board's deliberations. In setting its approach to risk, the Board aims to ensure that the Company is neither prevented from taking opportunities nor exposed to unreasonable risk.

Monitoring and review forms part of the work undertaken by the Audit Committee and is based principally on the review and interrogation of reports from the Internal Audit function and from management. It covers all material controls, including financial, operational and compliance controls and compliance with risk management processes. In addition, an established Risk Governance Committee operates with representation from the business units to support the monitoring of existing risk and the effectiveness of controls and mitigation, alongside the identification of emerging risk across the Group. This role will continue in the enlarged Group.

In reviewing the effectiveness of the Company's system of internal control and risk management systems during 2019, the Board (i) considered the risk appetite and (ii) reviewed changes in the nature, likelihood and impact of emerging and principal risks, their mitigation, the controls placed against them and the Company's ability to respond to changes and (iii) received reports from the Audit Committee on the operation and effectiveness of the risk management and internal controls systems and their integration with strategy and the business model.

The Board also reviewed the minutes of Audit Committee meetings and the minutes of Risk Governance Committee meetings.

Recommendations for improvements to internal controls were made during the year and corrective action was taken, but they did not represent significant control failings or weaknesses. A self-assessment process supports our internal control framework, where all directors across the company report business unit performance in control adherence.

The Board has complied with Provision 28 of the Code by completing a robust assessment of the emerging and principal risks facing the Company. It has established a continuous process for identifying emerging risk and evaluating and managing the principal risks, in accordance with the FRC's "Guidance on Risk Management, Internal Control and Related Financial and Business Reporting". This process has been in place for the period under review and up to the date of approval of the Annual Report and Accounts and includes compliance with provision 29.

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

Control framework

The Company maintains a comprehensive control environment, which is regularly reviewed by the Board.

The principal elements of the control environment include regular board meetings, the Division and business unit structure, defined operating controls and delegated authorisation limits, the Internal Audit function, the Risk Governance Committee, and a comprehensive financial reporting system.

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

- there is a well understood management structure which allows for clear accountability and an appropriately granular level of financial control.
- the structure is underpinned by documented delegated authority levels for business transactions.
- the process is supported by process documents and systems for both internal management reporting and external reporting which stipulates, amongst other things, reporting timetables and the contents of key management reports.
- best practice processes and procedures are mapped for all core and support activities.
- a quarterly self-assessment for all director level employees operates to confirm adherence to mandatory controls and non-conformities are reported to the ELT for discussion and remediation.
- Internal Audit plays a key role in monitoring the control environment and in identifying and supporting the mitigation of threats to the business.

The Company operates software systems that record financial transactions and whose effectiveness is reviewed by the Internal Audit function on a regular basis. Findings arising from these exercises are reported to the Audit Committee and action is taken, as appropriate. Control over cash expenditure is a key component of the financial control framework.

The Company maintains tight control in this area through a centralised treasury function, business unit payment functions, three-way matching of payments, authorisation documentation, and the segregation of authorisation accountability.

The Company maintains a regular weekly and monthly financial reporting cycle and an alternate monthly cost valuation process, allowing management to assess financial progress against objectives.

Reporting is supported by a formal budget and monthly rolling forecasting which ensures that there is a recent financial forecast in place at all times against which to assess performance. Together with this financial reporting, Division and business unit management teams report key business issues promptly and as part of a standard monthly regional operational reporting pack.

Finally, there is a process of accounts preparation, which ensures that there is an audit trail between the output from the Company's financial reporting systems and the preparation of the financial statements.

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Delivering quality new homes

Winchester Village, Winchester

Directors' remuneration report

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the financial year ended 31 December 2019. It provides details on how directors were paid in 2019 and the link between remuneration and the Company's performance. The Report is subject to an advisory shareholder vote at the 2020 AGM.

Nigel Keen | Chairman of the Remuneration Committee

A new Remuneration Policy was put to shareholders and approved at the General Meeting in December 2019. The Remuneration Policy table is set out on pages 104 to 106. The Remuneration Policy can be found on the Company's website in its entirety.

Remuneration in context

The acquisition of Linden Homes and the Vistry Partnerships business has resulted in a much enlarged business, with both material additional commercial and operating complexity and significant opportunity to deliver value to shareholders. In recommending the acquisition to shareholders, the Remuneration Committee considered carefully the appropriateness of the Company's existing remuneration policy in respect to its ability to retain and incentivise the enlarged leadership team in driving integration and delivering the full benefits from the substantially larger group and, in due course, to attract and recruit new leadership of appropriate calibre. It concluded that, whilst the existing policy was appropriate for the business prior to acquisition, significant change, particularly in respect of variable pay, was appropriate to ensure shareholders' interests were protected and their value maximised.

The new Policy, on which shareholders subsequently voted, was set out within the acquisition documents and, as a result, we were unable to consult with shareholders prior to its publication as we would normally have expected to do. Nonetheless, we did seek shareholders views in the short period available and the Policy was approved by 65.5% of shareholders at the General Meeting held in December and we are grateful for the support received. During the then ongoing dialogue, some shareholders raised questions and concerns.

The discussions and correspondence were fairly wide ranging, but the feedback can be summarised in the five sections that follow:

1. Quantum, how much pay is appropriate?

The Committee was clear that the level of remuneration for directors should be competitive but not excessive. The task for the Committee was to determine what level and structure of remuneration would provide the Company with the ability to attract, retain and motivate leadership to deliver value and minimise risk in the enlarged Group. In order to assess this, the Committee considered the relationship between variable pay and fixed pay and levels of remuneration in areas from which we might recruit. These levels were tested against two sets of pay information both of which have obvious relevance to the enlarged group. The two markets examined were as follows:

1. UK listed companies with market capitalisation somewhat above, and somewhat below, the size of the Vistry Group; and
2. The 9 UK listed housebuilding companies of a similar size to Vistry Group.

This analysis showed that the expected remuneration for directors under the new Policy was slightly lower than the market average for UK listed companies of a similar market capitalisation to the enlarged Group. Against the listed housebuilder comparator group the expected level of Vistry Group pay in total was around median for the CEO role, and below median for the CFO role.

The Committee therefore concluded that the revised policy, which was approved in December, was appropriate and should be applied from completion of the acquisition.

2. Ensuring increased pay relates only to post acquisition actual delivery of shareholder value

The Committee is clear in its view that any additional remuneration following a corporate transaction should only be available to Vistry Group executives once there is demonstrable shareholder value delivered to our shareholders.

It is for this reason that the change in pay opportunity is framed as incentive pay not fixed pay. Payments under the annual and long-term schemes will only arise if the anticipated benefits of the acquisition are delivered in the short and longer term respectively. This is described further below.

It should be noted that the base salary of the CEO has not been increased beyond inflation in 2020 and that the salary of the newly appointed COO who joined from Galliford Try as part of the acquisition, has been set significantly below his former salary. Furthermore, the change in the CFO's base salary of 18% was independent of the acquisition and reflected the fact that his salary was materially below market, even for a business of Vistry Group's pre acquisition scale and complexity.

Although some shareholders suggested that the pay opportunity itself ought to be phased in over some years following a corporate transaction, the Committee believes that the intention that no extra pay should be available without extra shareholder value being delivered will be achieved in full within the design of the executive incentives as described above.

3. Pension reduction glidepath

Regarding executive director pension allowances, the acquisition Circular explains that they shall be equalised to the wider workforce on, or before, 31 December 2022.

We are now able to confirm that we will introduce a stepped arrangement to reduce executive director pensions over the next three years to reach workforce levels by January 2023.

4. **Annual Bonus deferral into shares**

   In light of the increase in variable pay, it was suggested that it might be appropriate to defer an element of all annual bonus paid, rather than simply to defer any amount over and above 100% of salary. The Committee believes there is merit in this suggestion and intends to operate the Policy so that one third of all annual bonus paid is deferred into shares for a period of two years.

5. **Level of Directors Shareholding Guidelines**

   Regarding the level of executive director shareholding guidance, the Committee intends to review the level of shareholding guidance in light of the increased opportunity to potentially receive shares under the new Policy.

2019 performance and remuneration

During 2019, the Group continued to make considerable strides towards its strategy and operational priorities, putting the customer at the centre of everything we do. Operational progress was made across all business areas and is reflected in the quality of our product, our customer satisfaction scores, and in our financial performance, which saw the delivery of another year of record profits. Our production processes now consistently deliver high quality new homes to satisfied customers and are driving operating efficiencies. It was from this position of strength that we were able to conclude the major acquisition of the Linden Homes and Partnerships & Regeneration businesses from Galliford Try.

The Group delivered a profit before tax for the year ended 31 December 2019 of £188.2m, which compares to profit before tax of £168.1m in 2018. Basic earnings per share (EPS) increased by 9.7% to 111.5p (pre exceptional items) and was 101.5p (post exceptional items) versus 101.6p in 2018. Return on Capital Employed (ROCE) finished at 22.3%, up from 19.3% in 2018. (ROCE has been calculated as pre exceptional operating profit divided by the average of opening and closing shareholders' funds, plus net debt). At the same time, the Group delivered a strong forward sales position to support growth in 2020.

The performance in 2019 resulted in 100% of maximum bonus being awarded to the Chief Executive, Greg Fitzgerald, and the Chief Financial Officer, Earl Sibley, against the stretching financial and operational targets detailed later in the Report. Further explanation of the annual bonus performance assessment can be found on pages 93 to 94.

Based on EPS, TSR and ROCE performance over the period 2017 to 2019, LTIP awards made in 2017 will vest at 81.6% of maximum. Further details of the conditions applicable to these awards and the performance achieved are set out on pages 94 to 95.

2020 remuneration

In terms of remuneration for 2020, Greg Fitzgerald's salary was increased from £679,575 to £696,565 (2.5%), below the general increase for the wider employee population of 2.75%. Earl Sibley's salary was increased from £334,750 to £395,000 (18.0%) taking into account his additional responsibilities and considering both his role in the enlarged Group and the below market level of his previous salary. Graham Prothero was appointed as Chief Operating Officer with effect from 3 January 2020 on a salary of £500,000, which is significantly less than his previous salary at Galliford Try.

Following the regular annual review, the Committee determined that the annual bonus measures for 2020 should maintain the focus on financial metrics, whilst continuing to prioritise high levels of customer satisfaction and also incentivising the delivery of synergies and the successful integration of the Group. The detailed targets will be disclosed in full retrospectively, in accordance with our normal practice. The 2020 annual incentive scheme will reflect the following core elements:

1. **EBIT (55%).** The potential short term performance of the enlarged Group was set out in the public documents related to the acquisition and the associated equity placing. Attaining this will be a significant achievement and it will form the basis of target performance, with maximum set at materially above this level.

2. **Synergies (20%).** A material element of transaction value will come from cost synergies which the Board believes can be generated and it is critical that these are delivered both quickly and effectively. The achievement of maximum bonus for this element will require significant outperformance in terms of both in-year delivery and year-end run rate.

3. **Capital Employed (25%)**. Balance sheet efficiency is a key driver of value for the Group. Target capital employed performance will be based on expected levels of gearing set out in the acquisition documents with maximum set at levels of significant out performance. Once the post acquisition balance sheet is settled, to the extent that this balance sheet differs from that used to set these capital employed targets, those targets will be conformed accordingly.

4. **Customer Service (pre-requisite).** The Board believes that a key risk in the delivery of value from the acquisition is the maintenance of customer service through the integration process and it is vital that customer satisfaction is maintained.

From 2020 the Committee has determined that one third of any bonus award will be paid in shares, deferred for two years.

The Committee believes that the acquisition provides significant opportunity for value creation in terms of earnings growth and cash returns to shareholders and that success in delivery will be appropriately measured by the three LTIP vesting criteria of TSR, ROCE and EPS.

EPS threshold and maximum will be set at 395p per share and 446p per share respectively. ROCE threshold will be set at 20.8% and maximum at 22.6%. If needed these targets will be conformed to the post transaction balance sheet. Ultimately, the success of the strategy will be measured through our relative TSR, with threshold set at peer group median and maximum set at peer group upper quantile.

With the ongoing process of integration, it is sensible for Vistry Group to retain flexibility to amend the performance conditions under both incentive plans should there be a material change to the Group's financial statements. Of course, if this were likely, we would consult widely with our shareholders.

Conclusion

I hope you find that this report clearly explains the remuneration approach we have taken and how we will implement the new Policy in future. I look forward to your support at the 2020 AGM in respect of this report and will be available on the day to take any questions you may have.

Nigel Keen
Chair of the Remuneration Committee

Remuneration report

Introduction

This annual remuneration report explains how the remuneration policy has been implemented in the year ended 31 December 2019 and how it will be implemented for 2020. Details of remuneration in 2019 are set out first, followed by the approach for 2020.

At a glance summary

Component and where to find	Greg Fitzgerald – CEO	Earl Sibley - CFO	Graham Prothero* – COO
Single figure totals for 2019 (page 92)	£2,804k	£1,303k	n/a
Annual bonus payments for 2019 (pages 93 to 94)	100% of maximum	100% of maximum	n/a
LTIP awards vesting in respect of 2019 (page 95)	81.6%	81.6%	n/a
LTIP awards granted in 2019 (page 94)	150% of basic salary	125% of basic salary	n/a
Salaries for 2020 (page 99)	£696,565 (+2.5%)	£395,000 (+18.0%)	£500,000
Shareholding as % of salary (page 96) *Guideline in 2019: 100% of salary (CEO 200%)*	581%	24%	0%
Changes to the Remuneration Policy for 2020	New policy approved by shareholders at the General Meeting held on 2 December 2019		
Annual bonus for 2020 (pages 100 and 101) **Profit before tax:** 55% weighting **Period end capital employed:** 25% weighting **Delivery of synergies:** 20% weighting **Customer satisfaction:** Acts as threshold to bonus	Bonus opportunity increased to 150% of basic salary in the new Remuneration Policy. The balance of financial and non-financial metrics is maintained, keeping the focus on financial metrics, with the introduction of a synergy measure, removal of the operating margin measure, and the reduction in the weighting to profit before tax from 60% to 55% of the bonus. Period end capital employed replaces average capital employed and is subject to an underpin to ensure the right behaviours are maintained. The customer satisfaction measure continues to act as a threshold, below which a stepped reduction in total bonus earned on the financial metrics applies, potentially down to zero.		
LTIP awards for 2020 (page 101) **TSR:** 33.3% weighting **ROCE:** 33.3% weighting **EPS:** 33.3% weighting	200% of basic salary	200% of basic salary	200% of basic salary
	TSR, EPS and ROCE remain equally weighted, each applying to one third of awards.		

**Graham Prothero, was appointed as Chief Operating Officer with effect from 3 January 2020.*

The link between remuneration and strategy

As set out in the Strategic Report, the enlarged Group has a clear set of strategic priorities designed to move the business forward, once the process of integration is complete, and allow it to compete more effectively across the housing and regeneration markets as a top five housebuilder and enhance shareholder value. These priorities include people satisfaction, customer satisfaction, a healthy and safe working environment, and enhanced shareholder returns through increased profitability, ROCE and total shareholder return. Our medium-term targets have provided the Group with a clear direction and many have already been achieved. At present, we are focused on the integration and delivery of synergies to the benefit of shareholders. Looking forward, the housebuilding business has national scale with an expanded geographic reach and the strategy is to maximise output through controlled volume growth in the medium term, whilst maintaining high quality delivery. We will also maximise the opportunities inherent in being a dual branded housebuilder, ensuring the we provide our customers with the product choice to best meet their needs. The Partnerships business holds a strong and unique position within the partnerships market and the strategy here is to accelerate revenue growth through increased output from the existing operating structure, coupled with expansion into new geographies. The enlarged Group's land supply and strategic land capability will support the growth of development, land-led revenues.

In designing the new Remuneration Policy for the enlarged Group, which was approved by shareholders in December 2019, the link between remuneration and the strategic priorities, the integration process, and the Group's targets were carefully considered by the Committee. This included consideration of the importance of driving behaviours that underpin the culture of the business and support the sustainable success of the enlarged Group. Targets used in the Group's incentive schemes are monitored and progress measured by reference to many of the Group's reported KPIs, which include pre-tax profit, operating margin, net cash, ROCE, earnings per share, private and affordable completions, the HBF customer satisfaction score, plots added to the land bank, and involuntary staff turnover.

Annual bonus arrangements link to the Group's near-term strategic priorities and, for 2019, the Committee selected operating margin and average capital employed measures to sit alongside the profit before tax and customer satisfaction performance measures. Margin improvement remains critical to the improvement of ROCE and average capital employed drives a disciplined balance sheet and supports the management of capital. For 2020, synergy delivery is introduced to maximise acquisition benefits for shareholders and period end capital employed will be used as an interim measure to maintain a robust balance sheet with appropriate gearing, with an underpin to counter short term actions and maintain long term performance.

The LTIP takes a longer-term perspective and 2019 awards saw a return to the financial and share price performance measures of relative total shareholder return, earnings per share and ROCE, equally weighted, at one third of awards. Although customer satisfaction has been removed as an LTIP performance measure, high levels of customer satisfaction will continue to be incentivised in 2020 via the near-term annual bonus arrangements, as explained above.

Key remuneration decisions during 2019

During 2019, the Committee determined the performance measures and set targets for the 2019 annual bonus (shown on page 93), approved 2018 bonus payments and approved the vesting of the CEO's 2017 Recruitment Award. It also determined the performance measures and set targets for and approved LTIP awards made in 2019 and confirmed the total lapse of the 2016 LTIP awards. Malus and clawback provisions for incentive awards and a two year post vesting holding period for LTIP awards continued to be applied in 2019.

During the second half of 2019, the Committee took considerable care developing and reviewing the design of a new Remuneration Policy appropriate to the enlarged Group following the Acquisition. Factors taken into account included appropriate competitive market positioning as a top five housebuilder and ensuring the ability to retain and attract the talent required to successfully deliver the strategy of an enlarged Group. The Committee engaged with shareholders, institutions and proxy advisors ahead of the vote on the new Remuneration Policy at the General Meeting held on 2 December 2019 and has continued to engage since, responding to the concerns of those shareholders who voted against the new Policy and setting out the Committee's developing thoughts, proposals and intentions in implementing the new Policy in 2020.

Linked to the new Remuneration Policy, the Committee reviewed the new LTIP Rules, which were approved by shareholders at the General Meeting held on 2 December 2019 and agreed a post-employment shareholding guideline.

Towards the end of the year, the Committee considered the structure for the 2020 annual bonus and completed the 2020 remuneration review, which included consideration of the link between executive remuneration and pay and employment conditions throughout the Group (including oversight of the general proposals for staff for 2020). The Chairman's fee was also reviewed.

Remuneration report

Implementation of remuneration policy for the year ended 31 December 2019 Single figure of executive directors' remuneration (audited)

	Greg Fitzgerald (appointed CEO 18 April 2017)		Earl Sibley (appointed GFD (now CFO) 16 April 2015)	
	2019 £000	2018 £000	2019 £000	2018 £000
Base salary	680	666	335	325
Benefits (1)	1	1	7	19
Pension (3)	-	-	20	25
Other – pension salary supplement (4)	136	133	30	24
Sub-total (fixed pay)	**817**	**800**	**392**	**393**
Annual bonus	680	593	335	289
Long Term Incentives (2)	(6) 1,307	(5) 787	(6) 576	-
Sub-total (variable pay)	**1,987**	**1,380**	**911**	**289**
Total remuneration	**2,804**	**2,180**	**1,303**	**682**

Notes:

(1) *Taxable benefits include medical insurance and a loan account balancing payment relating to membership of the Bovis Homes Regulated Car Scheme, plus income tax and national insurance due on this payment.*

(2) *The 2016 LTIP measured over the three-year period to 31 December 2017 lapsed in full. The 2017 LTIP measured over the three-year period to 31 December 2019 will vest to the extent of 81.6% on 8 September 2020. The share price on grant of this award was £11.61 and at the end of the three-year performance period was £13.08. 12.7% of the value of the award vesting is attributable to share price growth during the performance period.*

(3) *The single figure for Earl Sibley has been calculated as the employer's cash contribution, 60% of which is taken as a pension salary supplement. Greg Fitzgerald was not a member of a pension scheme during the year.*

(4) *Greg Fitzgerald receives a non-bonusable and non-pensionable pension salary supplement. Earl Sibley receives a non-bonusable and non-pensionable pension salary supplement representing the balance his pension allowance not contributed to a pension scheme.*

(5) *The recruitment award for Greg Fitzgerald was approved by shareholders at the General Meeting held on 2 May 2017. The performance condition, which required the Company's total shareholder return over the period from 4 April 2017 to 31 December 2018 to be at least equal to the median of the TSR comparator group applicable to awards granted under the LTIP in 2017, was met and the award vested in full. The award will be paid entirely in shares, to be released in April 2020. The value is calculated using the share price on the vesting date (1,025.0 pence on 21 February 2019).*

(6) *This is an estimated value based on the average shareprice over the last quarter of 2019 of £11.82125 for the 2017 LTIP awards which vest on 8 September 2020.*

Greg Fitzgerald is non-executive Chairman of Baker Estates Limited, for which his personal service company received a fee of £62,000 during the year, and non-executive Chairman of Ardent Hire Solutions Limited, for which his personal service company receives fees of £115,000 per annum. Earl Sibley does not currently hold any external directorships.

The following table shows the remuneration for the non-executive directors who served during the 2019 financial year:

	Salary / fees £000	
Non-executive directors	2019	2018
Ian Tyler	185	170
Alastair Lyons (retired 23/05/18)	-	31
Chris Browne	53	49
Ralph Findlay	73	64
Katherine Innes Ker (appointed 9/10/18)	53	11
Nigel Keen	63	54
Mike Stansfield	53	49
Total	**480**	**428**

Annual bonus payment in respect of 2019

The maximum opportunity for the Chief Executive and Chief Financial Officer for the year ended 31 December 2019 was 100% of salary. Provisions that enable the recovery of sums paid (clawback) continue to apply, as set out in the policy table.

A breakdown of the performance against the measurement criteria is shown below.

Following the regular annual review and the success of the emphasis on operational delivery and customer satisfaction in 2018, the Committee determined that the annual bonus scheme for 2019 should be adjusted to focus on financial metrics supporting the Group's medium-term targets, whilst continuing to prioritise high levels of customer satisfaction. The Committee increased the weighting for financial metrics to 100% from 60%, replaced the legal completion profile measure with average capital employed, and redesigned the customer satisfaction measure to act as a threshold, below which total bonus earned is reduced. Threshold was set at 80% customer satisfaction in the Home Builders Federation ("HBF") survey and at this level bonus earned on the financial metrics is triggered without reduction. A customer satisfaction score of 79% leads to a reduction of 25% of bonus earned and scores of 77%, 74% and 70% lead to further 25% reductions, until no bonus is earned at a score of 70%. The average capital employed measure is designed to deliver operating efficiencies and a more controlled profile of completions across the year from an appropriate level of work in progress across sites. Lastly, the weighting for the profit before tax performance measure was increased.

All targets were set in February 2019.

Measure	Weighting (as a % of maximum)	Threshold	On target	Stretch and maximum	Outcome and award achieved (% of maximum)
Financial measures (100%)					
Profit before tax	60%	0% of maximum £168.0m	50% of maximum £180.0m	100% of maximum £186.0m	£188.2m (100%)
Operating margin	20%	0% of maximum 15.0%	50% of maximum 16.4%	100% of maximum 17.0%	17.0% (100%)
Average capital employed	20%	Threshold 0%: 5% below Budget On target: In line with Budget Maximum100%: 2% above Budget			3% above Budget (100%)
Non-financial measures (0%)					
Customer satisfaction (HBF survey score) (completions between 1 October 2018 and 30 September 2019 to reach at least 70% before any measure can pay out)	Acts as threshold	n/a	n/a	n/a	Threshold met (HBF survey score: 5-star)
Total bonus (% salary)					100%

Pre-tax-profit for 2019 was £188.2 million, exceeding the target set for stretch performance, and a pay-out of 100% against the 60% allocated to this measure was achieved. Operating margin finished at 17.0%, reaching the maximum target of 17.0% and a full pay-out of the 20% of allocated to this measure was delivered. The average capital employed measure was also met in full, with a result 3% above Budget, resulting in 100% of the 20% allocated to this measure being achieved. There was no discretion exercised in arriving at the 2019 bonus outcome for the executive directors, representing a total pay-out of 100% of the bonus opportunity. The Committee determined that this outcome had a clear link to the significant progress made by the Group in 2019 and was a fair reflection of the performance delivered by the executive directors.

Remuneration report

Executive director	Maximum bonus % of salary	Target bonus % of salary	Actual bonus % of salary	Total 2019 bonus £000
Greg Fitzgerald	100	50	100%	680
Earl Sibley	100	50	100%	335

Vistry Group Long Term Incentive Plan

Long term incentive awards are made in the form of performance shares or nil-cost options under the Vistry Group Long Term Incentive Plan. New plan rules were approved by shareholders at the General Meeting held on 2 December 2019 and the 2020 awards will be granted under this Plan. All prior year awards were granted under the rules approved at the 2010 Annual General Meeting. Each award is made subject to the achievement of performance criteria as explained below and will ordinarily vest after three years. A two-year holding period following vesting was introduced for 2017 awards onwards, which extends to five years the time between awards being granted and when they can be exercised. Provisions that enable the withholding of payment or the recovery of sums paid (malus and clawback) were further strengthened with the adoption of the new Plan rules.

Discretions available to the Committee contained in the new LTIP rules are set out in the policy table on page 105 and also in the exit payments policy in the full Remuneration Policy, available on our website: **vistrygroup.co.uk/investors/corporate-governance**.

Awards granted during 2019 (audited)

For the 2019 awards, the Committee decided to return to financial and share price performance measures, using relative total shareholder return, earnings per share and ROCE, equally weighted at one third of awards. Although the customer satisfaction performance measure was removed, high levels of customer satisfaction continue to be incentivised via the near-term annual bonus arrangements.

An award of 90,529 shares was made to Greg Fitzgerald at 150% of basic salary on 4 March 2019, calculated based on a share price of £11.26 on 1 March 2019. The award is subject to a three-year performance period ending on 31 December 2021 and exercisable in 2024, following a two-year holding period, as follows:

Executive director	Type of award	Number of shares awarded	Face value of award £000	% of face value that would vest at threshold
Greg Fitzgerald	Performance share award	90,529	1,019	25.0*

An award of 37,161 shares was made to Earl Sibley at 125% of basic salary on 4 March 2019, calculated based on a share price of £11.26 on 1 March 2019. The award is subject to a three-year performance period ending on 31 December 2021 and exercisable in 2024, following a two-year holding period, as follows:

Executive director	Type of award	Number of shares awarded	Face value of award £000	% of face value that would vest at threshold
Earl Sibley	Performance share award	37,161	418	25.0*

** Threshold vesting for the proportion of the awards measured against each of the EPS, TSR and ROCE performance conditions was set at 8.3% of the maximum for each measure or 25.0% of the shares in the total award.*

The performance measures for all 2019 awards are TSR (33.3%), EPS (33.3%) and ROCE (33.3%). Achieving threshold performance for the financial and share price performance measures would result in 25.0% of the total award vesting.

The performance targets are:

- **TSR** – threshold performance equal to the annualised median of the index and maximum performance equal to the annualised median of the index, plus 7.5%.
- **EPS** – threshold performance at cumulative EPS of 320 pence and maximum performance at cumulative EPS of 353 pence.
- **ROCE** – threshold performance at 22.0% and maximum performance at 25.0%, both as measured in the third year of the performance period (2021).

Visit our website for details

vistrygroup.co.uk
/investors/corporate-governance

The 2019 constituents of the TSR index, which may be subject to change, are as listed below:

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

Awards vesting in respect of 2019

The LTIP awards made in 2017 were measured over the three-year period to 31 December 2019 and will vest to the extent of 81.6% on 8 September 2020. One third of the award was measured against Customer Satisfaction, with the remainder measured using EPS performance (22.2%), TSR performance against an index of the UK's leading housebuilders (22.2%), and ROCE performance (22.2%). The Customer Satisfaction measure had no threshold and threshold vesting for the financial and share price performance measures was set at 6.67% against each metric.

The Customer Satisfaction performance measure (using the HBF customer satisfaction rating for the period October 2018 to September 2019) required the achievement of at least 4-star status (80% to 89.9%). The Group achieved 5-star status for the period and 100% of this element of the award will vest.

The threshold EPS target was 238p and the maximum target was 280p measured on a cumulative three-year basis. Absolute cumulative EPS over the three-year performance period was 281.0p and 100% of the EPS element will vest.

The threshold TSR target was performance equal to the annualised median of the index and the maximum target was performance equal to the annualised median of the index, plus 10%. Actual TSR was 26.9%, which was above the median of the index of 26.5% with the result that 32.5% of the TSR element will vest.

The threshold ROCE target was 18.4% and the maximum target was 23.4% measured in the third year of the performance period (2019). Actual ROCE in 2019 was 22.3% and 84.6% of the ROCE element will vest.

Historical LTIP awards

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

		Award size (% salary)		Performance criteria				
Year of grant	Performance period	(CEO)	(CFO)	Customer satisfaction	TSR	EPS	ROCE	Percentage of award vesting
2016	01/01/2016 – 31/12/2018		125%		33.3%	33.3%	33.3%	0%
2017	01/01/2017 – 31/12/2019	*200%	125%	33.3%	22.2%	22.2%	22.2%	81.6%
2017	04/04/2017 – 31/12/2018	**100%			100%			100%
2018	01/01/2018 – 31/12/2020	†200%	125%	25%	25%	25%	25%	Ongoing
2019	01/01/2019 – 31/12/2021	150%	125%		33.3%	33.3%	33.3%	Ongoing

** As explained in the 2017 Directors' Remuneration Report, this level of award was granted on an exceptional basis.*

*** G P Fitzgerald's Recruitment Award which vested with effect from 31 December 2018, as explained in the 2018 Directors' Remuneration Report.*

† As explained in the 2018 Directors' Remuneration Report, this level of award was granted on an exceptional basis.

Pensions

Earl Sibley is a member of the Bovis Homes Group Personal Pension Plan ("GPP"). The Company contributes up to 15% of his base salary to the GPP. During 2018, Earl Sibley took 60% of this contribution as a pension salary supplement.

Greg Fitzgerald was not a member of a pension scheme during the year and receives a pension salary supplement of 20% of his base salary.

There are no special early retirement or early termination provisions for executive directors, except as noted in the exit payments policy in the Remuneration Policy, available on our website at **vistrygroup.co.uk/investors/corporate-governance**.

Any new appointments include eligibility for membership of the GPP.

Remuneration report

Payments for loss of office and to past directors

There were no payments for loss of office made during the year. There were also no payments to past directors.

Directors' shareholdings and share interests (audited) Directors' beneficial share interests

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

	31 Dec 2019			31 Dec 2018		
	Ordinary shares	Shares under the LTIP (shares subject to performance conditions)	SAYE options (options subject to continuous employment)	Ordinary shares	Shares under the LTIP (shares subject to performance conditions)	SAYE options (options subject to continuous employment)
Executive directors						
Greg Fitzgerald	428,480	479,110	–	389,563	388,581	–
Earl Sibley	9,935	124,014	4,213	9,771	148,400	4,213
Non-executive directors						
Ian Tyler	2,616	–	–	2,388	–	–
Alastair Lyons (retired 23/05/18)	–	–	–	25,350	–	–
Chris Browne	1,026	–	–	1,026	–	–
Ralph Findlay	2,687	–	–	2,687	–	–
Nigel Keen	–	–	–	–	–	–
Mike Stansfield	–	–	–	–	–	–
Katherine Innes Ker	–	–	–	–	–	–

There were no changes in the holdings of ordinary shares of any of the directors between 31 December 2019 and 27 February 2020 other than the normal monthly investment in partnership shares through the Bovis Homes Group Share Incentive Plan.

The directors' interests in share options and awards under the Long Term Incentive Plan are detailed on page 92. There were no changes in the holdings of share options and awards under the Long Term Incentive Plan between 31 December 2019 and 27 February 2020.

Shareholding guidelines

Guidelines have been approved for executive directors in respect of ownership of Vistry Group shares. During 2019, the Board expected executive directors to retain 100% of the net value derived from the exercise of Long Term Incentive Plan awards as shares, after settling all costs and income tax due, until such time as executive directors hold shares with an historical cost equal to basic annual salary. The CEO was required to hold shares with an historical cost equal to twice basic annual salary. This shareholding guideline has been increased to 200% of basic annual salary and now applies to all executive directors. Shares no longer subject to performance conditions but subject to deferral or a holding period count towards the guideline (on a net of tax basis).

Executive director	Shareholding at 31 Dec 2019	Historical acquisition cost	Salary at 1 Jan 2020	% shareholding achieved	Shareholding guideline
Greg Fitzgerald	428,480	£4,044,738	£696,565	581%	200%
Earl Sibley	9,935	£95,021	£395,000	24%	100%

Greg Fitzgerald continued to meet the shareholding guidelines during 2019 and, having acquired further shares in the Placing in November 2019, now holds shares with a historical cost equal to almost six times basic annual salary. Earl Sibley continued to increase the number of shares held during 2019.

Directors' interests in Long Term Incentive Plan shares

Executive director	Award date	Vesting date	Interest as at 31 Dec 2018	Interest as at 31 Dec 2019	Value of shares at date of award (£000)	Vesting and exercised in year	Lapsed in year	Expiry date	Market value at vesting (£000)	Gain on exercise (£000)	Shares retained on exercise
Greg Fitzgerald	02/05/17	31/12/17	*76,786	76,786	650	-	-	18/04/20	-	-	-
	02/05/17	31/12/18	*76,786	76,786	650	-	-	18/04/20	-	-	-
	08/09/17	08/09/20	111,972	111,972	1,300	-	-	08/09/27	-	-	-
	05/03/18	05/03/21	123,037	123,037	1,332	-	-	05/03/28	-	-	-
	04/03/19	04/03/22	-	90,529	1,019	-	-	04/03/29	-	-	-
Earl Sibley	24/02/16	24/02/19	39,040	-	344	-	39,040	24/02/26	-	-	-
	08/09/17	08/09/20	49,342	49,342	375	-	-	08/09/27	-	-	-
	05/03/18	05/03/21	60,018	37,511	650	-	22,507	05/03/28	-	-	-
	04/03/19	04/03/22	-	37,161	418	-	-	04/03/29	-	-	-

** 2017 Bonus award and Recruitment Award granted to Greg Fitzgerald following approval at a General Meeting held on 2 May 2017.*

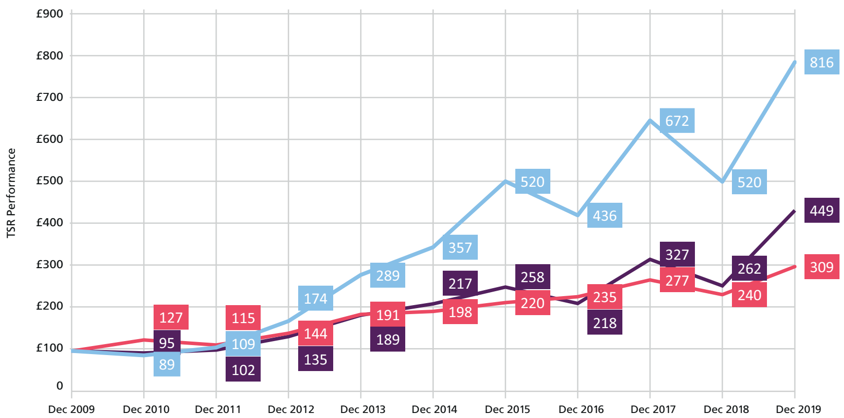
*** As explained in the 2017 Directors' Remuneration Report, the award was calculated based on the closing middle market share price on 21 February 2017, which was £7.60 per share.*

Directors' interests in share options

Executive director	Date of grant	Scheme	Interest as at 31 Dec 2018	Granted in year	Lapsed in year	Exercised in year	Interest as at 31 Dec 2019	Exercise price per share	Option exercise period
Earl Sibley	24/03/2016	SAYE	4,213	-	-	-	4,213	712.00	06/21 – 12/21

The Save As You Earn (SAYE) options were granted at a 20% discount to the prevailing market price on the date of grant. There was no payment required to secure the grant of any share options. There was no change in the terms and conditions of any outstanding options granted under the SAYE Scheme during the financial year. Share options held in the SAYE Scheme, which are not subject to performance conditions, may under normal circumstances be exercised during the six months after maturity of the savings contract.

Total Shareholder Return performance graph (1)



(1) This graph illustrates ten-year TSR performance and therefore does not represent the period under which the Long Term Incentive Plan is measured

(2) Median TSR growth of the constituents of the bespoke index. Index consists of FTSE 350 home construction companies as at 31 December 2009 (Barratt Developments, Bellway, The Berkeley Group, Persimmon, Redrow, Taylor Wimpey)

Source - DataStream

As required by the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended), the above graph shows the Total Shareholder Return of an ordinary share held in Vistry Group PLC (Bovis Homes Group PLC as was) over the last ten financial years, compared to the FTSE 250 index and the median of the FTSE 350 home construction companies (as listed at 31 December 2009) over the same period. As a constituent of the FTSE 250 operating in the home construction sector, the Committee considers both these indices to be relevant benchmarks for comparison purposes.

Remuneration report

The middle market price of the Company's shares at 31 December 2019 was £13.08 (2018: £8.618). During the year ended 31 December 2019 the share price recorded a middle market low of £8.13 and a high of £13.48. As at the date of this report the share price stood at £12.96.

Total CEO remuneration

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Single figure total £000	1,016	836	1,315	1,440	1,596	1,505	1,029	1,376	2,180	2,804
Annual bonus against maximum %	100	82.4	84.2	97.8	88.7	59.8	10	100	89	100%
Long Term Incentive Plan vesting against maximum	31	0	50	50	66.7	66.7	35.9	n/a	n/a	81.6%
Recruitment award vesting against maximum	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	100	n/a

Note: Columns for 2010 to 2016 relate to David Ritchie and those for 2017 to 2019 relate to Greg Fitzgerald

Change in remuneration of CEO

The table below sets out the percentage change in the remuneration awarded to Greg Fitzgerald between 2018 and 2019 compared to the average percentage change for employees as a whole.

Executive director	Base salary	Benefits	Annual bonus
Greg Fitzgerald	2.0%	0%	14.7%
Earl Sibley	3.0%	(63.2%)	15.9%
Employees as a whole	4.86%	0%	*(1%)

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

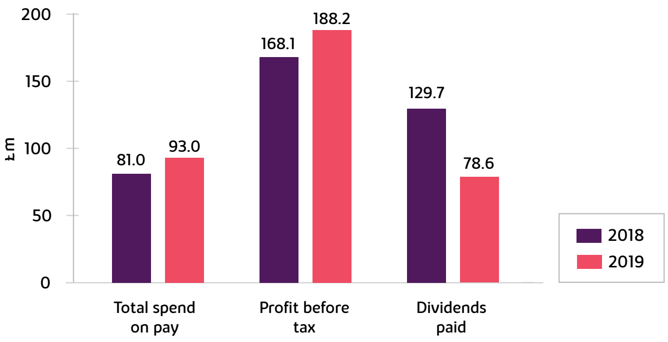
CEO pay ratio

Our CEO pay ratio has been calculated using "option B", which uses gender pay data to identify the three employees that represent the lower quartile, the median, and the upper quartile. This option has been selected as it provides a clear methodology, including fewer adjustments, to impute Full-time Equivalent earnings and is more likely to produce robust data year on year. The Committee has reviewed the results of the calculations and is satisfied that they are representative of the respective quartiles and that there would be little difference if calculated on any other basis.

Year	Method	CEO Single Figure £000	All UK Employees	Lower Quartile	Median	Upper Quartile
2019	Option B	£2,804	Ratio	78:1	56:1	43:1
			Total pay	£36,091	£49,792	£64,500
			Salary	£29,863	£46,500	£58,000

Relative importance of spend on pay

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



Notes:

- *Total spend on pay in 2018 was £81.0 million and in 2019 was £93.0 million, representing an increase of 14.8%.*
- *Profit before tax in 2018 was £168.1 million and in 2019 was £188.2 million, (pre exceptional items), representing an increase of 11.9%.*
- *Cash dividends paid to shareholders totalled £129.7 million in 2018 and £78.6 million in 2019, representing an decrease of 65%. The 2019 special dividend was paid by way of bonus issue of shares in January 2020, with a total value of £66.0m.*

Implementation of remuneration policy for the year ending 31 December 2020

A new remuneration policy was approved at the General Meeting held on 2 December 2019, effective from 3 January 2020. The key changes in the way that the remuneration policy will be implemented in 2020 versus 2019 are as follows:

- No base salary increase for the CEO beyond that applied to the wider workforce
- Repositioning of salary for the CFO to the level appropriate to the role and increased responsibilities in the enlarged Group
- Annual bonus incentive maximum to be set at 150% of basic annual salary and deferral in shares to be introduced
- LTIP award maximum to be set at 200% of basic annual salary
- Shareholding guideline increased to 200% of salary for all executive directors
- Post employment shareholding guideline introduced as the lower of 1x the shareholding guideline and actual salary on cessation
- Pension will be set in line with the wider workforce from 1 January 2023, with a series of stepped reductions applying from 1 January 2021, 2022 and 2023

Executive directors' base salaries and benefits

The salaries of the executive directors with effect from 1 January 2020 were as follows:

Executive directors	Position	2020 base salary	% increase from 2019
Greg Fitzgerald	CEO	£696,565	2.5%
Graham Prothero (appointed 03/01/20)	COO	£500,000	n/a
Earl Sibley	CFO	£395,000	18.0%

When determining the base salary increases, the Committee took account of increases awarded to the workforce, in addition to the individual performance of executive directors and the impact of the increase on their total compensation. In the case of the CFO, his increased responsibilities and role in the enlarged Group were judged by the Committee to warrant a repositioning.

The salary of Greg Fitzgerald, the Chief Executive, was increased by 2.5%, below the award of 2.75% to the wider employee population.

The salary of Earl Sibley, the Chief Financial Officer, was increased by 18.0% to ensure that it is competitively positioned against the market when considering his role in the enlarged Group and the extent of his increased responsibilities.

An allowance of just over 2.75% of salary was provided for general staff increases. Benefits will continue on the same basis as for 2019.

Remuneration report

Approach to annual bonus

The Committee paid close attention to the feedback received from shareholders prior to and after the vote on the new Remuneration Policy at the General Meeting held on 2 December 2019. Feedback regarding quantum and incentive multiples was considered carefully. The Committee reflected on the enlarged Group's positioning in the sector and the importance of being able to recruit and retain the talent required to ensure a successful and sustainable business, delivering increasing value for shareholders. It remains of the view that it is appropriate for the Group to increase incentive multiples for incentive scheme to a competitive level and has, accordingly, increased the bonus multiple for 2020 from 100% to 150% of basic annual salary. The Committee has considered bonus deferral and agreed that the last third of any bonus award will be paid in shares, deferred for two years.

Following the regular annual review of bonus structure and the ongoing success of the emphasis on operational delivery and customer satisfaction in 2019, the Committee determined that the annual bonus scheme for 2020 should maintain the focus on financial metrics, whilst continuing to prioritise high levels of customer satisfaction, and also incentivising the delivery of synergies and the successful integration of the Group. In introducing a measure for the delivery of synergies with a weighting of 20%, the Committee has reduced the weighting for the profit before tax performance measure to 55%, and removed the operating margin measure, whilst maintaining the weighting for financial metrics at 100%.

Average capital employed has been replaced with period end capital employed for 2020, which is subject to an underpin designed to ensure that appropriate actions and behaviours are employed in meeting this measure, with the weighting increased to 25%. The period end capital employed measure is designed to deliver operating efficiencies and maintain a strong and robust balance sheet. As before, the customer satisfaction measure continues to act as a threshold, below which total bonus earned is reduced. Threshold is set at 80% customer satisfaction in the Home Builders Federation ("HBF") survey and at this level bonus earned on the financial metrics is triggered without reduction. A customer satisfaction score of 79% leads to a reduction of 25% of bonus earned and scores of 77%, 74% and 70% lead to further 25% reductions, until no bonus is earned at a score of 70%. Should the Group's customer satisfaction score fall below 80%, the Committee has agreed that it will review the circumstances surrouding the fall in performance and may apply downward discretion to the level of bonus earned over and above the automatic threshold reduction.

Measure	2019 Weighting (as a % of maximum)	2020 Weighting (as a % of maximum)
Profit before tax	60%	55%
Average capital employed (2019) / period end capital employed (2020)	20%	25%
Synergy delivery	n/a	20%
Financial measures	**100%**	**100%**
Customer satisfaction (HBF survey score)	Acts as threshold	Acts as threshold
Non-financial measures	**0%**	**0%**

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

The Committee has decided not to disclose the detail of performance targets in advance as they are considered commercially sensitive, being closely indicative of the Group's strategy, but will disclose them retrospectively in the 2020 annual remuneration report. The 2020 performance measures and weightings are described below.

Measure	Rationale / link to strategy	% weighting
Financial measures (100%)		
Profit before tax	Incentivise the achievement of profit targets, with the objective of sustainably increasing shareholder value.	55%
Period end capital employed	Incentivise management of the level of capital employed within the business, aligning with shareholder interests in progressively and sustainably increasing returns, subject to an underpin designed to ensure that appropriate actions and behaviours are employed.	25%
Synergy delivery	Incentive management to deliver the level of synergies anticipated to the benefit of shareholders.	20%
Non-financial measure		
Customer satisfaction	Maintaining our focus on quality of service is seen as key to reputation and future success, both in terms of customer demand and achieved selling prices. Measured by the HBF survey score for legal completions between 1 October 2019 and 30 September 2020. Should a customer satisfaction score of 80% not be achieved, total bonus earned from the financial measures starts to reduce.	Acts as threshold
Total opportunity		**100%**

Approach for Long Term Incentive Plan awards

The key features of the long term incentive arrangements (as outlined on page 94) are expected to remain the same as those for 2019, with the exception of (i) the increase in the maximum award multiple from 150% to 200% and (ii) the TSR measure moving from being calculated on a relative straight line method to a relative ranking approach. Further explanation of the rationale for the increase in incentive multiples is provided under "Approach to annual bonus" on page 100. Relative ranking for TSR is considered by the Committee to more fairly reflect out-performance against a small comparator group and is consistent with the approach adopted by the majority of listed companies.

Provisions that enable the withholding of payment or the recovery of sums paid (malus and clawback) can apply to LTIP awards in certain circumstances, consistent with those that apply to the bonus, disclosed on the previous page. Malus can apply prior to the award vesting date and clawback can apply for a two-year period thereafter. A two-year holding period following vesting extends to five years the time between awards being granted and when they can be exercised.

Performance measures and targets for 2020 LTIP awards

The performance measures for all 2020 awards will be TSR (33.3%), EPS (33.3%) and ROCE (33.3%) and threshold vesting will be set at 25% for each financial measure.

The performance targets are:

- **TSR** – threshold performance equal to the median of the comparator group and maximum performance equal to the upper quartile of the comparator group.
- **EPS** – threshold performance at cumulative EPS of 395 pence and maximum performance at cumulative EPS of 446 pence.
- **ROCE**[1] – threshold performance at 20.8% and maximum performance at 22.6%, both as measured in the third year of the performance period (2022).

(1) Balance sheet efficiency is a key driver of value for the Group. Target capital employed performance will be based on expected levels of gearing set out in the acquisition documents with maximum set at levels of significant out performance. Once the post acquisition balance sheet is settled, to the extent that this balance sheet differs from that used to set these capital employed targets, those targets will be conformed accordingly.

Remuneration report

Pensions

Pension arrangements (as outlined on page 95) will continue on the same basis as in 2019, subject to the introduction of a stepped reduction arrangement from 2020 onwards, designed to equalise executive director pensions with the rate applicable to the wider workforce on or before 1 January 2023.

Post employment shareholding guidelines

Guidelines have been approved for executive directors in respect of post-employment ownership of shares in Vistry Group PLC. The Board expects executive directors to retain the lower of one times the shareholding guideline (200% of salary) and the actual shareholding at cessation for two years post cessation. The shares to be held only include vested shares from incentive schemes and exclude shares purchased by executive directors.

Non-executive directors' remuneration

The fees for the non-executive director positions for 2020 are set out below:

Role	2019	2020
Chairman fee	£185,000	£190,100
Senior Independent Director fee	£10,000	£10,000
Non-executive director base fee	£53,000	£54,460
Additional fees:		
Audit Committee chair	£10,000	£10,000
Remuneration Committee chair	£10,000	£10,000

The fees for the Chairman and the other non-executive directors were increased to their current levels with effect from 1 January 2020, following a review which took into account competitive positioning, responsibilities, time commitment for the roles and the size and complexity of the Company. The Chairman's fee was last reviewed with effect from 1 January 2019. The non-executive director base fee was also last reviewed with effect from 1 January 2019.

Remuneration of senior management and other below board employees

In addition to responsibility for executive directors, the Committee is also involved in consideration of the remuneration arrangements for the Executive Leadership Team below the Board, in conjunction with the Chief Executive. Alignment is delivered by ensuring that senior management and executive directors participate in the same bonus and incentive schemes as far as possible, with similar performance measures and targets. The Committee has visibility of the remuneration of management teams below the Executive Leadership Team and has oversight of payment and employment conditions throughout the Group and takes these into account when setting executive pay.

The Committee is mindful of the new UK Corporate Governance Code provision regarding the alignment of pension provisions with the broader workforce. This will form part of the review of the remuneration policy that will be conducted during 2019.

The Remuneration Committee

Committee membership and meetings

All members of the Committee are independent non-executive directors who have no personal financial interest, other than as shareholders, in the matters to be decided. Biographical details are provided on pages 68 to 69.

Name	Date of appointment	Role	Attendance at meetings
Nigel Keen (appointed Chairman 23/05/18)	15/11/2016	Chairman	9/9
Chris Browne	01/09/2014	Chairman	8/9
Ralph Findlay	07/04/2015	Member	9/9
Mike Stansfield	28/11/2017	Member	9/9
Katherine Innes Ker	9/10/2018	Member	9/9

The Committee met nine times in 2019. Chris Browne missed one meeting as a result of a prior commitment. In addition to the key activities and decisions mentioned in the introduction to this report, the Committee approved the directors' remuneration report for inclusion in the 2018 Annual Report, approved the 2019 offer of the SAYE scheme, and reviewed remuneration related workforce policies and practices. It received a 2019 AGM season review and market update and implemented actions required in widening the role of the Committee under the 2018 UK Corporate Governance Code.

An evaluation of the Committee's performance during 2019 was performed and it was found to be functioning effectively and fulfilling its remit. The year had been challenging, largely as a result of the acquisition, with the design and review of the new Remuneration Policy having to be accelerated, leaving a shorter period for consultation with shareholders than the Committee would have liked. The importance of ongoing quality engagement with shareholders on the implementation of the new Policy was recognised, including in the run up to the vote on the Remuneration Report at the 2020 AGM. The importance of setting clear metrics for incentives schemes that meet the needs of the Group and satisfy the various requirements of shareholders was also recognised.

The Committee starts its meetings without executive management present when it wishes to do so. During 2019, the Committee asked Ian Tyler (Chairman), Greg Fitzgerald (Chief Executive), and Earl Sibley (Chief Financial Officer) to attend meetings and assist its discussions. This excluded matters connected to their own remuneration, service agreements or terms and conditions of employment. The Committee takes care to recognise and manage conflicts of interest when receiving views from executive directors or senior management and no director or senior executive is involved in any decisions regarding their own remuneration.

The Group Company Secretary acts as secretary to the Committee.

Advisers to the Committee

Willis Towers Watson were appointed advisors to the Committee on 12 December 2018, following a selection and interview process. Previously, Deloitte LLP had been advisers to the Committee since August 2009. Willis Towers Watson provide independent advice on all aspects of executive remuneration and attend Remuneration Committee meetings when invited by the Chairman of the Committee. The Committee reviews the advice, challenges conclusions and assesses responses from its advisors to ensure objectivity and independence. Willis Towers Watson also provide actuarial consultancy and administration services to the Trustee of the Bovis Homes Pension Scheme. They also provide consultancy services to the Company in respect of pensions. Willis Towers Watson is a founder member of the Remuneration Consultants Group and have signed the voluntary Code of Conduct for remuneration consultants. The fees paid to Willis Towers Watson for services provided in 2019 were £172,917 (2018: £20,740). The level of fees in 2019 reflects the input required in designing the new Remuneration Policy and to the public documents for the acquisition, together with support in shareholder engagement.

Shareholder voting at the 2019 AGM

At the Annual General Meeting held on 22 May 2019, shareholder proxy voting on the directors' remuneration report for the year ended 31 December 2018 was as follows:

Resolution	For	%	Against	%	Total votes	Withheld (1)
Directors' remuneration report 2018	102,576,274	98.53	1,534,557	1.47	104,110,831	38,044

Shareholder voting at the 2019 GM

At the General Meeting held on 2 December 2019, shareholder proxy voting on the directors' remuneration policy was as follows:

Resolution	For	%	Against	%	Total votes	Withheld (1)
Directors' remuneration policy	73,854,103	65.46	38,973,302	34.54	112,827,405	17,584

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

The Company is committed to ongoing shareholder dialogue and seeks to understand any concerns investors may have. Should there be a significant level of votes against resolutions relating to directors' remuneration, the Company seeks to understand the reasons for this and will set out any actions taken in response. Steps were taken prior to the vote on the new Remuneration Policy at the 2019 General Meeting to explain the rationale for changes the Committee felt necessary in light of the acquisition and the Company subsequently engaged with major shareholders. The Committee understands that the main concerns raised were in relation to quantum and the rate at which the pay opportunity is to be deployed. Our engagement with shareholders continues, as we consult on the approach to implementation of the new Policy, prior to submitting the 2019 directors' remuneration report to shareholders for approval at the 2020 AGM.

By order of the Board
Nigel Keen
Chairman of the Remuneration Committee

27 February 2020

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

Remuneration Policy

The table below sets out key elements of the Remuneration Policy approved by shareholders at the General Meeting on 2 December 2019. The full remuneration policy is available at **vistrygroup.co.uk/investors/corporate-governance**.

Components of the remuneration framework for executive directors

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

Fixed pay

Purpose and link to strategy	Operation	Opportunity	Performance metrics
Base salary To attract and retain high performing talent required to deliver the business strategy, providing core reward for the role.	Ordinarily reviewed annually. The review typically considers competitive positioning, the individual's role, experience and performance, business performance and salary increases throughout the Group. Market benchmarking exercises are undertaken periodically and judgement is used in their application.	Whilst we do not consider it appropriate to set a maximum base salary level, any increases will take into account the individual's skills, experience, performance, the external environment and the pay of employees throughout the Group. Whilst generally the intention is to maintain a link with general employee pay and conditions, in circumstances such as significant changes in responsibility or size and scope of role or progression in a role, higher increases may be awarded. Thus, where a new director is appointed at a salary below market competitive levels to reflect initial experience, it may be increased over time subject to satisfactory performance and market conditions. This will be fully disclosed in advance on appointment.	Not applicable.
Benefits To provide market competitive benefits consistent with role.	Benefits typically include medical insurance, life assurance, membership of the Bovis Homes Regulated Car Scheme for Employees or cash car allowance, annual leave, occupational sick pay, health screening, personal accident insurance, and participation in all employee share schemes (SAYE and SIP). In line with business requirements, other expenses may be paid, such as relocation expenses, together with related tax liabilities.	We do not consider it appropriate to set a maximum benefits value as this may change periodically.	Not applicable.
Pension To attract and retain talent by enabling long term pension saving.	Executives joining the Group since January 2002 can choose to participate in a defined contribution arrangement, or may receive a cash equivalent. A salary supplement may also be paid as part of a pension allowance arrangement.	A pension allowance of up to 20 per cent of base salary may be paid for current incumbents. For new incumbents, the contribution rate is set at 7 per cent of base salary, to be maintained in line with changes in the rate applicable to the workforce. This may be taken as a contribution to the Group Personal Pension Plan, as a cash supplement, or a combination of the two. Salary increases awarded after the first year of the Policy are not pensionable for directors who receive pension contributions at a rate above that applicable to the workforce. From January 2023 or earlier, all directors pension contributions shall be maintained in line with the rate set for the workforce.	Not applicable.

Variable pay

Purpose and link to strategy	Operation	Opportunity	Performance metrics
Annual bonus To incentivise and reward the delivery of near-term business targets and objectives.	The annual bonus scheme is a discretionary scheme and is reviewed prior to the start of each financial year to ensure that it appropriately supports the business strategy. Performance measures and stretching targets are set by the Committee. Bonuses are normally paid in cash and any amounts awarded over 100 per cent of base salary can be deferred in cash or shares for two years. It is the intention for the default treatment for deferred awards to be in shares. In any year in which no dividend is proposed discretion may be exercised to pay part, or all, of the bonus in ordinary shares, consistent with the deferral profile above. Actual bonus amounts are determined by assessing performance against the agreed targets after the year end. The results are then reviewed to ensure that any bonus paid accurately reflects the underlying performance of the business. Clawback provisions apply (for a period of two years from the bonus payment date). Circumstances include: a material misstatement, serious misconduct, a material failure of risk management, restatement of prior year results, corporate failure, or serious reputational damage to any Group company.	The annual bonus scheme offers a maximum opportunity of up to 150% of base salary. Achievement of stretching performance targets is required to earn the maximum.	Performance measures are selected to focus executives on strategic priorities, providing alignment with shareholder interests and are reviewed annually. Weightings and targets are reviewed and set at the start of each financial year. Financial metrics will comprise at least 50 per cent of the bonus and are likely to include one or more of: • a profit based measure • a cash based measure • a capital return measure Non-financial metrics, key to business performance, will be used for any balance. These may include measures relating to build quality and customer service. Overall, quantifiable metrics will comprise at least 70 per cent of the bonus. Below threshold performance delivers no bonus and target performance achieves a bonus of 75 per cent of base salary.
Long Term Incentive Plan ("LTIP") To incentivise, reward and retain executives over the longer term and align the interests of management and shareholders.	Typically, annual awards are made under the LTIP. Awards can be granted in the form of nil-cost options, forfeitable shares or conditional share awards. Performance is measured over a performance period of not less than three years. LTIP awards do not normally vest until the third anniversary of the date of the grant. Vested awards are then subject to a two-year holding period. For nil-cost options this will be a prohibition on exercise until the end of the holding period. Awards may be granted with the benefit of dividend equivalents, so that vested shares are increased by the number of shares equal to dividends paid from the date of grant to the date of exercise. Malus provisions can be applied to awards prior to the vesting date and clawback provisions can be applied for two years thereafter in certain circumstances, including a material misstatement, serious misconduct, a material failure of risk management or serious reputational damage to any Group company. Malus can also be applied for any other reason which the Committee considers appropriate.	The maximum annual award, under normal circumstances is 200 per cent of base salary for executive Directors.	The performance measures applied to LTIP awards are reviewed annually to ensure they remain relevant to strategic priorities and aligned to shareholder interests. Weightings and targets are reviewed and set prior to each award. Performance measures will include long term performance targets, of which financial and / or share price-based metrics will comprise at least two thirds of the award. Quantifiable non-financial metrics, key to business performance, will be used for any balance. Any material changes to the performance measures from year to year would be subject to prior consultation with the Company's major shareholders. Below threshold performance realises 0 per cent of the total award, threshold performance realises 25 per cent and maximum performance realises 100 per cent. The Committee may adjust downwards the number of shares realised if it considers such adjustment is justified based on: (a) the performance of the Company, any business area or team; (b) the conduct, capability or performance of the participant; or (c) the occurrence of unforeseen events or of events outside of the participant's control.

Remuneration Policy

Variable pay

Purpose and link to strategy	Operation	Opportunity	Performance metrics
Shareholding guideline To encourage executives to build up a meaningful shareholding over time and align the interests of management and shareholders.	Executive directors benefitting from the exercise or release of LTIP awards are expected to retain 100% of the net value derived as shares, after settling all costs and income tax due, until such time as the guideline is met. The post-employment shareholding guideline is the lower of 1x the shareholding guideline (200 per cent of salary) and the actual shareholding at cessation. Shares to be held for two years post-cessation. Shares to be held only includes vested shares from incentive plans and excludes shares purchased by executives.	The guideline for executive directors is 200% of base salary.	Not applicable.

Notes to the policy table

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

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

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

(i) before 16 May 2014 (the date the Company's first remuneration policy came into effect);

(ii) under the Company's previous shareholder-approved remuneration policies, provided that the terms of payment were consistent with the relevant remuneration policy in force at the time they were set out; or

(iii) at a time when the relevant individual was not a director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a director of the Company.

For these purposes, "payments" includes the Committee determining and paying short-term and long-term incentive awards of variable remuneration.

Delivering quality homes

Building high quality homes that are designed to meet our customers' needs

Audit committee report

The Audit Committee continues to play a fundamental role in protecting shareholders' interests and I am pleased to introduce the Committee's report for 2019. During the year the Committee reviewed the Group's financial reporting, internal control systems and risk management and maintained oversight of external and Internal Audit.

Ralph Findlay | Committee Chairman

Overview

In line with its remit, the Committee reviewed the integrity of the Group's financial statements and kept operating, financial and accounting practices under review during 2019. Aware of the importance of such matters, it also carefully reviewed significant areas of judgement and the viability statement.

The Committee monitored the system for internal control, financial reporting and risk management, with the effectiveness of this system being reviewed in the context of the Group's strategic priorities and operational performance. Reporting was received from the external auditor, Internal Audit and management and was openly debated in free-flowing discussions, which served to test conclusions, audit outcomes and judgements. The Committee considers that the effectiveness of the Group's Internal Audit function has improved significantly and focus has now moved to developing its ability to act as a driver of performance and consistency in compliance across the Group.

The Risk Governance Committee refreshed its membership during the year and its role in reviewing risk management and emerging and principal risks is now embedded. It will continue to contribute to the monitoring of emerging and principal risks and the understanding and mitigation of evolving risk facing the enlarged business.

Committee membership and meetings

During 2019, the Committee comprised five independent non-executive directors and had no changes in membership. The non-executive directors have, between them, the recent and relevant experience required by the UK Corporate Governance Code. As a whole they have competence relevant to the sector in which the Company operates. Biographical details and information on skillsets are provided on pages 68 and 69.

Committee membership is determined by the Board following recommendation from the Nomination Committee and is kept under review as part of the Committee's performance evaluation. The Company Chairman, Chief Executive and Chief Financial Officer were present at all meetings in 2019 by invitation. PricewaterhouseCoopers LLP, the external auditors, and the Head of Internal Audit & Risk attended all meetings and the Head of Financial Reporting attended two meetings.

The Committee met three times in 2019 and detailed papers and information were received sufficiently in advance of meetings to allow full and proper consideration of the matters for discussion. The Committee also met with the external auditors and the Head of Internal Audit & Risk, without executive management present, at the end of two meetings. Ralph Findlay, Committee Chair, also met privately with the audit engagement partner of the external auditors during the year. The Group Company Secretary acts as secretary to the Committee. An overview of the main activities during 2019 is provided on the next page.

Visit our website for details

vistrygroup.co.uk/investors/corporate-governance

Name	Date of appointment	Role	Attendance at meetings
Ralph Findlay (appointed Chairman 15/05/15)	07/04/2015	Chairman	3/3
Chris Browne	01/09/2014	Member	3/3
Katherine Innes Ker	09/10/2018	Member	3/3
Nigel Keen	15/11/2016	Member	3/3
Mike Stansfield	28/11/2017	Member	3/3

Responsibilities and terms of reference

The key responsibilities of the Committee are:

- Monitoring the integrity of the financial statements, the accompanying reports to shareholders and corporate governance statements, including reviewing and testing the findings of the external auditor.
- Reviewing and monitoring the effectiveness of systems for internal control, financial reporting and risk management.
- Overseeing and reviewing the effectiveness of the Group's Internal Audit function.
- Making recommendations to the Board in relation to the appointment and removal of the external auditor and approving their remuneration and terms of engagement.
- Reviewing and monitoring the external audit process and the independence and objectivity of the auditor, as well as the nature and scope of the external audit and its effectiveness.
- The pre-approval of all audit related and non-audit services proposed to be undertaken, taking into account relevant ethical guidance.

The Committee's terms of reference are available on the Company's website (**vistrygroup.co.uk/investors/corporate-governance**).

Main activities during the year

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

- Discussed the key accounting considerations and judgements reflected in the Group's results for the year ended 31 December 2018 with the external auditor.
- Reviewed the 2018 annual report and accounts, so as to recommend to the Board that, taken as a whole, it was fair, balanced and understandable.
- Assessed the results and effectiveness of the 2018 final audit.
- Reviewed and discussed the key accounting considerations and judgements reflected in the Group's results for the six months ended 30 June 2019 with the external auditor.
- Evaluated and agreed the external auditor's audit strategy memorandum in advance of the 2019 year-end audit.
- Received reports from Internal Audit (further detail below).
- Reviewed and assessed the Group's risk appetite and monitored the effective mitigation of principle risks.
- Reviewed continued progress with the review of risk management and the work completed by the Risk Governance Committee, including having sight of minutes.
- Reviewed the effectiveness of the system of internal control and risk management systems and continued to monitor progress with the implementation of key new software systems to ensure the expected improvements in the control environment were delivered.
- Completed an assessment of anti-bribery, fraud risk and anti-fraud measures.
- Reviewed management's going concern assessment at each reporting period end, considering detailed financial forecasts, future cash flow projections and the resources available to the Group, including the current banking facility and forecast covenant compliance.
- Reviewed management's viability assessment for the year end reporting period covering strategic planning, principle risks, detailed financial forecasts, resources available to the Group, scenario testing, qualifications and assumptions and the period chosen.
- Reviewed the potential impact of the enlarged Group on risk management and the control environment.
- Reviewed the Company's whistleblowing policy, arrangements for reporting concerns, and general nature of the cases reported.
- Reviewed the Committee's terms of reference.

The Audit Committee was provided with summarised findings and action plans from all internal audits throughout the year. These included process reviews which covered the entirety of the Group, alongside regional reviews that tested the end-to-end control framework in detail within a particular region. The audit cycle ensures each region is subjected to detailed review a minimum once every three years, although the frequency is often increased based on perceived risk and operational performance.

The Committee continued to monitor the programme assurance review, a continuous activity designed to ensure that key projects forming part of a wider change programme are effectively co-ordinated and deliver maximum benefit, with governance support coming from Internal Audit. Clear progress was made during 2019, leading to a significant improvement in the control environment.

Whistleblowing was also discussed, which saw a continuation in 2019 of the increased level of reported cases and investigations seen in 2018. Promotion of the whistleblowing policy was maintained throughout the Group during 2019. The Group operates a confidential reporting service run by an external provider and investigations are completed by independent resource within the Group.

Twenty one cases were raised during 2019 from across the business, broadly in line with 2018, demonstrating that the concerted efforts to maintain awareness of whistleblowing, with positive tone from the top, were effective. The Committee and executive management remain committed to ensuring that the whistleblowing facility is well publicised throughout the enlarged Group during 2020 and will continue to monitor reporting and investigations to ensure that appropriate action is taken, with cases being closed out on a timely basis.

Audit committee report

At its meeting in February 2020, the Committee discussed with the external auditor the key accounting considerations and judgements reflected in the Group's results for the year ended 31 December 2019 and reviewed the 2019 Annual Report and Accounts, to be able to recommend to the Board that, taken as a whole, it was fair, balanced and understandable and provided the information necessary for shareholders to assess the Company's performance, business model and strategy.

The approach taken was to analyse key areas of progress and challenge during the year, followed by review of the 2019 Annual Report and Accounts to ensure that all key areas had been reported upon in a balanced and fair way.

Significant areas

The key accounting judgements considered by the Committee and discussed with the external auditors, in relation to the 2019 accounts, were:

- Inventory provisioning – the level of inventory provisioning impacts the carrying value of the most significant balance on the balance sheet.
  The Company carries a provision to write down the value of the land held within inventories to the lower of cost and net realisable value, less costs to sell, where this is less than the historical cost and reviews this provision annually. The assessment of the level of provision required necessitates the exercise of judgement by management. At this year end the provision remaining was £3.4m and had been audited and reported on by the external auditors. The utilisation in the period, and adjustments proposed were discussed and justified by management and the land write down provision remaining at the period end was reviewed.
  Following discussion, the Committee was satisfied that the judgements exercised were appropriate and that the provision was appropriately stated at the year end. Details of the movements in the provision are provided in note 3.1 to the accounts on pages 136 to 137.
- Margin forecasting and recognition – the gross margin from revenue generated on each individual site within the year is based on the latest forecast or the gross margin expected to be generated over the life of that site. The remaining life gross margin is calculated using forecasts for selling prices and all land, build, infrastructure and overhead costs associated with that site. The assessment of house prices and cost to complete is based on the specific details of each site and incorporates certain assumptions and judgements by management. The level of profit recognised in the income statement is monitored throughout the year via the Group's usual budgeting, forecasting and management accounts reporting. The control processes surrounding the review of life of site revenue and costs have been enhanced by the implementation of a new ERP system.

External auditor

PricewaterhouseCoopers LLP (PwC) were appointed as external auditor at the 2015 AGM, following the completion of a competitive audit tender process supervised by the Committee. In doing so, the Committee complied with the provisions of the Competition & Markets Authority Order, including the appointment of the auditor to audit and non-audit services. The lead audit engagement partner will rotate, having completed five years in the role, and the audit for the 2020 financial year will be led by a new partner.

Our 2020 AGM Notice contains a resolution for the re-appointment of PwC as auditors to the Company. In making this recommendation, the Committee took into account, amongst other matters, the independence and objectivity of PwC, the ongoing effectiveness of the external audit process and cost.

There are no contractual restrictions on the choice of external auditor. The AGM Notice also contains a resolution to give the directors authority to determine the auditor's remuneration, which provides a practical flexibility to the Committee.

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

Relations with the external auditors are managed through a series of meetings and regular discussions and the Committee ensures a high quality audit by challenging the key areas of the external auditor's work.

At its meeting in February 2020, the Committee reviewed the effectiveness of the external audit process as part of its consideration of the 2019 final audit. This involved assessing delivery and content against the audit plan for the 2019 year end audit, including determination of audit risks and significant areas of judgement, consideration of the performance and communication of the audit team, and the quality of reporting, observations, recommendations and insight.

It also included the review of progress with areas of particular focus agreed for the 2019 audit and comprehensive papers received from the external auditor, discussing and challenging their conclusions and audit judgements and assessing responses from the external auditor. Continuity was being maintained within the audit team, business knowledge was improving year on year, and communication was generally constructive and timely. Debate took place on the application and harmonisation of certain accounting policies in connection with the acquisition, with outstanding matters to be resolved.

Following review of the effectiveness of the external audit process by the audit team and management, actions are to be agreed for the year ahead. Lastly, feedback was taken on the effectiveness and conduct of the audit from those involved.

The Committee keeps under review its policy which requires the Committee to approve all audit related and non-audit services proposed to be undertaken by the external auditors, with the exception of compliance work undertaken in the ordinary course of business, which is treated as pre-approved. When a request for approval is made, the Committee has due regard to the nature of the audit related or non-audit service, whether the external auditor is a suitable supplier, and whether there is likely to be any threat to independence and objectivity in the conduct of the audit. The related fee level, both separately and relative to the audit fee is also considered.

At its meeting in September 2019, the Committee considered the need for non-audit services to be provided in connection with the proposed acquisition of Linden Homes and Vistry Partnerships, including the verification of potential synergies and in connection with the financial performance of the Group, pro forma balance sheet, and working capital statement. The Committee noted that such services were ordinarily undertaken by the external auditor, together with the regulatory context of much of the work, before pre-approving.

The team from PwC providing non-audit services in relation to the acquisition were independent of the external audit team. The fees associated with these non-audit services were significantly higher than the remuneration for audit services provided in 2019. However, subsequent to the non-audit work being completed, related to the independence and quality control procedures of PwC, the Committee reviewed the threats and safeguards associated with the services provided at its December 2019 meeting and received confirmation that the independence of the external auditor was not impaired.

For an analysis of fees paid to PwC for audit and non-audit services see note 2.1 on page 135.

Internal Audit

Internal Audit was strengthened further during 2019 with an additional member joining the team to maintain progress towards a significantly improved internal capability, led by the Head of Internal Audit & Risk. The Committee has again reviewed the progress being made to enhance the effectiveness of the work of Internal Audit and the role and profile of the Risk Governance Committee in identifying and mitigating threats to the business.

The co-sourced approach to Internal Audit was reduced during 2019, allowing the strengthened team to undertake more review activity. Overall, the Committee is pleased with the ongoing progress and has approved rolling plans for scrutiny of the effectiveness of the control environment and risk management of the enlarged Group, together with emerging risk, during the first half of 2020, whilst the integration process is taking place. This will be followed by a return to more traditional Internal Audit activity in the second half, including opportunities for Internal Audit to act as a driver of performance and compliance throughout the business.

Performance evaluation

An evaluation of the performance of the Committee was undertaken as part of the internal formal performance evaluation of the Board, and completed at the beginning of 2020. The evaluation considered the membership of the Committee; the focus and quality of discussion; oversight of financial reporting, accounting judgments and estimates, disclosures, and announcements; the performance of the external auditor, including independence and quality control; and the role and performance of internal audit.

The Committee was considered to have performed well, and in accordance with its Terms of Reference. Looking forward, the integration of the Bovis Homes, Linden Homes and the Partnerships businesses will impact risk management and internal audit policies and procedures. These issues will require close attention in 2020. The Committee will also arrange to be updated on developments in governance and accounting regulations in 2020.

The Committee considers PwC to have been effective and to have carried out a high quality audit in the fifth year since appointment, having continued to develop a good understanding of the Group's business and to build effective working relationships. PwC provided non-audit services in connection with the acquisition of the Linden Homes and the Partnerships businesses and the Committee is satisfied that they continued to demonstrate independence as auditor to the Group. The lead audit engagement partner will rotate in 2020, having completed five years in the role.

Internal Audit continues to make a significant contribution to the Group's control environment, identifying risk and control weaknesses, producing clear and well-articulated reports for Committee review and supporting an ongoing improvement in processes and controls. It was noted that the Head of Internal Audit has an important role in contributing to the integration process and the harmonisation of risk management and internal controls across the enlarged Group, and measures were discussed to ensure that independence is maintained as the integration progresses. The provision of adequate resource for Internal Audit was also considered, together with the skills and knowledge needed in the enlarged Group, noting that the internal audit team is being strengthened, This will be kept under review.

Ralph Findlay
Chairman of the Audit Committee

27 February 2020

Nomination Committee report

The main focus of the Committee in 2019 was on executive director succession planning and Board composition, with the approach evolving as the acquisition of the Linden Homes and Vistry Partnerships businesses moved closer to being a reality.

Ian Tyler | Committee Chairman

Overview

The Committee commenced 2019 with a review of executive director succession planning and the strength and depth of the talent available to the Group, both internally and via potential recruitment. It continued to review the composition of the Board more generally and the knowledge, skills and experience available to the Board amongst the non-executive directors.

Towards the end of the year, as progress with the acquisition of the Linden Homes and Vistry Partnerships businesses moved forward the focus evolved to potential Board composition following the acquisition and the appointment of a Chief Operating Officer to lead the operations of the enlarged Group.

The Committee will continue to monitor Board composition and develop succession planning during 2020 in light of the challenges and opportunities ahead and delivery of the Group's strategy as a top five housebuilder.

Committee membership and meetings

As a result, the Committee moved to consideration of the Board composition required by an enlarged group and the need for a Chief Operating Officer to be appointed. Toward the end of the year, these deliberations concluded in the recommendation to the Board that, conditional on completion of the acquisition, Graham Prothero be appointed as Chief Operating Officer and as an executive director of the enlarged group.

In line with the 2018 version of the UK Corporate Governance Code, a diversity and inclusion policy was reviewed and approved in late 2018.

Name	Date of appointment	Role	Attendance at meetings
Ian Tyler	29/11/2013	Chairman	7/7
Chris Browne	01/09/2014	Member	6/7
Ralph Findlay	07/04/2015	Member	7/7
Nigel Keen	15/11/2016	Member	7/7
Mike Stansfield	28/11/2017	Member	7/7
Katherine Innes Ker	09/10/2018	Member	6/7

During 2019, a number of actions and events took place supporting implementation of the policy, including the appointment of HBF Brand Ambassadors and signature by the Group of the Social Mobility Pledge.

For all meetings, papers and supporting documentation were circulated in advance, allowing proper consideration of matters for discussion. The Chief Executive attended seven meetings and the Chief Financial Officer attended two meetings, both by invitation. The Group Company Secretary acts as secretary to the Committee.

Responsibilities and terms of reference

The key responsibilities of the Committee:

- Reviewing the structure, size and composition of the Board (including skills, knowledge, experience and diversity) and making recommendations to the Board.
- Considering succession planning for directors and senior executives, taking account of the challenges and opportunities facing the Company and the skills and expertise needed in the future.
- Monitoring the leadership needs of the Company and leading the process for Board appointments, ensuring they are conducted on merit, against objective criteria, including diversity and inclusion, using the services of an appropriate external search consultant.
- Making recommendations to the Board, including on the re-appointment of non-executive directors, the re-election of directors at the AGM, and membership of the Audit and Remuneration Committees.
- The Committee also reviews the results of the Board performance evaluation relating to the composition of the Board. External legal or other independent professional advice can be obtained at the Company's expense and this facility was not utilised during the year. The Committee's terms of reference are available on the Company's website (**vistrygroup.co.uk/investors/corporate-governance**).

Main activities during the year

The main activities during the early part of 2019 focussed on executive director succession planning, designed to ensure that the skills and expertise required to take opportunities and meet future challenges as the Group progressed the delivery of its strategy would be in place at the appropriate time. The approach included an assessment of the capability and talent available to the Group and the identification of individuals capable of achieving the level of knowledge, skills and expertise required, which was further developed leading to consideration of a tailored development programme and the need for external recruitment to backfill existing capability.

As discussions took place on the acquisition of the Linden Homes and Vistry Partnerships businesses this approach evolved, with the Committee moving to consider the Board composition that would be required by an enlarged Group. Whilst it was concluded that the non-executive capability was expected to remain appropriate, the need to appoint a Chief Operating Officer was identified as an essential component of the leadership capability required for the enlarged Group. With shareholder approval for the acquisition in place by early December 2019, the Committee's deliberations resulted in the recommendation to the Board that, conditional on completion, Graham Prothero be appointed as Chief Operating Officer and as an executive director of the enlarged Group.
This recommendation was based on merit and objective criteria, including Graham's extensive industry experience, knowledge of the businesses being acquired, and the broader leadership needs of an enlarged Group. Towards the end of the year, the Committee also considered the overall composition of the Board, the length of service of its membership as a whole, and the actions that would need to be considered going forward to ensure it was refreshed at the appropriate time.

The Nomination Committee reviewed and approved a new diversity and inclusion policy in December 2018, designed to promote and support the development of a diverse and inclusive culture, both in the boardroom and across the Group.

The policy expresses how the Board seeks a mix of talented people with a range of experience, skills, vision and independence, recognising the importance of a blend of abilities, views and social and ethnic backgrounds to enable it, as the objective of the policy, to function effectively.
In implementing the policy, a high emphasis is being placed on ensuring the development of diversity in senior management roles across the Group by strengthening the talent pipeline and through internal promotion and recruitment. The policy is implemented by circulation throughout the Group, regular communication, and publication on the Group's intranet and website.

Actions and events in support of the diversity and inclusion policy during 2019 included:

- Appointment of HBF Brand Ambassadors to visit schools and support career fairs, promoting and encouraging women to join the industry
- Signature by the Group of the Social Mobility Pledge
- Advertisement of a broad range of vacancies on **workingmums.co.uk** and ongoing encouragement of recruitment agencies to include women on shortlists for vacancies
- 26 Mental Health First Aiders being trained across the Group, with more to be trained during 2020
- Our Head of HR being shortlisted for the CN Talent Awards as Diversity & Inclusion Leader of the Year, linked to our "100 Years 100 Women" event in 2018

Non-executive directors' service contracts, excluding the Company Chairman, are renewed on an annual basis following the conclusion of a second three year term, subject to satisfactory performance and there being no need to re-balance the Board, with the third year of the third term extending until the subsequent AGM.

Having served for three years, a recommendation was made to the Board that the service contract for Nigel Keen be renewed for a second three year term.

This decision followed rigorous review, including the contribution, performance and commitment of Nigel, his appointment as Remuneration Committee Chair, and the composition of the Board as a whole.

Having served for six years, a recommendation was made to the Board, with Ralph Findlay in the Chair, that the service contract for Ian Tyler be renewed for a third three year term.
This decision also followed rigorous review, including the contribution, performance and commitment of Ian, the quality of leadership provided to the Board, and the composition of the Board as a whole.

A summary of the Committee's activities during 2019 follows:

- Keeping the structure, size and composition of the Board under review, including in the context of an enlarged Group.
- Assessing the talent available to the Group and developing succession planning for the executive directors, with specific consideration of future requirements, challenges and opportunities.
- Considering the leadership requirements of an enlarged Group, leading to the recommendation to the Board that a Chief Operating Officer be appointed, conditional on completion of the proposed acquisition.
- Completing rigorous reviews leading to recommendations regarding the renewal of directors' service contracts for I P Tyler and N J Keen.
- Considering the overall composition and length of service of the Board and the need to refresh its membership at the appropriate time.
- Recommending the directors to stand for re-election at the 2019 AGM in accordance with the UK Corporate Governance Code.
- Approving the Nomination Committee report for the 2018 Annual Report.
- Reviewing the Committee's terms of reference.

Performance evaluation

An evaluation of the performance of the Committee was completed as part of the internal formal performance evaluation of the Board, completed at the beginning of 2020. The Committee was performing effectively, with an expanded scope, but should give more detailed consideration to succession planning and to Board composition in 2020. This would include the talents, skills sets and experience required amongst the executive to deliver the strategy of the enlarged Group and the skills, knowledge and capabilities available to the Board via the non-executive, ensuring it had the right composition. In addition, succession planning would be given a longer term dimension looking across a three year horizon, which would naturally encompass consideration of the roles of Chairman and CEO.

Ian Tyler
Chairman of the Nomination Committee

27 February 2020

Directors' report

The directors have pleasure in submitting their Annual Report and Accounts for the year ended 31 December 2019.

Other disclosures made in the Annual Report

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

Research and development

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

Disclosure of information under Listing Rule 9.8.4R

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

Annual General Meeting

Notice of the 2020 Annual General Meeting to be held on Wednesday, 20 May 2020 is set out on pages 164 to 170. Members wishing to vote should return forms of proxy to the Company's Registrar not less than 48 hours, (excluding non-working days), before the time for holding the meeting.

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

A total ordinary dividend

61.5p

(2018: 57.0p)

has been declared

Dividends

An interim dividend of 20.5p (2018: 19.0p) per share was paid on 22 November 2019. The Board has declared a second interim dividend of 41.0p (2018 final dividend: 38.0p) per share in respect of the 2019 financial year on 29 May 2020, in lieu of a final dividend to shareholders on the register at the close of business on 27 December 2019. On this basis, the total dividend for 2019 will be 61.5p (2018: 57.0p), representing an increase of 8% (excluding the 2018 special dividend).

Pursuant to the acquisition of the Linden Homes and Vistry Partnerships businesses, the Company returned value to its shareholders by way of a bonus issue through the issuance of 5,665,723. Shareholders received 0.03819 bonus issue shares for every 1 share held.

The dividend reinvestment plan gives shareholders the opportunity to reinvest dividends.

Directors

Details of the directors and their biographies are shown on pages 68 and 69.

Graham Prothero was appointed as an executive director and the Company COO on 3 January 2020.

In accordance with the UK Corporate Governance Code, all the directors will retire at the 2020 Annual General Meeting and, being eligible, offer themselves for re-appointment.

Details of directors' pay, pension rights, service contracts and directors' interests in the ordinary shares of the Company are included in the Directors' Remuneration Report on pages 88 to 106.

Directors' names and functions are listed on pages 68 and 69

Notice of the 2020 Annual General Meeting pages 164 to 170

Section 172 statement

The directors have an obligation to act in accordance with the duties set out in section 172 of the Companies Act 2006, which provide that they must act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its shareholders as a whole and, in doing so, have regard (amongst other matters) to:

- the likely consequences of any decisions in the long term
- the interests of the Company's employees
- the need to foster the Company's business relationships with suppliers, customers and others
- the impact of the Company's operations on the community and environment
- the desirability of the Company maintaining a reputation for high standards of business conduct
- the need to act fairly as between shareholders of the Company

The directors consider that they have acted in accordance with their duties under s.172 in the decisions taken during the year ended 31 December 2019. The s.172 Statement at pages 42 to 43 identifies the key steps we have taken to engage with our stakeholders and the outcomes of our engagement.

Directors' indemnities

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

The Company's subsidiary, Vistry Homes Limited, has granted a qualifying pension scheme indemnity to the directors of the Pension Trustee to the extent permitted by law in respect of all losses arising out of, or in connection with, the execution of their powers, duties and responsibilities as directors of the Pension Trustee.

Powers of the directors

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

Articles of Association

Unless expressly specified to the contrary in the Articles of Association, they may only be amended by a special resolution of the Company's shareholders at a general meeting. This year, the Board is asking shareholders to approve the adoption of new Articles of Association which incorporate a number of amendments to the existing Articles of Association. An explanation of the main changes between the existing and the proposed Articles of Association are summarised in the explanatory notes to the Notice of the Annual General Meeting at the back of this Annual Report and Accounts.

Share capital

The Company has a premium listing on the London Stock Exchange. As at 27 February 2020, its share capital comprised 217,743,365 fully paid Ordinary Shares of 50 pence each.

At the Company's 2019 AGM, the directors were authorised to:

- allot shares in the Company or grant rights to subscribe for, or convert, any security into shares up to an aggregate nominal amount of £22,444,280;
- allot shares up to an aggregate nominal amount of £44,888,560 for the purpose of a rights issue; and
- make market purchases up to 13,480,048 shares in the Company (representing approximately 10% of the Company's issued share capital at the time). Shareholders will be asked to renew similar authorities at the 2020 AGM.

During the year the Company allotted 68,666 shares in connection with the exercise of options under the Company's employee share plans. The Employee Benefit Trust did not purchase any shares during the year.

On 7 November 2019 the Company successfully completed a placing of 13,472,591 ordinary shares at £11.30 to raise approximately £152.2 million with existing and new institutional investors. Proceeds from this was used to part-fund the acquisition. The net placing price of approximately 1,104 pence per placing share was received by the Company after expenses directly attributable to the placing represented a discount of approximately 5.4% to that intra-day price and a discount of approximately 5.1% to the closing price on 6 November 2019.

The placing shares represent approximately 9.9 per cent of the issued share capital of the Company prior to the placing. There has been no other non pre-emptive issuance for cash in the last three years.

The Company has not held any shares in treasury during the period under review. All issued shares are fully paid and free from any restrictions on their transfer, except where required by law, such as insider trading rules. The rights and obligations attaching to the Company's ordinary shares are set out in the Company's Articles of Association, copies of which can be obtained from Companies House in the UK or by writing to the Group Company Secretary.

Shareholders are entitled to attend, speak and vote at general meetings of the Company, to appoint one or more proxies and, if they are corporations, to appoint corporate representatives.

On a show of hands at a general meeting of the Company every shareholder present in person or by proxy and entitled to vote has one vote and on a poll every shareholder present in person or by proxy and entitled to vote has one vote for every ordinary share held.

Directors' report

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

Shareholders may receive a dividend and on a liquidation may share in the assets of the Company. None of the ordinary shares of the Company, including those held by the Company's share schemes, carry any special rights with regard to control of the Company. Employees participating in the Group's Share Incentive Plan may direct the trustee to exercise voting rights on their behalf at any general meeting but are not required to do so.

The instrument of transfer of a certificated share may be in any usual form or in any other form which the Board may approve.

The Board may refuse to register any instrument of transfer of a certificated share which is not fully paid, provided that the refusal does not prevent dealings in shares in the Company from taking place on an open and proper basis. Certain employees and officers of the Company must conform to the Company's share dealing rules; these restrict the ability to deal in the Company's shares at certain times and require permission to deal.

The Board may also refuse to register a transfer of a certificated share unless the instrument of transfer: (i) is lodged, duly stamped (if stampable), at the registered office of the Company or any other place decided by the Board accompanied by the certificate for the share to which it relates and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer; (ii) is in respect of only one class of shares; and (iii) is in favour of not more than four transferees.

Transfers of uncertificated shares must be carried out using the relevant system and the Board can refuse to register a transfer of an uncertificated share in accordance with the regulations governing the operation of the relevant system and with UK legislation.

There are no other limitations on the holding of ordinary shares in the Company and the Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or on voting rights.

Financial risk management

Details of financial risk management and exposure to credit / liquidity risks are included in note 4.5 to the accounts.

Political donations

No political donations were made during the year ended 31 December 2019 (2018: nil). The Group has a policy of not making donations to political parties or incurring political expenditure.

Substantial shareholdings

As at 31 December 2019, the following interests of 3% or more in the Company's issued share capital had been notified to the Company:

Ordinary shares of 50p each	% direct holding	% indirect holding	% financial instruments	Total number of shares held	% of voting rights of the issued share capital
BlackRock, Inc.	–	9.37	0.41	13,197,548	9.78
Dimensional Fund Advisors	–	5.00	–	6,723,676	5.00
Schroders plc	–	4.96	–	6,680,423	4.96
Prudential plc group of companies	–	4.73	0.20	6,644,963	4.93
Standard Life Aberdeen plc group of companies	–	4.87	–	6,562,807	4.87
Woodford Investment Management Ltd	4.74	–	–	6,389,100	4.74
Royal London Asset Management Limited	4.14	–	–	5,567,004	4.14
Norges Bank	3.05	–	0.17	4,335,572	3.22

Between 1 January and 27 February 2020, the following interests of 3% or more in the Company's issued share capital were notified to the Company:

Ordinary shares of 50p each	% direct holding	% indirect holding	% financial instruments	Total number of shares held	% of voting rights of the issued share capital
Standard Life Aberdeen plc group of companies	–	5.02	–	10,924,770	5.02
Norges Bank	3.44	–	0.05	7,615,514	3.49

Takeover directive

On a change of control, provisions in the Group's syndicated banking facility agreements (described in note 4.2 to the accounts) would allow lenders to withdraw the facility.

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

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

Auditors

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

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

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

Following an audit tender process conducted at the end of 2014, PricewaterhouseCoopers LLP were appointed as auditor at the 2015 AGM. In accordance with the provisions of the Companies Act 2006, resolutions concerning the re-appointment of PricewaterhouseCoopers LLP and their remuneration will be placed before the 2020 Annual General Meeting.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group and Parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and the Company for that period.

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

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

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

They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

Each of the directors, whose names and functions are listed on pages 68 and 69 of the Annual Report and accounts confirm that, to the best of their knowledge:

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

By Order of the Board
M T D Palmer
Group Company Secretary
27 February 2020

Vistry Group PLC
Registered number 306718

Auditors' report

Independent auditors' report to the members of Vistry Group PLC (formerly Bovis Homes Group PLC)

Report on the audit of the financial statements

Opinion

In our opinion, Vistry Group PLC's Group financial statements and Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2019 and of the Group's profit and the Group's and the Company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual report and accounts (the "Annual Report"), which comprise: the Group and Company Balance sheets as at 31 December 2019; the Group income statement and the Group statement of comprehensive income, the Group and Company Statements of cash flows, and the Group and Company statements of changes in equity for the year then ended; and the Notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

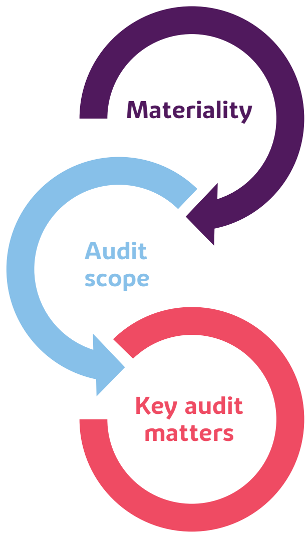
Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company.

Other than those disclosed in note 2.1 to the financial statements, we have provided no non-audit services to the Group or the Company in the period from 1 January 2019 to 31 December 2019.

Our audit approach - overview



- Overall Group materiality: £9.4 million (2018: £8.4 million), based on 5% of profit before tax and exceptional items.
- Overall Company materiality: £6.5 million (2018: £4.7 million), based on 1% of total assets.

- The Group principally operates through one main trading entity which is structured into seven regions, being Mercia, West Midlands, Western, South West, Northern Home Counties, South East and Southern Counties. We undertook work across the seven regions which together account for 100% of the Group revenue.
- At the parent entity level we audited the Company and tested the consolidation process.

- Margin forecasting and recognition (Group)
- Carrying value of inventory (Group)

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Health and Safety at Work etc Act 1974, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006 and the Listing Rules of the Financial Conduct Authority. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or reduce expenditure and the potential manipulation of forecast site margins. Audit procedures performed included:

- Discussions with management and internal audit and assessment of known or suspected instances of non-compliance with laws and regulation (including health and safety) and fraud;
- Evaluation and testing of the operating effectiveness of management's controls around cost forecasting and margin estimation;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to cost forecasting and margin estimation; and
- Identifying and testing journal entries, in particular testing a sample of journals including unusual or unexpected journal postings to the income statement.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Auditors' report

Key audit matter	How our audit addressed the key audit matter
Margin forecasting and recognition (Group)	
Refer to page 110 of the Audit committee report ('Significant areas') and Note 1.5 of the financial statements ('Critical accounting judgements and key sources of estimation uncertainty). The Group's margin forecasting and recognition system is based on a number of key assumptions including: • Build costs (allocated to each plot based on the Group's site wide margin model); • Land costs and central site costs, including infrastructure costs (allocated to each plot based on the Group's site wide margin model); and • Sales price (based on an expected sales price for the type and size of property). Periodic surveyor and financial appraisals are performed to determine the costs to date and work in progress, based upon the stage of completion of each unit. The accounting records are updated accordingly. If the overall site is loss-making then management consider this as part of the land write down provisioning process. There is uncertainty within the above assumptions from potential changes in the market conditions or unforeseen circumstances. This could result in the forecast assumptions being inaccurate and an incorrect margin being recognised. We consider this to be the most significant financial reporting risk for the Group principally due to the high level of management judgement inherent in the accounting for the Group's revenue and cost of sales.	At a regional level we tested management's forecasting and monitoring controls, including observation of a sample of the site review meetings attended by representatives from the Commercial and Finance teams and other departments to obtain evidence regarding the accuracy and completeness of actual and forecast costs. We compared the actual revenue and costs for completed sites against the original viability forecast to identify any significant differences. We then sought to understand the nature of the event that had caused the difference to arise, for example, a change in the plan or an error in forecasting. This was performed to gain assurance about the accuracy of management's estimation methodology. We attended surveyor valuation assessments at a sample of sites which provided evidence over existence of inventory as well as the basis for the valuation of costs incurred used in margin forecasting. We tested a sample of actual costs incurred and forecast costs to third party support. We selected a sample of cost variations and verified that these had been appropriately approved. We read the minutes from a sample of surveyor meetings held in early 2020 to check completeness of site costs at the balance sheet date. We tested that the system correctly recalculated site margins to reflect the latest forecast position. We tested a sample of forecast sales prices to the actual sales prices attained to support the validity of estimated sales prices in the forecasts. Based on the procedures performed, we did not identify any sites where we considered the underlying assumptions in the forecast to be inappropriate.
Carrying value of inventory (Group)	
Refer to page 110 of the Audit committee report ('Significant Areas') and Note 1.5 of the financial statements ('Critical accounting judgements and key sources of estimation uncertainty'). Inventory is comprised of land held for development, work in progress (WIP), raw materials, completed plots and part exchange properties. Land held for development and raw materials are held at cost. WIP is made up of the cost of the land being built on, direct materials, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Completed plots are held at build cost and part exchange properties are held at the market value determined at the time of legal completion. Inventories are stated at the lower of cost and net realisable value ("NRV"), NRV being the estimated net selling price less costs to sell and estimated total costs of completion based on management's forecast. As the most significant balance on the Group Balance sheet there is an increased risk of material misstatement in the cost of inventory. In addition, due to the cyclical nature of the housing industry or issues experienced during the build programme, there is a risk that the NRV of the inventory is lower than cost and therefore inventory is held at the incorrect value.	The procedures set out above for the 'Margin forecasting and recognition' key audit matter are also relevant to auditing the carrying value of inventory. In addition to those procedures, we performed the following: We examined margins for all major sites to identify those with low or eroding margins, for example due to specific issues or under performance. We discussed the identified sites with management, including considering the level of provisions held against these sites and, if material, corroborated the explanations to support the carrying value of inventory. We evaluated the quantum and ageing of part exchange properties and challenged the recoverability of these assets. We checked that appropriate site acquisition approvals had been obtained for significant sites, which include consideration of site profitability. Based on the procedures performed we did not identify any sites where we determined that additional impairments were required in the year, above those already made by management.

We determined that there were no key audit matters applicable to the Company to communicate in our report.

How we tailored the audit scope

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

Vistry Group PLC is a British housebuilder listed on the London Stock Exchange. The Group is wholly UK based, operating in England and Wales. The Group is dependent on macroeconomic factors as well as the conditions of the UK residential property market. The Group may be particularly adversely affected by any factor that reduces sales prices or transaction volumes or presents constraints in the supply chain in the UK residential property market. This was particularly relevant for our work in the areas of margin forecasting and recognition and the carrying value of inventory explained in the key audit matters above.

We determined that there are two components in the Group and tested the consolidation process:

- One main trading entity which is structured into seven regions, being Mercia, West Midlands, Western, South West, Northern Home Counties, South East and Southern Counties. We undertook work across the seven regions which together account for 100% of the Group revenue; and
- The parent entity which we audited at the Company level.

Materiality

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

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

	Group financial statements	Company financial statements
Overall materiality	£9.4 million (2018: £8.4 million).	£6.5 million (2018: £4.7 million).
How we determined it	5% of profit before tax and exceptional items.	1% of total assets.
Rationale for benchmark applied	We believe that profit before tax, adjusted for the impact of exceptional items, is the primary measure used by the shareholders in assessing the performance of the Group.	We believe that total assets provides the most appropriate benchmark given the nature of the business being a holding company and stakeholder focus on assets.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.47 million (Group audit) (2018: £0.40 million) and £0.32 million (Company audit) (2018: £0.23 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Group's and the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern. For example, the terms of the United Kingdom's withdrawal from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Group's trade, customers, suppliers and the wider economy.
We are required to report if the directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Auditors' report

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report, Directors' report and Corporate Governance Statement, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report. (CA06)

Corporate Governance Statement

In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate Governance Statement (in the Corporate governance report on page 73) about internal controls and risk management systems in relation to financial reporting processes and about share capital structures in compliance with rules 7.2.5 and 7.2.6 of the Disclosure Guidance and Transparency Rules sourcebook of the FCA ("DTR") is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in this information. (CA06)

In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate Governance Statement (in Corporate governance report on page 73) with respect to the company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the DTR. (CA06)

We have nothing to report arising from our responsibility to report if a corporate governance statement has not been prepared by the Company. (CA06)

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

We have nothing material to add or draw attention to regarding:

- The directors' confirmation on page 32 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on page 32 of the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the Group and statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit. (Listing Rules).

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the directors, on page 117, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company obtained in the course of performing our audit.
- The section of the Annual Report on page 109 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' Remuneration

In our opinion, the part of the directors' Remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' report

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.**frc.org.uk/auditorsresponsibilities**. This description forms part of our Auditors' report.

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 15 May 2015 to audit the financial statements for the year ended 31 December 2015 and subsequent financial periods. The period of total uninterrupted engagement is 5 years, covering the years ended 31 December 2015 to 31 December 2019.

Christopher Burns (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

27 February 2020

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Group income statement

For the year ended 31 December	Note	2019 £000 Pre Exceptional	2019 £000 Exceptional	2019 £000 Post Exceptional	2018 £000
Revenue	2.0	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	5.12	253,431	-	**253,431**	230,891
Other operating income	5.12	(10,675)	-	**(10,675)**	-
Gross profit		242,756	-	**242,756**	230,891
Administrative expenses	2.1	(60,864)	(12,846)	**(73,710)**	(56,723)
Other operating income	5.12	10,675	-	**10,675**	-
Operating profit		192,567	(12,846)	**179,721**	174,168
Financial income	4.3	813	-	**813**	481
Financial expenses	4.3	(6,939)	(630)	**(7,569)**	(6,585)
Net financing costs	4.3	(6,126)	(630)	**(6,756)**	(6,104)
Share of profit of joint ventures	5.7	1,788	-	**1,788**	5
Profit before tax		188,229	(13,476)	**174,753**	168,069
Income tax expense	5.1	(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	2.3			101.5p	101.6p
Diluted	2.3			101.4p	101.5p

Group statement of comprehensive income

For the year ended 31 December	Note	2019 £000	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	5.9	**(2,116)**	(5,781)
Deferred tax on remeasurements on defined benefit pension scheme	5.1	**464**	1,083
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	Note	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Assets					
Intangible fixed assets	5.6	**4,336**	1,079	**-**	-
Property, plant and equipment	5.4	**1,845**	2,181	**-**	-
Right-of-use assets	5.5	**21,347**	-	**-**	-
Investments	5.7	**85,129**	28,992	**14,153**	11,262
Restricted cash	4.1	**1,748**	1,381	**-**	-
Deferred tax assets	5.2	**184**	-	**-**	
Trade and other receivables		**1,090**	611	**-**	-
Retirement benefit asset	5.9	**4,506**	1,381	**-**	-
Total non-current assets		**120,185**	35,625	**14,153**	11,262
Inventories	3.1	**1,207,667**	1,320,229	**-**	-
Trade and other receivables	3.2	**105,374**	64,505	**642,380**	452,889
Cash and cash equivalents	4.1	**361,962**	163,217	**344**	344
Total current assets		**1,675,003**	1,547,951	**642,724**	453,233
Total assets		**1,795,188**	1,583,576	**656,877**	464,495
Equity					
Issued capital	4.4	**74,169**	67,398	**74,169**	67,398
Share premium	4.4	**359,857**	216,907	**359,857**	216,907
Retained earnings		**837,940**	776,762	**220,115**	177,537
Total equity attributable to equity holders of the parent		**1,271,966**	1,061,067	**654,141**	461,842
Liabilities					
Bank and other loans	4.2	**-**	36,401	**-**	-
Lease liabilities	5.5	**16,686**	-	**-**	-
Deferred tax liability	5.2	**-**	730	**-**	-
Trade and other payables	3.3	**122,940**	183,769	**781**	781
Total non-current liabilities		**139,626**	220,900	**781**	781
Trade and other payables	3.3	**352,359**	278,706	**-**	-
Lease liabilities	5.5	**6,309**	-	**-**	-
Provisions	5.8	**3,989**	4,843	**-**	-
Current tax liabilities	5.2	**20,939**	18,060	**1,955**	1,872
Total current liabilities		**383,596**	301,609	**1,955**	1,872
Total liabilities		**523,222**	522,509	**2,736**	2,653
Total equity and liabilities		**1,795,188**	1,583,576	**656,877**	464,495

The Company made a profit for the year of £118,332,000 (2018: £117,983,000). These financial statements on pages 127 to 163 were approved by the Board of directors on 27 February 2020 and were signed on its behalf: Earl Sibley, Director.

Group statement of changes in equity

For the year ended 31 December 2019	Note	Own shares held £000	Other retained earnings £000	Total retained earnings £000	Issued capital £000	Share premium £000	Total £000
Balance at 1 January 2018		(3,642)	776,897	773,255	67,330	215,991	1,056,576
Total comprehensive income		–	131,872	131,872	–	–	131,872
Issue of share capital	4.4	–	–	–	68	916	984
Own shares disposed		22	(22)	–	–	–	–
Deferred tax on other employee benefits	5.2	–	(113)	(113)	–	–	(113)
Share based payments	5.3	–	1,413	1,413	–	–	1,413
Dividends paid to shareholders	2.2	–	(129,665)	(129,665)	–	–	(129,665)
Total transactions with owners recognised directly in equity		22	(128,387)	(128,365)	68	916	(127,381)
Balance at 31 December 2018		(3,620)	780,382	776,762	67,398	216,907	1,061,067
Balance at 1 January 2019		(3,620)	780,382	776,762	67,398	216,907	1,061,067
IFRS16 opening adjustment		–	65	65	–	–	65
Total comprehensive income		–	136,727	136,727	–	–	136,727
Issue of share capital	4.4	–	–	–	6,771	142,950	149,721
Deferred tax on other employee benefits	5.2	–	140	140	–	–	140
Share based payments	5.3	–	2,891	2,891	–	–	2,891
Dividends paid to shareholders	2.2	–	(78,645)	(78,645)	–	–	(78,645)
Total transactions with owners recognised directly in equity		–	(75,549)	(75,549)	6,771	142,950	74,172
Balance at 31 December 2019		(3,620)	841,560	837,940	74,169	359,857	1,271,966

Company statement of changes in equity

	Attributable to equity holders of the parent			
For the year ended 31 December 2019	Total retained earnings £000	Issued capital £000	Share premium £000	Total £000
Balance at 1 January 2018	187,806	67,330	215,991	471,127
Total comprehensive income	117,983	–	–	117,983
Issue of share capital	–	68	916	984
Share based payments	1,413	–	–	1,413
Dividends paid to shareholders	(129,665)	–	–	(129,665)
Balance at 31 December 2018	177,537	67,398	216,907	461,842
Balance at 1 January 2019	177,537	67,398	216,907	461,842
Total comprehensive income	118,332	–	–	118,332
Issue of share capital	–	6,771	142,950	149,721
Share based payments	2,891	–	–	2,891
Dividends paid to shareholders	(78,645)	–	–	(78,645)
Balance at 31 December 2019	220,115	74,169	359,857	654,141

Statements of cash flows

For the year ended 31 December	Note	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Cash flows from operating activities					
Profit for the year		**138,379**	136,570	**118,332**	117,982
Depreciation and amortisation	5.4, 5.5, 5.6	**6,253**	905	**-**	-
Financial income	4.3	**(813)**	(481)	**(10,287)**	(9,855)
Financial expense	4.3	**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	5.1	**36,374**	31,499	**1,955**	1,872
Share of results of joint ventures	5.7	**(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	**(191,363)**	8,827
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	**(81,363)**	118,826
Interest paid		**(2,093)**	(2,773)	**-**	-
Income taxes paid		**(33,804)**	(29,165)	**-**	-
Net cash inflow from operating activities		**216,392**	130,678	**(81,363)**	118,826
Cash flows from investing activities					
Interest received		**131**	278	**10,287**	9,855
Acquisition of intangible fixed assets	5.6	**(3,706)**	(1,213)	**-**	-
Acquisition of property, plant and equipment	5.4	**(565)**	(1,876)	**-**	-
Proceeds from sale of property, plant and equipment		**-**	1,977	**-**	-
Movement of investment in joint ventures	5.7	**(58,511)**	(20,300)	**-**	-
Dividends received from joint ventures	5.7	**5,135**	1,067	**-**	-
Reduction in restricted cash		**(368)**	33	**-**	-
Net cash (outflow)/generated from investing activities		**(57,884)**	(20,034)	**10,287**	9,855
Cash flows from financing activities					
Dividends paid	2.2	**(78,645)**	(129,665)	**(78,645)**	(129,665)
Principle elements of lease payments		**5,562**	-	**-**	-
Net proceeds from the issue of share capital	4.4	**149,721**	984	**149,721**	984
(Repayment)/drawdown of bank and other loans	4.2	**(36,401)**	11,192	**-**	-
Net cash used in financing activities		**40,237**	(117,489)	**71,076**	(128,681)
Net increase/(decrease) in cash and cash equivalents		**198,745**	(6,845)	**-**	-
Cash and cash equivalents at 1 January	4.1	**163,217**	170,062	**344**	344
Cash and cash equivalents at 31 December	4.1	**361,962**	163,217	**344**	344

Notes to the financial statements

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

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

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

1.0 Basis of preparation

1.1 General information

Vistry Group PLC (the "Company"), formerly named 'Bovis Homes Group PLC' is a company domiciled in the United Kingdom, England. 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.

1.2 Basis of accounting

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

The 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.

The Group has applied the following standards for the first time for its annual reporting year commencing 1 January 2019:

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

The impact of these changes on the Group's financial statements is described in Note 1.7.

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

The financial statements are prepared on the historical cost basis.

1.3 Going concern

The Directors are satisfied that the Group has sufficient resources to continue in operation for the 12 months from date of approval of these financial statements. The Directors reviewed detailed financial and covenant compliance forecasts covering the period to December 2020, including the Linden Homes and Vistry Partnerships businesses, and summary financial forecasts for the periods ending 31 December 2020 and 31 December 2021.

Having started the year with net cash of £126.8 million, the Group generated a strong operating cash flow during 2019 and raised £149.7m of cash as a result of share issues, increasing the net cash position to £362.0 million after significant investment into joint ventures.

As at 31 December 2019, the Group held cash and cash equivalents of £362.0 million and had borrowings of nil.

In January 2020, the Group entered into borrowing facility agreements totalling £600.0 million, including a £150.0m term loan and £450.0 million revolving credit facility to meet the liquidity needs of the enlarged business following the Acquisition.

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

1.4 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December. Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Associates are any entities in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the comprehensive income and expense of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases.

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

1.5 Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with adopted IFRSs requires management to make 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.

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

No individual judgements have been made that have a significant impact on the financial statements, other than those involving estimates, which are outlined below.

Key sources of estimation uncertainty for the Group

Land held for development and housing work in progress

The Group holds inventories which are stated at the lower of cost and net realisable value. To assess the net realisable value of land held for development and housing work in progress, the Group completes a financial appraisal of the likely revenue which will be generated when these inventories are combined as residential properties for sale and sold. Where the financial appraisal demonstrates that the revenue will exceed the costs of the inventories and other associated costs of constructing the residential properties, the inventories are stated at cost. Where the assessed revenue is lower, the extent to which there is a shortfall is written off through the income statement leaving the inventories stated at a realisable value.

To the extent that the revenues which can be generated change, or the final cost to complete for the site varies from estimates, the net realisable value of the inventories may be different. A review taking into account estimated achievable net revenues, actual inventory and costs to complete as at 31 December 2019 has been carried out, and appropriate adjustments have been made to the carrying value of the provision. These estimates were made by local management having regard to actual sales prices, together with competitor and marketplace evidence, and were further reviewed by Group management. Should there be a future significant decline in UK house pricing, then further write- downs of land and work in progress may be necessary. Further detail on the carrying value of inventories is laid out in note 3.1.

Margin recognition

The gross margin from revenue generated on each of the Group's individual sites within the year is recognised based on the latest forecast for the gross margin expected to be generated over the remaining life of that site. The remaining life gross margin is calculated using forecasts for selling prices and all land, build, infrastructure and overhead costs associated with that site. There is inherent uncertainty and sensitivity to external forces (predominantly house prices and labour costs) in these forecasts, which are reviewed regularly throughout the year by management and are addressed on pages 32 to 37.

Defined benefit pension scheme

The Group has a defined benefit pension scheme, closed to future accrual in 2018, which is subject to estimation uncertainty. Note 5.9 outlines the way in which this Scheme is recognised in the Group's Financial Statements, the associated risks and sensitivity analysis showing the impact of a change in key variables on the defined benefit obligation.

The Company has no sources of estimation uncertainty.

1.6 Segment reporting

The Chief Operating Decision Maker, which is the Board, notes that the Group's main operation is that of a housebuilder and it operates entirely within the United Kingdom. For the year ended 31 December 2019, there are no separate segments, either business or geographic, to disclose, having taken into account the aggregation criteria provisions of IFRS8 Operating segments.

Since the Acquisition, the Board have identified two separate segments having taken into consideration IFRS8 criteria – Housebuilding and Partnerships. At 30 June 2020, segmental reporting will be presented for these business segments to reflect the Group's new management and internal reporting structure.

1.7 Impact of standards and interpretations effective for the first time

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2019:

- Amendment to IAS28 'Investments in Associates and joint ventures', which has not had a significant impact on reported results or position.
- IFRIC23 Uncertainty over income tax treatments, which has not had a significant impact on reported results or position.
- IFRS16 'Leases' replaces IAS17 'Leases', requiring all assets held by the Group under lease agreements of greater than 12 months in duration to be recognised as assets within the Balance Sheet, unless they are considered to be of low value (less than £3,000 in total payments). Similarly, the present value of future payments to be made under those lease agreements must be recognised as a liability. The Group has reviewed its leasing arrangements and the impact on reported results are disclosed in note 5.5.

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

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2020, which are not expected to have a material impact on reported results and have not been early adopted in preparing these financial statements:

- Amendment to IAS 1 'Presentation of financial statements', effective 1 January 2020.
- Amendment to IAS 8 'Accounting policies, changes in accounting estimates and errors', effective 1 January 2020.
- Amendment to IFRS3, 'Definition of a business', effective 1 January 2020.

2.0 Result for the year

Revenue

Revenue is recognised in the income statement when control of each home has passed to the purchaser, which is when legal title is transferred. Revenue in respect of the sale of residential properties is recognised at the fair value of the consideration received or receivable, net of value added tax and discounts, on legal completion. In certain instances, property may be accepted in part consideration for a sale of a residential property.

The fair value is established by independent surveyors, reduced for costs to sell. Net sale proceeds generated from the subsequent sale of part exchange properties are recorded as an adjustment to cost of sales. The original sale is recorded in the normal way, with the fair value of the exchanged property replacing cash receipts. Cash incentives are considered to be a discount from the purchase price offered to the acquirer and are therefore accounted for as a reduction to revenue.

The Group applies its policy on contract accounting when recognising revenue and profit on contracts. Revenue and costs are recognised by reference to the stage of completion of contract activity at the balance sheet date. This is normally measured by surveys of work performed to date. When it is probable that the total costs on a construction contract will exceed total contract revenue, the expected loss is recognised as an expense in the Income Statement immediately. The application of this policy requires judgements to be made in respect of the total expected costs to complete for each site. The Group has in place established internal control processes to ensure that the evaluation of costs and revenues is based upon appropriate estimates.

Revenue is recognised on land sales and commercial property sales from the point of unconditional exchange of contracts as long as there are no significant obligations remaining. Where the Group still has significant obligations to perform under the terms of the contract, revenue is recognised when the obligations are performed.

When the Group makes sales to joint ventures in which it owns an interest, it will only recognise revenue and profit in the period of the initial transaction to the extent of third parties' interests in the joint venture. The unrecognised element of revenue and profit will be deferred and released to the income statement when the joint venture has sold the assets to which the original transaction with the Group related.

Revenue by type	2019 £000	2018 £000
Private housing	**897,017**	866,156
Affordable housing	**170,379**	160,693
Partnership land transactions	**42,432**	-
Land sales	**6,811**	14,163
Release of deferred revenue from joint ventures	**7,766**	10,143
Other	**6,363**	10,241
Total	**1,130,768**	1,061,396
Timing of revenue recognition		
At a point in time	**930,986**	895,671
Over time	**199,782**	165,725
Total	**1,130,768**	1,061,396

The Group's total revenue recognised in relation to contract liabilities is shown in the table above as affordable housing revenue.

Assets and liabilities related to contracts with customers

The Group has recognised the following assets and liabilities relating to its existing contracts with customers:

	2019 £000	2018 £000
Contract assets included in inventory	**23,533**	47,546
Amounts recoverable on contracts	**42,829**	24,160
Payments on account	**(7,731)**	(11,296)

Contract assets included in inventory relate to work in progress which has not yet been recognised in the Income Statement, in line with the Group's policy for recognition for long term contracts. Amounts recoverable on contracts represent amounts where the revenue recognised on a long term contract exceeds the value of stage payments that have been made on that contract and payments on account represents positions where stage payments exceed revenue recognised on contracts. Based on historical trends, management expects in excess of 90% of the payment on account total to be recognised as revenue in the next reporting period.

For contracts in progress at the balance sheet date, contract costs incurred plus recognised profit minus recognised losses to date amounted to £428,011,000 (2018: £490,022,000).

2.1 Operating profit

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

	2019 £000	2018 £000
Depreciation of tangible fixed assets (see note 5.4)	**898**	771
Amortisation of intangible fixed assets (see note 5.6)	**449**	134
Depreciation of right-of-use assets (see note 5.5)	**4,906**	-
Hire of plant and machinery	**7,597**	8,597
Personnel expenses (see note 5.3)	**93,014**	80,986
Rental income (included in revenue)	**(101)**	(736)
Government grants recognised within cost of sales (see note 4.2)	**(118)**	(21)
Loss/(profit) on disposal of property, plant and equipment	**3**	(450)

Other operating income includes:

	2019 £000	2018 £000
Joint arrangement management fees income	**2,064**	-
Profit on disposal of investment	**8,611**	-

Notes to the financial statements continued

Exceptional expenses

Exceptional items are those which, in the opinion of the Board, are material by size and non-recurring 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.

	2019 £000	2018 £000
Administrative expenses resulting from the Acquisition	12,846	-
Interest costs resulting from the Acquisition	630	-
Exceptional expenses	13,476	-

During the year ended 31 December 2019, the Group entered into a sale and purchase agreement for the Acquisition. The administrative fees incurred in relation to this transaction include legal, financing and accounting advisory services, transaction insurance costs and other expenses. The exceptional interest costs incurred relate to the accelerated amortisation of capitalised facility arrangement fees on the 2015 revolving credit facility; this results from the early termination of this facility in January 2020 triggered by the refinancing for the Acquisition.

Auditors' remuneration

	2019 £000	2018 £000
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	35	30
The audit of the Company's subsidiaries, pursuant to legislation	215	174
Interim review work	30	30
Non-audit fees (included within exceptional administrative expenses)	865	-
Fees charged to operating profit before financing costs	1,145	234

2.2 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.

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 in respect of 2019.

	2019 £000	2018 £000
41.0p per qualifying ordinary share (2018: 38.0p)	60,668	51,223

2.3 Earnings per share

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 exceptionals 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

3.0 Land bank and other operating assets and liabilities

This section shows the assets used to generate the Group's trading performance and the liabilities incurred as a result. Liabilities relating to the Group's financing activities are addressed in section 4. Deferred tax assets and liabilities are shown in section 5.2.

3.1 Inventories

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

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

Options purchased in respect of land are capitalised initially at cost and written down on a straight-line basis over the life of the option.

Should planning permission be granted and the option be exercised, the option is not amortised during that year and its carrying value is included within the cost of land purchased.

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

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

Part exchange properties are held at the lower of cost and net realisable value, and include a carrying value provision to cover the costs of management and resale. Any profit or loss on the disposal of part exchange properties is recognised within cost of sales in the Group Income Statement.

Group	2019 £000	2018 £000
Raw materials and consumables	**4,690**	5,424
Work in progress	**470,760**	439,753
Part exchange properties	**15,917**	16,345
Land held for development (net of provision)	**716,300**	858,707
Inventories	**1,207,667**	1,320,229

Inventories to the value of £886.4 million were recognised as expenses in the year (2018: £832.7 million). Part exchange properties of £80.5 million (2018: £64.6 million) were disposed of during the year for proceeds of £79.9 million (2018: £64.8 million).

Movement on inventory provision	2019 £000	2018 £000
Balance at 1 January	**3,439**	5,543
- Utilised on specific sites sold in the year	**(2,041)**	(2,471)
- Unutilised on specific sites sold in the year and so released to the income statement	**-**	(66)
	(2,041)	(2,537)
New provisions recognised on sites still held	**282**	33
New provisions recognised on sites identified for disposal outside of core operating area	**550**	400
Balance at 31 December	**2,230**	3,439

£4.5 million (2018: £6.4 million) of inventories were valued at net realisable value rather than at historic cost.

3.2 Trade and other receivables

Trade receivables, amounts recoverable on contracts and other debtors do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. The Group applies the IFRS9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the age of the outstanding amounts. The contract assets relate to unbilled work in progress on contracts described in note 2.0 and have a historically low level of default, similar to the Group's low default levels on trade receivables.

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

	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
Trade receivables	**30,563**	12,666	**-**	-
Amounts recoverable on contracts	**42,829**	24,160	**-**	-
Amounts due from subsidiary undertakings	**-**	-	**639,712**	452,889
Other debtors	**9,307**	8,781	**-**	-
Prepayments and accrued income	**22,675**	18,898	**-**	-
Current assets	**105,374**	64,505	**639,712**	452,889

Trade receivables and amounts recoverable on contracts are shown net of their associated expected credit loss allowances, which are £678,000 (2018: £1,440,000) and £1,318,000 (2018: £1,436,000) respectively. The Group's standard invoice payment terms are 30 days.

The carrying value of amounts due from subsidiary undertakings represents the Company's maximum credit risk. Interest is charged on these amounts at a rate of 2.3% per annum. The directors consider these amounts to be fully receivable at year end.

Receivables which are past due but not impaired are not material in either period.

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

3.3 Trade and other payables

Trade payables

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

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

Government grants

Government grants are recognised in the income statement so as to match with the related costs that they are intended to compensate. Government grants are included within deferred income.

	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
Non-current liabilities				
Trade payables	**122,819**	183,530	**–**	–
Other creditors	**121**	239	**781**	781
	122,940	183,769	**781**	781
Current liabilities				
Trade payables	**259,533**	221,192	**–**	–
Payments on account	**7,731**	11,296	**–**	–
Taxation and social security	**1,750**	1,771	**–**	–
Other creditors	**1,941**	2,020	**–**	–
Accruals	**72,924**	38,288	**–**	–
Deferred income	**8,480**	4,139	**–**	–
	352,359	278,706	**–**	–
Total trade and other payables	**475,299**	462,475	**781**	781

The Group's non-current liabilities largely relate to land purchased on extended payment terms. An ageing of land creditor repayments is provided in note 4.6.

4.0 Financing

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

4.1 Cash and cash equivalents

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

	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
Bank balances	**11,743**	547	344	344
Call deposits	**350,219**	162,670	–	–
Cash and cash equivalents in the balance sheet and cash flows	**361,962**	163,217	344	344

Restricted cash primarily relates to amounts that the Group paid into indemnity funds as part of the NewBuy housing scheme which have not yet been released.

4.2 Bank and other loans

Bank borrowings

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

Government grants

The benefit on loans with an interest rate below market is calculated as the difference between interest at a market rate and the below market interest. The benefit is treated as a Government grant.

Interest rate profile of bank and other loans

At 31 December	Rate	Facility maturity	Carrying value 2019 £000	Carrying value 2018 £000
Revolving credit facility (terminated 3 Jan 2020)	LIBOR +120-225 bps	2022	-	-
HCA Loan	EC Base Rate +220bps	2027	-	36,401

Post balance sheet

	Rate	Facility maturity	Carrying value 2019 £000	Carrying value 2018 £000
Revolving credit facility (commencing 3 Jan 2020, amended 24 Jan 2020)	LIBOR +165-255bps	2025	-	-
Revolving credit facility (commencing 3 Jan 2020, amended 24 Jan 2020)	LIBOR +165-255bps	2023	-	-
Term Loan (commencing 3 Jan 2020, amended 24 Jan 2020)	LIBOR +165-255bps	2023	-	-
USPP Loan	403 bps	2027	-	-

Details of facilities

At 31 December 2019, the Group had a £250.0 million committed revolving credit facility, which was due to expire in December 2022. This facility syndicate comprised six banks and the facility included a covenant package, featuring three covenants covering the Group's gearing ratio, consolidated tangible net worth and interest cover. These covenants were tested semi-annually.

During 2019, the loan facility agreement with the Homes and Communities Agency in relation to the development at Stanton Cross, Wellingborough was transferred into Stanton Cross Developments LLP, a joint venture investment of the Group.

Subsequent to the year end, the £250.0 million committed revolving credit facility was terminated and the Group entered into the following borrowing facilities:

- a £410.0 million committed revolving credit facility which expires in January 2025, with an option to extend to January 2026 or January 2027
- a £40.0 million committed revolving credit facility which expires in January 2023
- a £150.0 million term loan which expires in January 2023
- a £100.0 million US Private Placement borrowing, novated from Galliford Try plc as part of the Acquisition.

The combined £450.0 million revolving credit facility syndicate comprises eight banks. The revolving credit facilities, USPP Loan and Term Loan all include a covenant package, as per the previous agreement, which is also tested semi-annually. The overall financing cost of the new arrangements are marginally more expensive than the previous facility.

4.3 Net financing costs

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

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

Notes to the financial statements continued

Net financing costs recognised in the Income Statement

	Note	2019 £000	2018 £000
Interest income		**(707)**	(372)
Net pension finance credit	5.9	**(106)**	(109)
Finance income		**(813)**	(481)

	Note	2019 £000	2018 £000
Imputed interest on deferred terms land payables		**3,453**	3,614
Interest on lease liabilities	5.5	**558**	-
Interest expense		**2,929**	2,971
Finance expenses		**6,939**	6,585
Net financing costs		**6,126**	6,104

4.4 Capital and reserves

Equity instruments

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

Own shares held by ESOP trust

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

Share capital

Ordinary shares

	2019 Number of shares	2019 Issued capital £000	2019 Share premium £000	2018 Number of shares	2018 Issued capital £000	2018 Share premium £000
In issue at 1 January	**134,796,633**	**67,398**	**216,907**	134,660,750	67,330	215,991
Issued for cash	**13,541,624**	**6,771**	**146,003**	135,883	68	916
Costs of issuing equity	**-**	**-**	**(3,053)**	-	-	-
In issue at 31 December – fully paid	**148,338,257**	**74,169**	**359,857**	134,796,633	67,398	216,907

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

Reserve for own shares held

The cost of the Company's shares held in the ESOP trust by the Group is recorded as a reserve in equity. During the year ended 31 December 2019, the Group did not purchase any shares (2018: nil shares purchase at a total cost of £nil). There were no shares awarded under the Group's long-term incentive plan that vested during 2019 (2018: 2,313) and therefore the balance of the own shares held reserve has not reduced in 2019 (2018: £22,000). At 31 December 2019, the Group held 385,437 of its own shares (2018: 385,437), with a value on reserve of £3,620,000 (2018: £3,620,000). The Group has suspended all rights on shares held by the Group in the Company.

4.5 Financial risk management

Group

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

The Group's capital comprises its shareholders' equity, added together with its net borrowings, or less its net cash, stated before issue costs. A five year record of its capital employed is displayed on page 163.

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

An important part of capital management for the Group is its financial instruments, which comprise cash, bank and other loans and overdrafts.

The main purpose of these financial instruments is to raise finance for the Group's operations. The Group also utilises financial assets and liabilities such as trade payables or receivables that arise directly from operations.

The use of these carries risk: interest rate risk, credit risk and liquidity risk. Given that the Group trades exclusively in the UK, there is no material currency risk.

Company

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

a. Interest rate risk

Exposure to interest rate risk arises in the normal course of the Group's business and interest rate swaps are used where appropriate to hedge exposure to fluctuations in interest rates. The Group has no exposure to currency risk as all its financial assets and liabilities are denominated in sterling. Throughout the year, the Group's policy has been that no trading in financial instruments shall be undertaken.

Effective interest rates and repricing analysis

The interest rate profile of the Group's interest bearing financial instrument is set out in note 4.2.

Sensitivity analysis

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

For the year ended 31 December 2019, a general increase of one percentage point in interest rates applying for the full year would not have a material impact on the financial statements.

b. Credit risk

The Group's exposure to credit risk is limited by the fact that the Group generally receives cash at the point of legal completion of its sales of private houses. There are certain categories of revenue where this is not the case: for instance, housing association revenues or land sales. The largest single amount outstanding at the year end was £20.2 million (2018: £5.2 million), which is payable by the end of October 2022. The Group retains these outstanding balances as trade and other receivables. The carrying value of trade and other receivables equates to the Group's exposure to credit risk. This is set out in note 3.2.

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

	2019 £000	2018 £000
Consented land	-	400
Second charge against property	**1,090**	611
Unsecured	**105,374**	64,105
	106,464	65,116

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

Notes to the financial statements continued

Company

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

c. Liquidity risk

The Group's banking arrangements outlined in note 4.2 are considered to be adequate in terms of flexibility and liquidity for the enlarged Group's medium term cash flow needs, thus mitigating its liquidity risk. The Group's approach to assessment of liquidity risk is outlined in the going concern sub-section in the risk management section on page 32.

d. Housing market price risk

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

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

31 December 2019	Linked to UK housing market £000	Not linked to UK housing market £000	Total £000
Non-derivative financial assets			
Restricted cash	-	1,748	1,748
Trade and other receivables	1,090	105,374	106,464
Cash and cash equivalents	-	361,962	361,962
Non-derivative financial liabilities			
Bank and other loans	-	-	-
Trade and other payables	-	(475,299)	(475,299)
	1,090	**(6,215)**	**(5,125)**

31 December 2018	Linked to UK housing market £000	Not linked to UK housing market £000	Total £000
Non-derivative financial assets			
Restricted cash	-	1,381	1,381
Trade and other receivables	611	64,505	65,116
Cash and cash equivalents	-	163,217	163,217
Non-derivative financial liabilities			
Bank and other loans	-	(36,401)	(36,401)
Trade and other payables	-	(462,475)	(462,475)
	611	**(269,773)**	**(269,162)**

4.6 Financial instruments

Fair values

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

Estimation of fair values

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

Land purchased on extended payment terms

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

Land creditor (estimated ageing)	Balance at 31 Dec £000	Total contracted cash payment £000	Due within 1 year £000	Between 1-2 years £000	Between 2-3 years £000	Between 3-4 years £000	Between 4-5 years £000	Due beyond 5 years £000
2019	**258,758**	**262,489**	**137,758**	**78,308**	**39,943**	**6,348**	**14**	**118**
2018	293,297	298,186	112,744	105,745	62,725	16,912	15	45

Bank and other loans

Fair value is calculated based on discounted expected future principal and interest flows. See note 4.3 for further details.

Trade and other receivables / payables

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

5.0 Other disclosures

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

5.1 Income tax expense

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

Recognised in the income statement

	Note	2019 £000	2018 £000
Current tax			
Current year		**35,424**	31,316
Adjustments for prior years		**1,260**	(919)
		36,684	30,397
Deferred tax			
Origination and reversal of temporary differences	5.2	**(331)**	1,258
Adjustments for prior year	5.2	**21**	(156)
Total income tax in income statement		**36,374**	31,499

Notes to the financial statements continued

Reconciliation of effective tax rate

	2019 %	2019 £000	2018 %	2018 £000
Profit before tax		174,753		168,069
Income tax using the domestic corporation tax rate	**19.0**	**33,203**	19.0	31,933
Non-deductible expenses and disposal of ineligible assets	**1.4**	**2,441**	-	-
Other non-taxable income/non-deductable expense	**(0.4)**	**(724)**	0.4	675
Other	**0.1**	**173**	-	20
Change in tax rate	**-**	**-**	-	(54)
Adjustments to the tax charge in respect to the prior year	**0.7**	**1,281**	(0.7)	(1,075)
Total tax expense	**20.8**	**36,374**	18.7	31,499

The Group's effective tax rate of 20.8% is higher than the current rate of 19% as a result of adjustments made in respect of the prior year which have arisen as a result of a true up from the draft tax computations to the final tax computations that were filed with HM Revenue & Customs for the year ended 31 December 2018 and the exceptional costs being non-deductible for tax purposes. The Group does not have any open corporation tax enquiries with the tax authorities.

Recognised directly in Group statement of changes in equity or in the Group statement of comprehensive income

	Note	2019 £000	2018 £000
Relating to actuarial movements on pension scheme (Group statement of comprehensive income)	5.2	**464**	1,083
Relating to share-based payments (Group statement of changes in equity)	5.2	**140**	(113)
Deferred tax recognised directly in Group statement of changes in equity or the Group statement of comprehensive income		**604**	970

5.2 Tax assets and liabilities

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

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

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

Current tax assets and liabilities

The current liability of £20,939,000 (2018: £18,060,000) represents the remaining balance of income taxes payable in respect of current and prior years.

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
Group	2019 £000	2018 £000	2019 £000	2018 £000	2019 £000	2018 £000
Property, plant and equipment	–	–	(41)	(126)	(41)	(126)
Non-current trade payables	–	–	(17)	(21)	(17)	(21)
Available for sale financial assets	–	–	(446)	(536)	(446)	(536)
Employee benefits – pensions	–	–	(766)	(214)	(766)	(214)
Employee benefits – share-based payments	1,495	297	–	–	1,495	297
Provisions	149	149	–	–	149	149
Inventories	–	–	(194)	(447)	(194)	(447)
Profit on sale of assets to joint ventures	4	168	–	–	4	168
Tax assets/(liabilities)	**1,648**	614	**(1,464)**	(1,344)	**184**	(730)

Movement in temporary differences during the year

Group	Balance 1 Jan 2019 £000	Recognised in income £000	Recognised in equity £000	Balance 31 Dec 2019 £000
Property, plant and equipment	(126)	85	–	**(41)**
Trade payables	(21)	4	–	**(17)**
Available for sale financial assets	(536)	90	–	**(446)**
Employee benefits – pensions	(214)	(1,016)	464	**(766)**
Employee benefits – share-based payments	297	1,058	140	**1,495**
Provisions	149	–	–	**149**
Inventories	(447)	253	–	**(194)**
Profit on sale of assets to joint ventures	168	(164)	–	**4**
Movement in temporary differences	**(730)**	**310**	**604**	**184**

Group	Balance 1 Jan 2018 £000	Recognised in income £000	Recognised in equity £000	Balance 31 Dec 2018 £000
Property, plant and equipment	(113)	(13)	–	**(126)**
Trade payables	(24)	3	–	**(21)**
Available for sale financial assets	(625)	89	–	**(536)**
Employee benefits – pensions	(359)	(938)	1,083	**(214)**
Employee benefits – share-based payments	737	(299)	(141)	**297**
Provisions	330	(181)	–	**149**
Inventories	(888)	441	–	**(447)**
Profit on sale of assets to joint ventures	372	(204)	–	**168**
Movement in temporary differences	**(570)**	**(1,102)**	**942**	**(730)**

Factors affecting future tax charge

The UK corporation tax rate is 19% (effective from 1 April 2017) and reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. The deferred tax asset at 31 December 2019 has been calculated based on the current enacted rate of 17%.

Employee benefits

The Group recognises the deficit or surplus on its defined benefits pension scheme under the requirements of IAS19 (Revised): 'Employee benefits'.

This has generated a surplus of £4.5 million (2018: surplus of £1.4 million). As at 31 December 2019, a deferred tax liability of £766,000 (2018 tax liability: £214,000) was recognised.

5.3 Directors and employees

The weekly average number of employees of the Group, all of whom were engaged in the United Kingdom on the Group's principal activity, together with personnel expenses, are set out below.

Average staff numbers – Group

	2019	2018
Average staff numbers	**1,340**	1,251

The Company had no employees during 2019 (2018: nil).

A breakdown of staff numbers split by type of role is included on page 49.

Personnel expenses – Group

	2019 £000	2018 £000
Wages and salaries	**77,888**	68,874
Compulsory social security contributions	**9,056**	8,056
Contributions to defined contribution plans	**2,602**	1,787
Expenses related to defined benefit plans	**577**	856
Equity-settled share-based payments	**2,891**	1,413
Personnel expenses	**93,014**	80,986

The Company had no personnel expenses during 2019 (2018: nil).

Share-based payments

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

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

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

Long Term Incentive Plan	2019		2018	
	Average exercise price in £ per share option	Share options £000	Average exercise price in £ per share option	Share options £000
At 1 January	-	1,144	-	1,377
Granted	-	317	-	184
Lapsed	-	(26)	-	(415)
Exercised	-	-	-	(2)
At 31 December	-	1,435	-	1,144

Executive and other share options	2019		2018	
	Average exercise price in £ per share option	Share options £000	Average exercise price in £ per share option	Share options £000
At 1 January	7.56	33	9.19	153
Granted	-	-	-	-
Lapsed	-	-	11.29	(71)
Exercised	5.02	(8)	7.26	(49)
At 31 December	8.37	25	7.54	33

Save As You Earn	2019		2018	
	Average exercise price in £ per share option	Share options £000	Average exercise price in £ per share option	Share options £000
At 1 January	7.15	464	6.56	496
Granted	9.30	143	9.06	138
Lapsed	7.58	(60)	6.71	(84)
Exercised	7.15	(61)	7.22	(86)
At 31 December	7.73	486	7.15	464

Out of the 1,946,000 outstanding options (2018: 1,641,000), 314,000 options (2018: 117,000) were exercisable. Options exercised in 2019 resulted in 69,000 shares (2018: 137,000) being issued at a weighted average share price of £6.90 each (2018: £7.13 each).

Notes to the financial statements continued

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

Long Term Incentive Plan

Grant vest	Expiry date	Exercise price in £ per share option	2019 Share options £000	2018 Share options £000
2011-14	15/03/2021	–	**14**	14
2012-15	28/02/2022	–	**16**	16
2013-16	26/02/2023	–	**23**	23
2013-16	20/08/2023	–	**8**	8
2014-17	25/02/2024	–	**19**	19
2016-19	15/08/2026	–	**209**	–
2017-18	02/05/2027	–	**154**	154
2017-20	08/09/2027	–	**368**	580
2018-21	05/03/2028	–	**321**	330
2019-22	04/03/2029	–	**303**	–
		–	**1,435**	1,144

Executive and other share options

Grant vest	Expiry date	Exercise price in £ per share option	2019 Share options £000	2018 Share options £000
2012-15	22/08/2019	5.02	**–**	8
2013-16	21/08/2020	7.73	**5**	5
2014-17	20/08/2021	8.53	**20**	20
		–	**25**	33

Save As You Earn

Grant vest	Expiry date	Exercise price in £ per share option	2019 Share options £000	2018 Share options £000
2014-19	01/12/2019	7.97	**–**	3
2016-18	01/12/2020	7.66	**–**	1
2015-20	24/09/2020	7.66	**11**	13
2016-19	24/09/2019	7.12	**–**	56
2016-21	24/09/2021	7.12	**15**	15
2017-20	24/09/2020	6.12	**181**	200
2017-22	24/09/2022	6.12	**34**	47
2018-21	23/09/2021	9.06	**93**	109
2018-23	23/09/2023	9.06	**20**	20
2019-22	01/12/2022	9.30	**114**	–
2019-24	01/12/2024	9.30	**18**	–
		–	**486**	464

The weighted average fair value of the options granted during the period determined using the Binomial model was £6.87 per option (2018: £7.14). The significant inputs into the model were a weighted average share price of £11.42 (2018: £11.32) at the grant date, the exercise price shown in the table on the previous page, volatility of 37.25% (2018: 37.25%), an expected option life of 5 years (2018: 5 years) and an annual risk-free rate of 0.81% (2018: 1.00%). The volatility is measured at the standard deviation of continuously compounded share returns, based on statistical analysis of daily share prices over the last 3 years.

Share based payments expense in the income statement

	2019 £000	2018 £000
Long Term Incentive Plan	**2,489**	948
Executive and other share options	**6**	116
Save As You Earn share options	**395**	349
Total expense recognised as personnel expenses	**2,890**	1,413

Information relating to directors' remuneration, compensation for loss of office, long term incentive plan, share options and pension entitlements appears in the directors' remuneration report on pages 88 to 106. The directors are considered to be the only key management personnel. A summary of key management remuneration is as follows:

	2019 £000	2019 £000
Wages and salaries	**2,083**	1,409
Compulsory social security contributions	**286**	194
Contributions to defined contribution plans	**19**	24
Key management remuneration	**2,388**	1,627

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

Long Term Incentive Plan

A long term incentive plan for executive directors and senior executives was approved by shareholders at a General Meeting in December 2019. One grant of awards under this plan was made in 2019. Details of the vesting conditions of these awards are laid out in the directors' remuneration report which can be found on pages 88 to 106.

Project 200 Incentive plan

The Project 200 incentive plan was implemented for members of the executive management team during 2017, and is designed to support the Group's programme of balance sheet optimisation and reduction in capital reduction in order to facilitate the potential return of capital to shareholders through special dividends.

Save As You Earn share options

The Vistry Group PLC Save As You Earn Option Scheme was established in 2007 and renewed in 2017. Share options held in the Save As You Earn Option Scheme are not subject to performance conditions and may under normal circumstances be exercised during the six months after maturity of the agreement. Save As You Earn share options are generally exercisable at an exercise price which includes a 20% discount to the market price of the shares at the date of grant.

5.4 Property, plant and equipment

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

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

Cost

Year ended 31 December 2019	Freehold buildings £000	Furniture, fittings and equipment £000	Plant, machinery and vehicles £000	Total £000
Opening balance	–	2,552	1,103	**3,655**
Additions	–	492	73	**565**
Disposals	–	(16)	–	**(16)**
Closing	–	3,028	1,176	**4,204**

Accumulated depreciation

Opening	–	1,149	325	**1,474**
Charge for the year	–	665	233	**898**
Disposals	–	(13)	–	**(13)**
Closing	–	1,801	558	**2,359**

Cost

Year ended 31 December 2018	Freehold buildings £000	Furniture, fittings and equipment £000	Plant, machinery and vehicles £000	Total £000
Opening balance	2,033	3,625	279	**5,937**
Additions	–	992	884	**1,876**
Disposals	(1,781)	(2,098)	(279)	**(4,158)**
Reclassifications	(252)	33	219	**-**
Closing	–	2,552	1,103	**3,655**

Accumulated depreciation

Opening	393	2,677	264	**3,334**
Charge for the year	–	486	285	**771**
Disposals	(320)	(2,047)	(264)	**(2,631)**
Reclassifications	(73)	33	40	**-**
Closing	–	1,149	325	**1,474**

Net book value at 31 December

2019	**–**	**1,227**	**618**	**1,845**
2018	–	1,403	778	2,181

The total of future minimum lease payments under short term and low value non-cancellable operating lease rentals are payable as follows:

	Property £000	Plant, machinery and vehicles £000	Total £000
Within one year	329	722	1,051
Between one and five years	28	1,435	1,463
Total	**357**	**2,157**	**2,514**

5.5 Leases

The Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. For adjustments recognised on adoption of IFRS16 on 1 January 2019, please refer to note 5.14.

The amounts recognised in the Group Balance Sheet were:

Right-of-use assets cost

Year ended 31 December 2019	Office properties £000	Show home properties £000	Site cabins £000	Office equipment £000	Motor vehicles £000	Total £000
Opening balance (on implementation of IFRS16)	13,574	1,796	5,632	205	1,794	23,001
Additions	13,574	3,965	5,632	500	2,533	26,204
Closing	**13,574**	**3,965**	**5,632**	**500**	**2,533**	**26,204**
Accumulated amortisation						
Opening balance	-	-	-	-	-	-
Charge for the year	1,597	1,051	1,408	62	739	4,857
Closing	**1,597**	**1,051**	**1,408**	**62**	**739**	**4,857**
Net book value at 31 December						
2019	**11,977**	**2,914**	**4,224**	**438**	**1,794**	**21,347**

Lease liabilities

	31 Dec 2019 £000	1 Jan 2019 £000
Current	**6,309**	5,108
Non-current	**16,686**	19,128
Total lease liabilities	**22,995**	24,236

The amounts recognised in the Group Income Statement were:

	31 Dec 2019 £000
Depreciation of right-of-use assets	4,906
Interest expense	558
Expense relating to short-term leases	2,358
Expense relating to leases of low-value assets	14

The total cash outflow for leases in 2019 was £8,827,000.

Extension and termination options are included in a number of leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

5.6 Intangible Fixed Assets

Intangible fixed assets are recorded at prime cost less accumulated amortisation. IT software is amortised on a straight line basis over a period of 3 – 5 years.

Cost Year ended 31 December 2019	Assets under construction £000	IT Software £000	Total £000
Opening balance	-	1,213	**1,213**
Additions	344	3,362	**3,706**
Closing	**344**	**4,575**	**4,919**
Accumulated amortisation			
Opening	-	134	**134**
Charge for the year	-	449	**449**
Closing	**-**	**583**	**583**
Net book value at 31 December			
2019	**344**	**3,992**	**4,336**

Cost Year ended 31 December 2018	Assets under construction £000	IT Software £000	Total £000
Opening balance	-	-	**-**
Additions	-	1,213	**1,213**
Closing	**-**	**1,213**	**1,213**
Accumulated amortisation			
Opening	-	-	**-**
Charge for the year	-	134	**134**
Closing	**-**	**134**	**134**
Net book value at 31 December			
2018	-	**1,079**	**1,079**

5.7 Investments

Fixed asset investments

Investments in subsidiaries are carried at cost less impairment. The Parent Company accounts for the share based payments granted to subsidiary employees as an increase in the cost of its investment in subsidiaries and the value of this investment is supported by net assets. Joint ventures are those arrangements in which the Group has rights to the net assets of the arrangements and treated on an equity accounted basis in the Group's balance sheet.

	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
Subsidiary undertakings				
Interest in subsidiary undertakings' shares at cost (100% ownership of ordinary shares)	**-**	-	**14,153**	11,262
Investments accounted for using the equity method				
Interest in joint ventures – equity	**61,155**	5,116	**-**	-
- loan	**23,952**	23,854	**-**	-
	85,107	28,970	**14,153**	11,262
Other investments	**22**	22	**-**	-
Total investments	**85,129**	28,992	**14,153**	11,262

In April 2019, Vistry Homes Limited (formerly Bovis Homes Limited) entered into a joint venture at Wellingborough, near Northampton, with Riverside Regeneration Limited. As part of the initial transaction, land owned by the Group was sold into the joint venture, Stanton Cross Developments LLP. The Group's 50% share of the acquisition price was financed by equity, resulting in an increase in the Group's equity interests in joint ventures. Vistry Homes Limited (formerly Bovis Homes Limited) also entered into a joint venture with Metropolitan Living Limited in 2019, purchasing land at Cambourne West financed by a combination of debt and equity.

The Group's joint venture entered into in December 2018 with Clarion Housing Group continues to develop the site at Sherford, near Plymouth, and completed its first house sales during the year ended 31 December 2019.

The carrying value of the Groups interests in join ventures accounted for using the equity method are set out in the table below:

	% age of ownership interest		Carrying value	
	2019 %	2018 %	2019 £000	2018 £000
Bovis Peer LLP	**50**	50	**69**	4,715
Stanton Cross Developments LLP	**50**	100	**56,069**	-
Bovis Latimer (Sherford) LLP	**50**	50	**31**	-
Bovis Homes Cambourne West LLP	**50**	-	**4,677**	-
IIH Oak Investors LLP	**26**	26	**309**	401
Total investments			**61,155**	5,116

Notes to the financial statements continued

The subsidiary and associated undertakings and joint ventures in which the Group has interests are incorporated in Great Britain. In each case their principal activity is related to housebuilding and estate development. As at 31 December 2019 the Group had thirty four subsidiaries, which are listed below (with the company names as at 27 February 2020).

	Registered office	Country of incorporation	Ownership interest in ordinary shares	
			2019 %	2018 %
Bovis Homes (Quest) Company Limited	1	United Kingdom	100	100
Vistry Homes Limited	1	United Kingdom	100	100
Bovis Country Homes Limited	1	United Kingdom	100	100
Bovis Homes (Broadbridge Heath) Limited	1	United Kingdom	100	100
Bovis Homes Limited	1	United Kingdom	100	100
Bovis Homes BVC Limited	1	United Kingdom	100	100
Bovis Homes Cornwall Limited	1	United Kingdom	100	100
Bovis Homes Developments Limited	1	United Kingdom	100	100
Vistry Limited	1	United Kingdom	100	100
Bovis Homes Eastern Limited	1	United Kingdom	100	100
Bovis Homes Freeholds Limited	1	United Kingdom	100	100
Bovis Homes Insulation Limited	1	United Kingdom	100	100
Bovis Homes Midlands And Northern Limited	1	United Kingdom	100	100
Bovis Homes North Whiteley LLP	1	United Kingdom	100	100
Bovis Homes Pension Scheme Trustee Limited	1	United Kingdom	100	100
Bovis Homes Projects Limited	1	United Kingdom	100	100
Bovis Homes South East Limited	1	United Kingdom	100	100
Bovis Homes Southern Limited	1	United Kingdom	100	100
Bovis Homes Wessex Limited	1	United Kingdom	100	100
Elite Homes Group Limited	1	United Kingdom	100	100
Elite Homes (North West) Limited	1	United Kingdom	100	100
Gigg Lane Limited	1	United Kingdom	100	100
Elite Homes (Yorkshire) Limited	1	United Kingdom	100	100
H.Newbury & Son (Builders) Limited	1	United Kingdom	100	100
Kilbride Tavistock Limited	1	United Kingdom	100	100
Nether Hall Park Open Space Management Company Limited	1	United Kingdom	100	100
Orchard Homes (Pitt Manor) Limited	1	United Kingdom	100	100
Oxford Land Limited	1	United Kingdom	67	67
Page Johnson Properties Limited	1	United Kingdom	100	100
R.T.Warren (Builders, St.Albans) Limited	1	United Kingdom	100	100
Unitpage Limited	1	United Kingdom	100	100
Vistry Latimer Collingtree LLP	1	United Kingdom	100	100
Bovis Homes Scotland Limited	2	United Kingdom	100	100
Knights Mount Management Company Limited	9	United Kingdom	100	100

At 31 December 2019 the Group had an interest in the following joint ventures which have been equity accounted to 31 December and are registered and operate in England and Wales. As noted on the previous page, Stanton Cross Developments LLP and Bovis Homes Cambourne West LLP are new joint ventures entered into during the year ended 31 December 2019. The principal activity of both joint ventures is housebuilding and estate development.

	Registered office	Country of incorporation	Ownership interest in ordinary shares	
			2019 %	2018 %
Bovis Peer LLP	1	United Kingdom	50	50
Stanton Cross Developments LLP	1	United Kingdom	50	100
Bovis Latimer (Sherford) LLP	1	United Kingdom	50	50
Bovis Homes Cambourne West LLP	1	United Kingdom	50	-
Bishops Park Limited	1	United Kingdom	50	50
Rissington Management Company Limited	3	United Kingdom	50	50
IIH Oak Investors LLP	4	United Kingdom	26	26

Significant holdings in undertakings other than subsidiary undertakings

Berkshire Land Limited	1	United Kingdom	33	33
Bishop's Stortford North Consortium Limited	5	United Kingdom	25	25
C.C.B.(Stevenage) Limited	6	United Kingdom	33	33
Haydon Development Company Limited	7	United Kingdom	39	39
Oxfordshire Land Limited	8	United Kingdom	25	25

Registered office

1. 11 Tower View, Kings Hill, West Malling, Kent, ME19 4UY
2. C/o Gilliespie MacAndrew LLP, 5 Atholl Crescent, Edinburgh, Scotland, EH3 8EJ, United Kingdom
3. Cowley Business Park, Cowley, Uxbridge, Middlesex, UB8 2AL
4. New Zealand House 15th Floor, 80 Haymarket, London, United Kingdom, SW1Y 4TE
5. St Bride's House, 10 Salisbury Square, London, EC4Y 8EH
6. Croudace House, Tupwood Lane, Caterham, Surrey, CR3 6XQ
7. 6 Drakes Meadow, Penny Lane, Swindon, Wiltshire, SN3 3LL
8. Persimmon House, Fulford, York, YO19 4FE
9. Gateway House, 10 Coopers Way, Southend On Sea, Essex, SS2 5TE

The movement on the investment in the material joint venture (Stanton Cross Developments LLP) during the year is as follows:

	2019 £000	2018 £000
At the start of the year	–	–
Equity invested during the year	57,986	–
Share of results	1,757	–
Unrealised profit on transactions with joint venture	(3,674)	–
At the end of the year	**56,069**	**–**

Summarised financial information relating to the material joint venture is as follows:

	2019 £000	2018 £000
Non-current assets	–	–
Current assets	140,357	–
– Cash and cash equivalents	4,107	–
Current liabilities	(2,195)	–
– Current financial liabilities	–	–
Non-current liabilities	(37,572)	–
– Non-current financial liabilities	(37,572)	–
Net assets of joint venture	**100,590**	**–**
Group share of net assets recognised in the Group balance sheet at 31 December	**50,295**	**–**
Revenue	15,845	–
Costs	**(12,331)**	**–**
Operating profit	3,514	–
Income tax expense	–	–
Profit for the year	3,514	–
Group share of profit for the year recognised in the Group income statement	**1,757**	**–**
Group share of Bovis Latimer (Sherford) LLP profit for the year recognised in the Group income statement	31	–
Share of profit of joint ventures	**1,788**	**–**

The material joint venture has no significant contingent liabilities or commitments to which the Group is exposed and the Group has no significant contingent liabilities in relation to its interest in the material joint venture.

Transactions with Bovis Peer LLP and IIH Oak Investors LLP

Bovis Homes Limited is contracted to provide property and letting management services to Bovis Peer LLP. Fees charged in the period, inclusive of VAT, were £25,000 (2018: £109,000). None of these fees are outstanding at 31 December 2019 (31 December 2018: nil).

Bovis Homes Limited is part of a Joint Venture, IIH Oak Investors LLP, to invest in private rental homes. IIH Oak Investor LLP repaid its loan to Bovis Homes Limited in November 2019 leaving a nil balance at 31 December 2019 (31 December 2018: £1,598,319) with £77,000 of interest charges have been made on the balance during the year (31 December 2018: £118,000).

Vistry Homes Limited (formerly Bovis Homes Limited) is part of a Joint Venture, Bovis Latimer (Sherford) LLP, to build houses in Sherford. As at 31 December 2019 loans of £20,174,000 (31 December 2018: £22,256,000) were in place with an interest rate of 5%. Interest charges made in respect of the loans were £559,000 (year ended 31 December 2018: £nil). Vistry Homes Limited (formerly Bovis Homes Limited) also provides ongoing services to the LLP for construction, management, accounting, company secretariat, sales and marketing services; charges made in respect of these services were £260,700 inclusive of VAT (year ended 31 December 2018: £nil).

In April 2019, Vistry Homes Limited (formerly Bovis Homes Limited) entered into a Joint Venture, Stanton Cross Developments LLP, with Riverside Regeneration Limited, with the LLP purchasing the Group's interest in its land and infrastructure at Wellingborough, near Northampton. Vistry Homes Limited (formerly Bovis Homes Limited) provides ongoing services to the LLP for construction, sales and company secretariat support; charges made in respect of these services were £2,194,000 inclusive of VAT (year ended 31 December 2018: £nil).

In December 2019, Vistry Homes Limited (formerly Bovis Homes Limited) entered into a Joint Venture, Bovis Homes Cambourne West LLP, with Metropolitan Living Limited, with the purpose of acquiring land for development at Cambourne West. Vistry Homes Limited (formerly Bovis Homes Limited) has a loan to Bovis Homes Cambourne West LLP in place at 31 December 2019 of £3,777,000 (31 December 2018: nil) at an interest rate of 4.5%.

5.8 Provisions

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

	Restructuring costs (see note 2.1) £000	Site-related costs £000	Other £000	Total £000
As at 1 January 2019	930	2,289	1,624	**4,843**
Additional provisions made	–	659	–	**659**
Amounts used	(930)	(583)	–	**(1,513)**
As at 31 December 2019	–	2,365	1,624	**3,989**

Of the total provisions detailed above, £400,000 are expected to be utilised within the next year (2018: £930,102).

5.9 Employee benefits

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

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

Pension cost note

The Company operates a UK registered trust based pension scheme, Bovis Homes Pension Scheme, that provides defined benefits. Pension benefits are linked to the members' final pensionable salaries and service at their retirement (or date of leaving if earlier). The Trustees are responsible for running the Scheme in accordance with the Scheme's Trust Deed and Rules, which sets out their powers. The Trustees of the Scheme are required to act in the best interests of the beneficiaries of the Scheme. There is a requirement that at least one-third of the Trustees are nominated by the members of the Scheme. There are two categories of pension scheme members:

- Deferred members: former active members of the Scheme, not yet in receipt of pension
- Pensioner members: in receipt of pension

The defined benefit obligation is valued by projecting the best estimate of future benefit outgoings, (allowing for revaluation to retirement for deferred members and annual pension increases for all members) and then discounting to the balance sheet date. The majority of benefits receive increases linked to inflation (subject to a cap of no more than 5% pa). The valuation method used is known as the Projected Unit Method. The approximate overall duration of the Scheme's defined benefit obligation as at 31 December 2019 was 19 years.

Risks

Through the Scheme, the Company is exposed to a number of risks:

- Asset volatility: the Scheme's defined benefit obligation is calculated using a discount rate set with reference to corporate bond yields, however the Scheme invests significantly in equities and other growth assets. These assets are expected to outperform corporate bonds in the long term, but provide volatility and risk in the short term.
- Changes in bond yields: a decrease in corporate bond yields would increase the Scheme's defined benefit obligation, however this would be partially offset by an increase in the value of the Scheme's LDI holdings.
- Inflation risk: a significant proportion of the Scheme's defined benefit obligation is linked to inflation, therefore higher inflation will result in a higher defined benefit obligation (subject to the appropriate caps in place). The majority of the Scheme's assets are either unaffected by inflation, or only loosely correlated with inflation, therefore an increase in inflation would also increase the deficit. However, the caps in place limit the potential impact of higher inflation and the Scheme's LDI holdings hedge inflation rate changes to some extent.
- Life expectancy: if Scheme members live longer than expected, the Scheme's benefits will need to be paid for longer, increasing the Scheme's defined benefit obligation.
- Liquidity: the Scheme holds a significant direct property investment with low liquidity. However the majority of the Scheme's assets are liquid.

The Trustees and Company manage risks in the Scheme through the following strategies:

- Diversification: investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets.
- Investment strategy: the Trustees are required to review their investment strategy on a regular basis.
- LDI: the Scheme invests in LDI assets, whose long term investment returns are expected to partially hedge interest rates and inflation movements.

Retirement benefit obligations

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

	2019 £000	2018 £000
Present value of funded obligations	**127,765**	115,215
Fair value of plan scheme assets	**(132,271)**	(116,596)
Recognised asset for defined benefit obligations	**(4,506)**	(1,381)

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

	2019 £000	2018 £000
Net asset for defined benefit obligations at 1 January	**(1,381)**	(2,111)
Contributions received	**(5,712)**	(5,798)
Expense recognised in the income statement	**471**	747
Loss recognised in equity	**2,116**	5,781
Net asset for defined benefit obligations at 31 December	**(4,506)**	(1,381)

The cumulative loss recognised in equity to date is £20.9million (2018: £19.2 million).

Change in defined benefit obligation over the year

	2019 £000	2018 £000
Defined benefit obligation at beginning of year	**115,215**	124,244
Net interest cost	**3,032**	2,867
Current service cost	**-**	205
Past service cost	**-**	115
Actual member contributions	**-**	19
Actual benefit payments by the scheme	**(5,903)**	(9,883)
Loss/(gain) on change of assumptions:		
Actuarial loss: experience differing from that assumed	**875**	-
Actuarial loss: changes in demographic assumptions	**376**	3,101
Actuarial loss/(gain): changes in financial assumptions	**14,170**	(5,453)
Defined benefit obligation at end of year	**127,765**	115,215

Notes to the financial statements continued

On 26 October 2018, the High Court ruled in the Lloyds Banking Group case that the trustees are under a duty to make sure that equal benefits are paid, including where these benefits are in the form of GMP. As a result, all schemes with GMP rights will have to act to allow for equalisation of benefits for the effect of unequal GMPs. The impact of this change on the Group's obligations has been estimated and is shown as the past service cost in the table on the previous page.

Change in scheme assets over the year

	2019 £000	2018 £000
Fair value of scheme assets at beginning of year	**116,596**	126,355
Interest income	**3,138**	2,976
Actual benefit payments by the scheme	**(5,903)**	(9,883)
Actual Group contributions	**5,712**	5,798
Actual member contributions	**-**	19
Gain/(loss) on assets	**13,305**	(8,018)
Administration costs	**(577)**	(651)
Fair value of scheme assets at end of year	**132,271**	116,596

The major categories of scheme assets are as follows:

	2019 £000	2018 £000
Return seeking		
Equities	**63,317**	58,626
Bonds	**19,500**	-
Other		
Property	**3,530**	11,282
Cash	**7,578**	1,624
Liability driven instruments	**38,346**	45,064
Total market value of assets	**132,271**	116,596

All pension scheme assets have a quoted market price in an active market, apart from property investments, which are directly held.

During 2016, scheme assets were invested in cash and liability driven instruments ("LDIs"), moving away from bonds and gilts, and in 2017 and 2018 further scheme assets were invested in LDIs in order to increase the level of liability hedging. The liabilities within a defined benefit pension scheme are particularly sensitive to changes in the discount rate applied to future liabilities (which is determined by the long term yield on investment grade corporate bonds or gilts) and the level of inflation (see sensitivity analysis table below). LDIs aim to reduce the exposure of a pension scheme to these risks by holding assets which behave in the same way as the scheme's liabilities when interest rates or inflation, or future expectations of them, change.

During 2019, the majority of the scheme's property portfolio was sold and investment was made into bonds to de-risk the scheme's assets.

Expense recognised in the income statement

	2019 £000	2018 £000
Current service cost	-	205
Administration expenses	**577**	651
Net interest credit	**(106)**	(109)
Expense recognised in the income statement	**471**	747

Assumptions

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

Group	2019 %	2018 %	2017 %
Discount rate at 31 December	1.9	2.7	2.4
Future salary increases	n/a	n/a	2.5
Inflation - RPI	3.0	3.2	3.2
- CPI	2.0	2.2	2.2
Future pension increases	n/a	n/a	2.5

Sensitivity analysis

Assumption	Change in assumption	Change in defined benefit obligation
Discount rate	+0.5%pa / -0.5%pa	-£10.2m / +£11.6m
RPI and CPI inflation	+0.5%pa / -0.5%pa	+£4.1m / -£5.7m
Assumed life expectancy	+1 year	+£4.5m

Limitations of the sensitivity analysis

These calculations provide an approximate guide to the sensitivity of results and may not be as accurate as a full valuation carried out on these assumptions. Each assumption change is considered in isolation, which in practice is unlikely to occur, as changes in some of the assumptions are correlated. The Scheme invests in LDI assets which aim to hedge changes in the value of the Scheme's liabilities. Changes in the discount rate and inflation would therefore be partially offset by a change in the value of the Scheme's assets.

	2019 £000	2018 £000	2017 £000	2016 £000	2015 £000
Present value of defined benefit obligations	**127,765**	115,215	124,244	125,594	102,160
Fair value of scheme assets	**132,271**	116,596	126,355	119,004	109,277
Surplus/(deficit) in the scheme	**4,506**	1,381	2,111	(6,590)	7,117

The most recent formal actuarial valuation was carried out as at 30 June 2016. The results have been updated to 31 December 2019 for accounting purposes by a qualified independent actuary. As part of this valuation exercise, the mortality assumptions for the scheme are now based on the SAPS 2 "all" tables and Core CMI_2018 projections with a long-term rate of improvement of 1.5% pa. These tables imply the following remaining life expectancy at age 63.

Remaining years of life at 63	Current age at 43	Current age at 63
Men	**26.6**	24.9
Women	**28.7**	26.9

The Trustees are required to carry out an actuarial valuation every 3 years. The latest actuarial valuation of the Scheme was performed by the Scheme Actuary for the Trustees as at 30 June 2016. This valuation revealed a funding shortfall of £36.1 million however allowing for changes in market conditions and in particular the strong returns on the Scheme's assets, the Scheme Actuary estimated that the Scheme's shortfall had decreased to around £25m as at 31 December 2017. In addition, the closure of the Scheme to future accrual was agreed with effect from 28 February 2018.

The 2019 actuarial valuation is being finalised at the date of this report.

To eliminate the shortfall at 31 December 2017, the Trustee and the Company agreed that three contributions of £5.5m will be paid into the Scheme by the Company. The first of these was made on 28 February 2018, with further payments following on 31 January 2019 and 31 January 2020.

Alongside the latest valuation and the recovery plan the Company has also agreed the principles of a longer-term plan to de-risk the pension scheme assets and liabilities position.

5.10 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 (which can be found on pages 88 to 106 and in note 5.3).

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 Forterra PLC and Vistry Group 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 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.

Transactions between the Group, Company and joint ventures are in note 5.7.

5.11 Reconciliation of Return on Capital Employed performance measure

	2019 £000	2018 £000
Operating profit before exceptional items	**192,567**	174,168
Opening total equity	**1,061,068**	1,056,576
Deduct: investment in joint ventures	**28,992**	8,717
Deduct: net cash	**126,816**	144,853
Opening capital employed	**905,260**	903,006
Closing net equity including joint ventures	**1,271,966**	1,061,067
Deduct: investment in joint ventures	**85,129**	28,992
Deduct: net cash	**361,962**	126,816
Closing capital employed	**824,875**	905,259
Average capital employed (note 1)	**865,068**	904,133
ROCE excluding joint ventures	**22.3%**	19.3%

Note 1 Average of opening and closing capital employed for the year.

5.12 Reconciliation of adjusted gross profit

The Group uses an alternative performance measure which is not defined within IFRS. The Directors use this alternative performance measure, along with IFRS measures, to assess the operational performance of the Group. The definition and reconciliation of the financial alternative performance measure used to IFRS measures, is shown below:

Adjusted gross profit is defined as gross profit plus other operating income:	2019 £000
Gross Profit per Consolidated Income Statement	242,756
Other operating income	10,675
Adjusted gross profit	**253,431**

5.13 Business combinations

On 3 January 2020, the Group acquired the Linden and Partnerships and Regeneration businesses from Galliford Try plc for consideration of c. £1,400m. This acquisition will position the Group as a top five national housebuilder by volume, expand the Group's presence across the UK and into Yorkshire and establish the Group as one of the leaders in the highly attractive, high-growth partnerships business.

Linden Homes is a top UK housebuilder, and Vistry Partnerships is a market leading partnerships business. The combination of these businesses with the existing Vistry business will create the capacity to deliver more than 14,000 new units per year over the medium term, deliver an enhanced customer proposition, enhance the Group's geographical footprint, realise synergies and strengthen the senior management team.

The acquisition was of the entire share capital and control of the holding companies Goldfinch (Jersey) Limited and Galliford Try Partneships Ltd. and all of their trading subsidiaries.

The c.£1,400.0m consideration for the Linden and Partnerships and Regeneration businesses includes cash of c.£400m, the novation of a £100m term loan, and 63,739,385 consideration shares with a fair value of £13.42 per share at the date of acquisition, totalling £855.4m in share consideration. The amount of cash consideration is deferred until April 2020, if any, is not finalised at the date of this report.

At the date of this report it is impracticable to disclose the provisional fair values of the total consideration paid and the acquired assets, liabilities, contingent liabilities and goodwill.

The goodwill that will be recognised is expected to capture synergies that will be achieved as an enlarged business, as well as intangible assets which do not qualify for separate recognition such as workforce. It is impracticable to conclude at the date of this report the total amount of goodwill which is expected to be deductible for tax purposes.

As this acquisition took place on 3 January 2020, the statement of comprehensive income does not include any revenue, profit or loss relating to the acquired Linden Homes and Vistry Partnerships businesses for the year ended 31 December 2019.

5.14 Change in accounting policy

This note explains the impact of the adoption of IFRS16 'Leases' on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019.

The Group has adopted IFRS16 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.

a. Adjustments recognised on adoption of IFRS16

On adoption of IFRS16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 2.5%

	2019 £000
Operating lease commitments disclosed as at 31 December 2018	**27,233**
Discounted using the lessee's incremental borrowing rate of at the date of initial application	**(1,714)**
(Less): short-term leases recognised on a straight-line basis as expense	**(1,281)**
(Less): low-value leases recognised on a straight-line basis as expense	**(2)**
Lease liability recognised as at 1 January 2019	**24,236**

Of which are:	
Current lease liabilities	**5,108**
Non-current lease liabilities	**19,128**
Total lease liabilities as at 1 January 2019	**24,236**

The associated right-of-use assets for the Group's leases were measured on a prospective basis, applying the new rules from 1 January 2019. Where relevant, right-of-use assets have been adjusted for onerous lease contracts at the date of initial application.

The recognised right-of-use assets at cost relate to the following types of assets:

	31 Dec 2019 £000	1 Jan 2019 £000
Office properties	**13,574**	13,574
Show home properties	**3,965**	1,796
Site cabins	**5,632**	5,632
Office equipment	**500**	205
Motor vehicles	**2,533**	1,794
Total right-of-use assets	**26,204**	23,001

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- Right-of-use assets – increase by £23.0m
- Lease liabilities – increase by £24.2m
- Provisions – decrease by £0.6m
- Creditors – decrease by £0.1m

The net impact on retained earnings on 1 January 2019 was a decrease of £0.1m.

Practical expedients applied

In applying IFRS16 for the first time, the group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease

b. The Group's leasing activities and how these are accounted for

The Group leases various offices, site cabins, office equipment, cars and show homes. Rental contracts are typically made for fixed periods of 1 to 4 years but may be for longer or include extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2019 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a fixed annual rate increase

The lease payments are discounted using lessee's incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise site equipment and other items less than £3,000 in total lease costs.

5.15 Post balance sheet events

On 3 January 2020, the Group acquired the Linden and Partnerships and Regeneration businesses from Galliford Try plc, as detailed in note 5.13. The Board believes the acquisition will result in the Group becoming firmly positioned as one of the UK's top housebuilders (across both private and affordable housing) and more importantly establish the Group as one of the leaders in the highly attractive, high growth partnerships business.

At the date of the Acquisition the Group also entered into new borrowing facilities which are detailed further in note 4.2. Graham Prothero was also appointed as Director of Vistry Group PLC on 3 January 2020.

Five year record – unaudited

Years ended 31 December	2019 £m Pre Exceptional	2019 £m Post Exceptional	2018 £m	2017 £m Pre Exceptional	2017 £m Post Exceptional	2016 £m	2015 £m
Revenue and profit							
Revenue	**1,130.8**	**1,130.8**	1,061.4	1,028.2	1,028.2	1,054.8	946.5
Operating profit before financing costs	**192.6**	**179.7**	174.2	128.0	121.2	160.0	163.5
Net financing costs	**(6.1)**	**(6.8)**	(6.1)	(7.2)	(7.2)	(5.6)	(5.2)
Share of result of joint ventures	**1.8**	**1.8**	0.0	0.0	0.0	0.3	1.8
Profit before tax	**188.2**	**174.8**	168.1	120.8	114.0	154.7	160.1
Tax	**(36.2)**	**(36.4)**	(31.5)	(22.7)	(22.7)	(33.9)	(32.1)
Profit after tax	**151.9**	**138.4**	136.6	98.1	91.3	120.8	128.0
Balance sheet							
Equity shareholders' funds	**1,272.0**	**1,272.0**	1,061.1	1,056.6	1,056.6	1,015.9	957.8
Net cash	**(362.0)**	**(362.0)**	(126.8)	(144.9)	(144.9)	(38.6)	(30.0)
Capital employed	**910.0**	**910.0**	934.3	911.7	911.7	977.3	927.8
Returns							
Operating margin (note 1)	**17%**	**16%**	16%	12%	12%	15%	17%
Return on shareholders' funds (note 2)	**11%**	**11%**	13%	9%	9%	13%	15%
Return on capital employed (note 3)	**22%**	**22%**	19%	14%	14%	17%	18%
Homes (including units sold on third party owned land)							
Number of unit completions	**3,867**	**3,867**	3,759	3,645	3,645	3,977	3,934
Average sales price (£'000)	**280.2**	**280.2**	273.2	272.4	272.4	254.9	231.6
Ordinary shares							
Earnings per share (p)	**111.5**	**101.5**	101.6	73.1	68.0	90.1	95.4
Dividends per share							
Paid (p)	**58.5**	**58.5**	96.5	45.0	45.0	41.3	36.7
Interim paid and final proposed (p) (note 4)	**61.5**	**61.5**	57.0	47.5	47.5	45.0	40.0

Note 1: Operating margin has been calculated as operating profit over turnover.

Note 2: Return on shareholders' funds has been calculated as profit after interest and tax over opening shareholders' funds.

Note 3: Return on capital employed has been calculated as operating profit over the average of opening and closing shareholders' funds plus net debt or less net cash, excluding investment in joint ventures.

Note 4: In 2019 a second interim dividend was declared, not a final dividend. 61.5p includes this second interim dividend.

Notice of meeting

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to any aspect of the proposals referred to in this document or as to the action you should take, you should seek your own advice from a stockbroker, solicitor, accountant or other professional adviser authorised under the Financial Services and Markets Act 2000 immediately.

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

Notice of meeting

NOTICE IS HEREBY GIVEN that the 2020 Annual General Meeting of Vistry Group PLC (the "Company") will be held at The Spa Hotel, Mount Ephraim, Royal Tunbridge Wells, Kent TN4 8XJ on Wednesday, 20 May 2020 at 12.00 noon for the following purposes:

Ordinary resolutions

Reports and accounts

1. To receive the audited accounts of the Company for the year ended 31 December 2019 and the reports of the directors and auditors.

Remuneration report

2. To approve the directors' remuneration report in the form set out in the Company's annual report and accounts for the year ended 31 December 2019 in accordance with section 439 of the Companies Act 2006.

Directors

3. To re-appoint Ian Paul Tyler as a director of the Company.
4. To re-appoint Margaret Christine Browne as a director of the Company.
5. To re-appoint Ralph Graham Findlay as a director of the Company.
6. To re-appoint Nigel Keen as a director of the Company.
7. To re-appoint Michael John Stansfield as a director of the Company.
8. To re-appoint Katherine Innes Ker as a director of the Company.
9. To re-appoint Gregory Paul Fitzgerald as a director of the Company.
10. To re-appoint Earl Sibley as a director of the Company.
11. To re-appoint Graham Prothero as a director of the Company.

Auditors

12. To re-appoint PricewaterhouseCoopers LLP as auditors of the Company.
13. To authorise the directors to determine the remuneration of the auditors.

Authority to allot shares

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

    (a) up to an aggregate nominal amount of £36,254,373; and

    (b) comprising equity securities (as defined in the 2006 Act) up to an aggregate nominal amount of £72,508,746 (including within such limit any shares issued or rights granted under paragraph (a) (above) in connection with an offer by way of a rights issue to holders of ordinary shares in proportion (as nearly as may be practicable) to their existing holdings and so that the directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter, such authorities to apply (unless previously renewed, varied or revoked by the Company in a general meeting) until the conclusion of the Annual General Meeting of the Company in 2021 or fifteen months from the date of this resolution, whichever is the earlier, but in each case so that the Company may make offers and enter into agreements during the relevant period which would, or might, require shares to be allotted, or rights to subscribe for or convert any security into shares to be granted, after the authority ends and the directors may allot shares and grant rights under any such offer or agreement as if the authority had not ended.

Special resolutions

Articles of Association

15. That with effect from the conclusion of the meeting the draft articles of association produced to the meeting and, for the purposes of identification, initialled by the Chairman be adopted as the articles of association of the Company in substitution for, and to the exclusion of, the Company's existing articles of association.

Notice of general meetings

16. That a general meeting other than an Annual General Meeting may be called on not less than 14 clear days' notice.

Authority to disapply pre-emption rights

17. That if resolution 14 is passed, and in place of all existing powers, the directors be authorised pursuant to section 570 and 573 of the 2006 Act to allot equity securities (as defined in the 2006 Act) wholly for cash under the authority given by that resolution as if section 561 of the 2006 Act did not apply to any such allotment or sale, such power:

    (a) to expire (unless previously renewed, varied or revoked by the Company in a general meeting) at the conclusion of the Annual General Meeting of the Company in 2021 or fifteen months from the date of this resolution, whichever is the earlier, but, in each case during this period the directors may make an offer or agreement which would or might require equity securities to be allotted after the power ends and the directors may allot equity securities under any such offer or agreement as if the power had not ended;

    (b) to be limited to the allotment of equity securities in connection with an offer of equity securities (but in the case of the authority granted under resolution 14(b) by way of a rights issue only) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings and so that the directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter; and

    (c) to be limited, in the case of the authority granted under resolution 14(a), to the allotment of equity securities for cash otherwise than pursuant to paragraph (b) up to an aggregate nominal amount of £5,443,600.

    This power applies in relation to a sale of shares which is an allotment of equity securities by virtue of section 560(3) of the 2006 Act as if in the first paragraph of this resolution the words 'under the authority given by that resolution' were omitted.

Authority to purchase own shares

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

    (i) this authority shall be limited so that the number of ordinary shares of 50 pence each which may be acquired pursuant to this authority does not exceed an aggregate of 21,774,398 ordinary shares and shall expire at the conclusion of the next Annual General Meeting of the Company in 2021 (except in relation to the purchase of ordinary shares the contract for which was concluded before such time and which is executed wholly or partly after such time);

    (ii) the maximum (exclusive of expenses) price which may be paid for each ordinary share shall be the higher of: (a) an amount equal to 105 per cent of the average of the middle market quotations for an ordinary share of the Company as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Company agrees to buy the ordinary shares; and (b) an amount equal to the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share as derived from the London Stock Exchange Trading System (SETS); and

    (iii) the minimum price (exclusive of expenses) which may be paid for an ordinary share shall be 50 pence.

Vistry Group PLC
11 Tower View
Kings Hill
West Malling
Kent ME19 4UY

By Order of the Board
M T D Palmer
Group Company Secretary
20 March 2020

Notice of meeting continued

Notes:

(i) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 and section 360B(2) of the 2006 Act, the Company gives notice that only holders of ordinary shares entered on the register of members no later than 8.00pm on 18 May 2020 (or, in the event of any adjournment, 8.00pm on the day which is two days before the adjourned meeting) will be entitled to attend and vote at the meeting and a member may vote in respect of the number of ordinary shares registered in the member's name at that time. Changes to entries on the register after the relevant deadline shall be disregarded in determining the rights of any person to attend or vote at the meeting.

(ii) A proxy form is enclosed. A registered member of the Company may appoint one or more proxies in respect of some or all of their ordinary shares to exercise that member's rights to attend, speak and vote at the Annual General Meeting. A registered member appointing multiple proxies must ensure that each proxy is appointed to exercise rights attaching to different shares and must specify on the proxy form the number of shares in relation to which that proxy is appointed. A proxy form which may be used to make such appointment and give proxy instructions accompanies this Notice. If you do not have a proxy form and believe that you should have one, or if you require additional forms, please contact the Company's Registrar, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY. Members or their duly appointed proxies are requested to bring proof of identity with them to the meeting in order to confirm their identity for security reasons. A shareholder attending the meeting has the right to ask questions relating to the business being dealt with at the meeting in accordance with section 319A of the 2006 Act. In certain circumstances prescribed by the same section, the Company need not answer a question.

(iii) The proxy form must be executed by or on behalf of the member making the appointment. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares. A corporation may execute the form(s) of proxy either under its common seal or under the hand of a duly authorised officer, attorney or other authorised person. A member may appoint more than one proxy to attend and vote on the same occasion.

(iv) A proxy need not be a member of the Company.

(v) Participants of the Vistry Group Share Incentive Plan may instruct the trustee to vote on their behalf on a poll.

(vi) The proxy form and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority must be received at the office of the Company's Registrar, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY or received via the Computershare website, (**investorcentre.co.uk/eproxy**) (full details of the procedures are given in the notes to the proxy form enclosed with the report and accounts and on the website) not less than 48 hours (excluding non-working days) before the time for holding the meeting. Completion of the proxy form, other such instrument or any CREST proxy instruction (as described in paragraph (vii) (below) will not preclude a member from attending the Annual General Meeting and voting in person instead of through his proxy or proxies. Voting on all substantive resolutions will be by a poll. When announcing the results of the poll voting, the Company will disclose the total number of votes in favour and against and the number of abstentions on the Company website (**vistrygroup.co.uk**) and through a Regulatory Information Service. If a member returns both paper and electronic proxy instructions, those received last by the Registrar before the latest time for receipt of proxies will take precedence. Members are advised to read the website terms and conditions of use carefully.

(vii) To appoint one or more proxies or to give an instruction to a proxy (whether previously appointed or otherwise) via the CREST system, CREST messages must be received by the issuer's agent (ID number 3RA50) not later than 48 hours (excluding non-working days) before the time appointed for holding the meeting (and any adjournment of the meeting) in accordance with the procedures described in the CREST Manual. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp generated by the CREST system) from which the issuer's agent is able to retrieve the message. After this time any change of instructions to a proxy appointed through CREST should be communicated to the proxy by other means. CREST personal members or other CREST sponsored members, and those CREST members who have appointed voting service provider(s) should contact their CREST sponsor or voting service provider(s) for assistance with appointing proxies via CREST. For further information on CREST procedures, limitations and system timings please refer to the CREST manual. The Company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

(viii) CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST proxy instructions and the appropriate CREST message must be properly, authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions and described in the CREST Manual (available via **euroclear.com** CREST). It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings.

(ix) Any person to whom this Notice is sent who is a person nominated under section 146 of the 2006 Act to enjoy information rights (a "Nominated Person") may have a right, under an agreement between him and the member by whom he was nominated, to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights. The statement of the rights of members in relation to the appointment of proxies in paragraph (ii) above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by members of the Company.

(x) As at 20 March 2020 (being the last practicable date prior to the publication of this Notice) the Company's issued share capital consists of 217,743,983 ordinary shares, carrying one vote each on a poll. Therefore, the total voting rights in the Company as at 20 March 2020 are 217,743,983.

Audit concerns

(xi) Under section 527 of the 2006 Act, members meeting the relevant threshold requirements set out in that section may require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the last Annual General Meeting for the financial year beginning 1 January 2019 that the members propose to raise at the Annual General Meeting. The Company may not require the members requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the 2006 Act. Where the Company is required to place a statement on a website under section 527 or 528 (requirements as to website availability) of the 2006 Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under section 527 of the 2006 Act to publish on a website.

Shareholder requisition rights

(xii) Under sections 338 and 338A of the Companies Act 2006, members meeting the threshold requirements in those sections have the right to require the Company: (a) to give, to members of the Company entitled to receive notice of the meeting, notice of a resolution which may properly be moved and is intended to be moved at the meeting; and/or (b) to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may be properly included in the business unless (i) (in the case of a resolution only) it would, if passed, be ineffective whether by reason of inconsistency with any enactment or the Company's constitution or otherwise, (ii) it is defamatory of any person, or (iii) it is frivolous or vexatious. Such a request may be in hard copy form or in electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be authorised by the person or persons making it, must be received by the Company not later than 6 April 2020, being the date six clear weeks before the meeting, and (in the case of a matter to be included on the business only) must be accompanied by a statement setting out the grounds for the request.

Questions

(xiii) Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if: (i) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information; (ii) the answer has already been given on a website in the form of an answer to a question; or (iii) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

(xiv) Except as provided above, members who wish to communicate with the Company in relation to the Annual General Meeting should do so using the following means: (1) by writing to the Company Secretary at the registered office address; or (2) by writing to the Company's Registrar, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY. No other methods of communication will be accepted. In particular you may not use any electronic address provided either in this Notice of meeting or in any related documents (including the Chairman's Statement, the Annual Report 2019 and the proxy form) to communicate with the Company for any purposes other than those expressly stated.

Website information

(xv) A copy of this Notice and other information required to be published in accordance with section 311A of the 2006 Act in advance of the Annual General Meeting can be found at **vistrygroup.co.uk**.

Documents available for inspection

(xvi) The following documents will be available for inspection at the Company's registered office, during normal business hours, on any weekday (excluding public holidays) from the date of this Notice until the date of the Annual General Meeting and on that date they will be available for inspection at the place of the meeting from 11.30am until the conclusion of the meeting:

(a) copies of the directors' service contracts;

(b) copies of the terms and conditions of appointment for each non-executive director;

(c) the register of directors' interests; and

(d) the new Articles of Association.

(xvii) The results of the voting at the Annual General Meeting will be announced through a Regulatory Information Service and will appear on the Company's website, **vistrygroup.co.uk**, as soon as reasonably practicable following the conclusion of the Annual General Meeting.

Notice of meeting continued

Data Protection

(xviii) Data protection statement: your personal data includes all data provided by you, or on your behalf, which relates to you as a shareholder, including your name and contact details, the votes you cast and your Reference Number (attributed to you by the Company). The Company determines the purposes for which and the manner in which your personal data is to be processed. The Company and any third party to which it discloses the data (including the Company's Registrar) may process your personal data for the purposes of compiling and updating the Company's records, fulfilling its legal obligations and processing the shareholder rights you exercise.

Explanatory notes to the notice of meeting

Resolutions 1 to 14 are proposed as ordinary resolutions. This means that for each of those resolutions to be passed, more than half of the votes cast must be in favour of the resolution.

Resolutions 15 to 18 are proposed as special resolutions. This means that for each of those resolutions to be passed, at least three-quarters of the votes cast must be in favour of the resolution.

Item 1: Reports and accounts

The directors are required to present to shareholders at the Annual General Meeting the report of the directors, the strategic report and the accounts of the Company for the year ended 31 December 2019. The report of the directors, the strategic report, the accounts and the report of the Company's auditors on the accounts and on those parts of the directors' remuneration report that are capable of being audited are contained within the Company's annual report and accounts for the year ended 31 December 2019 (the "2019 Annual Report and Accounts").

Item 2: Directors' annual remuneration report

Under section 439 of the 2006 Act, the directors are required to present the directors' remuneration report prepared in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended), for the approval of shareholders by way of an advisory vote. The directors' remuneration report, the relevant pages of which can be found on pages 88 to 106 of the 2019 Annual Report and Accounts, gives details of the directors' remuneration for the year ended 31 December 2019 and sets out the way in which the Company will implement its policy on directors' remuneration during 2020. The Company's auditors, PricewaterhouseCoopers, have audited those parts of the directors' remuneration report capable of being audited and their report may be found on pages 118 to 124 of the 2019 Annual Report and Accounts.

The vote on the directors' remuneration report is advisory in nature in that payments made or promised to directors will not have to be repaid, reduced or withheld in the event that this resolution is not passed. However, if the vote on the directors' remuneration report is not passed, the directors' remuneration policy will be presented to shareholders for approval at the next Annual General Meeting.

A copy of the directors' remuneration policy, which was approved at the December 2019 General Meeting, is available on the website at **vistrygroup.co.uk** or in hard copy on request from the Group Company Secretary.

Items 3 to 11: Re-appointment of directors

The UK Corporate Governance Code (the "Code") requires FTSE 350 companies to put all directors forward for re-appointment by shareholders on an annual basis. The purpose of this requirement is to increase accountability to shareholders. Accordingly, all the directors of the Company will retire at the Annual General Meeting and offer themselves for re-appointment. The Company's Articles of Association require that any director appointed by the Board shall hold office only until the first annual general meeting for which notice is first given after their appointment. Accordingly, Graham Prothero will offer himself for re-appointment on this basis.

The Code contains provisions dealing with the re-appointment of non-executive directors. In relation to the re-appointment of Chris Browne, Ralph Findlay, Nigel Keen, Mike Stansfield and Katherine Innes Ker as non-executive directors, the Chairman has confirmed following the formal internal performance evaluation conducted during early 2020 that they continue to be effective in and demonstrate commitment to their roles, including commitment of time for Board and committee meetings. In reaching its recommendations, the Board also considered the individual skills and experience brought by each director, their relevance to the Company and its particular circumstances, and the overall skill set of the Board. Chris Browne provides a strong commercial and operational background in a consumer facing industry. Ralph Findlay adds strong commercial, financial and general management expertise, again from a consumer facing industry. Nigel Keen brings an in-depth construction and property background and experience of managing property strategy and portfolios, once again from a consumer facing industry. Mike Stansfield brings considerable housing developer experience. Katherine Innes Ker brings a broad range of business knowledge and skills to the Board. Ian Tyler, non-executive Chairman, has considerable construction industry knowledge and international business experience.

The Board believes that the directors' combined experience and contribution is a great asset to the Board and the Company and continues to be important to the Company's long-term sustainable success. The Board, therefore, strongly supports and recommends the re-appointment of the directors to shareholders.

Biographical details of all the directors can be found on pages 68 to 69 of the 2019 Annual Report and Accounts.

Items 12 and 13: appointment of auditors and auditors' remuneration

The auditors of a company must be appointed at each general meeting at which accounts are presented. Resolution 12 proposes the re-appointment of the Company's existing auditors, PricewaterhouseCoopers LLP, as the Company's auditors, for a further year. PricewaterhouseCoopers LLP were first appointed at the 2015 AGM. Resolution 13 gives authority to the directors to determine the auditors' remuneration.

Explanatory notes to the notice of meeting continued

Item 14: Authority to allot shares

The authority given to your directors at last year's Annual General Meeting under section 551 of the 2006 Act to allot shares expires on the date of the forthcoming Annual General Meeting. Accordingly, this resolution seeks to grant a new authority under section 551 to authorise the directors to allot-shares in the Company or grant rights to subscribe for, or convert any security into, shares in the Company up to an aggregate nominal amount of £36,254,373 and also gives the Board authority to allot, in addition to these shares, further of the Company's shares up to an aggregate nominal amount of £72,508,746 in connection with a pre-emptive offer to existing members by way of a rights issue (with exclusions to deal with fractional entitlements to shares and overseas shareholders to whom the rights issue cannot be made due to legal and practical problems). This is in accordance with the latest institutional guidelines published by the Investment Association. This authority will expire at the conclusion of the next Annual General Meeting (or, if earlier, 15 months from the date of the resolution). The directors intend to seek renewal of this authority at subsequent Annual General Meetings.

The amount of £36,254,373 represents less than 33.3 per cent of the Company's total ordinary share capital in issue as at 20 March 2020 (being the latest practicable date prior to publication of this Notice). The amount of £72,508,746 represents less than 66.6 per cent of the Company's total ordinary share capital in issue as at 20 March 2020 (being the latest practicable date prior to publication of this Notice). The Company did not hold any shares in treasury as at 20 March 2020.

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

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

Item 15: Articles of Association

Under resolution 15, the Company is proposing to adopt new Articles of Association (the "New Articles") in substitution for the existing Articles of Association (the "Existing Articles"). The principal changes introduced by the New Articles are summarised below. Other changes, which are of a minor, technical or clarifying nature have not been noted:

(a) Increase in cap of ordinary remuneration for non-executive directors

Following the acquisition of Galliford Try, the Company is proposing to increase the cap on ordinary remuneration of non-executive directors from £500,000 to £750,000, subject to shareholder approval at the Annual General Meeting. This increase is to reflect the market practice at businesses of a similar size and complexity to the new combined group.

(b) Untraced member and forfeiture of proceeds

The Existing Articles of the Company allow, subject to certain conditions, for the Company to sell the shares of a shareholder, who is considered untraced for a period of 12 years. In line with current practice, the New Articles provide greater flexibility by replacing the requirement to place notices in newspapers with a requirement for the Company to take reasonable steps to trace the shareholders, including engaging a professional asset reunification company or other tracing agent to search for shareholders who have not kept their details up to date. The 12-year time limit has been retained and the proceeds of any such sale would be forfeited by the untraced shareholders as creditors for an indefinite period.

(c) Electronic meetings

In line with current market practice, the New Articles will give the Company the flexibility to hold 'hybrid' general meetings in the future whereby members would be able to attend, speak and vote at the meeting by attending in a physical location or through the use of an electronic facility. The option of having a physical meeting would still be available.

(d) Unclaimed dividends

Under the New Articles, the directors are empowered to invest or apply such outstanding dividend entitlements until they are claimed by members. It is to be noted that the New Articles do not allow the Company to forfeit any unclaimed dividend until 12 years have lapsed since the date on which the dividend was declared or became due for payment. This amendment brings the New Articles in line with the position taken in the model articles of association for public companies.

(e) Borrowing restrictions

The New Articles clarify that the amount of Adjusted Capital and Reserves shown on the balance sheet should exclude any variation attributable to the introduction and operation of the IFRS16 leasing standard. IFRS16 takes effect for accounting periods beginning from January 2019 and means lease arrangements previously treated as operating leases will need to be accounted for as a liability on the lessee's balance sheet. The New Articles are intended to avoid a technical breach of the borrowing restrictions which may arise purely because of this change in accounting treatment.

(f) Additional directors

The New Articles provide that no person may be elected as a director of the Company unless such person is recommended by the Board or the person has confirmed his/her willingness to act no later than seven days before any such proposal is put to a general meeting.

A copy of the Company's Existing Articles and the proposed New Articles marked to show all the changes will be available for inspection during normal business hours (excluding Saturdays, Sundays and bank holidays) at the Company's registered office from the date of this notice of meeting until the close of the meeting. The proposed New Articles will also be available for inspection at the Annual General Meeting at least 15 minutes prior to the start of the meeting and up until the close of the meeting.

Explanatory notes to the notice of meeting continued

Item 16: Notice of general meetings

This resolution is required as a result of the implementation in 2009 of the Shareholder Rights Directive. The regulation implementing this Directive increased the notice period for general meetings under the 2006 Act to 21 days. The Company will be able to continue to call general meetings (other than an Annual General Meeting) on 14 clear days' notice as long as shareholders have approved the calling of meetings on 14 days' notice. Resolution 16 seeks such approval. The approval will be effective until the Company's next Annual General Meeting, where it is intended that a similar resolution will be proposed. The Company will also need to meet the requirements for electronic voting under the Directive before it can call a general meeting on 14 days' notice. It is confirmed that the ability to call a general meeting on 14 clear days' notice would only be utilised in limited circumstances and where the shorter notice period will be to the advantage of shareholders as a whole.

Item 17: Disapplication of pre-emption rights

Resolution 17 seeks authority for the directors to issue equity securities (as defined in the 2006 Act) in the Company for cash as if the pre-emption provisions of section 561 of the 2006 Act did not apply. Other than in connection with a rights issue or any other pre-emptive offers concerning equity securities, the authority contained in this resolution will be limited to the issue of equity securities for cash up to an aggregate nominal value of £5,443,600 which represents approximately 5 per cent of the Company's total ordinary share capital in issue as at 20 March 2020 (being the latest practicable date prior to publication of this Notice). In accordance with the Pre-emption Group's Statement of Principles, the directors confirm their intention that no more than 7.5 per cent of the issued share capital (excluding treasury shares) will be issued for cash on a non pre-emptive basis during any rolling three-year period.

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

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

The authority sought by resolution 17 will last until the conclusion of the next Annual General Meeting (or, if earlier, 15 months from the date of the resolution). The directors intend to seek renewal of this power at subsequent Annual General Meetings.

Item 18: Authority to purchase own shares

This resolution renews the authority granted at last year's Annual General Meeting to enable the Company to make market purchases of up to 21,774,398 of its own shares, representing approximately 10 per cent of the Company's total ordinary share capital in issue as at 20 March 2020 (being the latest practicable date prior to publication of this Notice). Before exercising such authority, the directors would ensure that the Company was complying with the current relevant UK Listing Authority rules and Investment Association guidelines. No purchases would be made unless the directors believe that the effect would be to increase the earnings per share of the remaining shareholders and the directors consider the purchases to promote the success of the Company for the benefit of its shareholders as a whole. Any shares so purchased would be cancelled. The directors have no present intention of exercising the authority to purchase the Company's ordinary shares but would like to have the flexibility of considering such purchases in the future.

Any purchases of ordinary shares would be by means of market purchases through the London Stock Exchange. The maximum price (exclusive of expenses) which may be paid for each ordinary share shall be the higher of: (a) an amount equal to 105 per cent of the average of the middle market quotations for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Company agrees to buy the ordinary shares; and (b) an amount equal to the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share as derived from the London Stock Exchange Trading System (SETS). The minimum price (exclusive of expenses) would be 50 pence, being the nominal value of each ordinary share. The authority will only be valid until the conclusion of the next Annual General Meeting in 2021.

As at 20 March 2020 there were options over 502,851 ordinary shares in the capital of the Company which represent 0.23 per cent of the Company's issued ordinary share capital at that date. If the authority to purchase the Company's ordinary shares was exercised in full, these options would represent 0.26 per cent of the Company's issued ordinary share capital.

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

Shareholder information

Registered office

11 Tower View, Kings Hill, West Malling, Kent ME19 4UY. Registered number 306718 registered in England.

Financial calendar

Annual report posted	6 April 2020
Annual General Meeting	20 May 2020
Payment of 2019 second interim dividend	29 May 2020
Announcement of 2020 interim results	8 September 2020
Announcement of 2020 final results	February 2021

Analysis of shareholdings – at 31 December 2019

	Number of shareholders	%	Number of ordinary shares	%
1 - 5,000	**1,693**	76.61	1,493,314	1.01
5,001 - 50,000	**278**	12.58	5,100,393	3.43
50,001 - 250,000	**131**	5.93	14,922,944	10.06
250,001 - 500,000	**48**	2.17	16,655,930	11.23
500,001 - 1,000,000	**26**	1.17	18,105,156	12.21
1,000,001 - and over	**34**	1.54	92,060,015	62.06
Total	**2,210**	100.0	148,337,752	100.0

Share price (middle market) – year to 31 December 2019

At end of year: 1,358.0p Lowest: 843.6p Highest: 1,399.0p

Advisers

Auditors

PricewaterhouseCoopers LLP

Financial advisers

Lazard

Solicitors

Linklaters LLP

Principal bankers

Bank of China Limited
Barclays Bank PLC
Handelsbanken plc
HSBC UK Bank plc
Lloyds Bank plc
National Westminster Bank plc
Qatar National Bank
Santander UK plc

Stockbrokers

Numis Securities Limited
The London Stock Exchange Building
10 Paternoster Square
London EC4M 7LT

Insurance brokers

Arthur J Gallagher

Registrars

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ

Registrar

Shareholder enquiries regarding change of address, dividend payment or lost certificates should be directed to: Computershare Investor Services PLC, The Pavilions, Bridgewater Road, Bristol BS99 6ZZ. **Vistry Group Shareholder Helpline: 0370 889 3236**.

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

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

Internet and telephone share dealing is available via Investor Centre:

Internet dealing – The fee for this service is 1% of the value of each sale or purchase of shares (subject to a minimum of £30). Stamp duty of 0.5% is payable on purchases. Before you trade you will need to register for this service. This can be done by going online at computershare.trade.

Telephone dealing – The fee for this service will be 1% of the value of the transaction (plus £50). To use this service please call **0370 703 0084** with your SRN to hand.

Please note that due to the regulations in the UK, Computershare are required to check that you have read and accepted the terms and conditions before being able to trade, which could delay your first telephone trade. If you wish to trade quickly, we suggest visiting their website and registering online first at computershare.trade.

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

Dividend Reinvestment Plan (DRIP)

The DRIP gives shareholders the opportunity to reinvest their dividends to buy ordinary shares in the Company through a special dealing arrangement. For further information please contact the **Vistry Group Shareholder Helpline: 0370 889 3236**.

Electronic communications

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

Principal offices

North division

1 Yorkshire region

East Yorkshire
2nd Floor Spinner Point
South Quay
Lakeside Boulevard
Doncaster DN4 5PL
Tel: 01302 347 130

West Yorkshire
Suite 2/3 Ground Floor
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Leeds LS15 8ZB
Tel: 0113 204 4400

2 Mercia region
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Dunston, Stafford
Staffordshire ST18 9AB
Tel: 01785 714412

3 East Midlands region
Ashurst, Southgate Park
Bakewell Road
Peterborough PE2 6YS
Tel: 01733 396600

4 West Midlands region
Bromwich Court
Highway Point
Gorsey Lane
Coleshill
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Tel: 01675 437000

5 Cotswolds region
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Cheltenham Road
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Cheltenham
Gloucestershire
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6 Northern Home Counties region
St Annes House
Caldecotte Lake
Business Park
Milton Keynes
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Tel: 01908 088500

South division

7 Eastern region
Eastwood House
Glebe Road
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Tel: 01245 343 000

8 Kent region
11 Tower View
Kings Hill, West Malling
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9 South East region
Linden House
Guards Avenue
Caterham
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Tel: 01883 334400

10 Thames Valley region
Central 40
Lime Tree Way
Chineham Park
Basingstoke RG24 8GU
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11 Southern region
1A Guildford Business Park
Guildford
Surrey GU2 8XG
Tel: 01483 705100

12 Western region
Linden House
The Jacobs Building
Berkeley Place, Clifton
Bristol BS8 1EH
Tel: 0117 930 4949

13 South West region
Heron Road
Sowton Industrial Estate
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Devon EX2 7LL
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2 Esh Plaza
Sir Bobby Robson Way
Great Park
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Tel: 0191 227 1000

2 Yorkshire
Thunderhead Ridge
Glasshoughton
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3 North West
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Kelburn Court
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4 East Midlands
3 Smith Way,
Grove Park, Enderby
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5 West Midlands
2 Bromwich Court
Gorsey Lane, Coleshill
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6 London Contracting &
7 London Development
Broadway Chambers
2 Broadway
Stratford
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Tel: 020 8221 5000

8 Drew Smith
Drew Smith House
7-9 Mill Court
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9 West
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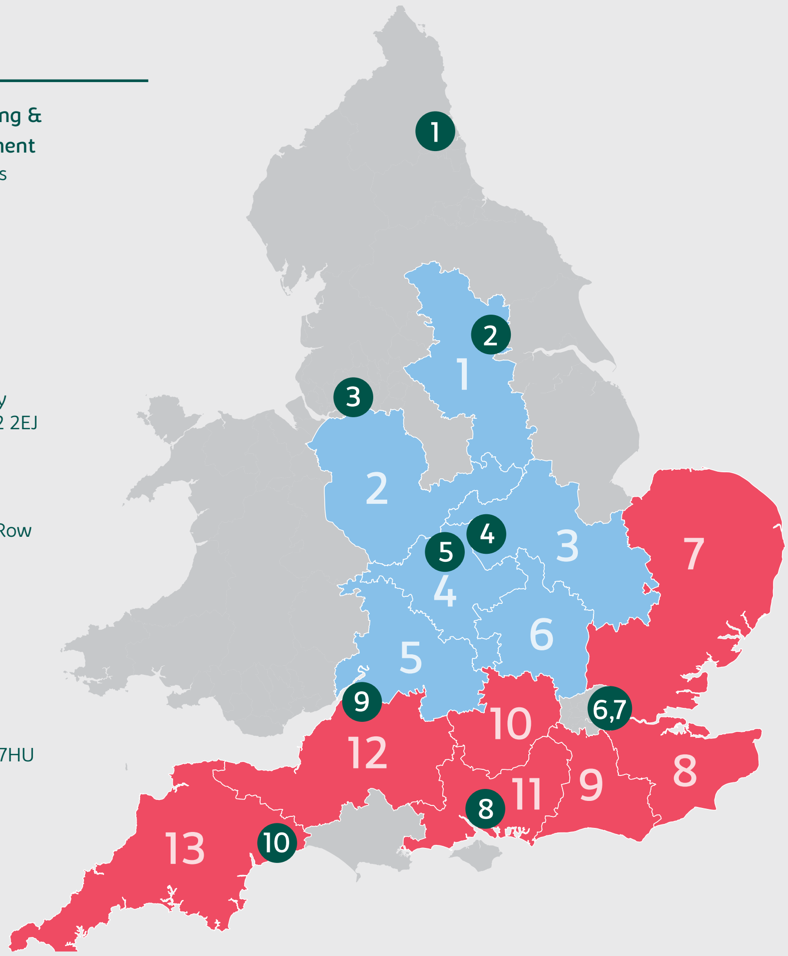

Vistry Partnerships
Linden HOMES
Bovis Homes
DREW SMITH

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