11 September 2023

Vistry Group

Vistry Group PLC - Half year results and strategy update

Robust financial performance, in line with expectations

Revised strategy to fully focus on high return Partnerships model

Vistry Group PLC (the "Group") is issuing its results for the six-month period from 1 January 2023 to 30 June 2023 (the "period") and providing an update on Group strategy.

Performance and outlook

- Robust financial performance in H1, in line with expectations, despite challenging market conditions
- Performance underlines strength of Vistry's unique business model and Partnerships market resilience
- The Board re-iterates guidance of in excess of £450m adjusted profit before tax for FY23

Strategy update

- Vistry has firmly established itself as the leading provider of affordable mixed tenure housing
- Revised strategy to focus operations fully on high return Partnerships
- Addressing the country's chronic shortage of affordable mixed tenure housing is at the core of Vistry being a responsible developer
- The Board expects a significant release of capital as assets from the Housebuilding division are redeployed into Partnerships and the Group adopts a model of pre-selling c. 65% of plots on future schemes
- In the medium term, the Group will be targeting a return on capital employed of 40%, revenue growth of 5 to 8 per cent. p.a., operating profit of £800m with a 12%+ operating margin

Capital allocation

- The Board intends to pursue a two times adjusted earnings ordinary distribution cover in respect of a full financial year, with such distributions made through either dividends or share buybacks
- Targeting returning £1bn to shareholders over next three years from ordinary and special distributions, alongside the elimination of net debt
- Intention to launch an initial share buyback programme of up to £55m in November 2023

Greg Fitzgerald, Chief Executive commented:

"The integration of Countryside has progressed well in the first half, firmly establishing Vistry as the leading provider of affordable mixed tenure housing in the UK. The Group delivered a robust half year performance despite the challenging macro-economic conditions with Partnerships continuing to see good demand, demonstrating its market resilience.

"The scale of the social need for affordable mixed tenure housing across the country continues to increase and it is clear that Vistry is uniquely positioned as the leader in partnerships housing.

"In this context and following our annual review of the Group's strategy, the Board has concluded that focusing the Group's operations fully on partnerships by merging our Housebuilding operations with our Partnerships business, best enables sustained growth in housing output, provides greater benefits to our partners, while maximising value and long term returns for shareholders with the Group targeting a 40% ROCE and the distribution of £1bn to shareholder over the next three years.

"Delivering on the acute social need for housing across the country and increasing the availability of affordable, sustainable homes is at the core of the Group's social purpose and vision, and I look forward to delivering upon this exciting and unique opportunity for Vistry."

Half year summary financials

£m unless otherwise stated	H1 23	H1 22	Change
Adjusted basis[1]			
Total completions	7,143	5,409	+32.1%
Revenue	£1,777.1m	£1,352.5m	+31.4%
Operating profit	£206.7m	£198.2m	+4.3%
Operating profit margin	11.6%	14.7%	-3.1ppts
Profit before tax	£174.0m	£189.9m	-8.4%
Basic earnings per share	38.3p	67.4p	-43.2%
Return on capital employed[2]	21.9%	24.5%	-2.6ppts

£m unless otherwise stated	H1 23	H1 22	Change
Statutory basis			
Revenue	£1,575.3m	£1,187.2m	+32.7%
Operating profit	£121.2m	£89.3m	+35.7%
Profit before tax	£114.2m	£111.3m	+2.6%
Basic earnings per share	24.1p	39.1p	-38.4%
Net (debt)/cash	(£328.7m)	£115.0m	>-100%

Half year performance – in-line with expectations

- Partnerships saw good levels of demand in the first half, demonstrating its market resilience, with adjusted revenues increasing by 7.1% to £953.6m compared to pro forma[3] H1 22 (£890.4m) and adjusted operating margin increasing to 11.5% (H1 22: 10.2%)
- Housebuilding operated well against more challenging market conditions, delivering adjusted revenues of £823.5m, down 28.3% on pro forma H1 22 (£1,149.2m) and gross margin of 19.8% (H1 22: 22.4%)
- The Group's average weekly sales rate for the period was 0.86 (H1 22: 0.84), with Housebuilding leveraging the Group's relationships with Registered Providers ("RPs") and Local Authorities to increase its delivery and support the sales rate
- The enlarged Group made strong progress on renegotiating its supply chain arrangements and expects to fully offset inflationary build cost increases in FY 23 post synergy benefits
- The integration of Countryside is expected to deliver synergy benefits of at least £35m in FY 23, ahead of targeted £25m, with the full run rate of £60m to be delivered by the end of FY 24
- Net debt of £328.7m as at 30 June 2023, with net debt expected to reduce to c. £100m as at 31 December 2023

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[1] Completions include 100% of JV. All other financials are shown on an adjusted basis to include the proportional contribution of the joint ventures and exclude exceptional expenses of £35.6m (H1 22: £71.4m), amortisation of acquired intangibles of £23.1m (H1 22: £7.1m) and tax on joint ventures of £1.1m (H1 22: nil)

[2] Return on capital employed is calculated as 12 month rolling adjusted operating profit divided by average capital employed for the same 12 month period. Average capital employed is calculated as opening plus closing total equity less goodwill, intangible assets, net cash/debt, retirement benefit asset/liabilities and fire safety provision, divided by two. H1 22 restated to exclude fire safety provision.

[3] Pro forma represents the combination of Vistry and Countryside for the 6 month period to 30 June 2022 and reflects Countryside legacy assets and site transfers to Housebuilding from 1 January 2022, as though the Combination completed on 1 January 2022. The numbers provided are unaudited

Strategy update – Group to focus operations fully on high return Partnerships model

- There is an acute shortage of housing in the UK with the greatest need being for affordable mixed tenure homes
- Following the successful combination with Countryside, Vistry has firmly established itself as the leading provider of affordable mixed tenure housing
- The Group intends to focus its operations on its high return, capital light, resilient partnerships model by fully merging its Housebuilding operations with its Partnerships business before the end of FY23
- Addressing the country's acute need for affordable mixed tenure housing is at the core of Vistry being a responsible developer
- In the medium term, the Group will be targeting a return on capital employed of 40%, revenue growth of 5 to 8 per cent. p.a., operating profit of £800m with a 12%+ operating margin
- The benefits arising from the acquisition of Countryside, including synergies, will be maintained and the more simplified operating structure is expected to give rise to a further c. £25m of cost savings

Capital allocation – targeting £1bn of total shareholder distributions over the next three years

- The revised strategy and sole focus on partnerships is expected to result in a significant release of capital as assets from the Housebuilding division are redeployed into Partnerships and the Group adopts a model of pre-selling an average of c. 65% of plots across the business
- Maintaining a strong balance sheet with the return to a year end net cash position in FY24 and the elimination of average net debt in the medium term is a key priority
- The Group will invest in the Partnership land bank to deliver growth in line with its strategy and medium-term targets
- The Board intends to pursue a two times adjusted earnings ordinary distribution cover in respect of a full financial year, with such distributions made through either dividends or share buybacks (the "ordinary distribution")
- Recognising that the current share price significantly undervalues the Group, it is intended that the ordinary distribution in respect of the 2023 financial year will be made through share buybacks in lieu of any dividend, and the Group is today announcing its intention to launch an initial ordinary share buyback programme of up to £55m which is expected to commence in November 2023 and be completed ahead of the announcement of the Group's Full Year results in March 2024
- Any surplus capital following investment in the business to support the Partnerships growth strategy and the ordinary distribution, would be expected to be returned to shareholders through either a further share buyback or special dividend, with the method of capital return to be determined by the Board considering all relevant factors at the time
- The Group is targeting £1bn of shareholder distributions over the next three years including the ordinary distribution alongside the elimination of net debt

Current trading and outlook

- We continue to see good demand for mixed tenure affordable housing from Local Authorities, RPs and PRS providers
- Open market private sales have slowed further since June, in part reflecting the traditional quieter summer period but also further increases in mortgage costs
- Strong demand from first time buyers for shared ownership delivered with our partner RP and using direct grant funding from Homes England
- Continue to expect to fully offset cost increases for the full year after the benefit of synergies, and reflecting the decline in overall industry output, see opportunity to work with our supply chain partners, to deliver an overall reduction in build costs going forward
- Partnerships has a strong forward order book totalling £3.0bn with 90% of forecasts mixed tenure units and all of partner delivery revenues for FY23 secured
- Housebuilding's forward order book totals £1.3bn, with 87% of forecast FY23 units secured
- Housebuilding and Partnerships continue to secure transactions with RPs and Local Authorities to deliver on FY23 forecasts and mitigate the impact of the slowdown in the open market, utilising Homes England funding award to enable these transactions and increase the supply of affordable mixed tenure homes
- The Group remains selective in the land market, taking the opportunity to secure attractive development opportunities that support the targets for the Partnerships growth strategy
- The Board re-iterates guidance of in excess of £450m adjusted profit before tax for FY23

Forward sales

(£m)	**03 September 2023**	30 June 2023
Housebuilding		
- Private	670	564
- Private – Vistry share of JVs	107	105
- Affordable	444	472
- Affordable – Vistry share of JVs	74	77
Total Housebuilding	**1,295**	1,218
Partnerships		
- Mixed tenure	1,482	1,462
- Mixed tenure – Vistry share of JVs	401	422
Total mixed tenure	1,883	1,884
Total partner delivery	1,106	1,088
Total Partnerships	**2,989**	2,972
Total Group	**4,284**	4,190

There will be an investor and analyst presentation at 8:30 a.m. today, 11 September 2023 at Numis, 45 Gresham St, London EC2V 7BF. There will also be a live webcast of this event available on our corporate website at www.vistrygroup.co.uk or via the following link https://brrmedia.news/VTY_HY23

Certain statements in this press release are, or may be deemed to be, forward looking statements. Forward looking statements involve evaluating a number of risks, uncertainties or assumptions, many of which are beyond the Group's control, that could cause actual results to differ materially from those expressed or implied by those statements. Forward looking statements regarding past trends, results or activities should not be taken as representation that such trends, results or activities will continue in the future. Undue reliance should not be placed on forward looking statements. Forward looking statements speak only as at the date of this document and the Group and its directors and officers expressly disclaim any obligation or undertaking to release any update of, or revisions to, any forward looking statement herein.

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Chief Executive's Review

The Group has established itself as one of the country's foremost homebuilders following the transformative combination with Countryside Partnerships PLC in November 2022. The businesses have come together extremely well and the Group's strong management team has demonstrated the quality of its leadership through this period of integration. Combined with the more challenging market conditions it has been an intense period of activity for the Group which has been reflected in the hard work and commitment demonstrated by our people in driving Vistry forward and delivering success.

Countryside Partnerships, our enlarged Partnerships business, is a leading provider of affordable mixed tenure housing. Working in close partnership with Local Authorities, Registered Providers and the private rented sector ("PRS"), the business has seen good levels of demand in the period and is demonstrating its market resilience. This capital light business is making good progress with its strategy of delivering strong revenue growth and driving a minimum return on capital employed of 40%.

Our Housebuilding business has faced more challenging market conditions with the higher mortgage rate environment and broader macro-economic challenges, particularly impacting first time buyers. The business has focused on operational excellence, tight cost control and the delivery of the highest quality homes. It has leveraged the Group's strong relationships with RPs, Local Authorities and PRS providers and pursued a number of multi-unit transactions, supporting the sales rate and private sales prices, and the transition to the Group's new strategy.

Reflecting its increased scale, the enlarged Group has made excellent progress on renegotiating its arrangements with supply chain partners in the first half and continues to expect to offset inflationary build cost increases in the full year after the benefit of synergies.

Strategy update

I am pleased to be announcing our updated strategy. The Group's focus and vision is to increase the delivery of mixed tenure, affordable homes across the country, fulfilling unmet demand and helping to address the acute need for social housing. The Group's operations will concentrate solely on partnerships by merging our Housebuilding operations with our Partnerships business, enabling sustained growth in housing output, providing greater benefits to our partners, and will deliver maximum value and long term returns for shareholders with the Group targeting a 40% ROCE and the distribution of £1bn to shareholder over the next three years.

Market opportunity

The market fundamentals of the UK housing sector support the creation of a national, large-scale partnerships business to deliver sustainable, profitable growth. Increasing the delivery of quality affordable homes and home ownership is a key priority for the Government, Homes England, Local Authorities and RPs. The need for affordable housing in the UK remains acute and there is widespread acknowledgement of an increasing demand-supply deficit for quality new homes across all tenures.

In the ten months since completing the acquisition of Countryside, the increased scope of our Partnerships business has made the considerable scale of this affordable housing need even more apparent. It is equally apparent that the Group is uniquely positioned as the leading provider of partnerships housing, to significantly increase the delivery of affordable mixed tenure homes. Increasing the availability of affordable, sustainable homes is at the core of the Group's social purpose and vision and the Group is committed to rapidly growing its mixed tenure output, confident there is market demand to support this. The enlarged Partnerships business, led by a highly experienced management team, has an excellent track record of delivery and resilience, and has strong relationships across the affordable housing sector.

The Group is to merge its Housebuilding operations with its Partnerships business, with a simplified operating structure under a single business. Vistry's Housebuilding business has been successful in increasing its delivery to RPs and PRS providers over the past year, utilising the relationships and experience within the Partnerships business. In the year to date, Housebuilding has exchanged on multi-unit transactions (in excess of s106 commitments) in respect of 23 developments and 1,172 homes. Over 90% of the transactions have been with Registered Providers.

The transition to a fully partnerships-focused model will:

- Establish Vistry as a clear and differentiated leader in the listed UK housebuilding sector
- Allow the Group to maximise its exposure to the high demand and more defensive mixed tenure offering whilst better addressing the significant long-term demand for affordable mixed tenure housing
- Realise additional cost-savings through a simplified corporate structure
- Maximise return on capital from the existing land bank
- Release additional capital from the balance sheet to maximise flexibility for capital allocation

Developing the Housebuilding landbank under the Partnerships model

Our strategy is to transition the Housebuilding land bank totalling 30,200 owned and controlled plots to our Partnerships model of a minimum 50% pre-sold, trending towards an average of 65% pre-sold. Of these plots, 8,000 are already designated affordable by planning consent, 1,000 have been pre-sold to date through existing multi-unit transactions with our key partners, and we are targeting the further pre-sale of c. 8,500 plots over the next two to three years. We see a number of pre-sale opportunities to transition the Housebuilding land bank:

- Multi-unit deals with our key partners – a number completed in year to date and in the pipeline
- A small number of broader and longer-term scale partnerships with our key RP partners
- The potential to capitalise on our own RP, Linden First, to deliver scale with a provider of capital
- Opportunities with Homes England and Local Authorities across the country and the ability to replicate innovative structures for new Local Authority partners
- Existing and new PRS providers looking at frameworks for long term scale
- Establishing closer relationships with SME housebuilding partners to support delivering larger sites
- Some opportunities with competitors for land swaps which are better aligned to our Partnerships model and some selective, modest scale land disposals

Organisational changes

The Group will continue to be overseen by a highly experienced managed team. The Executive Leadership Team is aligned to the new strategy and a less complex business structure, and the Group's organisational structure is to be simplified and delayered. Subject to employee consultation, the Group expects to reduce the total number of its regional business units from 32 to 27 through the removal of overlapping geographies, while retaining capacity within the business units for continued growth. These 27 business units will sit within 6 newly defined operating regions, each with a Divisional Chair. The Group expects to deliver c. £25m of cost savings from the integration of the two businesses, in addition to the expected £60m of annualised synergies driven by the Group's increased scale through the acquisition of Countryside. The Group will retain all three of its leading brands, Bovis Homes, Linden Homes and Countryside Homes for open market sales whilst continuing to utilise Countryside Partnerships with its partners. The Group's leading timber frame capability, Vistry Works will help to underpin the growth and sustainability strategy.

Group medium term targets
We expect this strategy to create a business capable of delivering a 40% return on capital employed, 5 to 8 per cent. revenue growth p.a., £800m of operating profit and 12%+ operating margin in the medium term. All new developments across the Group will require a minimum of 50% units to be pre-sold, with the expected average pre-sold across the portfolio expected to be c. 65%.

The new Partnerships model is expected to deliver significant cash returns to shareholders in addition to our ordinary distribution policy of distributing 50% of annual adjusted net earnings, and in total we are targeting £1bn of shareholder distributions over the next three years including the ordinary distribution, with the method of distribution to be determined by the Board considering all relevant factors at the time. Maintaining a strong balance sheet is a key priority and we are targeting a return to a year end net cash position in FY24, with average net debt eliminated in the medium term. As such, the Group is expected to benefit from reduced interest expenses from FY24.

First half review
The Group's average weekly sales rate for the period was 0.86 (H1 22: 0.84) and excluding multi-unit transactions in Housebuilding was 0.67 (H1 22: 0.82).

The Group achieved adjusted revenues of £1,777.1m in the first half, 12.9% down on proforma H1 22 (£2,039.6m). Group reported revenues totalled £1,575.3m, 32.7% higher than last year (H1 22: £1,187.2m), driven by a 39.9% increase in legal unit completions compared to the prior year. Partnerships delivered a 7.1% increase in H1 adjusted revenues to £953.6m on pro forma H1 22 (£890.4m), whilst Housebuilding adjusted revenues decreased by 28.3% to £823.5m on pro forma H1 22 (£1,149.2m).

Overall, the Group delivered adjusted operating profit of £206.7m (H1 22: £198.2m) with an adjusted operating margin of 11.6% (H1 22: 14.7%). Group adjusted profit before tax in H1 23 was £174.0m (H1 22: £189.9m) in line with management's expectations. In the period the Group recognised an exceptional expense of £35.6m (H1 22: £71.4m) primarily related to integration and further restructuring costs and an incremental fire safety provision recognised in relation to second staircase regulation. On a reported basis, the Group delivered profit before tax of £114.2m (H1 22: £111.3m).

Partnerships
Countryside Partnerships had a good first half, delivering revenue growth, margin improvement and a return of capital of 34.8% for the six-month period to 30 June 2023. The integration of Countryside has moved at pace with our focus on building the best from each of our businesses and is now substantially complete. All of our Partnerships operations have rebranded under the Countryside Partnerships name with the business utilising the Group's three leading brands and housing ranges, Countryside, Bovis Homes and Linden Homes, to best meet the requirements and demographics on each development, and maximise the social value delivered. Our partners welcomed and supported the combination with Countryside, and during the period the business consolidated and strengthened its relationships with Local Authorities, RPs and PRS providers.

Partnerships delivered 3,203 (H1 22: 1,106) mixed tenure completions in the first half, up 5.7% on pro forma H1 22 (3,031) and operated from an average of 83 sites in the period (H1 22: 29). Adjusted operating margin improved by 130bps in H1 to 11.5% (H1 22: 10.2%).

Partnerships continued to invest in its land bank to support the ambitious growth strategy of mixed tenure revenues. In the period, the business secured 3,848 (H1 22: 2,166) plots on 11 sites (H1 22: 12) for mixed tenure development.

Housebuilding
Housebuilding operated well in more challenging market conditions with the business focused on delivering high quality homes, tight cost control and cashflow management.

Customer interest in our new homes remained robust. The step-up in mortgage costs and increased macroeconomic uncertainty however led to a drop off in completions to the open market. In particular, we saw a significant decline in completions to first time buyers whose ability to purchase have been most affected by the rate increases, combined with the end of the Government's Help to Buy programme in Q4 2022. Open market pricing remained relatively stable in the first half supported by an increased level of incentives of c. 3% to 5%.

Housebuilding leveraged the Group's strong relationships and track record of delivery with RPs, Local Authorities and PRS providers to maximise the opportunity for multi-unit transactions in the period. Prices on multi-unit transactions were typically in the range of 5% to 15% below Housebuilding's forecast open market price, with the size of the discount largely influenced by the cash receipts profile of the transaction. This strategy helped Housebuilding to hold firm on open market private sales prices, whilst the increased revenue visibility from the multi-unit transactions helped manage preliminary costs and deliver subcontract savings.

Housebuilding delivered 2,847 (H1 22: 3,219) completions in the period, down 22.4% on pro forma H1 22 (3,667). The business operated from an average of 137 active sites in the first half (H1 22: 143).

Housebuilding adjusted gross margin declined to 19.8% (H1 22: 22.4%) reflecting the increased levels of multi-unit sales, compounded by the sell through from the lower margin of Countryside's Legacy Operations which transferred to Housebuilding at the start of the period.

Housebuilding maintained a highly selective approach to land acquisition in the first half securing 2,713 (H1 22: 3,360) plots across 12 (H1 22: 16) sites.

Group
The integration of Countryside into the enlarged Group made excellent progress in the first half and has been substantially completed. With the organisational structure of Countryside Partnerships in place from 1 January, our focus has been on delivering a timely integration with minimal operational disruption. We continue to make progress on the unification of our systems with the final phases of this on track to be completed by the end of the year. We expect to deliver at least £35m of synergies from the Combination in FY 23, an increase from the previous target of £25m, with the full run rate of £60m unchanged and to be achieved by the end of FY 24.

The Group was pleased to have secured a further £67m of grant funding from Homes England under its current Affordable Homes Programme running to 2026, bringing the total Strategic Partnerships affordable housing grants funding to £150m. This will enable Vistry to deliver c. 2,400 affordable homes in partnership with RPs and Local Authorities across England.

This grant funding was instrumental to our partnership with Sage Homes where, through Sage's Home Stepper shared ownership model, we will deliver an initial portfolio of around 800 shared ownership homes nationally with a market value of over £250m. The scheme has had an encouraging start since launching in June, with strong customer interest and more than 170 reservations to date.

Our sites are operating well with good labour availability. The enlarged Group is benefiting from its revised arrangements with its supply chain partners. The greater level of visibility on forward sales, build programmes and revenues within Partnerships is also delivering a competitive advantage, in particular with subcontractors. In the first half, the Group offset increases in build costs of c. 5% with the benefit of synergies delivered from the Combination. We are targeting to fully offset cost increases for the full year, and reflecting the decline in overall industry output, see opportunity to work with our supply chain partners, to deliver an overall reduction in build costs going forward.

This year the Group celebrated 40 NHBC Pride in the Job Quality Awards with a significant step up in the number of awards achieved by the Housebuilding business. Congratulations to all winners and thank you for your hard work and dedication. This fantastic achievement highlights the Group's ongoing commitment to delivering the highest quality new homes for our customers and clients. Our NHBC reportable items in the year to date remain below industry benchmark at 0.20 (H1 22: 0.20).

The planning environment remains challenging and continues to result in longer timescales to achieve an implementable planning consent than we saw a few years ago, driven by additional regulations, as well as changes to planning policy. Whilst we may anticipate the longer timescales and factor this into our forecasting and land buying processes, the added complications lead to additional costs and delays.

We welcome the Government amendments to the Levelling Up and Regeneration Bill which seek to address the nutrient neutrality rules and allow blocked development to come forward. This will allow us to bring forward stalled development. We will work with the Home Builders Federation to consider and respond to Governments suggestions for a voluntary scheme for larger developments to contribute to the mitigation schemes.

Vistry Works

The Group is pleased to have re-opened the newly branded Vistry Works East Midlands timber frame manufacturing plant earlier this month, following the completion of a strategic review of Countryside's timber frame manufacturing operations after completing the Combination. Combined with Vistry's existing two factories in Warrington and Leicester, the Group has the capacity to deliver 5,000 new timber frame homes in FY24, increasing to c. 8,000 units for 2025 and beyond.

Significantly increasing the use of timber frame construction is a key pillar of our sustainability strategy discussed below. There is a clear environmental benefit to using timber frame over a traditional brick and block build construction method, with the embodied carbon associated with the timber frame construction of a typical low-rise house over a 60-year life shown to be 30% lower than that from a traditionally constructed equivalent house.

The factories have commenced the production of standard product across all three brands which will deliver greater manufacturing efficiencies and drive build efficiencies across the business units. The product line predominantly delivers an open panel solution, with the ability to deliver both closed panel and intermediary panel solutions. More recently, the capabilities have been expanded to include roof trusses and floor joists.

Sustainability

During the first half and as part of the integration we have focused on updating our Group sustainability strategy. This has included an extensive double materiality assessment which has looked at both dimensions of impact and financial value, recognising that Vistry can both impact society and the environment, and be impacted by sustainability topics. As part of the assessment, we have received c. 300 stakeholder survey responses, and completed numerous internal and external interviews. Initial findings reflect a time of housing and climate crisis and we acknowledge our responsibility to do more to help and reinforce the unique position of Vistry within the industry and how sustainability is core to our purpose. This includes the scale at which we can deliver affordable homes and the associated social value return on investment, our industry leading position in delivering homes with energy and carbon performance beyond building regulations, as well as the potential of our timber frame factories to significantly reduce embodied carbon and support our net zero carbon pathway.

To support the effective implementation of our sustainability strategy and performance against targets across the Group, we have established a sustainability committee. The committee is chaired by our Group COO and attended by our Group CEO and a Non-executive Director.

Our operations

In the half, we recalculated our greenhouse gas emissions baseline to account for being an enlarged group and reset our near-term (2030) reduction targets and a net zero carbon target (2040), which have been submitted to the SBTi for approval. Our targets are:

- 42% reduction in absolute Scope 1 and 2 GHG emissions by 2030 from a 2022 base year
- 51.6% reduction in Scope 3 GHG emissions per m2 of completed housing by 2030 from a 2022 base year
- Achieving Net Zero by 2040

We continue to build above and beyond building regulations and learn lessons through post occupancy evaluations. For example, at a scheme in Tolgus in the Southwest we have completed show homes and we continue to build 185 “zero carbon ready” homes. We are about to hand over the last of 54 AECB (Passivhaus lite) homes in North Whiteley, near Southampton, to the local council. At a development in Kenilworth, we are well on our way with building 310 net zero carbon (regulated energy) homes and there are many more examples. In addition, low carbon heating systems such as air source heat pumps are being utilised across selected developments right across the Group.

Our homes and communities

Social value is a priority for Vistry and an inherent part of our purpose to deliver sustainable homes and communities across all sectors of the UK housing market. As a large developer of affordable homes in the UK we deliver significant social value return on investment through providing safe, warm and efficient homes at scale, for our partners and customers. By doing this we embody UN Sustainable Development Goal 17, Partnerships for the Goals.

We measure social value at a project level and to date have quantified the social value return on investment on 55 projects, demonstrating a social and local economic benefit from these projects of >£133m. This figure considers the economic (e.g. job creation and increased economic activity), social (e.g. improved health and well-being, improved social cohesion and reduced crime) and environmental benefits (such as reduced pollution and enhanced biodiversity) of our work within communities. We intend to begin quantifying social value on all projects during 2024 as part of our revised strategy, following the output of our revised materiality assessment. Creating high quality homes and providing the best experience for our customers through excellent service are at the heart of what we do. This is evident through our awards, in particular our consecutive 5-Star rating from the Home Builders Federation (HBF), home building industry’s Customer Satisfaction Survey.

In the first half we rolled out our customer relationship management platform and customer portal, ‘Keys’, across the Countryside business. This is nearing completion with training for all employees new to the system happening this month. We recently launched the Group’s vulnerable customer policy to ensure that customers in vulnerable circumstances are treated not only fairly, but with empathy and sensitivity to their circumstances.

Our People

Our people are key to the Group’s success and at the centre of the Group’s people strategy is to ‘Attract, Develop, Retain’ the best people. The successful integration of the enlarged Group has been our key priority in the first half with a strong focus on keeping our people well informed and effectively utilising employee feedback.

In January 2023 we were delighted to have achieved certification as a 'Top Employer' with the Top Employers Institute which recognises our people strategy and workplace environment, with Vistry being the only accredited homebuilder in the UK. We have also been recognised for supporting the wellbeing and mental health of our people with a WM Top Employer Award for Best in Mental Health.

We continue to strengthen our partnerships with third party organisations including Women into Construction and the Armed Forces to diversify talent pools. We are encouraged to have seen a significant increase in the diversity of job applicants to the Group, in particular increased applications from people from different ethnic backgrounds, females and those who have or are currently in the Armed Forces.

The Leadership Development Programme has been relaunched across the enlarged Group and c. 320 employees have completed the programme in the year to date. To support development of our female succession pipeline we have piloted an external Women in Leadership Programme with further developments planned in the next twelve months. The new Vistry Graduate and Trainee schemes have been launched across the enlarged group with the first intake taking place in September 2023.

Our on-site skills academies have been designed to combat the nationwide skills shortage affecting the construction industry. The academies are set up on site to deliver and provide entry routes to apprenticeships, employment, training and mentoring to local community members as well as engaging with job centres and schools. In the year to date we have opened four new on-site skills academies and have 196 learners signed up to the programme with a target of 275 for the full year.

Health and safety is a top priority and, following the acquisition of Countryside, we reviewed and updated our ISO compliant SHE Management system to capture best practice from our two current systems. There is a clear focus on compliance with the new Building Safety Act 2022 and on leading key performance indictors including, safety observations and near miss reporting. This has had a positive impact and reduced the Group's accident incident rate below the HSE industry benchmark.

Fire safety and requirement for second staircases

Vistry Group is committed to playing its part in delivering a lasting industry solution to fire safety and on 13 March 2023 signed the Department for Levelling Up, Housing and Communities' Developer Remediation Contract.

The Group's fire safety provision as at 30 June 2023 totalled £311.8m and we remain confident this will cover the cost of fire safety works in accordance with the Group's obligations. We continue to make good progress with the remediation works and, of the 317 buildings identified, work has been completed on 75, works are ongoing on 41 sites and we are engaged in the remediation process with a further 201 buildings. This remediation work is managed by our dedicated team which was further strengthened during the period.

The UK Government has confirmed its commitment to mandating a requirement for second staircases in high-rise residential schemes, lowering the proposed threshold from 30 metres to 18 metres, following a period of consultation. A non-underlying charge of £18.4m has been taken in the first half in respect of the second staircase requirement, comprising a £6.1m inventory write-down and an £12.3m provision for additional costs to be incurred on sites we are committed to.

In addition, the Group has been contributing approximately 4% of profits through the Residential Property Developer Tax ("RPDT") since its introduction on 1 April 2022, with a total of c. £16m paid to date. RPDT is intended to raise at least £2bn from the industry over a ten-year period.

Balance sheet
The Group had a net debt position of £328.7m as at 30 June 2023 (31 December 2022: £118.2m net cash). The increase in debt reflects the working capital requirements of the enlarged group, investment for growth in the Partnerships business, and cash spend on integration and fire safety. Average month end net debt during the half year period was £360.1m.

Land creditors increased to £694.8m at 30 June 2023 (31 December 2022: £667.4m). This reflects the acquisition of £246.0m in land creditors on the combination with Countryside and the investment in land in the period where we have secured deferred payment terms where possible. Land creditor as a percentage of the owned land bank has fallen from 36% to 34% in the period.

Capital allocation and intention to launch share buyback programme
The Group has undertaken an extensive consultation with its shareholders on capital allocation over the past few months. Following a review of all shareholder feedback and the options available to the Group, as well as the appropriateness of the Group's capital allocation policy in the context of the Combined Group, the Board has formulated an updated capital allocation policy.

The revised strategy and sole focus on partnerships is expected to result in a significant release of capital as assets from the Housebuilding division are redeployed into Partnerships and the Group adopts a model of pre-selling an average of c. 65% of plots across the business

Maintaining a strong balance sheet with the return to a year end net cash position in FY24 and the elimination of average net debt in the medium term is a key priority. The Board believes that investing in Partnerships which is targeting sector leading ROCE of at least 40%, is the most attractive use of capital.

The Group recognises the importance of capital distribution to shareholders, and therefore intends to sustain the pursuit of a two times adjusted earnings ordinary distribution cover in respect of a full financial year, with such distributions made though either share buybacks or dividends, the method to be determined by the Board considering all relevant factors at the time.

Reflecting the Board's view that Vistry is significantly undervalued, the Group announces that it is intending launch an initial ordinary share buyback programme of up to £55m, which is expected to commence in November 2023 and be completed ahead of the announcement of the Group's Full Year results in March 2024. This buyback is an ordinary distribution to shareholders, and will be in lieu of an interim dividend payment, reflecting the Group's updated capital allocation policy. Further announcements will be made in due course.

Going forward, any surplus capital, following investment in the business to support the Partnerships growth strategy and the ordinary distribution, would be expected to be returned to the Group's shareholders through either an incremental share buyback or a special dividend, with the method being determined by the Board considering all relevant factors at the time.

The Group is targeting £1bn of total shareholder distributions over the next three years alongside the elimination of net debt.

Board changes
Jeff Ubben was appointed as a Non-Executive Director with effect from 23 March 2023. Paul Whetsell was appointed as a Non-Executive Director, Chair of the Remuneration Committee and a member of the Nomination and Audit Committees with effect from 18 May 2023. Helen Owers was appointed as a Non-Executive Director and a member of the Nomination, Audit and Remuneration Committees with effect from 18 May 2023.

Nigel Keen stepped down from the Board with effect from 23 March 2023. Katherine Innes Kerr and Dr Ashley Steel each stepped down with effect from the conclusion of the Annual General Meeting on 18 May 2023.

Current trading and outlook

We continue to see good demand for mixed tenure housing from Local Authorities and RPs. There is also good albeit more selective demand from PRS providers. Open market private sales have slowed further since June, in part reflecting the traditional quieter summer period but also further increases in mortgage costs. We have seen strong demand from first time buyers for shared ownership delivered with our partner RP and using direct grant funding from Homes England.

Partnerships has a strong forward order book totalling £3.0bn with 90% of forecasts mixed tenure units and all of partner delivery revenues for FY23 secured. Housebuilding's forward order book totals £1.3bn, with 87% of forecast FY23 units secured. Housebuilding and Partnerships continue to secure transactions with RPs and Local Authorities to deliver on FY23 forecasts and mitigate the impact of the slowdown in the open market.

The Group remains selective in the land market, taking the opportunity to secure attractive development opportunities that support the targets for the Partnerships growth strategy.

The Board re-iterates guidance of in excess of £450m adjusted profit before tax for FY23.

Rule 19.6(b) update to stated post-offer intention statements with regard to the Combination

As a result of the new strategy described above, a different course of action is being taken from some of the post-offer statements of intent made by Vistry pursuant to Rules 2.7I(viii) and 24.2 of the Code, as set out in its announcement made under Rule 2.7 of the Code on 5 September 2022 as well as in Vistry's circular and prospectus and Countryside's scheme document each dated 7 October 2022 (together, the "Offer Documents").

As set out in the Offer Documents, the relevant stated intention provided that:

- the Combined Group would be organised into two distinct businesses, each of significant scale: (i) a housebuilding business, to be known as "Vistry Housebuilding", consisting of the existing Vistry Group's housebuilding business, with the addition of certain sites form the existing Countryside Group; and (ii) a partnerships business, to be branded "Countryside Partnerships", consisting of Vistry's Partnerships and Countryside's core Partnerships business. The changes to the Group's business and structure in this respect are set out above (see "strategy update")
- Stephen Teagle would lead the Partnerships business of the Combined Group as Chief Executive - Partnerships Division and that Keith Carnegie would lead the Housebuilding business of the Combined Group as Chief Executive – Housebuilding Division. As a result of the change in strategy, Stephen Teagle will remain on the Executive Leadership Team, leading clients and customer engagement, business development, and communications. It is also expected that Keith Carnegie will leave the Group from the end of 2023 and, and in the intervening period will assist with the merging of the Group's Housebuilding operations into its Partnerships business prior to his departure
- As a result of the Combination, there would be a reduction in the total number of roles by approximately 4% of the Combined Group's total number of employees (on a full-time equivalent basis). This headcount reduction has been implemented and is not affected by the change in strategy. The change in strategy is however expected to result in a further reduction to the Group's overall headcount as a result of the expected reduction in the total number of its regional business units from 32 to 27 through the removal of overlapping geographies. Vistry intends to look, where possible, to reallocate staff from discontinued roles arising from the change in strategy to other appropriate new roles or growth-related new opportunities as referred to above (including where there are existing vacancies). Vistry also intends to retain the best talent of the Combined Group in connection with the further reduction in number of roles. At this stage, Vistry has not conducted a detailed headcount review. However, a detailed headcount review is being initiated with immediate effect. Vistry will provide an update on headcount reduction in its next trading update that is scheduled for 9 November 2023; and
- the Combined Group would initially maintain Vistry's existing policy of paying out a two times ordinary dividend cover in respect of a full financial year, however Vistry may, in due course following completion of the Combination and a period of integration, review the Combined Group's capital allocation policy to confirm whether it remains appropriate in the context of the Combined Group and in consultation with shareholders. The result of that review and the Group's revised dividend and capital allocation policy is set out above (see "capital allocation")

The revisions above and change in strategy above does not impact Vistry's fundamental rationale for the Combination.

This announcement is required under Rule 19.6(b) of the Code. Capitalised terms used but not defined in this section of this announcement have the meanings set out in Countryside's scheme document dated 7 October 2022.

This announcement contains inside information. The person responsible for arranging the release of this announcement on behalf of Vistry is Clare Bates, General Counsel & Company Secretary.

Vistry's legal entity identifier is 2138001KOWN7CG9SLK53.

Financial review

Group performance

Despite the backdrop of challenging market conditions, the Group has delivered results in line with expectations in the first six months of the year.

Completions	H1 23	H1 22	Change
Housebuilding	**2,847**	3,219	-11.6%
Partnerships Mixed Tenure	**3,203**	1,106	+>100%
Total Group Completions	**6,050**	**4,325**	**+39.9%**
Partner Delivery Equivalent Units	**1,093**	1,084	+0.8%

During the year, the Group delivered 6,050 legal completions (H1 22: 4,325), including 100% of JV completions, down 9.7% on proforma[4] H1 22 (6,698).

Total adjusted revenue, including share of joint venture revenue, was £1,777.1m, 31.4% higher than prior year (H1 22: £1,352.5m). Total adjusted revenue was down 12.9% when compared to proforma H1 22 (£2,039.6m). The average selling price ("ASP") across the Group was £283,000, a decrease of 4% on the prior year, due to a change in mix towards lower ASP Partnership completions. On a reported basis, revenue was £1,575.3m, 32.7% higher than last year (H1 22: £1,187.2m), driven by a 39.9% increase in legal unit completions compared to the prior year.

The Combination drove a step up in adjusted gross profit in H1 23 to £322.5m (adjusted gross margin: 18.1%) from £280.5m in H1 22 (adjusted gross margin: 20.7%), with the lower gross margin due to an increased proportion of multi-unit deals within Housebuilding and a greater contribution from Partnerships, which has a lower gross margin.

In early 2023, the Group has seen the availability of building materials return to pre-pandemic levels, accompanied by a softening in overall build cost inflation. The revised Group purchasing agreements have provided protection against material price increases, benefitting from the increased scale of the business following the Combination.

The Group delivered an adjusted operating profit for the period of £206.7m (H1 22: £198.2m). The year-on-year increase in adjusted operating profit has been driven by the Combination with Countryside, largely offset by reduced volumes and margins within Housebuilding. Adjusted operating margin was 11.6% (H1 22: 14.7%).

Adjusted profit before tax was £174.0m (H1 22: £189.9m). In the period, year-on-year finance costs are higher, reflecting increased discounting and lease interest following the Combination and higher bank interest costs due to higher debt and interest rates. Adjusted profit after tax fell to £132.1m, impacted by an increase in the effective tax rate to 27.2% (H1 22: 22.2%).

On a reported basis the Group saw a profit after tax of £83.2m (H1 22: £86.6m), comprising operating profit of £121.2m (H1 22: £89.3m) after exceptional costs of £35.6m (H1 22: £71.4m), net financing expense of £27.7m (H1 22: net financing income £1.0m), share of joint venture profit of £20.8m (H1 22: £21.0m) and a tax charge of £31.0m (H1 22: £24.7m).

[4] Proforma completions and revenue are calculated using published data for Vistry and management information for Countryside, and represent the Vistry Group period of 1 January 2022 to 30 June 2022.

Partnerships performance

	H1 23	H1 22	Change
Mixed tenure	**2,637**	643	+>100%
Mixed tenure JVs (100%)	**566**	463	+22.2%
Total mixed tenure completions	**3,203**	1,106	+>100%
Partner delivery units	**1,093**	1,084	+0.8%
Adjusted revenue	**£953.6m**	£426.2m	+£527.4m
Adjusted operating profit	**£109.3m**	£43.6m	+£65.7m
Adjusted operating margin	**11.5%**	10.2%	+1.3ppts
TNAV[2]	**£762.2m**	£118.2m	+>100%

Partnerships completed a total of 3,203 units (H1 22: 1,106 units) from its mixed tenure operations (including 100% of JVs), with an average selling price of £253,000 (H1 22: £251,000).Partner delivery revenue generated equivalent units of 1,093 (H1 22: 1,084). Mixed tenure completions were up 5.7% on proforma H1 22 (3,031), with adjusted revenues up 7.1% on proforma H1 22 (£890.4m). The Partnerships business operated from an average of 83 active mixed tenure sites in H1 23 (H1 22: 30).

The mix of revenue has shifted towards mixed tenure developments following the Combination with Countryside. Of the £953.6m total Partnerships revenue, 73.3% derived from mixed tenure (£698.9m) with 25.5% (£243.0m) from partner delivery projects, compared with 51.4% deriving from mixed tenure in H1 22 (H1 22: total £426.2m, partner delivery: £203.7m, mixed tenure: £219.1m, other: £3.4m). The remaining 1.2% of turnover was delivered through other revenue streams, such as commercial activity and land sales.

The Partnerships business has experienced similar build cost movements to Housebuilding and has been able to mitigate pressures through strong supplier relationships, by matching cost arrangements to pre-sale pricing arrangements.

Housebuilding performance

	H1 23	H1 22	Change
Private	**1,417**	1,816	-22.0%
Affordable	**751**	643	+16.8%
JV's (100%) Private	**550**	639	-13.9%
JV's (100%) Affordable	**129**	121	+6.6%
Total completions	**2,847**	3,219	-11.6%
Adjusted revenue	**£823.5m**	£926.3m	-£102.8m
Adjusted gross profit	**£163.3m**	£207.7m	-£44.4m
Adjusted gross margin	**19.8%**	22.4%	-2.6ppts
Adjusted operating profit	**£117.9m**	£170.0m	-£52.1m
Adjusted operating margin	**14.3%**	18.4%	-4.1ppts
TNAV[5]	**£1,787.4m**	£1,467.5m	+21.8%

[5] TNAV represents tangible net asset value and is calculated as net assets, less goodwill, intangible assets, cash and debt.

Total completions in Housebuilding (including 100% of JVs) decreased by 11.6% to 2,847 units, impacted by a challenging market environment. These included 880 affordable homes representing 31.0% of total completions (H1 22: 764 affordable homes, 24% of total completions).

Housebuilding pricing remained firm with a 4.9% increase in average private sales price to £387,000 (H1 22: £369,000). However, the total average sales price remained broadly flat at £316,000 (H1 22: £317,000) due to the increase in the proportion of affordable homes and multi-unit sales. The average number of active sites in H1 23 was 137, which is broadly in line with the previous year and as expected.

Housebuilding adjusted gross profit of £163.3m and adjusted gross margin of 19.8% reduced from H1 22 (adjusted gross profit: £207.7m, adjusted gross margin: 22.4%), driven by increased levels of multi-unit sales, compounded by the sell through from the lower margin of Countryside's Legacy Operations which transferred to Housebuilding at the start of the period.

Housebuilding adjusted operating profit of £117.9m has reduced by 30.6% from the same period last year (H1 22: £170.0m) with adjusted operating margin also reducing to 14.3% (H1 22: 18.4%).

Finance costs

The Group's net financing expense during H1 23 was £27.7m, compared to a net finance income of £1.0m during H1 22. On an adjusted basis, excluding exceptional interest costs and including the Group's share of net joint venture interest, the net financing expense during H1 23 was £32.7m, compared to £8.3m in H1 22. The primary components of the net financing costs are:

	H1 23	H1 22	Change
Bank interest	(£18.5m)	(£6.3m)	-£12.2m
Other net finance costs	(£6.9m)	(£2.7m)	-£4.2m
Net JV interest	(£7.3m)	£0.7m	-£8.0m
Total adjusted finance costs	**(£32.7m)**	**(£8.3m)**	**-£24.4m**

Bank interest has increased as a result of increased average month end net debt during H1 23 of £360.1m compared to £129.2m in H1 22, which is as a result of the Combination and due to the rising interest rates on the Group's variable borrowing facilities.

Other net finance costs include imputed interest on land creditors of £5.2m (H1 22: £2.3m), as well as interest on lease liabilities of £2.5m (H1 22: £0.4m), offset by interest income on pension assets of £0.8m (H1 22: £nil). The significant increase in interest on land creditors and lease liabilities is due to the acquisition of Countryside in H2 22 and therefore the recognition and interest on the acquired land creditor and lease liability balances.

Net JV interest represents the interest income earned on loans made to joint ventures, the Group's share of JV interest expense, net of any provisions against interest income. Net JV interest has increased year-on-year by £8.0m driven by an additional £3.0m from JVs acquired as part of the Combination and increases to interest rates on externally held debt within JVs.

Taxation

The Group's effective tax rate for FY 23 is expected to be 27.2%, up from 17.4% in FY 22, principally due to higher statutory rates. The effective rate includes nine months of the higher Corporation Tax rate of 25% being introduced in April 2023 (previously 19%) and a full year impact of the RPDT of 4%, introduced in February 2022.

The Group has recognised a tax charge of £31.0m for H1 23 (H1 22: £24.7m).

Adjusting items

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

The Group's share of revenue, gross profit and operating profit from joint ventures and associate is included within the respective adjusted measures in order to more accurately reflect the full scale of the Group's operations and performance. At an adjusted revenue level, revenue recognised on transactions with joint ventures is eliminated. The impact of these transactions at a gross profit level is insignificant to the Group.

The adjustments made to performance measures include the following items:

- Exceptional costs of sale of £12.2m relating to fire safety, driven by a £18.4m expense for second staircase regulatory change, partially offset by a £6.2m release of unused provision (H1 22: £71.4m additional provision recognised)

- Exceptional administrative costs of £16.0m relating to the integration and restructuring of the Group following the Combination in November 2022 (H1 22: £nil)

- The amortisation of acquired intangible assets of £23.1m (H1 22: £7.1m)

- Interest expense on the fire safety provision of £7.4m (H1 22: £nil)

- Tax of £1.1m recognised on share of joint ventures' results within reported profit before tax (H1 22: £nil)

Fire safety provision

As part of the Group's commitment to fire safety, at 31 December 2022 the Group held a total provision of £309.2m on the balance sheet, having signed up to the Government's Developer Remediation Contract.

The Group has spent £10.9m during the period on fire safety remediation works on legacy properties (H1 22: £2.4m). A combined portfolio of 317 buildings is provided for in respect of fire safety costs for multi-occupancy buildings, with remediation works complete on 75. Works are currently continuing on 41 sites and engagement with building owners on the remaining 201.

Following the December 2022 Government announcement detailing the requirement of a second staircase on residential buildings over 30 metres tall, in March 2023 a number of key organisations within the construction industry, along with key stakeholders in the Government's fire safety consultation, submitted a joint letter to Michael Gove MP calling for the height threshold to be reduced to 18 metres, this was confirmed in July 2023.

Management conducted a full review that identified two schemes that were no longer viable, as a result of the significant costs and loss of revenue due to the regulatory change and has written off £6.1m of inventory relating to these sites. An additional two schemes have now become loss making and due to the committed nature of these sites, the Group has recognised a £12.3m increase in the fire safety provision. The impact of these has resulted in a £18.4m exceptional expense being recognised by the Group in H1 23.

After further movements of £1.2m for the unwind of discount netted off with the release of unutilised provisions, the Group's closing provision for fire safety works was £311.8m at 30 June 2023.

The expected spend for the second half of the year is £35m as the Group continues its preparation and mobilisation works ready to be on-site and actively remediating on another 40 additional sites in FY 24. In FY 24 we expect to spend £60m, including £10-15m on Building Safety Fund ("BSF") payments.

Acquisition accounting

The acquisition accounting in relation to the Combination has been updated during the first half of 2023 and will be concluded by 11 November 2023. This is in line with IFRS 3, which allows up to 12 months from the date of acquisition to complete the fair valuation exercise. The final acquisition balance sheet will be disclosed in the FY 23 Annual Report and Accounts.

These fair values have been amended during H1 23 to reflect the impact of new information that became available in the period, which has resulted in a £22.8m increase to goodwill from £257.3m at 31 December 2022 to £280.1m at 30 June 2023. This £22.8m increase to goodwill primarily arose due to a full write-down of inventory at one particular site which has now been deemed unviable due to a significant increase in cost estimates which were underestimated at the time of the Combination. The corrected cost to complete resulted in a net cash outflow to complete the site as well as a significant capital lock-up, and this site would therefore not be progressed by a market participant.

The fair value exercise has allocated the purchase price of Countryside of £1,137.0m as follows: inventories of £768.8m, investments, right of use assets and PP&E of £139.7m, intangibles such as brands and relationships of £349.1m and goodwill of £280.1m, less £208.9m of provisions and £191.8m of net working capital and other items, including cash and deferred tax. The total fair value adjustments, from the date of the Combination, which will unwind to underlying earnings is a credit of £129.9m, and this will unwind predominantly in cost of sales over the next 6 to 8 years.

Net assets

	H1 23	**FY 22**	**Change**
Goodwill and intangibles	**£1,260.9m**	£1,260.7m	+£0.2m
Tangible net assets excluding investments in joint ventures and associate	**£2,039.2m**	£1,617.1m	+£422.1m
Investment in joint ventures	**£253.1m**	£253.7m	-£0.6m
Net (debt)/cash	**(£328.7m)**	£118.2m	-£446.9m
Net assets	**£3,224.5m**	£3,249.7m	-£25.2m

As at 30 June 2023, net assets of £3,224.5m were £25.2m lower than at the start of the year. Net assets per share were 929p (FY 22: 937p).

Goodwill and intangibles totalled £1,260.9m at 30 June 2023 (FY 22: £1,260.7m) driven by two offsetting movements – the recognition of £22.8m of additional goodwill, offset by amortisation of intangibles in the period. Goodwill has been reallocated in the period following the reorganisation of the Group's segments and integration of the former Countryside segment into Partnerships and Housebuilding. All of the former Countryside goodwill has been reallocated to Partnerships.

Tangible net assets, excluding investments in joint ventures, increased from £1,617.1m at 31 December 2022 to £2,039.2m at 30 June 2023, primarily driven by an increase in inventories of £354.0m. The increase in inventories reflects the Group's movement towards mixed tenure developments in Partnerships, investment in new sites to support the Group's growth plans, as well as the expected half year peak due to the Group's completion profile across the year.

Current trade and other receivables increased by £113.5m to £563.0m, primarily driven by increased delivery of affordable and contracting revenues in the month of June 2023 compared to December 2022. Trade and other payables increased by £25.9m to £1,793.1m during the same period.

Cash flow and financing

As at 30 June 2023, the Group's net debt balance was £328.7m (FY 22 net cash of £118.2m), representing an outflow of £446.9m.

Having delivered £174.0m of adjusted profit before tax, the Group invested a net £401.5m in work in progress, land and investment in joint ventures, as a result of the move towards mixed tenure sites in Partnership and to support the continued growth of the Group.

Other working capital items drove a £48.7m outflow predominantly driven by the receivables profile relating to affordable and contracting revenue which is greater in June 2023 than it was at 31 December 2022.

The Group spent a combined £60.3m on fire safety works, tax and costs relating to the Combination and ongoing integration.

As declared in March 2023, the Group paid out £110.4m in dividends.

The Group's borrowing facilities include a £400m Acquisition Term Loan, a £500m Revolving Credit Facility (RCF), £100m US Private Placement (USPP), an overdraft of £5m and a Homes England loan facility of £10.7m. These external funding facilities total £1,015.7m (H1 22: £665.7m) at 30 June 2023. In addition to the acquisition of Countryside, these facilities are used to fund intra-period working capital movements and land investments with average monthly debt for H1 23 of £360.1m. With the exception of the USPP, all of the Group's borrowing facilities have variable interest rates.

Shareholder distributions

The Group intends to sustain a 2.0 times adjusted earnings ordinary distribution cover in respect of a full financial year, with such distributions made though either share buybacks or dividends.

Reflecting the Board's view that Vistry is significantly undervalued, the Group has announced an initial share buyback of £55m to commence in November 2023 and to be completed ahead of the announcement of the Group's full year results in March 2024. The buyback is an ordinary distribution to shareholders, in lieu of an interim dividend payment, reflecting the Group's updated capital allocation policy.

Land bank

Partnerships land bank

Land Activity	H1 23	H1 22
Owned plots acquired	1,968	552
Controlled plots added	1,880	1,614

Closing Land Bank	H1 23	FY 22
Owned and controlled	25,494	29,104
JV Owned and controlled	20,884	19,475
Total plots in land bank inc. joint ventures	**46,378**	**48,579**
Average selling price inc. share of joint ventures	**£322,000**	**£325,000**
Average consented land plot price	**£37,000**	**£41,000**

The Partnerships land bank including joint ventures as at 30 June 2023 consisted of 46,378 plots across 203 sites.

The 3,203 mixed tenure plots that legally completed in the period were partially offset by the acquisition of 1,968 owned plots on 5 sites. In addition, 1,880 plots were secured on a controlled basis on 6 sites. Of the 1,968 owned plots, 245 were sourced strategically. All sites acquired for Partnerships will support future returns on capital employed for the segment in excess of 40%.

The average selling price of all units within the consented land bank decreased over the period to £322,000 (FY 22: £325,000). The estimated embedded gross margin in the land bank as at 30 June 2023, based on prevailing sales prices and build costs, is 18.4% (FY 22: 19.4%).

Housebuilding land bank

Land Activity	H1 23	H1 22
Owned plots acquired	1,781	2,852
Controlled plots added	932	508

Closing Land Bank	H1 23	FY 22
Owned and controlled	23,967	26,016
JV Owned and controlled	6,233	6,747
Total plots in land bank inc. joint ventures	**30,200**	**32,763**
Average selling price inc. share of joint ventures	**£340,000**	**£346,000**
Average consented land plot price	**£60,000**	**£57,000**

The Housebuilding land bank, including joint ventures of 30,200 plots as at 30 June 2023, represents c.3.9 years of supply based on proforma 12-month completion volumes to 31 December 2022 (FY 22: 32,763 plots and c4.1 years).

The 2,847 plots that legally completed in the period were replaced by a total of 2,713 plots from a combination of site acquisitions representing 1,781 owned plots and a further 932 plots secured on a conditional basis, across a total of 12 sites. Of the 1,781 owned plots, 1,012 were sourced strategically.

The average selling price of all units within the consented land bank decreased in the half to £340,000 (FY 22: £346,000). The estimated embedded gross margin in the consented land bank as at 30 June 2023, based on prevailing sales prices and build costs, is 21.2% (FY 22: 23.6%).

Strategic land

As at 30 June 2023	**Total sites**	**Total plots**
By size		
0 – 150 plots	73	6,362
150 – 300 plots	56	12,612
300 – 500 plots	25	10,245
500 – 1,000 plots	14	9,763
1,000+ plots	17	27,207
Total	**185**	**66,189**
By planning status		
Planning agreed	17	9,372
Planning application	33	7,114
Ongoing application	135	49,703
Total	**185**	**66,189**
As at 31 December 2022	167	65,813

Strategic land refers to land which does not yet have planning consent and which the Group is or will progress through planning and promotional processes before development. Once planning consent has been obtained, the land becomes consented. Strategic land continues to be an important source of supply and during the period 1,257 plots have been converted from the strategic land pipeline into the consented land bank. Planning consent or Resolution to Grant gained on 1,169 plots during the period, with 5 further planning applications submitted over 1,133 plots and 2 planning appeals over 310 plots.

Risks and uncertainties

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

The Directors consider that the principal risks and uncertainties applicable to the Group at H1 23 are consistent with those disclosed in the Group's Annual Report and Accounts, page 58. There have been no changes to these risks identified during H1 23.

The market conditions continue to be challenging in H1 23, heightening the risks associated with the economic and sales environment. The announcement of the second staircase regulations have highlighted the potential impact of legislation, planning and building safety risks. In addition, we are mindful of an increased risk of insolvency amongst the supply chain, which as of now has not impacted our build programme but is being carefully monitored. The Group's principal risks are reviewed and monitored regularly with any required mitigations being actioned where appropriate.

Group income statement

	Note	Six months ended 30 June 2023 £000 (unaudited)	Six months ended 30 June 2022 £000 (restated and unaudited)	Year ended 31 Dec 2022 £000 (restated and audited)
Revenue *	3	1,575,306	1,187,159	2,771,319
Cost of sales *		(1,338,036)	(1,034,023)	(2,357,590)
Gross profit		**237,270**	**153,136**	**413,729**
Analysed as:				
Adjusted gross profit	16	**322,517**	**280,505**	**636,855**
Other operating income	4	(37,767)	(25,051)	(57,713)
Exceptional cost of sales	6	(12,176)	(71,429)	(96,113)
Share of joint ventures and associate gross profit		(35,304)	(30,889)	(69,300)
Gross profit		**237,270**	**153,136**	**413,729**
Administrative expenses including exceptional items		(153,862)	(88,854)	(258,936)
Other operating income	4	37,767	25,051	57,713
Operating profit		**121,175**	**89,333**	**212,506**
Analysed as:				
Adjusted operating profit	16	**206,666**	**198,167**	**451,090**
Exceptional expenses	6	(28,138)	(71,429)	(152,977)
Amortisation of acquired intangibles		(23,132)	(7,120)	(17,065)
Share of joint ventures and associate operating profit		(34,221)	(30,285)	(68,542)
Operating profit		**121,175**	**89,333**	**212,506**
Financial income		8,438	9,479	14,547
Financial expenses including exceptional items		(36,170)	(8,463)	(26,776)
Net financing (expenses) / income		**(27,732)**	**1,016**	**(12,229)**
Share of joint ventures and associate profit		20,798	20,996	47,207
Profit before tax		**114,241**	**111,345**	**247,484**
Analysed as:				
Adjusted profit before tax	16	**174,032**	**189,894**	**418,426**
Exceptional expenses	6	(35,573)	(71,429)	(153,877)
Amortisation of acquired intangibles		(23,132)	(7,120)	(17,065)
Tax on joint ventures included in profit before tax		(1,086)	-	-
Profit before tax		**114,241**	**111,345**	**247,484**
Income tax expense	10	(31,019)	(24,719)	(43,139)
Profit for the period / year attributable to ordinary shareholders		**83,222**	**86,626**	**204,345**

Earnings per share			
Basic	**24.1p**	39.1p	86.5p
Diluted	**24.1p**	38.9p	86.3p
Adjusted basic earnings per share **	**38.3p**	67.4p	137.5p
Adjusted diluted earnings per share **	**38.2p**	67.2p	137.1p

*Revenue and cost of sales have been restated for the six months ended 30 June 2022 and year ended 31 December 2022 in order to apply the Group's change in accounting policy with respect to part exchange property sales from the beginning of the comparative period, as discussed in note 1.
**Based on profit after tax before exceptional items, tax on exceptional items and amortisation of acquired intangibles

Group statement of comprehensive income

	Six months ended 30 June 2023 £000 (unaudited)	Six months ended 30 June 2022 £000 (unaudited)	Year ended 31 Dec 2022 £000 (audited)
Profit for the period / year attributable to ordinary shareholders	**83,222**	**86,626**	**204,345**
Other comprehensive (expense) / income			
Items that will not be reclassified to the income statement			
Remeasurements on defined benefit pension scheme	(730)	(4,123)	(16,374)
Deferred tax on remeasurements on defined benefit pension scheme	-	2,973	2,399
Total other comprehensive expense	**(730)**	**(1,150)**	**(13,975)**
Total comprehensive income for the period / year attributable to ordinary shareholders	**82,492**	**85,476**	**190,370**

The above Group statement of comprehensive income should be read in conjunction with the accompanying notes.

Group balance sheet

	Note	Six months ended 30 June 2023 £000 (unaudited)	Six months ended 30 June 2022 £000 (unaudited)	Year ended 31 Dec 2022 £000 (audited)
Assets				
Goodwill		827,628	547,509	804,742
Intangible assets		433,309	121,600	455,965
Property, plant and equipment		21,150	4,695	20,945
Right-of-use assets		87,692	25,828	77,217
Investments		253,081	187,415	253,659
Amounts recoverable from joint ventures and associate		371,989	274,334	391,382
Trade and other receivables		561	677	601
Restricted cash		344	526	382
Deferred tax assets		669	-	1,819
Retirement benefit asset		34,209	44,435	34,251
Total non-current assets		**2,030,632**	**1,207,019**	**2,040,963**
Inventories		3,192,141	2,099,005	2,838,140
Trade and other receivables		562,986	251,423	449,440
Cash and cash equivalents	14	212,975	427,949	676,760
Restricted cash		18	-	-
Current tax asset		6,357	12,015	10,417
Total current assets		**3,974,477**	**2,790,392**	**3,974,757**
Total assets		**6,005,109**	**3,997,411**	**6,015,720**
Equity				
Issued capital		173,612	110,598	173,605
Share premium		360,885	361,700	360,801
Capital redemption reserve		1,278	-	1,278
Merger reserve		1,597,756	823,513	1,597,756
Retained earnings		1,090,927	1,070,164	1,116,232
Total equity attributable to equity holders of the parent		**3,224,458**	**2,365,975**	**3,249,672**
Liabilities				
Bank and other loans	14	508,305	112,981	508,657
Trade and other payables		302,036	150,928	334,484
Lease liabilities		78,383	17,317	71,826
Provisions	13	254,375	85,681	280,764
Deferred tax liabilities		-	39,441	-
Total non-current liabilities		**1,143,099**	**406,348**	**1,195,731**
Bank and other loans	14	33,322	200,000	49,938
Trade and other payables		1,491,020	991,741	1,432,711
Lease liabilities		20,107	10,248	14,756
Provisions	13	93,103	23,099	72,912
Total current liabilities		**1,637,552**	**1,225,088**	**1,570,317**
Total liabilities		**2,780,651**	**1,631,436**	**2,766,048**
Total equity and liabilities		**6,005,109**	**3,997,411**	**6,015,720**

The above Group balance sheet should be read in conjunction with the accompanying notes.

These condensed consolidated financial statements were approved by the Board of Directors on 8 September 2023.

Group statement of changes in equity

	Note	Own shares held £000	Other retained earnings £000	Total retained earnings £000	Issued capital £000	Share premium £000	Capital Redemption reserve £'000	Merger reserve £000	Total £000
Balance at 1 January 2023		**(17,400)**	**1,133,632**	**1,116,232**	**173,605**	**360,801**	**1,278**	**1,597,756**	**3,249,672**
Profit for the period		-	83,222	**83,222**	-	-	-	-	**83,222**
Total other comprehensive expense		-	(730)	**(730)**	-	-	-	-	**(730)**
Total comprehensive income		**-**	**82,492**	**82,492**	**-**	**-**	**-**	**-**	**82,492**
Issue of share capital		-	-	**-**	7	84	-	-	**91**
LTIP shares exercised		323	(323)	**-**	-	-	-	-	**-**
Share-based payments		-	2,632	**2,632**	-	-	-	-	**2,632**
Dividends paid	8	-	(110,429)	**(110,429)**	-	-	-	-	**(110,429)**
Deferred and current tax on share-based payments		-	-	**-**	-	-	-	-	**-**
Total transactions with owners recognised directly in equity		**323**	**(108,120)**	**(107,797)**	**7**	**84**	**-**	**-**	**(107,706)**
Balance at 30 June 2023 (unaudited)		**(17,077)**	**1,108,004**	**1,090,927**	**173,612**	**360,885**	**1,278**	**1,597,756**	**3,224,458**
Balance at 1 January 2022		**(3,372)**	**1,098,205**	**1,094,833**	**111,154**	**361,081**	**-**	**823,513**	**2,390,581**
Profit for the period		-	86,626	**86,626**	-	-	-	-	**86,626**
Total other comprehensive expense		-	(1,150)	**(1,150)**	-	-	-	-	**(1,150)**
Total comprehensive income		**-**	**85,476**	**85,476**	**-**	**-**	**-**	**-**	**85,476**
Issue of share capital		-	-	**-**	4	59	-	-	**63**
Purchase of own shares		(12,832)	-	**(12,832)**	-	-	-	-	**(12,832)**
Share-based payments		-	1,873	**1,873**	-	-	-	-	**1,873**
Dividends paid	8	-	(88,748)	**(88,748)**	-	-	-	-	**(88,748)**
Deferred tax on share-based payments		-	(1,129)	**(1,129)**	-	-	-	-	**(1,129)**
Cancellation of shares		-	(9,309)	**(9,309)**	(560)	560	-	-	**(9,309)**
Total transactions with owners recognised directly in equity		**(12,832)**	**(97,313)**	**(110,145)**	**(556)**	**619**	**-**	**-**	**(110,082)**
Balance at 30 June 2022 (unaudited)		**(16,204)**	**1,086,368**	**1,070,164**	**110,598**	**361,700**	**-**	**823,513**	**2,365,975**

	Note	Own shares held £000	Other retained earnings £000	Total retained earnings £000	Issued capital £000	Share premium £000	Capital Redemption reserve £'000	Merger reserve £000	Total £000
Balance at 1 January 2022		**(3,372)**	**1,098,205**	**1,094,833**	**111,154**	**361,081**	-	**823,513**	**2,390,581**
Profit for the year		-	204,345	**204,345**	-	-	-	-	**204,345**
Total other comprehensive expense		-	(13,975)	**(13,975)**	-	-	-	-	**(13,975)**
Total comprehensive income		**-**	**190,370**	**190,370**	**-**	**-**	-	**-**	**190,370**
Issue of share capital		-	-	**-**	7	(280)	-	-	**(273)**
Purchase of own shares		(14,484)	-	**(14,484)**	-	-	-	-	**(14,484)**
Cancellation of shares		-	(22,413)	**(22,413)**	(1,278)	-	1,278	-	**(22,413)**
Shares issued as consideration		-	854	**854**	63,722	-	-	774,243	**838,819**
LTIP shares exercised		456	(456)	**-**	-	-	-	-	**-**
Share-based payments		-	6,337	**6,337**	-	-	-	-	**6,337**
Dividends paid	8	-	(138,858)	**(138,858)**	-	-	-	-	**(138,858)**
Deferred and current tax on share-based payments		-	(407)	**(407)**	-	-	-	-	**(407)**
Total transactions with owners recognised directly in equity		**(14,028)**	**(154,943)**	**(168,971)**	**62,451**	**(280)**	**1,278**	**774,243**	**668,721**
Balance at 31 December 2022		**(17,400)**	**1,133,632**	**1,116,232**	**173,605**	**360,801**	**1,278**	**1,597,756**	**3,249,672**

Group statement of cash flows

	Note	Six months ended 30 June 2023 £000 (unaudited)	Six months ended 30 June 2022 £000 (unaudited)	Year ended 31 Dec 2022 £000 (audited)
Cash flows from operating activities				
Profit for the period / year		83,222	86,626	204,345
Depreciation and amortisation		36,824	15,347	35,272
Impairment losses		-	-	9,505
Financial income		(8,438)	(9,479)	(14,547)
Financial expense		36,170	8,463	26,776
Loss on disposal of property, plant and equipment		-	-	3
Equity-settled share-based payment expense		2,632	1,873	6,337
Income tax expense	10	31,019	24,719	43,139
Share of profit of joint ventures and associate		(20,798)	(20,996)	(47,207)
Increase in trade and other receivables		(113,506)	(10,226)	(86,059)
Increase in inventories		(377,503)	(136,850)	(83,656)
Increase / (decrease) in trade and other payables		77,621	(34,755)	(63,346)
(Decrease) / increase in provisions		(6,362)	66,158	105,589
Cash (used in) / generated from operations		**(259,119)**	**(9,120)**	**136,151**
Interest paid		(19,406)	(4,271)	(16,570)
Interest paid on lease payments^		(2,469)	(363)	(1,408)
Income taxes paid		(16,325)	(34,000)	(65,300)
Net cash (used in) / generated from operating activities		**(297,319)**	**(47,754)**	**52,873**
Cash flows from investing activities				
Bank interest received		903	-	477
Acquisition of intangible assets		(699)	(1,096)	(43)
Acquisition of property, plant and equipment		(2,566)	(865)	(1,586)
Acquisition of Countryside net of cash acquired		-	-	(77,667)
Loans made to and investments in joint ventures and associate		(123,655)	(107,386)	(139,476)
Interest received on loans to joint ventures and associate		3,712	5,814	10,602
Loan repayments from joint ventures and associate		73,453	147,884	188,484
Distributions from joint ventures and associate		17,474	1,176	38,065
Decrease in restricted cash		20	252	396
Net cash (used in) / generated from investing activities		**(31,358)**	**45,779**	**19,252**
Cash flows from financing activities				
Dividends paid	8	(110,429)	(88,748)	(138,858)
Interest paid on lease payments		-	(363)	-
Principal elements of lease payments		(8,732)	(7,012)	(16,141)
Net proceeds from / (spend on) the issue of share capital		91	63	(273)
Share buyback		-	(12,832)	(35,245)
Cancellation of own shares		-	(9,309)	-
Drawdown of bank and other loans		630,000	370,000	1,390,000
Repayment of bank and other loans		(646,038)	(220,952)	(993,562)
Net cash (used in) / generated from financing activities		**(135,108)**	**31,210**	**205,921**
Net (decrease) / increase in cash and cash equivalents		(463,785)	29,235	278,046
Cash and cash equivalents at 1 January		676,760	398,714	398,714
Cash and cash equivalents at the end of the period / year	**14**	**212,975**	**427,949**	**676,760**

^Interest paid on lease payments in H1 22 has been reclassified from financing activities to be consistent with FY 22 and current period presentation.

1 Basis of preparation

Vistry Group PLC (the “Company”) is a public company, limited by shares, domiciled and incorporated in England, United Kingdom. The shares are listed on the London Stock Exchange. The condensed consolidated interim financial statements (the “Group financial statements“) of the Group comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in joint ventures and associate.

The Group financial statements were authorised for issue by the Directors on 11 September 2023. These Group financial statements are unaudited but have been reviewed by PricewaterhouseCoopers LLP, the Company’s auditors. The registered office for Vistry Group PLC is 11 Tower View, Kings Hill, West Malling, Kent, ME19 4UY.

The Group financial statements do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006.

The figures for the half years ended 30 June 2023 and 30 June 2022 are unaudited. The comparative figures for the financial year ended 31 December 2022 are an extract from the Group’s statutory accounts for that financial year, which have been delivered to the Registrar of Companies. The report of the auditors of these statutory accounts was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

The Group financial statements include the financial statements of the Company and all of its subsidiary undertakings. Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group 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. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The preparation of Group financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates. In preparing these Group financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2022.

These Group financial statements have been prepared in accordance with UK-adopted International Accounting Standard 34, ‘Interim Financial Reporting’ and the Disclosure Guidance and Transparency Rules sourcebook of the UK’s Financial Conduct Authority. The Group financial statements have been prepared by applying the accounting policies and presentation that were applied in the preparation of the Group’s published consolidated financial statements for the year ended 31 December 2022. There are two exceptions to this in relation to the accounting policy for part exchange turnover and costs of sale. The Group has historically presented the net of the part exchange revenue and cost of sale within cost of sales, however have now amended the accounting policy to present revenue and cost of sale gross for part exchange transactions. The H1 22 and FY 22 comparatives have been restated on this basis since a change in accounting policy should be retrospectively applied. This change in policy only affects revenue and costs of sale and does not impact at a gross or operating profit level, nor profit before or after tax. The second exception is tax, which is calculated based on the estimated full year effective tax rate at the half year.

The Group financial statements do not include all of the notes of the type normally included in an annual financial report. The Group financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2022 which were prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

There are no new standards effective for the first time in the period beginning 1 January 2023 which will have a material impact on the Group's reported results.

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

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

Going concern

The Group has prepared a cash flow forecast to confirm the appropriateness of the going concern assumption in these accounts. The forecast was prepared using a likely base case and a severe but plausible downside scenario. In the downside scenario the Group has assumed decreased affordability, leading to reduced demand for housing and falling house prices. We continue to see some build cost inflation, but this has not been factored into our assumptions as we are targeting offsetting reductions through the benefits of cost synergies. In both the base case and the downside scenario, the forecasts indicated that there was sufficient headroom and liquidity for the business to continue based on the facilities available to the Group. In each of these scenarios the

Group was also forecast to comply with the required covenants on their borrowing facilities. Consequently, the Directors have not identified any material uncertainties to the Group's ability to continue as a going concern over a period of at least twelve months from the date of the approval of the Group financial statements and have concluded that using the going concern basis for the preparation of the Group financial statements is appropriate.

In the downside sensitivity scenario, the following assumptions have been applied (in aggregate):

- A 10% reduction in private sales volumes in H2 23 and 15% reduction in 2024, with a corresponding reduction in development spend
- A 10% reduction in private sales prices
- A rise in interest cost of 100bps
- No sensitivity has been applied to either the affordable and PRS or partner delivery revenue streams as it is considered that these would not be impacted by a downturn due to the significant proportion of this revenue being pre-sold

In a severe but plausible downside, the following mitigating actions have been modelled:

- Cessation of uncommitted land spend
- Reduction in planned dividend payout ratio by 50%
- Reduction in overheads by 25%
- Reduction in the unit costs of materials and labour by 2.5%

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

2 Seasonality

In common with the rest of the UK housebuilding industry, activity occurs year-round, however the pattern of reservations usually results in the Group's completions being more heavily weighted towards the second half of the year.

3 Revenue

Revenue by type	Six months ended 30 June 2023 £000 (unaudited)	Six months ended 30 June 2022 £000 (restated and unaudited)	Year ended 31 Dec 2022 £000 (restated and audited)
Private housing	945,910	795,880	1,895,566
Affordable housing and PRS revenue	333,134	127,832	350,465
Partner delivery revenue	255,162	236,212	470,357
Bare land sales	7,955	844	5,654
Part exchange turnover *	27,378	24,171	41,887
Other	5,767	2,220	7,390
Total	**1,575,306**	**1,187,159**	**2,771,319**

*The Group has historically presented the net of the part exchange revenue and cost of sale within cost of sales, however they have now amended their accounting policy to present revenue and cost of sales gross for part exchange transactions. The H1 22 and FY 22 comparatives have been restated on this basis since a change in accounting policy should be applied retrospectively.

4 Other operating income

	Six months ended 30 June 2023 £000 (unaudited)	Six months ended 30 June 2022 £000 (unaudited)	Year ended 31 Dec 2022 £000 (audited)
Joint arrangement management fees income	27,244	17,176	29,949
Release of joint venture deferred income	5,917	6,882	21,420
Government grant income	4,606	993	6,344
Total other operating income	**37,767**	**25,051**	**57,713**

5 Segmental reporting

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

The Chief Operating Decision Maker ("CODM"), which is the Board, notes that the Group's main operation is that of a housebuilder and it operates entirely within the United Kingdom.

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

From 1 January 2023, following the Combination on 11 November 2022 and subsequent business integration, the Board have identified two separate segments for 2023 having taken into consideration IFRS 8: "Operating Segments" criteria, Housebuilding and Partnerships, since the CODM has reviewed information on this basis from that date. The two segments which were formerly reported as Partnerships and Countryside have been merged operationally into what is now presented as Partnerships. In addition, a number of former Countryside legacy Housebuilding operations have been transferred into the Housebuilding segment during H1 23, together with 13 other sites which were identified as being more closely aligned with the nature of the Housebuilding segment.

This is a change from the Group's Annual Report and Accounts for the year ended 31 December 2022, and as a result the FY 22 comparative information for segmental disclosures have been restated under the revised segments.

Given this restructuring, the goodwill previously allocated to the Countryside group of cash generating units ("CGUs") must be reallocated between the remaining two groups of CGUs, Housebuilding and Partnerships. The Group has performed an assessment in accordance with IAS 36 and have concluded that the full goodwill of the former Countryside business should be reallocated to the revised Partnerships business since this reflects the primary motivation for the Combination in 2022 as well as where the vast majority of value driven by the Combination is expected to reside and continue into the future.

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

The Partnerships segment specialises in partnering with housing associations, other public sector businesses and PRS providers, to deliver either the development of private, affordable and PRS housing on land owned by the Group or the Group's joint ventures, or to provide contracting services for development. The Partnerships segment currently operates under the Countryside Partnerships, Vistry Partnerships and Drew Smith brand names, though the Drew Smith and Vistry Partnerships brand names will cease to be used once current sites complete.

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

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

Adjusted financial results include share of joint ventures and associate and exclude exceptional items. Adjusted revenue is stated exclusive of revenue recognised by the Group on transactions with joint ventures and associate, no adjustment is made to adjusted gross margin as the impact is de minimis. Adjusted gross profit is stated including other operating income.

5. Segmental reporting (continued)

Period ended 30 June 2023 (unaudited)	Housebuilding £000	Partnerships £000	Group items £000	Total £000
Revenue	708,494	866,812	-	1,575,306
Share of joint ventures and associate revenue	115,002	98,881	-	213,883
Elimination of revenue recognised on transactions with joint ventures and associate	-	(12,116)	-	(12,116)
Adjusted revenue	823,496	953,577	-	1,777,073
Gross profit	131,045	99,979	6,246	237,270
Share of joint ventures and associate gross profit	18,758	16,546	-	35,304
Exceptional cost of sales	-	18,422	(6,246)	12,176
Other operating income	13,487	24,280	-	37,767
Adjusted gross profit	163,290	159,227	-	322,517
Operating profit / (loss)	97,915	53,534	(30,274)	121,175
Share of joint ventures and associate operating profit	18,581	15,640	-	34,221
Exceptional items	-	18,422	9,716	28,138
Amortisation of acquired intangibles	1,379	21,753	-	23,132
Adjusted operating profit / (loss)	117,875	109,349	(20,558)	206,666
Adjusted gross margin	19.8%	16.7%	-	18.1%
Adjusted operating margin	14.3%	11.5%	-	11.6%

Restated Period ended 30 June 2022 (unaudited)	Housebuilding £000	Partnerships £000	Group items £000	Total £000
Revenue	799,705	387,454	-	1,187,159
Share of joint ventures and associate revenue	126,592	71,242	-	197,834
Elimination of revenue recognised on transactions with joint ventures and associate	-	(32,472)	-	(32,472)
Adjusted revenue	926,297	426,224	-	1,352,521
Gross profit / (loss)	170,770	53,795	(71,429)	153,136
Share of joint ventures and associate gross profit	22,945	7,944	-	30,889
Exceptional cost of sales	-	-	71,429	71,429
Other operating income	13,993	11,058	-	25,051
Adjusted gross profit	207,708	72,797	-	280,505
Operating profit / (loss)	146,227	30,028	(86,922)	89,333
Share of joint ventures and associate operating profit	22,419	7,866	-	30,285
Exceptional items	-	-	71,429	71,429
Amortisation of acquired intangibles	1,380	5,740	-	7,120
Adjusted operating profit / (loss)	170,026	43,634	(15,493)	198,167
Adjusted gross margin	22.4%	17.1%	-	20.7%
Adjusted operating margin	18.4%	10.2%	-	14.7%

Segmental financial performance

Restated Year ended 31 December 2022 (audited)	Housebuilding £000	Partnerships £000	Group items £000	Total £000
Revenue	1,823,532	947,787	-	2,771,319
Share of joint ventures and associate revenue	244,409	148,220	-	392,629
Elimination of revenue recognised on transactions with joint ventures and associate	-	(48,824)	-	(48,824)
Adjusted revenue	2,067,941	1,047,183	-	3,115,124
Gross profit	390,282	119,560	(96,113)	413,729
Share of joint ventures and associate gross profit	45,365	23,935	-	69,300
Exceptional cost of sales	-	-	96,113	96,113
Other operating income	31,433	26,280	-	57,713
Adjusted gross profit	467,080	169,775	-	636,855
Operating profit / (loss)	336,055	77,171	(200,720)	212,506
Share of joint ventures and associate operating profit	45,028	23,514	-	68,542
Exceptional items	-	-	152,977	152,977
Amortisation of acquired intangibles	2,757	14,308	-	17,065
Adjusted operating profit / (loss)	383,840	114,993	(47,743)	451,090
Adjusted gross margin	22.6%	16.2%	-	20.4%
Adjusted operating margin	18.6%	11.0%	-	14.5%

Segmental financial position

Period ended 30 June 2023 (unaudited)	Housebuilding £000	Partnerships £000	Group items £000	Total £000
Goodwill and intangibles	274,384	986,553	-	1,260,937
Tangible net assets excluding investments in joint ventures and associate	1,634,532	662,004	(257,444)	2,039,092
Investments in joint ventures and associate	152,911	100,170	-	253,081
Net cash / (debt)	-	-	(328,652)	(328,652)

Restated Period ended 30 June 2022 (unaudited)	Housebuilding £000	Partnerships £000	Group items £000	Total £000
Goodwill and intangibles	277,924	391,185	-	669,109
Tangible net assets excluding investments in joint ventures and associate	1,309,368	88,896	(3,781)	1,394,483
Investments in joint ventures and associate	158,107	29,308	-	187,415
Net cash	-	-	114,968	114,968

Restated Year ended 31 December 2022 (audited)	Housebuilding £000	Partnerships £000	Group items £000	Total £000
Goodwill and intangibles	275,255	985,452	-	1,260,707
Tangible net assets excluding investments in joint ventures and associate	1,530,083	366,393	(279,335)	1,617,141
Investments in joint ventures and associate	135,868	117,791	-	253,659
Net cash	-	-	118,165	118,165

6 Exceptional expenses

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

2023 exceptional expenses relate to the integration of the enlarged business following the Combination with Countryside in 2022 and changes to the Group's fire safety provision. 2022 exceptional expenses related to the Combination with Countryside and an incremental fire safety provision.

	Six months ended 30 June 2023 £000 (unaudited)	Six months ended 30 June 2022 £000 (unaudited)	Year ended 31 Dec 2022 £000 (audited)
Cost of sales relating to fire safety	12,176	71,429	96,113
Administrative expenses relating to the Combination with Countryside	15,962	-	56,864
Interest on fire safety provision	7,435	-	900
Total exceptional expenses	**35,573**	**71,429**	**153,877**

On 11 November 2022, the Group completed the Combination with Countryside Partnerships PLC. The administrative expenses of £16.0m incurred in the six months to 30 June 2023 in relation to the Combination primarily relate to the integration of the enlarged business and further restructuring.

The administrative expenses incurred in the year ended 31 December 2022 in relation to this transaction include legal, financing and accounting advisory service fees, transaction insurance costs totalling £29.5m and costs directly attributable to the integration and restructuring of the Group, totalling £27.4m.

Exceptional costs of sale relating to fire safety result from the recognition of £18.4m relating to the expected update to second staircase regulations, offset by the release of £6.2m in unused fire safety provision. £7.4m of interest reflects the discount unwind on the long term liability for the first half of the year. The amount of the provision reflects our best estimate to carry out these fire safety works.

Tax on exceptional items in H1 23 was £9.8m (H1 22: £15.7m, FY 22: £30.7m).

7 Earnings per share

Profit attributable to ordinary shareholders

	Six months ended 30 June 2023 £000 (unaudited)	Six months ended 30 June 2022 £000 (unaudited)	Year ended 31 Dec 2022 £000 (audited)
Profit for the period/year attributable to equity holders of the parent	83,222	86,626	204,345
Profit for the period/year attributable to equity holders of the parent (before exceptional items and amortisation of acquired intangibles)	132,145	149,461	324,687

Earnings per share

	Six months ended 30 June 2023 £000 (unaudited)	Six months ended 30 June 2022 £000 (unaudited)	Year ended 31 Dec 2022 £000 (audited)
Basic earnings per share	24.1p	39.1p	86.5p
Diluted earnings per share	24.1p	38.9p	86.3p
Adjusted basic earnings per share (based on profit after tax before exceptional items, tax on exceptional items and amortisation of acquired intangibles*)	38.3p	67.4p	137.5p
Adjusted diluted earnings per share (based on profit after tax before exceptional items, tax on exceptional items and amortisation of acquired intangibles*)	38.2p	67.2p	137.1p

*Amortisation of acquired intangibles is the amortisation of brand names and customer relationships and contracts. These metrics are both calculated by applying the adjusted tax rate, which is defined as the reported tax rate, as adjusted for exceptional items.

7 Earnings per share (continued)

Weighted average number of shares used as the denominator

	Six months ended 30 June 2023 (unaudited)	Six months ended 30 June 2022 (unaudited)	Year ended 31 Dec 2022 (audited)
Weighted average number of ordinary shares for the period	345,139,445	221,655,600	236,161,867

127,447,399 shares were issued on 11 November 2022 as consideration in the Combination with Countryside.

Basic earnings per share

Basic earnings per ordinary share for the six months ended 30 June 2023 is calculated on a profit attributable to shareholders of £83,222,000 (H1 22: £86,626,000; FY 22: £204,345,000) over the weighted average of 345,139,445 (H1 22: 221,655,600; FY 22: 236,161,867) ordinary shares in issue during the period.

Diluted earnings per share

The calculation of diluted earnings per share at 30 June 2023 was based on the profit attributable to ordinary shareholders of £83,222,000 (H1 22: £86,626,000; FY 22: £204,345,000) over the diluted weighted average ordinary shares potentially in issue during the six months ended 30 June 2023 of 345,599,359 (H1 22: 222,412,583; FY 22: 236,748,342).

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.

8 Dividends

The following dividends were paid by the Group:

	Six months ended 30 June 2023 £000 (unaudited)	Six months ended 30 June 2022 £000 (unaudited)	Year ended 31 Dec 2022 £000 (audited)
June 23: 32p (H1 22: 40p, FY 22: 63p)	110,429	88,748	138,858
	110,429	**88,748**	**138,858**

A final dividend of 32 pence per share was paid on 1 June 2023 in respect of 2022, following approval by the shareholders at the AGM.

9 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.

Maturities of financial instruments

30 June 2023 (unaudited)	Less than 6 months £'000	6-12 months £'000	Between 1-2 years £'000	Between 2-5 years £'000	Over 5 years £'000	Total contractual cash flows £'000	Carrying amount £'000
Non-derivative financial assets							
Restricted cash	18	-	-	-	344	362	362
Trade and other receivables *	469,491	-	-	-	561	470,052	470,052
Cash and cash equivalents	212,975	-	-	-	-	212,975	212,975
Non-derivative financial liabilities							
Bank and other loans	(35,177)	-	-	-	-	(35,177)	(33,322)
Long-term loans	(16,024)	(16,024)	(432,048)	(109,315)	(7,693)	(581,104)	(508,305)
Trade and other payables **	(1,196,648)	(194,214)	(164,372)	(137,909)	(15,567)	(1,708,710)	(1,684,518)
Lease liabilities	(12,699)	(12,699)	(22,192)	(37,771)	(40,014)	(125,375)	(98,490)
Total net financial liabilities	**(578,064)**	**(222,937)**	**(618,612)**	**(284,995)**	**(62,369)**	**(1,766,977)**	**(1,641,246)**

9 Financial instruments (continued)

30 June 2022 (restated and unaudited)	Less than 6 months £'000	6-12 months £'000	Between 1-2 years £'000	Between 2-5 years £'000	Over 5 years £'000	Total contractual cash flows £'000	Carrying amount £'000
Non-derivative financial assets							
Restricted cash	188	-	-	-	338	526	526
Trade and other receivables *	205,456	-	-	-	677	206,133	206,133
Cash and cash equivalents	427,949	-	-	-	-	427,949	427,949
Non-derivative financial liabilities							
Bank and other loans	(151,238)	(50,885)	-	-	-	(202,123)	(200,000)
Long-term loans	(2,015)	(2,015)	(4,030)	(112,090)	(7,145)	(127,295)	(112,981)
Trade and other payables **	(778,600)	(136,877)	(98,632)	(45,109)	(9,024)	(1,068,242)	(1,062,458)
Lease liabilities	(5,439)	(5,439)	(5,598)	(9,991)	(2,569)	(29,036)	(27,565)
Total net financial liabilities	**(303,699)**	**(195,216)**	**(108,260)**	**(167,190)**	**(17,723)**	**(792,088)**	**(768,396)**

31 December 2022 (audited)	Less than 6 months £'000	6-12 months £'000	Between 1-2 years £'000	Between 2-5 years £'000	Over 5 years £'000	Total contractual cash flows £'000	Carrying amount £'000
Non-derivative financial assets							
Restricted cash	382	-	-	-	-	382	382
Trade and other receivables *	435,445	-	-	-	601	436,046	436,046
Cash and cash equivalents	676,760	-	-	-	-	676,760	676,760
Non-derivative financial liabilities							
Bank and other loans	(51,725)	-	-	-	-	(51,725)	(49,938)
Long term loans	(15,175)	(15,175)	(30,350)	(524,035)	(7,710)	(592,445)	(508,657)
Trade and other payables **	(796,471)	(546,974)	(179,448)	(120,448)	(19,121)	(1,662,462)	(1,650,998)
Lease liabilities	(10,202)	(10,202)	(16,465)	(35,158)	(42,315)	(114,342)	(86,582)
Total net financial liabilities	**239,014**	**(572,351)**	**(226,263)**	**(679,641)**	**(68,545)**	**(1,307,786)**	**(1,182,987)**

**Trade and other receivables excluding prepayments which are not financial instruments. H1 22 has been restated to exclude prepayments as it was included in error in the H1 22 accounts. This has reduced the trade and other receivables by £46.0m.*

***Trade and other payables excluding deferred income which is not a financial instrument. H1 22 has been restated to exclude deferred income as it was included in error in the H1 22 accounts. This has reduced the trade and other payables within this disclosure by £80.2m.*

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.

	Six months ended 30 June 2023 £000 (unaudited)	Six months ended 30 June 2022 £000 (unaudited)	Year ended 31 Dec 2022 £000 (audited)
Balance at period / year end	694,763	405,226	667,357
Total contracted cash payment	718,998	411,011	678,823
Due within 1 year	401,150	254,751	359,848
Due within 1-2 years	164,372	102,169	179,448
Due within 2-3 years	46,973	27,295	37,605
Due within 3-4 years	65,358	11,545	53,182
Due within 4-5 years	25,578	6,269	29,661
Due in more than 5 years	15,567	8,982	19,079

9 Financial instruments (continued)

Bank and other loans

Fair value is calculated based on discounted expected future principal and interest flows.

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.

10 Tax

As part of the Government's Building Safety Package to bring an end to unsafe cladding, they introduced a new tax payable on profits of developers in February 2022. This Residential Property Developer Tax ("RPDT") is payable by the largest residential property developers to ensure they make a fair contribution in order to fund cladding remediation works. This has been implemented with effect from 1 April 2022 at a rate of 4% on relevant profits and therefore we are disclosing the amount of RPDT charged on our profits separately in our financial statements.

	Six months ended 30 June 2023 £000 (unaudited)	Six months ended 30 June 2022 £000 (unaudited)	Year ended 31 Dec 2022 £000 (audited)
Income tax expense excluding residential property developer tax	27,436	21,383	33,096
Residential property developer tax	3,583	3,336	10,043
Total tax expense	**31,019**	**24,719**	**43,139**

The effective tax rate of 27.2% is higher than the average statutory tax rate of 23.5% for the year due to the Group's liability to RPDT.

11 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 period ended 30 June 2023 were limited to those relating to remuneration.

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

Mr. Stephen Teagle, Chief Executive of Vistry Partnerships, is the Chair of The Housing Forum. The Group paid for a subscription to The Housing Forum during the year.

Ms. Katherine Innes Ker, former non-executive Director who resigned in May 2023, was also non-executive Director of Forterra PLC. The Group incurred costs with Forterra PLC in relation to the supply of bricks during the term that Katherine was a non-executive Director in 2023 which is presented in the table below. Any transactions with Forterra PLC in the period after Katherine's departure from the Board are excluded from the table below.

Mr. Graham Prothero, former Chief Operating Officer who ceased to be a Director of the Group from 31 December 2022 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 in 2022 which are presented in the table below. Any transactions with Marshall PLC in 2023 are no longer related party transactions and are therefore excluded for the current period in the table below.

Mr. Ian Tyler, former non-executive Chairman who resigned in 2022, was also the Chairman of Affinity Water Limited. The Group received water services from Affinity Water Limited during the prior year when Ian was non-executive Chairman. Any transactions with Affinity Water Limited in 2023 are no longer related party transactions and are therefore excluded for the current period in the table below.

11 Related party transactions (continued)

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

	Expenses paid to related parties			Amounts payable to related parties		
	Six months ended 30 June 23 £000 (unaudited)	Six months ended 30 June 22 £000 (unaudited)	Year ended 31 Dec 22 £000 (audited)	Six months ended 30 June 23 £000 (unaudited)	Six months ended 30 June 22 £000 (unaudited)	Year ended 31 Dec 22 £000 (audited)
Trading transactions						
Ardent	3,749	2,937	5,319	767	716	774
The Housing Forum	15	-	13	-	-	-
Forterra PLC	13	67	67	2	49	48
Marshalls PLC	-	1	1	-	1	91
Affinity Water Limited	-	4	4	-	1	2

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

	Sales to related parties			Interest income and dividend distributions from related parties		
	Six months ended 30 June 2023 £000 (unaudited)	Six months ended 30 June 2022 £000 (unaudited)	Year ended 31 Dec 2022 £000 (audited)	Six months ended 30 June 2023 £000 (unaudited)	Six months ended 30 June 2022 £000 (unaudited)	Year ended 31 Dec 2022 £000 (audited)
Trading transactions	47,610	55,971	134,817	-	-	-
Non-trading transactions	-	-	-	27,842	10,904	46,564

	Amounts owed by related parties			Amounts owed to related parties		
	Six months ended 30 June 2023 £000 (unaudited)	Six months ended 30 June 2022 £000 (unaudited)	Year ended 31 Dec 22 £000 (audited)	Six months ended 30 June 2023 £000 (unaudited)	Six months ended 30 June 2022 £000 (unaudited)	Year ended 31 Dec 22 £000 (audited)
Balances with joint ventures and associate	371,989	274,334	391,382	68,730	47,467	139,672

Sales to related parties including joint ventures and associate are based on normal commercial terms available to unrelated third parties. The loans made to joint ventures and associate bear interest at rates of between 0.0% and 10.4%; all balances with related parties will be settled in cash.

As at the reporting date, 3 (H1 22: 3, FY 22: 3) of the Group's employees have a close family member on the Executive Committee. These individuals were recruited through the normal interview process and are employed at salaries commensurate with their experience and roles. The combined salary and benefits of these individuals for the six-month reporting period is £248,000 (H1 22: £240,000, FY 22: £376,000).

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.

12 Reconciliation of Return on Capital Employed performance measure

The ROCE calculation for the Group is detailed below. This is calculated as adjusted 12 month rolling operating profit divided by the average capital employed over the rolling 12-month period. Average capital employed is calculated based on opening and closing capital employed for the rolling 12-month period. The comparative measures for ROCE have been restated to exclude the Group's fire safety provision in order to properly align with adjusted operating profit used within the calculation:

12 Reconciliation of Return on Capital Employed performance measure (continued)

	Six months ended 30 June 2023	Six months ended 30 June 2022 (restated)	Year ended 31 Dec 2022 (restated)
	£000	£000	£000
Adjusted operating profit	**459,589**	**391,075**	**451,090**
Opening total equity	2,365,975	2,284,966	2,390,581
Deduct: goodwill	547,509	547,509	547,509
Deduct: intangible assets	121,600	136,553	127,809
Deduct: net cash	114,968	31,563	234,454
Deduct: retirement benefit asset	44,435	23,796	45,318
Deduct: fire safety provision	(94,218)	(21,030)	(25,212)
Opening capital employed	**1,631,681**	**1,566,575**	**1,460,703**
Closing total equity	3,224,458	2,365,975	3,249,672
Deduct: goodwill	827,628	547,509	804,742
Deduct: intangible assets	433,309	121,600	455,965
Deduct: net (debt) / cash	(328,652)	114,968	118,165
Deduct: retirement benefit asset	34,209	44,435	34,251
Deduct: fire safety provision	(311,848)	(94,218)	(309,125)
Closing capital employed	**2,569,812**	**1,631,681**	**2,145,674**
Average capital employed	**2,100,747**	**1,599,128**	**1,803,189**
Group ROCE including share of joint ventures and associate	**21.9%**	**24.5%**	**25.0%**

13 Provisions

	Fire safety provision	Site-related costs	Restructuring provision	Other	Total
	£000	£000	£000	£000	£000
As at 1 January 2023	309,215	12,882	17,030	14,549	**353,676**
Additional provisions made	12,300	2,873	11,687	2,540	**29,400**
Amounts used	(10,856)	(2,508)	(19,614)	(1,877)	**(34,855)**
Discount unwind	7,435	-	-	-	**7,435**
Unused provisions reversed	(6,246)	(1,200)	-	(732)	**(8,178)**
As at 30 June 2023 (unaudited)	**311,848**	**12,047**	**9,103**	**14,480**	**347,478**

	Fire safety provision	Site-related costs	Restructuring provision £000	Other	Total
	£000	£000		£000	£000
As at 1 January 2022	25,212	7,162	-	7,009	**39,383**
Additional provisions made	71,429	-	-	3,216	**74,645**
Amounts used	(2,423)	(65)	-	(2,001)	**(4,489)**
Unused provisions reversed	-	-	-	(759)	**(759)**
As at 30 June 2022 (unaudited)	**94,218**	**7,097**	**-**	**7,465**	**108,780**

	Fire safety provision	Site-related costs	Restructuring Provision	Other	Total
	£000	£000	£000	£000	£000
As at 1 January 2022	25,212	7,162	-	7,009	**39,383**
Additions acquired as a result of the Combination	191,826	8,143	-	8,737	**208,706**
Additional provisions made	96,113	1,486	17,030	2,659	**117,288**
Amounts used	(4,836)	(768)	-	(3,526)	**(9,130)**
Discount unwind	900	-	-	-	**900**
Unused provisions reversed	-	(3,141)	-	(330)	**(3,471)**
As at 31 December 2022 (audited)	**309,215**	**12,882**	**17,030**	**14,549**	**353,676**

13 Provisions (continued)

The fire safety provision includes estimated costs to address revised fire safety regulations issued by the Government. At FY 22 the provision reflected the Group's commitment to the Government's Developer Pledge and the Developer Remediation Contract. At H1 23 it also reflects the Group's expected liability relating to the Government's commitment to mandating a second staircase in high-rise residential buildings over 18 metres tall, a reduction from the previous 30 metre threshold.

The Group has undertaken a review of all of its current and legacy buildings where a liability has been identified based on both legal and constructive obligations for both fire safety remediation works and second staircases. This review, performed by in house teams, involved a physical inspection of potentially impacted developments along with an assessment of the cost to address revised regulations based on external cost estimates where available and in part on experiences of similar work undertaken. The individual developments and associated costs were then reviewed by management. For second staircases, the Group has provided for the expected losses generated on schemes that they are contractually bound to complete without opportunity to mitigate the associated cost increases and revenue losses resulting from the change in regulation.

As at the balance sheet date the Group has provided £311.8m for the expected costs of fire safety regulatory change, £12.3m of which was recognised in H1 23 relating to second staircases. We expect the majority of this provision to be utilised over the next five years. During the period, £10.9m was spent on fire safety remediation works. The expected spend for the second half of the year is £30m as we ramp up our preparation and mobilisation works ready to be on-site and actively remediating on another 40 sites in FY 24. In FY 24 we expect to spend £60m, including £10-15m on Building Safety Fund ("BSF") payments.

14 Reconciliation of net cash flow to net (debt) / cash

	Six months ended 30 June 2023 £000 (unaudited)	Six months ended 30 June 2022 £000 (unaudited)	Year ended 31 Dec 2022 £000 (audited)
Cash and cash equivalents	212,975	427,949	676,760
Non-current bank and other loans	(508,305)	(112,981)	(508,657)
Current bank and other loans	(33,322)	(200,000)	(49,938)
Net (debt) / cash	**(328,652)**	**114,968**	**118,165**

Analysis of net cash:

	Six months ended 30 June 2023 £000 (unaudited)	Six months ended 30 June 2022 £000 (unaudited)	Year ended 31 Dec 2022 £000 (audited)
Net cash at 1 January	**118,165**	**234,454**	**234,454**
Cash flow per cash flow statement	(463,785)	29,235	278,046
Loan repayments	646,038	220,952	993,562
Loan drawdowns	(630,000)	(370,000)	(1,390,000)
Imputed interest on USPP loan	466	451	911
Prepaid facility fees capitalised	1,678	-	4,831
Prepaid facility fees amortised	(1,022)	(124)	(889)
Capitalised interest	(192)	-	(257)
Debt acquired with Countryside	-	-	(2,493)
Net (debt) / cash at the end of the period / year	**(328,652)**	**114,968**	**118,165**

15 Business combinations

On 11 November 2022, the Group completed the Combination with Countryside Partnerships ("Countryside") for a consideration of £1,137.0m. The Combination has positioned the Group as the largest national housebuilder by volume, expanded the Group's presence across the UK and established the Group as the industry leader in the highly attractive, high-growth partnerships business. The acquisition was of 100% of the share capital and control of Countryside Partnerships PLC and all of its subsidiaries, which were disclosed in note 5.17 to the 2022 Annual Report and Accounts. Details of the purchase consideration, the net assets acquired and goodwill at 11 November 2022 are as follows:

Purchase consideration

	£000
Cash consideration	299,876
Shares in Vistry Group PLC issued	837,967
Replacement of SAYE schemes	852
Less: shares issued to acquired employee benefit trust	(1,651)
Total purchase consideration	**1,137,044**

The share consideration included 127,447,399 Vistry Group PLC shares with nominal value of £0.50 per share and a fair value of £6.58m, being the opening share price on 14 November 2022, the first time the consideration shares could have been traded. £774.2m was recognised within the merger reserve in relation to these consideration shares issued, being the excess of the share price on the date of issue over the nominal value of the shares. The consideration related to the replacement of SAYE schemes is calculated based on the fair value of the various options granted to former Countryside employees multiplied by the number of options and the estimated likelihood of vesting.

The provisional fair values of the assets and liabilities recognised as a result of the Combination are as follows:

	Provisional fair value 11 November 2022 £000
Cash and cash equivalents	224,702
Property, plant and equipment	18,101
Right-of-use assets	59,961
Intangible assets	349,102
Investments	61,617
Inventories	768,827
Amounts owed by joint ventures and associate	105,848
Trade and other receivables	122,108
Trade and other payables	(615,252)
Borrowings	(2,493)
Lease liabilities	(63,005)
Provisions	(208,869)
Net deferred tax asset	36,278
Net identifiable assets acquired	856,925
Goodwill	280,119
Total net assets acquired	**1,137,044**

15 Business combinations (continued)

The acquisition accounting in relation to the Combination has been updated during the first half of 2023 and will be concluded by 11 November 2023 in line with IFRS 3 which allows up to 12 months from the date of acquisition to complete the fair valuation exercise. The final acquisition balance sheet will be disclosed in the FY 23 Annual Report and Accounts.

These fair values have been amended during H1 23 to reflect the impact of new information that became available in the period, which has resulted in a £22.8m increase to goodwill from £257.3m at 31 December 2022 to £280.1m at 30 June 2023. This £22.8m increase to goodwill primarily arises due to a full write-down of inventory at one particular site which has now been deemed unviable due to the cost estimates at the time of the Combination being significantly underestimated. The corrected cost to complete results in a net cash outflow to complete the site as well as a significant capital lock-up, and this site would therefore not be progressed by a market participant.

The acquired intangibles include the Countryside Partnerships brand name, the customer relationships and the secured contracts of the acquired business. The acquired intangible assets have estimated useful lives of between 5 and 25 years. The Group engaged external experts to support management in the fair valuation of the acquired intangible assets and preparation of the purchase price allocation.

The goodwill for the acquired business reflects intangible assets which do not qualify for separate recognition including the strong position in the market and future prospects, as well as the assembled workforce and synergies that will be achieved as an enlarged business.

None of the goodwill is expected to be deductible for tax purposes.

There have been no further business combinations in 2023.

16 Alternative performance measures

The Group uses alternative performance measures which are not defined within UK-adopted International Accounting Standards. The Directors use these alternative performance measures, along with UK-adopted International Accounting Standards measures, to assess the operational performance of the Group. The Group's alternative performance measures reflect the contribution of the joint venture and associate investments held and the impact of amortisation of intangibles resulting from the acquisitions of Linden and Partnerships from Galliford Try PLC in 2020 and of Countryside in 2022.

The inclusion of associate share of results within the below alternative performance measures reflects the acquisition of an investment in associate as a result of the Combination with Countryside. The Group did not have any associates in H1 22 and therefore the H1 22 comparative is unchanged.

Adjusted revenue

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

	Six months ended 30 June 2023 £000 (unaudited)	Six months ended 30 June 2022 £000 (restated^ and unaudited)	Year ended 31 Dec 2022 £000 (restated^ and audited)
Revenue per Group income statement	1,575,306	1,187,159	2,771,319
Share of joint ventures' and associate revenue	213,883	197,834	392,629
Elimination of revenue recognised on transactions with joint ventures and associate	(12,116)	(32,472)	(48,824)
Adjusted revenue	**1,777,073**	**1,352,521**	**3,115,124**

^Restated to recognise the gross up of part exchange revenue as discussed in note 1.

Adjusted gross profit

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

16 Alternative performance measures (continued)

	Six months ended 30 June 2023 £000 (unaudited)	Six months ended 30 June 2022 £000 (unaudited)	Year ended 31 Dec 2022 £000 (audited)
Gross profit per Group income statement	237,270	153,136	413,729
Share of joint ventures’ and associate gross profit	35,304	30,889	69,300
Exceptional cost of sales	12,176	71,429	96,113
Other operating income	37,767	25,051	57,713
Adjusted gross profit	**322,517**	**280,505**	**636,855**

Adjusted operating profit

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

	Six months ended 30 June 2023 £000 (unaudited)	Six months ended 30 June 2022 £000 (unaudited)	Year ended 31 Dec 2022 £000 (audited)
Operating profit per Group income statement	121,175	89,333	212,506
Share of joint ventures‘ and associate operating profit	34,221	30,285	68,542
Exceptional expenses	28,138	71,429	152,977
Amortisation of acquired intangibles	23,132	7,120	17,065
Adjusted operating profit	**206,666**	**198,167**	**451,090**

Adjusted profit before tax

Adjusted profit before tax is defined as profit before tax before exceptional expenses, amortisation of acquired intangibles and tax on joint ventures included in profit before tax:

	Six months ended 30 June 2023 £000 (unaudited)	Six months ended 30 June 2022 £000 (unaudited)	Year ended 31 Dec 2022 £000 (audited)
Profit before tax per Group income statement	114,241	111,345	247,484
Exceptional expenses	35,573	71,429	153,877
Amortisation of acquired intangibles	23,132	7,120	17,065
Tax on joint ventures included in profit before tax	1,086	-	-
Adjusted profit before tax	**174,032**	**189,894**	**418,426**

17 Post balance sheet events

Following the Government’s announcement of a second staircase being required on residential buildings over 30 metres tall in December 2022, in March 2023 a number of key organisations within the construction industry along with key stakeholders in the Government’s fire safety consultation submitted a joint letter to Michael Gove MP calling for the height threshold to be reduced to 18 metres. The Group consider that as a result of this submission it was highly probable at 30 June 2023 that second staircases in buildings over 18 metres tall would be mandated. The announcement in July 2023 that the UK Government was committed to mandating the 18 metre threshold further supports this conclusion.

As a result of the change in legislation being deemed highly probable at 30 June 2023 and the July announcement further supporting this conclusion, this has been treated as an adjusting post balance sheet, resulting in the recognition of an associated £18.4m exceptional expense in H1 23.
The Group has today announced that the Group will commence a share buyback to commence in November 2023 to repurchase up to £55m of ordinary shares. There will be no dividend payment with respect to the first half of the year.

No further post balance sheet events have been identified.

18 Further information

Further information on Vistry Group PLC can be found on the Group's corporate website www.vistrygroup.co.uk, including the analyst presentation document which will be presented at the Group's results meeting on 11 September 2023.

Statement of directors' responsibilities

The directors confirm that these condensed interim financial statements have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- An indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- Material related-party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.

The maintenance and integrity of the Vistry Group PLC website is the responsibility of the directors; the work carried out by the authors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that might have occurred to the interim financial statements since they were initially presented on the website.

The directors of Vistry Group PLC are listed in the Vistry Group PLC annual report for 31 December 2022, with the exception of the following changes in the period:

- Mr Jeffrey Ubben was appointed on 23 March 2023, and
- Mr Nigel Keen resigned from the board on 23 March 2023, and
- Mr Paul Whetsell was appointed on 18 May 2023, and
- Ms Helen Owers was appointed on 18 May 2023, and
- Ms Katherine Innes Ker resigned from the board on 18 May 2023, and
- Dr Ashley Steel resigned from the board on 18 May 2023.

A list of current directors is maintained on the Vistry Group PLC website: www.vistrygroup.co.uk.

By order of the board

Greg Fitzgerald Chief Executive Officer	Tim Lawlor Chief Financial Officer

8 September 2023

Independent review report to Vistry Group PLC

Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed Vistry Group PLC's condensed consolidated interim financial statements (the "interim financial statements") in the Half year results and strategy update of Vistry Group PLC for the 6 month period ended 30 June 2023 (the "period").

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

The interim financial statements comprise:

- the Group balance sheet as at 30 June 2023;
- the Group income statement and Group statement of comprehensive income for the period then ended;
- the Group statement of cash flows for the period then ended;
- the Group statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Half year results and strategy update of Vistry Group PLC have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Financial Reporting Council for use in the United Kingdom ("ISRE (UK) 2410"). A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the Half year results and strategy update and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed. This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the group to cease to continue as a going concern.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The Half year results and strategy update, including the interim financial statements, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the Half year results and strategy update in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. In preparing the Half year results and strategy update, including the interim financial statements, the directors are responsible for assessing the group'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 to cease operations, or have no realistic alternative but to do so.

Our responsibility is to express a conclusion on the interim financial statements in the Half year results and strategy update based on our review. Our conclusion, including our Conclusions relating to going concern, is based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion paragraph of this report. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, 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.

PricewaterhouseCoopers LLP
Chartered Accountants
London
8 September 2023