Financial statements and notes

Group income statement

For the year ended 31 December	Note	2020 £000	2019 £000
Revenue	2.0	**1,811,727**	1,130,768
Cost of sales		**(1,564,831)**	(888,012)
Gross profit		**246,896**	242,756
Analysed as:			
Adjusted gross profit	5.13	**318,765**	255,316
Other operating income	2.1	**(26,422)**	(10,675)
Exceptional cost of sales	2.1	**(10,975)**	-
Share of joint ventures' gross profit	5.8	**(34,472)**	(1,885)
Gross profit		**246,896**	242,756
Administrative expenses including exceptional items	2.1	**(181,595)**	(73,710)
Other operating income	2.1	**26,422**	10,675
Operating profit	2.1	**91,723**	179,721
Analysed as:			
Adjusted operating profit	5.13	**171,023**	194,355
Exceptional expenses	2.1	**(30,984)**	(12,846)
Amortisation of acquired intangibles	5.6	**(14,240)**	-
Share of joint ventures' operating profit	5.8	**(34,076)**	(1,788)
Operating profit	2.1	**91,723**	179,721
Financial income	4.3	**18,232**	813
Financial expenses including exceptional items	4.3	**(26,158)**	(7,569)
Net financing costs including exceptional items	4.3	**(7,926)**	(6,756)
Share of profit of joint ventures	5.8	**14,867**	1,788
Profit before tax		**98,664**	174,753
Income tax expense including exceptional items	5.1	**(21,851)**	(36,374)
Profit for the year attributable to ordinary shareholders		**76,813**	138,379

		2020	2019 (restated)
Earnings per share			
Basic	2.4	**34.8p**	94.6p
Diluted	2.4	**34.7p**	94.5p
Basic earnings per share (before exceptional items and amortisation of acquired intangibles)	2.4	**52.6p**	104.3p
Diluted earnings per share (before exceptional items and amortisation of acquired intangibles)	2.4	**52.5p**	104.2p

The restatement of 2019 earnings per share is explained in note 2.4.

Group statement of comprehensive income

For the year ended 31 December	Note	2020 £000	2019 £000
Profit for the year		**76,813**	138,379
Other comprehensive expense			
Items that will not be reclassified to the income statement			
Remeasurements on defined benefit pension scheme	5.10	**(11,654)**	(2,116)
Deferred tax on remeasurements on defined benefit pension scheme	5.1	**2,124**	464
Total other comprehensive expense		**(9,530)**	(1,652)
Total comprehensive income for the year attributable to ordinary shareholders		**67,283**	136,727

Balance sheets

		Group		Company	
As at 31 December	Note	2020 £000	2019 £000	2020 £000	2019 £000
Assets					
Goodwill	5.7	**547,509**	-	**-**	-
Intangible fixed assets	5.6	**143,585**	4,336	**-**	-
Property, plant and equipment	5.4	**5,091**	1,845	**-**	
Right-of-use assets	5.5	**38,511**	21,347	**-**	-
Investments	5.8	**145,153**	85,129	**1,250,378**	14,153
Amounts recoverable from joint ventures	5.11	**323,650**	6,232	**-**	-
Trade and other receivables	3.2	**1,544**	1,090	-	-
Restricted cash	4.1	**1,193**	1,748	-	-
Deferred tax assets	5.2	**-**	184	-	-
Retirement benefit asset	5.10	**9,077**	4,506	-	-
Total non-current assets		**1,215,313**	126,417	**1,250,378**	14,153
Inventories	3.1	**1,836,521**	1,207,667	**-**	-
Trade and other receivables	3.2	**225,022**	99,142	**276,048**	642,380
Cash and cash equivalents	4.1	**340,988**	361,962	**344**	344
Current tax asset	5.2	**14,350**	-	**-**	-
Total current assets		**2,416,881**	1,668,771	**276,392**	642,724
Total assets		**3,632,194**	1,795,188	**1,526,770**	656,877
Equity					
Issued capital	4.4	**111,127**	74,169	**111,127**	74,169
Share premium	4.4	**360,657**	359,857	**360,657**	359,857
Merger reserve		**823,513**	-	**823,513**	-
Retained earnings		**899,785**	837,940	**227,890**	220,115
Total equity attributable to equity holders of the parent		**2,195,082**	1,271,966	**1,523,187**	654,141
Liabilities					
Bank and other loans	4.2	**253,103**	-	**-**	-
Trade and other payables	3.3	**139,316**	122,940	**781**	781
Lease liabilities	5.5	**26,848**	16,686	**-**	-
Provisions	5.9	**33,786**	-	**-**	-
Deferred tax liability	5.2	**17,637**	-	**-**	-
Total non-current liabilities		**470,690**	139,626	**781**	781
Bank and other loans	4.2	**50,000**	-	**-**	-
Trade and other payables	3.3	**894,503**	352,359	**-**	-
Lease liabilities	5.5	**15,304**	6,309	**-**	-
Provisions	5.9	**6,615**	3,989	**-**	-
Current tax liabilities	5.2	**-**	20,939	**2,802**	1,955
Total current liabilities		**966,422**	383,596	**2,802**	1,955
Total liabilities		**1,437,112**	523,222	**3,583**	2,736
Total equity and liabilities		**3,632,194**	1,795,188	**1,526,770**	656,877

The Company made a profit for the year of £10,052,000 (2019: £118,332,000). These financial statements on pages 147 to 192 were approved by the Board of directors on 4 March 2021 and were signed on its behalf: Earl Sibley, Director.

Group statement of changes in equity

For the year ended 31 December 2019	Note	Own shares held £000	Other retained earnings £000	Total retained earnings £000	Issued capital £000	Share premium £000	Merger reserve £000	Total £000
Balance at 1 January 2019		**(3,620)**	**780,382**	**776,762**	**67,398**	**216,907**	**–**	**1,061,067**
Profit for the year		–	138,379	138,379	–	–	–	138,379
Total other comprehensive expense		–	(1,652)	(1,652)	–	–	–	(1,652)
Total comprehensive income		**–**	**136,727**	**136,727**	**–**	**–**	**–**	**136,727**
IFRS16 opening adjustment		–	65	65	–	–	–	65
Issue of share capital	4.4	–	–	–	6,771	142,950	–	149,721
Deferred tax on share-based payments	5.1	–	140	140	–	–	–	140
Share-based payments	5.3	–	2,891	2,891	–	–	–	2,891
Dividends paid to shareholders	2.3	–	(78,645)	(78,645)	–	–	–	(78,645)
Total transactions with owners recognised directly in equity		**–**	**(75,549)**	**(75,549)**	**6,771**	**142,950**	**–**	**74,172**
Balance at 31 December 2019		**(3,620)**	**841,560**	**837,940**	**74,169**	**359,857**	**–**	**1,271,966**
Balance at 1 January 2020		**(3,620)**	**841,560**	**837,940**	**74,169**	**359,857**	**–**	**1,271,966**
Profit for the year		–	76,813	76,813	–	–	–	76,813
Total other comprehensive expense		–	(9,530)	(9,530)	–	–	–	(9,530)
Total comprehensive income		**–**	**67,283**	**67,283**	**–**	**–**	**–**	**67,283**
Issue of share capital	4.4	–	–	–	70	800	–	870
Shares issued as consideration	4.4	–	–	–	31,870	–	823,513	855,383
Bonus issue	4.4	–	(5,018)	(5,018)	5,018	–	–	–
LTIP shares exercised		164	(164)	–	–	–	–	–
Purchase of own shares		(3,500)	–	(3,500)	–	–	–	(3,500)
Share-based payments	5.3	–	2,741	2,741	–	–	–	2,741
Deferred tax on share-based payments	5.1	–	339	339	–	–	–	339
Total transactions with owners recognised directly in equity		**(3,336)**	**(2,102)**	**(5,438)**	**36,958**	**800**	**823,513**	**855,833**
Balance at 31 December 2020		**(6,956)**	**906,741**	**899,785**	**111,127**	**360,657**	**823,513**	**2,195,082**

Company statement of changes in equity

	Attributable to equity holders of the parent				
For the year ended 31 December 2020	Total retained earnings £000	Issued capital £000	Share premium £000	Merger reserve £000	Total £000
Balance at 1 January 2019	177,537	67,398	216,907	–	461,842
Total comprehensive income	118,332	–	–	–	118,332
Issue of share capital	–	6,771	142,950	–	149,721
Share-based payments	2,891	–	–	–	2,891
Dividends paid to shareholders	(78,645)	–	–	–	(78,645)
Balance at 31 December 2019	**220,115**	**74,169**	**359,857**	**–**	**654,141**
Balance at 1 January 2020	220,115	74,169	359,857	–	654,141
Total comprehensive income	10,052	–	–	–	10,052
Issue of share capital	–	70	800	–	870
Shares issued as consideration	–	31,870	–	823,513	855,383
Bonus issues	(5,018)	5,018	–	–	–
Share-based payments	2,741	–	–	–	2,741
Balance at 31 December 2020	**227,890**	**111,127**	**360,657**	**823,513**	**1,523,187**

Statements of cash flows

For the year ended 31 December	Note	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Cash flows from operating activities					
Profit for the year		**76,813**	138,379	**10,052**	118,332
Depreciation and amortisation	5.4, 5.5, 5.6	**31,710**	6,253	**-**	-
Financial income	4.3	**(18,232)**	(813)	**(14,745)**	(10,287)
Financial expense	4.3	**26,158**	6,939	**-**	-
Loss on disposal of property, plant and equipment		**15**	3	**-**	-
Equity-settled share-based payment expense		**2,741**	2,891	**-**	-
Income tax expense	5.1	**21,851**	36,374	**2,800**	1,955
Share of results of joint ventures	5.8	**(14,867)**	(1,788)	**-**	-
Profit released on sale of assets from joint ventures		**(234)**	(972)	**-**	-
Decrease / (increase) in trade and other receivables		**17,894**	(58,234)	**(12,852)**	(191,363)
Decrease in inventories		**168,580**	115,170	**-**	-
(Decrease) / increase in trade and other payables		**(97,208)**	16,716	**-**	-
Increase / (decrease) in provisions and retirement benefit assets		**15,821**	(8,629)	**-**	-
Cash generated from / (used in) operations		**231,042**	252,289	**(14,745)**	(81,363)
Interest paid		**(14,661)**	(2,093)	**-**	-
Income taxes paid		**(34,712)**	(33,804)	**-**	-
Net cash generated from / (used in) from operating activities		**181,669**	216,392	**(14,745)**	(81,363)
Cash flows from investing activities					
Bank interest received		**90**	131	**14,745**	10,287
Acquisition of intangible fixed assets	5.6	**(109)**	(3,706)	**-**	-
Acquisition of property, plant and equipment	5.4	**(2,632)**	(565)	**-**	-
Acquisition of Linden and Partnerships net of overdraft acquired	5.14	**(394,578)**	-	**-**	-
Loans made to joint ventures	5.8	**(17,869)**	-	**-**	-
Loan repayments from joint ventures	5.8	**3,682**	-	**-**	-
Investments in joint ventures	5.8	**-**	(58,511)	**-**	-
Distributions from joint ventures	5.8	**27,043**	5,135	**-**	-
Decrease / (increase) in restricted cash		**555**	(368)	**-**	-
Net cash (used in) / generated from investing activities		**(383,818)**	(57,884)	**14,745**	10,287
Cash flows from financing activities					
Dividends paid	2.3	**-**	(78,645)	**-**	(78,645)
Principal elements of lease payments		**(15,325)**	5,562	**-**	-
Net proceeds from the issue of share capital	4.4	**-**	149,721	**-**	149,721
Purchase of own shares		**(3,500)**	-	**-**	-
Drawdown of bank and other loans	4.2	**475,000**	-	**-**	-
Repayment of bank and other loans	4.2	**(275,000)**	(36,401)	**-**	-
Net cash generated from financing activities		**181,175**	40,237	**-**	71,076
Net (decrease) / increase in cash and cash equivalents		**(20,974)**	198,745	**-**	-
Cash and cash equivalents at 1 January	4.1	**361,962**	163,217	**344**	344
Cash and cash equivalents at 31 December	4.1	**340,988**	361,962	**344**	344

Notes to the financial statements

The notes have been grouped into sections under five key categories:

1. Basis of preparation
2. Result for the year
3. Land bank and other operating assets and liabilities
4. Financing
5. Other disclosures

The key accounting policies have been incorporated throughout the notes to the financial statements adjacent to the disclosure to which they relate. All accounting policies are included within an outlined box.

1.0 Basis of preparation

1.1 General information

Vistry Group PLC (the "Company") is a public company, limited by shares, domiciled in England, United Kingdom. The consolidated financial statements of the Company for the year ended 31 December 2020 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in joint ventures. The financial statements were authorised for issue by the directors on 4 March 2021. The registered office for Vistry Group PLC is 11 Tower View, West Malling, Kent, ME19 4UY.

1.2 Basis of accounting

The financial statements of the Company and the consolidated financial statements of the Group have been prepared in accordance with the international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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

The Group has applied the following standards for the first time for its annual reporting year commencing 1 January 2020:

- Amendment to IAS 1 'Presentation of financial statements', effective 1 January 2020.
- Amendment to IAS 8 'Accounting policies, changes in accounting estimates and errors', effective 1 January 2020.
- Amendment to IFRS3, 'Definition of a business', effective 1 January 2020.

These changes have not had a material impact on the Group's financial statements.

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

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

The income statement has been represented in order to more clearly present the financial results for the year ended 31 December 2020 and comparative periods. This representation has had no impact on the underlying financial results.

The prior year EPS has been restated to include the impact of the bonus issue of 5.7m shares in January 2020 and 4.3m shares in July 2020.

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

1.3 Going concern

In light of the Covid-19 pandemic, a revised cashflow forecast has been completed for the Group to confirm the appropriateness of the going concern assumption in these accounts. The forecast was prepared using two scenarios – a likely base case including the expected impact of Covid-19 and a severe but plausible downside sensitivity scenario.

In the severe but plausible downside sensitivity scenario the following assumptions have been applied:

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

The impact of these severe but plausible downsides are then mitigated by:

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

In a severe but plausible downside scenario the delivery of affordable housing is not expected to be impacted as it will typically have been contracted for delivery in advance to a Registered Social Landlord or similar entity. As such the volumes and prices for affordable housing are not sensitised in the severe but plausible downside scenario.

In both the base and the severe but plausible downside sensitivity scenario, the forecasts indicated that there was sufficient headroom and liquidity for the business to continue based on the facilities available to the Group as discussed in Note 4.2 to the financial statements. In each of these scenarios the Group was also forecast to be in compliance with the required covenants on the aforementioned borrowing facilities. Consequently, the Directors have concluded that using the going concern basis for the preparation of the financial statements is appropriate.

The Board continues to take prudent decisions to best support the business through this period of uncertainty, including measures to protect the Group's cash position, liquidity and maintain a robust balance sheet. This includes the decision to postpone the second interim dividend payment totalling c.£60m, to tightly manage working capital and to implement other specific measures to increase cash generation and reduce cash outflow.

Having started the year with net cash of £362.0m, the Group generated a strong operating cash flow during 2020 and paid a net of £394.6m in cash consideration for the Acquisition, as well as funded £14.1m into joint ventures.

As at 31 December 2020, the Group held cash and cash equivalents of £341.0m and had borrowings of £303.1m.

At 31 December 2020 the Group has borrowing facilities of £770m, including a 5 year committed revolving credit facility of £410m, a 3 year revolving credit facility of £40m, £150m of 3 year term loans, a £100m US Private Placement facility and £70m of additional facilities. In addition, Vistry Group has been confirmed as eligible for the CCFF, for borrowing of up to £300m.

1.4 Covid-19

In light of the Covid-19 outbreak in the year ended 31 December 2020 the Group has considered whether any impairment of goodwill, intangibles or inventories is appropriate, and has concluded that none is required. Non-productive costs in the period driven by Covid-19 have been expensed directly to the income statement and are not capitalised into WIP. The impact of Covid-19 on future profitability of sites has been reflected in the net realisable value assessment of inventories and margins recognised at 31 December 2020.

1.5 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December. Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

A joint arrangement is an arrangement over which the Group and one or more third parties have joint control. These joint arrangements are in turn classified as:

- Joint ventures whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities; and
- Joint operations whereby the Group has rights to the assets and obligations for the liabilities relating to the arrangement.

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

1.6 Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with adopted IFRSs requires management to make estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

No individual judgements have been made that have a significant impact on the financial statements, other than those involving estimates, which are outlined below.

Key sources of estimation uncertainty for the Group

Land held for development and housing work in progress

The Group holds inventories which are stated at the lower of cost and net realisable value. To assess the net realisable value of land held for development and housing work in progress, the Group completes a financial appraisal of the likely revenue which will be generated when these inventories are combined as residential properties for sale and sold. Where the financial appraisal demonstrates that the revenue will exceed the costs of the inventories and other associated costs of constructing the residential properties, the inventories are stated at cost. Where the assessed revenue is lower, the extent to which there is a shortfall is written off through the income statement leaving the inventories stated at a realisable value.

To the extent that the revenues which can be generated change, or the final cost to complete for the site varies from estimates, the net realisable value of the inventories may be different. A review taking into account estimated achievable net revenues, actual inventory and costs to complete as at 31 December 2020 has been carried out, and appropriate adjustments have been made to the carrying value of the provision.

These estimates were made by local management having regard to actual sales prices, together with competitor and marketplace evidence, and were further reviewed by Group management. Should there be a future significant decline in UK house pricing, then further write-downs of land and work in progress may be necessary. Further detail on the carrying value of inventories is laid out in note 3.1.

Management have performed a sensitivity analysis to assess the impact of a 3% decrease in estimated gross margin for all developments which are expected to generate future revenues as this is considered to be a plausible downside scenario. This movement in margin would result in the need to recognise an additional £3m of land write down provision, reducing the value of inventories on the balance sheet, and a corresponding impact to gross profit, which would equate to a 20bps decrease in gross margin in 2020.

Margin recognition

The gross margin from revenue generated on each of the Group's individual sites within the year is recognised based on the latest forecast for the gross margin expected to be generated over the remaining life of that site. The remaining life gross margin is calculated using forecasts for selling prices and all land, build, infrastructure and overhead costs associated with that site. There is inherent uncertainty and sensitivity to external forces (predominantly house prices and labour costs) in these forecasts, which are reviewed regularly throughout the year by management and are addressed on pages 48 to 55.

In order to calculate partner delivery revenue, the Group estimates the total revenue and total costs for the contract and derives the expected margin. Revenue recognised is then calculated by taking the costs incurred in the period, plus the expected margin, for each contract. The assessment of total costs to complete the contract requires estimation.

The Group has robust internal controls to review future revenue and cost estimates.

Management have performed a sensitivity analysis to assess the impact of a 3% increase in estimated costs for all active developments and a 1% increase for all contracting sites which have recognised revenue in 2020, as this is considered to be a plausible downside scenario. This movement in costs would result in an increase in cost of sales and therefore a decrease in gross profit of £33.1m and £4.4m for development and contracting, respectively, in 2020, which would equate to a 210bps decrease in gross margin. Work in progress on the balance sheet would also decrease by £33.1m.

Defined benefit pension scheme

The Group has three defined benefit pension schemes, all closed to future accrual, which are subject to estimation uncertainty. Note 5.10 outlines the way in which these Schemes are recognised in the Group's Financial Statements, the associated risks and sensitivity analysis showing the impact of a change in key variables on the defined benefit assets/obligations.

1.7 Impact of standards and interpretations in issue but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.0 Result for the year

Revenue

Development revenue

Revenue is recognised in the income statement when control of each home has passed to the purchaser, which is when legal title is transferred. Revenue in respect of the sale of residential properties is recognised at the fair value of the consideration received or receivable, net of value added tax and discounts, on legal completion. In certain instances, property may be accepted in part consideration for a sale of a residential property.

The fair value of part exchange properties is established by independent surveyors, reduced for costs to sell. Net sale proceeds generated from the subsequent sale of part exchange properties are recorded as an adjustment to cost of sales. The original sale is recorded in the normal way, with the fair value of the exchanged property replacing cash receipts. Cash incentives are considered to be a discount from the purchase price offered to the acquirer and are therefore accounted for as a reduction to revenue.

The Group applies its policy on contract accounting when recognising revenue and profit on contracts. Revenue and costs are recognised by reference to the stage of completion of contract activity at the balance sheet date. This is normally measured by surveys of work performed to date. When it is probable that the total costs on a construction contract will exceed total contract revenue, the expected loss is recognised as an expense in the Income Statement immediately. The application of this policy requires estimates to be made in respect of the total expected costs to complete for each site. The Group has in place established internal control processes to ensure that the evaluation of costs and revenues is based upon appropriate estimates.

Where the Group provides design, construction and mobilisation activities on a development across multiple units simultaneously, this is considered to represent one performance obligation. Where these services are provided across multiple development sites, each site is typically considered to represent a distinct performance obligation.

Partner delivery revenue

Partner delivery revenue is recognised over time, as the value of the services are transferred to the customer during the period. For all contracts, costs are expensed in the income statement as incurred.

In fixed price contracts, revenue is recognised based on the costs incurred as a percentage of total estimated costs to complete the contract.

In contracts where revenue is directly related to the costs incurred, revenue is recognised based on the costs incurred to date plus any agreed fee or mark-up.

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Sales to joint ventures

When the Group makes sales to joint ventures in which it owns an interest, it will only recognise revenue and profit in the period of the initial transaction to the extent of third parties' interests in the joint venture. The unrecognised element of revenue and profit will be deferred and released to the income statement when the joint venture has sold the assets to which the original transaction with the Group related.

Land and other revenue

Revenue is recognised on land sales and commercial property sales from the point of unconditional exchange of contracts as long as there are no significant obligations remaining. Where the Group still has significant obligations to perform under the terms of the contract, revenue is recognised when the obligations are performed.

Partnership land transactions revenue is generated on land sales to housing associations where the Group will develop the sites in partnership with the housing association.

Revenue by type	2020 £000	2019 £000
Private housing	**1,152,281**	897,017
Affordable housing	**146,972**	170,379
Partner delivery revenue	**489,507**	-
Partnership land transactions	**-**	42,432
Land sales	**17,243**	6,811
Release of deferred revenue from joint ventures	**187**	7,766
Other	**5,537**	6,363
Total	**1,811,727**	1,130,768
Timing of revenue recognition		
At a point in time	**1,094,377**	930,986
Over time	**717,350**	199,782
Total	**1,811,727**	1,130,768

The Group's total revenue recognised in relation to contract liabilities shown in the table above is included within affordable housing revenue and partner delivery revenue.

At 31 December 2020 the aggregate amount of the transaction price allocated to unsatisfied performance obligations on contracts was £788.0m (2019: £311.5m), of which approximately £538.0m is expected to be recognised as revenue during 2021.

Assets and liabilities related to contracts with customers

The Group has recognised the following assets and liabilities relating to its existing contracts with customers:

	2020 £000	2019 £000 (restated)
Amounts recoverable on contracts	**141,404**	42,829
Payments on account	**(96,414)**	(7,731)

Contract assets are represented by amounts recoverable on contracts in the above table. Amounts recoverable on contracts arise where the revenue recognised on a long-term contract exceeds the value of stage payments that have been invoiced on that contract. Contract liabilities are represented by payments on account where stage payments exceed revenue recognised on long term contracts. Materially all of the payments on account as at 31 December 2019 have been recognised as revenue in the current year.

Significant changes in contract assets and liabilities

Contract assets and contract liabilities have increased in the year as a result of the Acquisition and the enlarged Group. In particular, payments on account have increased by £88.7m as a result of the payments received in relation to partner delivery contracting which were nil at 31 December 2019.

2.1 Operating profit

Operating profit before exceptionals is stated after charging/(crediting):

	2020 £000	2019 £000 (restated)
Depreciation of tangible fixed assets (see note 5.4)	**1,449**	898
Amortisation of intangible fixed assets (see note 5.6)	**15,418**	449
Depreciation of right-of-use assets (see note 5.5)	**14,843**	4,875
Personnel expenses (not capitalised into work in progress)	**77,206**	29,288
Rental income (included in revenue)	**(468)**	(101)

Other operating income includes:

	2020 £000	2019 £000
Joint arrangement management fees income	**15,172**	2,064
Profit on disposal of investment	**113**	8,611
Release of joint venture deferred income	**11,137**	-

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.

2019 exceptional expenses related wholly to the Acquisition. 2020 exceptional expenses relate to the Acquisition (£20.0m) and the recognition of a provision for legacy property building safety (£11.0m).

	2020 £000	2019 £000
Administrative expenses relating to the Acquisition	**20,009**	12,846
Finance expenses relating to the Acquisition	**–**	630
Exceptional expenses relating to the Acquisition	**20,009**	13,476
Cost of sales relating to legacy property building safety	**10,975**	–
Exceptional expenses relating to legacy property building safety	**10,975**	–
Total exceptional expenses	**30,984**	13,476

On 3 January 2020, the Group completed the acquisition of Linden and Partnerships from Galliford Try PLC. The administrative fees incurred in the year ended 31 December 2019 in relation to this transaction include legal, financing and accounting advisory services, transaction insurance costs and other expenses. In the year ended 31 December 2020, exceptional administrative expenses include legal fees incurred in relation to the completion and completion statement, as well as costs directly related to the integration and restructuring of the Group as a result of the Acquisition, including the cost of redundancies and office closures.

The exceptional interest costs incurred in the year ended 31 December 2019 related to the accelerated amortisation of capitalised facility arrangement fees on the 2015 revolving credit facility; this results from the early termination of this facility in January 2020 triggered by the refinancing for the Acquisition.

Exceptional expenses relating to legacy property building safety reflect estimated costs relating to finished developments in relation to potential build defects including building fire safety. The Group has undertaken a review of all of its current and legacy buildings where a potential liability has been identified and has provided for the expected costs of any remedial works that may be required.

Tax on exceptional items in 2020 was £5.9m (2019: £0.1m)

Auditors' remuneration

	2020 £000	2019 £000
Fees payable to the Company's auditors for the audit of the Company and Group's annual accounts	**183**	35
Fees payable to the Company's auditor and its associates for other services:		
Audit of the accounts of subsidiaries	**565**	215
Audit-related assurance services	**50**	30
Other assurance services	**–**	865
Non-audit fees	**1**	–
Fees charged to operating profit	**799**	1,145

2.2 Segmental reporting

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

The Chief Operating Decision Maker (CODM), which is the Board, notes that the Group's main operation is that of a housebuilder and it operates entirely within the United Kingdom. Following the Acquisition the Board have identified two separate segments having taken into consideration IFRS8 criteria – Housebuilding and Partnerships.

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

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

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

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

Notes to the financial statements continued

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

Adjusted financial results include share of joint ventures and exclude exceptional items. Adjusted gross profit is stated including other operating income. The Partnerships business was acquired on 3 January 2020 therefore the financial performance for period ended 31 December 2019 was nil.

Segmental financial performance

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

Year ended 31 December 2019	Housebuilding £000	Partnerships £000	Group items £000	Total £000
Revenue	1,130,768	-	-	**1,130,768**
Share of joint venture revenue	8,479	-	-	**8,479**
Adjusted revenue	1,139,247	-	-	**1,139,247**
Gross Profit	242,756	-	-	**242,756**
Share of joint venture gross profit	1,885	-	-	**1,885**
Other operating income	10,675	-	-	**10,675**
Adjusted gross profit	255,316	-	-	**255,316**
Operating Profit	205,279	-	(25,558)	**179,721**
Share of joint venture operating profit / (loss)	1,788	-	-	**1,788**
Exceptional items	-	-	12,846	**12,846**
Adjusted operating profit / (loss)	207,067	-	(12,712)	**194,355**
Adjusted gross margin	22.4%	-	-	**22.4%**
Adjusted operating margin	18.2%	-	-	**17.1%**

Segmental financial position

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

Year ended 31 December 2019	Housebuilding £000	Partnerships £000	Group items £000	Total £000
Goodwill and intangibles	4,336	–	–	**4,336**
Tangible net assets / (liabilities) excluding investments in joint ventures	836,788	–	(16,249)	**820,539**
Investments in joint ventures	85,129	–	–	**85,129**
Net cash	–	–	361,962	**361,962**

2.3 Dividends

The following dividends were paid by the Group:

	2020 £000	2019 £000
Prior year final dividend per share of nil (2019: 38.0p)	–	51,078
Current year interim dividend per share of nil (2019:20.5p)	–	27,567
	–	78,645

The 2019 Special dividend was paid by way of a bonus issue of 5,665,723 shares in January 2020 with a total value of £66.0m.

Following shareholder approval on 14 July 2020 and admission to Main Market of the London Stock Exchange on 15 July 2020, the second interim dividend in respect to 2019 with a value of £60.0m was paid in the form of a bonus issue. 4,369,992 ordinary shares of £0.50 each were issued to shareholders as a bonus issue on the Company's register of members as at 6.00 p.m. on 27 December 2019.

The Board determined on 8 September 2020 that no interim dividend was to be paid for the first half of 2020.

A final dividend of 20 pence per share has been declared and, subject to shareholder approval at the AGM, will be paid on 21 May 2021 in respect of 2020.

2.4 Earnings per share

Profit attributable to ordinary shareholders

	2020 £000	2019 £000
Profit for the year attributable to equity holders of the parent	**76,813**	138,379
Profit for the year attributable to equity holders of the parent (before exceptional items and amortisation of acquired intangibles)	**116,109**	152,568

The prior year EPS has been restated to include the impact of the bonus issues in January and July 2020, of 5,665,723 and 4,369,992 shares, respectively.

Earnings per share

	2020	2019 (restated)
Basic earnings per share	**34.8p**	94.6p
Diluted earnings per share	**34.7p**	94.5p
Basic earnings per share (before exceptional items and amortisation of acquired intangibles)	**52.6p**	104.3p
Diluted earnings per share (before exceptional items and amortisation of acquired intangibles)	**52.5p**	104.2p

Weighted average number of shares used as the denominator

	2020	2019 (restated)
Weighted average number of ordinary shares at 31 December	**220,916,654**	146,300,079
Adjustments for calculation of diluted earnings per share:		
Options	**225,558**	140,622
Weighted average number of ordinary shares and potential ordinary shares used as a denominator in calculating diluted earnings per share	**221,142,212**	146,440,701

The prior year number of shares has been restated to include the impact of the bonus issues in January and July 2020, of 5,665,723 and 4,369,992 shares, respectively.

Basic earnings per share

Basic earnings per ordinary share for the year ended 31 December 2020 is calculated on a profit attributable to ordinary shareholders of £76,813,000 (2019: £138,379,000) over the weighted average of 220,916,654 (2019 restated: 146,300,079) ordinary shares in issue during the period.

Diluted earnings per share

The calculation of diluted earnings per share for the year ended 31 December 2020 was based on the profit attributable to ordinary shareholders of £76,813,000 (2019: £138,379,000).

The Group's diluted weighted average ordinary shares potentially in issue for the year ended 31 December 2020 was 221,142,212 (2019 restated: 146,440,701).

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.

3.0 Land bank and other operating assets and liabilities

This section shows the assets used to generate the Group's trading performance and the liabilities incurred as a result. Liabilities relating to the Group's financing activities are addressed in section 4. Deferred tax assets and liabilities are shown in section 5.2.

3.1 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads, not including any general administrative overheads, that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated net selling price less estimated total costs of completion of the finished units.

Land held for development, including land in the course of development until legal completion of the sale of the asset, is initially recorded at cost along with any expected overage, or recognised acquisition value. An overage being the amount a land owner may be entitled to receive when completing the sale of a piece of land, provided specific conditions stipulated in the contract are met. Where, through deferred purchase credit terms, cost differs from the nominal amount which will actually be paid in settling the deferred purchase terms liability, an adjustment is made to the cost of the land, the difference being charged as a finance cost.

Options purchased in respect of land are capitalised initially at cost and written down on a straight-line basis over the life of the option.

Should planning permission be granted and the option be exercised, the option is not amortised during that year and its carrying value is included within the cost of land purchased.

Options which were obtained as part of the Acquisition have been recognised at acquisition value and subsequently reviewed for impairment at each reporting date.

Investments in land without the benefit of planning consent, either through purchase of freehold land or non-refundable deposits paid on land purchase contracts subject to residential planning consent, are capitalised initially at cost. Regular reviews are completed for impairment in the value of these investments, and provision made to reflect any irrecoverable element. The impairment reviews consider the existing use value of the land and assesses the likelihood of achieving residential planning consent and the value thereof.

Part exchange properties are held at the lower of cost and net realisable value and include a carrying value provision to cover the costs of management and resale. Any profit or loss on the disposal of part exchange properties is recognised within cost of sales in the Group Income Statement.

Group	2020 £000	2019 £000
Raw materials and consumables	**5,843**	4,690
Work in progress	**727,471**	470,760
Part exchange properties	**25,645**	15,917
Land held for development (net of provision)	**1,077,562**	716,300
Inventories	**1,836,521**	1,207,667

Inventories to the value of £1,121.3m were recognised as expenses in the year (2019: £886.4m).
Part exchange properties of £96.2m (2019: £80.5m) were disposed of during the year for proceeds of £96.5m (2019: £79.9m).

Movement on inventory provision	2020 £000	2019 £000
Balance at 1 January	**2,230**	3,439
- Utilisation in the year	**(1,727)**	(2,041)
- Unutilised and released in the year	**(498)**	-
	5	1,398
New provisions recognised on sites still held	**5,730**	282
New provisions recognised on sites identified for disposal outside of core operating area	**-**	550
Balance at 31 December	**5,735**	2,230

£10.8m (2019: £4.5m) of inventories were valued at net realisable value rather than at historic cost.

3.2 Trade and other receivables

Trade and other receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. The Group applies the IFRS9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the age of the outstanding amounts. The contract assets relate to unbilled work in progress on contracts described in note 2.0 and have a historically low level of default, similar to the Group's low default levels on trade receivables.

Other debtors include amounts receivable from the Government in relation to the Help to Buy scheme.

	Group		Company	
	2020 £000	2019 £000	2020 £000	2019 £000
Trade receivables (current and non-current)	**14,335**	25,421	**-**	-
Amounts recoverable on contracts	**141,404**	42,829	**-**	-
Amounts due from subsidiary undertakings	**-**	-	**276,048**	642,380
Other debtors	**36,097**	9,307	**-**	-
Prepayments	**14,637**	7,654	**-**	-
Other accrued income	**20,093**	15,021	**-**	-
Total trade and other receivables	**226,566**	100,232	**276,048**	642,380

The above trade and other receivables are shown net of their expected credit loss allowances, which total £1.7m (2019: £2.0m). The Group's standard invoice payment terms are 30 days.

The carrying value of amounts due from subsidiary undertakings represents the Company's maximum credit risk. Interest is charged on these amounts at a rate of 2.3% per annum. The Directors consider that any expected credit loss allowance would be immaterial on these balances.

Receivables which are past due but not impaired are not material in either period.

The Directors consider that the carrying amount of trade receivables approximates to their fair value.

3.3 Trade and other payables

Trade payables

Trade payables on normal terms are not interest bearing and are stated at their nominal value.

Trade payables on extended terms, particularly in respect of land, are recorded at their fair value at the date of acquisition of the asset to which they relate. The discount to nominal value which will be paid in settling the deferred purchase terms liability is recognised over the period of the credit term and charged to finance costs using the effective interest rate method.

	Group		Company	
	2020 £000	2019 £000	2020 £000	2019 £000
Non-current liabilities				
Trade payables	**139,229**	122,819	**-**	-
Other creditors	**87**	121	**781**	781
Total non-current liabilities	**139,316**	122,940	**781**	781
Current liabilities				
Trade payables	**447,660**	259,328	**-**	-
Payments on account	**96,414**	7,731	**-**	-
Taxation and social security	**9,185**	1,750	**-**	-
Amounts payable to joint ventures	**20,157**	205	**-**	-
Other creditors	**71,625**	1,941	**-**	-
Accruals	**161,942**	72,924	**-**	-
Deferred income	**87,520**	8,480	**-**	-
Total current liabilities	**894,503**	352,359	**-**	-
Total trade and other payables	**1,033,819**	475,299	**781**	781

The Group's non-current liabilities largely relate to land purchased on extended payment terms. An ageing of land creditor repayments is provided in note 4.6.

4.0 Financing

This section outlines how the Group manages its capital and related financing activities.

4.1 Cash and cash equivalents

Cash and cash equivalents comprises cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

	Group		Company	
	2020 £000	2019 £000	2020 £000	2019 £000
Bank balances	**338,799**	11,743	**344**	344
Call deposits	**2,189**	350,219	**-**	-
Cash and cash equivalents in the balance sheet and cash flows	**340,988**	361,962	**344**	344

Restricted cash on the balance sheet primarily relates to amounts that the Group paid into indemnity funds as part of the NewBuy housing scheme which have not yet been released and is not included in the amounts above.

4.2 Bank and other loans

Bank borrowings

Interest-bearing bank loans and overdrafts are initially recorded at fair value, net of direct issue costs, and subsequently at amortised cost. Finance charges are accounted for on an accruals basis to the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Interest rate profile of bank and other loans

At 31 December	Rate	Available facility £000	Facility maturity	Carrying value 2020 £000	Carrying value 2019 £000
Revolving credit facility*	LIBOR +165-255bps	410,000	2025	-	-
Revolving credit facility*	LIBOR +165-255bps	40,000	2023	-	-
Term Loan*	LIBOR +165-255bps	150,000	2023	150,000	-
USPP Loan**	403 bps	100,000	2027	107,359	-
Revolving credit facility (commenced 27 March 2020)	LIBOR +155-245bps	20,000	2022	-	-
Prepaid facility fee	n/a	n/a	n/a	(4,256)	-
Total non-current borrowings		720,000		253,103	-
Term Loan (commenced 17 March 2020)***	LIBOR +265bps	50,000	2021	50,000	-
Total current borrowings		50,000		50,000	-
Total		770,000		303,103	-

** These facilities commenced on 3 January 2020 and were subsequently amended on 24 January 2020.*

*** Carrying value is quoted including impact from the fair value of future interest payments.*

**** The maturity date for this facility was amended on 23 February 2021 to January 2023.*

The combined £450.0 million revolving credit facility syndicate comprises eight banks. The revolving credit facilities, USPP Loan and Term Loan all include a covenant package, covering interest cover, gearing and tangible net worth requirements, which are tested semi-annually. The overall financing cost of the new arrangements are marginally more expensive than the previous facility.

Net cash is calculated as follows:	2020 £000	2019 £000
Cash and cash equivalents	340,988	361,962
Non-current bank and other loans	(253,103)	-
Current bank and other loans	(50,000)	-
Net cash	37,885	361,962

The movement in net cash during the year was as follows:	2020 £000	2019 £000
Net cash at 1 January	361,962	126,816
Cash flow per cash flow statement	(20,974)	198,745
Loan repayments	275,000	36,401
Loan drawdowns	(475,000)	-
USPP borrowings acquired (note 5.14)	(108,218)	-
Imputed interest on USPP loan	859	-
Prepaid facility fees capitalised	6,000	-
Prepaid facility fees amortised	(1,744)	-
Net cash at 31 December	37,885	361,962

4.3 Net financing costs

Finance income relates to interest income earned on loans made to joint ventures and pension finance credit.

Finance costs are included in the measurement of borrowings at their amortised cost to the extent that they are not settled in the period in which they arise.

Finance costs predominantly relate to interest charges on external borrowings, lease liabilities and deferred land creditors.

The Group is required to capitalise borrowing costs directly attributable to the acquisition, construction and production of a qualifying asset, as part of the costs of that asset. Inventories which are produced in large quantities on a repetitive basis over a short period of time are not qualifying assets. The Group does not generally produce qualifying assets.

Net financing costs recognised in the Group Income Statement

	Note	2020 £000	2019 £000
Interest income		**17,941**	707
Net pension finance credit	5.10	**291**	106
Finance income		**18,232**	813
Imputed interest on deferred term land payables		**(6,299)**	(3,452)
Interest on lease liabilities	5.5	**(1,179)**	(558)
Bank and other interest		**(18,680)**	(2,929)
Exceptional finance expenses (see note 2.1)		**-**	(630)
Finance expenses		**(26,158)**	(7,569)
Net financing costs		**(7,926)**	(6,756)

4.4 Capital and reserves

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. Where there is a bonus share issue the nominal value of the shares are deducted from reserves and recognised within share capital.

Own shares held by ESOP trust

Transactions of the Group-sponsored ESOP trust are included in the Group financial statements. In particular, the trust's purchases of shares in the Company are debited directly to equity through an own shares held reserve.

Share capital

Ordinary shares	2020 Number of shares	2020 Issued capital £000	2020 Share premium £000	2019 Number of shares	2019 Issued capital £000	2019 Share premium £000
In issue at 1 January	**148,338,257**	**74,169**	**359,857**	134,796,633	67,398	216,907
Issued for cash	**139,766**	**70**	**800**	13,541,624	6,771	146,003
Bonus share issue	**10,035,715**	**5,018**	**-**	-	-	-
Shares issued as consideration	**63,739,385**	**31,870**	**-**	-	-	-
Costs of issuing equity	**-**	**-**	**-**	-	-	(3,053)
In issue at 31 December – fully paid	**222,253,123**	**111,127**	**360,657**	**148,338,257**	**74,169**	**359,857**

The holders of ordinary shares (nominal value 50p) are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. The cost of issuing equity in the prior year relates to the placing of new ordinary shares in 2019.

Reserve for own shares held

The cost of the Company's shares held in the ESOP trust by the Group is recorded as a reserve in equity. During the year ended 31 December 2020, the Group purchased 534,026 shares (2019: nil shares purchase at a total cost of £nil). There were 17,530 shares awarded under the Group's long-term incentive plan that vested during 2020 (2019: nil) and accordingly the balance of the own shares held reserve has reduced by £164,000 in 2020 (2019: £nil). At 31 December 2020, the Group held 901,933 of its own shares (2019: 385,437), with a value on reserve of £6,956,000 (2019: £3,620,000). The Group has suspended all rights on shares held by the Group in the Company.

4.5 Financial risk management

Group

The Group seeks to manage its capital in such a manner that the Group safeguards its ability to continue as a going concern and to fund its future development. In continuing as a going concern, it seeks to provide returns for shareholders over the housing market cycle as well as enabling repayment of its liabilities as a trading business.

The Group's capital comprises its shareholders' equity, added together with its net borrowings, or less its net cash, stated before issue costs. A five year record of its capital employed is displayed on page 192.

Whilst the blended cost of capital is a factor in the Group's decision making in assessing the right blend of shareholders' equity and debt financing, the Group has typically preferred to operate within a framework that features relatively low gearing or cash in hand. This is because the Group recognises that housebuilding can be cyclical, and higher levels of gearing can create profound liquidity risks. The Group would seek to manage its capital base through control over expenditure, maintenance of adequate banking facilities, control over dividend payments and in the longer term through adjustments to its capital structure. In 2020 the Group has operated at a higher gearing level as a result of the Acquisition at the beginning of the year and at 31 December 2020 has returned to a net cash position.

An important part of capital management for the Group is its financial instruments, which comprise cash, bank and other loans and overdrafts.

The main purpose of these financial instruments is to raise finance for the Group's operations. The Group also utilises financial assets and liabilities such as trade payables or receivables that arise directly from operations.

The use of these carries risk: interest rate risk, credit risk and liquidity risk. Given that the Group trades exclusively in the UK, there is no material currency risk.

Company

The Company only trades with other Group entities and is only exposed to credit risk on those intercompany balances.

a. Interest rate risk

Exposure to interest rate risk arises in the normal course of the Group's business. The Group has no exposure to currency risk as all its financial assets and liabilities are denominated in sterling. Throughout the year, the Group's policy has been that no trading in financial instruments shall be undertaken.

Effective interest rates and repricing analysis

The interest rate profile of the Group's interest bearing financial instruments is set out in note 4.2.

Sensitivity analysis

In managing interest rates, the Group aims to reduce the impact of short-term fluctuations in the Group's earnings, given that Group borrowings are variable in terms of interest rate. Over the longer-term, however, permanent changes in interest rates would have an impact on consolidated earnings. For the year ended 31 December 2020, a general increase of one percentage point in interest rates applying for the full year would not have a material impact on the financial statements.

b. Credit risk

The Group's exposure to credit risk is limited by the fact that the Group generally receives cash at the point of legal completion of its sales of private houses or land. There are certain categories of revenue where this is not the case: for instance, partner delivery contracting revenues and housing association revenues. For partner delivery contracting and housing association revenues, the Group collects cash at regular intervals in line with build progress in order to minimise its credit risk. The largest single amount outstanding at the year end was £14.4 million (2019: £20.2 million), which is payable by the end of December 2021. The Group retains these outstanding balances as trade and other receivables. The carrying value of trade and other receivables equates to the Group's exposure to credit risk. This is set out in note 3.2.

The Group's trade and other receivables are secured against the following:

	2020 £000	2019 £000
Second charge against property	**1,544**	1,090
Unsecured	**225,022**	105,374
	226,566	106,464

In managing risk the Group assesses the credit risk of its counterparties before entering into a transaction. This assessment is based upon management knowledge and experience. In the event that land is disposed of the Group seeks to mitigate any credit risk by retaining a charge over the asset disposed of, so that in the event of default, the Group is able to seek to recover its outstanding asset.

Company

The Company's exposure to credit risk is limited as a result of all outstanding balances relating to companies within the Group.

c. Liquidity risk

The Group's banking arrangements outlined in note 4.2 are considered to be adequate in terms of flexibility and liquidity for the enlarged Group's medium term cash flow needs, thus mitigating its liquidity risk. The Group's approach to assessment of liquidity risk is outlined in the going concern sub-section in the risk management section on page 48.

d. Housing market price risk

The performance of the UK housing market affects the valuation of certain of the Group's non-financial assets and liabilities and the critical judgements applied by management in these financial statements, including the valuation of land and work in progress.

Maturities of financial instruments

31 December 2020	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	212	212	425	-	344	1,193	1,193
Trade and other receivables	225,022	-	-	-	1,544	226,566	226,566
Cash and cash equivalents	340,988	-	-	-	-	340,988	340,988
Non-derivative financial liabilities							
Bank and other loans	(50,000)	-	-	-	-	(50,000)	(50,000)
Long term loans	-	-	(20,000)	(130,000)	(100,000)	(250,000)	(253,103)
Trade and other payables	(822,605)	(70,436)	(98,577)	(31,712)	(17,446)	(1,040,776)	(1,033,819)
Lease liabilities	(8,176)	(7,494)	(13,127)	(11,594)	(5,815)	(46,206)	(42,151)
Total net financial liabilities	**(314,559)**	**(77,718)**	**(131,279)**	**(173,306)**	**(121,373)**	**(818,235)**	**(810,326)**

Of the above financial assets and liabilities at 31 December 2020, £1.5m is linked to the UK housing market, and £808.8m is not linked to the UK housing market.

31 December 2019	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	1,404	-	-	-	344	1,748	1,748
Trade and other receivables	99,142	-	-	-	1,090	100,232	100,232
Cash and cash equivalents	361,962	-	-	-	-	361,962	361,962
Non-derivative financial liabilities							
Bank and other loans	-	-	-	-	-	-	-
Trade and other payables	(283,196)	(85,366)	(78,308)	(46,305)	(118)	(493,293)	(475,299)
Lease liabilities	(3,334)	(3,058)	(5,197)	(7,873)	(5,805)	(25,267)	(22,995)
Total net financial assets / (liabilities)	**175,978**	**(88,424)**	**(83,505)**	**(54,178)**	**(4,489)**	**(54,618)**	**(34,352)**

Of the above financial assets and liabilities at 31 December 2019, £1.1m is linked to the UK housing market, and £33.3m is not linked to the UK housing market.

Notes to the financial statements continued

4.6 Financial instruments

Fair values

There is no material difference between the carrying value of financial instruments shown in the balance sheet and their fair value.

Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments:

Land purchased on extended payment terms

When land is purchased on extended payment terms, the Group initially records it at its fair value with a land creditor recorded for any outstanding monies based on this fair value assessment. Fair value is determined as the outstanding element of the price paid for the land discounted to present day. The difference between the nominal value and the initial fair value is amortised over the period of the extended credit term and charged to finance costs using the 'effective interest' rate method, increasing the value of the land creditor such that at the date of maturity the land creditor equals the payment required.

Land creditor (estimated ageing)	Balance at 31 Dec £000	Total contracted cash payment £000	Due within 1 year £000	Between 1-2 years £000	Between 2-3 years £000	Between 3-4 years £000	Between 4-5 years £000	Due beyond 5 years £000
2020	**323,167**	**329,514**	**182,388**	**98,455**	**17,050**	**6,807**	**7,490**	**17,324**
2019	258,758	262,489	137,758	78,308	39,943	6,348	14	118

Bank and other loans

Fair value is calculated based on discounted expected future principal and interest flows. See note 4.2 for further details.

Trade and other receivables / payables

Other than land creditors, the nominal value of trade receivables and payables is deemed to reflect the fair value. This is due to the fact that transactions which give rise to these trade receivables and payables arise in the normal course of trade with industry standard payment terms.

5.0 Other disclosures

This section includes all disclosures which are required by IFRS or the Companies Act which have not been included elsewhere in the financial statements.

5.1 Income tax expense including exceptional items

Income tax comprises the sum of the tax currently payable or receivable and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Recognised in the income statement

	Note	2020 £000	2019 £000
Current tax			
Current year		**1,407**	35,424
Adjustments for prior years		**(1,215)**	1,260
		192	36,684
Deferred tax			
Origination and reversal of temporary differences	5.2	**21,673**	(331)
Adjustments for prior year	5.2	**(14)**	21
Total income tax in income statement		**21,851**	36,374

Notes to the financial statements continued

Reconciliation of effective tax rate

	2020 %	2020 £000	2019 %	2019 £000
Profit before tax		98,664		174,753
Income tax using the domestic corporation tax rate	19.0	18,746	19.0	33,203
Non-deductible expenses and disposal of ineligible assets	4.5	4,447	1.4	2,441
Other non-taxable income/deductable expense	-	-	(0.4)	(724)
Other	-	-	0.1	173
Change in tax rate	(0.1)	(113)	-	-
Adjustments to the tax charge in respect to the prior year	(1.3)	(1,229)	0.7	1,281
Total tax expense	22.1	21,851	20.8	36,374

The Group's effective tax rate of 22.1% (2019: 20.8%) is higher than the current rate of 19.0% (2019: 19.0%) as a result of a proportion of the exceptional costs and other costs being non-deductible for tax purposes. The Group does not have any open corporation tax enquiries with the tax authorities.

On 3 March 2021 the Chancellor of the Exchequer announced a proposed increase to the UK corporation tax rate from 19% to 25% as from April 2023. The impact of this increase will be taken into account once the change in rate has been enacted.

Recognised directly in Group statement of changes in equity or in the Group statement of comprehensive income

	Note	2020 £000	2019 £000
Relating to actuarial movements on pension scheme (Group statement of comprehensive income)	5.2	2,124	464
Relating to share-based payments (Group statement of changes in equity)	5.2	339	140
Deferred tax recognised directly in Group statement of changes in equity or the Group statement of comprehensive income		2,463	604

5.2 Tax assets and liabilities

The tax currently payable or receivable is based on taxable profit or loss for the year and any adjustment to tax payable or receivable in respect of previous years. Taxable profit or loss differs from net profit or loss as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability or asset for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from non-tax deductible goodwill, from the initial recognition of assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit, and from differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to reserves, in which case the deferred tax is also dealt with in reserves.

Notes to the financial statements continued

Current tax assets and liabilities

The current tax asset of £14.4m (2019: liability of £20.9m) arose as a result of the timing of when tax payments became due for that financial year.

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
Group	2020 £000	2019 £000	2020 £000	2019 £000	2020 £000	2019 £000
Property, plant and equipment	–	–	(17)	(41)	(17)	(41)
Non-current trade payables	–	–	(15)	(17)	(15)	(17)
Available for sale financial assets	–	–	(399)	(446)	(399)	(446)
Employee benefits – pensions	–	–	(1,724)	(766)	(1,724)	(766)
Employee benefits – share-based payments	841	1,495	–	–	841	1,495
Provisions	–	149	(7,059)	–	(7,059)	149
Inventories	–	–	(9,266)	(194)	(9,266)	(194)
Profit on sale of assets to joint ventures	2	4	–	–	2	4
Tax assets / (liabilities)	**843**	**1,648**	**(18,480)**	**(1,464)**	**(17,637)**	**184**

Movement in temporary differences during the year

Group	Balance 1 Jan 2020 £000	Recognised from Acquisition £000	Recognised in income £000	Recognised in equity and other comprehensive income £000	Balance 31 Dec 2020 £000
Property, plant and equipment	(41)	(12)	36	–	**(17)**
Trade payables	(17)	–	2	–	**(15)**
Available for sale financial assets	(446)	–	47	–	**(399)**
Employee benefits – pensions	(766)	(1,073)	(2,009)	2,124	**(1,724)**
Employee benefits – share-based payments	1,495	–	(993)	339	**841**
Provisions	149	(6,400)	(808)	–	**(7,059)**
Inventories	(194)	8,860	(17,932)	–	**(9,266)**
Profit on sale of assets to joint ventures	4	–	(2)	–	**2**
Movement in temporary differences	**184**	**1,375**	**(21,659)**	**2,463**	**(17,637)**

Group	Balance 1 Jan 2019 £000	Recognised in income £000	Recognised in equity £000	Balance 31 Dec 2019 £000
Property, plant and equipment	(126)	85	–	(41)
Trade payables	(21)	4	–	(17)
Available for sale financial assets	(536)	90	–	(446)
Employee benefits – pensions	(214)	(1,016)	464	(766)
Employee benefits – share-based payments	297	1,058	140	1,495
Provisions	149	–	–	149
Inventories	(447)	253	–	(194)
Profit on sale of assets to joint ventures	168	(164)	–	4
Movement in temporary differences	**(730)**	**310**	**604**	**184**

Factors affecting future tax charge

The UK corporation tax rate is 19% (effective from 1 April 2017) and the proposed reduction to 17% (effective 1 April 2020) that was substantively enacted on 6 September 2016 has been reversed. The deferred tax at 31 December 2019 was calculated based on the rate of 17% however the deferred tax at 31 December 2020 has been calculated based on the rate of 19%.

Employee benefits

The Group recognises the deficit or surplus on its defined benefits pension scheme under the requirements of IAS19 (Revised): 'Employee benefits'.

This has generated a surplus of £9.1m (2019: surplus of £4.5m). As at 31 December 2020, a deferred tax liability of £1.7m (2019 tax liability: £0.8m) was recognised.

5.3 Directors and employees

The weekly average number of employees of the Group, all of whom were engaged in the United Kingdom on the Group's principal activity, together with personnel expenses, are set out below.

Average staff numbers – Group

	2020	2019
Average staff numbers	**3,152**	1,340

The Company had no employees during 2020 (2019: nil).

A breakdown of staff numbers split by type of role is included on page 28.

Personnel expenses – Group

	2020 £000	2019 £000
Wages and salaries	**179,681**	77,888
Social security costs	**20,386**	9,056
Contributions to defined contribution plans	**8,936**	2,602
Expenses related to defined benefit plans	**1,299**	577
Equity-settled share-based payments	**2,741**	2,891
Personnel expenses	**213,043**	93,014

The aggregate remuneration for the Group's Directors during 2020 was £3.2m, which is shown in further detail on pages 104 to 119 of the remuneration report (2019: £3.6m). The Company had no personnel expenses during 2020 (2019: nil).

Share-based payments

The Group has applied the requirements of IFRS2: "Share-based payments".

The Group issues equity-settled share-based payments to certain employees in the form of share options over shares in the Parent Company. Equity-settled share-based payments are measured at fair value at the date of grant calculated using an independent option valuation model, taking into account the terms and conditions upon which the options were granted. The fair value is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest, with a corresponding credit to equity except when the share- based payment is cancelled where the charge will be accelerated.

Movements in the number of share options outstanding and their related weighted average exercise prices

Long Term Incentive Plan	2020 Average exercise price in £ per share option	2020 Share options 000	2019 Average exercise price in £ per share option	2019 Share options 000
At 1 January	–	1,435	–	1,144
Granted	–	764	–	317
Lapsed	–	–	–	(26)
Exercised	–	–	–	–
At 31 December	**–**	**2,199**	–	1,435

Executive and other share options	2020 Average exercise price in £ per share option	2020 Share options 000	2019 Average exercise price in £ per share option	2019 Share options 000
At 1 January	8.37	25	7.56	33
Granted	–	–	–	–
Lapsed	7.74	(5)	–	–
Exercised	–	–	5.02	(8)
At 31 December	**8.53**	**20**	8.37	25

Save As You Earn	2020 Average exercise price in £ per share option	2020 Share options 000	2019 Average exercise price in £ per share option	2019 Share options 000
At 1 January	7.73	486	7.15	464
Granted	4.68	1,523	9.30	143
Lapsed	8.12	(30)	7.31	(35)
Cancelled	8.01	(175)	7.97	(25)
Exercised	6.21	(140)	7.15	(61)
At 31 December	**5.03**	**1,664**	7.73	486

Out of the 3,884,000 outstanding options (2019: 1,946,000), 830,000 options (2019: 314,000) were exercisable. Options exercised in 2020 resulted in 140,000 shares (2019: 69,000) being issued at a weighted average share price of £6.21 each (2019: £6.90 each).

Expiry date and exercise price of share options outstanding at the end of the year

Long Term Incentive Plan

Grant vest	Expiry date	Exercise price in £ per share option	2020 Share options 000	2019 Share options 000
2011-14	15/03/2021	–	**14**	14
2012-15	28/02/2022	–	**16**	16
2013-16	26/02/2023	–	**23**	23
2013-16	20/08/2023	–	**8**	8
2014-17	25/02/2024	–	**19**	19
2016-19	15/08/2026	–	**209**	209
2017-18	02/05/2027	–	**154**	154
2017-20	08/09/2027	–	**368**	368
2018-21	05/03/2028	–	**321**	321
2019-22	04/03/2029	–	**303**	303
2020-23	02/03/2030	–	**764**	–
			2,199	1,435

Executive and other share options

Grant vest	Expiry date	Exercise price in £ per share option	2020 Share options 000	2019 Share options 000
2013-16	21/08/2020	7.73	**–**	5
2014-17	20/08/2021	8.53	**20**	20
			20	25

Save As You Earn

Grant vest	Expiry date	Exercise price in £ per share option	2020 Share options 000	2019 Share options 000
2015-20	24/09/2020	7.66	**–**	11
2016-21	24/09/2021	7.12	**10**	15
2017-20	24/09/2020	6.12	**1**	181
2017-22	24/09/2022	6.12	**20**	34
2018-21	23/09/2021	9.06	**40**	93
2018-23	23/09/2023	9.06	**11**	20
2019-22	01/12/2022	9.30	**58**	114
2019-24	01/12/2024	9.30	**8**	18
2020-23	01/06/2024	4.68	**1,165**	–
2020-25	01/06/2026	4.68	**351**	–
			1,664	486

The weighted average fair value of the options granted during the period determined using the Monte Carlo model was £6.23 per option (2019: £6.87). The significant inputs into the model were a weighted average share price of £12.71 (2019: £11.42) at the grant date, the exercise price shown in the table on the previous page, volatility of 34% (2019: 37.25%), an expected option life of 5 years (2019: 5 years) and an annual risk-free rate of 0.28% (2019: 0.81%). The volatility is measured at the standard deviation of continuously compounded share returns, based on statistical analysis of daily share prices over the last 3 years.

Share-based payments expense in the income statement

	2020 £000	2019 £000
Long Term Incentive Plan	**2,402**	2,489
Executive and other share options	**-**	6
Save As You Earn share options	**339**	395
Total expense recognised as personnel expenses	**2,741**	2,890

Information relating to the remuneration of directors appears in the directors' remuneration report on pages 104 to 119.
The executive leadership team as shown on page 82 are considered to be the only key management personnel.
A summary of key management remuneration is as follows:

	2020 £000	2019 £000
Wages and salaries	**2,640**	2,083
Compulsory social security contributions	**713**	286
Contributions to defined contribution plans	**21**	19
Share-based payment expenses	**1,198**	1,884
Key management remuneration	**4,572**	4,272

Details of the equity settled share-based schemes are set out below.

Long Term Incentive Plan

A long term incentive plan for executive directors and senior executives was approved by shareholders at a General Meeting in December 2019. The first grant of awards under this plan was made in 2020. Details of the vesting conditions of these awards are laid out in the directors' remuneration report on pages 104 to 119.

Project 200 Incentive plan

The Project 200 incentive plan was implemented for members of the executive management team during 2017, and is designed to support the Group's programme of balance sheet optimisation and reduction in capital in order to facilitate the potential return of capital to shareholders through special dividends.

Save As You Earn share options

The Vistry Group PLC Save As You Earn Option Scheme was established in 2007 and renewed in 2017. Share options held in the Save As You Earn Option Scheme are not subject to performance conditions and may under normal circumstances be exercised during the six months after maturity of the agreement. Save As You Earn share options are generally exercisable at an exercise price which includes a 20% discount to the market price of the shares at the date of grant.

5.4 Property, plant and equipment

Plant, property and equipment (PPE) is recorded at prime cost less accumulated depreciation.
The sub-categories of PPE are depreciated as follows:

- Freehold buildings on a 2% straight line basis;
- Plant, machinery and vehicles on a 33.3% reducing balance basis; and
- Furniture, fittings and equipment on a 25% reducing basis, other than computer equipment which is depreciated on a straight-line basis over 3 years.

Cost

Year ended 31 December 2020	Freehold buildings £000	Furniture, fittings and equipment £000	Plant, machinery and vehicles £000	Total £000
Opening balance	–	3,028	1,176	4,204
Additions acquired as a result of the Acquisition	680	953	445	2,078
Additions	–	2,596	36	2,632
Disposals	–	(12)	(4)	(16)
Closing	680	6,565	1,653	8,898

Accumulated depreciation

Opening	–	1,801	558	2,359
Charge for the year	7	1,212	230	1,449
Disposals	–	–	(1)	(1)
Closing	7	3,013	787	3,807

Net book value at 31 December

2020	673	3,552	866	5,091

Cost

Year ended 31 December 2019	Freehold buildings £000	Furniture, fittings and equipment £000	Plant, machinery and vehicles £000	Total £000
Opening balance	–	2,552	1,103	3,655
Additions	–	492	73	565
Disposals	–	(16)	–	(16)
Closing	–	3,028	1,176	4,204

Accumulated depreciation

Opening	–	1,149	325	1,474
Charge for the year	–	665	233	898
Disposals	–	(13)	–	(13)
Closing	–	1,801	558	2,359

Net book value at 31 December

2019	–	1,227	618	1,845

5.5 Leases

The Group leases various offices, site cabins, office equipment, cars and show homes. Rental contracts are typically made for fixed periods of 1 to 4 years but may be for longer or include extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a fixed annual rate increase

The lease payments are discounted using the Group's incremental borrowing rate, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. The weighted average Group's incremental borrowing rate applied to the lease liabilities is 2.5%.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise site equipment and other items less than £3,000 in total lease costs.

The amounts recognised in the Group Balance Sheet were:

Right-of-use assets cost

Year ended 31 December 2020	Office properties £000	Show home properties £000	Site cabins £000	Office equipment £000	Motor vehicles £000	Total £000
Opening balance	13,574	3,965	5,632	500	2,533	26,204
Additions acquired as a result of the Acquisition	13,540	52	2,931	-	4,441	20,964
Additions	1,540	1,346	-	241	2,003	5,130
Modifications	(2,533)	(12)	8,566	(208)	100	5,913
Disposals	(413)	(1,073)	-	-	(334)	(1,820)
Closing	**25,708**	**4,278**	**17,129**	**533**	**8,743**	**56,391**
Accumulated depreciation						
Opening balance	1,597	1,051	1,408	62	739	4,857
Charge for the year	4,415	1,924	5,238	197	3,069	14,843
Disposals	(413)	(1,073)	-	-	(334)	(1,820)
Closing	**5,599**	**1,902**	**6,646**	**259**	**3,474**	**17,880**
Net book value at 31 December						
2020	**20,109**	**2,376**	**10,483**	**274**	**5,269**	**38,511**

Notes to the financial statements continued

Right-of-use assets cost

Year ended 31 December 2019	Office properties £000	Show home properties £000	Site cabins £000	Office equipment £000	Motor vehicles £000	Total £000
Opening balance (on implementation of IFRS16)	13,574	1,796	5,632	205	1,794	23,001
Additions	–	2,169	–	295	739	3,203
Closing	**13,574**	**3,965**	**5,632**	**500**	**2,533**	**26,204**
Accumulated depreciation						
Opening balance	–	–	–	–	–	–
Charge for the year	1,597	1,051	1,408	62	739	4,857
Closing	**1,597**	**1,051**	**1,408**	**62**	**739**	**4,857**
Net book value at 31 December						
2019	**11,977**	**2,914**	**4,224**	**438**	**1,794**	**21,347**

Lease liabilities

	31 Dec 2020 £000	31 Dec 2019 £000
Current	**15,304**	6,309
Non-current	**26,848**	16,686
Total lease liabilities	**42,152**	22,995

Leasing arrangements

Minimum lease payments payable on the Group's leases are as follows:

	31 Dec 2020 £000	31 Dec 2019 £000
Within 1 year	**15,670**	6,392
Between 1 and 2 years	**13,127**	5,197
Between 2 and 3 years	**5,335**	3,933
Between 3 and 4 years	**3,380**	2,211
Between 4 and 5 years	**2,878**	1,730
Later than 5 years	**5,815**	5,805

Extension and termination options are included in a number of leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

The amounts recognised in the Group Income Statement were:

	31 Dec 2020 £000	31 Dec 2019 £000
Depreciation of right-of-use assets	**14,843**	4,857
Interest expense	**1,179**	558
Expense relating to short-term leases*	**7,655**	9,955
Expense relating to leases of low-value assets	**5**	14

*Includes lease expenses related to plant and machinery.

The total cash outflow for leases including plant and machinery in 2020 was £15,669,711 (2019: £8,827,000).

5.6 Intangible Fixed Assets

Intangible fixed assets are recorded at cost or acquisition fair value, less accumulated amortisation.

Separately acquired IT software is initially capitalised at cost. Costs associated with maintaining software are recognised as an expense as incurred.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets where IAS 38 criteria are satisfied. Capitalised development costs are initially recorded within assets under construction, and are then transferred to IT software and amortised from the point at which the asset is ready for use. IT software is amortised on a straight-line basis over a period of 3 – 5 years.

Brand names and customer relationships and contracts acquired in a business combination are recognised at fair value at the acquisition date. Brand names are amortised on a straight-line basis over a 25 year period. Customer relationships and contracts are amortised on a straight-line basis over a period of 4-15 years.

All amortisation is recorded within the administrative expenses line of the income statement.

Cost

Year ended 31 December 2020	Assets under construction £000	IT Software £000	Brand names £000	Customer relationships and contracts £000	Total £000
Opening balance	344	4,575	-	-	4,919
Additions acquired as a result of the Acquisition	-	-	37,600	117,424	155,024
Additions	67	42	-	-	109
Transferred in the period	(149)	149	-	-	-
Disposals	(195)	(272)	-	-	(467)
Closing	**67**	**4,494**	**37,600**	**117,424**	**159,585**

Accumulated amortisation

Opening	-	583	-	-	583
Charge for the year	-	1,178	1,500	12,740	15,418
Disposals	-	(1)	-	-	(1)
Closing	**-**	**1,760**	**1,500**	**12,740**	**16,000**

Net book value at 31 December

2020	**67**	**2,734**	**36,100**	**104,684**	**143,585**

Cost

Year ended 31 December 2019	Assets under construction £000	IT Software £000	Total £000
Opening balance	-	1,213	1,213
Additions	344	3,362	3,706
Closing	**344**	**4,575**	**4,919**

Accumulated amortisation

Opening	-	134	134
Charge for the year	-	449	449
Closing	**-**	**583**	**583**

Net book value at 31 December

2019	**344**	**3,992**	**4,336**

5.7 Goodwill

Goodwill represents the excess of the consideration paid for the Linden and Partnerships businesses in 2020 over the fair value of the assets and liabilities acquired, including intangible assets recognised on acquisition. Goodwill was allocated to the Group's two groups of CGUs at the time of the acquisition based on the proportionate consideration and fair valued assets and liabilities.

The goodwill for each CGU group is reviewed annually for impairment, or more regularly where there is a triggering event. If the carrying value of the goodwill was found to exceed the value in use calculated for either CGU group, an impairment would be required. In the event of an impairment, the goodwill of the appropriate CGU group would be impaired first and then to the other assets proportionately. Any impairment loss is recognised in the income statement and is not subsequently reversed.

Goodwill is monitored by management at the level of the two operating segments identified in note 2.2.

A segment-level summary of the goodwill allocation is presented below:

As at 31 December 2020 (Group)	Housebuilding £'000	Partnerships £'000	Total £'000
Goodwill recognised on acquisition of Linden and Partnerships	228,328	319,181	547,509

Key assumptions used for value-in-use calculations

The Group tests whether goodwill has suffered any impairment on an annual basis, or more regularly where there are indicators of impairment. For the 2020 reporting period, the recoverable amount of the two groups of cash-generating units (CGUs) was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial forecasts approved by management covering a five-year period from 31 December 2020.

The first year of cashflows were determined using the Group's 2021 approved budget and the cashflows for the second to fifth years were determined by using the Group's internal forecasts based on expected volumes, sales prices, gross margins and land investment. Cash flows beyond the five-year period are extrapolated using a terminal growth rate of 1%. These growth rates are consistent with the UK long term industry growth rate. The Group's forecasted cashflows reflect the expected impact of Covid-19.

Management has determined the key assumptions as follows:

Assumption	Approach used to determining values
Sales volume	Reflecting historic experience and expected volume growth for the respective CGU groups based on business strategy and expected market demand.
Sales price	Reflecting management's expectation for property pricing based on local market conditions, demand and product mix.
Gross margin	Based on historic experience and expected gross margin of the respective CGU groups, partly driven by the embedded land bank margin.
Land and inventory investment	Expected cash investment in land and inventories to fund the future growth of the CGU groups. This is based on the historical experience of management and committed future land spend in addition to the planned strategy and growth of the businesses.
Pre-tax discount rates	Reflect specific risks relating to the relevant CGU groups and nature of their income streams based on an estimated weighted average cost of capital for each segment. The pre-tax rate reflects the market participant levels of gearing as well as current market assessments of the time value of money. A rate of 11.4% for Housebuilding and 9.2% for Partnerships is considered appropriate by the directors.

Recoverable amounts and impairment charges

The recoverable value of both CGU groups exceeds the carrying value of each CGU group's respective net assets and therefore no impairment charge was necessary in the period. At 31 December 2020 the value in use of the housebuilding CGU exceeds net assets by £672.0m and for partnership CGU the value in use exceeds net assets by £411.0m.

Impact of possible changes in key assumptions

Management have sensitised the forecast to apply a downside scenario which reflects decreased affordability, leading to reduced demand for private housing and falling house prices. In a downside scenario, it has been assumed that management would tightly manage working capital and reduce uncommitted land investment. This is consistent with the downside scenario used in the Group's going concern assessment (note 1.3).

Even in a downside scenario no impairment of goodwill is required for either CGU.

The value in use amount of the CGU would equal its net asset value if the key assumptions were to change as follows from the un-sensitised value-in-use assumptions:

Year ended 31 December 2020	Housebuilding	Partnerships
Sales Volume	50% reduction	100% reduction
Sales Price	14% reduction	100% reduction
Pre-tax discount rate	6.5% increase	17.5% increase

5.8 Investments

Fixed asset investments

The Group's share of joint venture results shown in the income statement reflect the above group share of joint venture results which are then adjusted for fair value releases, unrealised losses and other accounting entries required to equity account for the Group's joint ventures.

Investments in subsidiaries are carried at cost less impairment. The Parent Company accounts for the share-based payments granted to subsidiary employees as an increase in the cost of its investment in subsidiaries and the value of this investment is supported by net assets and future profit generation. Joint ventures are those arrangements in which the Group has rights to the net assets of the arrangements and treated on an equity accounted basis in the Group's financial statements.

In January 2020, the Group entered into a joint venture at Collingtree, near Northampton, with Latimer Developments Limited. As part of the initial transaction, land owned by the Group was sold into the joint venture, Vistry Latimer Collingtree LLP. The Group acquired a number or joint venture investments as part of the Acquisition, which have also been fair valued as shown in note 5.14.

	Group		Company	
	2020 £000	2019 £000	2020 £000	2019 £000
Subsidiary undertakings				
Interest in subsidiary undertakings' shares at cost (100% ownership of ordinary shares)	**-**	-	**1,250,378**	14,153
Investments accounted for using the equity method				
Interest in joint ventures – equity	**105,205**	61,135	**-**	-
Interest in joint ventures - loan	**39,926**	23,972	**-**	-
	145,131	85,107	**1,250,378**	14,153
Other investments	**22**	22	**-**	-
Total investments	**145,153**	85,129	**1,250,378**	14,153

The movement in Company investments in the period relates primarily to the acquisition of Linden and Partnerships, as discussed in Note 5.14.

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

	Group		Company	
	2020 £000	2019 £000	2020 £000	2019 £000
Beginning of the period	**85,129**	28,992	**14,153**	11,262
Acquired with Linden and Partnerships	**56,034**	-	**1,233,483**	-
Additions	**-**	59,387	**2,742**	2,891
Loans made and net interest charged	**16,166**	97	**-**	-
Profit for the period	**14,867**	1,788	**-**	-
Distributions paid	**(27,043)**	(5,135)	**-**	-
End of the period	**145,153**	85,129	**1,250,378**	14,153

At 31 December 2020 the Group held interests in joint ventures, all of which are incorporated in Great Britain, as set out in note 5.16. Details of related party transactions with joint ventures are given in note 5.11.

Notes to the financial statements continued

In relation to the Group's interest in joint ventures, the assets, liabilities, income and expenses are shown below:

	2020 £000	2019 £000
Current assets excluding cash	**1,233,201**	173,703
Cash and cash equivalents	**35,917**	5,392
Current liabilities	**(405,928)**	(24,771)
Non-current liabilities	**(736,383)**	(72,628)
Net assets of joint ventures	**126,807**	81,696
Group share of net assets	**63,404**	40,848

	2020 £000	2019 £000
Revenue	**464,698**	16,959
Gross profit	**59,539**	3,771
Operating profit	**58,659**	3,545
Finance costs	**(38,316)**	-
Income tax expense	**(792)**	-
Profit for the year	**19,551**	3,545
Other comprehensive income	**-**	-
Total comprehensive income	**19,551**	3,545
Group share of results for the year for joint ventures in a net asset position	**16,208**	1,788
Group share of results for the year for joint ventures in a net liability position	**(6,534)**	-

The Group's share of joint venture results shown in the income statement reflect the above group share of joint venture results which are then adjusted for fair value releases, unrealised losses and other accounting entries required to equity account for the Group's joint ventures.

Details of material joint ventures are as follows:

	Stanton Cross Developments LLP		Opal (Silvertown) LLP		Bovis Latimer (Sherford) LLP		Vistry Latimer Collingtree LLP		DR 4 Developments LLP	
	2020 £000	2019 £000	2020 £000	2019 £000	2020 £000	2019 £000	2020 £000	2019 £000	2020 £000	2019 £000
Carrying value of Group's investment	39,955	56,069	6,105	-	18,484	20,205	13,625	-	2,006	-

Stanton Cross Developments LLP develops and sells residential property at Stanton Cross, Wellingborough.

Opal (Silvertown) LLP is developing and selling apartments at Brunel Street works at a large development site at Canning Town, London. The development also includes the construction of a hotel and commercial units.

Bovis Latimer (Sherford) LLP develops and sells residential property at Sherford, Plymouth.

Vistry Latimer Collingtree LLP develops and sells residential property at Collingtree, Northampton.

DR 4 Developments LLP developed and sold apartments at a development known as Lime Quarter at Bromley-on-Bow, London near Devons Road DLR.

All of the Group's material joint ventures are strategic investments which utilise the Group's knowledge and expertise in the development of residential property but also limit the Group's exposure on large sites through a reduced equity holding.

Income statements – continuing operations

	Stanton Cross Developments LLP		Opal (Silvertown) LLP		Bovis Latimer (Sherford) LLP		Vistry Latimer Collingtree LLP		DR 4 Developments LLP	
	2020 £000	2019 £000	2020 £000	2019 £000	2020 £000	2019 £000	2020 £000	2019 £000	2020 £000	2019 £000
Revenue	33,446	15,845	64,190	-	9,837	1,113	-	-	46,781	-
Gross profit	5,156	3,514	7,218	-	1,563	257	(72)	-	7,072	-
Overheads	(11)	-	-	-	-	(195)	-	-	(13)	-
Operating profit	5,145	3,514	7,218	-	1,563	62	(72)	-	7,059	-
Income tax expense	-	-	-	-	-	-	-	-	-	-
Interest expense	-	-	(3,492)	-	(2,179)	(559)	(2,077)	-	(1,180)	-
Profit before tax	5,145	3,514	3,726	-	(616)	(497)	(2,149)	-	5,879	-
Other comprehensive income	-	-	-	-	-	-	-	-	-	-
Total comprehensive income	5,145	3,514	3,726	-	(616)	(497)	(2,149)	-	5,879	-
Joint venture result	**5,145**	**3,514**	**3,726**	**-**	**(616)**	**(497)**	**(2,149)**	**-**	**5,879**	**-**
Group's share of profit / (loss) and total comprehensive profit / (loss)	2,573	1,757	1,863	-	(308)	(249)	(1,075)	-	2,940	-
Distributions received by the Group during the year	18,897	-	-	-	-	-	-	-	-	-
Balance sheet										
Cash and cash equivalents	3,055	4,107	8,189	-	773	1,285	-	-	195	-
Inventories	136,287	134,147	138,714	-	60,551	36,337	58,840	-	7,582	-
Other current assets	8,403	2,089	6,327	-	-	1,130	-	-	-	-
Current assets	**147,745**		**153,230**	**-**	**61,324**	**38,752**	**58,840**	**-**	**7,777**	**-**
Current external borrowings	-	-	(55,019)	-	(1,100)	-	-	-	-	-
Other current liabilities	(22,227)	(21,319)	(48,874)	-	(31,754)	(3,452)	(55,989)	-	(3,177)	-
Current liabilities	**(22,227)**	**(21,319)**	**(103,893)**	**-**	**(32,854)**	**(3,452)**	**(55,989)**	**-**	**(3,177)**	**-**
Non-current external borrowings	(38,681)*	(37,752)*	-	-	(7,863)*	(9,379)*	-	-	-	-
Other non-current liabilities	-	-	(37,200)	-	(21,160)	(25,497)	-	-	-	-
Non-current liabilities	**(38,681)**	**(37,752)**	**(37,200)**	**-**	**(29,023)**	**(34,876)**	**-**	**-**	**-**	**-**
Net assets / (liabilities) (100%)	**86,837**	**81,272**	**12,137**	**-**	**(553)**	**424**	**2,851**	**-**	**4,600**	**-**
Group share of net assets	43,419	40,636	6,069	-	(277)	212	(1,075)	-	2,300	-

The Group's joint ventures have no significant contingent liabilities or commitments to which the Group is exposed, and the Group has no significant contingent liabilities in relation to its interest in the joint ventures.

* Bovis Latimer (Sherford) LLP and Stanton Cross Developments LLP external borrowings reflect amounts due to Homes England.

In addition to the interests in joint ventures disclosures above, the Group also has interests in a number of individually immaterial joint ventures that are accounted for using the equity method.

	2020 £000	2019 £000
Aggregate carrying value of individually immaterial joint ventures	**64,956**	8,832
Aggregate amounts of the Group's share of:		
Profit from continuing operations	**9,815**	-
Other comprehensive income	**-**	-
Total comprehensive income	**9,815**	-

5.9 Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

	Legacy properties – building safety £000	Site-related costs £000	Other £000	Total £000
As at 1 January 2020	-	2,364	1,625	3,989
Additions acquired as a result of the Acquisition	10,741	9,615	2,100	22,456
Additional provisions made	10,975	2,819	2,354	16,148
Amounts used	(831)	(861)	-	(1,692)
Unused provisions reversed	-	(500)	-	(500)
As at 31 December 2020	**20,885**	**13,437**	**6,079**	**40,401**

Of the total provisions detailed above, £6,615,000 within site related provisions are expected to be utilised within the next year (2019: £400,000).

Legacy property building safety provision includes estimated costs related to finished developments in relation to potential build defects including building fire safety. The Group has undertaken a review of all of its current and legacy buildings where a potential liability has been identified and has provided for the expected costs of any remedial works that may be required. We expect the majority of this provision to be utilised or released over the next three years. We highlight that this is an evolving area including recent initial government guidance, we will review the need and scale of these provisions as guidance and further detail emerges.

Site related cost provisions includes estimated costs in relation to specific site related items including litigation.

Other provisions primarily relate to estimated costs in relation to insurance claims and other potential obligations.

5.10 Employee benefits

The Group accounts for pensions and similar benefits under IAS 19 (Revised): "Employee benefits". In respect of defined benefit schemes, the net obligation is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, such benefits measured at discounted present value, less the fair value of the scheme assets. The discount rate used to discount the benefits accrued is the yield at the balance sheet date on AA credit rated bonds that have maturity dates approximating to the terms of the Group's obligations. The calculation is performed by a qualified actuary using the Projected Unit Method. The operating and financing costs of such plans are recognised separately in the income statement; service costs are spread systematically over the lives of employees and financing costs and credits are recognised in the periods in which they arise. All actuarial gains and losses are recognised immediately in the Group statement of comprehensive income.

Payments to defined contribution schemes are charged as an expense as they fall due.

Pension cost note

The Company operates three UK registered trust based pensions schemes of which two were acquired during the year.

Bovis Homes Pension Scheme is a pension scheme that provides defined benefits. Pension benefits are linked to the members' final pensionable salaries and service at their retirement (or date of leaving if earlier). This scheme is closed to new members and future accrual.

The Galliford Try Final Salary Pension Scheme and The Kendall Cross (Holdings) Limited Pension & Life Assurance Scheme were both acquired during the year as part of the Acquisition. Both provide defined benefits and both are closed to new members and future accrual.

The Trustees of each scheme are responsible for running their scheme in accordance with their scheme's Trust Deed and Rules, which sets out their powers. The Trustees of each scheme are required to act in the best interests of the beneficiaries of their scheme.

There are two categories of pension scheme members:

- Deferred members: former active members of the Scheme, not yet in receipt of pension
- Pensioner members: in receipt of pension

The Group is ultimately responsible for making up any shortfall in the scheme over a period of time agreed with the trustee of each scheme. To the extent that actual experience is different to that assumed, the Group's contribution could vary in the future. The defined benefit obligation has been calculated by approximately adjusting the results of the most recent triennial valuation performed by the Scheme Actuaries.

The defined benefit obligation is valued by projecting the best estimate of future benefit outgoings, (allowing for revaluation to retirement for deferred members and annual pension increases for all members) and then discounting to the balance sheet date. The majority of benefits receive increases linked to inflation (subject to a cap of no more than 5% pa). The valuation method used is known as the Projected Unit Method.

The Trustee board for each Scheme is made up of member appointed, Company appointed and independent trustees.

The approximate overall duration of the Schemes' defined benefit obligation as at 31 December 2020 was between 15 and 20 years.

Notes to the financial statements continued

Risks

Through the Schemes, the Company is exposed to a number of risks:

- Asset volatility: The Schemes defined benefit obligation is calculated using a discount rate set with reference to corporate bond yields, however each Scheme invests significantly in equities and other growth assets. These assets are expected to outperform corporate bonds in the long term but provide volatility and risk in the short term.
- Changes in bond yields: a decrease in corporate bond yields would increase the Schemes' defined benefit obligation, however this would be partially offset by an increase in the value of the Schemes' bond, insured annuity and LDI holdings.
- Inflation risk: a significant proportion of the Schemes defined benefit obligation is linked to inflation; therefore, higher inflation will result in a higher defined benefit obligation (subject to the appropriate caps in place). Through LDI and annuities a proportion of the assets are linked to inflation, therefore an increase in inflation would also increase the assets.
- Life expectancy: if Scheme members live longer than expected, the Schemes benefits will need to be paid for longer, increasing the Scheme's defined benefit obligations. This would be offset to some extent by the annuity policies held.
- Liquidity: The Bovis Scheme holds a small direct property investment with low liquidity. However, the majority of the Schemes assets are liquid.

The Trustees and Group manage risks in the Schemes through the following strategies:

- Diversification: investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets.
- Investment strategy: the Trustees are required to review their investment strategy on a regular basis.
- LDI: The Schemes invest in LDI assets, whose investment returns are expected to partially hedge interest rates and inflation movements.

The Company is recognising a surplus as the rules of each scheme state that it will be entitled to any surplus remaining if the Schemes are run on until the last members exit the Schemes.

Retirement benefit obligations

The Group makes contributions to three defined benefit schemes that provide pension benefits for employees upon retirement.

	2020 £000	2019 £000
Fair value of plan scheme assets	**(429,185)**	(132,271)
Present value of funded obligations	**420,108**	127,765
Recognised asset for defined benefit obligations	**9,077**	4,506

Movements in the net asset for defined benefit obligations recognised in the balance sheet

	2020 £000	2019 £000
Net asset for defined benefit obligations at 1 January	**(4,506)**	(1,381)
Acquired with the Acquisition	**(5,646)**	-
Contributions received	**(11,588)**	(5,712)
Expense recognised in the income statement	**1,009**	471
Loss recognised in equity	**11,654**	2,116
Net asset for defined benefit obligations at 31 December	**(9,077)**	(4,506)

Reconciliation to statement of comprehensive income

	2020 £000	2019 £000
Actuarial losses: changes in financial assumptions	**53,507**	14,170
Actuarial (gains) / losses: changes in demographic assumptions	**(291)**	376
Actuarial losses: experience different from assumed	**400**	872
Total actuarial gains	**53,616**	15,418
Actual return on assets, less interest	**(41,962)**	(13,302)
Total charge to equity	**11,654**	2,116

The cumulative loss recognised in equity to date is £32.6million (2019: £20.9 million).

Notes to the financial statements continued

Change in defined benefit obligation over the year

	2020 £000	2019 £000
Defined benefit obligation at beginning of year	**127,765**	115,215
Acquired with the Acquisition	**247,523**	-
Net interest cost	**6,981**	3,032
Actual benefit payments by the scheme	**(15,777)**	(5,903)
Loss/(gain) on change of assumptions:		
Actuarial loss: experience differing from that assumed	**400**	875
Actuarial (gain)/loss: changes in demographic assumptions	**(291)**	376
Actuarial loss: changes in financial assumptions	**53,507**	14,170
Defined benefit obligation at end of year	**420,108**	127,765

Change in scheme assets over the year

	2020 £000	2019 £000
Fair value of scheme assets at beginning of year	**132,271**	116,596
Acquired with the Acquisition	**253,169**	-
Interest income	**7,271**	3,138
Actual benefit payments by the scheme	**(15,777)**	(5,903)
Actual Group contributions	**11,588**	5,712
Gain on assets	**41,962**	13,305
Administration costs	**(1,299)**	(577)
Fair value of scheme assets at end of year	**429,185**	132,271

The major categories of scheme assets are as follows:

	2020 £000	2019 £000
Return seeking		
Equities	**141,301**	63,317
Other		
Bonds	**71,159**	19,500
Property	**3,415**	3,530
Cash	**13,145**	7,578
Insured annuities	**89,402**	-
Liability driven instruments	**110,763**	38,346
Total market value of assets	**429,185**	132,271

All pension scheme assets have a quoted market price in an active market, apart from property investments, which are directly held.

The Schemes' assets were invested in cash, bonds, equities, insured annuities and liability driven instruments ("LDIs"). The value of liabilities of a defined benefit pension scheme is particularly sensitive to changes in the discount rate applied to future liabilities (which is determined by the long-term yield on investment grade corporate bonds or gilts) and the level of inflation (see sensitivity analysis table below). The schemes hold matching assets (bonds, insured annuities and LDIs) which aim to hedge changes in the value of the schemes' liabilities. Changes in the discount rate and inflation would therefore be partially offset by a change in the value of assets.

Expense recognised in the income statement

	2020 £000	2019 £000
Administration expenses	**1,299**	577
Net interest credit	**(290)**	(106)
Expense recognised in the income statement	**1,009**	471

Assumptions

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

Group	2020 %	2019 %	2018 %
Discount rate at 31 December	**1.3**	1.9	2.7
Inflation - RPI	**3.0**	3.0	3.2
- CPI	**2.5**	2.0	2.2

The above assumptions for the year ended 31 December 2020 are in respect of all three Schemes.

Sensitivity analysis

Assumption	Change in assumption	Change in defined benefit obligation
Discount rate	+0.5%pa / -0.5%pa	-£33.6m / +£42.0m
RPI and CPI inflation	+0.5%pa / -0.5%pa	+£25.2m / -£25.2m
Assumed life expectancy	+1 year	+£16.8m

Remaining years of life	Current age at 43	Current age at 63
Men	**26.8**	25.0
Women	**28.9**	27.1

Limitations of the sensitivity analysis

These calculations provide an approximate guide to the sensitivity of results and may not be as accurate as a full valuation carried out on these assumptions. Each assumption change is considered in isolation, which in practice is unlikely to occur, as changes in some of the assumptions are correlated. The Schemes invest in matching assets (LDI, insured annuities and bonds) which aim to hedge changes in the value of the Schemes' liabilities. Changes in the discount rate and inflation would therefore be partially offset by a change in the value of the Schemes' assets.

	2020 £000	2019 £000	2018 £000	2017 £000	2016 £000
Fair value of scheme assets	**429,185**	132,271	116,596	126,355	119,004
Present value of defined benefit obligations	**420,108**	127,765	115,215	124,244	125,594
Surplus/(deficit) in the scheme	**9,077**	4,506	1,381	2,111	(6,590)

The trustees of each scheme are required to carry out actuarial valuations every 3 years.

The most recent actuarial valuation for the Bovis Homes Pension Scheme was carried out as at 30 June 2019. The results have highlighted a funding deficit of £10.5m. To eliminate the deficit, the Group have paid a contribution of £5.5m in January 2020 and have agreed to pay further contributions of £2.0m before 31 January 2022 and £1.0m before 31 January 2023. Additionally, the Group have agreed to pay £0.2m per annum to cover administrative expenses.

The most recent actuarial valuation for the Galliford Try Final Salary Pension Scheme was at 30 June 2018 and was carried out by LCP, the Scheme Actuary. The valuation highlighted a funding shortfall of £5.5m. Following the acquisition, a Schedule of Contributions was agreed in January 2020, which sets out that the Group will pay £6.7m by 31 January 2021 and £4.7m between February 2021 and September 2022.

The most recent actuarial valuation for the Kendall Cross (Holdings) Limited Pension & Life Assurance Scheme was as at 13 November 2017 and was carried out by the Scheme Actuary. The valuation highlighted a funding shortfall of £0.9m. To eliminate the deficit, a Schedule of Contributions was agreed in February 2019 which sets out that the Group will pay £0.9m by 30 November 2023.

All three schemes are closed to accrual and therefore no further contributions are required to cover the cost of future service accrual.

Alongside the latest valuation and the recovery plan the Company has also agreed the principles of a longer-term plan to de-risk the pension scheme assets and liabilities position.

Expected contributions to post-employment benefit plans for the year ending 31 December 2021 are £3.1m.

5.11 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 year ended 31 December 2020 were limited to those relating to remuneration, which are disclosed on pages 104 to 119 in the remuneration report.

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

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

Mr. Graham Prothero, appointed as Chief Operating Officer on 3 January 2020, is non-executive Director and Chair of the Audit Committee of Marshalls PLC. The Group incurred costs with Marshalls PLC in relation to landscaping services.

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

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

	Expenses paid to related parties		Amounts payable to related parties		Amounts owed by related parties	
	Year ended 31 Dec 2020 £000	Year ended 31 Dec 2019 £000	31 Dec 2020 £000	31 Dec 2019 £000	31 Dec 2020 £000	31 Dec 2019 £000
Trading transactions						
Ardent	**2,498**	2,736	**632**	274	**–**	–
IB (SW)	**56**	20	**–**	67	**–**	–
Marshalls PLC	**21**	19	**–**	–	**–**	–
Forterra PLC	**1,321**	545	**115**	98	**–**	–

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

	Sales to related parties		Interest income and dividend distributions from related parties	
	Year ended 31 Dec 2020 £000	Year ended 31 Dec 2019 £000	Year ended 31 Dec 2020 £000	Year ended 31 Dec 2019 £000
Trading transactions	**129,663**	6,257	**–**	–
Non-trading transactions	**–**	–	**45,014**	77

	Amounts owed by related parties		Amounts owed to related parties	
	31 Dec 2020 £000	31 Dec 2019 £000	31 Dec 2020 £000	31 Dec 2019 £000
Balances with joint ventures	**323,650**	6,232	**20,157**	205

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

There have been no other related party transactions in the financial year which have materially affected the financial performance or position of the Group, and which have not been disclosed.

5.12 Reconciliation of Return on Capital Employed performance measure

The definition of return on capital employed (ROCE) has been amended in the period in order to reflect the enlarged Group and specifically the contribution of joint ventures to the Group's financial position and performance. The exclusion of exceptional costs and amortisation of acquired intangible assets in the adjusted operating profit measure allows the assessment of the underlying operational performance of the Group. 2019 has been restated on this basis. The terms of existing share based payment arrangements have not been amended for this change in definition.

	2020 £000	2019 £000 (restated)
Adjusted operating profit (see note 2.2)	171,023	194,355
Opening total equity	1,271,966	1,061,068
Deduct: intangible assets	4,336	1,079
Deduct: net cash	361,962	126,816
Opening capital employed	905,668	933,173
Closing total equity	2,195,082	1,271,966
Deduct: goodwill	547,509	-
Deduct: intangible assets	143,585	4,336
Deduct: net cash	37,885	361,962
Closing capital employed	1,466,103	905,668
Average capital employed (note 1)	1,185,885	919,421
ROCE including share of joint ventures	14.4%	21.1%

Note 1: Average of opening and closing capital employed for the year.

5.13 Alternative performance measures

The Group uses alternative performance measures which are not defined within IFRS. The Directors use these alternative performance measures, along with IFRS measures, to assess the operational performance of the Group. New alternative performance measures have been implemented in 2020 in order to reflect the enlarged Group, specifically the contribution of the joint venture investments now held and the impact of amortisation of intangibles which were recognised on acquisition of Linden and Partnerships (refer to note 5.14).

The definition and reconciliation of financial alternative performance measures used to IFRS measures are shown below:

Adjusted revenue

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

	2020 £000	2019 £000
Revenue per Group Income Statement	1,811,727	1,130,768
Share of joint ventures' revenue	228,387	8,479
Adjusted revenue	2,040,114	1,139,247

Adjusted gross profit

The definition of adjusted gross margin has been amended in the period to reflect the enlarged Group and the contribution of joint ventures to the Group's financial results. The exclusion of exceptional costs included within gross margin allows the assessment of the underlying performance of the Group at gross margin:

	2020 £000	2019 £000
Gross Profit per Group Income Statement	246,896	242,756
Other operating income	26,422	10,675
Exceptional cost of sales	10,975	-
Share of joint ventures' gross profit	34,472	1,885
Adjusted gross profit	318,765	255,316

Adjusted operating profit

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

	2020 £000	2019 £000
Operating profit per Group Income Statement	**91,723**	179,721
Exceptional expenses	**30,984**	12,846
Amortisation of acquired intangibles	**14,240**	-
Share of joint ventures' operating profit	**34,076**	1,788
Adjusted operating profit	**171,023**	194,355

Adjusted profit before tax

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

	2020 £000	2019 £000
Profit before tax per Consolidated Income Statement	**98,664**	174,753
Exceptional expenses	**30,984**	13,476
Amortisation of acquired intangibles	**14,240**	-
Adjusted profit before tax	**143,888**	188,229

5.14 Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary, are the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition costs are expensed as incurred as required by IFRS 3 "Business combinations".

On 3 January 2020, the Group acquired the Linden and Partnerships and Regeneration businesses from Galliford Try PLC for a consideration of £1,233.5m. This investment in subsidiaries has been reflected in the Company balance sheet shown on page 148. The acquisition positions the Group as a top five national housebuilder by volume, has expanded the Group's presence across the UK and into Yorkshire and established the Group as one of the leaders in the highly attractive, high-growth partnerships business.

Linden Homes is a top UK housebuilder, and Vistry Partnerships is a market leading partnerships business. The combination of these businesses with the existing Vistry business will create the capacity to deliver more than 14,000 new units per year over the medium term, deliver an enhanced customer proposition, enhance the Group's geographical footprint, realise synergies and strengthen the senior management team.

The acquisition was of 100% of the share capital and control of the holding companies Vistry (Jersey) Limited (formerly Goldfinch (Jersey) Limited) and Vistry Partnerships Limited (formerly Galliford Try Partnerships Limited) and all of their subsidiaries, which are identified in Note 5.16.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

Purchase consideration

	Attributable to the acquisition of Linden £'000	Attributable to the acquisition of Partnerships £'000	Total £'000
Cash consideration (iv)	76,300	301,800	378,100
Shares in Vistry Group PLC issued	815,698	39,685	855,383
Total purchase consideration	**891,998**	**341,485**	**1,233,483**

The share consideration included 63,739,385 shares with nominal value of £0.50 per share. £823.5m has been 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 nominal value of the shares.

In addition to the above cash and share consideration, the Group assumed a liability with fair value of £108.2m for notes payable in relation to the acquisition of Partnerships, included within borrowings in the table on the next page.

The assets and liabilities recognised as a result of the acquisition are as follows:

	Linden Fair value 3 January 2020 £'000	Partnerships Fair value 3 January 2020 £'000	Total Fair value 3 January 2020 £'000 (restated)
(Bank overdraft)/Cash and cash equivalents	(35,368)	32,367	(3,001)
Property, plant and equipment	295	1,783	2,078
Right-of-use assets	10,757	10,207	20,964
Intangible assets	54,800	100,224	155,024
Investments	49,527	6,507	56,034
Retirement benefit asset	5,646	-	5,646
Inventories	606,371	103,401	709,772
Amounts owed by joint ventures	208,034	74,439	282,473
Trade and other receivables	98,983	157,928	256,911
Trade and other payables	(322,797)	(326,865)	(649,662)
Borrowings	-	(108,219)	(108,219)
Lease liabilities	(10,758)	(10,207)	(20,965)
Provisions	(17,706)	(4,750)	(22,456)
Net deferred tax asset / (liability)	15,886	(14,511)	1,375
Net identifiable assets acquired	**663,670**	**22,304**	**685,974**
Goodwill	228,328	319,181	547,509
	891,998	**341,485**	**1,233,483**

The acquired intangibles include the Linden Homes and Drew Smith brand names, the customer relationships within the Linden and Partnerships businesses, and the secured contracts of the Partnerships business. The acquired intangible assets have estimated useful lives of between 4 and 25 years.

The goodwill for Linden reflects intangible assets which do not qualify for separate recognition including relationships with private customers, and the assembled workforce, in addition to synergies that will be achieved as an enlarged business.

The goodwill for Partnerships reflects their 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.

Current period

(i) Acquisition-related costs
Acquisition-related costs of £20.0m are included within exceptional administrative expenses in the Group Income Statement.

(ii) Acquired receivables
The fair value of trade and other receivables in Linden is £99.0m and includes trade receivables with a fair value of £89.4m. The gross contractual amount for trade receivables due is £104.5m, of which £0.6m is expected to be uncollectible.

The fair value of trade and other receivables in Partnerships is £157.9m and includes trade receivables with a fair value of £150.7m. The gross contractual amount for trade receivables due is £155.7m, of which £0.1m is expected to be uncollectible.

(iii) Revenue and profit contribution
The 100% owned development sites acquired with the Linden business contributed reported revenues of £395.4m to the Group for the period from 3 January 2020 to 31 December 2020. There would be no material difference in the contribution to revenues nor operating profit if the acquisition had occurred on 1 January 2020. Due to the full integration of the Linden business within the first half of the year it is not possible to calculate the impact of the Linden business to the operating profit of the Group for the period from 3 January 2020 to 31 December 2020.

The acquired Partnerships business contributed revenues of £640.8m and operating profit of £24.1m to the group for the period from 3 January 2020 to 31 December 2020. There would be no material difference in the contribution to revenues nor operating profit if the acquisition had occurred on 1 January 2020.

(iv) Consideration
At the balance sheet date, £13.5m was receivable by the Group in relation to reimbursement of cash consideration previously paid.

5.15 Post balance sheet events

On 23 February 2021, an amendment to the HSBC term loan facility was agreed to extend the maturity to January 2023.

There were no other post balance sheet events.

5.16 Group undertakings

The subsidiary and joint ventures in which the Group has interests are incorporated in Great Britain. In each case their principal activity is related to housebuilding and estate development. As at 31 December 2020, the Group had 120 subsidiaries, which are listed on the next page (with the company names as at 4 March 2021).

	Registered office	Country of incorporation	Ownership interest in ordinary shares	
			2020 %	2019 %
Bovis Country Homes Limited	1	United Kingdom	100	100
Blythe Park LLP	1	United Kingdom	100	-
Bovis Homes (Broadbridge Heath) Limited	1	United Kingdom	100	100
Bovis Homes (Quest) Company Limited	1	United Kingdom	100	100
Bovis Homes BVC Limited	1	United Kingdom	100	100
Bovis Homes Cornwall Limited	1	United Kingdom	100	100
Bovis Homes Developments Limited	1	United Kingdom	100	100
Bovis Homes Eastern Limited	1	United Kingdom	100	100
Bovis Homes Freeholds Limited	1	United Kingdom	100	100
Bovis Homes Insulation Limited	1	United Kingdom	100	100
Bovis Homes Limited	1	United Kingdom	100	100
Bovis Homes Midlands & Northern Limited	1	United Kingdom	100	100
Bovis Homes North Whiteley LLP	1	United Kingdom	100	100
Bovis Homes Pension Scheme Trustee Limited	1	United Kingdom	100	100
Bovis Homes Projects Limited	1	United Kingdom	100	100
Bovis Homes South East Limited	1	United Kingdom	100	100
Bovis Homes Southern Limited	1	United Kingdom	100	100
Bovis Homes Wessex Limited	1	United Kingdom	100	100
Brunel Street Works Energy	1	United Kingdom	100	-
Chartdale Limited*	1	United Kingdom	100	-
Drew Smith Homes Limited*	1	United Kingdom	100	-
Drew Smith Limited*	1	United Kingdom	100	-
Elite Homes (North West) Limited	1	United Kingdom	100	100
Elite Homes (Yorkshire) Limited	1	United Kingdom	100	100
Elite Homes Group Limited	1	United Kingdom	100	100
Emerald (Ealing) LLP*	1	United Kingdom	100	-
Enhance Interiors Limited*	1	United Kingdom	100	-
Fairfield Redevelopments Limited*	1	United Kingdom	100	-
Gigg Lane Limited	1	United Kingdom	100	100
Graylingwell Energy Services Limited*	1	United Kingdom	100	-
Greyhound Regeneration LLP*	1	United Kingdom	100	-
H.Newbury & Son (Builders) Limited	1	United Kingdom	100	100
Hall Green JV LLP*	1	United Kingdom	100	-
Hill Place Farm Developments Limited*	1	United Kingdom	100	-
Kendall Cross Limited*	1	United Kingdom	100	-
Kilbride Tavistock Limited	1	United Kingdom	100	100
Lea Castle JV LLP*	1	United Kingdom	100	-
Linden (Ashlar Court) Limited*	1	United Kingdom	100	-
Linden (Beverley 2) LLP*	1	United Kingdom	100	-
Linden (Beverley 3) LLP*	1	United Kingdom	100	-
Linden (Beverley 4) LLP*	1	United Kingdom	100	-
Linden (Beverley 5) LLP*	1	United Kingdom	100	-
Linden (Beverley) LLP*	1	United Kingdom	100	-
Linden (Cawston) LLP*	1	United Kingdom	100	-
Linden (Highfields Caldecote) LLP*	1	United Kingdom	100	-
Linden (Houghton) LLP*	1	United Kingdom	100	-
Linden (St Bernard's) Limited*	1	United Kingdom	100	-
Linden (Summerstown) LLP*	1	United Kingdom	100	-
Linden (Thurston) LLP*	1	United Kingdom	100	-
Linden Barnet LLP*	1	United Kingdom	100	-
Linden Cornwall Limited*	1	United Kingdom	100	-
Linden Devon Limited*	1	United Kingdom	100	-
Linden First Limited*	1	United Kingdom	100	-
Linden Guildford Limited*	1	United Kingdom	100	-
Linden Holdings Limited*	1	United Kingdom	100	-
Linden Homes (Bath Road) LLP*	1	United Kingdom	100	-
Linden Homes (Blackberry Hill) LLP*	1	United Kingdom	100	-
Linden Homes (Marksbury) LLP*	1	United Kingdom	100	-
Linden Homes (Sherford) LLP*	1	United Kingdom	100	-
Linden Homes Chiltern Limited*	1	United Kingdom	100	-
Linden Homes Eastern LLP*	1	United Kingdom	100	-

*Acquired on 3 January 2020.

	Registered office	Country of incorporation	Ownership interest in ordinary shares	
			2020 %	2019 %
Linden Homes South-East Limited*	1	United Kingdom	100	-
Linden Homes Southern Limited*	1	United Kingdom	100	-
Linden Homes Western Limited*	1	United Kingdom	100	-
Linden JV No12 LLP*	1	United Kingdom	100	-
Linden JV No17 LLP*	1	United Kingdom	100	-
Linden JV No18 LLP*	1	United Kingdom	100	-
Linden JV No19 LLP*	1	United Kingdom	100	-
Linden JV No20 LLP*	1	United Kingdom	100	-
Linden JVCo No5 Limited*	1	United Kingdom	100	-
Linden JVCo No6 Limited*	1	United Kingdom	100	-
Linden JVCo No8 Limited*	1	United Kingdom	100	-
Linden JVCo No9 Limited*	1	United Kingdom	100	-
Linden Limited*	1	United Kingdom	100	-
Linden London (Hammersmith) Limited*	1	United Kingdom	100	-
Linden London Developments Limited*	1	United Kingdom	100	-
Linden London LLP*	1	United Kingdom	100	-
Linden Midlands Limited*	1	United Kingdom	100	-
Linden North Limited*	1	United Kingdom	100	-
Linden Partnerships Limited*	1	United Kingdom	100	-
Linden Properties Western Limited*	1	United Kingdom	100	-
Linden South West Limited*	1	United Kingdom	100	-
Linden St Albans LLP*	1	United Kingdom	100	-
Linden Wates (Hungerford) Limited*	1	United Kingdom	100	-
Linden Wates (Kempshott) Limited*	1	United Kingdom	100	-
Linden Wates (Lovedean) Limited*	1	United Kingdom	100	-
Mountsorrel JV LLP*	1	United Kingdom	100	-
Nether Hall Park Open Space Management Company Limited	1	United Kingdom	100	100
Olive Farm LLP*	1	United Kingdom	100	-
Orchard Homes (Pitt Manor) Limited	1	United Kingdom	100	100
Oxford Land Limited	1	United Kingdom	67	67
Page Johnson Properties Limited	1	United Kingdom	100	100
R.T.Warren (Builders, St.Albans) Limited	1	United Kingdom	100	100
Rasen Estates Limited*	1	United Kingdom	100	-
Redplay Limited*	1	United Kingdom	100	-
Redplay Partnerships Limited*	1	United Kingdom	100	-
Rissington Management Company Limited*	3	United Kingdom	100	50
Rosemullion Homes Limited*	1	United Kingdom	100	-
The Ricardo Community Foundation*	1	United Kingdom	100	-
Unitpage Limited	1	United Kingdom	100	100
Vista Portsmouth Limited*	1	United Kingdom	100	-
Vistry Affordable Homes Limited*	1	United Kingdom	100	-
Vistry Homes Central Limited*	1	United Kingdom	100	-
Vistry Homes Limited	1	United Kingdom	100	100
Vistry Limited	1	United Kingdom	100	100
Vistry Linden Homes Limited*	1	United Kingdom	100	-
Vistry Linden Limited*	1	United Kingdom	100	-
Vistry Partnerships (Wolverhampton) Limited*	1	United Kingdom	100	-
Vistry Partnerships Investments Limited*	1	United Kingdom	100	-
Vistry Partnerships JV NO16 LLP*	1	United Kingdom	100	-
Vistry Partnerships JV NO17 LLP*	1	United Kingdom	100	-
Vistry Partnerships Limited*	1	United Kingdom	100	-
Vistry Partnerships North Limited*	1	United Kingdom	100	-
Vistry Partnerships Yorkshire Holdings Limited*	1	United Kingdom	100	-
Vistry Partnerships Yorkshire Limited*	1	United Kingdom	100	-
Vistry Pension Trustee Ltd*	1	United Kingdom	100	-
Westcountry Land (Perranporth) Ltd*	1	United Kingdom	100	-
Bovis Homes Scotland Limited	2	United Kingdom	100	100
Knights Mount Management	9	United Kingdom	100	100
Vistry (Jersey) Limited	10	Jersey	100	-

Notes to the financial statements continued

At 31 December 2020 the Group had an interest in the following 72 joint ventures which have been equity accounted to 31 December and are registered and operate in England and Wales. A number of joint ventures were acquired on 3 January 2020 as part of the Acquisition, these are marked with an asterisk in the table below and the principal activities of these joint ventures is also housebuilding and estate development.

The directors have concluded that the group controlled IIH Oak Investors LLP, Shoo 22 Limited and Gateshead Regeneration LLP during 2020, despite holding only 26%, 38% and 25% of the voting rights, respectively. For IIH Oak Investors LLP this is because the group is one of two partners in the entity and a unanimous vote is required in respect of all key matters relating to the entity and to change this agreement. For Shoo 22 Limited and Gateshead Regeneration LLP this is because the shareholding agreements in place provide joint control and rights to the net assets of the entities.

	Registered office	Country of incorporation	Ownership interest in ordinary shares	
			2020 %	2019 %
Beverley South Developments Limited*	1	United Kingdom	50	-
Bishops Park Limited	1	United Kingdom	50	50
Boorley Green LLP*	1	United Kingdom	50	-
Bovis Homes Cambourne West LLP	1	United Kingdom	50	50
Bovis Latimer (Sherford) LLP	1	United Kingdom	50	50
Bovis Peer LLP	1	United Kingdom	50	50
D R 4 Developments LLP*	1	United Kingdom	50	-
Europa Way JV LLP*	1	United Kingdom	50	-
Evolution (Saffron Walden) LLP*	1	United Kingdom	50	-
Evolution (Shinfield) LLP*	1	United Kingdom	50	-
Evolution Gateshead Developments LLP*	1	United Kingdom	50	-
Evolution Morpeth LLP*	1	United Kingdom	50	-
Evolution Newhall LLP*	1	United Kingdom	50	-
Glen Parva JV LLP*	1	United Kingdom	50	-
Grange Walk LLP*	1	United Kingdom	50	-
Heath Farm Lane LLP*	1	United Kingdom	50	-
Kilnwood Vale LLP*	1	United Kingdom	50	-
Linden (Avery Hill) LLP*	1	United Kingdom	50	-
Linden (Basingstoke) Limited*	1	United Kingdom	50	-
Linden (Battersea Bridge Road) LLP*	1	United Kingdom	50	-
Linden (Biddenham) LLP*	1	United Kingdom	50	-
Linden (Brampton) LLP*	1	United Kingdom	50	-
Linden (Enfield) LLP*	1	United Kingdom	50	-
Linden (Hartfield Road) LLP*	1	United Kingdom	50	-
Linden (Manse Farm) LLP*	1	United Kingdom	50	-
Linden (Mowbray View 2) LLP*	1	United Kingdom	50	-
Linden (Northstowe) LLP*	1	United Kingdom	50	-
Linden (Rainham) LLP*	1	United Kingdom	50	-
Linden (Sayers Common) LLP*	1	United Kingdom	50	-
Linden (Vencourt) LLP*	1	United Kingdom	50	-
Linden (York Road) LLP*	1	United Kingdom	50	-
Linden and Dorchester Limited*	1	United Kingdom	50	-
Linden and Dorchester Portsmouth Limited*	1	United Kingdom	50	-
Linden Wates (Barrow Gurney) Limited*	1	United Kingdom	50	-
Linden Wates (Bricket Wood) Limited*	1	United Kingdom	50	-
Linden Wates (Cranleigh) Limited*	1	United Kingdom	50	-

	Registered office	Country of incorporation	Ownership interest in ordinary shares	
			2020 %	2019 %
Linden Wates (Dorking) Limited*	1	United Kingdom	50	-
Linden Wates (Horsham) LLP*	1	United Kingdom	50	-
Linden Wates (Ravenscourt Park) Limited*	1	United Kingdom	50	-
Linden Wates (Ridgewood) Limited*	1	United Kingdom	50	-
Linden Wates (Ringwood) LLP*	1	United Kingdom	50	-
Linden Wates (Royston) LLP*	1	United Kingdom	50	-
Linden Wates (Salisbury) LLP*	1	United Kingdom	50	-
Linden Wates (The Frythe) Limited*	1	United Kingdom	50	-
Linden Wates (Walberton) LLP*	1	United Kingdom	50	-
Linden Wates (West Hampstead) Limited*	1	United Kingdom	50	-
Linden Wates (Westbury) Limited*	1	United Kingdom	50	-
Linden Wates Developments (Chichester) Limited*	1	United Kingdom	50	-
Linden Wates Developments (Folders Meadow) Limited*	1	United Kingdom	50	-
Linden/Downland Graylingwell LLP*	1	United Kingdom	50	-
One Lockleaze LLP*	1	United Kingdom	50	-
Opal (Earlsfield) LLP*	1	United Kingdom	50	-
Opal (Silvertown) LLP*	1	United Kingdom	50	-
Opal (St Bernard's) LLP*	1	United Kingdom	50	-
Opal Land LLP*	1	United Kingdom	50	-
Pembers LLP*	1	United Kingdom	50	-
Ramsden Regeneration LLP*	1	United Kingdom	50	-
Sandymoor JV LLP*	1	United Kingdom	50	-
Stanton Cross Developments LLP	1	United Kingdom	50	50
Vistry Latimer Collingtree LLP	1	United Kingdom	50	100
West Bridgford JV LLP*	1	United Kingdom	50	-
White Rock Land LLP*	1	United Kingdom	50	-
Wilmington Regeneration LLP*	1	United Kingdom	50	-
Gateshead Regeneration LLP*	1	United Kingdom	25	-
IIH Oak Investors LLP	4	United Kingdom	26	26
Gallions 2A Developments LLP*	11	United Kingdom	50	-
Shoo 22 Limited*	12	United Kingdom	38	-
The Piper Building Limited*	3	United Kingdom	50	-
Cedar House Securities Limited*	13	United Kingdom	50	-
Crest/Vistry (Epsom) LLP*	14	United Kingdom	50	-
Linden Homes Westinghouse LLP*	15	United Kingdom	50	-
Linden Sovereign Brockworth LLP*	15	United Kingdom	50	-

*Acquired on 3 January 2020.

Notes to the financial statements continued

Significant holdings in undertakings other than subsidiary and joint venture undertakings

	Registered office	Country of incorporation	Ownership interest in ordinary shares	
			2020 %	2019 %
Berkshire Land Limited	1	United Kingdom	33	33
Bishop's Stortford North Consortium Limited	5	United Kingdom	33	25
C.C.B.(Stevenage) Limited	6	United Kingdom	33	33
Haydon Development Company Limited	7	United Kingdom	39	39
Oxfordshire Land Limited	8	United Kingdom	25	25

Registered office

1. 11 Tower View, Kings Hill, West Malling, Kent, ME19 4UY
2. C/o Gilliespie MacAndrew LLP, 5 Atholl Crescent, Edinburgh, Scotland, EH3 8EJ, United Kingdom
3. Cowley Business Park, Cowley, Uxbridge, Middlesex, UB8 2AL
4. New Zealand House 15th Floor, 80 Haymarket, London, United Kingdom, SW1Y 4TE
5. St Bride's House, 10 Salisbury Square, London, EC4Y 8EH
6. Croudace House, Tupwood Lane, Caterham, Surrey, CR3 6XQ
7. 6 Drakes Meadow, Penny Lane, Swindon, Wiltshire, SN3 3LL
8. Persimmon House, Fulford, York, YO19 4FE
9. Gateway House, 10 Coopers Way, Southend On Sea, Essex, SS2 5TE
10. 47 Esplanade, St Helier, Jersey, JE1 0BD, Jersey
11. Bruce Kenrick House, 2 Kellick Street, London, United Kingdom, N1 9FL
12. Duncan House Clipston Road, Sibbertoft, Market Harborough, Leics, LE16 9UB
13. 8 Gleneagles Court, Brighton Road, Crawley, West Sussex, RH10 6AD
14. Crest House, Pyrcroft Road, Chertsey, Surrey, KT16 9GN
15. Sovereign House, Basing View, Basingstoke, Hampshire, England, RG21 4FA

Five year record – unaudited

All financial information below is presented on the basis of the IFRS in place at the time and have not been restated for the impact IFRS16, IFRS15 or IFRS9 prior to the date at which these standards became effective.

Years ended 31 December	2020 £m	2019 £m	2018 £m	2017 £m	2016 £m
Reported results					
Revenue and profit					
Revenue	**1,811.7**	1,130.8	1,061.4	1,028.2	1,054.8
Operating profit	**91.7**	179.7	174.2	121.2	160.0
Net financing costs	**(7.9)**	(6.8)	(6.1)	(7.2)	(5.6)
Share of result of joint ventures	**14.9**	1.8	–	–	0.3
Profit before tax	**98.7**	174.8	168.1	114.0	154.7
Tax	**(21.9)**	(36.4)	(31.5)	(22.7)	(33.9)
Profit after tax	**76.8**	138.4	136.6	91.3	120.8
Adjusted results					
Revenue and profit					
Adjusted revenue	**2,040.1**	1,139.3	1,061.4	1,028.2	1,054.8
Adjusted operating profit	**171.0**	194.4	174.2	121.2	160.0
Adjusted profit before tax	**143.9**	188.2	168.1	120.8	154.7
Balance sheet					
Equity shareholders' funds	**2,195.1**	1,272.0	1,061.1	1,056.6	1,015.9
Net cash	**(37.9)**	(362.0)	(126.8)	(144.9)	(38.6)
Capital employed	**2,157.2**	910.0	934.3	911.7	977.3
Returns					
Adjusted operating margin before exceptional items (note 1)	**8%**	17%	16%	12%	15%
Reported operating margin (note 2)	**5%**	16%	16%	12%	15%
Return on shareholders' funds (note 3)	**6%**	11%	13%	9%	13%
Return on capital employed (note 4)	**14%**	21%	19%	13%	17%
Homes (including units sold on third party owned land)					
Number of Housebuilding unit completions (note 5)	**4,652**	3,867	3,759	3,645	3,977
Number of Partnership unit completions (note 5)	**1,479**	–	–	–	–
Number of partner delivery equivalent units	**2,823**	–	–	–	–
Housebuilding average sales price (£'000)	**302.5**	280.2	273.2	272.4	254.9
Mixed tenure average sales price (£'000)	**203.9**	–	–	–	–
Adjusted EPS before exceptional items					
Earnings per share (p) before exceptional items	**57.9**	104.3	101.6	73.1	90.1
Earnings per share (p) after exceptional items	**34.8**	94.6	101.6	68.0	90.1
Dividends per share					
Paid (p)	**–**	58.5	96.5	45.0	41.3
Interim paid and final proposed (p) (note 6)	**20.0**	61.5	57.0	47.5	45.0

Note 1: Adjusted operating margin has been calculated as adjusted operating profit over adjusted revenue.

Note 2: Reported operating margin has been calculated as operating profit over revenue.

Note 3: Return on shareholders' funds has been calculated as profit after tax over opening shareholders' funds.

Note 4: Return on capital employed has been calculated as adjusted operating profit over the average of opening and closing shareholders' funds plus net debt or less net cash, less goodwill and intangibles. 2016 to 2019 ROCE has been restated on this basis.

Note 5: Completions are shown including 100% of joint venture completions.

Note 6: In 2019 a second interim dividend was declared, not a final dividend. 61.5p includes this second interim dividend.