Strong foundations for the future

Annual Report and financial statements 2023

2023 has seen challenging trading conditions for UK housebuilders. Our attractive land portfolio means that we are well positioned for the future and our purpose remains unchanged. We build great places for our customers, communities and the environment. Our focus on placemaking means that we create sustainable communities where people and nature can thrive.

Built for the future

Ackender Hill, Alton, Hampshire

Cautionary statement

The Annual Report and financial statements for the year ended 31 October 2023 as contained in this document (Annual Report), contains information which readers might consider to be forward looking statements relating to or in respect of the financial condition, results, operations or businesses of Crest Nicholson Holdings plc (Company). Any such statements involve risk and uncertainty because they relate to future events and circumstances. There are many factors that could cause actual results or developments to differ materially from those expressed or implied by any such forward looking statements. Nothing in this Annual Report should be construed as a profit forecast.

Approval

The Strategic Report for the financial year ended 31 October 2023 as presented on pages 1 to 52 was approved by the Board of Directors on 23 January 2024 and signed on its behalf by:

Penny Thomas
Company Secretary

Front cover image:
Kilnwood Vale, Horsham, West Sussex

Crest Nicholson

Our year in review

We have responded proactively to difficult trading conditions and maintained our financial position.

Sales[1]
£692.1m
FY22: £955.8m

Revenue
£657.5m
FY22: £913.6m

Adjusted profit before tax[1]
£41.4m
FY22: £137.8m

Profit before tax
£23.1m
FY22: £32.8m

Adjusted operating profit margin[1]
6.7%
FY22: 15.4%

Operating profit margin
4.5%
FY22: 4.2%

Return on capital employed[1]
6.3%
FY22: 22.4%

Net cash[1]
£64.9m
FY22: £276.5m

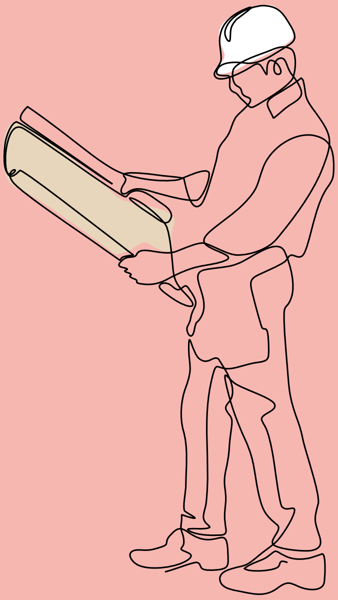
Customer satisfaction
4 star
FY22: 5 star

Strategic Report

Governance and Directors' Report

Financial Statements

1 Sales, adjusted profit before tax, adjusted operating profit margin, return on capital employed and net cash are non-statutory alternative performance measures (APMs) used by the Directors to manage the business which they believe should be shared for a greater understanding of the performance of the Group. The definitions of these APMs and the reconciliation to the statutory numbers are included on pages 161 to 162.



Crest Nicholson at a glance

We are building strong foundations for the future.

Our purpose

Building great places for our customers, communities and the environment.

We invest in placemaking, delivering attractive homes and incorporating sustainable and energy-efficient features in our developments. We strive to make a positive difference to people's lives.

Our culture

We have an open, welcoming, values-based culture.

We create a positive, effective and collaborative working environment to deliver continued performance that contributes to our success.

Elmsbrook, Bicester, Oxfordshire

Integrating sustainability

We recognise the social responsibilities we have as a Group to support the natural environment, human and social capital we engage with. Sustainability is an integral part of our strategy and culture. We embed responsible practices throughout all aspects of the Group, enabling us to contribute positively to society and create long-term value for our stakeholders.

Our sustainability strategy is focused on three priority areas:

- Protect the environment
- Make a positive impact on communities
- Operate our business responsibly

See pages 20 to 26

Our values

Our values underpin how we implement our strategy, defining who we are and how we operate.

1 **Working together**
We are one Crest. We value our diverse and inclusive workplace and support each other. We collaborate closely to build fair and rewarding relationships.

2 **Being the best we can be**
We improve and inspire each other to get things done. We have passion for what we do and pride in how we accomplish it.

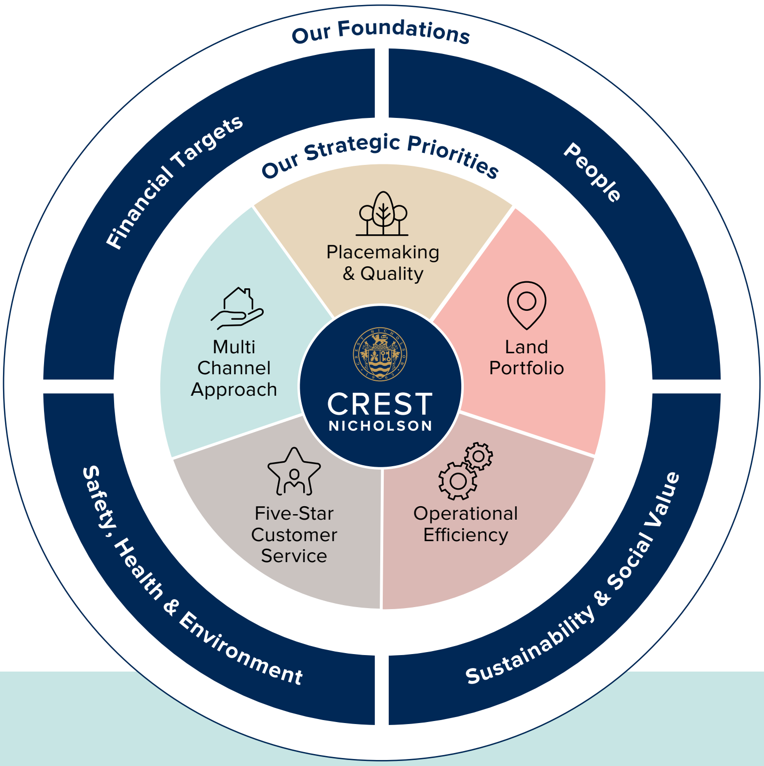
3 **Doing the right thing**
The safety and wellbeing of our employees, partners and communities is our number one priority. Everything we do is built on a foundation of integrity, quality and care.

4 **Championing our people**
We invest in the wellbeing and development of our people. We provide them with the tools and support to be the best they can be.

5 **Leaving a positive legacy**
We care passionately about the natural environment. We create beautiful homes and places that deliver lasting benefits to our customers and communities.

Our strategy

Our strategy seeks to build on our strengths and address the challenges we face. Our five Strategic Priorities are underpinned by four Foundations.



Divisional structure

We have five established divisions predominately in Southern England. In FY22 we opened a new division in Yorkshire. We have a dedicated Partnerships and Strategic Land (PSL) division.

Partnerships and Strategic Land

The division has two primary functions: the first of these is building and establishing strategic relationships with Registered Providers and the Private Rented Sector to enable delivery of Crest Nicholson homes through different tenures. The second function is to acquire, secure and progress strategic land through key planning stages.

The PSL division maximises value through scheme design and placemaking principles while demonstrating broad expertise in housing, land and planning. The team has secured land deals on promising sites in a challenging market. The existing strategic land portfolio is actively promoted, with several sites advancing through key planning stages, including new Local Plan allocations and draft allocations in emerging plans. Additionally, the team has been at the forefront of addressing regional and national planning challenges, such as emerging environmental legislation and proposed changes to the planning system.

Chairman's statement

Confident for the medium term

Iain Ferguson CBE
Chairman

During our financial year ended 31 October 2023 the UK continued to experience challenging and changing economic conditions. The first period followed the Mini-Budget in late September 2022, which triggered instant turmoil in financial markets and a sharp spike in interest rates. This volatility immediately impacted confidence in the housing market as transaction numbers deteriorated. As we moved into the spring, we saw some stability and confidence return. However, as interest rates continued to rise to combat stubborn levels of inflation, the market weakened again over the summer as the affordability of new homes came under increasing pressure.

The planning environment has become more complex. Local authorities face challenges to process approvals effectively due to limited resources within planning departments and we have to navigate increasing regulatory and environmental constraints.

In the first half of our financial year the Group purchased several high quality sites at attractive terms. These sites are in various stages of planning and will be progressed at pace when market conditions improve.

The Board has carefully considered the impacts of the uncertain macro-economic environment and the more onerous planning system on our current strategy and outlook. During the year we took the difficult decision to restructure the Group's operations to reflect our expectations of the weaker demand environment persisting into FY24. In our Yorkshire division, which is now operational and expected to deliver completions in FY24, we have lowered our expectations of volume growth over the medium term. In addition, we have decided to consolidate our new East Anglia division into our existing Eastern division and this transition has now been finalised. Finally, we have adjusted our growth expectations in all our other existing divisions and aligned the headcount and resourcing requirements accordingly.

People and culture

The Board is committed to developing and maintaining an effective culture that supports the wellbeing and effectiveness of our colleagues. During the year we undertook an externally facilitated assessment of our culture to understand perspectives from across our business. The findings were illuminating and insightful, allowing us to develop an action plan which seeks to build on the Group's existing areas of strength, while identifying new ideas and ways of working. The Board recognises that our culture never stands still. We recognise that our colleagues need to understand our values, as well as have the skills and capabilities to perform their role, in order to fulfil our purpose. The Board has made visits to several of our developments during the year. This gave us the opportunity to meet with our colleagues at their places of work and to hear from them at first hand which provides important feedback to the Board.

Sustainability and future homes

Our sustainability strategy represents an ambitious programme of change and we are pleased to report that we are making good progress against our targets. We continue to focus on reducing emissions, delivering high quality and energy efficient homes. We partner with and engage closely with our supply chain to procure materials in a responsible manner. In June 2023 the Group successfully implemented the interim update to Part L of the Building Regulations. Our future focus includes biodiversity and the Future Homes Standard while we continue to influence and prepare for other emerging regulatory changes.

Dividend

The Board announced at the HY23 results that it expected the dividend for FY23 to be at the same level as the FY22 total dividend paid. I am pleased to announce that the Board is recommending a final dividend at 11.5 pence per share (FY22: 11.5 pence per share). Subject to shareholders' approval, this will be paid on 23 April 2024. This will make the total dividend for FY23 in line with the prior year at 17.0 pence per share.

Board changes

In December 2023 Duncan Cooper, Group Finance Director, left Crest Nicholson after four and a half years to pursue his career in another listed company. During his tenure, Duncan has played a critical role in the development and transformation of the business and has been a valued member of the Board. On behalf of the Board, I would like to thank Duncan for his dedication, professionalism and significant contribution to our business.

After an extensive search, I am pleased to announce that Bill Floydd joined the Board as Group Finance Director in November 2023. Bill is a highly experienced executive with a strong track record of finance leadership in a range of publicly listed companies. I would like to express a warm welcome to Bill and look forward to working with him.

I would also like to take this opportunity to thank Lucinda Bell, who stepped down from the Board in December 2023, for her valued contribution to the Board over the past six years as a Non-Executive Director. Dr Maggie Semple OBE joined the Board as Non-Executive Director in January 2024. I am delighted to welcome Maggie to the Board. She brings a breadth of experience across a number of sectors and will complement the range of skills and experience on the existing Board. We look forward to working with her.

> "Despite the tougher trading conditions, we remain focused on investing in our colleagues to ensure they are well prepared to navigate the current environment and are ready to respond for when more positive market conditions return."

Outlook and future focus

The housing market is likely to remain challenging in 2024 as the higher interest rate environment continues to impact affordability. In a year where a General Election is likely, all political parties agree that the planning system needs significant reform. It is against this backdrop and expectation that the Board fully supported management's decision to streamline the Group's operations and overheads. Maintaining a robust financial position will always be a key priority for the Board, and it is with this in mind that we expect to return to our dividend policy of 2.5 times cover.

Despite the tougher trading conditions, we remain focused on investing in our colleagues to ensure they are well prepared to navigate the current environment, can implement the regulatory changes impacting our sector and are ready to respond when more positive market conditions return. I would like to thank all my colleagues for their dedication and commitment during the year and for their understanding and professionalism in delivering some of the necessary changes we have made.

The Board remains confident in the medium-term prospects of Crest Nicholson. The UK continues to face an imbalance of housing supply for the underlying level of demand. While affordability and confidence have been impacted this year, pricing has remained stable, highlighting this market characteristic. Our decision to remain active in the land market, albeit on a selective basis, has ensured that we have several strong sites that will be ready to support a return to growth at the right time.

Iain Ferguson CBE
Chairman

Chief Executive's statement

Peter Truscott
Chief Executive

Great homes, strong foundations

Introduction

The past financial year proved to be one characterised by significant uncertainty in the housing sector. In contrast to the previous year, which experienced robust market conditions despite supply chain challenges affecting home delivery, FY23 saw a reversal of this trend. The sales market weakened and supply chain pressures gradually eased, leading to a reduction in inflationary impacts.

While we have encountered challenging conditions, and performance was more disappointing than anticipated, the Group remained profitable, concluding the year with a strong balance sheet which facilitated a dividend payout at the same level as FY22.

The economy and housing market

The housing market showed signs of weakening during late summer and early autumn of 2022. This downturn was triggered by the poorly received Mini-Budget from the Truss-Kwarteng Government in September 2022, leading to a significant and rapid increase in interest rates, causing a temporary collapse in housing sales. Confidence gradually returned with the establishment of a more stable Government and the subsequent easing of mortgage rates, resulting in more steady sales rates by late winter and early spring 2023.

Nevertheless, the market faced additional challenges, including a rise in interest rates due to persistently high inflation, renewing concerns of declining house prices. The Bank of England continued to raise interest rates to control these inflationary pressures.

While there was initially an expectation of significant price reductions, prices remained stable, followed by modest declines through autumn. Factors such as high mortgage rates, buyer concerns regarding potential future decreases in house prices, and the customary summer slowdown contributed to a period of very low sales rates. As overall economic conditions stabilised, sales rates slowly improved.

Multi Channel Approach

One of our strategic priorities is the Multi Channel Approach. This approach serves as a counter-cyclical element during volatile trading environments, offering increased visibility of revenue in the business. This provides the Group with resilience and a diversified income stream. Leveraging our highly experienced Partnerships and Strategic Land (PSL) division, over the past few years, we have cultivated strategic relationships with institutions and Registered Providers (RPs). Consequently, we have successfully negotiated and delivered 273 units for FY23, as well as further units for future developments.

Build programme

We diligently manage our build programme and work-in-progress. However, due to supply chain issues in the second half of FY22, we commenced the new financial year with a lower build position than originally planned. Despite the challenging sales environment, we seized the opportunity to maintain our planned production output during the first half of the financial year as more labour and materials became available. This enabled us to restore a normalised build activity by the end of FY23.

Build cost inflation remained elevated in the first half of our financial year. This was due to high energy costs and competitors finishing homes for their financial year-ends. A positive outlook for housebuilding in the spring created additional pressure on building supplies. The lagged effect of the dramatic increase in energy costs from the previous year continued to abate, and with labour costs moderating, build cost inflation in the second half of the financial year started to reduce to mid-single digit percentages. We anticipate this trend will continue into FY24.

> "There continues to be a significant imbalance in the supply and demand of housing in the UK, and this undersupply is particularly acute in Southern England, where Crest Nicholson principally operates."

Farnham and other legacy sites

As announced in our November trading statement Brightwells Yard, Farnham recorded c.£11m incremental build costs in the year. The Group has subsequently conducted a comprehensive review of the costs to complete this project as well as our other legacy and low margin sites. Consequently, further additional costs of £5.5m have been identified, including £2.5m at Farnham, which have impacted FY23 adjusted profit before tax (APBT). The Group has commenced a thorough plan to improve commercial processes and controls to mitigate the risk of future cost overruns. Construction at the Farnham scheme is now in its final stages.

Land and planning

The supply of land continued to tighten due to the Government's decision to eliminate top-down housing targets, resulting in delays to new site allocations. This situation is compounded by broader issues within the planning system, including challenges related to nutrients, water neutrality, recreational impact zones and air quality constraints. Additionally, there is an under-resourced and inefficient development control function at the local authority level.

Against this challenging backdrop, and in the aftermath of a period of acute economic uncertainty, many of our housebuilding peers signalled their intention to reduce land activity and withdraw from some land deals. In contrast, we took the opportunity to acquire several highly desirable sites in attractive locations, thereby strengthening our land portfolio and securing favourable economic terms. Our decision to remain active in the land market positions us to mitigate planning delays, ensuring a higher number of outlets are in place when market conditions improve. Our land acquisition programme will remain at a reduced level during FY24.

Accordingly, the Group's year end cash position reduced to £64.9m from £276.5m in the prior year, reflecting both this investment and work-in-progress, as referred to earlier.

Streamlining Group operations

In response to the deterioration of trading conditions experienced in the second half of the year, we have conducted a thorough and diligent review of all activities within the Group to reduce overheads. It is never easy for employees during difficult trading conditions, and I would like to thank my colleagues for their dedication and hard work during these times.

Reduced pace of geographical expansion

In October 2021 we outlined a growth plan for our business involving geographical expansion, with the aim of increasing the number of our housebuilding divisions. However, this plan was devised in a stable, normalised trading environment. Since then, the housebuilding industry has encountered acute economic challenges and a deteriorating trading environment. As responsible management, it is necessary to review our business plan to align with prevailing market conditions.

Yorkshire will remain unaffected given it is now a fully operational, and will now be expected to grow at a reduced pace, targeting 300 to 350 units per annum by FY26, instead of 500 units. East Anglia is now covered by our existing Eastern division and the geographical boundaries have been revised. The Eastern division is based at Brentwood in Essex and we will retain East Anglia's satellite office in Bury St Edmunds. As previously announced, we have postponed the opening of the additional new division.

The revised footprint allows for wider overall coverage and enhanced volumes and reflects the difficult market conditions in the short term and the constrained land and planning environment in the medium term.

Costs and overheads

The Group has taken proactive steps to reduce the cost base at the end of FY23 with the revised growth plan as outlined previously and will continue to seek ways to operate more productively. As announced in our November 2023 Trading Statement, we have reduced overheads to align with worsening market conditions and aim to reduce annualised administrative expenses by circa. £3m in FY24. Consequently, a restructuring charge of £0.5m has been included in our FY23 results.

Chief Executive's statement continued

Combustible materials

On 13 March 2023 the Group entered into the UK Government's Developer Remediation Contract. This incorporated into contractual arrangements the commitments made by the Group under the Building Safety Pledge, signed in April 2022. This agreement regulates a method of building remediation going forward and sets out the basis of the timing and phasing of the recovery of funds expended by the Building Safety Fund. It also positively set out a more balanced and consistent method in assessing building remediations.

During the year we continued to focus on the remediation of affected buildings, building risk assessments, scoping and design.

We have received some recoveries from subcontractors and suppliers which has mitigated the impact and our overall fire safety provision remains broadly unchanged despite the high build cost inflation we have experienced.

Customer experience

In 2022 our customer service standards fell below the level to which we aspire and understandably, our customers reflected this in lower NHBC Customer Satisfaction Survey ratings. Following significant investment in FY23, in people, processes and systems, there are encouraging signs that quality and customer service standards are improving, and for legal completions from February 2023, in excess of 90% of customers have said they would recommend Crest Nicholson to a friend. Sustaining this level and building on the ongoing efforts to enhance customer experience, positions us well to regain our HBF five-star status in 2025.

Sustainability progress

Our sustainability strategy is split into three priority areas – protect the environment, make a positive impact on our communities and operate the business responsibly. These three priority areas guide our commitment to drive positive action across our activities and value chain.

We made positive progress against our sustainability targets in FY23, including a reduction in our greenhouse gas emissions.

We also became a Living Wage Employer and we continued to collaborate with our supply chain and industry peers on sustainability initiatives and to prepare for future regulatory changes.

Brightwells Yard, Farnham, Surrey

Current trading

We entered FY24 with a forward position at 19 January 2024 of 1,732 units at £434.9m GDV, reflecting the current challenging environment. We expect trading conditions will improve towards the second half of 2024 with a strong pipeline of private rented sector and RPs.

Summary

The last financial year has been amongst the most challenging for the Group since the Global Financial Crisis in 2008. Against a backdrop of a difficult market, with significantly reduced housing sales activity and modest low single digit price falls, our focus and priorities for the future are centred on supporting our growth strategy. This will preserve and maintain a robust balance sheet and continue to control our overheads and administrative costs effectively.

During FY23 we increased investment in work-in-progress and strategically acquired high quality land to strengthen our land portfolio, supported by our balance sheet. This strategic move positions the Group to capitalise on growth when the market returns to a more normalised level. There continues to be a significant imbalance in the supply and demand of housing in the UK, and this undersupply is particularly acute in Southern England, where Crest Nicholson principally operates. With a highly attractive asset base, experienced management and a strong balance sheet we remain confident in our future growth prospects.

Outlook

We expect the housing market will remain challenging in 2024 with elevated interest rates remaining in place until inflation falls to its target level. In addition, the absence of any Government support for first time buyers, coupled with higher borrowing costs continues to impact affordability.

However, there are reasons to be optimistic with year-on-year inflation now halved and real wage growth starting to be felt in households across the UK. We have acquired some excellent sites that are at advanced stages in the planning process, leaving us well positioned to trade in whatever market conditions emerge.

Peter Truscott
Chief Executive

> "With a highly attractive asset base, experienced management and a strong balance sheet we remain confident in our future growth prospects."

Case study

The Legacy Collection

Lancaster Park, West Malling, Kent

We develop high quality, attractive, thriving communities. We aim to create developments that our customers are proud to live in.

Our Legacy Collection provides the Group with the tools to do this in a consistent and effective manner. The Legacy Collection comprises a core range of house types and provides our people with a toolkit of standardised product with variations and adaptations alongside a range of affordable house types.

Manor View, Milton Keynes, Buckinghamshire

Enhancing our product

The external materials and elevations of our Legacy Collection can be designed to match the local vernacular. Additionally, our development layouts are designed to have impact, creating places that our customers are immediately drawn to.

The homes offer an attractive, competitive product and are more energy efficient than the previous 2020 Housing Portfolio. Enhancements include improved insulation, the introduction of solar photovoltaic panels and waste water heat recovery systems. More efficient ventilation fans continuously extracting moist air from the property will result in improved heat retention within the home.

Our house types are designed to complement each other, creating street scenes that fit together maintaining the same depth, without effecting their kerb appeal. This limits the potential of heat loss form junctions, and coupled with improved air tightness in excess of building regulations, further enhances the building's ability to retain heat.

We have maximised the efficiency of space, creating opportunities for additional double bedrooms. We feature utility rooms and studies in many of our four bedroom homes. Our kitchens provide flexibility and room for both dining and family space, which delivers on customer aspirations for this key area of the home.

We are proud of the product we deliver to our customers and have a continued focus on the future development of this range.

"I am extremely pleased to have worked on the development of our Legacy Collection, creating a product that our people are proud of and homes that truly benefit our customers. Our 360 degree feedback model allows continuous improvement in an ever changing landscape, enabling us to adapt to our customers' needs while retaining our focus on efficiency and buildability."

Graham Gribbin
Group Technical Director

Our strategy

Our strategy is embedded throughout our operations delivering efficiency and providing strong financial performance. Our goal is to deliver sustainable growth for our stakeholders.

Land Portfolio

Our land portfolio is primarily located in Southern England where land supply is limited in desirable locations where customer demands are high. Our short-term land portfolio is approximately five-years' worth of supply which is appropriate for our needs.

Progress in FY23
— Acquired several high quality sites which will support future outlet growth
— Acquired land at or above hurdle rate incorporating current sales and build costs.

Future focus
— Land acquisition will be reduced in FY24 as we have sufficient land in our portfolio
— Maintain discipline in retaining our land acquisition hurdle rate.

Kilnwood Vale, Horsham, West Sussex

Placemaking & Quality

We are renowned for our placemaking capabilities and we aim to create aspirational developments that have a positive impact on our customers, communities and the environment.

Progress in FY23
— Maintained our focus on investing in desirable locations, acquiring quality sites including in Windsor and Oxford
— Adapted our homes in response to the interim update to Part L of the Building Regulations.

Future focus
— Incorporate biodiversity net gain on new sites submitted for planning from FY24
— Continue to prepare for the full implementation of the Future Homes Standard. See page 23.

Fernhurst, Camberley, Surrey

Operational Efficiency

Operational efficiency is of paramount importance to our success and competitiveness, especially in a challenging economic environment. We focus on all aspects of our operational process to utilise our resources in the most efficient way possible, minimise waste and reduce our environmental footprint.

Progress in FY23
— Implemented and integrated a new Enterprise Resource Planning (ERP) system to improve plot efficiency and management oversight on build progress
— Streamlined operations to align with current market conditions.

Future focus
— Maintain strong oversight on incremental overheads
— Continue to remain agile and responsive to changing market conditions and regulatory requirements.

Five-Star Customer Service

We have a 'right first time' culture. We are committed to delivering high quality homes and an excellent customer experience is at the heart of everything we do.

Progress in FY23
— Processes have been aligned to the New Homes Quality Code and relevant training and controls implemented
— Introduced a customer service recovery plan to regain five-star customer service rating
— Customer Relations Manager in place in each housing division
— Strengthened handover and follow up processes enhancing our customer support
— Introduced standardised upgrade options.

Future focus
— Develop an integrated approach from first enquiry to after sales
— Enhance customer portal, for example home demonstration videos on the layout of houses and self-serve information.

Nicola and Jon Gigg, Waterman's Gate, Arborfield, Berkshire

> "We knew we wanted to buy a new build Crest Nicholson home again for many reasons. Ultimately, we enjoy having a modern property with high quality appliances and having access to the benefits of purchasing from Crest Nicholson, including an energy efficient home, a fantastic sales team and schemes that made our move so much easier."

Nicola and Jon Gigg
Crest Nicholson customers

Multi Channel Approach

Our PSL division sources land, develops partnerships and manages strategic land. Their Strategic Land team promotes and manages strategic land to incorporate it into our short-term land portfolio. Additionally, the division focuses on building strategic relationships within PRS and RPs.

Progress in FY23
— 273 units were delivered in the year to PRS and RPs
— Secured good sales pipeline for future developments.

Future focus
— Develop Co-Purchase and Rent to Own models with external institutions to enhance sales
— Commence sales under the Smart Own scheme.

Strategy for growth – geographical expansion
In October 2021 we outlined a growth plan for the Group involving geographical expansion, with the aim of increasing the number of our housebuilding divisions. This plan was devised in a stable, normalised trading environment. We opened Yorkshire division in FY22 and East Anglia in HY23.

During the second half of FY23 the Group streamlined its operations to align with current market conditions. East Anglia is now covered by the existing Eastern division and some of the geographical boundaries have been revised, with Kent moving to the South division. Yorkshire is fully operational and is expected to grow at a revised pace.

Our Foundations

Our Strategic Priorities are underpinned by our Foundations:

People
See pages 28 to 29

Sustainability & Social Value
See pages 20 to 26

Safety, Health & Environment
See page 27

Financial Targets
See pages 32 to 34

Market overview

Housing is a cyclical industry and sensitive to market sentiment and the macro-economic environment. With our experienced team the Group will navigate through these challenging trading conditions and position the Group to capture growth when the market improves.

Structural imbalance

Demand outweighs the supply of housing. The medium to long-term fundamentals of the housing market remain strong. This is based on data on UK population growth which is projected to increase by 3.2% in the next 10 years to 67.1m in mid-2020 and to 69.2m in mid-2030. The undersupply is also evidenced by the high growth of property prices to income ratio as well as rising rental rates. New housing supply is currently lower than the Government's ambition of 300,000 new homes per year. Around 237,000 new homes were built in 2022/23, 21% less than the target.

Housing supply and demand imbalances vary greatly across different regions of the UK. London and the South East have the most acute shortages and this results in people being concentrated in areas with high demand, which further intensifies the pressure on housing supply.

Our response

— We are predominantly based in Southern England and have an attractive land portfolio of approximately five years in desirable locations to support future outlet growth and demand. See page 3
— We build attractive communities in locations with good transport and infrastructure.

Link to Strategic Priorities and Foundations

- Placemaking & Quality
- Land Portfolio
- Five-Star Customer Service
- 2 Sustainability & Social Value

UK economy

The UK economy continues to be impacted by a variety of macro-economic and political factors. According to the National Institute of Economic and Social Research, GDP is projected to grow by 0.3% in 2024, with the outlook remaining highly uncertain. Latest GDP figures released in December 2023 by the ONS stated the economy contracted by 0.5%. Stubborn inflationary pressures are being exacerbated by limited labour availability and resulting labour cost inflation.

Consumer confidence plays a crucial role in the housing market and can significantly influence the dynamics of buying and selling homes, house prices and the overall health in the economy. While the housing market is cyclical by nature, the current surging mortgage and rental rates, a slowing jobs market and the uncertainties posed by conflict in the Middle East, have all contributed to a decline in consumer confidence.

After improvements in the previous couple of months, the latest GfK Consumer Confidence Index released in October 2023 fell by nine points, which underlines the economy is still exerting acute pressure for many consumers and that confidence remains low.

Our response

— Continue to preserve our financial position
— Operational review to align the Group with the current environment
— Adjust the pace of planned growth in our new and existing divisions.

Link to Strategic Priorities and Foundations

- Multi Channel Approach

Land and planning

Land is the key component for a housebuilder so the availability of land suitable for development and the effectiveness of the planning system have a major effect on the medium to long-term development of the industry and the supply of homes.

The planning environment continues to be challenging with delays to new site allocations in 2023 and beyond with resource pressures impacting the supply of land for housing. Uncertainty on the application of nutrient neutrality guidelines has had further negative impacts on the housebuilding industry and poses significant challenges to planning applications for both local authorities and developers. This causes delays and tightens the supply of land for development.

In August 2023 the Government announced that it would amend the Habitats Regulations which underpin nutrient neutrality through the Levelling-up and Regeneration Act 2023.

The proposed amendments were rejected by the House of Lords in September 2023.

Overall the long-term backdrop is uncertain for planning and is likely to reduce land supply in the medium term.

Our response

— We have a short-term land portfolio of approximately five years which is appropriate for our size
— We acquired several high quality sites in FY23 which will mitigate the planning delays and support future outlet growth
— Quality strategic land portfolio which we can utilise at a higher gross margin.

Link to Strategic Priorities and Foundations

- Land Portfolio
- 2 Sustainability & Social Value

Mortgage market and housing affordability

The biggest direct influence on the housing market are interest rates. A significant series of interest rate hikes since December 2021 have had a profound impact on the UK mortgage market and the affordability of borrowers. Mortgage approvals decreased by 35.1% in September 2023 compared to prior year. This has led to a slowdown in the housing market with transactions year-on-year decreased by 13.4%.

Based on Bank of England data, mortgage borrowing costs for new mortgages declined for more than 12 years to a low of 1.51% in November 2021. During the last two years there has been a sharp reversal, with the average cost of new mortgages tripling (September 2023: 5.01%). Mortgage rates have since stabilised and a five-year fixed rate with a 75% LTV is approximately 4.4%.

Housing affordability is challenging across the UK housing market. The UK new build house price to earnings ratio in 2022 was at eight times, below its peak in 2021 at above 10 times, when sales price inflation was high due to pent-up demand after the pandemic.

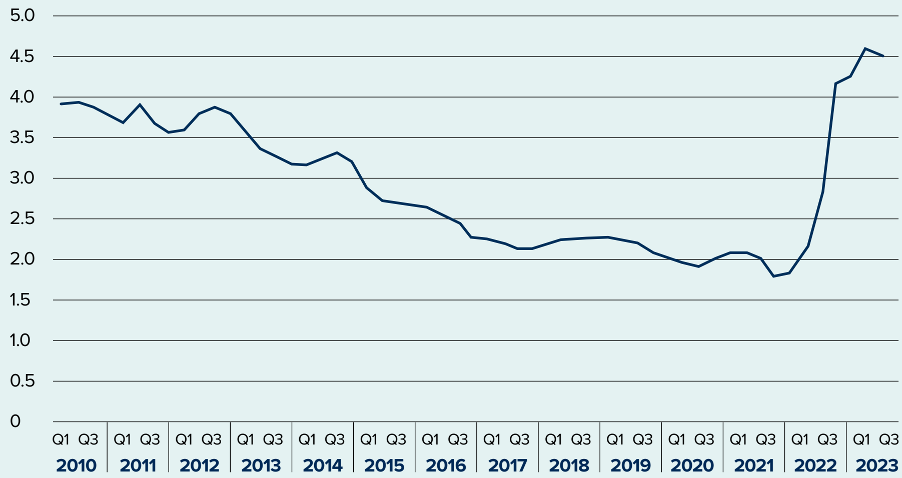
Our response

— Adjusted the pace of our build programmes and land acquisitions to reflect tougher market conditions
— Launched the new Smart Own shared ownership scheme in conjunction with Legal & General Affordable Homes
— Introduced new sales products such as Smart Own and Family Cashback.

Link to Strategic Priorities and Foundations

Land Portfolio
Five-Star Customer Service
Multi Channel Approach

Average UK mortgage rate 2010 – 2023 (%)



Wycke Place, Maldon, Essex

Environmental regulations

The housebuilding industry faces several forthcoming regulatory changes including the Future Homes Standard and biodiversity net gain.

The Future Homes Standard, set to be enforced from 2025 presents a substantial challenge, mandating a minimum 75% reduction in carbon emissions compared to the 2013 Building Regulations. We continue to actively collaborate with our energy assessors, supply chain and industry partners so that we are well prepared to meet the requirements.

Biodiversity net gain, which is expected to come into force in early 2024, will require all new developments submitted for planning to deliver a biodiversity net gain of at least 10% compared to a pre-development baseline.

Our response

— Evolving our house types and collaborating with our energy assessors, suppliers and wider industry to prepare for the Future Homes Standard
— Reducing greenhouse gas emissions in line with our science-based targets
— Engaging with ecologists and landscape architects early in the planning process to deliver biodiversity net gain.

Link to Strategic Priorities and Foundations

Placemaking & Quality
Operational Efficiency
2 Sustainability & Social Value

Link to Strategic Priorities

Placemaking & Quality
Land Portfolio
Operational Efficiency
Five-Star Customer Service
Multi Channel Approach

Link to Foundations

1 Safety, Health & Environment
2 Sustainability & Social Value
3 People
4 Financial Targets

Business model

Our business model is centred on our purpose to build great places for our customers, communities and the environment. Guided by our strategy, we carefully select resources and partners to create value for all stakeholders by building quality homes in desirable locations.

Our resources and relationships

People	— Experienced, dedicated and diverse workforce — Robust Safety, Health & Environment processes to keep everyone safe.
Natural and manufactured resources	— High quality building materials — Commitment to reducing waste and carbon emissions throughout our value chain.
Partnerships	— Carefully selected business partners and projects — Close relationships with regulatory and industry bodies to help shape the future of housing — Relationships with landowners and engagement throughout the development process.
Customers	— Commitment to delivering five-star customer experience — Focus on customers' needs to ensure first class service is provided at every stage of the buying process.
Design and innovation	— Attractive and flexible design of our Legacy Collection house type range to improve quality and operational efficiency — Investment in innovative sales and marketing tools — Modern technology to support safety, quality and service.
Financial resources	— Supportive shareholders — Diverse capital structure and a prudent approach to risk.

What we do

Focused divisional businesses	— Regional housebuilding operations with local expertise and relationships, enabling effective and efficient delivery of new homes — A dedicated PSL division developing multiple channels to market and promoting strategic land.
Design, planning and placemaking	— Energy efficient house type range with interior and exterior flexibility, to cater to a range of customers and adaptable to local design policies — Placemaking expertise to create a strong legacy of vibrant communities with a mixture of homes and tenures.
Land	— Operational efficiency programme and reputation for placemaking supports land acquisition at appropriate margins — Strategic land capability allows us to promote sites through to approval and earn superior returns — Partnerships developed with land owners and local authorities to secure planning permission in a timely manner.
Construction	— Championing best practice in build, choice of materials and waste management, with cross-team functional forums embedding and sharing best practice including safety, quality and energy efficiency.
Selling our homes	— Highly trained, passionate sales executives delivering high quality service, supported by focused marketing channels to reach customers in the most targeted way — Our PSL division bring forward a range of ownership tenures including affordable, shared ownership and PRS.
Quality and customer experience	— Aiming to provide the best customer experience throughout the home-buying process, with a 'right first time' approach to the quality of homes, sales support and after care.

The value we create for our stakeholders

Investors	— Compelling investment proposition setting out how we realise value from our high quality portfolio of assets.
Customers	— Five-star customer experience with quality products in desirable locations.
Our people	— Investing in people to develop the skills that we need and enhancing our reputation as an employer of choice.
Suppliers	— Being a long-term and trusted partner to suppliers and subcontractors.
Communities and the environment	— Creating a positive environmental and social legacy through strong community relationships and investment in social infrastructure.
Government and other bodies	— Regular engagement with Government to understand its priorities and to share our expertise to support effective regulation.

and for society

We are committed to creating a positive legacy and long-term value for society by building quality homes in desirable locations.

See pages 20 to 26

Our investment case

Our investment case emphasises our ability to weather economic uncertainties while continuing to deliver value to investors and stakeholders, focusing on adaptability, resilience and long-term sustainability of the business model.

1 Resilient fundamentals for the UK housing market

— Despite economic challenges, the UK housing market benefits from a growing population and a persistently limited housing supply

— The complex planning system, while challenging, favours experienced housebuilders with a broad range of capabilities and deep knowledge of the local market

— The lending environment remains functional and the supply of mortgages remains stable and available, albeit at a higher interest rate.

2 Adaptive land portfolio

— We maintain a high quality land portfolio, primarily concentrated in Southern England, with new developments strategically added in regions that are well placed to capture growth when the market improves

— Our extensive strategic land portfolio, primarily held under option, represents an efficient use of capital, allowing for flexibility in land development decisions

— Our financial position with a five-year land bank enables the Group to stay selective in acquiring land in a tightened market.

3 Brand synonymous to quality and placemaking

— Established brand name with strong heritage associated with quality and customer experience

— Reputation for placemaking and creating attractive, vibrant communities can be leveraged to navigate market challenges

— The Group can extend its reputation and offer more customers the chance to own a home across a wider range of regions in the UK.

4 Diversified income streams to counter cyclicality

— The Multi Channel Approach offers resilience by diversifying income sources and capital streams to withstand market fluctuations

— In the face of challenges, the PRS provides dependable yields and stability within our diversified income streams

— The dedicated PSL division maintains strong relationships with Registered Providers and PRS partners, providing additional stability in uncertain market conditions.

5 Commitment to sustainability

— We remain committed to our sustainability goals, including reaching net-zero emissions by 2045

— In a challenging market, the emphasis on reducing greenhouse gas (GHG) emissions, waste and natural resource consumption remains crucial to both cost efficiency and environmental responsibility

— We make a positive impact in our communities, providing attractive, high quality new homes and investing in infrastructure that delivers lasting benefits to the local area.

6 Robust balance sheet and margin recovery plan

— Our balance sheet, with a year end net cash position of £64.9m and a £250m revolving credit facility (RCF), provides financial stability

— We maintain a disciplined and selective approach to land acquisition and capital allocation

— The sustainable dividend cover of two and a half times is evidence of a well considered financial strategy that can withstand adverse economic conditions.

Stakeholder relations

Engagement is essential for our growth and for delivering long-term positive outcomes to our stakeholders.

Section 172 statement

We work hard to understand and meet the needs of our different stakeholder groups, engaging with them, adapting our service and creating value for them.

The Board acknowledges that we may have to take decisions that affect one or more stakeholder groups negatively. In challenging markets it is even more important to reflect upon the need to act fairly and with integrity. The Section 172 statement, contained within the Companies Act 2006 (Act), provides the Board with the foundations for its decision-making processes.

The Company should act in good faith in order to promote the success of the Company for the benefit of its members as a whole and in doing so, have regard (amongst other matters) to:

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

How we consider stakeholders

We have a comprehensive programme of stakeholder engagement and feedback mechanisms to support us in making balanced decisions.

Stakeholder engagement and decision making

Annual strategy and budget review	Board Committees with key focus areas	A SHE Committee and Sustainability Committee providing updates to the Board	Board oversight of the Group's purpose, values and culture and alignment with our strategy

Board decision making

External feedback on market perception and shareholder engagement	Regular updates from senior management	Risk review

The following pages comprise our Section 172 statement, setting out how the Board has, in performing its duties over the course of FY23, with regard to the matters set out in Section 172(1) (a) to (f) of the Act, alongside examples of how each of our key stakeholders have been considered and engaged. Further information can also be found throughout the Strategic Report and in the Governance Report.

How our Board engaged

Board site visits
The Board visited two sites in the Midlands and South, where they met the divisional boards, sales and site teams

Employee Voice meetings
Louise Hardy, our Non-Executive Director responsible for employee engagement, facilitated our Employee Voice meetings and met a cross-section of our employees

	Our people	Investors
	Individuals who are directly employed by us.	Both individual and institutional investors.

What matters to them

Our people

Our employees require a safe and healthy working environment which is complemented by a supportive, diverse and inclusive culture. Our employees value challenging and rewarding work that is enhanced by professional development and career opportunities.

Investors

Our investors have a strong and effective relationship with the Board and senior management. We understand that our ability to navigate the current market challenges, while maintaining sustainable returns, is important for our investors.

How we have engaged

Our people

Board engagement

- The Board received updates on employee matters at each of its meetings and regularly discussed employee turnover, engagement, succession planning, appraisals, training and development
- The Chief Executive attended employee forums and divisional roadshows to provide strategic and trading updates
- The Board encouraged management to engage an external consultant to assess the Group's culture, and was kept informed of both the process and output of this review.

Group engagement

- The Group's Affinity Groups responded to diversity and inclusion matters
- Focused regular engagement with charity partners, including the Group-wide charity challenge
- Health and wellbeing training and the ability for employees to enhance their mental health fitness through online resources
- The Sharesave scheme enables employees to save and purchase shares in the Group
- Operated formal talent development training programmes.

Investors

Board engagement

- The Chief Executive, Group Finance Director and Head of Investor Relations met regularly with investors and analysts to convey an understanding of the housing market, the Group's strategy and its operations
- The Chairman and the Senior Independent Director held an annual governance roadshow
- Consulted with investors on the Directors' Remuneration Policy which was proposed for a shareholder vote at the 2023 AGM
- All Directors attended the AGM and were available to answer shareholder questions.

Group engagement

- Discussions were held during the year with investors and analysts on the Group's operational review and streamlining our operations to align with the current market conditions
- Meetings were held to provide insight on our response to the impacts of climate change and progress against our sustainability targets.

Key outcomes

Our people

- Increased involvement in the FY23 Sharesave scheme with 41% participation
- Six Employee Voice meetings were held during the year which took place across all the divisions
- 22% of employees received formal training or were in trainee positions in FY23
- Achieved Gold accredited membership of The 5% Club
- The average number of training days per employee in FY23 was 4.75 days
- There were 61 internal promotions in FY23.

Investors

- The Chief Executive and Group Finance Director attended 62 investor meetings during FY23, representing over half the issued share capital
- We remain a constituent of the FTSE4Good Index Series and achieved a B rating in the CDP climate change disclosure
- The Directors' Remuneration Policy received shareholder support with 94% votes in favour.

Link to KPIs

Our people

- Voluntary employee turnover
- Annual Injury Incidence Rate (AIIR)

Investors

- Return on capital employed (ROCE)
- Earnings before interest and tax (EBIT) margin
- Net cash
- Unit completions
- Land creditors as a % of net assets
- GHG emissions intensity
- Waste intensity

Stakeholder relations continued

	Customers	Suppliers
	The people and organisations who purchase our homes. These can be private individuals or larger institutions that we work in partnership with.	The suppliers that provide the materials for our homes and the skilled subcontractors for our construction activities.
What matters to them	Our customers expect quality homes in beautiful places that are safe, delivered on time and which offer good value for money. Customer engagement enables us to understand our customers' needs and how we respond.	It is important to our suppliers and subcontractors that projects are delivered safely and on time. Mutually beneficial working relationships that share risk and reward alongside operational efficiency are important for effective relationships. Suppliers expect us to preserve our financial position and to pay them within agreed timescales.
How we have engaged	**Board engagement** — The Board considered initiatives undertaken by the Group to deliver high levels of customer experience, enhance placemaking and create sustainable developments — The National Housebuilding Council (NHBC) customer satisfaction survey scores were considered at each Board meeting and the approach for improving performance — Regular updates to the Board on relationships with our partners — The Board approved the Group joining the Department for Levelling Up, Housing and Communities (DLUHC) Responsible Actors Scheme which was launched in July 2023 — Reviewed the sales strategy to enhance the sales process — Received regular updates on the Group's progress supporting those living in buildings impacted by the Developer Remediation Contract. **Group engagement** — Divisional marketing events were held for customers to provide information on our homes, the local area and development — The Group allocated additional resources to support delivery of improving customer experience — The divisional boards reviewed and monitored customer service feedback and satisfaction — All employees received training on the New Homes Quality Code (NHQC).	**Board engagement** — The Board regularly discussed the Group's responsibility to its suppliers and subcontractors and its impact on the local housebuilding and construction industry — Regular updates were provided to the Board on the Group's supply chain, including payment practices, material costs and availability, and the prevention of modern slavery — The Board received regular updates on the supply chain, including quality and safety performance statistics. **Group engagement** — Maintained relationships with key suppliers with a particular focus on safety, costs and sustainability — Feedback on supplier performance was considered at divisional board meetings — Expected commitment to our Supply Chain Code of Conduct including anti-slavery and human trafficking policies — Launched the 'Crest Nicholson Introduction to Sustainability' learning pathway with the Supply Chain Sustainability School which was issued to all suppliers — Became an accredited Living Wage Employer — Partnered with the Supply Chain Sustainability School and industry peers to lead a packaging optimisation project with major suppliers — Engaged with suppliers on their GHG emissions data to support our whole life carbon analysis.
Key outcomes	— Customer experience plan implemented to restore the Group's five-star satisfaction score — Additional customer service roles were created to enhance the relationship between site teams and customers — Processes were put in place for build teams to support customers throughout their purchasing journey.	— 56% of Group suppliers actively engage with the Supply Chain Sustainability School — 35% of suppliers have completed the sustainability learning pathway since it was launched in early October 2023 — Engaged with subcontractors on their compliance with paying the real Living Wage — 36 days was the average time taken to pay suppliers.
Link to KPIs	— Unit completions — GHG emissions intensity — Customer satisfaction — PRS/Affordable unit completions	— Net cash — Unit completions — GHG emissions intensity — Waste intensity — AIIR

Communities and environment

The communities and environment local to our developments.

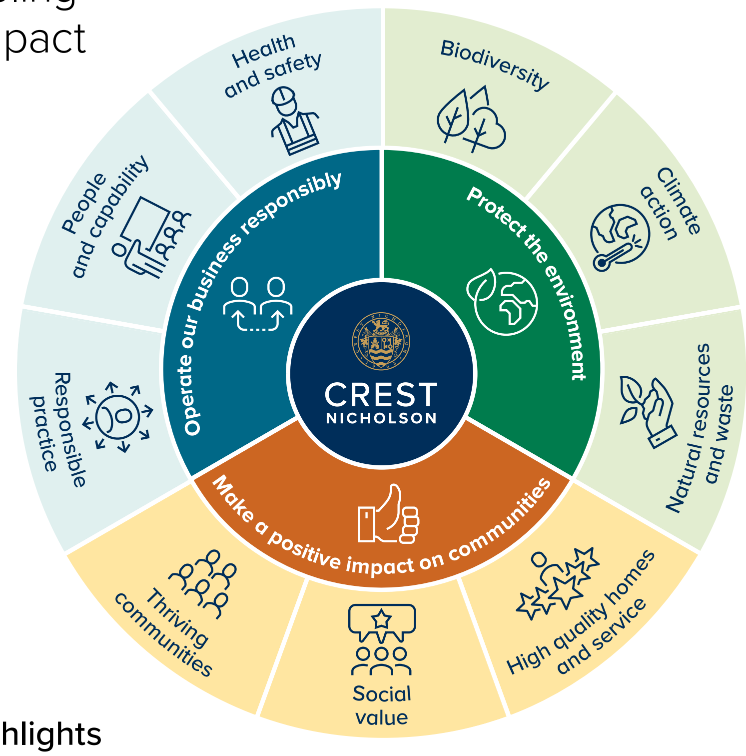
Government and other bodies

The Government, regulatory and industry bodies shape the legislative environment in which we operate and local planning departments.

	Communities and environment	Government and other bodies
What matters to them	Our neighbours in the local communities want engaged two-way communication with us. We seek to provide well-designed quality homes with character that are competitively priced for local residents. Investment in infrastructure including transport, school and health facilities is important. We also seek to protect the local environment, reduce emissions and waste and help support sustainable lifestyles.	The Government expects proactive engagement from us and solutions to meet the requirements of the Future Homes Standard and industry initiatives that support biodiversity and climate change matters.
How we have engaged	**Board engagement** — The Board considered sustainability and environmental impacts in relation to the development of sites — Reviewed product development changes for the mandatory compliance with the Future Homes Standard — Considered the energy and water efficiency of household appliances in our homes — Monitored the Group's overall sustainability performance in line with published targets. **Group engagement** — Regularly engaged with the local community, planning authorities and environmental regulators, which enabled us to respond to concerns and incorporate feedback into the development process — Regularly reviewed sustainability performance and implemented action to reduce GHG emissions — Launched a new charity partnership with Young Lives vs Cancer and continued to donate and provide support to local charities and organisations.	**Board engagement** — Regular active dialogue and debate was held by the Board on industry developments, including the Future Homes Standard, NHQC, market trends and the planning environment — The Chief Executive participated in regulatory and industry bodies that shape the legislative environment and local planning departments — The Chief Executive met with Ministers from the DLUHC and the Department of Housing — Ongoing discussion on the mandatory compliance with the Future Homes Standard in 2025. **Group engagement** — Divisional attendance at HBF and NHBC events — Divisional attendance at local planning meetings and engagement with Homes England and Housing Associations — Active participants in the Future Homes Hub to support the transition to net-zero and nature-positive developments — Regular engagement with local authorities, the Environment Agency and local water authorities.
Key outcomes	— Delivering attractive developments that are valued by our customers and communities — 55% reduction in scope 1 and 2 emissions compared to FY19, the baseline year against which emission reductions are measured — Agreed to set a minimum B EPC rating for standard house types — Recipient of the Silver Award for the Armed Forces Covenant Employer Recognition Scheme.	— Engagement with Government enables us to understand their priorities for housing — Progress with our partners across a multitude of our strategic land projects — Implemented the NHQC across the Group — Regular dialogue with Government and industry to address the global challenges of climate change and biodiversity loss.
Link to KPIs	— Unit completions — GHG emissions intensity — Waste intensity — PRS/Affordable unit completions	— Unit completions — GHG emissions intensity — Waste intensity — PRS/Affordable unit completions

Sustainability review

Sustainability is embedded across all aspects of our business, enabling us to make a positive societal impact and generate long-lasting value for our stakeholders.



Our approach

Sustainability is one of our four strategic foundations. It remains at the core of our Group's purpose to build great places for our customers, communities and the environment.

Our sustainability strategy is built around three overarching priorities, encompassing the multi-faceted nature of sustainability:

Protect the environment
We are committed to reducing our climate impact, preserving biodiversity, minimising waste and conserving natural resources.

Make a positive impact on our communities
We actively seek opportunities to make a positive impact on the communities in which we operate. This includes providing attractive, high quality new homes and investing in infrastructure that delivers lasting benefits to communities.

Operate responsibly
We operate our business with integrity by upholding high ethical standards. We champion our people and prioritise the health, safety and welfare of everyone who comes into contact with our operations.

Recognising the ever-evolving landscape of environmental and social challenges, we are committed to regularly engaging with our stakeholders. This dialogue allows us to continually review and respond to concerns, helping us address material issues and anticipate potential sustainability-related risks and opportunities. For more details on what matters most to our stakeholders and our engagement with them, see pages 16 to 19.

We continue to monitor emerging regulations and reporting requirements, including the disclosure standards established by the International Sustainability Standards Board and the Taskforce on Nature-related Financial Disclosures' recommendations. Our proactive approach enables us to align with future compliance requirements.

Read more on how our sustainability strategy aligns with the UN's Sustainable Development Goals (SDGs).

Our ESG Data Handbook provides further information on our sustainability performance, including our response to the Sustainability Accounting Standards Board (SASB) Home Builder's industry standard

FY23 highlights

Protect the environment

Reduction in scope 1 and 2 emissions compared to baseline FY19

55%

FY22: 47%

Electricity procured from renewable tariffs

89%

FY22: 70%

Make a positive impact on our communities

Developments within 1km of a public transport link

92%

FY22: 88%

Affordable homes delivered

525

FY22: 522

Operate responsibly

Trained mental health first aiders

16

FY22: 18

% employees in trainee positions or in formal training

22%

FY22: 19%

Governance

Effective governance plays a pivotal role in driving improvements in sustainability performance. Our commitment to responsible operations starts at the highest level of our organisation with Board oversight of the sustainability strategy and objectives. The evolution of our strategy and integration within the Group is guided by our Sustainability Committee, which operates with delegated authority from the Board and Executive Committee. In FY23 the Sustainability Committee, chaired by our Chief Executive, met four times. Further details on our governance structure can be found on page 44.

To support our strategy, we link sustainability targets to our remuneration packages (see pages 82 to 83). Our Revolving Credit Facility (RCF) is linked to four sustainability targets detailed below. See page 147 for our performance against the targets.

- Reduce absolute scope 1 and 2 GHG emissions in line with our science-based targets
- Increase supplier engagement with the Supply Chain Sustainability School
- Increase the proportion of homes with an Environmental Impact rating of A and B
- Increase the proportion of employees in trainee positions or on training programmes.

Protect the environment

We are taking proactive measures to safeguard the natural environment for the long term by reducing greenhouse gas emissions, minimising our impact on natural resources and preserving and enhancing nature across our developments.

Climate action

GHG emissions continue to rise, and the effects of climate change are becoming more pronounced. The scale and urgency from Government and stakeholders is increasing. We are committed to mitigating our impact on climate change through GHG emissions reduction in alignment with our science-based targets (SBTs).

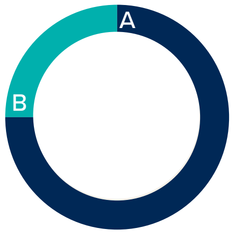
Climate change presents both risks and opportunities for our operations and value chain. You can find information regarding our climate-related risks and opportunities in our Task Force on Climate-related Financial Disclosures (TCFD) section on pages 43 to 50.

Reducing our scope 1 and 2 emissions

In FY23 our total scope 1 and 2 GHG emissions were 3,803 tonnes of carbon dioxide equivalent (tCO_2e), representing a 15% reduction on FY22 and 55% reduction against our FY19 science-based target baseline.

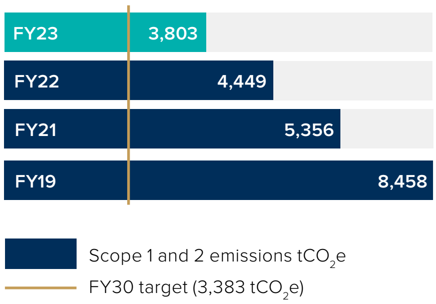
On an intensity basis, our scope 1 and 2 GHG emissions were 2.09 tCO_2e per 100 sq. m, reflecting a 35% reduction compared to FY19 (FY19: 3.20 tCO_2e).

Scope 1 and 2 GHG emissions breakdown



A	Scope 1	2,848 tCO_2e	75%
B	Scope 2	956 tCO_2e	25%

Scope 1 and 2 GHG emissions performance (tCO_2e)



Our science-based targets

SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

The Science Based Targets initiative (SBTi) approved our near and long-term targets, including our commitment to achieve net-zero GHG emissions across our value chain by 2045.

Achieving net-zero will be a significant challenge and we continue to learn and adapt our approach. A successful transition to net-zero will require effective collaboration and coordinated action across the industry and our value chain.

Scope 1 and 2 GHG emissions

Scope 1 emissions encompass direct emissions from the use of fuel in the operation of plant and equipment at our sites, gas consumption for heating and hot water and the fuel used by our vehicle fleet. Scope 2 emissions represent indirect emissions arising from the procurement of electricity and heat.

Our targets

Reduce absolute **scope 1 and 2 GHG emissions 60% by 2030** from a 2019 base year[1].

Reduce absolute **scope 1 and 2 GHG emissions 90% by 2045** from a 2019 base year[1].

Scope 3 GHG emissions

Scope 3 emissions relate to the emissions for which we are indirectly responsible throughout our value chain. These emissions are primarily associated with our supply chain (upstream) and the use of our homes (downstream).

Our targets

Reduce **scope 3 GHG emissions 55%** per sq. m completed floor area by 2030 from a 2019 base year.

Reduce **scope 3 GHG emissions 97%** per sq. m completed floor area by 2045 from a 2019 base year.

Net-zero target

Reach net-zero GHG emissions across the value chain by 2045 from a 2019 base year.

FY23 highlights

- SBTs approved by the SBTi
- Reduced absolute scope 1 and 2 emissions by 55% compared to 2019 base year (35% reduction in emissions intensity)
- Rolled out new fuel and plant dashboards to embed resource efficient practices across our sites.

Link to Strategic Priorities

- Placemaking & Quality
- Operational Efficiency

Link to Foundations

1. People
2. Sustainability & Social Value
3. Safety, Health & Environment

1 Science Based Targets initiative.

Protect the environment continued

Actions taken to reduce scope 1 and 2 emissions

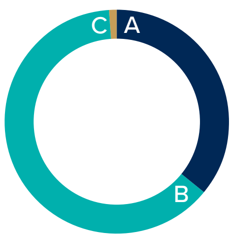
Implementing efficient plant and equipment	— Continue to prioritise early connection to the grid to reduce the use of generators and associated fuel consumption — 100% of our telehandler fleet have the most efficient Tier 5 engines — Utilise hybrid generators where feasible — Site compound specification upgraded to improve fabric efficiency, reducing heating requirements and improving comfort.	**Reduction in generators on hire across the Group in FY23[1]** 47%
Sourcing alternative low carbon fuels	— Reducing consumption remains the priority — Hydrotreated vegetable oil (HVO[2]) used as a substitute for white diesel that is lower in carbon and derived from waste vegetable oil and fats. It accounted for 53% of our total site diesel use — Continue to explore alternative technologies to reduce fuel and energy consumption.	**Proportion of HVO used on our sites** 53% FY22: 49%
Procuring renewable electricity	— Increased the proportion of electricity from renewable tariffs to 89% — A key challenge is the lack of renewable tariffs for unmetered supplies, such as street lights — Engaging with peers, utility management partners and energy suppliers to find solutions — Targeting 100% renewable electricity for suppliers within our control.	**Renewable tariffs[3] as proportion of total electricity consumption** 89% FY22: 70%
Shifting vehicle fleet to electric and hybrid	— Provide a diverse range of electric and hybrid vehicles on our company car scheme — Expanded EV charging infrastructure at our divisional offices and sites.	**Proportion of our Group car fleet hybrid or electric** 64% FY22: 40%
Communication and behaviour	— Developed and rolled out monthly fuel and plant dashboards that provide insights into on-site generator utilisation, telehandler efficiency and opportunities to reduce site fuel consumption — Performance updates are provided in internal communication channels.	

1 Generators on hire reduced from 43 in November 2022 to 23 in October 2023. Includes generators sized 20kVA or larger.
2 HVO is a direct replacement for white diesel that is lower in carbon and derived from waste vegetable oil and fats.
3 Backed by Renewable Energy Guarantees of Origin certificates.

Reducing our scope 3 emissions

Scope 3 emissions account for 99% of our total GHG emissions and predominantly comprise of emissions relating to our supply chain (upstream) and the use of our homes (downstream). In FY23 our absolute scope 3 emissions reduced by 19% compared with FY22. Scope 3 intensity was 2.64 tCO_2e/sq. m, representing a 9% increase from FY22 and a 3% increase from our FY19 baseline. The intensity increase stems from our ongoing construction activity and fewer legal completions in FY23, particularly in emissions tied to purchased goods and services.

Scope 3 emissions breakdown



A	Supply chain	36%
B	Use of sold product	63%
C	Other scope 3	1%

Decarbonising our supply chain

GHG emissions associated with the materials and services used to build our homes and developments account for around 36% of our total emissions. As emissions associated with the use of our homes decrease, upstream supply chain emissions will become the largest source of our carbon footprint. This is why collaboration with our supply chain will be critical in our transition to net-zero.

In FY23 we conducted a whole life carbon analysis on key Legacy Collection house types of varying sizes. This analysis enables us to identify emission reduction opportunities and prioritise communication with suppliers.

We engage with our suppliers on the availability of emissions data and our recent analysis highlighted that 26% of our upfront embodied carbon emissions associated with a home are covered by a supplier or product specific Environmental Product Declaration.

Environmental Product Declarations communicate verifiable environmental data on products, which we use when assessing material choices. A current area of focus is engaging with the supply chain to improve emissions data availability to support these choices.

Additionally, we actively participate in the Future Homes Hub's Embodied and Whole Life Carbon workgroup, which is developing guidance tools and an implementation plan to drive industry-wide reductions in whole life carbon emissions.

Decarbonising our homes

The use of our homes accounts for approximately 62% of our GHG emissions. In FY23 we implemented the interim update to Part L of the Building Regulations, which requires a 31% reduction in carbon emissions compared to the 2013 regulations. Looking ahead, the impending Future Homes Standard set to be enforced from 2025, presents a substantial challenge, mandating a minimum 75% reduction in carbon emissions compared to the 2013 Building Regulations.

In preparation for the transition, we are actively collaborating with our energy assessors, supply chain partners and the industry to ensure we are well prepared to meet the Future Homes Standard requirements. Future Homes Standard-compliant homes will be zero carbon ready, utilising electric heating systems such as air source heat pumps. We are gradually introducing air source heat pumps to an increasing number of developments and leveraging the knowledge and experience gained to prepare for the implementation of the Future Homes Standard.

We prioritise a fabric first approach to enhance the thermal efficiency of our homes, reducing heat loss. Technologies supporting emissions reduction are also integrated into our homes. Feedback from customers and suppliers informs ongoing refinements to our designs and the technologies utilised, ensuring our homes are comfortable, user-friendly and cost effective to operate. The infographic details some of the fabric and technology specifications incorporated within our homes both now and beyond 2025.

Our sustainability-linked RCF includes a target to increase the proportion of our homes that receive an Environmental Impact rating of A or B, progressively increasing the number of A rated homes. In FY23 96% of our homes achieved an A or B rating.

Reducing the 'in-use' emissions of our homes

	Current fabric and technology specifications include:	Potential fabric and technology specifications from 2025 include:
CO_2 emissions vs 2013 Building Regulations	— At least 31% reduction.	— At least 75% reduction — Homes are 'zero-carbon ready'.
Fabric	1 Fabric first approach to prevent heat loss, including enhanced fabric in walls, floor, roof and windows with thermally broken lintels 2 Improved airtightness from 5 to a maximum of 4.5, helping keep the home warm while using less energy.	12 Higher fabric efficiency in external walls and double or triple glazing 13 Further improvement in airtightness.
Technology	3 Renewable and low carbon technology including solar PV and some homes fitted with air source heat pumps 4 PV diverter on hot water cylinders (where installed) to maximise efficiency of PV 5 Enhanced heating controls 6 Efficient gas boilers where fitted 7 Waste water heat recovery 8 Larger radiators for optimal heating efficiency and pipes enlarged to future proof for air source heat pumps 9 Electric vehicle charge points 10 Decentralised mechanical extract ventilation and larger trickle vents on windows to improve ventilation and reduce risk of overheating 11 Efficient water fittings.	14 Increasing use of air source heat pumps 15 Hot water cylinder in every home 16 Additional smart technology 17 Electric vehicle charge points to every home Mechanical ventilation with heat recovery in apartments.

Natural resources and waste

Unsustainable resource consumption and waste are major contributors to climate change, biodiversity loss and pollution. Reducing waste and our impact on natural resources aligns with our Operational Efficiency strategic priority.

Reducing and recycling construction waste

In FY23 our total construction waste decreased by 6% compared to FY22 (FY23: 19,975 tonnes; FY22: 21,356 tonnes). However, waste intensity increased to 10.98 tonnes per 100 sq. m legally completed floor area compared to FY22 (8.72 tonnes/100 sq. m), representing a 14% increase from our FY19 baseline and a 26% increase from the previous year. This year's increase in waste intensity can be partly attributed to reduced completions in FY23, while building work continued to progress at a steady pace. It is clear that significant efforts are needed to achieve our FY25 target to reduce waste intensity by 15% from our FY19 baseline.

To promote waste reduction and embed good practices, we are enhancing communication around waste management and introducing new reports in FY24. These reports will identify anomalies and pinpoint opportunities to reduce waste.

We prioritise waste segregation across our sites and diverted 98% from landfill in FY23 (FY22: 96%), exceeding our 95% diversion target. We encourage timber reuse through our partnership with Community Wood Recycling and our pallet return scheme. Community Wood Recycling offers employment and training opportunities to disadvantaged individuals, producing products from surplus timber and offcuts. Our collaboration with them in FY23 resulted in eight jobs and 14 training places. Additionally, our pallet return partner collected 36,036 pallets (FY22: 15,052), which were repaired and reused in our supply chain or recycled.

Lightweight compactable material, primarily packaging waste, constitutes the highest proportion of the waste we generate. We continued to partner with the Supply Chain Sustainability School and industry peers to lead a packaging optimisation project with major industry suppliers. This collaboration resulted in the publication of an industry report on optimising product packaging in the housebuilding sector. We remain committed to working with our suppliers to implement initiatives aimed at reducing waste and enhancing sustainability throughout our operations.

Protect the environment continued

Water resilience

The country faces an escalating risk of water supply stress due to factors including climate change, population growth and ageing water infrastructure.

To support a reduction in demand, our Legacy Collection homes are designed to consume less than 105 litres per person per day (lpppd), a 16% reduction compared to the current regulatory requirement of 125 lpppd. Our homes feature water meters, dual-flush toilets, low-flow taps and showers, all which reduce water demand and customer consumption.

Furthermore, we integrate sustainable drainage systems (SuDS) into most of our developments, enhancing resilience against water scarcity and flood risk on a development level. SuDS reduce water runoff rates by incorporating natural features like swales and attenuation ponds, while having the added benefits of improving water quality, providing recreational space and promoting biodiversity.

Nutrient neutrality

In response to elevated levels of phosphate and nitrate in watercourses, several Local Authorities have mandated nutrient neutrality in new developments in accordance with Natural England guidance. While this initiative aims to address water quality concerns, it has inadvertently resulted in planning delays without directly tackling the root cause of river pollution. We are engaged with Government bodies, industry stakeholders and other interested parties to explore and implement solutions to address nutrient neutrality.

Enhancing biodiversity

Biodiversity loss is a significant issue, with implications at both a local and global scale. The 2023 State of Nature report highlighted that one in six species in Great Britain is at risk of extinction. The loss of biodiversity has negative effects on ecosystems and the environment, reducing the stability and availability of natural resources.

Biodiversity net gain is set to become a mandatory requirement in early 2024. This regulation requires developers to achieve a minimum 10% net gain in biodiversity compared to a pre-development baseline. This not only helps to preserve local ecosystems but also supports the Government's ambition to curb biodiversity loss by 2030.

The implementation of biodiversity net gain strategies can vary significantly across our developments. To navigate this effectively, we engage ecologists and landscape architects early in the planning process. This ensures that our efforts are both cost effective and environmentally beneficial, reflecting our commitment to enhancing biodiversity and recognising the role it plays in supporting business sustainability and resilience.

Case study

Supporting nature and delivering low carbon homes in Windsor

Situated near Windsor, the development achieved planning consent in 2023 and will comprise of 135 homes, with 40% designated as affordable housing. Our South division actively engaged with our energy consultants to ensure high levels of fabric efficiency. The homes will incorporate air source heat pumps and apartments will utilise hot water heat pumps and electric panel heaters. GHG emissions will be 76% lower across the development than 2013 Building Regulations, aligning with the Future Homes Standard target. An additional financial contribution into a carbon offset fund will balance the residual emissions.

Our team worked in partnership with our ecologists and landscape architects to ensure that open spaces will provide a haven for wildlife and attractive recreational areas for residents.
The development will create a 14% biodiversity net gain through the delivery of a wildflower meadow, an orchard, nature-based sustainable drainage and tree planting. Other features that support nature and the community include:

- Community allotments
- 50 swift bricks
- 50 bat bricks
- 10 bee homes
- Hedgehog highways
- Playground and informal play spaces throughout the development
- Attractive drainage features that are designed for informal recreational space, ecological benefits and water management during high rainfall events.

"In line with our commitment to sustainability, as well as delivering much needed new homes and affordable housing, we aim to make Windsor Gate a sustainable development for future generations."

Nicholas Daruwalla
Land Director, South

Make a positive impact on our communities

We are committed to delivering attractive, high quality homes, excellent customer experience and a lasting positive legacy for our communities and the local environment.

Creating thriving communities and social value

At the core of the Group's purpose is the creation of thriving communities and the delivery of lasting social value. Through a considered approach to placemaking, collaborative planning and stakeholder engagement, we are committed to providing high quality homes with convenient access to local amenities. We prioritise enhancing the connection between our customers and nature by establishing accessible green space wherever possible.

Placemaking is aligned with the provision of social value within the local community. This is realised through local infrastructure enhancements which include public transportation connectivity, community centres, educational facilities and recreational and play areas. In addition, we actively contribute socio-economic benefits by generating employment opportunities for local subcontractors, apprentices, trainees and the supply chain.

Charitable giving and supporting the local community

In FY23 we launched our charity partnership with Young Lives vs Cancer. Their mission is to make sure children and young people with cancer get the right support at the right time.

Additionally, the Group actively supports local charities and organisations through donations and sponsorships, while offering a payroll giving scheme enabling employees to make tax-free donations to their chosen charities directly from their salary.

Delivering high quality homes and excellent customer experience

Building high quality homes and delivering excellent customer experience is a core component of our sustainability strategy. In FY23 we were marginally below the threshold to retain our five-star rating for customer satisfaction from the Home Builders Federation (HBF). The Group has taken several proactive measures to regain our five-star status and enhance the overall customer journey.

Implementation of the New Homes Quality Code

The New Homes Quality Code (NHQC) was introduced in FY23. The NHQC which aims to improve quality, consistency and customer service standards across the industry. We are strongly committed to its principles and invested in employee training and the development of new processes to successfully implement the NHQC requirements.

Read more in our Customer Charter

Quality Assurance

Our Quality Assurance team supports and trains our site teams to deliver high quality homes. During FY23 the team supported our divisions with the implementation of Part L Building Regulations requirement to take photographic evidence during the quality assurance process. Photographic evidence is required to demonstrate that new homes are built to high thermal standards and to provide peace of mind that customers will receive a high quality and energy efficient home.

Customer experience

Central to our commitment to delivering an excellent customer experience is the introduction of our new Customer Relations Managers. The team provides a central contact point within the build team for our customers. They provide support both prior to moving in and during the early weeks of occupation.

After this initial period, the dedicated customer service teams manage any further queries from customers. We have strengthened our follow-up processes which are designed to address concerns promptly and effectively, providing customers with the support and resolution they expect.

FY23 highlights

- Embedded the NHQC
- Established new quality assurance and customer experience processes
- 525 affordable homes delivered
- Launched charity partnership with Young Lives vs Cancer.

Link to Strategic Priorities

- Placemaking & Quality
- Five-Star Customer Service
- Multi Channel Approach

Link to Foundations

1. People
2. Sustainability & Social Value
3. Safety, Health & Environment

Easter egg hunt to celebrate the launch of a new play area. In addition, Crest Nicholson sponsored the local preschool to upgrade its roof, drainage and outside area.

'Story time' event with a local author provided to pupils at one of our developments.

Operate our business responsibly

We are committed to responsible business operations. We foster a safe, inclusive workplace and collaborate with our supply chain to drive positive outcomes for our stakeholders.

Sustainable supply chain and responsible procurement

Collaboration with our supply chain partners plays a critical role in the successful delivery of our strategy and sustainability performance. Our Sustainable Procurement Policy and Supply Chain Code of Conduct (Supplier Code) set out clear environmental, ethical and social obligations for our supply chain partners and promote safe and fair working conditions. We continue to partner with the Supply Chain Sustainability School, of which we have achieved Gold status membership.

Membership of the Supply Chain Sustainability School provides access to sustainability-related learning resources and CPD-accredited content for our supply chain.

We launched a new learning pathway for our supply chain, which was developed in partnership with the Supply Chain Sustainability School. This pathway facilitates increased engagement between our suppliers and the Supply Chain Sustainability School while enhancing the skills and knowledge of our supply chain through specific learning modules on important sustainability topics, including climate change, waste and modern slavery.

In FY22 we established our sustainability-linked RCF. One of our targets is for 90% of suppliers with Group Trading Agreements to achieve bronze, silver or gold membership of the Supply Chain Sustainability School by FY26. At the end of FY23 56% had achieved at least bronze status, of which 33% had achieved gold status.

Group suppliers at bronze, silver or gold status with the Supply Chain Sustainability School, of which 33% received gold

56%

FY22: 18%

SUPPLY CHAIN SUSTAINABILITY SCHOOL

Sustainable timber

Our Sustainable Timber Policy commits us to purchasing certified timber from well managed forests, including FSC (Forest Stewardship Council) and PEFC (Programme for the Endorsement of Forest Certification) certified timber. Purchasing FSC and PEFC accredited timber promotes sustainable forest management and reduces the risk of illegal deforestation. Our last reported timber audit confirmed 100% of our timber procured from suppliers was FSC or PEFC certified.

Human rights and anti-slavery

We are committed to conducting business with integrity, respecting and safeguarding the human rights of our colleagues and those who are associated with our operations, including our supply chain, customers and the communities in which we work. Our Human Rights Policy supports the principles set out in the UN Guiding Principles on Business and Human Rights, the Universal Declaration of Human Rights and the International Labour Organization's Fundamental Conventions.

We expect our supply chain partners to operate responsibly and with respect for human rights. Our Supplier Code sets out our expectations relating to environmental and social matters within our supply chain. All supply chain partners are contractually required to abide by our Supplier Code, which is available on our website.

An anti-slavery e-learning module is compulsory on induction for relevant new employees and is completed annually by existing employees. Anti-slavery updates are provided on our intranet and posters have been issued to sites to help those working on our developments identify the potential signs and understand how to report concerns via the Speaking Up (whistleblowing) helpline and website. A zero tolerance approach is taken to any form of modern slavery, including forced labour and child labour.

Our Speaking Up policy allows our colleagues, subcontractors, suppliers and the local community to report concerns. During FY23 there were zero substantiated grievances relating to human rights and zero reported cases of modern slavery.

Read more in our Speaking Up policy

Read more in our Supply Chain Code of Conduct

FY23 highlights

- Launched new learning pathway for our supply chain
- Increased supply chain engagement with the Supply Chain Sustainability School
- Became an accredited Living Wage Employer
- Achieved The 5% Club Gold Award.

Link to Strategic Priorities

- Placemaking & Quality
- Operational Efficiency
- Multi Channel Approach

Link to Foundations

1. People
2. Sustainability & Social Value
3. Safety, Health & Environment

Real Living Wage

In FY23 we were accredited as a Living Wage Employer by the Living Wage Foundation. The real Living Wage is higher than the Government's minimum and National Living Wage, and it is the only UK wage rate that is independently calculated based on the cost of living.

We pay at least the real Living Wage to all direct employees[1] and this is reviewed annually. Our Supplier Code sets out a requirement that subcontractors working on our sites are also paid the real Living Wage.

We communicate our status as a Living Wage Employer across our sites. We provide information on how to report any potential non-compliance through the Speaking Up channels.

We are a Living Wage Employer

1 Apprentices are subject to a different pay scale in line with statutory requirements.

Safety, Health & Environment

The safety and welfare of everyone who comes into contact with our operations is our number one priority.

FY23 highlights

- Slips, trips and falls – introduced a campaign to refocus site teams on the benefits of keeping a tidy workplace for safety reasons and in turn minimising the waste of materials through improved storage
- Telehandler improvements – our fleet has been fitted with reversing cameras to reduce the number of incidents
- Preventing service strikes – a new permit framework has been developed for all trades involved in digging, with much greater emphasis on properly identifying hazards before digging takes place
- Tool handling – assessed individual trades on the use of hand tools and workstation set up with the aim of reducing injuries to hands and forearms
- Risk Assessments and Method Statements (RAMS) – introduced new management processes and measures to improve the way we review our subcontractors, as well as ensure continuity in risk management when site teams change.

Link to Strategic Priorities

- Placemaking & Quality
- Operational Efficiency
- Five-Star Customer Service

Link to Foundations

1. People
2. Sustainability & Social Value
3. Safety, Health & Environment

Our number one priority is that our employees and people affected by our activities remain healthy and go home safely to their family and friends every day. We can only achieve this by continuing to have a relentless focus on identifying risks early and everyone taking responsibility to mitigate these through proactive decision making and compliance.

We continually monitor our compliance with Safety, Health & Environment (SHE) standards and industry best practice. Compliance has improved during the year increasing to 89.9% (FY22: 87.9%). Measuring compliance gives us a forward indicator of performance. We use this performance monitoring information and analysis of incidents to guide our efforts, through intervention and improvement campaigns.

We are pleased with our progress this year and with the reduction in our AIIR which has reduced to 304 (468 in FY22). A continual focus on safety is required for us to maintain this performance, delivered through our ongoing compliance and programme of SHE campaigns.

AIIR
304
FY22: 468

Director safety tours
141
FY22: 144

SHE leadership

The Board monitors SHE performance at every meeting. Below Board, the governance structure comprises our SHE Committee, functional forums and a comprehensive programme of divisional meetings, leadership safety tours and compliance inspections.

This year our Internal Audit function reviewed the structure and identified some areas for improvement in our management of subcontractor RAMS.

Building Safety

We are committed to remediating legacy buildings within the scope of the Developer Remediation Contract. Our dedicated remediation teams and safety team have introduced procedures and monitoring processes so that the work is carried out safely.

SHE audit compliance
89.9%
FY22: 87.9%

SHE compliance inspections
599
FY22: 685

SHE training days
455
FY22: 366

All telehandlers have been fitted with reversing cameras

Our People

Our people are at the heart of everything we do and their commitment to our purpose and values is critical to our long-term success.

We have concentrated our efforts championing our people, investing in their development, personal growth and prioritising their wellbeing.

Training and development

We continue to enhance our development offering and actively encourage people to focus on their personal growth. The Crest Academy introduced a new Management Development Programme, to complement our existing Talent Programmes.

Our Management Development Programme was designed for a wide range of employees, which includes experienced and new managers, and employees in the pipeline to be a future manager. The aim was to provide our people with the tools to develop their skills to be the best manager they can be and bring out the best in their teams.

In addition, we launched our Personal Skills Training offering a range of resources to all employees. This enabled our people to have the chance to take part in a series of interactive, distilled and bite-sized training modules.

Health and wellbeing

It is important for our people to feel happy and healthy at work. We have continued to invest in various tools that can aid our people to ensure their health is a priority, both at work and at home.

We have a dedicated Affinity Group for Mental Health and Wellbeing. This Affinity Group raises awareness and promotes initiatives to improve people's health and wellbeing. Subsequently several campaigns have been launched across the Group, including celebrating World Kindness Day.

Equality, diversity and inclusion

It is vital that we have a diverse workforce, thriving in an inclusive culture and reflecting the communities we serve.

Our Affinity Groups were embedded in FY23 as part of our Diversity and Inclusion strategy. This is important for us as we continue our focus on maintaining an inclusive environment where all our people are valued, included and empowered to succeed. The aim of our Affinity Groups is to provide a safe space for discussion, help to raise awareness and drive change, where required, within the Group. They provide a source of support and offer a collective voice for our people.

As well as supporting employee-led initiatives and networks, we launched a dedicated diversity and inclusion intranet page. We marked notable dates and religious festivals to raise awareness and respect for different faiths and important causes.

Female

38%

Male

62%

Employees have been promoted through the year

61

We have 16 Mental Health First Aiders trained across the Group.

16

Catalyst experience

In June 2023 we launched our first Catalyst immersive experience for a cross-section of women in the Group. The programme focused on building resilience, confidence, self-awareness and networking situations in a supportive space that challenged the narrative around gender and leadership. The participants received personalised one-to-one coaching with an external coach.

Participants focused on areas such as:

— Personal leadership inspiration
— Power and the power of others
— Purposeful networking for career success
— Developing a plan for integrating your whole self.

"The course allowed for a lot of self-reflection and at times, required you to ask yourself difficult questions on self-respect. For me, the biggest takeaway was recognising I needed more self-care, both physically and mentally to be able to be more resilient and be the best version of myself."

Natalie Shanks
Finance Manager, PSL

Our trainees

We aim to develop our employees and create a pipeline of talent. We have invested heavily in our Future Talent Programme designed for trainees.

Trainees have gone through our trainee programme since January 2022

63

Trainees have been promoted since completing our training programme

21

Gold Accredited member of The 5% club

5%

“With the future pipeline of talent in mind, we’ve increased our investment in training and development this year, increasing the availability of training to all.”

Jane Cookson
Group HR Director

We welcomed five new trainees into the Group this year and these individuals were enrolled onto our Future Talent Programme.

The first of five cohorts have completed their development programme. The final session was our kick down event which brought the trainees together for networking with senior management to celebrate the successful completion of the programme. Our trainees reviewed the core topics which guided their learning journey, enabling them to reflect on their experience and consider how they will embed this learning into their careers going forward.

To demonstrate our commitment to entry-level careers, we are a member of The 5% Club and have received the Gold Award which acknowledges the work we have undertaken to close the skills gap. The 5% Club is a movement of employers who are committed to have 5% of their workforce in earn and learn positions.

“I have greatly benefitted from the Future Talent Programme as I feel that I am more resilient, self-aware and productive.”

Hassan Ahmed
Company Secretarial Assistant

FY23 employee engagement

The Exchange	Board site visits	Diversity and inclusion	Group communications	Employee roadshows	Employee Voice	Culture focus groups and interviews
Quarterly	Throughout the year	Throughout the year	Throughout the year	May and September 2023	May, September and October 2023	July 2023
Our newsletter delivers the latest news and updates about the Group. Regular features included a business update from the Chief Executive, people news and a ‘day in the life’ of employees.	The Board visited developments individually and as a group, interacting with employees on a collective and one-to-one basis, giving greater insight on what is important to employees.	Our Affinity Groups met to discuss the barriers our people face within under-represented groups and reported back to the Diversity and Inclusion Forum with practical suggestions.	We use timely, relevant and targeted messaging to communicate important news about benefits, policies, IT updates, employee recognition and other employee initiatives using the IT tool Snapcomms.	The ELT spent time with each division to thank employees for their hard work, discuss how we are progressing against our strategy and outline our plans for the future. Employees were encouraged to ask questions in the sessions or submit them anonymously in advance.	The Employee Voice forum is chaired by Louise Hardy, our Non-Executive Director responsible for employee engagement, and attended by volunteers from across the Group. This forum facilitates meaningful, regular dialogue between the Board and employees from across the Group.	We asked employees to let us know their thoughts about the Group’s culture. These conversations have provided important insight into what it is like to work at Crest Nicholson and will form the basis of the Culture Action Plan.

Key performance indicators

We use 12 key performance indicators to monitor our progress against our strategy. These are how we measure the performance and health of our business.

We deliver sustainable growth while delivering shareholder returns supported by a robust balance sheet. It is essential that financial performance does not compromise the safety, build quality or customer experience of those working on our sites.

To align the focus of the Board and ELT with the interests of stakeholders, some KPIs are reflected in our senior management incentive schemes.

Further information on remuneration can be found on pages 81 to 98.

Financial KPIs

Return on capital employed (ROCE)[1] 6.3%

FY23	6.3%
FY22	22.4%
FY21	17.2%

Definition
Adjusted operating profit before joint ventures divided by average capital employed.

Why we measure
Illustrates how effective the Group's capital allocation is in delivering returns.

Link to Strategic Priorities, Foundations and principal risks
4 1 3 5

Earnings before interest and tax (EBIT) margin[1] 6.7%

FY23	6.7%
FY22	15.4%
FY21	14.6%

Definition
EBIT margin (operating profit margin) reflects the adjusted profit before interest, joint ventures and tax achieved by the Group, divided by revenue.

Why we measure
Assesses the financial efficiency of our Group operations before any one-off cost.

Link to Strategic Priorities, Foundations and principal risks
4 1 3 5

Unit completions 2,020

FY23	2,020
FY22	2,734
FY21	2,407

Definition
Sales of homes recognised in the year including 100% of those held in joint ventures and on an equivalent unit basis.

Why we measure
Reflects overall business activity and output and enables the Group to forecast future capacity requirements.

Link to Strategic Priorities, Foundations and principal risks
4 1 3 5

Land creditors as a % of net assets[1] 24.0%

FY23	24.0%
FY22	22.5%
FY21	24.7%

Definition
Land creditors divided by net assets.

Why we measure
Ensures that the Group is maintaining a robust financial position when entering into future land commitments.

Link to Strategic Priorities, Foundations and principal risks
4 1 3 5

Net cash[1] £64.9m

FY23	£64.9m
FY22	£276.5m
FY21	£252.8m

Definition
Cash and cash-equivalents plus non-current and current interest-bearing loans and borrowings.

Why we measure
Illustrates the Group's overall liquidity position and general financial resilience.

Link to Strategic Priorities, Foundations and principal risks
1 3 5

Land portfolio gross margin 23.2%

FY23	23.2%
FY22	25.0%
FY21	23.4%

Definition
The forecast gross margin after sales and marketing costs of land we hold in our short-term land portfolio.

Why we measure
Indicates the earnings potential of current and future land development and the sale of associated homes.

Link to Strategic Priorities, Foundations and principal risks
1 3 5

Key

Link to Strategic Priorities

- Placemaking & Quality
- Land Portfolio
- Operational Efficiency
- Five-Star Customer Service
- Multi Channel Approach

See pages 10 to 11

Link to Foundations

1. People
2. Sustainability & Social Value
3. Safety, Health & Environment
4. Financial Targets

Link to Remuneration

- KPI used in the annual bonus scheme
- KPI used in the Long-Term Incentive Plan

Link to principal risks

1 2 3 4 5 6
7 8 9 10 11 12

See pages 35 to 42

Non-financial KPIs

Greenhouse gas (GHG) emissions intensity 2.09

FY23	2.09
FY22	1.82
FY21	2.52

Definition
The GHG emissions intensity reflects our scope 1 and 2 emissions (tCO_2e) per 100 sq. m of completed floor area. It includes business travel via company cars, fuel and energy used on sites and in offices.

Why we measure
This is one of the key measures we use to track our progress on reducing our impact on the environment. There is also a financial benefit from increased operational efficiency and reduced cost of fuel used.

Link to Strategic Priorities, Foundations and principal risks
2 9 10

Waste intensity 10.98

FY23	10.98
FY22	8.72
FY21	9.25

Definition
Waste intensity reflects tonnes of construction waste per 100 sq. m of completed floor area.

Why we measure
This is one of the key measures we use to track our progress on reducing our impact on the environment. There is also a financial benefit from the reduced cost of materials purchased and waste generated in the construction process.

Link to Strategic Priorities, Foundations and principal risks
2 9

Voluntary employee turnover 19%

FY23	19%
FY22	27%
FY21	35%

Definition
The percentage of leavers during the year by reason of resignation or retirement as a proportion of total employees at the end of the year.

Why we measure
The quality of our people and the decisions they make are fundamental to the successful implementation of our strategy. Low employee turnover supports greater depth of experience, continuity and development of skills within our teams.

Link to Strategic Priorities, Foundations and principal risks
1 3 7

Customer satisfaction 4 star

FY23	4*
FY22	5*
FY21	5*

Definition
The annual HBF's customer satisfaction rating based on the NHBC survey which new home buyers receive. Survey results are published in March each year.

Why we measure
Providing Five-Star Customer Service is one of the Group's strategic priorities.

Link to Strategic Priorities, Foundations and principal risks
4

Annual Injury Incidence Rate (AIIR) 304

FY23	304
FY22	468
FY21	385

Definition
AIIR represents the number of accidents in the year normalised per 100,000 people working on-site.

Why we measure
The safety, health and welfare of everyone who is part of our operations is our number one priority.

Link to Strategic Priorities, Foundations and principal risks
3 1 3 5

PRS/Affordable unit completions 26.0%

FY23	26.0%
FY22	35.1%
FY21	37.1%

Definition
Proportion of unit sales of homes recognised in the year to the Private Rented Sector (PRS) or affordable housing.

Why we measure
A Multi Channel Approach is one of the Group's strategic priorities.

Link to Strategic Priorities, Foundations and principal risks
4 1

1 ROCE, EBIT margin, net cash and land creditors as a percentage of net assets are alternative performance measures. See pages 161 to 162 for further details.

Our financial position

Bill Floydd
Group Finance Director

Revenue

£657.5m

FY22: £913.6m

Net cash

£64.9m

FY22: £276.5m

Adjusted gross profit

£100.6m

FY22: £194.3m

As in previous years, the Group continues to report alternative performance measures relating to sales, return on capital employed and 'adjusted' performance metrics because of the exceptional items as detailed in note 4 of the consolidated financial statements. Exceptional items are those which, in the opinion of the Directors, are material by size and/or non-recurring in nature and therefore require separate disclosure within the consolidated income statement in order to assist the users of the financial statements to better understand the performance of the Group, which is also how the Directors internally manage the business. Alternative performance measures are detailed on pages 161 to 162.

FY23 trading performance

FY23 saw a weakening sales market compared to FY22 which has impacted levels of demand for new homes. Supply chain pressures, labour inflation and rising prices of raw materials experienced in FY22 eased during FY23 leading to a reduction in inflationary impacts during the year, albeit still higher than average historic rates.

Sales prices remained stable, with modest declines through autumn.

FY23 has been impacted by domestic political uncertainty. At the end of FY22 the Mini-Budget led to rising interest rates resulting in a temporary collapse in housing sales. Confidence gradually returned to the housing market as increases in interest rates began to stabilise, with a steadier sales rate being achieved by spring 2023.

The weakening sales market, driven by domestic economic uncertainty, increases in interest rates, modest reductions in sales prices, build cost inflation and ongoing challenges at some of our sites have in combination impacted financial metrics compared to FY22.

Sales, including joint ventures is down 27.6% on prior year at £692.1m (FY22: £955.8m). This comprised £657.5m of statutory revenue (FY22: £913.6m) and £34.6m of the Group's share of revenue through joint ventures (FY22: £42.2m). The Group entered into a new joint venture in the year that is expected to start contributing to Group profit in FY24.

The Group delivered 2,020 (FY22: 2,734) home completions during the year, down 26.1% on prior year. 1,495 of these were open market completions (including bulk deals) (FY22: 2,212), down 32.4% on prior year, with the balance derived from affordable completions at 525 (FY22: 522), up 0.6% on prior year. Current and prior year comparative values both state joint ventures at full unit count and include an allocation for any land sale element that is present in any relevant completed transaction, referring to this as being on an equivalent unit basis.

Open market (including bulk) average selling prices increased to £406,000 (FY22: £388,000) during the year due to the mix of units recognised.

Adjusted gross profit was £100.6m (FY22: £194.3m), down 48.3% on prior year, reflecting the weaker sales environment and build cost challenges. Adjusted gross margin was down on prior year at 15.3% (FY22: 21.3%). As announced in our November trading statement Brightwells Yard, Farnham recorded c. £11m incremental build costs in the year. The Group has subsequently conducted a comprehensive review of the costs to complete this project as well as our other legacy and low margin sites. Consequently, further additional costs of £5.5m have been identified, including £2.5m at Farnham, which have impacted FY23 APBT. The Group has commenced a thorough plan to improve commercial processes and controls to mitigate the risk of future cost overruns. Construction at the Farnham scheme is now in its final stages. Gross profit was £86.3m (FY22: £91.8m), down 6.0% on prior year due to the impact of significantly higher level of exceptional items in FY22 offset by the impact of the challenging sales market in FY23.

Net administrative expenses for the year were £55.8m (FY22: £51.1m). With the expectation of tougher trading conditions, the Group undertook a rationalisation exercise in the second half including the merger of the East Anglia division with our Eastern division and the streamlining of operations which is expected to reduce annualised administrative expenses by circa £3.0m in FY24. Included within net administrative expenses is a restructuring charge of £0.5m which was substantially completed at the end of the year.

Net impairment losses on financial assets were £0.6m (2022: £2.3m). The FY22 charge related to the disposal of the Group's 50% share in the joint venture containing the London Chest Hospital to its joint venture partner.

Adjusted operating profit (or Earnings Before Interest and Tax – EBIT) decreased in the year to £44.2m (FY22: £140.9m) with EBIT margin decreasing from 15.4% to 6.7% due to lower revenue falling through to margin. Finally, adjusted profit before tax (APBT) for the year was £41.4m (FY22: £137.8m), down 70.0% on prior year and profit before tax after exceptional items for the year was £23.1m (FY22: £32.8m), reflecting the impact of the weaker year-on-year operating profit contribution offset by the exceptional charge outlined below. Operating profit was £29.9m (FY22: £38.4m), down 22.1% on prior year due to the weaker trading environment and build cost challenges.

Control environment

Commercial controls in two divisions have not been effective during the year. Weaknesses were identified in the divisions' management and forecasting of build costs and margin of which the most material example was in Farnham. At the end of FY23, the Group completed its rollout of a new ERP system which going forward will strengthen the key financial and commercial controls that operate across the business. A new Group Commercial Assurance team has been established to monitor key commercial controls. In addition, the appointment of a new Chief Operating Officer from 1 January 2024 will provide additional group oversight.

Exceptional items

As a consequence of signing the Developer Remediation Contract on 13 March 2023, the Group has entered into contractual commitments with the Government to identify and remediate those buildings it has developed with possible life-critical fire safety defects. The combustible materials charge in FY23 represents changes in forecast build costs and in the discount rate applied to the provision. See notes 4 and 22 of the consolidated financial statements for additional information.

Sales

£692.1m

FY22: £955.8m

Home completions

2,020

FY22: 2,734

In FY23 the Group recorded an exceptional total combustible materials related charge of £5.3m (FY22: £105.0m) representing forecast changes in build costs and in the provision discount in the year. This total charge is after a £10.0m cash receipt from a third party relating to buildings included within the combustible materials provision.

The Group also recognised a charge of £13.0m as it is subject to a legal claim relating to a low rise apartment, three-storey scheme built by the Group which was damaged by fire in 2021. Due to the size and nature of the claim, and in line with the Group's accounting policy, this has been presented as an exceptional item.

The tax credit on exceptional items is £4.8m (FY22: £22.4m).

Finance expense and taxation

Adjusted net finance expense of £5.5m (FY22: £7.1m) is £1.6m lower year-on-year, and the Group Revolving Credit Facility (RCF) remained undrawn for the duration of the year. Net finance expense was £10.1m (FY22: £8.1m). Income tax charge in the year of £5.2m (FY22: £6.4m) represented an effective tax rate of 22.5% (FY22: 19.5%). This increase is due to the impact of changes in UK tax rates. Further detail can be found in note 8 of the consolidated financial statements.

£250m Revolving Credit Facility

The Group's previous £250m RCF was due to expire in June 2024. During the prior year we completed a new Sustainability Linked Revolving Credit Facility. The £250m facility expires in October 2026. It is also linked to the Group's sustainability strategy with a lower interest payable if certain targets are achieved. These targets include:

- Reduction in absolute scope 1 and 2 emissions in line with our science-based targets
- Increasing the number of our suppliers engaging with the Supply Chain Sustainability School
- Reduction in carbon emissions associated with the use of our homes
- Increasing the number of our employees in trainee positions and on training programmes.

For FY23 all targets have been met. This will result in a margin reduction of 0.05%.

Financial review continued

Waterman's Gate, Arborfield, Berkshire

Dividend

The Board proposes to pay a final dividend of 11.5 pence per share for the financial year ended 31 October 2023 which, subject to shareholder approval, is expected to be paid on 23 April 2024 to shareholders on the Register of Members on 22 March 2024. This is in addition to the 5.5 pence per share interim dividend that was paid in October 2023. The Group expects to revert to its policy of dividend cover of 2.5 times for FY24, having deviated from policy in FY23 to meet our commitment to maintain the same cash dividend as FY22.

Financial position

The Group had net cash of £64.9m at 31 October 2023 (FY22: £276.5m). Net cash and land creditors were £(140.6)m (FY22: £77.8m).

Inventories at 31 October 2023 were £1,164.8m (FY22: £990.1m), up 17.6% year-on-year. During FY23 the Group increased investment in inventories and strategically acquired high quality land to strengthen its land portfolio, supported by its strong balance sheet. This strategic move positions the Group to capitalise on growth when the market returns to a more normalised level. Included within this balance is an NRV provision of £20.2m (FY22: £12.6m) which principally relates to the Group's scheme at Brightwell's Yard, Farnham. Completed units at 31 October 2023 were £89.6m (FY22: £30.1m). Further detail on inventory can be found in note 19 of the consolidated financial statements.

Net cash outflow from operating activities was £165.6m (FY22: £51.7m inflow) and return on capital employed (ROCE) reduced in the year to 6.3% (FY22: 22.4%), reflecting the decrease in earnings and investment in land. Net assets at 31 October 2023 were £856.3m (FY22: £883.1m), a decrease of 3.0% on prior year.

	FY23		FY22	
	Units[1]	GDV[2] – £m	Units[1]	GDV[2] – £m
Short-term housing	14,922	5,054	14,250	4,661
Short-term commercial	–	60	–	41
Total short term	14,922	5,114	14,250	4,702
Strategic land	18,830	7,049	22,450	7,409
Total land pipeline	33,752	12,163	36,700	12,111

1 Units based on management estimates of site capacity. Includes joint venture units at full unit count and on an equivalent unit basis which allocates a proportion of the unit count for a deal to the land sale element where the deal contains a land sale.

2 Gross development value (GDV) is a management estimate calculated on the basis of a number of assumptions, for example, assumed sale price, number of units within the assumed development and the split between open market and affordable housing units, and the obtaining of planning permission. These are management's estimates and do not provide assurance as to the valuation of the Group's portfolio. Units based on management estimates of site capacity.

Land portfolio

The supply of land continued to tighten in the year due to the Government changing the top-down housing targets and planning issues around nutrients, water neutrality, recreation zones and air quality constraints. With the uncertain economic outlook during FY23 some developers did not complete planned acquisitions or temporarily withdrew from the market. The Group took the opportunity to acquire several highly desirable sites and strengthening its land portfolio and securing favourable terms. The Group's decision to remain active in the land market positions it to mitigate planning delays, ensuring a higher number of outlets are in place when market conditions improve. The land acquisition programme will remain at a reduced level during FY24. FY23 average outlets were 47 (FY22: 54) and it is expected that FY24 will be at a similar level, reflecting the backdrop outlined above. 3,864 plots have been approved in FY23 for purchase at a gross margin of 25.2% (after sales and marketing costs).

The Group's short-term land portfolio at 31 October 2023 comprised 14,922 (FY22: 14,250) plots, representing approximately five years of supply. In addition, the Group's strategic land portfolio comprised 18,830 plots (FY22: 22,450), resulting in a total land portfolio at 31 October 2023 of 33,752 (FY22: 36,700) plots with a Gross Development Value (GDV) of £12.2bn (FY22: £12.1bn). During the year the Group added 3,501 units to the short-term land portfolio and delivered 2,020 home completions.

Bill Floydd
Group Finance Director

Principal risks and uncertainties

How we manage risk

Risk appetite

Risk appetite at Crest Nicholson is the amount of risk that the Board is prepared to accept in return for achieving our purpose of building great places for our customers, communities and the environment.

Our appetite for risk is based on our analysis of market context, our strategy and input from management and advisors. This is reviewed throughout the year.

In order to achieve the Group's strategy, and objectives, the Board takes a prudent view on risk and has an overall risk appetite across its portfolio of risks that reflects this.

We seek to balance our risk position between:

- Maintaining a strong focus on health, safety and regulatory compliance matters
- Ensuring financial strength by generating profits and cash through our operations
- Having a balanced portfolio through our Multi Channel Approach and being selective in land acquisitions. This allows us to adapt to cyclical markets and be flexible in our investment decisions
- Being disciplined in our operational efficiency and future growth
- Maintaining the right culture and shared values.

The Group's performance is subject to potential risks and uncertainties in the pursuit of its objectives.

These risks could, either separately or in combination, have a material impact on the Group's performance, customers, employees, communities, the environment and shareholder returns.

To continue to be a successful housebuilder in the long term, our decision making must be informed by a clear understanding of our business risks and opportunities. These include potential likelihood, impact and outcomes that inform and define our risk appetite.

Our Risk Management Framework supports us in providing assurance that we have identified and are addressing our principal and emerging risks. Risk management is embedded throughout our strategy and decision-making processes.

Our divisional boards consider their divisional risk registers on a half-yearly basis. The divisional risk reviews, alongside the Group's principal risks, are carefully considered by the ELT. The Board and Audit and Risk Committee both have oversight of the Group's principal and emerging risks and regularly assess these against the Group's risk appetite and its capacity to handle risk.

Risk culture

Risk awareness exists through decision-making processes and is embedded in systems, policies, leadership, governance and behaviours. Aligned to our values, we maintain a culture where our colleagues are empowered to make decisions within agreed parameters in the delivery of our objectives. We ensure we have the right accountabilities across the Group, maintaining effective risk-based decision making.

Emerging risks

Emerging risks have the potential to impact our strategy but currently are not fully defined, or are principal risks, which are particularly elevated or increasing in velocity.

Our emerging risks are identified through horizon scanning by the Board and ELT including in relation to industry and macro-economic trends. This is supported by our divisional risk review process.

Risk governance framework

Top down
Assessment and mitigation of risks at a Group level

Bottom up
Assessment and mitigation of risk across divisional and functional areas

Board

- Has overall responsibility for strategy, risk management and internal control
- Reviews the Group's principal and emerging risks
- Sets the Group's appetite for risk and strategy
- Delegates risk oversight to the Audit and Risk Committee and to the Executive Committee and divisions.

Audit and Risk Committee

- Responsible for monitoring our risk management processes and approving relevant disclosures
- Monitors financial reporting and internal and external audit activities
- Provides assurance to the Board in relation to financial, operational and compliance controls.

Executive Committee

- Oversees how we are managing the principal, emerging and the divisional risks within the Group's risk appetite
- Embed risk management within the Group
- Monitors divisional performances and development risks.

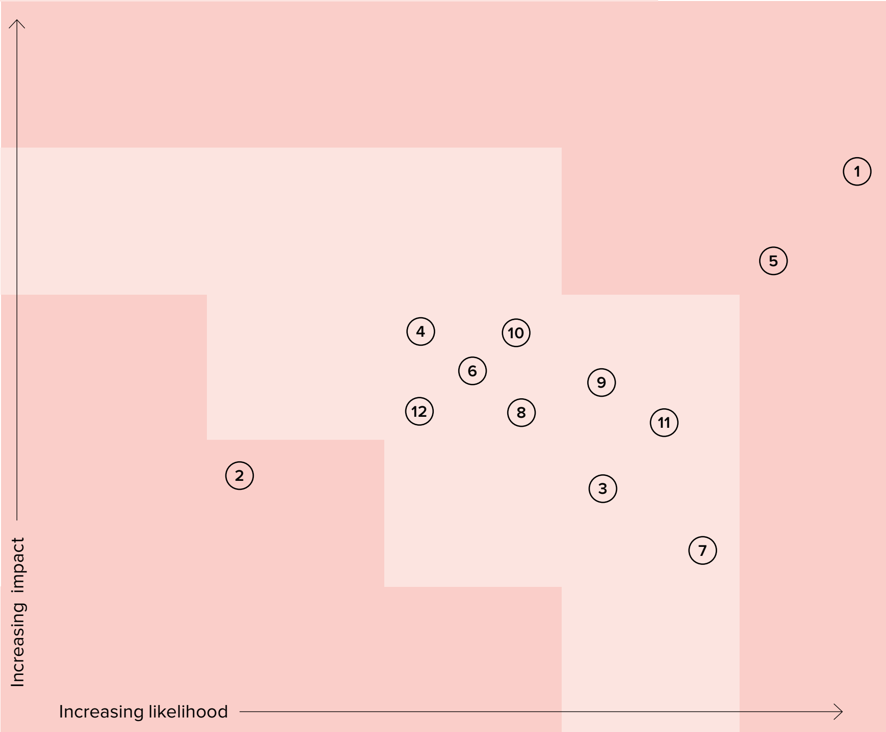
Divisional board and site management

- Responsible for control and risk management within the division or function
- Monitors and assesses the divisional and operational risks
- Maintains an effective system of control and risk management at a site level, including SHE and supply chain risks.

Principal risks and uncertainties – How we manage risk continued

Risk heat map

The Board has identified 12 principal risks that it considers material to the Group's performance. They have been mapped on a residual risk basis considering likelihood and impact.



1. Market conditions
2. Safety, Health & Environment
3. Supply chain
4. Customer service and quality
5. Build cost management
6. Information security and business continuity
7. Attracting and retaining our skilled people
8. Solvency and liquidity
9. Laws, policies and regulations
10. Climate change
11. Land availability and planning
12. Combustible materials

Changes to our principal risks

As part of the Group's risk review process, some of the Group's principal risks have evolved during the year:

Market conditions
Increasing trend ↑

Supply chain
Reducing trend ↓

Customer service and quality
Reducing trend ↓

Build cost management
Increasing trend ↑

Attracting and retaining our skilled people
Reducing trend ↓

Solvency and liquidity
Increasing trend ↑

Laws, policies and regulations
Increasing trend ↑

Land availability and planning
Increasing trend ↑

FY23 emerging risks

Economic outlook

We continue to monitor the developing uncertainties surrounding the political and economic outlook, rising interest rates and mortgage availability, which could lead to lower sales volumes. As a result we have taken actions to adjust our strategy and reduce overhead costs.

Build costs

We have continued to review and discuss risks surrounding our build costs forecasting. Additional oversight controls are being implemented and we are strengthening our reporting through the ERP system.

Regulatory change

This risk has continued to evolve during the year and impacts us in several ways.

We have continuously reviewed the speed of progress on in-scope remedial fire safety work in addressing our commitments with the UK Government's Developer Remediation Contract. There can often be challenges with a shortage in available fire safety professionals, getting access to sites, including legal consent, all of which can affect our ability to progress work as quickly as possible.

Board assessment

The Board confirms that it has performed a robust assessment of the Group's principal and emerging risks, with consideration of the long term.

Actions are in place over the long term to address specific risks where necessary, reducing the level of residual risk.

Principal risks and uncertainties

Our principal risks

1 Market conditions

Residual High **Appetite** Medium **Movement in year** Increasing

Risk description

A decline in macro-economic conditions in the UK, which negatively impacts the UK residential property market and reduces the ability for people to buy homes, either through unemployment or low employment, constraints on mortgage availability.

Decreased sales volumes occurring from a drop in housing demand, could see an increasing number of units held as unreserved and part exchange stock with a potential loss realised on final sales.

Changes to regulations and taxes, for example Stamp Duty Land Tax and the impact of Government schemes such as Help to Buy and Equity Loan.

Actions/mitigations

We continually evaluate our strategy which we can flex and adjust as demand profiles change.

Regular sales forecasts and cost reviews to manage potential impact on sales volumes.

Forward sales, land expenditure and work-in-progress are all carefully monitored to ensure they are aligned to levels of demand.

Our Multi Channel Approach gives us access to a range of tenure options and earning resilience in changing market conditions.

We focus on strategic purchase of sites, continued development of shared ownership models and engagement with a variety of incentive schemes.

We actively develop our sales offering by introducing new and innovative products to reflect the nature of market conditions.

Development in the year

Demand for housing has deteriorated during the year, with significant economic headwinds. Mortgage borrowing has become significantly more expensive with no Government support for first-time buyers.

We have significantly reduced land activity during the year and have reduced the Group's overhead position. We have incorporated the newly created East Anglia division into its existing Eastern division with revised boundaries.

We continued to build our pipeline of trusted partners and have negotiated several bulk deals on appropriate commercial terms with partners which will provide volume delivery in future years.

We have introduced a series of new sales products and sales schemes that reflect current market conditions such as Smart Own and Family Cashback.

The Group has adequate liquidity to deal with all plausible downside market scenarios and continues to focus and monitor its cash position, ensuring build costs and capital outlay match sales demand.

Link to our stakeholders

Investors · Our people · Supply chain · Customers · Communities and environment · Government and other bodies

2 Safety, Health & Environment (SHE)

Residual Medium **Appetite** Low **Movement in year** No change

Risk description

A significant health and safety event could result in a fatality, serious injury or a dangerous situation to an individual.

Significant environmental damage could be caused by operations on-site or in our offices (for example, water contamination from pollution).

Lack of recognition of the importance of the wellbeing of employees.

These incidents or situations could have an adverse effect on people affected by our actions, our reputation and ability to secure public contracts and/or, if illegal, prosecution or significant financial losses.

Actions/mitigations

We have effective SHE management systems in place with increased authority for divisional build managers and Group SHE advisors to undertake incident investigations and implement follow up actions.

We use external independent safety auditors to conduct regular site safety reviews as appropriate and without warning.

We have a network of mental health first aiders and a dedicated Employee Assistance Programme.

SHE performance is a bonus metric target used across the Group.

Where appropriate, interim risk mitigation solutions have been deployed in buildings where fire safety concerns have been identified.

Development in the year

We have increased focus to ensure compliance with subcontractor Risk Assessment and Method Statements (RAMS).

We have expanded reporting of safety performance to help assess root causes.

We have continued to expand our training and communications across our build teams and provide regular safety bulletins and guidance updates.

We have expanded our network of mental health first aiders across our divisions.

Delivering on our commitments contained in the Developer Remediation Contract, the Group has continued to identify and risk assess any buildings impacted by possible safety issues.

Link to our stakeholders

Our people · Supply chain · Customers · Communities and environment

Principal risks and uncertainties – Our principal risks continued

3 Supply chain

Residual Medium **Appetite** Medium/Low **Movement in year** Reducing

Risk description
Changing production levels across the industry put pressure on our materials supply chain.

The industry struggles to attract the next generation of talent into skilled trade professions. The labour market may not have the knowledge and skills required to deliver modern methods of construction projects.

Materials availability can be impacted by changes in demand, rising energy prices and dislocation in supply chains due to external events.

There may be a risk of suppliers and subcontractors facing insolvency due to adverse economic conditions.

Actions/mitigations
Established long-term relationships with our supply chain partners through Group trading agreements and multi-year subcontractor framework agreements.

We engage in dialogue with major suppliers to understand critical supply chain risks and respond effectively.

We have developed effective procurement schedules to mitigate supply challenges.

Different construction methods are considered such as timber frame or using alternative materials such as concrete bricks.

Development in the year
Access to site labour and materials through the supply chain has improved throughout the year due to reducing inflation and lower production levels. We continued to focus on price competitiveness through re-tendering, quality and improved product selection.

Where possible and appropriate we forward order materials to secure supply and also utilise alternative products if they are available and it is appropriate to do so.

Link to our stakeholders
Our people · Supply chain · Customers · Communities and environment · Government and other bodies

4 Customer service and quality

Residual High/Medium **Appetite** Low **Movement in year** Reducing

Risk description
Customer service and build quality falls below our required standards, resulting in reduction of reputation and trust, which could impact sales and volumes.

Unforeseen product safety or quality issues or latent defects emerge due to new construction methods.

Failure to effectively implement or comply with new regulations on build quality or customer service requirements and respond to emerging technologies.

Actions/mitigations
We continue to focus on enhancing build quality, achieving high customer satisfaction ratings and a retained commitment to excellent placemaking.

Enhanced quality and build stage inspections to monitor adherence to our quality standards.

Our Legacy Collection house type range established that reduces complexity and drives improvements in quality.

There is a central team of quality assurance and customer relationship managers to cover all divisions.

Customer service and quality performance is a bonus metric target used across the Group.

Development in the year
We have continued to enhance our quality processes and have recruited additional resources to support the quality improvements.

We have developed processes and introduced new technology to support new regulatory requirements for the Future Homes Standard – Part L.

We implemented the requirements of the New Homes Quality Code in February 2023 and made significant changes to our customer service processes and systems which are subject to further ongoing review and monitoring.

We have introduced a wider range of options and extras for customers and deployed a 24-hour web chat service along with online home demonstrations.

Link to our stakeholders
Supply chain · Customers · Communities and environment

5 Build cost management

Residual High **Appetite** Medium/Low **Movement in year** Increasing

Risk description

Build cost inflation and unforeseen cost increases driven by demands in the supply chain or failure to implement adequate cost control systems.

Lack of awareness and understanding of external factors that may impact build costs including complex planning permissions and emerging sustainability and environmental regulations.

A lack of quality in the build process could expose the Group to increased costs, reduced selling price and volume, and impact our reputation.

Actions/mitigations

We benchmark our costs against existing sites to ensure rates remain competitive.

A fair and competitive tender process is in place and we are committed to paying our suppliers and subcontractors promptly.

There are regular divisional build cost review processes and site-based quality reviews.

We continue to investigate alternative sources of supply where possible and utilise alternative production methods or materials where it is appropriate to do so.

Development in the year

We have continued to monitor our build costs closely, ensuring effective management of inventory levels and competitive re-tendering through the supply chain.

We completed the implementation of COINS, our new ERP platform. This has enhanced the reporting and visibility of build costs across the Group. We are enhancing the independent assurance of build costs reporting through a centralised second line commercial team providing periodic review and advisory support to the divisions.

Link to our stakeholders

Supply chain Customers

6 Information security and business continuity

Residual Medium **Appetite** Low **Movement in year** No change

Risk description

Cyber security risks such as data breaches, ransomware or phishing attacks leading to the loss of operational systems, market-sensitive information or other critical data which risks non-compliance with data privacy requirements.

This in turn could result in a higher risk of fraud and, as a result, financial penalties and an impact to reputation.

Actions/mitigations

We employ network security measures and intrusion detection monitoring, including virus protection on all computers and systems, and carry out annual security-breach tests. We utilise customer relationship management systems for storing sensitive data to prevent negligent misuse by employees. We operate in a cloud environment with resilient IT providers, reducing centralised and physical risk exposure.

This is complemented by employee training on data protection and internet security, data classification, retention policies and toolsets with appropriate and responsive procedures embedded to respond to data privacy matters; and IT disaster recovery and business continuity plans. The IT Cyber Security and Data Sub-Board Committee, chaired by the Group Finance Director meets throughout the year to address cyber security matters, assess threat levels and develop appropriate policies and procedures.

We are Cyber Essentials Plus certified and are subject to regular external and internal audit review.

Development in the year

We continued to utilise a Security Operations Centre to monitor our networks and have enhanced our security policies and procedures with further training for employees.

We have also provided executive level training to the Board on Cyber security.

We continued to review emerging risks, such as Artificial Intelligence and have developed policies to ensure appropriate use in the organisation.

Link to our stakeholders

Our people Customers

Principal risks and uncertainties – Our principal risks continued

7 Attracting and retaining our skilled people

Residual Medium **Appetite** Medium/Low **Movement in year** Reducing

Risk description

An increasing skills gap in the industry at all levels resulting in difficulty with recruiting the right and diverse mix of people for vacant positions.

Employee turnover and requirement to induct and embed new employees, alongside the cost of wages increasing as a result of inflation.

Loss of knowledge within the Group which could result in inefficiencies, productivity loss, delays to business operations, increasing costs, and an overuse or reliance on consultants and the supply chain.

Ensuring we have the right culture and environment to attract and retain talent.

Actions/mitigations

Employee engagement surveys to enable the Board and ELT to understand employee feedback.

Continual focus on improving flexible and agile working arrangements to support employees.

Programmes of work to develop robust succession plans and improve diversity and inclusion across the Group.

We monitor pay structures and market trends to ensure we remain competitive against our competitors.

We monitor employee turnover, absence statistics and feedback from exit interviews.

Development in the year

Continued to evolve our people strategy and have expanded the range of leadership and personal skills training across the Group.

We became Gold Accredited through The 5% Club in respect to our recruitment and development of trainees.

Developed our diversity and inclusion policies and initiatives and have held a number of executive sponsored Affinity Group meetings.

Established the Women in the Workplace forum.

We have implemented a new enterprise wide talent management, recruitment, HR and payroll system this year.

Link to our stakeholders

Our people

8 Solvency and liquidity

Residual High **Appetite** Low **Movement in year** Increasing

Risk description

Cash generation for the Group is a key part of our strategy and our cash headroom could be affected by economic pressures that result in delayed receipts and potentially lower sales in the short to medium term.

Commitments to significant land and build obligations that are made ahead of revenue certainty.

Reduction in margins as average selling prices fall, inability to restructure appropriately and unsustainable levels of work-in-progress.

Actions/mitigations

Cash performance is measured against forecast with a variance analysis issued weekly. Cash performance is also considered in detail at a divisional board level.

We scrutinise the cash terms of land transactions. Private Rented Sector and bulk sales offer us the potential for early cash inflow.

The Group has available the use of a £250m Sustainability Linked Revolving Credit Facility (RCF).

We generally control strategic land rather than own it and have limited capital tied up on the balance sheet. These sites are subject to regular review and diligent appraisal before being drawn down.

Development in the year

While net cash has reduced in the year, the Group continued to benefit from a strong balance sheet with diverse sources of funding.

We continued to stress test the Group's financial resilience for various scenarios and are satisfied that adequate funding is in place. We have maintained a disciplined focus on cash performance and capital allocation throughout the year.

Link to our stakeholders

Investors Our people Supply chain

9 Laws, policies and regulations

Residual High **Appetite** Medium **Movement in year** Increasing

Risk description
The housebuilding industry is subject to complex regulation, policy changes and Government intervention.

Future regulatory changes could impact our ability to make medium and longer-term decisions.

Failure to effectively implement new regulations including the Future Homes Standard, the Environment Act 2021, New Homes Quality Code and the Building Safety Act 2022 could impact the Group.

Actions/mitigations
We engage with the Government directly and through the HBF, various memberships of Industry groups and build relationships in key local authority areas.

We continue to assess and plan for emerging regulation and developments in readiness for potential regulatory change.

Development in the year
The pace of regulatory reform has continued to increase in the housebuilding industry. We are developing our operating framework to support various regulatory requirements.

Implemented the New Homes Quality Code and relaunched the standard housing range in the spring to comply with Phase 1 of the Future Homes standard.

Link to our stakeholders
Investors, Our people, Supply chain, Customers, Communities and environment, Government and other bodies

10 Climate change

Residual Medium **Appetite** Low **Movement in year** No change

Risk description
The Group will need to further enhance its sustainable practices and processes as we transition to a net-zero carbon business by 2045 and continue to meet evolving Government regulations and growing investor expectations.

Climate change could impact our business through transition and physical risks.

Transition risks include increasing regulatory change, increased carbon pricing and shifts in stakeholder preferences.

Physical risks are direct impacts from a changing climate including rising temperatures and changing weather patterns.

Failure to manage climate-related risks could lead to additional costs, build programme delays and damage to our reputation.

Actions/mitigations
Our Sustainability Committee oversees our sustainability strategy, including our approach to climate change. The Committee monitors performance against our climate targets and assesses climate-related risks and opportunities.

We are members of the Future Homes Hub, an industry-wide initiative to support the implementation of the Future Homes Delivery Plan to meet climate and environmental targets. We also have internal workstreams to plan for new regulations, including the Future Homes Standard.

Near and long-term science-based targets are in place, driving action to reduce GHG emissions.

Executive Directors have GHG emission reduction targets within their Long-Term Incentive Plan.

Development in the year
Implemented the interim update to Part L of the Building Regulations, which requires a 31% reduction in carbon emissions compared to the prior regulations.

Continued to collaborate with our energy assessors, supply chain and wider industry to prepare for the Future Homes Standard.

Our Sustainability Linked RCF incorporated targets to reduce GHG emissions associated with our operations and the use of our homes. We achieved both RCF climate-related targets.

Link to our stakeholders
Investors, Supply chain, Customers, Communities and environment, Government and other bodies

Principal risks and uncertainties – Our principal risks continued

11 Land availability and planning

Residual High **Appetite** Medium/Low **Movement in year** Increasing

Risk description
Maintaining a supply of suitable strategic and consented land at the right economic terms to support our growth ambitions.

Acquired land is delayed in the planning process where local authorities and public sector resources are constrained.

The regulatory planning and environmental requirements continue to evolve with the national policy framework developments. Environmental requirements such as nutrients, water neutrality and biodiversity obligations are increasing. This increases the challenge of providing quality and affordable homes in the locations required.

Actions/mitigations
Expertise within our Land teams to ensure we acquire sites in the best locations and that allow us to demonstrate our placemaking credentials.

Formal relationships with key land suppliers, landowners and agents and local authorities.

Land acquisitions are subject to formal appraisal and viability assessment prior to bid submission and exchange of contracts.

The planning status of all our sites are regularly reviewed.

We undertake close consultation with the Government on planning reform.

Development in the year
Our strategy has increased focus on achieving planning consent on land under our control as we have reduced land acquisitions and acquiring new sites.

The planning process continues to be highly complex and time consuming with ongoing demands relating to affordable housing, Section 106 obligations and the community infrastructure levy. There has been a particular challenge in some of our divisions regarding nutrients and water neutrality which has impacted the speed of planning approvals. These complexities increase the cost of development and the time taken to move land through the planning process, which is also impacted by resource constraints in local authority planning departments.

Link to our stakeholders
Investors · Customers · Communities and environment · Government and other bodies

12 Combustible materials

Residual Medium **Appetite** Low **Movement in year** No change

Risk description
Failure to plan and implement the changes required by the Government in respect of combustible materials and fire safety in a timely manner, which could significantly impact our reputation.

This is a complex area where it is often difficult to identify and implement remedies quickly. The rapidly changing landscape of regulatory guidance and the need to engage with multiple stakeholders contribute to this complexity, as does the limited availability of qualified resource to oversee work performed. Given this, costs can be difficult to estimate and could be subject to considerable variability and Government legislation, or regulation could further change increasing the scope of legacy buildings and required remedial works.

Actions/mitigations
A dedicated specialist team is in place with controls and processes in respect of combustible materials. There is a regular review process in place which is overseen by the Chief Executive, Group Finance Director and the internal project team responsible for this area.

There is a detailed risk register of all schemes under review including any safety considerations, recent customer or stakeholder correspondence and considers how the Group may choose to respond. In addition, the central team assesses whether faulty workmanship or design was a factor in the potential remedial works, and, if appropriate, seeks to recover these costs directly from the subcontractor or consultant involved, or through engagement of external legal counsel.

Development in the year
The Group continued to review the risk register of legacy buildings in scope, assessing the latest guidelines against each affected building, advice from technical or legal advisors along with relevant notifications from a variety of stakeholders. We monitor and report progress of remedial work to DLUHC on a periodic basis. Management has considered the progress of any remedial works and adjusted the financial provision to reflect the Group's best estimate of any future costs. We continue to review the appropriateness of our combustible materials provision.

The Board signed the Developers Remediation contract and we are now contractually obligated to the pledge.

Link to our stakeholders
Supply chain · Customers · Communities and environment · Government and other bodies

Task Force on Climate-related Financial Disclosures

We are focused on reducing greenhouse gas emissions while responding to the potential risks and opportunities relating to a changing climate.

Against a backdrop of increasing GHG emissions and the growing challenge to limit temperature rise to 1.5°C, we remain committed to reducing our GHG emissions. Our target is aligned with a 1.5°C trajectory, aiming for net-zero across our value chain by 2045. This cannot be delivered in isolation, and we are collaborating throughout our value chain in support of decarbonising the business.

Recognising climate change as a principal risk for the Group since FY21, we published our voluntary TCFD disclosure that year, followed by our first comprehensive disclosure in FY22. Ongoing collaboration with external climate change experts reinforces our commitment to enhance our climate risk analysis. Given the uncertainties surrounding the potential future impacts of climate change, we will continue to adapt our response as scientific and economic understandings evolve, alongside advancements in methodologies and risk management tools.

The following pages detail our disclosures aligned with the TCFD recommendations. In accordance with Listing Rule 9.8.6R, our consistency with the 11 TCFD recommendations is outlined in the table below, with references to page numbers for additional information. Set out below is the progress achieved in the past year and the actions planned for FY24 to enhance our approach.

In our assessment of consistency, we voluntarily referred to the 'Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures' document published by the TCFD in October 2021.

Further information on the TCFD is available on the Financial Stability Board's website **www.fsb-tcfd.org**

The table below provides the location for content related to the TCFD recommendations

TCFD pillar	Recommended disclosure	Consistency	Page(s)
Governance Disclose the organisation's governance around climate-related risks and opportunities.	a) Board oversight	Consistent	44
	b) Management's role	Consistent	44
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.	a) Risks and opportunities	Consistent	45–47
	b) Impact on organisation	Partially consistent	45–47
	c) Resilience of strategy considering climate scenario analysis	Consistent	45–47
Risk management Disclose how the organisation identifies, assesses and manages climate-related risks.	a) Risk identification and assessment process	Consistent	48
	b) Risk management processes	Consistent	48
	c) Integration into overall risk management	Consistent	48
Metrics and targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	a) Climate-related metrics	Consistent	49–50
	b) Scope 1, 2, 3 GHG emissions	Consistent	49–50
	c) Climate-related targets	Consistent	49–50

Consistency with TCFD recommendations:

Not consistent · Partially consistent · Consistent

FY23 progress

- Continued to engage with our supply chain on climate-related issues and preparation for the Future Homes Standard
- Conducted whole life carbon analysis on a selection of our Legacy Collection homes
- Evolved our climate scenario analysis to gain better insight into potential risks and opportunities
- Continued progress in reducing GHG emissions.

FY24 areas of focus

- Further investigation, and trialling of technologies to support the delivery of the forthcoming Future Homes Standard
- Continue to engage with our supply chain and wider industry to support improved GHG emission data and decarbonisation initiatives
- Development of transition plan
- Continue to evolve the assessment and quantification of our climate-related risks and opportunities.

Governance

A. Board's oversight of climate-related risks and opportunities

The Board is responsible for risk management, including climate-related risks and opportunities. This oversight involves semi-annual reviews and updates to the Group's principal risks. Climate change remains one of the Group's principal risks and is governed by our Risk Management Framework detailed on page 35.

The Board receives updates on the Group's approach to climate change and sustainability matters. This encompasses progress against climate-related KPIs, including our science-based targets. During the year the Board received a comprehensive update on current and emerging environmental regulations, performance against our targets and our transition to net-zero.

Supporting the Board in its governance are three Board Committees which oversee sustainability matters. See diagram below.

With delegated authority from the Board and Executive Committee, the Sustainability Committee is responsible for overseeing the development and delivery of strategic aims and initiatives to enhance sustainability performance. Chaired by our Chief Executive, it met four times during FY23 and provided regular updates to the Board and Executive Committee.

B. Management's role in assessing and managing climate-related risks and opportunities

Our Group Operations Director, with executive responsibility for sustainability and climate-related risk, is a member of both the Executive Committee and Sustainability Committee. Overseeing the Group's disciplines supporting climate-related outputs, the Group Operations Director is responsible for the assessment and management of climate-related risks, alongside the realisation of business opportunities.

Regular reports are submitted to the Board and Executive Committee meetings, providing updates on performance against climate-related targets and highlighting forthcoming regulatory changes.

The Group Operations function possesses in-depth knowledge of climate-related matters, including current and emerging regulation. Team members actively participate in external working groups, including the Future Homes Hub and Supply Chain Sustainability School, fostering knowledge development and industry engagement.

At a divisional level, responsibility is assigned for considering how climate-related risks and opportunities may impact developments. Divisions report on these aspects within their divisional risk registers, which undergo semi-annual reviews as part of the Group's Risk Management Framework. Climate-related considerations, such as flood risk assessments during site selection, are taken into account at the project level.

The diagram below provides an overview of our governance framework and how climate-related matters are considered throughout the Group.

Governance framework and climate touch points

Board and Executive Committee oversight

The Board
- Oversight of the Group's sustainability strategy and its performance
- Overall responsibility for risk management, including climate-related risks and opportunities.

Audit and Risk Committee
- Conducts formal reviews of principal and emerging risks semi-annually, including climate-related risks
- Oversees the Internal Audit Plan which includes climate-related audits.

Remuneration Committee
- Responsible for including climate-related targets within employees' remuneration arrangements
- Approves climate-related targets in long-term pay incentives for ELT and senior management.

Nomination Committee
- Considers a broad range of skills and experiences the Board will need. Climate change experience is considered as part of this process.

Executive Committee
- Considers the Group's principal risks and oversees the divisional risk process, with support from functional representatives.

Sustainability Committee
- Met four times in FY23
- Oversees the development and delivery of strategic aims and initiatives to improve sustainability performance.

SHE Committee
- Met five times in FY23
- Oversees the management of the Group's SHE risks and SHE strategy, including environmental risk management on-site.

Divisional boards
- Meet monthly and responsible for key risks, including climate change, within the division. Reviews and updates the divisional risk register semi-annually.

Management oversight

Climate Risk Working Group
- Responsible for assessing climate-related risks and opportunities
- Membership composition includes representatives from the Finance, Procurement, Sustainability, Technical and Internal Audit teams.

Group Operations team
- Subject matter experts on sustainability and climate change
- Responsible for developing the Group's sustainability strategy and supports the divisions in driving its implementation.

Functional Forums
- Meet quarterly and are responsible for delivering initiatives, achieving targets and embedding procedures within the Group
- Functional Forums include SHE & Build, Technical, Commercial, Sales & Marketing, Land & Planning and Customer Service.

Strategy

A. Climate-related risks and opportunities identified over the short, medium and long term

While we are taking action to reduce our GHG emissions across our value chain, climate change presents a range of risks and opportunities to our business. The extent and severity of risks will vary depending on the actions taken both at UK and international level.

The effects of climate change and how they impact our business are both uncertain and evolving. Over the last two years the Group has engaged external consultants, Verco Advisory Services, to support the identification of potential climate-related risks and opportunities alongside the application of scenario analysis to understand how the risks and opportunities may arise over the short, medium and long term.

In accordance with TCFD recommendations, we have identified climate-related risks and opportunities against:

Transition risks: related to the transition to a low carbon economy to avoid the worst physical impacts of climate change. Examples of transition risks include regulatory changes, carbon taxation, new technology and shifting stakeholder expectations.

Physical risks: resulting from a changing climate are broken down by acute risk (event-driven, including increased severity of storms and floods) and chronic risk (longer-term shifts in climate patterns, including higher temperatures, rising sea levels, chronic heatwaves and droughts).

The risk management section on pages 48 to 49 details our processes for identifying climate-related risks and opportunities.

The information on pages 47 to 48 describes the primary climate-related risks and opportunities we have identified and sets out our management's response to each one.

Time horizons

We have considered climate-related risks and opportunities over three time horizons:

— Short term (0–3 years)
— Medium term (3–10 years)
— Long term (10 years plus).

The time horizons have been selected to allow the Group to consider multiple risks and opportunities, including instances where physical and transition risks are more dominant. The table below provides further detail on why these time horizons were selected.

Time horizon	Time period	Description
Short term	0–3 years	This covers the current operating climate and aligns with our business planning cycle. Existing legislation is likely to be in place for most of this time horizon.
Medium term	3–10 years	This covers the period where legislation currently under consideration is more likely to take effect and have an impact on the business. It also aligns with the time period for our 2030 science-based targets.
Long term	10 years plus	This period is challenging to predict. While it is clear the climate has already changed, and this is going to continue, the physical risks relating to climate change are likely to have a more significant impact in the long term. Considering risks out to 2050 prompted exploratory discussions on the likelihood and impact of a range of risks and opportunities that are different or more severe than those experienced today.

Scenario analysis

Scenario analysis supports the Group's understanding of potential climate change impacts on our business. It is important to note that climate scenarios are not intended to be forecasts but rather hypothetical future states designed to be plausible, improving our comprehension of possible climate outcomes and their potential implications for our operations. This in turn informs our strategy and business planning, increasing our resilience to climate change.

In FY23 we retained the climate scenarios from the previous year, each representing distinct pathways:

Orderly transition: well-coordinated early action to achieve a net-zero economy by 2050 with limited warming of 1.5°C.

Disorderly transition: late and disruptive action to limit warming to below 2°C.

Hot house earth: late action leads to a warming of around 4°C by 2100 bringing increased exposure to physical risks.

These scenarios encompass a range of future climate states with varying transition and physical impacts. Leveraging insights from our external consultants and utilising a diverse set of internal and external data sources, including global, regional and local datasets, we applied a range of assumptions to determine potential climate change impacts. An overview of each scenario and their specific impacts on our business is detailed in the table on the next page.

TCFD continued

Climate scenarios summary

	Scenario 1: Orderly transition	Scenario 2: Disorderly transition	Scenario 3: Hot house earth
Scenario source[1]	SSP1/RCP1.9-2.6	SSP1/2/RCP2.6	SSP5/RCP8.5
Scenario description	Well coordinated and effective global response to climate change. Rapid progress in the 2020s limits warming to around 1.5°C by 2100.	The global response to climate change is disorderly and annual emissions do not decrease until 2030. The pace of regulatory change is more manageable in the short term but it results in faster, stronger changes to limit warming to below 2°C by 2100.	The global response to climate change is poorly coordinated and ineffective, resulting in warming of over 4°C by 2100.
Transition risk	Moderate	High	Low
Physical risk	Low	Low/moderate	High
Business impacts	**Products and services:** climate-related risks and opportunities influence our product development. Under scenarios 1 and 2 we anticipate increased emissions reduction regulations. Conversely, fewer regulatory requirements are expected under scenario 3.		
	Supply chain: our supply chain, responsible for approximately one-third of our carbon footprint, faces potential challenges in the transition to net-zero. Scenarios 1 and 2 anticipate higher carbon prices, leading to increased material costs. Additionally, there may be heightened demand for lower carbon products, potentially affecting costs. A disorderly transition may result in a steeper rise in carbon prices. In scenario 3, the supply chain is expected to experience the most severe physical impacts, including acute events like storms and chronic changes, potentially necessitating supplier relocations and causing productivity reductions.		
	Operations: under scenarios 1 and 2, we anticipate increased energy and fuel costs, driven by rising carbon prices and heightened demand for lower carbon alternatives. In scenario 3, our sites may face greater disruption due to increased risks of severe events, including heatwaves and more frequent and severe storms. Additionally, flood risk is expected to rise, potentially limiting available land for development.		
	Access to capital: in scenarios 1 and 2, accessing affordable capital may become more challenging unless we can effectively demonstrate our climate risk management.		
	Customers and markets: in scenarios 1 and 2, there may be greater demand for lower carbon homes. To successfully transition to new low carbon homes with added technologies, high levels of customer engagement are crucial. In scenario 3, customers are more likely to be affected by physical impacts.		

1 Shared Socioeconomic Pathways (SSPs) describe possible future development pathways for society. Representative Concentration Pathways (RCPs) are trajectories of greenhouse gas concentrations that provide a broad range of climate outcomes. The combination of SSP scenarios and RCP climate projections provides a framework to consider potential future climate impacts.

B. Impact of climate-related risks and opportunities on business, strategy and financial planning

In FY23 our climate-related risk analysis identified potential implications on our business, including on our products and services, operations, supply chain and market perception. To address these risks and capitalise on opportunities, we remain committed to reducing GHG emissions throughout our value chain while adapting our response to evolving regulations and other climate-related impacts.

In FY23 we evolved our home designs, prioritising enhancements in energy efficiency and reducing GHG emissions. We set a requirement for all houses in our Legacy Collection to achieve a minimum Energy Performance Certificate (EPC) rating of B. We continue to research and develop solutions to achieve the Future Homes Standard and the anticipated additional build costs are accounted for in our new project acquisition appraisals.

While maintaining a high level decarbonisation roadmap consistent with our science-based targets, we recognise the need for a more detailed net-zero transition plan. In FY24 we are planning to produce a comprehensive plan, guided by the Transition Plan Taskforce recommendations. This plan will provide a more granular view of our path to net-zero emissions.

C. Resilience of strategy, taking into consideration different climate-related scenarios, including 2°C or lower

We have considered the potential for the Group's financial statements to be impacted by climate change. Our assessment indicates that there is no material financial risk to our business in the short term. Our strategy, which includes research and development of lower carbon homes, remains relevant considering changing climate risks.

Physical risks associated with climate change will increase, particularly under the high carbon hot house earth scenario. Risks such as flooding, overheating and disruption to site and supply chain activities are anticipated to grow over time, with a greater impact in the longer term. There is significant uncertainty about the extent and impact of these risks to the Group and we continue to assess and monitor these risks. Although we do not believe that we are significantly exposed to physical risks in the short term, we continue to take action to mitigate risk through flood risk and overheating assessments and regular dialogue with our key suppliers.

We believe that transition risks pose the most substantial threat in the medium term, notably the potential for an increasing price of carbon. Carbon taxes are expected to rise under scenarios 1 and 2 and we are engaging with our suppliers to gain further insight in this area. While we acknowledge exposure to some short-term climate-related risks, including emerging regulations, their impact is not considered material due to the mitigations the Group has in place.

The anticipated costs related to the delivery of the Future Homes Standard are included in new project acquisition appraisals. Further information on our climate-related risks and opportunities is provided overleaf.

There has been no material impact on the financial reporting judgements and estimates applied in the preparation of the FY23 Annual Report and financial statements. Additional details can be found in our accounting policies on pages 115 to 121. We remain committed to evolving our assessment and quantification of climate-related risks and opportunities over time. This includes horizon scanning and engagement with the divisions and relevant functions to identify any additional emerging risks and opportunities.

Transition risks

Risk description	Financial driver	Management response
Policy and legal		
Impact of carbon pricing mechanisms on internal operations and supply chain		
Carbon taxes and other pricing mechanisms serve as a policy tool to curb GHG emissions. This provides a policy lever for governments to transition economies towards net-zero. The escalation of carbon prices has the potential to impact our direct fuel and energy consumption and those associated with our supply chain. **Highest impact scenario:** Disorderly transition	Increased cost of sales **Time horizon:** Medium to long term **Potential impact under disorderly transition:** **Short term:** Low **Medium term:** Low **Long term:** Moderate	We are committed to reducing our GHG emissions across all scopes in line with our science-based targets. We are engaging with supply chain partners to reduce upstream scope 3 emissions, reducing the impact of potential carbon taxes and other pricing mechanisms.
Emerging regulations		
Emerging regulations targeting emissions reduction poses a potential impact on our home specifications. The Group proactively considered additional build costs linked to the Future Homes Standard. Further low carbon requirements mandated by Government or Local Authorities may arise. Additionally, we anticipate increased reporting requirements and potential future regulations addressing embodied carbon. **Highest impact scenario:** Disorderly transition	Increased cost of sales **Time horizon:** Short to long term **Potential impact under disorderly transition:** **Short term:** Low **Medium term:** Moderate **Long term:** High	Relevant departments review and respond to potential regulatory changes and consultations. Our active engagement with Government, the HBF and the Future Homes Hub enhances our understanding and ability to implement future policies. We collaborate with Local Authorities, partners and expert consultants to achieve consensus and cost-effective outcomes. Anticipated costs related to the Future Homes Standard are included in new project acquisition appraisals.
Technology		
Transition to low carbon technology		
As we adopt lower carbon technologies in our homes, customers may encounter unfamiliar systems. Rising demand could strain supply and result in a shortage of skilled labour for installation and maintenance, potentially leading to additional after-sales costs. Additionally, certain locations may face electrical capacity constraints on the grid, necessitating infrastructure upgrades. **Highest impact scenario:** Disorderly transition	Increased cost of sales and potential for reduced revenue through project delays **Time horizon**: Medium to long term **Potential impact under disorderly transition:** **Short term:** Low **Medium term:** Low **Long term:** Low	We engage with our supply chain to review low carbon technologies for our homes and we are trialling low carbon heating solutions prior to the implementation of the Future Homes Standard. We collaborate with Local Authorities and energy providers to address potential electrical capacity constraints. By engaging in early discussions, we aim to anticipate and plan for infrastructure requirements early in the planning process.
Market		
Increasing cost of raw materials		
Growing global demand for materials with lower embodied carbon, driven by governments and corporations seeking emissions reduction, poses a potential risk. This heightened demand may lead to increased prices for raw materials, such as timber. Escalating physical risks may also lead to disruption within the supply chain, further impacting material availability and costs. **Highest impact scenario:** Disorderly transition	Increased cost of sales **Time horizon:** Medium to long term **Potential impact under disorderly transition:** **Short term:** Low **Medium term:** Moderate **Long term:** Moderate	We regularly engage with our supply chain partners to mitigate material availability risks and assess their climate risk and sustainability performance.

TCFD continued

Physical risks

Risk description	Financial driver	Management response
Chronic physical		
Rising mean temperatures		
Higher temperatures could increase the risk of overheating within our homes. As a result, there may be greater mitigation requirements that could impact the specification of our homes. **Highest impact scenario:** Hot house earth	Increased cost of sales **Time horizon:** Long term **Potential impact under hot house earth:** **Short term:** Low **Medium term**: Low **Long term:** Moderate	Our Group Technical team collaborates closely with energy consultants to mitigate the risk of overheating through thoughtful design considerations. Key factors such as window size, orientation and ventilation are reviewed to limit solar gains in the summer while providing adequate means to remove heat from the home.
Changing precipitation patterns		
Changing precipitation patterns may lead to more frequent occurrences of droughts and floods. This may impact planning requirements, necessitating greater focus on flood mitigation and water efficiency requirements. **Highest impact scenario:** Hot house earth	Increased cost of sales **Time horizon:** Long term **Potential impact under hot house earth:** **Short term:** Low **Medium term:** Low **Long term:** Moderate	Flood risk assessments are conducted for all developments during the land acquisition process to identify and address flood mitigation requirements. To mitigate water stress, our homes are designed to use less than 105 litres per person per day, surpassing current Building Regulations. Our Land teams collaborate closely with the Group Technical team to assess planning requirements and ensure project deliverability.

Opportunities

Risk description	Financial driver	Management response
Products and services		
Greater demand for sustainable homes		
As the world transitions towards net-zero we anticipate there will be greater demand for energy efficient and low carbon homes. The availability of financial tools, such as green home mortgages, is expected to further drive the demand for homes with lower carbon footprints. **Highest impact scenario:** Orderly transition	Increased revenue through greater demand for low emission products **Time horizon:** Short to long term **Potential impact under orderly transition:** **Short term:** Moderate **Medium term:** Moderate **Long term:** High	We are actively reducing emissions associated with the operational use of our homes while increasing energy efficiency. As a result, the majority of our homes qualify for green mortgages. We provide explanations of energy efficient features to customers during the sales process.
Green finance		
There is increased ability to attract green finance, such as sustainability linked loans that provide access to lower interest rates. Additionally, investors are increasingly considering climate-related risks, opportunities and progress in reducing emissions when reviewing portfolios. **Highest impact scenario:** Orderly transition	Increased access to finance at lower cost **Time horizon:** Long term **Potential impact under orderly transition:** **Short term:** Low **Medium term:** Moderate **Long term:** Moderate	We maintain open and transparent communication with investors, informing them about our strategy and performance. Additionally, our Revolving Credit Facility is linked to our sustainability performance.

Risk Management

A. Processes for identifying and assessing climate-related risks

Climate-related risks and opportunities are reviewed as part of our Group-wide Risk Management Framework. Our governance structure, including the Board, Executive Committee and divisional boards conduct formal risk assessments semi-annually.

In FY22 we conducted a comprehensive climate change risk assessment in collaboration with external consultants and our Climate Change Working Group. This involved a peer review, internal expertise and consultant support to develop an extensive list of climate-related risks and opportunities. Each risk was evaluated based on likelihood, potential impact to the Group and the relevant timeframe.

In FY23 we used the same external consultant to conduct a review, utilising qualitative and quantitative modelling techniques to assess the impacts of climate change over short, medium and long-term time periods. Our risk assessment considered current and emerging regulations, evolving consumer preferences, modelling on physical climate change impacts and potential future carbon pricing mechanisms. The outcome of this review was a short list of prioritised risks and opportunities, accompanied by gathering information to quantify their potential financial impacts under different climate scenarios.

B. Processes for managing climate-related risks

Climate change is classified as a principal risk, underscoring its significance to our strategy. To effectively manage the most material climate-related risks, we leverage a combination of internal expertise from across the Group and external specialists.

Our risk management process involves a thorough consideration of climate-related risks, examining their potential impact on our strategy in both the short term and beyond. To address these risks, we are committed to designing and implementing necessary mitigating actions. For a detailed breakdown of our existing risk mitigation actions, please refer to our climate risk table on pages 47 to 48.

More information on our risk management process, which includes the consideration of climate-related risks, can be found on page 41.

C. Processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management

As one of our principal risks, climate change is integrated into our Risk Management Framework. During the semi-annual review of principal risks by the Board, Audit and Risk Committee and Executive Committee, climate change is considered within the evolving risk landscape alongside other key risks. These discussions and assessments play an important role in the broader evaluation of the ongoing viability of the Group.

For more information on our principal risks and the Risk Management Framework see pages 35 to 42.

Metrics and targets

A. Metrics used to assess climate-related risks and opportunities in line with its strategy and risk management process, and C. Targets used to manage climate-related risks and opportunities and performance against targets

We monitor and disclose a range of metrics and targets as part of our ongoing commitment to assess and manage climate-related risks and opportunities. These metrics are chosen to directly address the climate challenges and opportunities the Group faces. We focus on areas where our actions can have the most substantial impact, providing a targeted and effective approach to climate risk management.

Target/metric	Performance	Link to climate-related risks and opportunities
Climate action		
GHG emissions		
Reduce absolute scope 1 and 2 GHG emissions by 60% by 2030 (FY19 base year)	55% reduction in absolute scope 1 and 2 GHG emissions compared to FY19.	— Carbon pricing mechanisms — Emerging regulations — Greater demand for sustainable homes — Green financing and partnership opportunities.
Reduce scope 3 GHG emissions intensity by 55% by 2030 (FY19 base year)	3% increase in scope 3 GHG emissions per sq. m completed floor area compared to FY19.	
Achieve net zero across the value chain by 2045	Reduction in GHG emissions as detailed above. Continued supply chain engagement and investigating further carbon reduction opportunities.	
Environmental Impact Rating of our homes	96% of our homes built in FY23 received an Environmental Impact rating of A or B.	
Energy		
Procure 100% renewable electricity by 2025	89% of scope 2 electricity is procured from renewable tariffs.	— Carbon pricing mechanisms — Greater demand for sustainable homes — Green financing and partnership opportunities.
Natural resources and waste		
Waste		
Reduce waste intensity (t/100 sq. m) by 15% by 2025 (FY19 base year)	14% increase in waste intensity compared to FY19.	— Carbon pricing mechanisms — Greater demand for sustainable homes — Green financing and partnership opportunities.
Divert at least 95% of waste from landfill	Diverted 98% of waste from landfill.	
Water		
Homes designed to use 105 litres per person per day (lpppd)	Standard house type specification is 105 lpppd.	— Changing precipitation patterns — Greater demand for sustainable homes.

TCFD continued

B. Scope 1, 2 and 3 greenhouse gas emissions and energy consumption statement

GHG scope 1 and 2 emissions data	FY23 Location-based	FY23 Market-based	FY22 Location-based	FY22 Market-based
Scope 1 (tCO_2e)	2,848	2,848	3,070	3,070
Scope 2 (tCO_2e)	956	202	1,379	234
Total scope 1 and 2 (tCO_2e)	3,803	3,050	4,449	3,304
Scope 1 and 2 intensity (tCO_2e/100 sq. m)	2.09	1.68	1.82	1.35

GHG scope 3 emissions data	FY23 Location-based	FY22 Location-based
Scope 3 (tCO_2e)	479,972	593,055
Purchased goods and services and capital goods	170,073	185,898
Use of sold products	300,334	393,328
Other scope 3[1]	9,565	13,829
Scope 3 intensity (tCO_2e/sq. m)	2.64	2.42

Energy consumption data	FY23	FY22
Scope 1 and 2 Group-wide energy use (kWh)	24,027,259	26,162,348
Scope 1 and 2 energy use intensity (kWh/100 sq. m)	13,203	10,683

1 Other scope 3 emissions have been grouped together within the table. The categories included are: 3. Fuel and energy-related activities; 4. Upstream transportation and distribution; 5. Waste generated in operations; 6. Business travel; 7. Employee commuting; 12. End of life treatment of sold products.

GHG emissions calculation methodology

We have reported on the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. These sources fall within our operational control. GHG emissions are also referred to as carbon emissions within the report.

In accordance with the GHG Protocol's Corporate Standard, we have reported both location and market-based scope 2 emissions. Location-based emissions are calculated using the Government's GHG Conversion Factors for Company Reporting. Market-based emissions are calculated using tariff specific factors from our energy suppliers, which may be more or less carbon intensive than the location-based factor.

All electricity and gas data from sites and offices under our control is supplied by our utilities management partner. For non-plot supplies, they visit sites on a quarterly basis to obtain meter readings. Plot data is obtained at the point of handover to the customer. Shared office data is obtained from the relevant management company responsible for the office utilities and is apportioned based on the floor area we occupy. Site diesel and LPG data is obtained directly from suppliers. Business travel data is obtained from both fuel-card data and our expense claim system.

Scope 3 emissions are reviewed in accordance with the GHG protocol and include nine categories relevant to our Group operations. The most significant categories are category 1 'purchased goods and services', category 2 'capital goods' and category 11 'use of sold products'. Category 1 includes emissions associated with our supply chain that are not accounted for in our standard house type material bill of quantities. They are calculated using a spend-based approach. Category 2 includes all material included in our bill of quantities and emissions are calculated using the OneClick LCA tool. Category 11 includes emissions related to regulated and unregulated energy. Emissions from regulated energy are calculated using the dwelling emission rate, which is calculated in line with Building Regulations. Emissions from unregulated energy are based on guidance given by the RICS professional statement for whole life carbon assessment for the built environment and adapted to estimate for residential energy consumption in the absence of primary data.

For operational joint ventures we have included GHG emissions from our own site compounds for the parts of the sites we are developing, and the homes delivered by ourselves. We use the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) and emission factors from UK Government's GHG Conversion Factors for Company Reporting 2023.

Streamlined Energy and Carbon Reporting disclosure

Our Streamlined Energy and Carbon Reporting disclosure includes GHG data in line with our methodology above. Our annual energy consumption data covers scope 1 and 2 components and includes our site and office electricity, gas, diesel and LPG and business travel with our Group-operated fleet. All figures relate to emissions and energy consumed in the UK. For details on our actions taken to reduce energy consumption see pages 21 to 23.

Verification statement by Verco Advisory Services

Verco Advisory Services Ltd has reviewed Crest Nicholson's GHG calculations using the World Resources Institute (WRI) and World Business Council for Sustainable Development (WBCSD) GHG Protocol: A Corporate Accounting and Reporting Standard. Verco has provided limited assurance for all emission scopes and operational energy consumption data against ISO 14064. Based on its review of Crest Nicholson's GHG emissions inventory for 1 November 2022 to 31 October 2023, Verco has determined that there is no evidence that the GHG assertion is not materially correct. Furthermore, Verco finds no evidence that Crest Nicholson's assertion is not a fair and accurate representation of Crest Nicholson's actual emissions. Verco finds that the information submitted by Crest Nicholson is consistent with the WRI/WBCSD GHG Protocol's methodology and reporting guidance, and conforms to generally accepted GHG accounting standards.

Non-financial and sustainability information statement

The following table summarises the information required by sections 414CA and 414CB of the Companies Act 2006 and sets out where relevant information can be found throughout this report.

Reporting requirement	Description of policies and standards[1]	Related principal risks	Relevant information to understand our impact, policy, due diligence and outcomes	Page
Environmental matters	— Sustainability policy — Climate change policy — Sustainable procurement policy — Sustainable timber policy — Supply Chain Code of Conduct. Our policies are designed to support activities that preserve and enhance the natural environment.	2 Safety, Health & Environment 9 Laws, policies and regulations 10 Climate change	Protecting the environment Task Force on Climate-related Financial Disclosures Principal risks and uncertainties	21–24 43–50 35–42
Employees	— Corporate health and safety policy — Speaking Up policy — Equality and diversity policy. Our policies set out our commitment to developing our employees and to providing a safe and diverse working environment.	2 Safety, Health & Environment 7 Attracting and retaining our skilled people	Stakeholder relations Safety, Health & Environment Our people Principal risks and uncertainties Board and leadership diversity	16–19 27 28–29 35–42 71
Human rights	— Anti-slavery and human trafficking statement — Human rights policy — Speaking Up policy — Supply Chain Code of Conduct — Privacy policy. Our policies set out our commitment to human rights and the steps taken to reduce risk.	2 Safety, Health & Environment 3 Supply chain 7 Attracting and retaining our skilled people	Stakeholder relations Operate our business responsibly Whistleblowing	16–19 26 80
Social matters	— Sustainability policy — Supply Chain Code of Conduct. Our policies demonstrate our commitment to maintaining high social standards throughout our value chain and delivering lasting societal value for our stakeholders.	2 Safety, Health & Environment 4 Customer service & quality 12 Combustible materials	Stakeholder relations Making a positive impact on our communities Our people Principal risks and uncertainties	16–19 25 28–29 35–42
Anti-bribery and corruption	— Anti-bribery and corruption policy — Speaking Up policy — Supply Chain Code of Conduct. Our policies detail the expected conduct of our employees and supply chain.	9 Laws, policies and regulations	Anti-fraud and anti-bribery Whistleblowing	80 80
Business model				14–15
Non-financial KPIs				31
Principal risks and uncertainties				35–42
Climate-related financial disclosures				43–50

1 Policies and standards are available on our corporate website: **www.crestnicholson.com**

Viability statement and Going Concern

In accordance with the UK Corporate Governance Code, the Directors and the Executive Leadership Team have assessed the Group's current position and its emerging and principal risks and uncertainties over a longer period than the 12 months required by the going concern statement.

The following statement is made in accordance with the UK Corporate Governance Code. The Board considers that a three-year period continues to remain an appropriate timeframe for this assessment.

How we assess our viability
While the nature of the material issues, opportunities and risks faced by the Group limits the Directors' ability to reliably predict the longer term, detailed trading and cash flow forecasts are maintained and regularly scrutinised over the three-year period. The Group owns or controls a high proportion of the land required to meet unit forecasts during this time and is therefore able to forecast future cash outflows with a reasonable degree of confidence based on current market conditions.

The Group also benefits from a forward order book of sales which provides a level of confidence in near-term revenue delivery. These inputs allow the Group to maintain a rolling three-year forecast for the income statement, balance sheet, cash flow and key financial ratios for every periodic reporting date. These forecasts are considered to be the 'base case' for performance assessment. In recognition of the challenging economic backdrop throughout FY23, characterised by high inflation, high interest rates and reduced levels of disposable income, the Directors have reduced their expectations for FY24 trading. Accordingly, a prudent volume of home completions and achieved selling prices have been forecast into the base case for next year.

During FY22 the Group completed a new Sustainability Linked Revolving Credit Facility (RCF) for £250.0m which expires in October 2026. Despite the reductions in financial forecasts factored into the base case, the Group is forecast to comfortably comply with all its RCF and senior loan note debt covenants across the viability period. The Directors have also concluded that there is adequate financial headroom, and appropriate mitigations if needed, to manage through a much tougher market scenario while continuing to meet the Group's combustible materials obligations and deliver the Group's growth ambitions, albeit over a longer timeframe. Furthermore the Group has assumed that the RCF can be refinanced in the near over the viability period, given it currently expires in October 2026.

Stress testing viability through simulated scenarios
While the Group's base case forecast provides assurance that its financial performance and position remains strong for the foreseeable future, the Directors have then applied stress tests to this forecast (without double counting those already embedded in the base case), to satisfy themselves that this will remain true in more challenging market conditions.

The identification of these plausible adverse trading conditions has been derived from the Group's principal risks set out on pages 35 to 42, and their impact on the solvency and liquidity of the Group. The most likely source of this challenge lies in the severity and duration of the UK macro-economic outlook. If high inflation persists then confidence in the housing market will remain weak. Mortgage lending will remain expensive, compounding the affordability challenge, particularly for first time buyers or those with low levels of equity.

If consumers believe the housing market is about to undergo a significant correction they postpone their buying intentions until further clarity as to the market's health emerges. For those house sellers who have no choice about the timing of their sale, either because of unaffordable and rising mortgage costs or the impact of life events, they have no option but to cut the price of their property to achieve a sale. This in turn leads to a more widespread lack of confidence in the market as buyers seek bigger discounts and lenders protect themselves through reduced home valuations and increased stress testing of their own. The Directors have therefore modelled stress tests relating to further volume and prices declines than those assumed in the base forecast.

In addition, the construction sector has experienced high levels of build cost inflation throughout FY22 and much of FY23. In the final quarter of FY23 build cost inflation has broadly ceased, but it is possible that high levels of build cost inflation return and therefore the Directors have also modelled a third stress test to reflect this possibility.

In addition to applying the impact of each of these stress tests, the Directors have also considered the impact of a 'plausible but severe' downside case which includes the sales price and sales volume falls detailed above applying together.

In all scenarios, individually and in aggregate, the Group continues to remain compliant with its debt covenants without the need to fully implement the effect of all available mitigations to achieve this.

Finally, the Directors have then also exaggerated each of the three stress tests referred to above to a level beyond that which is considered to be a plausible 'downside' scenario, to find the point at which any of these stress tests would cause a covenant failure.

Conclusion
Based on the results of this assessment, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment to 31 October 2026.

Going Concern
Having assessed the principal risks and all other relevant matters, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements of the Company.

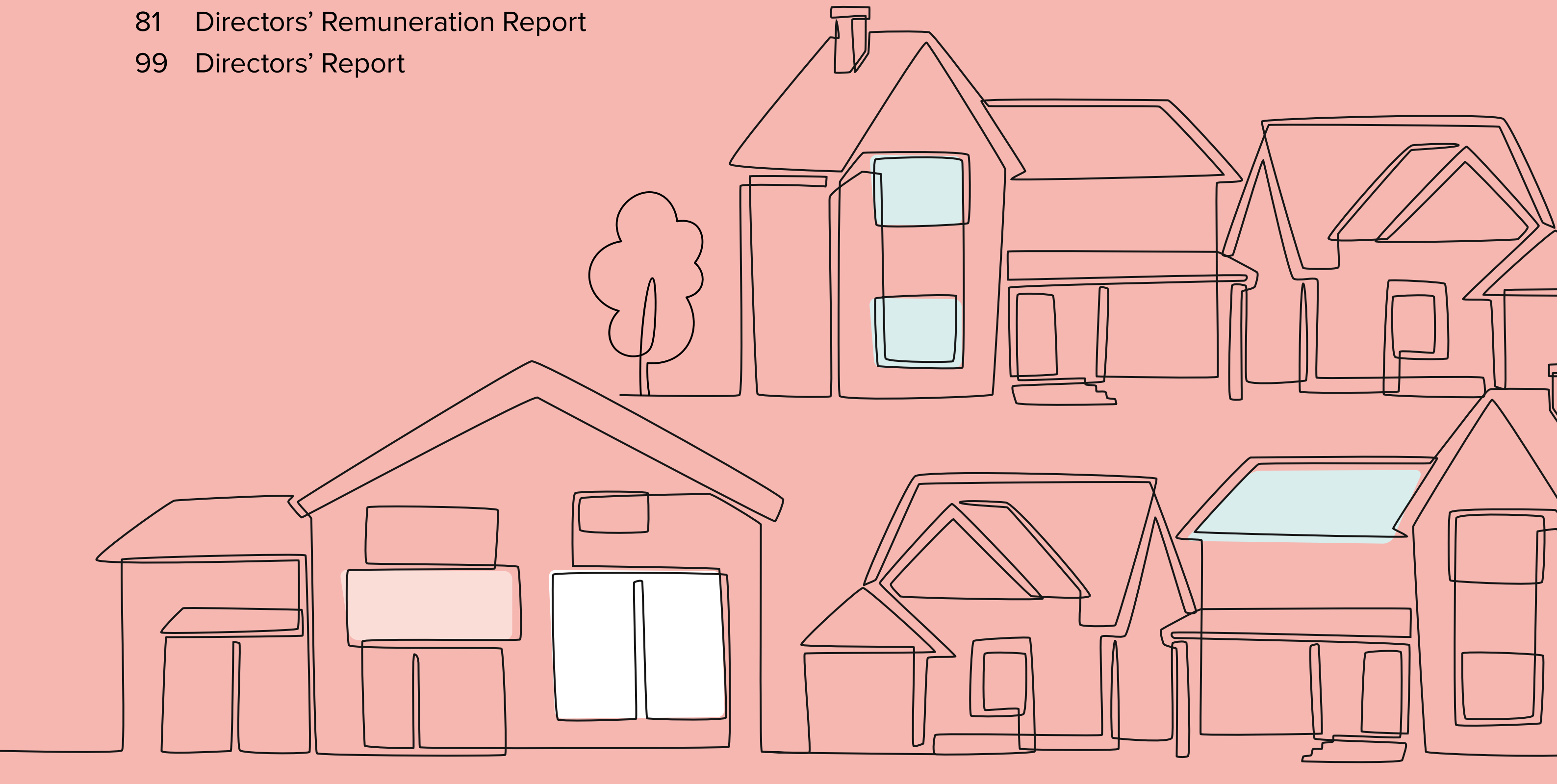
Further details can be found in note 1 to the consolidated financial statements.

Governance

Strong governance to deliver our strategy

Good corporate governance practices and strong leadership are essential for delivering long-term sustainable success to our stakeholders.

In this section



Chairman's introduction

Governance overview

Board leadership and company purpose

Outlines the leadership of Crest Nicholson, the main Board activities and how the Board has considered its responsibilities to its stakeholders.

For more information
Chairman's introduction – 54
Board of Directors – 56
Executive Leadership Team – 58
Our purpose, values and culture – 59
Our stakeholders – 61
Employee engagement – 63
Board activity – 64

Division of responsibilities

Provides an overview of the governance framework of the Group, composition of the Board, roles of each Director, Board balance, delegation and Non-Executive Director independence.

For more information
Board composition – 66

Composition, succession and evaluation

Outlines the Board's evaluation process and outcomes and includes the report of the work of the Nomination Committee for the year.

For more information
Board evaluation – 68
Nomination Committee Report – 70

Audit, risk and internal control

Describes the role of the Board and the Audit and Risk Committee in ensuring the integrity of the financial statements, how they monitor the effectiveness of the Group's internal controls, and the assessment of the external auditor.

For more information
Audit and Risk Committee Report – 74

Remuneration

Provides detail of the remuneration arrangements for the Directors and the workforce during the year.

For more information
Remuneration Committee Chair letter – 81
Alignment with strategy – 83
Remuneration at a glance – 84
Summary of the Remuneration Policy – 85
Implementation of the Policy in FY24 – 86
Annual Report on remuneration – 89

As Chairman of Crest Nicholson, I am pleased to present this year's Corporate Governance Report. The following pages explain the effective leadership of the Group and the oversight and application of high governance standards as we deliver our strategy.

Trading conditions have become increasingly difficult for the housebuilding sector and the Group's performance has been impacted by a number of external factors. The Board has had to carefully review and adapt the Group's strategy to respond to the changes in the trading environment. By making tough decisions, we have positioned Crest Nicholson, so that we can continue to operate effectively and deliver long-term sustainable growth.

Our culture

The Board plays an important role in setting the Group's strategy, purpose, culture and values. The Board spends time at our meetings reflecting on these areas. Each Director recognises their role in setting the tone from the top to embed the Group's values.

The Board encouraged management to undertake a review of the Group's culture. During the year an independent consultant was appointed and they spent time talking and listening to a cross-section of employees about the business and its culture. The work is ongoing but preliminary reports have provided positive feedback on our culture. This has enabled the Board to better understand where culture is performing well and where there are areas for further development.

Board changes

During the year Duncan Cooper informed the Board of his intention to leave the Group and Lucinda Bell decided to retire from the Board. I would like to thank Duncan and Lucinda for their contribution to the Group during their time on the Board.

We were delighted to welcome Bill Floydd to the Board as Group Finance Director on 13 November 2023 and Maggie Semple as Non-Executive Director on 1 January 2024. Details on the appointment process and the induction procedures are set out on page 73.

The Board continues to be diverse with Directors from a range of backgrounds and experience. The Board met the FTSE Women Leaders requirements for Board gender diversity.

"The Board takes its responsibility for the Group's long-term sustainable success seriously, recognising that it generates value for shareholders, while contributing more widely to society."

Iain Ferguson CBE
Chairman

Board effectiveness

The Board undertook an internal evaluation this year to review its effectiveness and performance. The results are set out on pages 68 to 69 and an action plan has been developed to implement the findings of the review.

Sustainability

We continue to focus on operating sustainably. During the year the Group's new science-based targets, aimed at reducing the Group's carbon footprint, were validated by the Science Based Targets initiative. The Board received regular updates on progress against these targets and other sustainability matters.

Stakeholder engagement

Stakeholder engagement is a priority for the Board. The Board received reports on stakeholder groups and engagement with them at each meeting.

Extensive discussions were held on how the Group performed against industry benchmarks and it received feedback on customer and supplier relations.

The Board was pleased Crest Nicholson achieved accreditation as a Living Wage Employer. In addition, we received the Gold Award for The 5% Club due to the Group's focus on training and supporting trainees joining the industry. These achievements demonstrate our continued commitment to all our employees and those who work within our supply chain.

Shareholder engagement

An important area of stakeholder engagement is dialogue with shareholders. I have been pleased to meet with a number of our shareholders during the year to discuss a range of topics and understand their views and their priorities.

We invite shareholders to our AGM in 2024. Further details are set out in the Notice of AGM which accompanies this Annual Report.

On behalf of the Board, I would like to thank shareholders for their continued support and the Board welcomes further engagement during 2024.

Iain Ferguson CBE
Chairman

Compliance with the UK Corporate Governance Code

The Group complied in full with the UK Corporate Governance Code (Code) for the financial year ended 31 October 2023.

The Code is available on the FRC's website, **www.frc.org.uk**

Board of Directors


1


2


3


4


5


6


7

Key to Committee membership

- A Audit and Risk Committee
- N Nomination Committee
- R Remuneration Committee
- E Executive Committee
- Chair of Committee

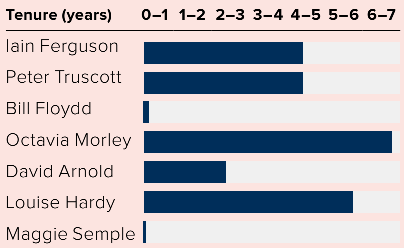
Board composition[1]

One Chairman independent on appointment

Two Executive Directors

Four independent Non-Executive Directors

Board tenure[1]



1 As at 23 January 2024.

1 Iain Ferguson CBE
N R

Chairman

Appointed September 2019

Experience: Iain was Chief Executive Officer of Tate & Lyle plc, later chairing Berendsen plc and Stobart Group Ltd. He was also Senior Independent Director of Balfour Beatty plc and Non-Executive Director at Greggs plc.

Iain is currently Chairman of Genus plc and externally managed investment trust, Personal Assets Trust plc. In addition, Iain was Lead Independent Director at the Department for Environment, Food and Rural Affairs (DEFRA), Chair of Wilton Park (Agency of the Foreign and Commonwealth Office) and a Member of the PricewaterhouseCoopers LLP UK Advisory Board. In 2003 Iain became a Commander of the British Empire for his services to the food industry.

What Iain brings to the Board: Iain is a highly experienced public company Chairman, Non-Executive Director and former FTSE 100 CEO. He has extensive and diverse leadership experience and a sound and practical understanding of corporate governance.

Iain has a deep appreciation of capital markets and investor sentiment which he brings to Board deliberations, in addition to financial expertise and construction experience.

External appointments: Chairman of Genus plc and Chairman at externally managed investment trust Personal Assets Trust plc and Pro Chancellor, Cranfield University

4 Octavia Morley
A N R

Senior Independent Director

Appointed May 2017

Experience: After working in management roles at companies including Asda Stores Ltd, Laura Ashley plc and Woolworths plc, Octavia was Chief Executive then Chair at LighterLife UK Ltd, Managing Director at Crew Clothing Co. and Chief Executive at OKA Direct Ltd. Octavia also served as a Non-Executive Director and Chair of the Remuneration Committee at John Menzies plc.

What Octavia brings to the Board: Octavia has a variety of experience in senior operational and non-executive roles in retail and multi-site companies, both privately owned and publicly listed. She brings customer experience insight to the Board, gleaned through her previous retail and consumer roles.

External appointments: Chair of Banner Ltd, Senior Independent Director of Marston's plc and Non-Executive Director of Ascensos Ltd

2 Peter Truscott
E

Chief Executive

Appointed September 2019

Experience: Peter was formerly Chief Executive of Galliford Try plc. Peter also worked at Taylor Wimpey plc for 30 years where he held various positions including divisional Chairman. He was also a member of its Group Management Team. Previously, he worked for CALA Homes.

What Peter brings to the Board: Peter has extensive experience in the housebuilding industry across a range of models and tenures. He brings valuable operational and public company experience to lead the Group and is highly experienced at delivering a broad range of housing needs to stakeholders.

External appointments: Non-Executive Director of Anchor Housing Group

5 David Arnold
A N R

Non-Executive Director

Appointed September 2021

Experience: David is Chief Financial Officer of Grafton Group plc, having joined Grafton in September 2013. He was previously Group Finance Director of Enterprise plc, the UK maintenance and support services business, from 2010 to 2013 and Group Finance Director of Redrow plc, from 2003 to 2010. David has previously held senior finance positions with Six Continents plc and Tarmac plc.

What David brings to the Board: David is an established plc Board director, who brings extensive finance, property and commercial experience to the Group.

External appointments: Chief Financial Officer of Grafton Group plc

6 Louise Hardy
A N R

Non-Executive Director

Appointed January 2018

Experience: Louise was European Project Excellence Director at Aecom and Infrastructure Director for CLM, which was the consortium partner for the London 2012 Olympic Delivery Authority. Louise has been a Non-Executive Director at the Defence Infrastructure Organisation for the Ministry of Defence. Louise is a fellow of the Institution of Civil Engineers and of the Chartered Management Institute.

What Louise brings to the Board: Louise has a wealth of relevant experience in the delivery of complex infrastructure projects and experience as a non-executive director of other publicly listed companies. Louise is the Non-Executive Director responsible for employee engagement.

External appointments: Non-Executive Director of Severfield plc, Balfour Beatty plc and Travis Perkins plc

3 Bill Floydd
E

Group Finance Director

Appointed November 2023

Experience: Bill joined the Group from a consumer-focused listed background having been Chief Financial Officer at Watches of Switzerland Group plc and Rank Group plc. Prior to this, he was the Chief Financial Officer responsible for the UK & Ireland business of Experian plc and held a number of senior finance roles at Logica plc. Bill is a chartered accountant, having qualified with Price Waterhouse.

What Bill brings to the Board: Bill brings a wealth of senior financial and commercial expertise having previously served as Chief Financial Officer across a range of sectors. He has extensive experience within the public listed environment and strong leadership qualities essential to delivering growth.

External appointments: None

7 Dr Maggie Semple OBE
A N R

Non-Executive Director

Appointed January 2024

Experience: Formerly an academic, Maggie began advising governments on education in 1990s. She went on to hold several Non-Executive Director positions in different organisations such as Her Majesty's Court Service, the Criminal Cases Review Commission, the Ministry of Justice (Chair of Audit, Risk & Compliance) and McDonald's Restaurants. Currently, Maggie is a Non-Executive Director at Phoenix Holdings plc and Jamaica National Bank UK Ltd. She is also the owner of three business – The Experience Corps Limited, a global niche consultancy firm, Maggie Semple Limited, a luxury bespoke women-swear brand and is the co-founder of I-Cubed Group Limited. Maggie is an author and she writes on inclusion matters.

What Maggie brings to the Board: Maggie has a wealth of experience in executive and non-executive roles across a number of different sectors and offers great insight to the Board.

External appointments: Non-Executive Director of Phoenix Group Holdings plc and Jamaica National Bank UK Limited, Chief Executive of The Experience Corps Limited, Owner of Maggie Semple Limited, Co-Founder of I-Cubed Group Limited and Honorary Bencher of Middle Temple

Departures since 31 October 2023

Duncan Cooper, Group Finance Director, on 13 December 2023.

Lucinda Bell, Non-Executive Director, on 31 December 2023.

Executive Leadership Team

Peter Truscott
Chief Executive

See biography on page 57

Bill Floydd
Group Finance Director

See biography on page 57

Jane Cookson
Group HR Director

Joined ELT January 2021

Experience: Jane joined Crest Nicholson in June 2002 as an HR Manager and became HR Director in January 2013. Jane has a deep understanding of the industry, the Group and its people. Jane has responsibility for all areas of HR including diversity and inclusion, talent and performance management.

Jane is MCIPD qualified and has been in the housebuilding industry for over 20 years.

Kieran Daya
Chief Operating Officer

Joined ELT January 2021

Experience: Kieran joined Crest Nicholson in January 2020 as Managing Director of the Partnerships and Strategic Land Division and joined the ELT shortly thereafter.

In January 2024 Kieran was appointed Chief Operating Officer. He is a qualified solicitor who has worked with some of the country's largest developers. Kieran has experience in significant land acquisitions, working on joint ventures and partnership deals having taken a lead on some of the larger transactions in the housebuilding industry within recent years.

David Marchant
Group Operations Director

Joined ELT March 2019

Experience: David has over 36 years' construction and housebuilding industry experience in design and leadership roles. He was previously a Group Director of Bellway plc where he was responsible for group design, technical, R&D, procurement, commercial and quality strategies. Prior to that David spent 25 years in engineering design practice as a structural engineer and at the National House Building Council (NHBC). At the NHBC he was a Director of their Approved Inspector business.

David is a structural engineer and chartered builder.

Heather O'Sullivan
Group General Counsel

Joined ELT September 2023

Experience: Heather joined Crest Nicholson in November 2019 as Company Solicitor leading to her appointment as Group General Counsel in September 2023. Heather has significant experience in the housebuilding sector having specialised in the field since qualification in 1998. She previously worked both in-house for Linden Homes and Galliford Try Partnerships and, prior to that, for leading UK housebuilder clients in private practice.

Penny Thomas
Group Company Secretary

Joined ELT January 2024

Experience: Penny joined Crest Nicholson in September 2023 and is a chartered company secretary and governance professional. She has significant experience as a company secretary in FTSE 250 companies, including the real estate sector. Penny spent 14 years at Shaftesbury plc, and more recently at SEGRO plc, Moonpig Group plc and Close Brothers Group plc.

Our purpose, values and culture

Our purpose

Building great places for our customers, communities and the environment.

We invest in placemaking, delivering attractive homes and incorporating sustainable and energy-efficient features in our developments.

We strive to make a positive difference to people's lives.

Our culture

The Board monitors the culture of the Group through a range of indicators including:

- **Safety, Health & Environment (SHE):** The Board wants all colleagues and others affected by the Group's activities to be healthy and go home safely to their families every day. The Board is updated regularly on SHE matters, incidents and on new or ongoing investigations and their outcomes.
- **Engagement with employees** The Board creates opportunities for the Non-Executive Directors to meet employees at various times during the year through visits to the Group's offices and sites. Louise Hardy, the Non-Executive Director responsible for employee engagement, attends Employee Voice and other forums to engage with employees. She shares employees' views in Board meetings.
- **Employee policies** The Board and its Committees review key employee policies to ensure they appropriately capture and reflect the Group's values and culture.
- **Customer experience** This is considered and assessed at every meeting using customer satisfaction survey responses. Recommendation scores are regularly reported to the Board and discussed.
- **Supplier activity** The Board reviews how the Group supports and manages subcontractors and constituents of the supply chain. This includes an awareness of challenges in the supply chain. The Group's payment practices are monitored by the Board.
- **Business conduct** The Board reviews business conduct including whistleblowing reports and Internal Audit reviews. The Board can identify and address any incidents and areas for improvement.

Our values

The Board recognises the importance of taking the lead to enhance the Group's culture. It embodies the Group's values by actions taken within the Boardroom, as follows:

1 Working together

Non-Executive Directors draw upon their own personal knowledge and experience to support the Executive Directors in finding solutions to deliver the Group's strategy.

2 Being the best we can be

The Board expects high performance leadership and focus in meetings. There is a commitment to deliver strong operational and financial performance. Time is spent developing succession plans so that the Group has the right talent both now and in the future.

3 Doing the right thing

The Board sometimes needs to make decisions at pace but it will always reflect and consider the Group's stakeholders. Directors treat each other with respect and open dialogue and constructive challenge is welcomed in meetings.

4 Championing our people

The Board sponsors a number of initiatives to support the development of the Group's employees. Employees presenting at Board meetings always receive a warm welcome, are listened to and given time to ask and respond to questions.

5 Leaving a positive legacy

The Board considers financial and non-financial KPIs to assess performance. The Board supports management in delivering great placemaking and high quality homes to our customers, which in turn generates long-term sustainable performance.

Our purpose, values and culture continued

Workforce culture perception study

The Board recognises the importance of a strong culture which is essential for delivering the Group's purpose. Culture shapes the Group's operations, engagement with its stakeholders and impacts the delivery of the Group's strategy.

The Board initiated a culture perception study of the Group's workforce undertaken by an independent third party. The aim was to consider how employees feel about working at Crest Nicholson and highlight any opportunities for change.

How the study was conducted

The Board agreed the below process for conducting this study:

1. One to one interviews with the Board and Senior Leadership Team
2. One to one interviews with external partners
3. Focus groups with employees
4. Benchmarking against peers

Following completion of this process, a summary of the feedback was presented to the Board.

The results highlighted the perception of the Group's culture by internal and external stakeholders and the opportunities for improvement. The recommendations were considered and acknowledged by the Board.

The Board agreed that the next step was to encourage senior management to be involved in developing the solutions and that the Annual Leadership Conference provided this opportunity for the team to work together. See opposite.

Annual Leadership Conference

The Annual Group Conference was held in November 2023 for members of the ELT and senior management. Time was spent considering the outcome of the culture perception study. The meeting recognised the positive aspects from the study. Attendees considered opportunities to strengthen the Group's culture and way of working across the workforce. Everyone was asked to suggest improvements to be incorporated into an action plan for the Board to consider. This feedback will be consolidated and used to frame a culture action plan, the progress of which will be monitored by the Board.

2023 Annual Leadership Conference

Our stakeholders

The Group's stakeholders are an integral part of the business model. The Board and senior management engage directly with stakeholders in different ways to understand what is important to them and to reflect their interests in the Group's long-term strategy. The Group's key stakeholders are set out below.

Our Section 172 statement together with additional information about our key stakeholders and why they are important to us is on pages 16 to 19.

Consideration of stakeholders in decision making is illustrated in the following case studies.

Roadmap to restore Crest's five-star customer experience

The Board monitors the Group's customer satisfaction survey results which drive the achievement of a five-star rating under the Home Builders Federation (HBF) scheme.

In 2022 the Group's customer service standards fell below the Board's expectations and understandably, our customers reflected this in lower NHBC customer satisfaction survey ratings. Recognising the importance of the Group's customers and delivery of a high quality product, the Board asked management to implement a customer service recovery plan in tandem with the oversight of the implementation of the New Homes Quality Code (NHQC). Following significant investment in FY23, in people, processes and systems, there are encouraging signs that quality and customer service standards are improving. If this level of service can be maintained and the divisions can build upon the work initiated to improve customer experience, Crest Nicholson will be on track to regain its HBF five-star status in 2025.

Regular updates have been provided to the Board on the implementation of the NHQC and the Board receives progress updates on the customer service recovery plan at each Board meeting.

Link to our stakeholders

Investors Our people Customers

Expansion plans and land acquisition

At the Group's full-year results in January 2023, the Group reported strong progress with divisional expansion plans in Yorkshire and East Anglia, and continued investment in land.

As 2023 progressed, the UK economy and the housebuilding industry in particular observed challenging trading conditions. Some housebuilders withdrew from the land acquisition market. The Board decided to continue acquiring land with the support of a strong balance sheet. The Group progressed acquisitions of high quality sites in desirable locations such as Brackley, Windsor and Oxford to add to the land portfolio.

Following further monitoring of market conditions which had deteriorated, the Board decided that it would moderate the pace of growth across the Group. The Board agreed to incorporate the East Anglia division into the existing Eastern division but retain the Yorkshire division, with 300 to 350 units anticipated during 2026.

The Board monitors the external environment and the decisions that have been made, mean the Group is well-positioned to trade through changing market conditions.

Link to our stakeholders

Investors Customers Communities and environment

Brackley, Northamptonshire

Our stakeholders continued

Shareholder engagement

The Chief Executive and Group Finance Director engage proactively and constructively with shareholders throughout the year.

The Chairman and Senior Independent Director are available to shareholders to discuss governance and strategic matters. During the year the Chairman and Senior Independent Director consulted with the Group's major investors about governance matters.

Committee Chairs are available to engage with shareholders on significant matters related to their area of responsibility.

AGM

All Directors, including the Chairs of the Committees, attend the AGM and are available to answer shareholder questions. The Notice of AGM and related information are circulated to all shareholders at least 20 business days before the meeting.

The AGM enables the Directors to meet with individual shareholders.

Engagement with lenders

We meet with our lenders and keep them updated throughout the year about the financial and operational progress of the Group. During the year time was spent discussing sustainability and governance matters and providing details of the Group's results as well as market feedback.

Investor relations

The Head of Investor Relations is the principal contact for institutional shareholders, sell-side analysts and the financial media.

The Chief Executive, Group Finance Director and Head of Investor Relations manage and develop the Group's external relationships with shareholders.

They follow a comprehensive programme of investor meetings and calls, particularly following the release of full and half-year results and trading updates. There are formal events throughout the year, along with a regular series of one-to-one and group meetings.

Regular updates and feedback is provided to the Board.

Timetable

Event	Date
FY23 results announcement	23 January 2024
FY23 investor roadshow	23 to 29 January 2024
AGM	19 March 2024
HY24 results announcement	13 June 2024
HY24 investor roadshow	13 to 18 June 2024
FY24 year end	31 October 2024

The Group's Investor Relations programme

The Chief Executive or Group Finance Director attended 62 investor meetings, engaging with over half of current shareholders (by shareholding value).

Key themes discussed included the Group's strategy and the progress against its priorities, the housebuilding sector, capital allocation, dividend policy and other matters raised by individual parties.

Investor roadshows were organised in person or virtually, with investors primarily based in the UK.

The Group's investor website is kept up to date with analyst consensus forecasts and trading updates on the Group's strategy.

Employee engagement

Employee engagement is important for the Board to understand the views of employees and for the development of the Group's culture. By listening to employees' views, the Board can address any concerns.

Employee Voice

Our Employee Voice Forum is chaired by Louise Hardy and made up of volunteers from across the divisions.

Communication with employees is an important topic across all the Employee Voice Forums. Work has been undertaken to improve communications, including an employee newsletter, 'The Exchange'.

An internal communications manager has been recruited to develop and manage employee communication strategies at Group and divisional levels.

Once implemented, we expect these strategies to evolve as we continue our work to understand and develop our corporate culture.

"I met with the Employee Voice Forum six times during the year and have been pleased with how these forums have matured over the course of the last year since our initial meetings. The output from the meetings has been invaluable to the Board."

Louise Hardy
Non-Executive Director responsible for employee engagement

Affinity Groups

Our Affinity Groups were launched in 2022, to empower our people to raise concerns that impact them, so that we can make positive change for our people.

The Disability Affinity Group has developed its objectives and working principles, and made change to the way site plans are labelled.

Colleagues and customers with sight impairments, colour blindness and/or dyslexia can find identifying the correct site plan challenging, especially in busy environments.

By making a simple change to include symbols and icons as well as numbers and words as identifiers on-site plans, we aim to make life on-site more inclusive for our people.

"I was pleased to join the Disability Affinity Group as executive sponsor this year. The level of engagement and positivity from all the groups has been inspiring. The other ELT sponsors and I all look forward to working with the Affinity Groups moving forward."

Peter Truscott
Chief Executive

Board site visits

In September the Board and I visited our Ackender Hill development in Alton, Hampshire, a development of 290, two to five bedroom, houses with one-third of the development complete and the remainder still under construction.

Situated in the South division, we were introduced to the site and sales teams. The team talked to us about their overall performance. They explained the challenges and opportunities at the development we were visiting. We heard about the sales strategy for Ackender Hill, who our typical customers are and what they are looking for when searching for their new home.

We also had the pleasure of sharing lunch with the site team, listening to their experiences of working at Crest Nicholson and at Ackender Hill, before being taken on a walk round the development by the site manager.

"As part of our Board visits, I always look forward to talking with employees as we walk about site. Their openness and pride in their job is something I'm really proud of."

Iain Ferguson CBE
Chairman

Board activity

Meetings of the Board

The Board held six scheduled meetings during the year. Set out below are the topics that the Board received updates on and made decisions about.

In between scheduled meetings, the Board held monthly update calls, which enabled the Board to consider operational performance and external market developments.

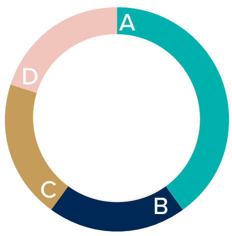
Time was also scheduled for the Non-Executive Directors to meet without the Executive Directors present.

Conflicts of interest

The Board has a policy to identify and manage Directors' conflicts or potential conflicts of interest, including those resulting from significant shareholdings, so that the influence of third parties does not compromise or override independent judgement.

Directors' interests were reviewed by the Board at each meeting. New conflicts arising between meetings are dealt with at the time between the Chairman and the Group Company Secretary. The Board confirmed that there are no appointments or interests held by the Directors that are current conflicts of interest, or that the Board considers will be conflicts in the future. Should conflicts of interest arise in future, measures will be put in place accordingly.

How time was spent



A	Strategy, operations and finance	40%
B	Governance and legal	20%
C	Leadership and people	20%
D	Internal control and risk management	20%

External appointments and overboarding

Careful consideration was given to each of the Non-Executive Directors' existing commitments and time required to fulfil their obligations to the Group including with respect to any changes to external appointments.

Iain Ferguson holds two Chair mandates in FTSE 250 listed entities (Crest Nicholson Holdings plc and Genus plc). He holds a further Chair mandate at an externally managed investment trust, Personal Assets Trust plc. Taking into account the externally managed nature of the trust and the corresponding reduction in time commitment required compared to FTSE 250 appointments, the Board is satisfied that the third appointment represents half the commitment of a FTSE 250 Chair appointment. The external appointments do not impede the Chairman's ability to allocate sufficient time to the Company to discharge his responsibilities. The Board remained satisfied that these appointments do not result in overboarding and do not count as conflicts of interest.

Board Strategy Day

Each year the Board dedicates a day to reflect on the Group's strategy. It considers the appropriateness of the current strategy and the operating and economic environment. Time is spent reviewing performance of the delivery of strategy and how the strategy is being received by investors.

This year's Strategy Day began with an overview of the macro-economic environment from the Group's real estate advisors, Savills plc. They provided external insight on the housing market as well as key trends and the outlook for the future. A further external speaker provided insight into investor sentiment for the sector.

The Board reflected upon the drivers impacting the planning environment and the challenges that the PSL team faces.

There was an update on regulatory changes including the Future Homes Standard and the NHQC.

The Board spent time considering the Group's customer experience and initiatives to improve this.

The external consultant appointed to undertake the workforce culture perception review presented alongside the Group HR Director on the output of their work. The Board discussed the next steps and agreed to consider a culture action plan to implement proposals from the review at its next meeting.

Strategy, operations and finance

Matters considered

- Continuously reviewed progress against the Group's strategy and considered the housing market and ongoing economic uncertainty
- Monitored trading performance throughout the year
- Reviewed SHE performance and initiatives to reduce slips, trips and falls
- Reviewed the Group's annual budget including current market consensus and build cost experience
- Considered the Group's financing arrangements, capital allocation and tax strategy
- Reflected on the land market and considered the Group's approach to land acquisition
- Reviewed the Group's customer experience performance
- Considered progress against the Group's sustainability targets.

Outcomes

- Approved the annual budget, business plan and KPIs
- Reviewed and approved the Group's FY22 and HY23 financial statements
- Approved the Group's FY22 Annual Report
- Approved a FY22 final dividend and HY23 interim dividend
- Approved the active approach to land purchase and growth to the land portfolio
- Approved the implementation of a customer experience plan.

Stakeholders considered

- Investors
- Our people
- Supply chain
- Customers
- Communities and environment
- Government and other bodies

Governance and legal

Matters considered

- Regular updates on significant legal matters relating to the Group
- Continual review of the Group's approach and remedial work in relation to building safety and combustible materials matters
- A legal and governance update including developments in corporate reporting
- Reviewed the anti-slavery and human trafficking statement for publication
- Received reports on engagement with investors and other stakeholders throughout the year
- Continued to focus on the composition, balance and effectiveness of the Board
- Considered Group succession planning
- Carried out an internally facilitated Board evaluation covering the Board's effectiveness, processes and ways of working and review of the Chairman's performance
- Received regular updates from the Chairs of the Audit and Risk Committee, Nomination Committee, Remuneration Committee, SHE Committee and Sustainability Committee
- Regular feedback from, and discussion with, the Non-Executive Director responsible for employee engagement.

Outcomes

- Considered the impact on stakeholders in the Board's decision making
- Reviewed compliance with the Code through robust decision making
- Approved and published the anti-slavery and human trafficking statement for FY23
- Progressed a range of agreed actions arising from the FY22 Board evaluation
- Concluded that the Board and its Committees continued to operate effectively during FY23 and set actions for FY24.

Stakeholders considered

- Investors
- Our people
- Supply chain
- Communities and environment

Leadership and people

Matters considered

- Received regular updates in relation to people, employee engagement and diversity and inclusion activities
- Regular feedback from Employee Voice meetings
- Regularly reviewed the Group's employee voluntary turnover rate and initiatives to reduce this
- Considered the Group's culture and how this is implemented across the workforce
- Affinity Group updates.

Outcomes

- Development of the Group's cultural framework
- Empowered the Affinity Groups.

Stakeholders considered

- Investors
- Our people

Internal control and risk management

Matters considered

- Debated the risk appetite and significant and emerging risks
- Reviewed the Group's risk management framework, principal risks and uncertainties
- Provided oversight to the Operating Framework Review.

Outcomes

- Considered and approved the Group's risk management framework
- Approved the principal and emerging risks
- Confirmed the Group's viability statement and going concern status.

Stakeholders considered

- Investors
- Our people
- Supply chain
- Customers

Attendance at scheduled Board meetings

Director	Board	Audit and Risk Committee	Nomination Committee	Remuneration Committee
Iain Ferguson	6/6	–	3/3	5/5
Peter Truscott	6/6	–	–	–
Duncan Cooper	6/6	–	–	–
Octavia Morley	6/6	4/4	3/3	5/5
David Arnold	6/6	4/4	3/3	5/5
Lucinda Bell	6/6	4/4	3/3	5/5
Louise Hardy	6/6	4/4	3/3	5/5

Board composition

There is a clear corporate governance framework to enable decision making at appropriate levels within the Group.

Iain Ferguson CBE
Chairman

Peter Truscott
Chief Executive

The Board

The Board sets the Group's strategy to promote the long-term sustainable success of the Group in line with the purpose, values and culture.

The Board provides leadership within a framework of strong governance, risk management and effective controls. It oversees the performance and progress of the Group against business plans, utilising KPIs to support it in its assessment.

The Board has a schedule of matters reserved for its own decision which includes setting profit expectations and dividend policy and approving major acquisitions, capital expenditure and financing.

Roles and responsibilities

Chairman

— Leads the Board, major shareholder and other stakeholder engagement
— Supports the Chief Executive's management of the business
— Applies independent and objective judgement
— Sets agendas that enable appropriate coverage of all areas material to the Board and which support effective and balanced decision making
— Ensures that the Board receives accurate and timely information to aid decision making
— Facilitates an environment for effective and constructive relationships between all Directors
— Drives a culture that supports constructive discussion, challenge, debate and decision making
— Contributes to the Board's succession planning, induction and composition deliberations while promoting equality, opportunity, diversity and inclusion
— Ensures the views of stakeholders are considered appropriately in Board discussions
— Responsible for the effectiveness of the Board and its governance
— Prioritises the development of the Group's strategy.

Chief Executive

— Responsible for the leadership of the Group and implementing the Group's strategy
— Maintains communication with the Chairman in relation to strategic considerations
— Manages the overall performance of the business and provides effective leadership to members of the ELT
— Proposes and leads the delivery of strategy as agreed by the Board
— Leads the Executive Committee which oversees operational and financial performance
— Communicates and provides feedback about the implementation of Group policies and their impact on behaviours and culture
— Leads and supports the Group's divisions and its support functions
— Engages with institutional shareholders and key stakeholder groups including the Government
— Responsible to the Board for sustainability policies and practices of the Group.

Board Committees

Audit and Risk Committee

Oversees external financial reporting and disclosures, and monitors internal controls and risk management. The Audit and Risk Committee reviews the effectiveness and independence of the external and internal auditors.

Executive Committee

Provides executive leadership to deliver the Group's strategy and manages the operations of the Group on a day-to-day basis.

— Monitors SHE compliance and responses to incidents and near misses
— Continually focuses on customer service and quality performance
— Leads operational and financial matters
— Develops and monitors the Group's sustainability strategy
— Considers legal matters, business ethics and culture and how this operates within the Group
— Oversees the People strategy including, talent management, diversity and inclusion initiatives and employee engagement.

Management committees

Divisional boards

Each division is run by a divisional board comprising directors responsible for specific disciplines.

They consider the operational matters and key risks of the division, monitor and control costs at a divisional level and ensures high levels of customer service and SHE performance.

Further detail on our divisions can be found on page 3.

Bill Floydd
Group Finance Director

- Provides leadership, direction and management of Group Finance and oversees divisional financial control functions
- Responsible for the Group’s financial statements, financial control mechanisms and tax strategy
- Delivers investor relations communications to capital markets
- Manages the Group’s risk profile and establishes effective internal controls
- Oversees the implementation of the Group’s risk management actions
- Manages the Group’s relationship with the external auditor.

Octavia Morley
Senior Independent Director

- Acts as a sounding board for the Chairman and a trusted intermediary for other Directors
- Available to discuss concerns with stakeholders that cannot be resolved through the normal channels of the Chairman or the Executive Directors
- Responsible for leading the Chairman’s performance evaluation.

David Arnold, Louise Hardy and Maggie Semple OBE
Independent Non-Executive Directors

- Bring an external perspective, sound judgement and objectivity to the Board’s deliberations and decision making
- Scrutinise, measure and review the performance of the Executive Directors
- Constructively challenge and assist in the development of Group strategy
- Provide independent insight, support and any specialist advice
- Monitor the implementation of the Group’s strategy within its risk and control framework and consider the integrity of financial reporting.

Penny Thomas
Group Company Secretary

- Provides advice and assistance to the Chairman and other Directors
- Supports the Chairman on shareholder governance and engagement matters
- Develops agendas for Board meetings
- Oversees processes for providing information to the Board
- Advises the Board on all corporate governance matters
- Considers Board effectiveness and Directors’ training needs in conjunction with the Chairman
- Ensures compliance with relevant statutory and regulatory requirements.

Nomination Committee

Reviews the balance, diversity, independence and effectiveness of the Board. The Nomination Committee oversees the selection and appointment of new Directors to the Board and monitors succession planning for the Board and the ELT, alongside talent management.

Remuneration Committee

Sets the remuneration policy for the Board and ELT, with focus on aligning remuneration with the enhancement of shareholder value and delivery of the Group’s strategy.

The Remuneration Committee considers employee pay, when setting remuneration for the Executive Directors.

Further detail on the work of the **Audit and Risk Committee** can be found on pages 74 to 80

Further detail on the work of the **Nomination Committee** can be found on pages 70 to 73

Further detail on the work of the **Remuneration Committee** can be found on pages 81 to 98

Safety, Health & Environment Committee

The SHE Committee oversees the management of the Group’s SHE risks. It monitors performance against the Group’s SHE strategy and sets associated policies, procedures and initiatives.

Sustainability Committee

The Sustainability Committee oversees the management of the Group’s sustainability risks. It monitors performance against the Group’s sustainability strategy and recommends associated targets, policies and initiatives to the Board.

Land acquisition process

There is a clear dedicated approval process for acquiring land.

There are three key stages:

- Assessment and feasibility stage
- Bid stage
- Contract stage.

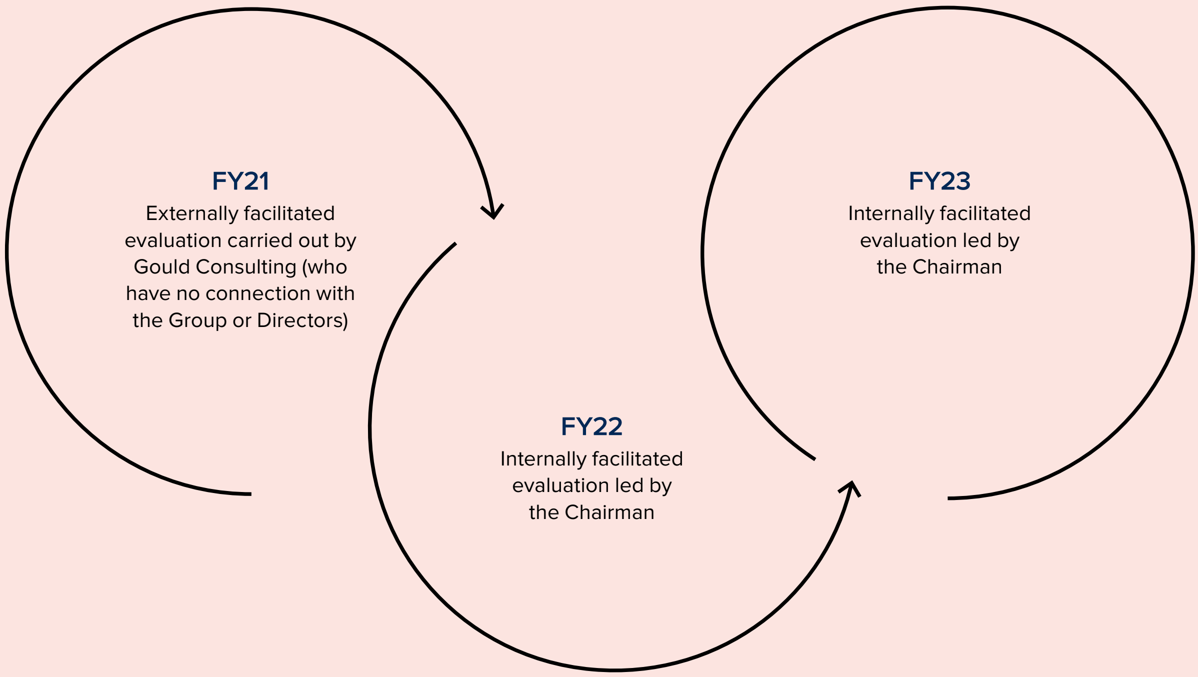
The Investment Committee provides the relevant authority to acquire land.

The process enables the Group to act quickly while ensuring an appropriate level of diligence is applied to significant capital allocation decisions.

Board evaluation

In accordance with the Code, the Board undertakes a formal and rigorous evaluation annually to assess the effectiveness of its Directors, its Committees and the Board as a whole. The evaluation process is externally facilitated every three years. This year's evaluation process was conducted internally led by the Chairman and facilitated by Gould Consulting.

Board evaluation cycle



FY23 activity in response to the FY22 Board evaluation

Culture and values

— Initiated a culture perception study
— Provided opportunities for the Non-Executive Directors to meet with members of the ELT outside of formal meetings
— Enhanced feedback and regular reporting of employee engagement activities.

Board meetings

— The Board continued the use of update calls between Board meetings
— Spent further time on 'horizon scanning' emerging risks facing the Group.

Succession planning

— Board and ELT succession planning continued to be a key priority
— Investment in the Crest Academy at both entry-level and senior management.

Board evaluation process

Stage 1 – July 2023

1

Nomination Committee and Board discussion

The Board agreed this year's process would again be an internal evaluation led by the Chairman.

Following good engagement with Gould Consulting with the external evaluation in FY21 and their support to the Chairman during the FY22 evaluation, the Nomination Committee proposed that their services be used for the internal evaluation this year. There was a tailored questionnaire in a similar form to last year which enabled year-on-year comparison to standard questions together with additional questions to address current topics of interest to the Board. The Chairman agreed the form of questions.

It was agreed that review of the Chairman's performance would be led by Octavia Morley in her capacity as Senior Independent Director.

Stage 2 – September 2023

2

Focused questionnaire and meetings

The evaluation was conducted as follows:

— All Directors completed the questionnaire online. Questions covered key Board matters with questions also covering each of the Board Committees
— A shorter survey was completed by the ELT
— The results were analysed, summarising the comments and identifying key themes, which were shared at a meeting with the Chairman
— One-to-one meetings were held by the Chairman with each of the Directors
— A Non-Executive Director meeting was led by the Senior Independent Director to consider the Chairman's performance, with the Chairman not present.

Stage 3 – November 2023

3

Meeting with the Nomination Committee and Board

The Chairman presented the output from the evaluation at the following Nomination Committee and Board meetings.

The Senior Independent Director presented the output of the Chairman's performance from the meeting with the Non-Executive Directors.

The Board considered the key findings and agreed an action plan.

Stage 4 – FY24

4

Output

The evaluation process concluded that the Board and its Committees operated effectively and had made good progress with its actions in the prior year. The Board agreed to focus on the following matters during FY24.

Culture and values

— The Group will continue to build on the work undertaken on culture during FY23. A culture action plan will be developed. See page 60
— The Board will continue to prioritise opportunities for Non-Executive Directors to meet with members of the ELT outside of formal meetings.

Succession planning

— The Board, ELT and divisional boards' succession plans will continue to be a key priority in FY24
— The Chairman to oversee the onboarding for new members of the Board including the Group Finance Director and Non-Executive Director. The induction programme for Bill Floydd and Maggie Semple is set out on page 73.

Strategic Priorities

— The Board will strengthen its focus on customers and quality to deliver five-star customer experience.

Committee evaluations

— Each Board Committee continues to operate effectively and all recommendations are covered in the Board action plan.

Nomination Committee Report

An appropriately balanced Board and Executive Leadership Team with the right skills experience and diversity, is essential for our performance both now and in the future.

Committee overview

Committee members

Iain Ferguson CBE
Nomination Committee Chair

Octavia Morley
Senior Independent Director

David Arnold
Non-Executive Director

Louise Hardy
Non-Executive Director

Maggie Semple OBE
Non-Executive Director

Membership

The Committee has been chaired by Iain Ferguson, the Chairman of the Company, since 2019. All other members of the Committee are Non-Executive Directors.

Lucinda Bell was a member of the Committee until 31 December 2023. Maggie Semple joined the Committee on 1 January 2024.

Individual meeting attendance is set out on page 65.

Attendees

The Chief Executive, Group HR Director and Group Company Secretary are invited to attend scheduled Committee meetings.

I am pleased to present this year's Nomination Committee Report. The report sets out how the Committee discharged its responsibilities during the year, which includes ensuring the Group has effective leadership, with the right balance of skills, experience, diversity, independence and knowledge at the Board and Executive Leadership Team levels.

Board changes

In July 2023 we announced that Duncan Cooper, our Group Finance Director would be resigning from the Group. Duncan left Crest Nicholson in December 2023. During his tenure he played a vital role in the strategic and operational turnaround of the business. The Committee are grateful for Duncan's significant contribution to the Group and we wish him all the best for the future. The Committee undertook a search process for a new Group Finance Director. Bill Floydd was appointed on 13 November 2023 and brings significant chief financial officer experience from the listed companies environment.

In November 2023 Lucinda Bell advised the Board it was her intention to step down as Non-Executive Director having completed six years with the Company. The Committee thanks Lucinda for her time and commitment to the Board during her tenure. The Committee commenced a search process for a Non-Executive Director and was pleased to welcome Maggie Semple to the Board on 1 January 2024.

For further information on the search and selection processes for both the Group Finance Director and Non-Executive Director see page 73.

Diversity and inclusion

We continue to recognise and embrace the benefits of having a diverse Board and senior management team. The different perspectives, backgrounds and experiences enhance Board discussions and bring tangible value to the long-term future of Crest Nicholson. While appointments are made on merit, we consider background, experience, age, ethnicity and gender in our reviews of the composition of the Board and the Executive Committee.

Iain Ferguson CBE
Nomination Committee Chair

Key responsibilities and activities of the Committee

The Committee is responsible for reviewing the structure, size and composition of the Board to ensure that it remains effective, balanced and qualified to deliver the Group's strategy. To achieve this, the Committee is responsible for the nomination, induction and evaluation of Directors.

The Committee is also responsible for succession planning for the Executive Directors, ELT and senior management. The Committee leads the Board's approach to diversity and inclusion and identifies and oversees its initiatives in this area.

Highlights and key decisions made during the year

- The Committee led the selection and recruitment process for the appointment of a new Group Finance Director, considering carefully the Group's priorities for the medium to long term
- Concluded the search for a Non-Executive Director
- Considered Executive Committee composition, including the changes to its membership during the year
- Supported and endorsed the Group's diversity and inclusion initiatives, which included the development of the Affinity Groups, that were launched during FY22
- Reviewed and approved the Board and Leadership Diversity Policy, and the approach to meeting its targets
- Agreed and made recommendations to strengthen succession plans, including specific development and coaching needs for key talent
- Reflective of the current market challenges, reviewed the talent management programmes, balancing financial constraints with the need to develop and support the Group's key talent
- Oversaw the Board and Committee internal evaluation process and reviewed the results
- Reviewed the Committees' composition, and agreed that they remain appropriate
- Reviewed the Committee's terms of reference.

Developing talent

The Committee remains committed to investment in the Crest Academy, which was launched in 2021 to support and develop employees. While the external environment remains challenging, the Committee needs to ensure that when the market recovers the Group can respond to market need effectively and that the Group has committed, capable employees who have the capacity to deliver results. Further detail on developing our people can be found on pages 28 to 29.

Succession planning

The Committee plays a vital role in the effectiveness of the Board and its ability to deliver the long-term success of the Group. This includes continually reviewing the balance of skills, experience, independence and knowledge to ensure the right individuals are in place to support the effective planning and implementation of the Group's strategy. Along with considering Board succession, the Committee also reviews the capability of the ELT and senior management roles, so that there is a talented and diverse pipeline of future leaders.

The Committee considers succession plans for ELT members and divisional board members. These succession plans are complemented by a performance and development review process. The Group partners with a specialist external advisor, to provide training and coaching programmes for the Group's nominated talent. Through a structured approach to development opportunities, the Group is committed to focusing on retaining and developing its high-potential individuals and emerging talent.

Emergency succession planning

The Committee considered the Emergency Succession Plan for the ELT. This is a high-level contingency plan to respond to an immediate and unexpected lack of availability of the Chief Executive, another member of the ELT, or a divisional Managing Director, where such absence would be reasonably expected to be more than two weeks.

Board and Leadership Diversity Policy

The Group has a Board and Leadership Diversity Policy which is reviewed annually by the Committee and applied in a similar way to senior management. The Policy reflects a recognition that a diverse Board, Board Committees and leadership improves operational performance. The Policy has targets for at least:

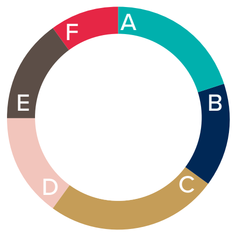
- 40% of the Board to be female
- At least one of the Senior Board positions (comprised of either Chairman, Chief Executive, Senior Independent Director or Group Finance Director) to be female
- One Director to be appointed to the Board from an ethnic minority background by end of 2024 (in line with the Parker Review)
- 40% female representation across senior management by end of 2025
- 13% ethnic minority background representation across senior management by end of 2027.

The Board meets the requirements of the Board and Leadership Diversity Policy and is working towards meeting its senior management targets.

The policy also outlines the Group's recruitment approach that aims to attract and encourage candidates from diverse backgrounds. It has a requirement that all search firms used for Board recruitment are members of the Voluntary Code of Conduct for Executive Search Firms and commit to broadening their search and ensuring that short lists reflect a clear range of ethnicity, gender and social characteristics.

The Committee is updated at each of its meetings on actions being undertaken by the Group to develop female talent and talent from other under-represented groups. In recognition of the barriers women face when rising to senior management, the Group has launched a talent programme specifically designed for females. Further detail is available on page 28. There are also Affinity Groups that report into a Diversity and Inclusion Forum, to raise awareness, develop ideas and feedback concerns related to their area of focus. Further details of these initiatives can be found on pages 28 to 29.

How time was spent



A	Succession planning	20%
B	Diversity and inclusion	15%
C	Directors' appointments	25%
D	Shareholder engagement	15%
E	Governance matters	15%
F	Board evaluation	10%

The full terms of reference for the Committee can be found at **www.crestnicholson.com/investors/corporate-governance**

Nomination Committee Report continued

Diversity within the Group

Gender identity reporting[1]

	Number of Board members	Percentage of the Board	Number of senior positions on the Board[2]	Number in executive management[3]	Percentage of executive management[3]	Number of employees[4]	Percentage of employees[4]
Men	4	57%	3	31	62%	451	62%
Women	3	43%	1	19	38%	272	38%
Not specified/prefer not to say	–	–	–	–	–	–	–

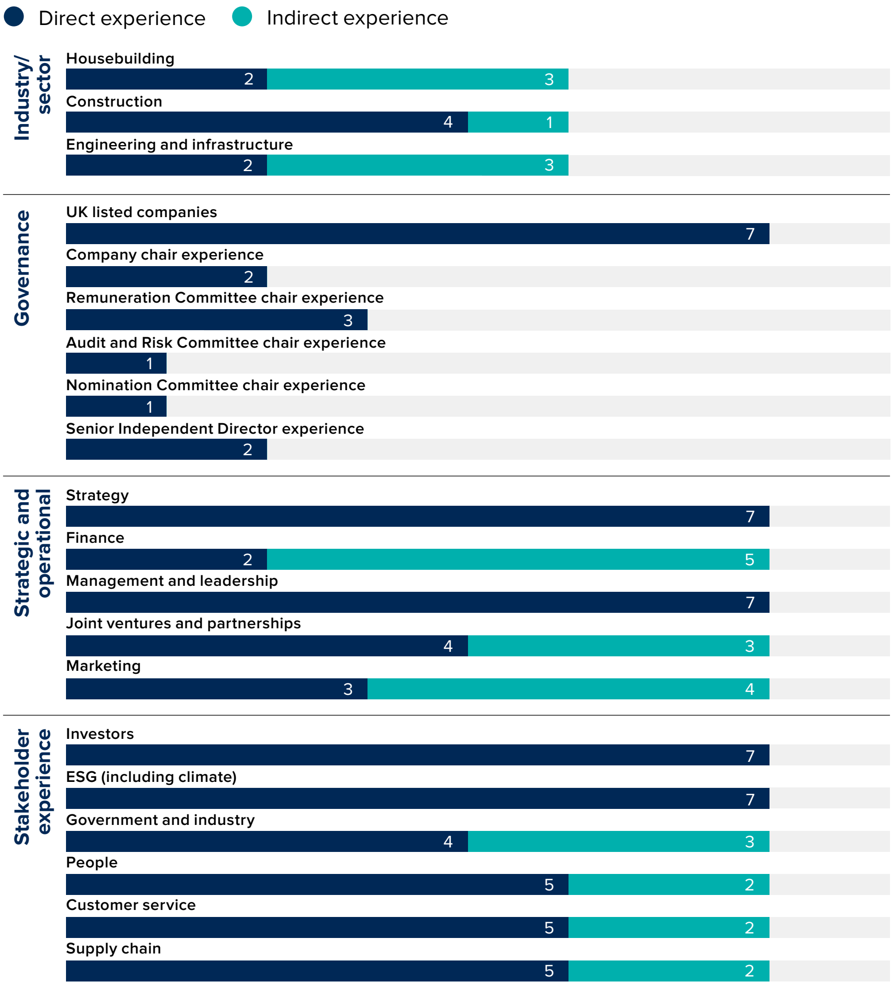
Ethnic background reporting[1]

	Number of Board members	Percentage of the Board	Number of senior positions on the Board[2]	Number in executive management[3]	Percentage of executive management[3]	Number of employees[4]	Percentage of employees[4]
White British or other White (including minority groups)	7	100%	4	44	88%	600	86%
Mixed/Multiple ethnic groups	–	–	–	1	2%	14	2%
Asian/Asian British	–	–	–	2	4%	26	4%
Black/African/Caribbean/Black British	–	–	–	3	6%	30	4%
Other ethnic group, including Arab	–	–	–	–	–	4	1%
Not specified/prefer not to say	–	–	–	–	–	25	3%

1 The numerical data detailing gender identity and ethnic background is as disclosed by the relevant individuals. The chosen reference date for the purposes of LR9.8R(9)(a), is 31 October for gender background reporting and 31 December for ethnic background reporting.
2 Chief Executive, Group Finance Director, Chairman and Senior Independent Director.
3 Comprises all members of the Executive Committee as shown on page 58, as well as their direct reports.
4 Comprises all employees of the Group including senior management.

The Board's skills and experience

The Committee recognises the importance of diversity within the Board, ELT and senior management teams. Each Director's skills and experience bring different insights and contributions to the Board and are set out below:



Independence, election and re-election to the Board

The Committee reviews the effectiveness and commitment of all Directors before recommending their election or re-election to shareholders at the AGM.

The Committee considers the independence of the Non-Executive Directors.
The Committee discusses the additional commitments of all Directors (including the Chairman) before recommending their approval to the Board. It also considers potential conflict issues as part of that assessment.

The Committee has undertaken a review and is satisfied with the contributions and time commitment of all the Directors during the year.

The Board is considered independent.
Bill Floydd and Maggie Semple are standing for election by shareholders at the AGM, with all other Directors standing for re-election at the AGM in March 2024 with the support of the Board.

Board appointment process

The Committee was responsible for the oversight of the selection process for a new Group Finance Director and Non-Executive Director. The Committee reviewed and approved detailed descriptions for both roles having considered the particular skills, experience and background required, mindful of both operational needs and compliance with the Code. The Committee prioritised the Board and Leadership Diversity Policy and the Parker Review recommendations during both processes.

Bill Floydd
Group Finance Director

The search commenced in July 2023 in conjunction with Russell Reynolds. Russell Reynolds have no connection with the Company.

A shortlist of candidates was interviewed by the Chairman and Chief Executive. Bill Floydd was selected to be taken forward to the final stage of the process. This included meeting with the Senior Independent Director and Chair of the Audit and Risk Committee.

Following consideration of the feedback, the Committee went on to recommend the appointment of Bill Floydd as Group Finance Director due to his:

— Broad plc experience
— Strong financial leadership
— Proven commercial expertise.

Dr Maggie Semple, OBE
Non-Executive Director

The search commenced in May 2023 in conjunction with Korn Ferry. A separate division of Korn Ferry acts as independent advisor to the Remuneration Committee. The Committee, Board and Remuneration Committee are satisfied that the advice they receive from Korn Ferry is independent and objective at all times.

After interviewing a range of strong and diverse candidates, Maggie Semple was selected to be taken forward to the final stage of the process.

Following consideration of the feedback, the Committee recommended the appointment of Maggie Semple as Non-Executive Director due to her:

— Non-Executive Director experience
— Wide-ranging sector expertise
— Extensive interest on customer experience, people and culture.

Induction plans

Tailored induction plans are developed for Directors. All newly appointed Directors received information on the following:

We are Crest Nicholson

— Welcome meeting from the Chief Executive on the Group's strategy and operational challenges
— Site visits with the ELT and divisional boards
— Specific focused sessions for each Director on their role within the Group.

Governance and culture

— Welcome meeting from the Chairman on Board operations and current areas of focus
— Welcome meeting with the Non-Executive Directors
— Meeting with the Group HR Director on People matters
— Briefing from the Group Company Secretary on Board governance.

There are regular touchpoints with the Chairman and Group Company Secretary to monitor progress and ensure that Directors receive all the information required to fulfil their roles.

Bill Floydd's induction programme

Bill's induction specifically related to the Group financial controls, risk management, capital markets and cyber security, and included the following elements:

— One-to-one meetings with members of the ELT covering strategy, operational and financial matters, people and culture and values
— Welcome meeting with the Group and divisional Finance teams providing an overview of roles and responsibilities
— Meeting with the Head of Internal Audit with respect to the FY24 Internal Audit Plan
— Meeting with the external auditor, PwC, to receive an update on the FY23 audit
— Met the divisional boards and attended divisional meetings
— Visited a wide range of sites across the Group's divisions
— Introductory meetings with the Group's corporate advisors and brokers.

Maggie Semple's induction programme

Maggie's induction is focusing on Board and Committee areas and further detail on Maggie's induction will be outlined in the FY24 Annual Report.

> Since joining the Board I have received a comprehensive induction, visited several of our sites and met a number of colleagues which has given me a detailed insight into the business as I started my role."

Bill Floydd
Group Finance Director

Audit and Risk Committee Report

The Committee supports the interests of shareholders and stakeholders by providing independent challenge and oversight to financial reporting, risk management and internal control processes.

Committee overview

Committee members

David Arnold
Audit and Risk Committee Chair

Octavia Morley
Senior Independent Director

Louise Hardy
Non-Executive Director

Maggie Semple OBE
Non-Executive Director

Membership

The Committee has been chaired by David Arnold, since September 2021. All the members are independent Non-Executive Directors.

David Arnold is the Director with recent and relevant financial experience. The Board is satisfied that the Committee as a whole has competence relevant to the sector.

Lucinda Bell was a member of the Committee until 31 December 2023. Maggie Semple joined the Committee on 1 January 2024.

Individual meeting attendance is set out on page 65.

Attendees

The Chairman, Chief Executive, Group Finance Director, Group HR Director, Group Company Secretary, Group Financial Controller, the Head of Internal Audit, Group Tax Director and representatives from our external auditor, PwC, are invited to attend scheduled Committee meetings as required.

As Chair of the Committee, I am pleased to present this year's Audit and Risk Committee Report. I will outline how the Committee discharged its responsibilities, predominantly monitoring the integrity of financial reporting, the effectiveness of risk management and internal control processes and governance and compliance matters.

This financial year has been characterised by a challenging external trading environment requiring commercial discipline and proactive management. The Committee oversees the Group's risk management processes and internal controls so that the Group is well-placed to deliver ongoing value creation for shareholders and capitalise on future growth opportunities as they arise.

The Internal Audit function continued to perform well, and the Committee is pleased with the support it receives, benefiting from their insight and challenge.

Following the appointment last year of an Operational Framework Director, progress has been made to ensure our Group operating policies and internal controls are further developed and appropriate for the organisation.

PricewaterhouseCoopers LLP (PwC) remain our external auditor. I was in regular contact with Darryl Phillips, the audit partner, to discuss the audit process and findings. We are making arrangements to tender the external auditor contract during the course of FY24.

As part of our ongoing commitments, under the Government's Building Safety Pledge, time was spent by the Committee on assessing the appropriateness and composition of the provision in respect to combustible materials. More detail is available on page 76.

The Committee were disappointed that control shortcomings were identified in two divisions specifically around costs and margin forecasting. These matters came to light towards the end of the financial year and the ELT continue to take steps to remedy these deficiencies, which the Committee will monitor over the course of the coming year.

The Group's Annual Report and financial statements for FY22 were reviewed by the Financial Reporting Council (FRC) in accordance with Part 2 of the FRC Corporate Reporting Review Operational Review Operating Procedures. I am pleased to report that following their review we have considered their recommendations and reflected where appropriate.

I am pleased to confirm the Committee continues to meet the FRC Guidance on Audit Committees and the FRC Minimum Standard for Audit Committees. We remain committed to ensuring that the accountability principles set out within the Code are applied and that the interests of shareholders and other stakeholders are properly protected in these areas.

Finally, my fellow Committee members and I would like to extend our thanks to Duncan Cooper, Group Finance Director, who left the Group on 13 December 2023 and wish him well for the future. The Committee and I look forward to working with Bill Floydd during the coming year.

David Arnold
Audit and Risk Committee Chair

Key responsibilities and activities of the Committee

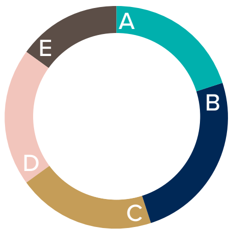
The Audit and Risk Committee is responsible for reviewing the effectiveness of the Group's internal controls and risk management. This includes the Group's procedures for detecting fraud, its processes and controls for the prevention of bribery and the effectiveness of the Group's anti-money laundering systems.

The Committee monitors and reviews the independence, objectivity and effectiveness of Internal Audit. It evaluates and agrees the Group's Internal Audit plans and receives regular update reports on Internal Audit's findings.

The Committee monitors the integrity of the Group's financial statements and any significant announcements relating to its financial performance. This includes assessing significant financial reporting judgements contained within the financial statements and announcements.

The Committee is responsible for monitoring and reviewing the effectiveness of the external auditor. The Committee advises on matters related to the external auditor including their appointment and re-appointment, their fees, and reviewing and monitoring their independence and objectivity which includes the extent of any non-audit services provided.

How time was spent



A	Financial reporting	20%
B	External audit	25%
C	Risk management and internal control environment	20%
D	Internal Audit	20%
E	Governance matters	15%

Activity during the year

Financial reporting

Reviewed reports from the Group Finance team, management's significant accounting judgements and the policies applied, recommendations were made to the Board to approve the FY22 and HY23 results, associated announcement and the FY22 Annual Report.

Reviewed the basis of preparation of the FY22 financial statements as a going concern as set out in the accounting policies and recommended that the Board support the going concern statement.

Considered the long-term viability statement in the FY22 Annual Report, with focus on the judgements, estimates and testing, with a recommendation to the Board to support the long-term viability statement.

Recommendation made to the Board that the FY22 Annual Report was a fair, balanced and understandable assessment of the Group's position and prospects.

External audit

Assessed the effectiveness of the FY22 external audit and concluded that the audit was effective and agreed that PwC should be proposed for reappointment as the external auditor at the 2023 AGM.

Considered and approved PwC's Group audit plan for the FY23 financial results and the recommended Audit Quality Indicators.

Received PwC's findings from the FY22 external audit and the HY23 interim review.

Recommendation made to the Board to approve the letter of representation to PwC in respect to the FY22 and HY23 results.

Approved the services and fees for non-audit related services provided by PwC for the FY23 financial year. The Committee agreed that the policy for the provision of non-audit services by the external auditor remained appropriate.

Negotiated and agreed the statutory audit fee for the FY23 financial year.

Considered and approved the approach for an external audit tender.

Risk management and internal control environment

Reviewed the effectiveness of the risk management activities and the Group's internal controls.

Considered the principal and emerging risks together with their associated mitigating actions. Recommended to the Board the risks to be included in the FY22 and HY23 financial results.

Reviewed progress by management on the Operating Framework Review.

Internal Audit

Reviewed and approved the Group's Internal Audit Charter.

Agreed that the Internal Audit plan for FY24 and proposed audits were relevant and appropriate in the light of the Group's principal and emerging risks.

Considered Internal Audit reports, findings and agreed actions.

Reviewed the scope, quality and effectiveness of Internal Audit. Concluded that the Internal Audit function has provided independent and objective assurance over the internal controls based on the Internal Audit Plan.

Governance matters

Terms of reference for the Committee were considered and it was agreed they remained in line with best practice and complied with the Code.

Monitored compliance in respect to data privacy, anti-money laundering, bribery and corruption, whistleblowing reports and investigations and other compliance matters.

The full terms of reference for the Committee can be found at **www.crestnicholson.com/investors/corporate-governance**

FRC Review

The Group's Annual Report and financial statements for FY22 were reviewed by the Financial Reporting Council (FRC) in accordance with Part 2 of the FRC Corporate Reporting Review Operational Review Operating Procedures.

The FRC noted certain matters where it believes users of the Annual Report would benefit from improvements in existing disclosures. The Committee has reviewed these matters and has ensured that they have been addressed through amendments to the current year disclosures, where relevant and appropriate. The FRC's letter only considered compliance with reporting requirements and does not verify the accounts nor provide any assurance that the Annual Report and financial statements are correct in all material respects and accepts no liability for reliance on their review by the Group or any third party, including but not limited to shareholders.

Audit and Risk Committee Report continued

Key financial and internal control matters

During FY23 the Committee considered the following key financial and internal control matters in relation to the Group's financial statements and disclosures with input from management and the external auditor.

Key financial and internal control matters	How the Committee has addressed these matters
Valuation of inventory	Inventory is the most significant balance on the consolidated statement of financial position and is held at the lower of cost and net realisable value (NRV). A forecast is maintained for the NRV of each development and this contains several key assumptions. Due to the influence of external factors and the cyclical nature of the housing market, there is a risk that the calculation of the developments' NRV may be subject to estimation error, leading to inventory being held at an incorrect value when an impairment charge to reduce its value would be appropriate. Management regularly review the selling prices and build costs of all the Group's housing stock, including the impact on future forecasts for developments not yet under construction, considering latest market valuations. Where forecasts determine that a site may no longer generate a margin, any impairment is recognised in the consolidated income statement. During FY23 £13.4m of impairment has been charged, mainly relating to the legacy Farnham development already held at zero margin, and, £5.8m of impairment has been used in the year on housing units sold, resulting in a net movement in the NRV provision of £7.6m in the year. The Committee understands the controls in place concerning NRV, including the minimum hurdle rates management require before projects are approved and how management monitors NRV on an ongoing basis. Where impairment has been recognised during FY23, the Committee challenged management to ensure that appropriate assumptions were in place, in particular around expected levels of sales prices and build costs. The Committee was satisfied that the inventory carrying value, and associated impairment, was appropriate.
Margin forecasting and inventory	The Group's margin recognition framework is based on the margin forecast for each phase of development. These margins, which drive the recognition of costs as revenue is taken, reflect estimated selling prices and costs for each development. This methodology then guides the allocation of total forecast costs, matching both land and build costs of a development, to each component of revenue. There is a risk that the margin forecast for the site and the margin subsequently recognised on revenue is not appropriate and reflective of the actual final profit that will be recognised on a development. Sales prices and build costs are inherently uncertain as they are influenced by changes in external market factors, such as the availability and affordability of mortgages, changes in customer demand due to market uncertainty and availability of labour and materials. The Committee continues to review management's internal control processes, the main areas of estimation and challenges management. The Committee reviewed management's assessment of controls in two divisions which were not effective during the year, and understood the additional work performed by management to gain comfort over build cost position.
Combustible materials provision	The Group has recognised a net exceptional combustibles materials related charge of £5.3m in the year, in addition to that recognised in prior years. The year end provision balance is £144.8m. The charges relate to forecast costs associated with remedial works to be performed on legacy buildings with potential fire safety issues due to combustible materials and where the Group has a legal or constructive obligation to remediate. The combustible materials provision has increased by £4.0m in the year. This increase reflects forecast changes in build costs and the imputed interest on the provision balance, net of amounts spent in the year. As a consequence of signing the Developer Remediation Contract on 13 March 2023, the Group has entered into contractual commitments with the UK Government to identify and remediate those buildings it has developed with possible life-critical fire safety defects going back 30 years to 1992. The Directors have used Building Safety Fund (BSF) cost information, other external information and internal assessments as a basis for the estimated remedial costs, as well as considering the impacts of build cost inflation. These estimates are inherently uncertain due to the highly complex and bespoke nature of the buildings, actual costs differing to the amounts notified by the BSF costed projects, and that fire safety assessments in progress may require different levels of remediation and associated costs than those currently estimated. This is a highly complex area with judgements in respect of the extent of those properties within the scope of the Group's combustible materials guidance and the provision could be extended as the interpretation of Government guidance continues to evolve or due to cost estimation changes. By contrast, the Group expects to recover some costs from architects and subcontractors involved in the construction of these schemes but does not recognise these benefits until they are received. The Committee reviewed and challenged the appropriateness, quantum, adequacy and completeness of the provision taking into account Government guidance in this area, experience gained since 2019 and potential exposure over the population of legacy developments. The Committee agreed that there was no certainty over the potential quantum of the contingent liability associated with sites not yet identified or provided for. The Committee was satisfied that the provision and related disclosures are appropriate. Due to the size and nature of the individual items within the charge, the Committee has agreed with management's opinion to continue to treat the combustible materials charge, and associated recoveries, as an exceptional item.

Viability and going concern

The Committee reviewed management's consideration in relation to the prospects of the Group. It satisfied itself that the going concern basis of preparation continues to be appropriate and made recommendations to the Board in this regard. The Company's viability statement can be found on page 52.

Further information on the Group's going concern assessment can be found in note 1 to the consolidated financial statements.

Fair, balanced and understandable

At the request of the Board, the Committee has considered whether the FY23 Annual Report and financial statements is fair, balanced and understandable and whether the information provided is necessary for stakeholders to assess the Group's strategy performance and business model.

The FY23 Annual Report and financial statements is focused on the Group's key strategic messages and it is important that an assessment is undertaken to ensure these messages are fairly summarised and provide an accurate description of performance.

The fair, balanced and understandable process was led by the Group Finance Director, supported by members of Group Finance, Company Secretariat, Investor Relations, Sustainability, HR and Marketing functions. This group was responsible for regularly reviewing the process and ensuring balanced reporting with appropriate links between key messages and sections of the Annual Report and financial statements. A recommendation was made from this group to the Committee confirming that they considered the Annual Report and financial statements to be fair, balanced and understandable.

The Committee received a full draft of the Annual Report and financial statements and provided feedback on it. The draft feedback was incorporated into the report prior to final Board approval.

In particular, the Committee considered:

Fair	Balanced	Understandable
Provided a comprehensive review of the Group's activities and its strategy which was communicated clearly and was consistent throughout.	Provided a balanced view with emphasis on both the key positive and negative points.	Provided a clear and structured framework for the Annual Report with key messages appropriately outlined throughout.
Described current operational performance, including market trends surrounding customer service levels, market uncertainty, mortgage availability and affordability and build inflation. The principal risks faced by the Group and the actions taken to mitigate this were considered and explained.	Clearly outlined the key accounting judgements and estimates in the Committee's report, consistent with those outlined in the financial statements, and how these reflected the external auditor's key audit matters.	Clearly and concisely presented the information, alongside the Group's key performance indicators which are considered most relevant to the Group's stakeholders.
Highlighted key messages in the narrative report that were aligned with the financial results.	Reflected appropriate events over the year and acknowledged the material issues faced by the Group.	Provided clear linkages and signposting throughout the report.

Following review, the Committee is satisfied that, taken as a whole, the Annual Report and financial statements is fair, balanced and understandable.

External audit

External auditor

PwC was appointed as external auditor for the year ended 31 October 2015 following a tender process in 2014. Darryl Phillips, the Group's lead audit partner, is in the fourth year of his tenure in FY23. The Group is currently undertaking a tender exercise in accordance with the EU Audit Regulation and Directive (as it forms part of UK law), and subject to suitably qualified tender participants, expects the tender to be complete by the end of FY24.

The Group complies with the requirements of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 with respect to both the approach to the tender of the external audit and the provision of non-audit services.

The external audit process

The Committee, on behalf of the Board, is responsible for the relationship with the external auditor. PwC presented the strategy and scope of the FY23 audit alongside proposed Audit Quality Indicators (AQIs).

AQIs are designed to assess the quality of the audit and have been developed by PwC alongside management.

AQIs assist the Committee in measuring both management's and PwC's performance.

Committee meetings allow time for the Committee and the external auditor to meet without management being present. PwC also meet with the Group Finance Director and the Group Finance team at regular intervals during the annual audit process.

External auditor effectiveness

An annual review of external audit effectiveness is undertaken at the conclusion of the year end audit. The review includes assessing the audit process and the audit firm. Feedback on the FY22 audit was received from Committee members, Chief Executive, Group Finance Director and from Group and divisional representatives. The Committee Chair also requested PwC review and comment on the Group's internal process.

The review concluded that the audit process and the audit team continue to perform well. Their key strengths included a good quality audit plan, with good communication and with the Committee being kept informed throughout the process. It was agreed that going forward the planning process for the divisional audits would be more clearly communicated to the divisions.

Independence and non-audit services

The Committee keeps the independence of the external auditor under regular review. It considers PwC's independence at least once a year, receiving reports from PwC on its internal quality controls and independence. In assessing the independence of the auditor from the Group, the Committee considers the information and assurances provided by the auditor confirming that all its partners and employees involved with the audit are independent of any links to the Group.

PwC confirmed their continued independence as external auditor.

The Committee carefully considers the non-audit services provided by PwC. Where non-audit services are to be provided by PwC, both the Group and PwC have robust processes in place to prevent auditor independence being compromised.

The Group operates a policy for the provision of non-audit services that is reviewed annually and is consistent with the regulatory framework for statutory audit. The policy sets out the types of non-audit service for which the use of the external auditor is prohibited (including accounting and valuation services) and provides a list of activities that are 'Permitted Non-Audit Services' that require the specific approval of the Committee prior to any service being provided.

Audit and Risk Committee Report continued

Non-audit fees

The Committee has a policy to pre-approve permitted non-audit services where these are below £50,000 per year. In the current year the Committee approved all non-audit services which were provided. Non-audit services include PwC's interim review of the half-year results which the Committee considers supports PwC's work on the statutory full year audit. PwC also provide non-audit assurance services for sustainability reporting, Total fees payable for these non-audit services were £154,000 (FY22: £95,000). PwC also provides audit services to the Group's defined benefit pension scheme and the associated fees are met by the scheme. For further information please see note 5 to the consolidated financial statements.

	2023	2022
Audit fees (£'000)	985	890
Non-audit fees (£'000)	154	95
Ratio of non-audit fees to audit fees	0.16:1	0.11:1

External auditor re-appointment

The Committee considers that PwC was objective and independent throughout FY23 and is proposing that PwC be re-appointed as external auditor to the Company at the AGM. There are no contractual obligations that restrict the Committee's choice of auditor and the recommendation is free from third-party influence.

Risk management and control environment

The Committee recognises that effective risk management is key to the long-term sustainable success of the Group and for achieving the Group's strategic priorities.

The Group's principal and emerging risks are considered by the Board. The Committee regularly reviews the effectiveness of the risk management process on behalf of the Board. Both the Board and the Committee undertook dedicated risk review sessions on the Group's principal and emerging risks during FY23 and were satisfied that risk management processes were appropriate and the control environment as it applied to material controls was adequate. There were specific weaknesses in the control environments within two divisions over costs and forecasting which were identified towards the end of the financial year. The ELT continues to take steps to address these issues which have had oversight from the Committee.

Risk management approach

Risk review sessions are held at divisional board level and reviewed and consolidated into the Executive Committee's Group risk review. This then feeds into the information and assurance processes of the Committee and into the Board's assessment of risk exposures and the strategies to manage these risks.

The Board (with input from the Committee) has carried out an assessment of the principal and emerging risks facing the Group and how those risks affect the prospects of the Group alongside the mitigations in place.

During the year the Board, with support from the Committee, reviewed its risk appetite, which was themed around market, operational and governance matters.

The Board's regular review of its risk appetite ensures the Executive Committee and divisional boards are better placed in their decision making. More information about our approach to risk and our principal risks is found on pages 35 to 42.

To support the Board, the Committee reviews the Group's control environment alongside the principal risks.

Effectiveness of risk management and internal controls

The Group Finance Director has executive responsibility for risk management and the control environment. He is supported in this role by the Group Head of Internal Audit, the Group Financial Controller, the Group Commercial Finance Director, and Group Company Secretary.

Overall accountability for risk management and internal controls sits with the Committee, and they review pertinent risk management and internal control information at every meeting. Further details can be found on page 75.

The Group's internal controls are designed to mitigate, rather than eliminate, the risk of not achieving the Group's strategy and objectives. As such, they can only provide reasonable, and not absolute, assurance against material misstatement or loss. Further detail of our internal control framework and assessment is below.

Operational Framework project

Last year the Group commenced a project to develop its Operational Framework. The Operational Framework aims to provide a visual overview of the Group's end-to-end processes as well as standardised key operational information that will be used to induct new joiners, improve productivity for all employees and provide a consistent operating environment.

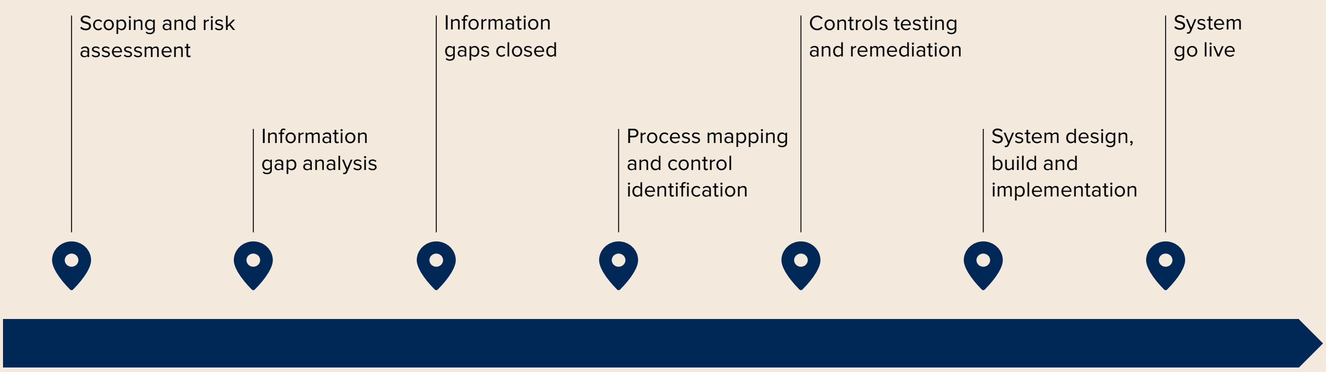
During the year the project has focused on reviewing and updating policies and procedures and producing a consistent set of operational information for key process areas within the Group.

The project team is identifying and documenting key financial controls across the Group, so that these are clearly stated within the Operational Framework and can be regularly monitored and tested.

This work is planned to complete during 2024 and all operational information will be easily accessible, enabling the Group to continue to effectively mitigate financial risks and operate in a consistent way.

Operational Framework summary plan

The summary plan to complete the Operational Framework project is as follows:



Key financial and internal control matters

The Committee considered the following key financial and internal control matters in relation to the Group's financial statements and disclosures with input from management and the external auditor.

Internal control framework

The Group's internal controls are designed to mitigate the risk of not achieving the Group's strategy and objectives. As such, they provide reasonable assurance against material misstatement or loss

The Group has an internal control framework which defines roles and responsibilities for managing risks and operating internal controls at all levels of the Group:

— Policies and procedures are in place for the main functions of the Group to govern and explain why, what and how we operate
— Approval levels and limits are governed by the Group's Delegated Authority Manual and these are built into the Group's financial and operating systems
— Employees are aware of the delegated authority limits set by the Board and confirm their understanding of relevant internal policies which are held on the Group's intranet
— Employees have annual performance development reviews with training requirements identified and agreed
— The Group operates a Speaking Up (whistleblowing) policy which includes access to an independent helpline for anonymous reporting of concerns
— Group Finance has identified divisional key controls which every division is required to adhere to
— Monthly management reporting and half-yearly financial reporting processes enable financial performance to be regularly reviewed against budget and forecasts at both divisional and Group levels
— Cost and Value Reconciliation (CVR) processes enabling operational performance for each site to be regularly reviewed against budget
— A three-year rolling forecast is maintained monthly and a five-year strategic plan is prepared annually. Scenario plans and sensitivity analyses are regularly produced and presented to the Board
— Accounts payable verifies any changes to supplier bank accounts
— Stage-approval processes are in place for invoices and transactions and sufficient evidence is required by the Group Finance team which is subject to validation before payments are made
— Payroll is managed by an experienced team, segregated from the HR team, with appropriate controls prior to payment being made. A third-party payroll provider is used for payroll processing
— All major balance sheet and income statement accounts are reconciled as part of the monthly management accounting process and reconciling items are identified and resolved in the month with detailed variance analysis to prior periods and budget being performed
— Land for development is only acquired after thorough due diligence of its commercial potential and risks and subsequent approval by the Investment Committee
— Board approval is required for high value acquisitions
— We use national supplier agreements and preferred supplier lists to maintain control of the Group's major materials and labour spend
— Work by subcontractors is appropriately tendered and awarded with background vetting being performed
— Sales discounts and incentives are approved in line with approval limits, and amendments to sales prices are restricted to authorised employees in the finance department
— All financial transactions are recorded and, where required, approved utilising finance systems or automated workflows
— Role-based access is in place for all financial systems and there are appropriate security controls in place.

The risks identified with respect to financial fraud and error are mitigated through the following key controls:

— The Group's fraud risk register was reviewed in detail during the year to confirm that risks remain relevant and complete, and controls remain appropriate
— The Group's stance on fraud is implemented via several Group policies and procedures, including the Group's Code of Conduct, anti-bribery and corruption, anti-money laundering, gifts and entertainment, Speaking Up, expenses, cyber security and share dealing
— Financial systems have appropriate segregation of duties following predefined approval limits and the ability to maintain vendors' details is segregated from purchasing, goods receipt.

Key assurance activities

Internal assurance activities

— **Board, Board Committees and management committees:** monitor performance against strategy, recommend policies, procedures and initiatives and oversee the management of risks and the operation of internal controls
— **Internal Audit:** the Internal Audit Plan covers the specific key risks of the Group and is approved by the Committee annually. The plan is executed by an effective in-house Internal Audit team
— **Functional Forums:** each divisional function of the Group meets on a regular basis to review new and emerging risks, including new regulations. They also review and update policies, procedures, and recommend improvements to internal controls
— **Divisional key control attestation:** the Managing Directors and Finance Directors of each division are required to sign off compliance with the established divisional key controls every year
— **Safety, Health & Environment (SHE) function:** drives continual improvement in SHE performance across the Group's sites. It engages with the business via SHE inspections, the provision of training, information and advice to all employees and by reporting to the SHE Committee with the Board considering appropriate SHE-related matters
— **Sustainability function:** drives continual improvement in sustainability performance across the Group and is responsible for driving performance against targets
— **Fraud:** where instances of fraud are suspected or alleged, Internal Audit will investigate the circumstances and report to the Committee and management with agreed actions to be taken.

External assurance activities

— The external audit performed by PwC. The audit opinion sets out the scope and nature of their work
— The carbon emissions data receives third-party assurance to ISO 14064 standard
— We engage external independent safety auditors to conduct regular and unannounced site safety reviews
— We utilise a Security Operations Centre (SOC) to monitor the Group's networks and have Cyber Essentials Plus certification.

The Committee continues to believe that the Group's risk management and internal control systems, including the control and compliance culture within the business, provide a reasonable level of assurance that the financial statements are free from material error and misstatement. While two of the Group's divisions experienced control shortcomings during the year, which are being addressed, the Committee is satisfied that for all other divisions of the Group, and at the central level, that the relevant systems and processes have been in place and have operated effectively during the financial year.

Audit and Risk Committee Report continued

Internal Audit

The Internal Audit function is a key element of the Group's corporate governance framework. Its role is to provide independent and objective assurance, advice and insight on governance, risk management and internal control to the Committee, as well as to the Board and Executive Committee.

There is an in-house Internal Audit team which reports directly to the Committee Chair, and is supported by external specialist resource where required.

The Internal Audit function reviews the effectiveness and efficiency of internal controls in place, providing assurance that internal controls remain fit for purpose and to ensure they are applied consistently throughout the Group. In addition to reviewing the effectiveness of these areas and reporting on aspects of the Group's compliance with them, the Internal Audit function agrees actions with management to address any key observations and improve processes. Internal Audit monitors their implementation and reports regularly to the Committee on progress made.

Internal Audit plan

The Group's Internal Audit plan is approved by the Committee, including the scope of individual audits which are aligned to the principal risks faced by the Group. The plan is continually assessed against progress and any emerging risks reflecting any amendments to the plan where necessary.

The Committee considers the internal control recommendations raised by the external auditor during the external audit and incorporates these recommendations into the Internal Audit plan as appropriate.

An internal audit methodology is in place which aligns with the Institute of Internal Auditors Code of Practice and International Professional Practice Framework (IPPF). This provides a quality benchmark for the performance of internal audit work.

Internal audit reports are reviewed on a regular basis by the Executive Committee and management responsible for the area assessed. Management is responsible for ensuring actions are implemented as agreed. Follow up and escalation processes are in place to ensure recommendations are implemented and fully embedded in a timely manner.

There are also a range of functions and roles which are also an important source of assurance. These include Company Secretariat, IT, Group Finance, SHE and Quality Assurance. The Committee may request assurance reports from these functions or explore specific risks and mitigations with the functional leads. Processes carried out by these functions are subject to review from Internal Audit.

Internal Audit effectiveness

The Committee continually reviews Internal Audit's effectiveness considering the quality, objectivity and expertise of the Internal Audit function. To support the Committee in evaluating the effectiveness of the Internal Audit function, feedback is received from key stakeholders including the Board, Committee, ELT, divisional and functional management. Following an evaluation of the services provided in respect of Internal Audit, the Committee confirms that both the processes and management of the Internal Audit function are appropriate and effective.

Internal Audit independence

The Committee continually reviews the independence of the Internal Audit function. Through reporting lines to the Chair of the Committee, the Head of Internal Audit can report any impairment to objectivity or independence. The Internal Audit function also liaises with PwC, the external auditor, discussing relevant aspects of their respective activities which ultimately supports the assurance provided to the Committee and the Board.

Ethical behaviours

The Board and Committee are committed to the highest standards of ethical behaviour, honesty and integrity in the Group's business practices.

Employees and supply chain partners are made aware of the Group's strategy and how their behaviours impact delivery. Everyone working for the Group is expected to work in line with the Group's values.

Anti-fraud and anti-bribery

The Group has an anti-bribery and corruption policy which all employees must follow and is supported by mandatory online training that employees must complete annually. Supporting policies and processes exist to monitor compliance and prevent bribery being committed on the Group's behalf. As part of this, employees are required to comply with the Group's gifts and entertainment policy which only permits employees to accept or give proportionate and reasonable hospitality for legitimate business purposes.

The Group has in place robust anti-money laundering policies, processes and oversight, supported by anti-money laundering guidance and training to all divisions.

The Group operates and maintains several policies and procedures which set out what is expected of employees and supply chain partners to protect themselves as well as the Group's reputation and assets. These policies and procedures are supported by online training which employees are required to complete on a regular basis. Supply chain partners are required to agree to the Group's Supply Chain Code of Conduct. The Committee oversees the implementation of these policies, reviews any incidents arising and training progress.

Speaking Up

The Board is responsible for the Group's arrangements with regard to reporting incidents and allegations and receives updates on any matters raised at each of its meetings. The Committee is responsible for reviewing the adequacy and effectiveness of the Group's whistleblowing arrangements.

The Group's Speaking Up policy has been written in an accessible language to support employees, supply chain and subcontractors and is made available at all sites. Employees and supply chain partners are encouraged to report any concerns of malpractice in an open and honest way.

The policy provides details of a free independent helpline that can be used to report concerns and includes confidential support services that individuals could use if they need assistance in making a report.

FY23 Internal Audit plan

A risk-based Internal Audit plan is developed in consultation with the Executive Committee and key stakeholders, assessing key risks and areas of strategic development, any emerging themes from previous audit work and evaluation against external benchmarks. The plan is subject to further review and ultimate approval by the Committee.

The FY23 Internal Audit plan focused on specific key and emerging risk areas across the Group. Key examples during the year included:

- A rolling audit programme assessing the effectiveness of monthly divisional build cost reviews and associated controls
- An audit of the design and operating effectiveness of controls and improvement areas to factor in the move to a new HR and payroll system
- A focused review to assess the design and operating effectiveness of IT general controls covering key financial and forecasting systems
- Agile programme audits and advisory controls to support the ERP implementation
- A review of compliance with requirements with the New Homes Quality Code and Part L of the Building Regulations
- A review of effectiveness of Group and divisional arrangements over validation of the strategic land bank, its progression, transfer and divisional land development monitoring and reporting
- A review focusing on the maturity and quality of reporting and effectiveness of controls over reporting and disclosures of sustainability-related risks.

Directors' Remuneration Report

Committee overview

Committee members

Octavia Morley
Chair

Iain Ferguson CBE
Chairman

David Arnold
Non-Executive Director

Louise Hardy
Non-Executive Director

Maggie Semple OBE
Non-Executive Director

Membership

Octavia Morley has chaired the Committee since October 2017. Members of the Committee are independent Non-Executive Directors and the Chairman, who was independent on appointment.

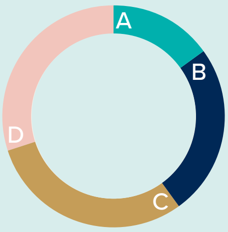
Lucinda Bell was a member of the Committee until 31 December 2023. Maggie Semple joined the Committee on 1 January 2024.

Individual meeting attendance is set out on page 65.

Attendees

Other regular attendees at meetings at the invitation of the Committee include the Chief Executive, Group HR Director, Group Company Secretary and Korn Ferry.

How time was spent



A	Remuneration policy and disclosure	15%
B	Risk and reward	25%
C	Annual remuneration discussions	30%
D	Governance	30%

I am pleased to introduce our Directors' Remuneration Report for the year ended 31 October 2023.

The Directors' Remuneration Policy (Policy) that was set out in the 2022 Annual Report received strong support from shareholders at our 2023 AGM. 97.28% of shareholders approved its adoption. A summary of the Policy is included in this report on page 85.

The Policy contained no significant changes to the existing remuneration framework and it is our view that the Policy works effectively, is aligned to the Group's strategy and provides a good link between reward and performance. The Policy applied to the FY23 remuneration outcomes.

FY23 saw weaker performance in our key financial measures due to generally challenging economic conditions and market uncertainty demonstrated by a lack of mortgage availability and lower confidence in the housing market. We continued to progress our key strategic objectives and took proactive steps to reduce the cost base of the Group.

FY23 remuneration outcomes

Annual bonus

The FY23 bonus was based 50% on adjusted profit before tax, 20% on net cash, and 30% on a range of non-financial measures focusing on customer service, voluntary employee turnover, reduction in waste and SHE leadership.

As a result of performance during the year which was impacted by persistently high inflation and rising interest rates along with build cost movements, the adjusted profit before tax and net cash targets were not achieved.

Good progress was made against the ESG targets related to employee turnover. The metric for reduction in waste was achieved as total construction waste decreased. However, waste intensity increased partly due to the reduced number of completions. The Committee decided to override the formula and reduce the award to zero for this measure as this was a more appropriate outcome. The threshold for the customer service metric was not met.

The Group's performance resulted in an overall formulaic payout level against the non-financial measures. However, the Committee agreed with management that no annual bonus would be paid as the financial metrics had not been met. The Committee therefore exercised discretion to reduce the bonus to nil.

Directors' Remuneration Report continued

LTIP

The 2021 LTIP award measured performance over the three financial years FY21 to FY23. Actual performance against target is set out below:

	Target range (to be achieved in FY23)	Performance	Vesting
TSR	Median to Upper Quartile	Below median	0.0% out of 40.0%
ROCE	17% – 20%	6.3%	0.0% out of 30.0%
EBIT[1]	14.5% – 16.5%	6.7%	0.0% out of 30.0%

1 EBIT Margin

The 2021 LTIP award will lapse in full. In considering remuneration for FY23, the Committee is satisfied the Policy has operated as intended in relation to performance and remuneration outcomes for FY23.

The Committee considered overall performance and the incentives payable across the Group, the relativities in pay between employees and Executive Directors, noting the impact of roles and seniority on pay, and the wider stakeholder experience.

Board Changes

Duncan Cooper stepped down from his role as Group Finance Director on 13 December 2023. His leaving arrangements are in line with the Policy and treatment for leavers and is set out on page 94 of this report. No discretion was used by the Committee when agreeing these arrangements.

Bill Floydd joined as Group Finance Director with effect from 13 November 2023. The Committee agreed a remuneration package in line with the Policy and this is set out below. His fixed pay is lower than that of Duncan Cooper had he remained in post. His variable pay will be in line with Policy and he will receive an award of options in 2024 under the LTIP at the same time as Peter Truscott and on the same basis.

The total remuneration package provides:

— Salary of £400,000 per annum.
— Annual bonus opportunity of 125% of salary
— LTIP award of 150% of salary
— Pension of 6% of salary
— Benefits aligned with wider workforce.

Committee engagement

We consider shareholder feedback and employee experience and apply best practice in our approach to remuneration. I am available to shareholders to discuss remuneration matters.

FY24 remuneration approach

For FY24 we propose to make minimal changes to the performance measures for variable pay while ensuring that they are subject to stretching performance targets linked to the Group's strategy and outlook.

Salary

The average salary increase applied in January 2024 was 2.6% for employees. The Committee and Peter Truscott agreed that there would be no increase to his salary in 2024. Bill Floydd does not qualify for an increase in 2024 as he recently joined the Group.

Annual bonus

The annual bonus opportunity will remain unchanged, based on 70% financial measures (adjusted profit before tax and net cash) and 30% non-financial measures (customer service and waste reduction).

LTIP

The performance measures will remain unchanged with 50% TSR, 35% ROCE and 15% ESG measures to incentivise further reductions in scope 1 and 2 emissions by FY26.

The Committee has reviewed the LTIP measures to ensure that these combined measures continue to align with the strategy of the Group as well as meeting the Committee's priority for simplicity and transparency.

It is intended to make awards to Executive Directors at 150% of salary as in prior years. The Committee will review this decision in light of the prevailing share price at the date of grant. The Committee would consider a potential scale-back at the time of vesting depending on conditions at that time.

— Higher weighting to variable pay with delivery of higher variable pay at higher performance levels
— Link to strategy set out against performance measures in the Remuneration Report
— Committee discretion to override outcomes

— Strategic KPIs link reward to strategy and align with stakeholders and employees
— People, ESG targets and SHE focus on non-financial priorities
— Bonus scheme framework and measures align to employee schemes

— Remuneration structures are set out clearly in the Remuneration Report
— Performance targets are fully disclosed (retrospectively, where commercially sensitive)

— Award limits set out in Policy and Remuneration Report
— Illustration of the application of the Policy for the following year reported annually

— Discretion can be applied to variable pay outcomes to ensure these are consistent with the underlying Group performance and stakeholder experience
— Withholding and recovery terms apply to variable pay

— Simple methodology for annual bonus and LTIP
— Clearly articulated measures, targets and narrative in the Remuneration Report

Fair Pay

Employee remuneration continued to be an area of focus for the Committee during the year. We reviewed how pay and benefits cascade through the Group along with the measures used for the wider employee bonus plans and how they operate. We were pleased to see that there continued to be good alignment with the Executive Directors.

We are pleased to have been formally accredited by the Living Wage Foundation during FY23. This is a significant step towards our commitment to our employees, including those who work in our supply chain, their wellbeing and directly aligns with our values and aspirations for fairness and social responsibility. The real Living Wage exceeds the Government's National Minimum Wage, is independently calculated based on the cost of living, and extends to all Crest Nicholson employees and subcontractors.

We ensure our employees' remuneration packages are attractive, aligned to our strategy and to enable us to retain our workforce.

Conclusion

I would like to thank our shareholders for their ongoing support on our approach to remuneration. During the year there were no remuneration-related matters that required shareholder engagement. The Committee continues to welcome shareholder feedback and will proactively engage in relation to any significant changes to the application of our Policy. We will continue to align our remuneration approach with our strategy and ensure that all measures will be subject to the achievement of stretching targets.

We hope that you will be able to support the advisory vote on the Directors' Remuneration Report at the 2024 AGM.

Octavia Morley
Remuneration Committee Chair
23 January 2024

The full terms of reference for the Committee can be found at **www.crestnicholson.com/investors/corporate-governance**

Activity during the year

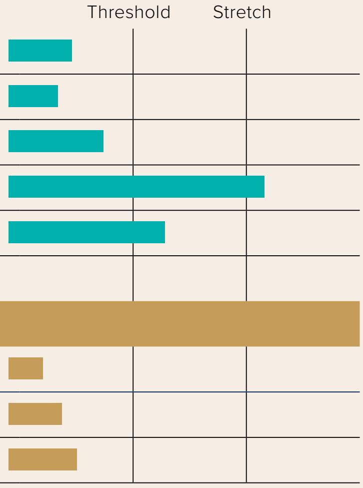
- Engaged with employees on remuneration matters
- Considered FY23 bonus scheme outcomes and final vesting of LTIP awards
- Reviewed the pay of Executive Directors and Chairman
- Determined the annual bonus scheme structure for FY24
- Reviewed 2023 AGM outcomes and feedback from shareholders
- Determined leaver terms for an Executive Director and other senior management roles
- Agreed remuneration for incoming Company Secretary and Executive Director
- Considered FY24 LTIP measures and targets
- Reviewed employee pay and benefits.

Looking ahead

- Ongoing consideration of employee pay taking into account the current cost-of-living challenges
- Monitor performance of in-flight incentive awards during the year and consider FY24 outcomes
- Consider annual bonus and LTIP measures and targets for FY25
- Review ESG measures link to remuneration in context of the Group's strategy.

Alignment with strategy – FY23 performance

	Links to strategy	Performance	Achievement against target
Annual bonus			
			Threshold / Stretch
Adjusted profit before tax (50%)	4	**£41.4m**	
Net Cash (20%)	4	**£64.9m**	
Customer service (15%)	4	**87.00%**	
Reduction in voluntary employee turnover (7.5%)	1	**19.39%**	
Reduction in waste metric (7.5%)[1]	2	**6.47%**	
SHE Leadership (-10%)	3	✓	
LTIP			
TSR (40%)	2 4	**Lower**	
ROCE (30%)	4	**6.3%**	
EBIT Margin (30%)	4	**6.7%**	



1 While total construction waste decreased in FY23, waste intensity increased partly due to the reduced number of completions. The Committee decided to override the formula and reduce the award to zero for this measure as this was a more appropriate outcome.

Key

Link to Strategic Priorities
- Placemaking & Quality
- Land Portfolio
- Operational Efficiency
- Five-Star Customer Service
- Multi Channel Approach

Link to Foundations
1. People
2. Sustainability & Social Value
3. Safety, Health & Environment
4. Financial Targets

See pages 10 to 11

Remuneration at a glance

Remuneration FY23	Peter Truscott	Duncan Cooper
Total pay (single figure) Details on page 89	1. Fixed £769,177 2. Variable £0 3. Total pay £769,177	1. Fixed £437,833 2. Variable £0 3. Total pay £437,833
FY23 outcomes vs performance scenarios Fixed remuneration Bonus and LTIP	**FY23 Performance scenarios[1]** Expected minimum performance £774,000 Expected on-target performance £1,741,000 Expected maximum performance £2,708,000 **FY23 Actual performance** Total pay (Single Figure) £769,177	**FY23 Performance scenarios[1]** Expected minimum performance £441,000 Expected on-target performance £984,000 Expected maximum performance £1,526,000 **FY23 Actual performance** Total pay (Single Figure) £437,833

1 Each Directors' Remuneration Report contains performance scenario graphs for the following year. The scenario graphs presented here are those previously published on page 110 of the Annual Integrated Report 2022.

	Peter Truscott	Duncan Cooper
2023 LTIP Details on page 87	Awarded 150% salary Subject to the achievement of performance conditions	Awarded 150% salary Subject to the achievement of performance conditions
FY23 annual bonus outcome Details on page 91	£0	£0 Not eligible for bonus due to leaver status
FY21 LTIP outcome Details on page 91	0% of the award will vest in 2024	Award forfeited due to leaver status
Shareholding Details on page 92	132% / 68%	48% / 152%

Progress towards holding requirement · Balance to achieve 200% shareholding requirement

Remuneration for FY24

2024 LTIP Details on page 86

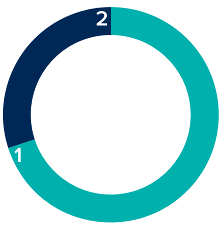
Award of 150% salary

Performance measures

TSR	50%
ROCE	35%
ESG	15%

FY24 annual bonus Details on page 87

Maximum 125% salary



1 Financial	**70%**
Adjusted operating profit before tax	40%
Net cash	30%

2 Non-financial	**30%**
Customer service and quality	20%
Waste reduction	10%
SHE Leadership	up to -10%

Our employees

Details on page 96

Sharesave participation across all plans

51%

Average salary increase for 2024

2.6%

Summary of the Directors' Remuneration Policy

Below is a summary of the Policy that was approved by shareholders at the Company's AGM on 23 March 2023. The Policy is set out in full in the 2022 Annual Report and can be found at **www.crestnicholson.com/investors/results-centre**

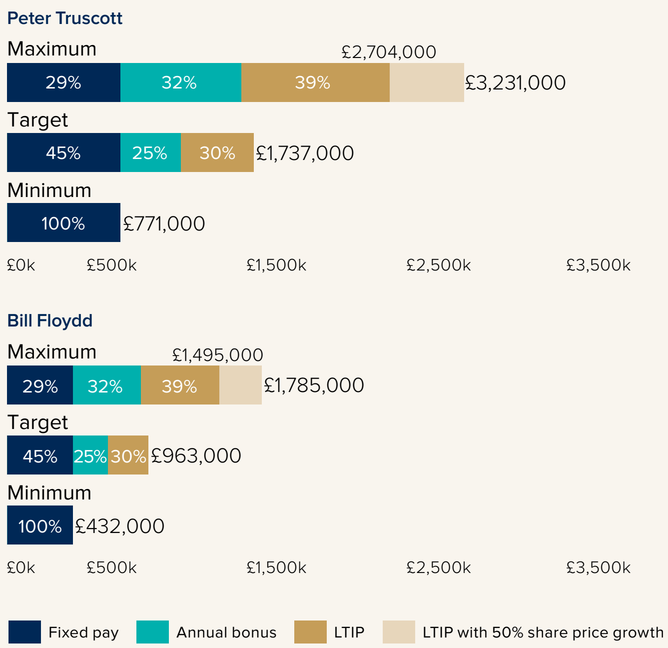
Element of remuneration		2024	2025	2026	2027	2028	Link to Strategy	Framework
Fixed	Base salary						Attracts, retains and incentivises the best people in the market to execute the Group's strategy. Provides an appropriate level of fixed remuneration without over-reliance on variable elements.	Reviewed annually or when change in position or responsibility. Increases usually in line with market and general increases across the Group.
	Benefits							A range of competitive benefits in line with what is available to our employees.
	Pension contribution							Payable in line with the pension contribution available to the majority of the workforce, currently 6% of salary.
	Non-Executive Director fees						Remunerates appropriately based on an individual's experience, time commitment and responsibilities.	Non-Executive Directors' fees are paid in cash and are not performance related. Additional fees may be payable in relation to extra responsibilities or time commitments undertaken.
Variable	Annual bonus	Cash	Deferral period				Incentivises and rewards individuals to execute the Group's strategy and achieve objectives linked to the Strategic Priorities and Foundations. Deferred element encourages longer-term shareholding and links part of annual bonus payment to the further success of the Group and stakeholder and shareholder interests.	The maximum bonus opportunity is capped at 150% of salary for Executive Directors, with on-target performance receiving 50% of maximum and up to 25% of the maximum payable for threshold performance. Two-thirds of the bonus is paid in cash. One-third of the bonus is paid in shares (post tax, national insurance and other statutory deductions) and subject to a holding period of three years (Deferred Shares).
	Long-term incentive	Performance period			Holding period		Incentivises shareholder value creation and execution of the strategy over the longer term. Drives and rewards achievement of key long-term Group objectives aligned with the strategy and with shareholder interests. Contributes to building a meaningful shareholding by aligning interests with wider shareholders.	Awards take the form of nil-cost options or conditional share awards. LTIP awards normally vest on the third anniversary of grant subject to achievement of performance measures and (other than in good leaver situations) provided the Director remains in office with the Company. Award levels will be at a maximum of 200% of salary. Amounts equivalent to any dividends or shareholder distributions made during the vesting period may be awarded in respect of vested or exercisable LTIP awards, normally in the form of shares. A two-year post-vesting holding period will apply to all vested LTIP awards.

Illustration of application of Policy in FY24

The remuneration package for the Executive Directors is designed to provide an appropriate balance between fixed and variable performance-related components, with a significant proportion of the package weighted towards long-term variable pay.

The Committee remains satisfied that the composition and structure of the remuneration packages is appropriate, clearly aligns with financial and operational performance as well as the Group's strategy, purpose, values and KPIs. The Committee reviews this on an annual basis.

The composition and structure of the remuneration package for Executive Directors in three performance scenarios is set out in the chart shown right.



Key and assumptions

Minimum
Fixed remuneration consisting of current annualised salary, pension (plan contribution or cash supplement) and benefits.

Target
Fixed remuneration as detailed above, plus 50% of maximum as target bonus opportunity, and vesting of 50% of the maximum LTIP award.

Maximum
Fixed remuneration together with the maximum annual bonus opportunity of 125% and vesting of 100% of LTIP award representing 150% of salary.

The graph also shows what would happen should Crest Nicholson's share price increase by 50%, increasing the value of LTIP awards.

Other than illustrating 50% share price growth, share price movement and dividend accrual are excluded.

Implementation of the Policy in FY24

Executive Directors' base salary

Executive Director salary increases are generally aligned to the average increase for the wider workforce. In FY24, the increase will be 2.6% of salary. There was no salary increase for Peter Truscott and Bill Floydd does not qualify for an increase as his salary was set for FY24 on appointment.

Director			Salary (annual)	Change
Peter Truscott	No increase awarded in January 2024	2024	£702,975	0%
Bill Floydd	No increase awarded in January 2024	2024	£400,000	N/A

Note: Duncan Cooper's remuneration for the period 1 November to 31 December 2023 will be disclosed in the FY24 annual report.

Non-Executive Directors' fees

Non-Executive fees are reviewed on an annual basis. However, no fee increases were made for FY24.

Director	Role	FY24 fee (annual)
Iain Ferguson	Chairman	£212,180
David Arnold[1]	Non-Executive Director	£63,654
Louise Hardy[2]	Non-Executive Director	£59,941
Octavia Morley[3]	Senior Independent Director	£72,672
Maggie Semple	Non-Executive Director	£54,636

1 Includes an additional fee of £9,018 for role as Chair of the Audit and Risk Committee.
2 Includes an additional fee of £5,305 for role as Non-Executive Director responsible for employee engagement.
3 Includes an additional fee of £9,018 for each role of Chair of the Remuneration Committee and Senior Independent Director.
Note: Lucinda Bell's remuneration for the period 1 November to 31 December 2023 will be disclosed in the FY24 annual report.

Pension and incentives

Director	Pension or cash equivalent[1]	Annual bonus	LTIP
Peter Truscott	6% of salary	125% of salary	150% of salary
Bill Floydd	6% of salary	125% of salary	150% of salary

1 6% is the rate applicable to the majority of the employee workforce.

Executive Directors can elect whether to contribute some of the benefit directly into the Group's defined contribution pension plan and receive any balance (or all the benefit) as cash.

Annual bonus

The annual bonus opportunity will remain at 125% of salary for FY24.

Targets are considered to be commercially sensitive and will be disclosed in the FY24 Directors' Remuneration Report. The Committee will review performance under the annual bonus in the context of wider stakeholder experience over the performance period when determining bonus payments.

As per the Policy, one-third of any bonus earned will be paid in shares which are subject to a three-year holding period.

The Committee has reviewed and agreed the combination of measures and weighting in line with the Group's strategy and these are set out below. The Committee is satisfied that the annual bonus scheme framework is applied in a similar way to employees across the Group, tailored to roles and functions.

Performance measure	Measure detail	Links to strategy	Weighting (% of total bonus opportunity)
Financial			
Adjusted profit before tax	Performance is measured between threshold and maximum	4	40
Net cash	Performance is measured between threshold and maximum	4	30
Non-financial			
Customer service and quality	Customer satisfaction survey score for FY24 measured between threshold and maximum	4	20
Environment, Social and Governance	Reduction in waste intensity	1 2	10
SHE Leadership	Assessment of SHE leadership during the year	3	A downward adjustment of up to 10% may be applied

LTIP

Peter Truscott and Bill Floydd will be granted an LTIP award with a face value of 150% of base salary. Awards are subject to a three-year performance period and a two-year post vesting holding period.

Following careful consideration of the structure and weightings of its LTIP for FY23, and taking account of the Group's longer-term outlook the Committee has retained TSR measured against the FTSE 250 and certain sector peers, ROCE and a measure of Absolute scope 1 and 2 carbon emissions. All measures are considered to promote the long-term success of the Group:

Performance measure	% of award	Threshold (25% of element)	Maximum (100% of element)	Links to strategy
TSR (FTSE 250 and sector peers)	50	Median	Upper Quartile	2 4
ROCE FY26	35	10.5%	15%	4
ESG: Absolute scope 1 and 2 carbon emissions FY26	15	4,260 tCO_2e	3,834 tCO_2e	2

Key

Link to Strategic Priorities

- Placemaking & Quality
- Land Portfolio
- Operational Efficiency
- Five-Star Customer Service
- Multi Channel Approach

Link to Foundations

1. People
2. Sustainability & Social Value
3. Safety, Health & Environment
4. Financial Targets

See pages 10 to 11

Implementation of the Policy in FY24 continued

TSR is measured using the companies comprising the FTSE 250 index (excluding investment trusts) as at 1 November 2023 (50%) and a selection of sector peers (50%). The FY24 peer group comprises Barratt Developments plc, Bellway plc, The Berkeley Group plc, MJ Gleeson plc, Persimmon plc, Redrow plc, Taylor Wimpey plc and Vistry Group plc.

For both TSR elements, performance will be measured on a straight-line basis between a threshold of median TSR (earning 25% of the element) and a maximum at upper quartile TSR (earning 100% of the element).

TSR provides a focus on the Company's relative TSR performance against the sector and the stock market generally.

ROCE will reward strong operational efficiency and margin accretion and will be an adjusted measure as defined on pages 161 to 162. The ROCE range represents a significant improvement in performance from the FY23 ROCE and has been calibrated carefully to take into account the business plan and operating environment.

The ESG measure targets a reduction in absolute scope 1 and 2 emissions. Achievement of the maximum target would have the effect of accelerating the path to the Group's 2030 target by approximately three years. The reduction in absolute scope 1 and 2 emissions is also a target under the Group's Sustainability Linked Revolving Credit Facility (see page 20 for further information).

The Committee intends to grant awards at the normal policy level of 150% of base salary, but will consider the grant level at the time of the award taking into account the share price level at grant. The final vesting value of any awards will be considered carefully by the Committee at that time to ensure the value delivered to participants remains appropriate relative to the performance of the Group, shareholder experience, and employee workforce impact over the performance period. In particular the Committee will ensure that no undue windfall gains are made as a result of share price movements and there will be full disclosure of this determination in the Directors' Remuneration Report.

Annual Report on remuneration

The information in this Report is audited where this is indicated, and otherwise unaudited.

FY23 remuneration payable to Executive Directors (audited)

		Salary[1] £000	Benefits[2] £000	Bonus £000	LTIPs[3] £000	Retirement benefits[4] £000	Total pay £000	Total fixed Pay £000	Total variable pay £000
Peter Truscott	FY23	697	26	–	–	46	769	769	–
	FY22	666	25	670	340	67	1,768	758	1,010
Duncan Cooper[5]	FY23	392	23	–	–	23	438	438	–
	FY22	374	22	376	143	22	937	418	519

1 Salary: Where salaries are adjusted for benefits which are provided via salary exchange, such salaries are quoted as the gross figure disregarding the effect of salary exchange.
2 Benefits: The figure shown includes the value of car benefit, private medical insurance, group income protection, personal accident, life assurance and an annual health check.
3 LTIPs: Last year's LTIP figure has been restated to reflect the actual value of the award and share price at the time of vesting (being 231.694 pence per share on 8 March 2023).
4 Retirement benefits: Salary supplement of 6% (employee majority rate). No Director has a prospective interest in a defined benefit scheme.
5 Leaving arrangements: In accordance with our Policy and the scheme rules, no annual bonus is payable and LTIPs will lapse as a result of resignation.

FY23 Non-Executive Directors fees (audited)

	FY23 £000	FY22 £000
Iain Ferguson	211	205
David Arnold	63	62
Lucinda Bell	54	53
Louise Hardy	60	58
Octavia Morley	72	70

Pay for performance FY23 (audited)

Annual bonus targets and outcomes

The FY23 annual bonus scheme followed a similar format to previous years with adjusted profit before tax and cash generation (70%) as well as non-financial measures (30%) focusing on customer service, voluntary employee turnover, reduction in waste and SHE leadership. While appropriately stretching targets had been set based on forecasts relating to the financial and market outlook at the end of 2022, as set out in the Financial Review on pages 32 to 34, persistently high inflation and rising interest rates along with build cost movements meant that the adjusted profit before tax and net cash targets were not met this year.

During the period, the Group continued to make good progress reducing voluntary employee turnover but did not perform as strongly with respect to customer service with performance below the 90% threshold[1]. The metric for reduction in waste was achieved as total construction waste decreased. However, waste intensity increased partly due to the reduced number of completions. The Committee decided to override the formula and reduce the award to zero for this measure as this was a more appropriate outcome.

The Committee considered the SHE leadership shown by the Executive Directors during the year and taking into account a range of factors including, divisional performance and leadership, and the levels and severity of accidents, the Committee considered that appropriate leadership had been demonstrated. As such, no deduction was necessary under this annual bonus measure.

Despite the achievement of some annual bonus scheme metrics during the period, the Committee exercised discretion and agreed that the bonus payable was nil in light of the experience of shareholders and to align outcomes with employees generally.

1 Further information about our customer service performance can be found on page 8.

Annual Report on remuneration continued

Pay for performance in FY23 continued (audited)

The maximum target for each element was set to stretch and further challenge the Executive Directors. Achievement was calculated on a straight-line basis between threshold and target, and target and maximum/stretch with a maximum bonus potential of 125% of salary. The results for each element of the annual bonus incentive are set out below:

	Measure (Weighting)	Description and link to strategy	Threshold (20%[1] of maximum)	On-target (50% of maximum)	Stretch and maximum (100% of maximum)	% of maximum bonus achieved	% of salary
Financial	Adjusted profit before tax (50%)	Adjusted profit before tax as defined on page 1. 4	£76m Actual £41.4m	£80m	£100m	0	0
	Net cash (20%)	Cash and cash equivalents plus noncurrent and current interest bearing loans and borrowings as at 31 October 2023. 4	£182.9m Actual £64.9m	£192.5m	£240.6m	0	0
Non-financial	Customer service and quality (15%)	The 12-month NHBC 'recommend your housebuilder' score for FY23. 4	90% Actual 87.0%	92%	94%	0	0
	Environment, Social and Governance objectives:						
	Reduction in voluntary employee turnover (7.5%)	Resignations or retirements during the year as a proportion of total employees, compared to the position at 31 October 2022. 1	27% Actual 19.39%	25%	23%	7.5	9.38
	Reduction in waste (7.5%)	Reduction in waste in FY23 compared to FY22. See page 23 for further information on the Group's action to manage and minimise waste.[2] 2	0% Actual 6.47%	3%	5%	7.5	9.38
	SHE leadership (-10%)	A downwards adjustment of up to 10% of the bonus achieved should SHE leadership fall below the standard expected by the Group. 3	Less up to 10% adjustment Actual ✓				
	Total bonus					**14.32**	**17.90**

Link to Strategic Priorities

Placemaking & Quality · Land Portfolio · Operational Efficiency · Five-Star Customer Service · Multi Channel Approach

Link to Foundations

1 People · 2 Sustainability & Social Value · 3 Safety, Health & Environment · 4 Financial Targets

1 10% for financial measures. 20% for non-financial measures.

2 While total construction waste decreased in FY23, waste intensity increased partly due to the reduced number of completions. The Committee decided to override the formula and reduce the award to zero for this measure as this was a more appropriate outcome.

LTIP targets and outcomes (audited)

The FY21 LTIP award, granted on 8 February 2021, was based on performance over the three years ended 31 October 2023 and would have become exercisable from 8 February 2024 (subject to the Directors still being in employment or otherwise having been a good leaver) had the performance targets been reached. The table below sets out details of the measures, performance targets and actual performance which resulted in 0% of the awards vesting.

Measure	Weighting	Threshold (25%)	Maximum (100%)	Actual performance	% of award achieved
TSR in FY23[1]	40%	Median	Upper Quartile	Below Median compared to both peer groups	0.0%
ROCE in FY23[2]	30%	17%	20%	6.3%	0.0%
EBIT margin in FY23[3]	30%	14.5%	16.5%	6.7%	0.0%
Total	**100%**	**–**	**–**	**–**	**0.0%**

1 Measured using the companies comprising the FTSE 250 index (excluding investment trusts) as at 1 November 2020 (one-third) and a selection of sector peers (two-thirds). The 2021 peer group comprises Barratt Developments plc, Bellway plc, Countryside Properties plc, Vistry Group plc, Persimmon plc, Redrow plc, and Taylor Wimpey plc.

2 ROCE has been calculated using unrounded numbers. ROCE presented in the financial statements and elsewhere in the Annual Report has been calculated using numbers rounded to £0.1m.

3 Adjusted EBIT Margin as defined on page 30.

The targets were considered stretching in light of the strategy, three-year business plan and market outlook at the time of award. High inflation, rising interest rates, poor mortgage availability along with the withdrawal of Government support for first time buyers, resulted in a worsening trading environment over the last year. Consequently these performance measures were not met.

Scheme interests awarded during the financial year (audited)

This table sets out the FY23 awards granted to Executive Directors under the LTIP for the performance period 1 November 2022 to 31 October 2025.

	Award[1]	Type	Date of grant	Number of shares	Face value of award[2] £000	% of salary	% of award receivable at threshold
Peter Truscott	Performance	Nil-cost option	27.01.23	432,369	1,054	150	25
Duncan Cooper[3]	Performance	Nil-cost option	27.01.23	242,792	592	150	25

1 Performance conditions in each case measured in FY25: 50% relative TSR (threshold median to maximum upper quartile), 35% average ROCE (threshold 17% to maximum 23%), 15% reduction in scope 1 and scope 2 carbon emissions (threshold 4,300 tCO_2e to maximum 3,870 tCO_2e)

2 Face value calculated based on 243.88 pence, the average of the closing middle market share price for the five dealing days preceding the date of grant.

3 Duncan Cooper's outstanding awards lapsed on cessation of his employment on 13 December 2023.

This table sets out the FY23 awards granted to Executive Directors under the deferred bonus plan (DBP) in respect of the deferred element of their FY22 annual bonus as set out on page 112 of the 2022 Annual Report. The deferred shares will vest after three years subject to continued employment.

	Award[1]	Type	Date of grant	Number of shares	Face value of award[2] £000	% of bonus payable
Peter Truscott	Service	Nil-cost option	27.01.23	90,664	221	33
Duncan Cooper[3]	Service	Nil-cost option	27.01.23	50,911	124	33

1 There are no performance conditions attached to the award. The award will accrue dividend equivalents in accordance with the rules of the scheme. The amount of dividend equivalent to be awarded as shares upon vesting will be adjusted according to the number of shares that vest, pro rata.

2 Face value calculated based on 243.88 pence, the closing middle market share price for the five preceding dealing days of the grant date.

3 Duncan Cooper's outstanding awards lapsed on cessation of his employment on 13 December 2023.

Annual Report on remuneration continued

Directors' shareholdings at the end of the financial year (audited)

There have been no changes to Directors' interests between 31 October 2023 and 22 January 2024.

	Shares held, including connected persons at 31 October 2023	Outstanding share awards[1] at 31 October 2023 with performance conditions	Outstanding share awards[1] at 31 October 2023 without performance conditions	Total share interests at 31 October 2023	Shareholding[2] as a percentage of salary and share price of 160 pence at 31 October 2023
Iain Ferguson	150,000	N/A	N/A	150,000	N/A
Peter Truscott	491,659	1,050,497	164,261	1,706,417	132%
Duncan Cooper[3]	69,522	589,894	92,239	751,655	48%
David Arnold	15,250	N/A	N/A	15,250	N/A
Lucinda Bell	11,650	N/A	N/A	11,650	N/A
Louise Hardy	–	N/A	N/A	–	N/A
Octavia Morley	5,600	N/A	N/A	5,600	N/A

1 Share awards take the form of nil-cost options other than Sharesave awards which are fixed price options. There are no conditional or restricted share awards. There were no vested but unexercised share awards at 31 October 2023.

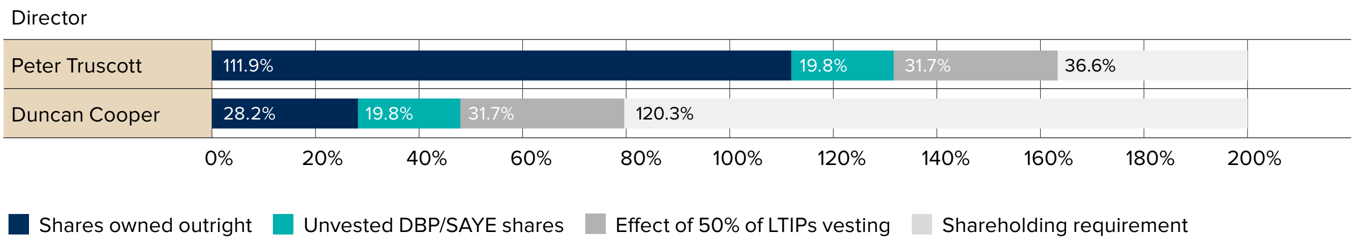
2 Shareholding includes shares held including connected persons, outstanding share awards without performance conditions (e.g. DBP) net of tax and excludes outstanding share awards with performance conditions (e.g. LTIP).

3 Duncan Cooper's outstanding awards lapsed on cessation of his employment on 13 December 2023.

Directors' shareholdings and share interests

Share ownership plays a key role in aligning Executive Directors' interests with the interests of shareholders over the long term. The Policy requires Executive Directors to build up and maintain a significant shareholding in the Company of 200% of salary. On cessation of employment, they are required to continue to hold the lower of their shareholding requirement or their shareholding at the date of leaving for a period of two years. Under the Policy, shares owned outright and deferred shares (because they no longer have performance conditions attached) count towards the shareholding requirement. Duncan Cooper will be required to retain his shareholding until 13 December 2025.

The chart below shows the Executive Directors' current shareholdings together with unvested DBP awards and the illustrative effect if 50% of outstanding LTIP awards vested in the future. Shares which are not owned outright are shown net of tax (i.e. excluding that proportion of those shares expected to be sold on vesting to settle the associated tax liability).



Executive Directors' alignment to share price

The table below contains the value of shares currently held by the Executive Directors, those awarded under the DBP but not yet released (on a post-tax basis) and Sharesave. It illustrates the Executive Directors' alignment to share price movement through their ordinary shareholdings.

	Shares owned outright	Unvested DBP shares (post-tax)	Total shares	Indicative value[1] on 31 October 2023 (£)	Consequence of a +/- £1 share price change (£)
Peter Truscott	491,659	87,058	578,717	925,948	578,717
Duncan Cooper	69,522	48,887	118,409	189,454	118,409

1 Value calculated using the share price of 160.0 pence as at 31 October 2023.

Executive Directors' scheme interests at the end of the financial year (audited)

The LTIP awards have performance criteria attached to them in accordance with the Policy and as set out in the Directors' Remuneration Report. The DBP awards do not have any performance criteria attached to them.

	Outstanding share options/ awards at 31 October 2022	Date of grant	Granted	Exercised	Lapsed	Outstanding share options/ awards at 31 October 2023	Market price on award £	Exercise price £	Market price at exercise/ vesting £	Gain receivable £	Date exercisable or capable of vesting	Expiry date
Peter Truscott												
LTIP												
2020	253,016	20.02.2020	9,669[1]	146,551	116,134	–	5.138	Nil	2.317	339,550	20.02.2023	19.02.2030
2021	297,364	08.02.2021	–	–	–	297,364	3.279	Nil	–	–	08.02.2024	07.02.2031
2022	320,764	28.01.2022	–	–	–	320,764	3.131	Nil	–	–	28.01.2025	27.01.2032
2023	–	27.01.2023	432,369	–	–	432,369	2.439	Nil	–	–	27.01.2026	26.01.2033
DBP												
2020	240	28.02.2020	15[1]	255	–	-	4.530	Nil	2.317	591	28.02.2023	27.02.2030
2022	73,597	28.01.2022	–	–	–	73,597	3.064	Nil	–	–	28.01.2025	27.01.2032
2023	–	27.01.2023	90,664	–	–	90,664	2.439	Nil	–	–	27.01.2026	26.01.2033
Duncan Cooper[2]												
LTIP												
2020	106,558	28.02.2020	4,072[1]	61,720	48,910	–	5.138	Nil	2.317	143,002	20.02.2023	19.02.2030
2021	166,981	08.02.2021	–	–	–	166,981	3.279	Nil	–	–	08.02.2024	07.02.2031
2022	180,121	28.01.2022	–	–	–	180,121	3.131	Nil	–	–	28.01.2025	27.01.2032
2023	–	27.01.2023	242,792	–	–	242,792	2.439	Nil	–	–	27.01.2026	26.01.2033
DBP												
2020	320	28.02.2020	21[1]	341	–	–	4.530	Nil	2.317	790	28.02.2023	27.02.2030
2022	41,328	28.01.2022	–	–	–	41,328	3.064	Nil	–	–	28.01.2025	27.01.2032
2023	–	27.01.2023	50,911	–	–	50,911	2.439	Nil	–	–	27.01.2026	26.01.2033

1 Dividend equivalents granted during the year.
2 Duncan Cooper's outstanding awards lapsed on cessation of his employment on 13 December 2023.

Annual Report on remuneration continued

Loss of office payments (audited)

Duncan Cooper left the Group on 13 December 2023. His remuneration arrangements were treated in line with the shareholder approved Policy. He will not receive any compensation for loss of office. In line with the rules of the annual bonus and executive share schemes, he is not eligible for an annual bonus payment in respect of FY23 (including his time served in respect of FY24), and his outstanding awards under the LTIP made in 2021, 2022 and 2023 will lapse. His DBP options in respect of the annual bonus for the financial years ended 30 October 2021 and 2022 will also lapse. His two-year post employment shareholding requirement, which requires him to hold shares equivalent to the lower of 200% of salary on cessation or his actual shareholding, commenced on 13 December 2023.

Payments to past Directors (audited)

There were no payments to past Directors made during the year.

External directorships

Subject to Board approval, Executive Directors may hold one non-executive position outside of the Group that complements and enhances their current role. Any fees may be retained by the Director.

During the year, Peter Truscott served as a Non-Executive Director of Anchor Housing Group (appointed September 2020), for which he receives and retains an annual fee of £35,000.

Directors' service contracts and letters of appointment

Executive Directors have contracts of employment providing for a maximum of nine months' notice from either party. Non-Executive Directors have letters of appointment for an initial three-year term and generally serve two to three terms. The required notice is three months' from either party.

	Date of appointment	Notice period	Unexpired term remaining 31 October 2023
Peter Truscott	9 September 2019	Nine months	Terminable on nine months' notice
Bill Floydd	13 November 2023	Nine months	Terminable on nine months' notice
Iain Ferguson	16 September 2019	Three months	Terminable on three months' notice
David Arnold	1 September 2021	Three months	Terminable on three months' notice
Lucinda Bell	25 May 2018	Three months	Terminable on three months' notice
Louise Hardy	24 January 2018	Three months	Terminable on three months' notice
Octavia Morley	1 May 2017	Three months	Terminable on three months' notice
Maggie Semple	1 January 2024	Three months	Terminable on three months' notice

The Group has the right to terminate the contracts of Executive Directors by making a payment in lieu of notice. Any such payment will typically reflect the individual's salary, benefits in kind and pension entitlements. Further information is found on page 109 of the Remuneration Policy set out in the 2022 Annual Report.

Performance graph and table

The graph below illustrates the Company's total shareholder return performance relative to the constituents of the FTSE 250 Index (excluding investment trusts) from 31 October 2013. As a member of the FTSE 250 (since joining the index on 24 June 2013), the Committee considers this to be an appropriate comparator.

Historical Chief Executive remuneration

The table below sets out total Chief Executive remuneration for FY23 and prior years, together with the percentage of maximum annual bonus outcome and the percentage of maximum LTIP vested in that year.

£000	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Chief Executive total remuneration	1,313	4,127	2,345	2,150	714[2]	1,495[3]	739	1,422	1,768	769
Annual bonus % of maximum	100	82	82	84	0	3.5	0	84	80	0
Long-term incentive plan award % of maximum	N/A[1]	100	100	100	25	0	0	0	54	0

1 No long-term incentive plans vested or had a performance period ending in FY14.
2 Based pro rata, on salaries and total remuneration of Stephen Stone to 21 March 2018 and Patrick Bergin from 22 March 2018 to 31 October 2018.
3 Based pro rata, on salaries and total remuneration of Patrick Bergin to 26 March 2019, Chris Tinker from 26 March 2019 to 8 September 2019 and Peter Truscott from 9 September 2019. It also includes the cost of buy-out arrangements for Peter Truscott.

Relative importance of spend on pay

The table below shows how employee remuneration costs compare to distributions made to shareholders in FY22 and FY23.

This includes data for all employees, including those who were promoted, had salary changes, were new starters or received incentive-based remuneration, as well as pay in respect of individuals who left during the year but had some service. Distributions to shareholders for FY22 and FY23 are made up of cash paid to shareholders in each respective year.

The increase in total spend on pay is reflective of a competitive labour market leading to increases to pay generally over the course of the year, good financial performance in FY22 that led to annual bonuses being paid in February 2023 and the FY20 LTIP options partially meeting their performance targets and vesting in February 2023. The level of distributions to shareholders reflects the decision to hold the dividend payment at the same level as FY22.

The measures shown below are those specified by the applicable disclosure requirements and total spend on pay reflects actual expenditure in the year.

Total spend on pay[1]

Change
£7.3m

15%

Distributions to shareholders by way of dividend

Change
£5.1m

13%

1 Total spend on pay is calculated using cash amounts paid to employees in FY22. This is different to the disclosure in note 6 of the financial statements that uses accrued amounts which will be paid in future periods.

Annual Report on remuneration continued

Our approach to Fair Pay

The Committee reviews the remuneration framework applicable to all employees annually, ensuring that the Policy framework applies in a very similar way across the Group in terms of types of benefits and variable pay relative to role grades and disciplines. This ensures alignment across the Group and encourages shared goals and objectives.

When making remuneration decisions for Executive Directors, the Committee considers the wider economic environment and conditions within the Group. In particular, the Committee is sensitive to pay and employment conditions across the employee workforce and carefully considers the broader employee salary increase budget when making reward decisions for Directors. The Committee also considers industry benchmarking in the context of monitoring its overall position regarding Director and employee pay.

Cascade of remuneration across the Group

The table below summarises the information the Committee received as part of its annual review process and shows how remuneration compares across the Group in a transparent and fair way.

	Executive Directors Executive Directors of the Company.	**Senior management** Executive Leadership Team (other than Executive Directors) and other senior roles.	**Management** Management roles below senior management.	**Wider employee workforce** All other roles
Base salary	Base salary is set with reference to the specific nature of the role and responsibility, individual experience and performance, relative to other Group employees and market practice among other UK housebuilders. This is normally reviewed and increased with reference to cost of living, inflation, role benchmarking and Group performance. Other than where other wage rates apply such as apprentices, all employees are paid at or above the voluntary real Living Wage. **Matters considered during the year** After consideration of Group performance and wider economic factors such as inflation and role benchmarking, the average annual salary increase across the Group for FY24 was 2.6%. The Group's HR team regularly reviews base pay across the Group and compares this to market analysis and will continue to do so in FY24.			
Benefits	The Group's benefit programme applies to all employees in a similar way including access to healthcare coverage and life assurance. Certain benefits have a service requirement or have enhanced cover for management roles and above. Employees have access to a real-time total reward statement via our MyReward platform which also allows them to access and manage their benefits. **Matters considered during the year** The Committee considered the Group's benefits programme, noting that it continued to be in alignment across the Group.			
Pension	All employees are initially auto-enrolled into the Group pension plan with a 6% employer contribution or have the ability to opt in. Employees can opt to increase or decrease their contribution amounts. The maximum employer contribution is 10% depending on employee contribution level and service. The majority of employees receive an employer contribution of 6%. More than 94% of our employees are members of the Group pension plan. **Matters considered during the year** The Committee reviewed the Group's pension contribution framework and considered that budgetary headroom would be more appropriately focused on base salaries			
Annual bonus	Yes	Yes	Yes	Yes
	Matters considered during the year Where performance targets have been met, payments under employee schemes will be made. These are consistent with the performance of the Executive Directors' scheme.			
Share schemes	Sharesave + LTIP	Sharesave + LTIP	Sharesave only	Sharesave only
	Matters considered during the year The performance measures for the 2020 LTIP were considered and were not met. The Committee approved the launch of the 2023 Sharesave scheme to all employees which had 41% participation this year. The 2020 Sharesave matured in September and participants were able to exercise their options. We were pleased to see a significant number of employees in the scheme opt to become Crest Nicholson shareholders and retain their shares.			

Employee engagement

At the Employee Voice forums Louise Hardy, Non-Executive Director responsible for employee engagement, engaged with forum members on remuneration matters. As part of the 2023 Policy review, forum members were also shown how the reward package cascades across the Group along with how the variable reward plans and their measures were developed. Forum members feedback was sought on how culture should be taken into account when setting pay, whether employees understood their bonus schemes or had ideas on other measures that could be used and whether there were any concerns about the 2023 Policy.

At the divisional updates regularly hosted by the Chief Executive, employees were also encouraged to participate by asking questions (anonymously in advance or in person), and remuneration concerns were regularly addressed. The Committee was pleased that 41% of eligible employees joined the 2023 Sharesave scheme and that employee participation across all share schemes remained at 51%. The Committee considers Sharesave to be a valuable mechanism that provides employees with a path to share ownership. The Committee will continue to review employee pay structures and levels during FY24.

Chief Executive to employees pay ratio for FY23

This year the Company has adopted Option B to calculate the ratio for FY23 and subsequent years following changes to internal systems, which no longer collates the required data to use Option A. This is our fourth year publishing a Chief Executive pay ratio and previous years are below for comparison. We will continue to build this up over time to show a rolling 10-year period.

Year	Method		25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
31 October 2020	Option A	**Ratio**	25:1	17:1	11:1
31 October 2021	Option A	**Ratio**	46:1	32:1	21:1
31 October 2022	Option A	**Ratio**	55:1	37:1	25:1
31 October 2023	Option B	**Ratio**	16:1	12:1	10:1
		Employees' total pay	£49,026	£66,376	£78,776
		Employees' salary	£38,500	£51,667	£66,354

To calculate Option B, the latest available gender pay gap data (i.e. from April 2023) was used to identify three Group employees whose hourly rates of pay were at the 25th, 50th and 75th percentiles of all Group employees. The total remuneration for the three employees at each percentile was calculated as at 31 October 2023 on the same basis as the Chief Executive single total figure of remuneration (see page 89). The remuneration of employees above and below the selected employees was also reviewed to ensure that they were the best equivalents for each percentile.

Employee pay includes such items as overtime, commission, bonus and any long-term incentives. Benefits include company car or car allowance, private medical and employer pension contributions. Other than any bonus elements, all other payments are included on a cash basis. The bonus elements are for the bonus earned during FY23.

The Executive Directors' Policy is designed taking into account the remuneration arrangements, policies and practices throughout the Group and when reviewing the implementation of the Policy, the Committee ensures outcomes throughout the Group are fair and appropriate. The Committee considers the median pay ratio is consistent with the Group's wider policies on employee pay, reward and progression. The ratio has decreased this year because the Chief Executive did not receive any incentive payments for FY23, as explained earlier in this report. In FY22 the bonus payout was 80% of maximum and LTIP vesting was 54% of maximum.

Percentage change in Directors' remuneration

The table below sets out the percentage change between FY19 and FY20, FY20 and FY21, FY21 and FY22, and FY22 and FY23 for salary, benefits and annual bonus of Directors compared with a selected cohort of employees. The parent company, Crest Nicholson Holdings plc, does not have any direct employees. However, we disclose on a voluntary basis the comparison of the pay decisions taken by the Committee for Directors against the experience of the wider workforce using a comparator group of employees.

To provide the best like-for-like comparison, this group of employees have similar employment terms to the Executive Directors and have not joined or left employment during the latest comparison period. The average increase in salary of 7.11% for the cohort of employees during FY23 is due to role changes, promotions and market rate adjustments during the year. The average increases for benefits and bonus are affected by these salary and role changes.

	% change in basic salary/fees				% change in benefits				% change in bonus[7]			
	2022 to 2023	2021 to 2022	2020 to 2021	2019 to 2020	2022 to 2023	2021 to 2022	2020 to 2021	2019 to 2020	2022 to 2023	2021 to 2022	2020 to 2021	2019 to 2020
Peter Truscott[1]	4.7%	2.5%	0.0%	35.2%	3.6%	1.7%	-0.3%	-6.1%	-100.0%	-1.9%	100.0%	-100.0%
Duncan Cooper[2]	4.7%	2.5%	1.4%	7.6%	1.2%	0.4%	4.6%	18.4%	-100.0%	-1.9%	100.0%	-100.0%
Iain Ferguson[3]	3.0%	2.5%	0.0%	-26.4%	–	–	–	–	–	–	–	–
David Arnold[4]	3.0%	2.5%	0.0%	–	–	–	–	–	–	–	–	–
Octavia Morley[5]	3.0%	2.5%	5.5%	8.3%	–	–	–	–	–	–	–	–
Lucinda Bell	3.0%	2.5%	0.0%	0.0%	–	–	–	–	–	–	–	–
Louise Hardy[6]	3.0%	2.5%	9.7%	0.0%	–	–	–	–	–	–	–	–
Average cohort Employees	7.1%	9.4%	7.1%	2.8%	5.2%	16.5%	11.2%	13.8%	-79.3%	4.7%	244.0%	-35.0%

1 The figures used for FY19 are the blended salaries for Patrick Bergin, Chris Tinker (who acted as Interim Chief Executive) and Peter Truscott, in respect of their time serving as Chief Executive. They do not include buy out awards in respect of Peter Truscott.
2 For FY19 we have used annualised amounts in respect of Duncan Cooper.
3 The figure used for FY19 is the salary for Stephen Stone who was Chairman during this period.
4 The figure used for FY20 is the fee for Sharon Flood who served in the same role during this period.
5 The FY21 increase for Octavia Morley reflected her extra responsibilities as Senior Independent Director.
6 The FY21 increase for Louise Hardy reflected her extra responsibilities as Non-Executive Director responsible for employee engagement.
7 An element of employee bonus schemes is based on customer satisfaction scores on 31 January each year which falls after publication of this report. These figures for the cohort group are calculated using the customer satisfaction score on 31 December in the respective year.

Annual Report on remuneration continued

Gender pay gap reporting

During 2022 we saw a decrease in our mean hourly pay gap to 20% (2021: 27%) and our median hourly pay gap to 13% (2021: 22%). We remain a majority male workforce with men generally still holding the more senior roles, however, we have seen the number of women in the upper quartile increase to 25% in 2022 (2021: 20%).

Women account for 39% of our workforce (compared to 37% in 2021) and we are working hard to increase diversity and gender balance within all roles and at all levels. We have a long way to go before we achieve a 50:50 male female ratio and believe our fair pay objectives supported by our policies processes and initiatives will help us get there. More details can be found on pages 28 to 29. The Committee continues to take into account its gender pay gap when making pay decisions and works in conjunction with the Nomination Committee to improve the diversity of employees.

Our Fair Pay Objectives

1. Become an employer of choice for all in construction and housebuilding
2. Foster a culture of work-life balance that respects responsibilities outside of work
3. Remove any barriers to career progression for all employees
4. Continue to ensure salaries and bonuses are inclusive regardless of role.

Advisors to the Committee

The Chief Executive and Group HR Director provide input to the Committee on matters concerning remuneration and the Group Company Secretary acts as Secretary to the Committee.

The Committee received external remuneration advice in the year from Korn Ferry (total fees £58,668). Korn Ferry was appointed by the Committee following a competitive selection process in 2018. Korn Ferry is a founder member of the Remuneration Consultants' Group, which operates a code of conduct. Fees paid to external remuneration advisors are typically charged on an hourly basis with costs for work agreed in advance where possible. During the year, Korn Ferry provided professional search services to a separate part of the Company. These services were carried out by a division separate to the remuneration advisory team.

The Committee manages conflicts of interest by ensuring the relevant member of management or the Committee are not present when their own remuneration is determined or discussed. Taking into account their work in the year and their relationship with the Company, the Committee is satisfied that the advice received by Korn Ferry in relation to executive remuneration matters was objective and independent.

Statement of voting at Annual General Meeting

The tables below set out the votes received for the FY22 Directors' Remuneration Report and Remuneration Policy at the 2023 AGM.

Directors' Remuneration Report		
Shares voted in favour	179,320,991	94.44%
Shares voted against	10,567,076	5.56%

Directors' Remuneration Policy		
Shares voted in favour	185,680,904	97.28%
Shares voted against	5,199,216	2.72%

The Committee welcomes feedback and encourages shareholders to contact the Remuneration Committee Chair via the Group Company Secretary to provide their views and feedback.

Approval

This Directors' Remuneration Report was approved by the Board of Directors on 23 January 2024 and signed on its behalf by

Octavia Morley
Remuneration Committee Chair

Directors' Report

The Directors present their report for the year ended 31 October 2023.

The Strategic Report set out on pages 1 to 52 of this Annual Report and financial statements, together with the Corporate Governance Report, the reports of the Board Committees and the Directors' Remuneration Report set out on pages 53 to 100 of this Annual Report and financial statements, include information that would otherwise need to be included in this Directors' Report. Readers are also referred to the cautionary statement on the inside front cover of this Annual Report and financial statements.

Disclosures by Reference

Additional information, which is incorporated into this Directors' Report by reference, including information required by the Companies Act 2006, Disclosure and Transparency Rule 7.2, and Listing Rule 9.8.4R, can be located by page reference elsewhere in this Annual Report and financial statements as follows:

Articles of Association

The Articles of Association regulate the internal affairs of the Company and are available on the Company's website.

Amendments to the Articles of Association may be made in accordance with the provisions of Companies Act 2006 by special resolution of shareholders.

Powers of Directors

Directors' powers are conferred on them by UK legislation and by the Articles.

Election and re-election of Directors

Any Director appointed to the Board during the year shall hold office until the next AGM and shall then be eligible for election.

In accordance with the UK Corporate Governance Code, the Board proposes the election of Bill Floydd and Dr Maggie Semple OBE to the Board at the upcoming AGM in 2024. All other serving Directors will retire and offer themselves for re-election at the 2024 AGM.

Directors' and officers' liability insurance

The Company maintains Directors' and officers' liability insurance for the Directors.

The Company has granted indemnities to the extent permitted by law to the Directors and to the Directors of Crest Nicholson Pension Trustee Limited, which acts as trustee to the Group's defined benefit pension scheme.

Share capital

As at 31 October 2023 there are 256,920,539 ordinary shares of 5 pence in issue. No ordinary shares were issued during the financial year.

Rights and restrictions attached to shares and restrictions on transfers

Subject to the provisions of relevant statutes, and without prejudice to any rights attached to any existing shares or class of shares:

- Any share may be issued with such rights or restrictions as the Company may by ordinary resolution determine or, subject to and in default of such determination, as the Board shall determine
- In any general meeting, on a show of hands, every member who is present in person shall have one vote, and on a poll every member present in person or by proxy shall have one vote for every share of which they are the holder
- There are no specific restrictions on transfer of shares, other than where these are imposed by law or regulations.

The Company is not aware of any arrangements between shareholders that may result in restrictions on the transfer of securities or voting rights.

Power to issue or buy back own shares

At the AGM in March 2023 the Company's shareholders delegated to the Directors the following powers in relation to the issue or market purchase by the Company of its shares:

- Authority to allot shares in the Company up to an aggregate nominal amount of £4,282,008 (equivalent to one-third of the Company's issued share capital)
- Authority to allot a further one-third of the Group's issued share capital up to an aggregate nominal amount of £4,282,008 (equivalent to one-third of the Company's issued share capital) in connection with a pre-emptive offer by way of a rights issue
- Authority to disapply pre-emption rights up to an aggregate nominal amount of £1,284,602 (equivalent to 10% of the Company's issued share capital) with the authority for a further disapplication of pre-emption rights up to an aggregate nominal amount of £256,920 (equivalent to 2% of the Company's issued share capital) to be used only for the purposes of a follow on offer as described in the Pre-Emption Group's Statement of Principles 2022 on Disapplying Pre-Emption Rights (Statement of Principles 2022)
- Authority to disapply pre-emption rights up to an aggregate nominal amount of £1,284,602 (equivalent to 10% of the Company's issued share capital) for transactions which the Board determines to be an acquisition or other capital investment as defined in the Statement of Principles 2022, with the authority for a further disapplication of pre-emption rights up to an aggregate nominal amount of £256,920 (equivalent to 2% of the Company's issued share capital) to be used only for the purposes of a follow on offer as described in the Statement of Principles 2022
- Authority to make market purchases of its own shares up to a maximum aggregate number of 25,692,053 (equivalent to 10% of the Company's issued shares).

These standard authorities will expire on 30 April 2024 or at the conclusion of the next AGM, whichever is earlier.

AGM

The AGM will be held on 19 March 2024. Details and arrangements for the meeting together with the resolutions to be proposed will be set out in the Notice of Annual General Meeting which accompanies the Annual Report and financial statements and is available on our website.

Directors' Report continued

For details on the resolutions and explanatory notes, please refer to the Notice of AGM which will be posted to shareholders and made available at **www.crestnicholson.com/investors/shareholder-centre**

Employee Share Ownership Trust

As at 31 October 2023 the Group's Employee Share Ownership Trust (ESOT) held 600,256 ordinary shares for the purposes of satisfying awards under the Company's share and incentive plans. The ESOT has waived rights to a dividend now and in the future.

Policies and procedures

Policies and procedures, including operating and financial controls, are detailed in the Group's policies and procedures manuals. There are approval processes in relation to the acquisition of land and the commencement of development projects. All land acquisitions go through a rigorous approval and assessment process at Group level.

Significant contracts

The Group does not have any contracts that are considered alone to be essential to the business of the Group. The Group does, on occasion, make significant purchases of goods and services from a sole supplier where this is deemed necessary for efficiency, practicality or value. However, it does so only after a tender or appropriate selection process and in the context of the level of risk such sole supply might bring.

Financial risk management

Note 24 to the consolidated financial statements set out the Group's approach to financial risk management including financial credit and liquidity risk.

Political donations

The Group made no political donations during the year (FY22: nil).

Events after the balance sheet date

There were no significant events after the balance sheet date.

Branches

The Group has no branches outside the United Kingdom.

Change of control

The Group has in place several agreements with its lending banks, private placement note holders, joint venture partners, Government authorities (such as Homes England), private investors and customers, which contain certain termination rights that would have an effect in the event of a change of control. The Directors believe these agreements to be commercially sensitive and consider that their disclosure would be seriously prejudicial to the Group.

The Group's share schemes contain provisions that, in the event of a change of control, would result in outstanding options and awards becoming exercisable.

There are no agreements between the Group and its Directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid.

Substantial shareholdings

Set out below are the percentage interests in ordinary share capital of the Company, disclosable under the Disclosure Guidance and Transparency Rules, that were notified to the Company as at 31 October 2023 and 22 January 2024.

Shareholder	31 October 2023 % of voting rights held	22 January 2024 % of voting rights held
Shanlis Investment Unlimited	0.00	6.03
Lorsden (Jersey) Limited	6.03	0.00
BlackRock, Inc	5.32	5.32
Boldhaven Management LLP	5.03	5.03
Janus Henderson Group plc	5.01	5.01
Liontrust Asset Management plc	4.94	4.94
Norges Bank	3.92	3.92

Disclosure of information to the auditor

The Directors who held office at the date of approval of the Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditor is unaware. Each Director has taken all the steps they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Appointment of auditor

PricewaterhouseCoopers LLP (PwC) was re-appointed at the 2023 AGM and is willing to seek re-appointment this year.

Resolutions to re-appoint PwC will be proposed at the 2024 AGM.

Approval

The Directors' Report was approved by the Board of Directors on 23 January 2024 and signed on its behalf.

Penny Thomas
Company Secretary

Financial statements

FY23 financial statements

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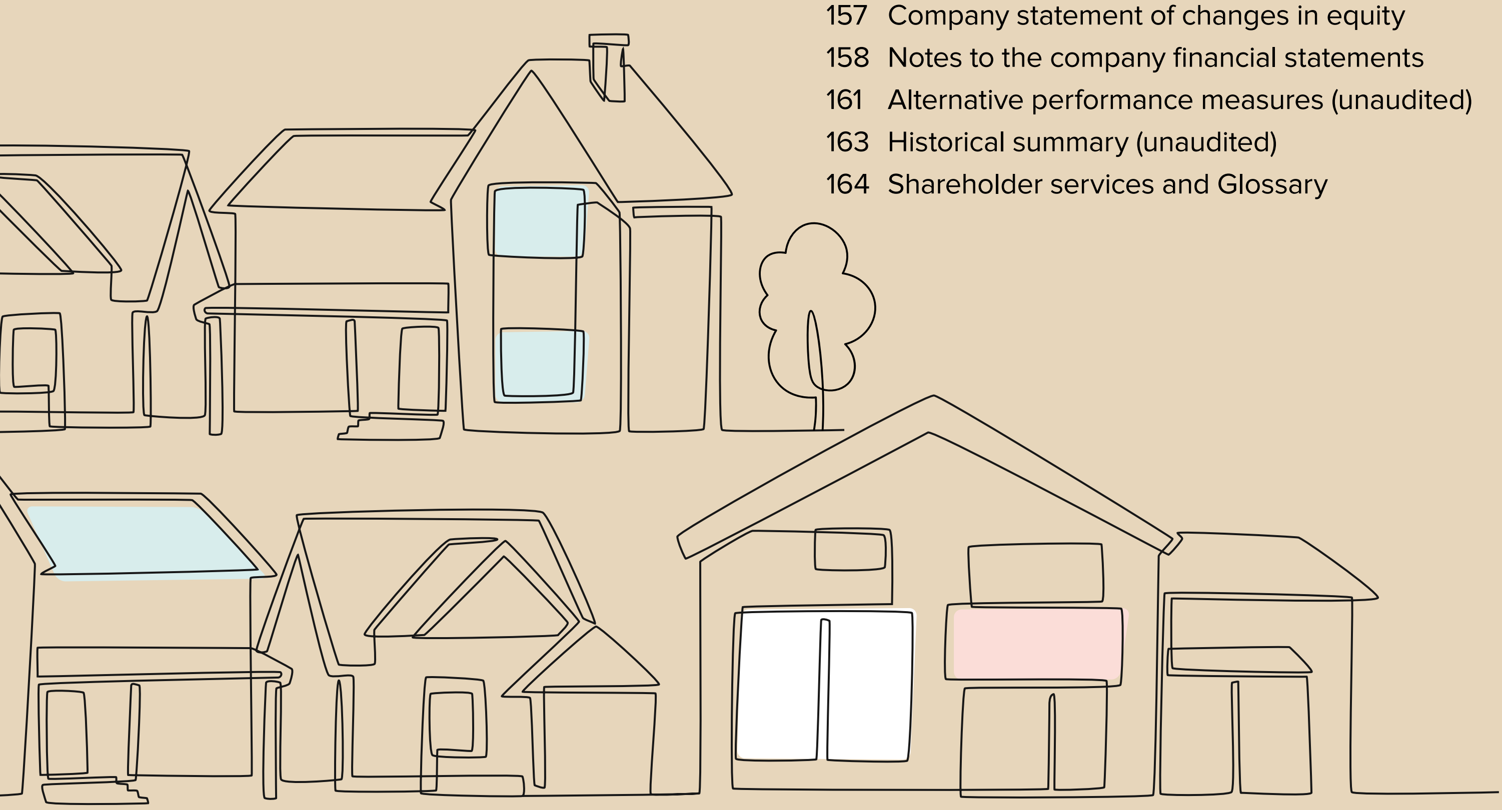

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with UK-adopted international accounting standards and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law).

Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

— Select suitable accounting policies and then apply them consistently
— State whether applicable UK-adopted international accounting standards have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements
— Make judgements and accounting estimates that are reasonable and prudent, and
— Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

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

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

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

Directors' confirmations

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

Each of the Directors, whose names and functions are listed on pages 56 to 57 confirm that, to the best of their knowledge:

— The Group financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Group
— The Company financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 101, give a true and fair view of the assets, liabilities and financial position of the Company, and
— The Strategic Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

In the case of each Director in office at the date the Directors' Report is approved:

— So far as the Director is aware, there is no relevant audit information of which the Group's and Company's auditors are unaware, and
— They have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's and Company's auditors are aware of that information.

On behalf of the Board

Peter Truscott
Chief Executive

23 January 2024

Independent auditors' report to the members of Crest Nicholson Holdings plc

Report on the audit of the financial statements

Opinion

In our opinion:

- Crest Nicholson Holdings plc's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 October 2023 and of the Group's profit and the Group's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements 2023 (the "Annual Report"), which comprise: the Consolidated and Company statements of financial position as at 31 October 2023; the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated cash flow statement and the Consolidated and Company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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

Basis for opinion

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

Independence

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

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

Other than those disclosed in note 5 of the consolidated financial statements, we have provided no non-audit services to the Company or its controlled undertakings in the period under audit.

Our audit approach

Context

Crest Nicholson Holdings plc is a residential housebuilder listed on the London Stock Exchange. The Group is wholly UK based. The Group is susceptible to external macro-economic factors such as government regulation, mortgage availability and changes in the wider housing sector such as customer demand, supply chain availability and build cost inflation. This is particularly relevant for our work in the areas of margin forecasting and recognition and valuation of inventory. During the year ended 31 October 2023, the Group's revenues and profits have decreased from the prior year, reflecting a lower level of home completions and reduction in profit margins. The Group has recorded an additional net exceptional charge in relation to the combustible materials provision and a legal provision. Our audit procedures, as set out below in the related key audit matters, focused on the appropriateness of the significant accounting estimates made by management.

Overview

Audit scope

- We conducted an audit of the complete financial information of each of the five revenue-generating housebuilding divisions, which form the majority of the Group. Specific balances and financial statement line items were audited within additional reporting units based on their size. Revenue, the carrying value of inventory, pensions and the combustible materials provision, amongst other items, were tested at the Group level.

Key audit matters

- Valuation of inventory at the lower of cost and net realisable value ("NRV") (Group)
- Margin forecasting and recognition (Group)
- Accounting for the combustible materials provision (Group)
- Valuation of intercompany receivables (Company)

Materiality

- Overall Group materiality: £4,800,000 (2022: £6,400,000) based on approximately 5% of a 3-year average of the Group's profit before tax and exceptional items (2022: based on 5% of the current year profit before tax and exceptional items).
- Overall Company materiality: £1,800,000 (2022: £2,200,000) based on approximately 1% of total assets.
- Performance materiality: £3,600,000 (2022: £4,800,000) (Group) and £1,350,000 (2022: £1,650,000) (Company).

The scope of our audit

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

Independent auditors' report continued

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Valuation of inventory at the lower of cost and net realisable value ("NRV") (Group) Refer to Note 1 (Accounting policies) and Note 18 (Inventories) of the Consolidated financial statements, and the Key financial and internal control matters section of the Governance Report. Inventory is the most significant balance in the consolidated statement of financial position and is held at the lower of cost and net realisable value ("NRV"). While the cost of inventory is relatively straightforward to determine, the NRV of a development is judgemental, based on forecasts of costs and sales prices. Due to the size of the balances and the judgemental nature of the forecasts we determined that the valuation of this financial statement line item was assessed as a significant risk for the audit and therefore an area of focus for our work.	Our audit procedures included: — Confirming and updating our understanding of management's process for preparing a margin forecast for each development, consistent with the risk associated with the margin forecasting and recognition process (see key audit matter below); — Evaluating and testing management's controls over the approval of the initial forecasts and the monitoring of updates required to the forecasts over the course of the development's life, including attendance at build cost control meetings at all divisions. Where controls could not be relied upon, which was the case in two of the divisions (see further detail in the Key financial and internal control matters section of the Governance Report), a high level of substantive evidence was sought from the procedures set out immediately below; — Testing the appropriateness and accuracy of the inputs into the development forecasts, for example by comparing sales prices and costs to market research, quotes or purchase orders. As part of our audit procedures, we also had discussions with site surveyors and other individuals outside the finance function; — Understanding the composition of the inventory balance, specifically the level of completed but unreserved units, to confirm if completed units are held at the appropriate value. Assessing the level of post year end reservations and comparing forecast sales prices to actual sales prices achieved or to external market data to determine that this audit evidence supports the valuations at the period end; — Evaluating future margins to be recognised on sites with low margins or high levels of completed and unreserved units at the year end date; — Evaluating the carrying value of part exchange stock by verifying sales values to post-year end reservations; — Assessing the accuracy of the NRV charge recognised in the period by testing management's latest estimates of costs and sales prices, including movements post year end, and confirming the appropriateness of the NRV utilised during the year; and — Testing management's NRV models to confirm the mathematical accuracy of the workings.

Key audit matter	How our audit addressed the key audit matter
Margin forecasting and recognition (Group) Refer to Note 1 (Accounting policies) of the Consolidated financial statements and the Key financial and internal control matters section of the Governance Report. The Group's margins are recognised on a plot by plot basis by reference to the margin forecast across the related development site. The margin per site reflects the best estimates of sales prices and costs at that time. There is a risk that the margin forecast for the site, and consequently the margin recognised on each unit sale, is incorrect and not reflective of management's current best estimate of the future final margin that will be recognised on a development. As a result, profit margins could be manipulated or subject to error through the high level of management estimation involved in ensuring the accuracy and completeness of an individual site forecast, and the monitoring of these estimates over time. Sales prices and build costs are inherently more uncertain as they are influenced by changes in external market factors, such as government regulations, the availability and affordability of mortgages, changes in customer demand due to market uncertainty or build cost inflation. There is higher uncertainty when a development is scheduled to be completed over a long timeframe. Management has implemented internal forecasting controls to assess land acquisition prior to build commencement and assist with the initial financial appraisal process. Further controls to monitor the ongoing costs and sales prices within these forecasts occur on a regular basis throughout the year. In view of the high inherent estimation uncertainty and the potential for manipulation of margin forecasts, we consider the accuracy and completeness of forecasting and margin recognition across the life of the site to be a significant financial reporting risk for the Group.	Our audit procedures included: — Testing management's controls over the approval of the initial forecasts; — Testing management's forecasting and monitoring controls for the developments (including attendance at a selection of management's internal control meetings) and evaluating samples of the data used in these meetings, including for monitoring changes to forecasts, to confirm the accuracy of this information. Where this control could not be relied upon, which was the case in two of the Divisions (see further detail in the Key financial and internal control matters section of the Governance Report), a high level of substantive testing was performed from the relevant procedures set out below; — For a sample of sites where we noted variances in forecast margins compared to the prior year and the current year budget, substantively testing a sample of the inputs (eg. latest quotes/tenders) to confirm these were supportable and complete; — Confirming, through sampling of additions to inventory, that costs were being allocated to appropriate developments and therefore impacting the correct site margin; — Assessing management's overall historical accuracy of the forecasts by analysing the changes to margins in the year and adjustments made to margins through cost of sales. We also assessed how margins had moved across divisions to consider whether there were any systemic trends that could indicate manipulation of forecasts; — Evaluating, by recalculating a sample of margins and by a test of controls, that the system correctly calculates the margin following cost or sales price amendments made by management; and — Testing any material manual adjustments to margins to ensure these were appropriate by agreeing these costs/income to third party support.

Independent auditors' report continued

Key audit matter	How our audit addressed the key audit matter
Accounting for the combustible materials provision (Group) Refer to Note 1 (Accounting policies), Note 4 (Exceptional items), Note 22 (Provisions) of the Consolidated financial statements and the Key financial and internal control matters section of the Governance Report. Since FY19 the Group has held a provision in relation to combustible materials to comply with the Fire Safety Order where it was established that one of the Group's buildings had been non-compliant at the time of build. As a consequence of signing the Building Safety Pledge in April 2022, the Group's obligation to remediate buildings widened to cover for 'Life Critical' safety issues in buildings 11 metres and over that have been built over the last 30 years. In March 2023, the Group signed the Developer Remediation Contract (the "Contract") which formalised the commitments made in the signing of the Building Safety Pledge in the prior year. During the year management has increased the provision, which primarily reflects changes to cost estimates and scope of works, offset by the increased impact of discounting. The provision is material, inherently judgemental and an area of significant estimation uncertainty. The provision is identified as a critical accounting estimate as it requires a number of judgements over key assumptions in its calculation, including the number of properties impacted, the scope of work required, the estimated cost and the timing of expenditure. Given the related estimation uncertainty, we identified the valuation and completeness of the combustible materials provision as a significant risk for the audit.	Our audit procedures included: — Inquiring with senior management to understand the impact of signing the Government's Developer Remediation Contract and to understand the movement in the provision in the year. Evaluating that the approach taken aligns with accounting standards as well as the impact of signing the Contract; — Reading and understanding the requirements of the Developer Remediation Contract, and management's assessment of the impact of the contract, to confirm management's assumptions and interpretations are reasonable and determine scope of remediation; — Recalculating and checking the integrity of management's manual model to confirm its accuracy; — Testing the valuation of the provision recognised at the year end. For sites where the Building Safety Fund (BSF) made full or partial awards to the BSF applicants and the Group is not performing, but is paying for, the remediation work we agreed the amounts provided to correspondence from the BSF to the Group. For the remaining sites, where the scope of work was already assessed by the Group, our testing focussed on agreeing the scope of works to external fire assessment reports and costs to, third party tenders. On sites where the scope of work is yet to be determined, we tested management's assumptions in relation to scope and estimate of the work through agreeing the scope to draft fire assessment reports and comparing the costs to other similar sites. In the absence of this information, we have agreed the amounts provided to the initial BSF awards as that is the best available evidence for the estimated cost of remediation on those sites; — Assessing the completeness of the provision through procedures, including internet searches on unnotified buildings, trend analytics on sites by location and comparison of similar buildings and performing external searches for identified management companies who have notified the Group which has resulted in the recognition of a provision to identify other buildings in the public domain and to assess exposure; — Assessing the technical capabilities and expertise of the Group's employees and consultants involved in assessing the provision; — Making enquiries of the Group's General Counsel in relation to any claims that have come through in relation to fire safety and reviewing the latest report on claims and assessing the impact of any fire safety related claims on the provision; — Reviewing board minutes to check for any fire safety related claims that are not already factored into the provision; — Assessing the disclosures made in the financial statements and considering these both in the context of IAS 37 and expected disclosures around contingent liabilities; and — Validating the long-term and short-term split of the provision based on management's plans for remediation as well as expected payments to the BSF. This is based on management's best estimate of when the cash is likely to outflow.

Key audit matter	How our audit addressed the key audit matter
Valuation of intercompany receivables (Company) Refer to Note 5 (Trade and other receivables) of the Company financial statements. Intercompany receivables are the largest financial statement line item in the Company financial statements and are repayable on demand. The recoverability, and any expected credit losses, of these balances from other Group companies depends on the ability of the Group as a whole to generate cash flows to enable future repayment. Whilst this is not a significant risk for the audit, in the context of the audit of the Company it is the area of highest audit effort.	Our audit procedures included: — Testing the outcomes of the Group's going concern model, in particular the cash flow forecasts, and confirming that there were no liquidity issues in the Group that would impact the ability of subsidiaries to repay amounts due; and — Verifying the level of cash held by the subsidiaries of the Group and their ability to repay this on the basis that sufficient cash reserves, and access to further credit facilities, are held to repay the debt if required.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group's financial statements are ultimately a consolidation of 20 reporting units (each of which are deemed to be financial reporting components) representing the Group's five geographically-based housebuilding divisions, other smaller trading subsidiaries and the centralised functions. The reporting units vary in size, but the bulk of the Group's operations is represented by the five revenue-generating housebuilding divisions. Consequently, we determined each of these five divisions required an audit of its complete financial information due to its size. These five reporting units were all audited by the Group engagement team. The reporting units where we performed an audit of the complete financial information, in addition to the audit of consolidation journals and the audit of specific financial statement line items for other reporting units, accounted for 100% of the Group's revenues and 95% of the Group's profit before tax and exceptional items. We audited exceptional items, including the combustible materials and legal provisions, at the Group level. The audit of specific financial statement line items included a further three reporting units, to provide additional coverage over items such as inventory, administrative costs and accruals. Our audit work across these reporting units, together with the additional procedures performed at the Group level on revenue, the carrying value of inventory, the consolidation, goodwill, taxation, retirement benefit obligations, payroll expense, finance expense and loans and borrowings gave us the evidence we needed for our opinion on the Consolidated financial statements as a whole. The audit of the Company financial statements consisted of the full scope audit of one reporting unit which operates as the holding Company function.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the Group's and Company's financial statements. The risks are primarily transitional and relate to additional regulatory and/or reporting requirements, which may result in further cost to the Group. These costs, for example by applying the Future Homes Standard to new homes built from 2025, will impact the whole housebuilding sector and therefore become a feature of house price valuation at that time. The Group will also procure land factoring in these costs to its future margin appraisals, but there is a risk that for some existing parts of the Group's land portfolio that these costs have to be absorbed by the Group. We have evaluated management's assessment of this risk. Our procedures did not identify any material impact as a result of climate risk on the Group's and Company's financial statements.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – Group	Financial statements – Company
Overall materiality	£4,800,000 (2022: £6,400,000).	£1,800,000 (2022: £2,200,000).
How we determined it	Approximately 5% of a 3-year average of the Group's profit before tax and exceptional items (2022: based on 5% of the current year profit before tax and exceptional items).	Approximately 1% of total assets.
Rationale for benchmark applied	Profit before tax and exceptional items is one of the key measures used by the shareholders in assessing the performance of the Group and is a generally accepted auditing benchmark. Using an average over 3 years is appropriate given the fluctuation in the Group's financial performance in each of these periods, whilst the Group's statement of financial position remains relatively consistent.	We believe that total assets is the primary measure used by the shareholders in assessing the performance of the entity, which acts solely as a holding Company, and is a generally accepted auditing benchmark.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £0.3 million and £4.5 million.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2022: 75%) of overall materiality, amounting to £3,600,000 (2022: £4,800,000) for the Group financial statements and £1,350,000 (2022: £1,650,000) for the Company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £240,000 (Group audit) (2022: £300,000) and £90,000 (Company audit) (2022: £110,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- Evaluating the appropriateness of the going concern assessment performed by the directors, including the accuracy of the underlying model and the principles applied to determine the cash flows;
- Testing of the key assumptions used in the model, including comparison to third party market information where appropriate and confirmation that the assumptions used in the "severe but plausible" downside scenario were sufficiently severe to model potential future economic downturn, above and beyond current market forecasts, and that mitigating actions modelled in this scenario were realistic and appropriate;
- Evaluating the output of the models and considered this in the context of the Group's covenants on its lending facilities, and in particular understanding any risk of potential breach of covenants; and
- Ensuring that both the base case and the downside scenario appropriately considered other known risks to the Group, outside the general assumptions overlayed on underlying trading.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and the Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and the Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and the Directors' Report for the year ended 31 October 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and the Directors' Report.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the Group's and Company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the Group and Company was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and Company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit and Risk Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Independent auditors' report continued

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to government guidelines on fire safety and other health and safety requirements, employment law, including legislation relating to pensions, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Listing Rules and the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to management bias, in particular in areas of significant estimation uncertainty as set out in note 1 to the consolidated financial statements, or where management has the ability to post inappropriate journals. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- Discussions with the Executive Leadership Team, Divisional management teams and the Audit and Risk Committee, review of internal audit reports and consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluation and testing of the operating effectiveness of management's controls designed to prevent and detect irregularities, in particular their controls around cost and margin forecasting, including performing alternative audit procedures where controls were not deemed to be effective in the period;
- Challenging the assumptions and judgements made by management in determining their significant accounting estimates, in particular in relation to cost and margin forecasting and provisions (see related key audit matters above); and
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: **www.frc.org.uk/auditorsresponsibilities**. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit and Risk Committee, we were appointed by the members on 23 March 2015 to audit the financial statements for the year ended 31 October 2015 and subsequent financial periods. The period of total uninterrupted engagement is nine years, covering the years ended 31 October 2015 to 31 October 2023.

Other matter

In due course, as required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements will form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditors' report provides no assurance over whether the annual financial report will be prepared using the single electronic format specified in the ESEF RTS.

Darryl Phillips
(Senior Statutory Auditor)
for and on behalf of
PricewaterhouseCoopers LLP

Chartered Accountants and
Statutory Auditors
London

23 January 2024

Consolidated income statement
For the year ended 31 October 2023

	Note	2023 Pre-exceptional items £m	2023 Exceptional items (note 4) £m	2023 Total £m	2022 Pre-exceptional items £m	2022 Exceptional items (note 4) £m	2022 Total £m
Revenue	3	**657.5**	**–**	**657.5**	**913.6**	**–**	**913.6**
Cost of sales		(556.9)	(14.3)	(571.2)	(719.3)	(102.5)	(821.8)
Gross profit/(loss)		**100.6**	**(14.3)**	**86.3**	**194.3**	**(102.5)**	**91.8**
Net administrative expenses	5	(55.8)	–	(55.8)	(51.1)	–	(51.1)
Net impairment losses on financial assets	17	(0.6)	–	(0.6)	(2.3)	–	(2.3)
Operating profit/(loss)	5	**44.2**	**(14.3)**	**29.9**	**140.9**	**(102.5)**	**38.4**
Finance income	7	4.1	–	4.1	3.1	–	3.1
Finance expense	7	(9.6)	(4.6)	(14.2)	(10.2)	(1.0)	(11.2)
Net finance expense		**(5.5)**	**(4.6)**	**(10.1)**	**(7.1)**	**(1.0)**	**(8.1)**
Share of post-tax profits/(losses) of joint ventures using the equity method	14	2.7	0.6	3.3	4.0	(1.5)	2.5
Profit/(loss) before tax		**41.4**	**(18.3)**	**23.1**	**137.8**	**(105.0)**	**32.8**
Income tax (expense)/credit	8	(10.0)	4.8	(5.2)	(28.8)	22.4	(6.4)
Profit/(loss) for the year attributable to equity shareholders		**31.4**	**(13.5)**	**17.9**	**109.0**	**(82.6)**	**26.4**
Earnings per ordinary share							
Basic	10	12.3p		7.0p	42.5p		10.3p
Diluted	10	12.2p		7.0p	42.3p		10.2p

The notes on pages 115-155 form part of these consolidated financial statements.

Consolidated statement of comprehensive income
For the year ended 31 October 2023

	Note	2023 £m	2022 £m
Profit for the year attributable to equity shareholders		**17.9**	**26.4**
Other comprehensive (expense)/income:			
Items that will not be reclassified to the consolidated income statement:			
Actuarial losses of defined benefit schemes	16	(2.5)	(8.4)
Change in deferred tax on actuarial losses of defined benefit schemes	15	1.1	1.6
Other comprehensive expense for the year net of income tax		**(1.4)**	**(6.8)**
Total comprehensive income attributable to equity shareholders		**16.5**	**19.6**

The notes on pages 115-155 form part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31 October 2023

	Note	Share capital £m	Share premium account £m	Retained earnings £m	Total equity £m
Balance at 1 November 2021		**12.8**	**74.2**	**814.6**	**901.6**
Profit for the year attributable to equity shareholders		–	–	26.4	26.4
Actuarial losses of defined benefit schemes	16	–	–	(8.4)	(8.4)
Change in deferred tax on actuarial losses of defined benefit schemes	15	–	–	1.6	1.6
Total comprehensive income for the year		**–**	**–**	**19.6**	**19.6**
Transactions with shareholders:					
Equity-settled share-based payments	16	–	–	1.9	1.9
Deferred tax on equity-settled share-based payments	15	–	–	(0.4)	(0.4)
Purchase of own shares	23	–	–	(1.1)	(1.1)
Dividends paid	9	–	–	(38.5)	(38.5)
Balance at 31 October 2022		**12.8**	**74.2**	**796.1**	**883.1**
Profit for the year attributable to equity shareholders		–	–	17.9	17.9
Actuarial losses of defined benefit schemes	16	–	–	(2.5)	(2.5)
Change in deferred tax on actuarial losses of defined benefit schemes	15	–	–	1.1	1.1
Total comprehensive income for the year		**–**	**–**	**16.5**	**16.5**
Transactions with shareholders:					
Equity-settled share-based payments	16	–	–	1.5	1.5
Deferred tax on equity-settled share-based payments	15	–	–	(0.2)	(0.2)
Purchase of own shares	23	–	–	(1.9)	(1.9)
Transfers in respect of share options		–	–	0.9	0.9
Dividends paid	9	–	–	(43.6)	(43.6)
Balance at 31 October 2023		**12.8**	**74.2**	**769.3**	**856.3**

The notes on pages 115-155 form part of these consolidated financial statements.

Consolidated statement of financial position

As at 31 October 2023

Assets	Note	2023 £m	2022 £m
Non-current assets			
Intangible assets	11	29.0	29.0
Property, plant and equipment	12	2.2	0.9
Right-of-use assets	13	6.1	3.7
Investments in joint ventures	14	10.7	9.0
Financial assets at fair value through profit and loss		2.6	3.3
Deferred tax assets	15	3.3	4.8
Retirement benefit surplus	16	10.0	11.1
Trade and other receivables	17	6.0	35.0
		69.9	**96.8**
Current assets			
Inventories	18	1,164.8	990.1
Financial assets at fair value through profit and loss		1.1	1.3
Trade and other receivables	17	120.0	116.3
Current income tax receivable		11.9	1.1
Cash and cash equivalents	19	162.6	373.6
		1,460.4	**1,482.4**
Total assets		**1,530.3**	**1,579.2**
Liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings	20	(83.5)	(97.1)
Trade and other payables	21	(71.1)	(41.8)
Lease liabilities	13	(4.4)	(2.3)
Deferred tax liabilities	15	(2.5)	(3.2)
Provisions	22	(73.8)	(70.8)
		(235.3)	**(215.2)**
Current liabilities			
Interest-bearing loans and borrowings	20	(14.2)	–
Trade and other payables	21	(337.0)	(407.1)
Lease liabilities	13	(2.0)	(1.6)
Provisions	22	(85.5)	(72.2)
		(438.7)	**(480.9)**
Total liabilities		**(674.0)**	**(696.1)**
Net assets		**(856.3)**	**(883.1)**
Equity			
Share capital	23	12.8	12.8
Share premium account	23	74.2	74.2
Retained earnings		769.3	796.1
Total equity		**856.3**	**883.1**

The notes on pages 115-155 form part of these consolidated financial statements.

These consolidated financial statements on pages 111-155 were approved by the Board of Directors on 23 January 2024.

On behalf of the Board

Peter Truscott
Director

Bill Floydd
Director

Consolidated cash flow statement

For the year ended 31 October 2023

	Note	2023 £m	2022 £m
Cash flows from operating activities			
Profit for the year attributable to equity shareholders		17.9	26.4
Adjustments for:			
Depreciation on property, plant and equipment	12	0.5	0.4
Depreciation on right-of-use assets	13	2.3	1.9
Retirement benefit obligation administrative expenses	16	0.6	0.9
Net finance expense	7	10.1	8.1
Share-based payment expense	16	1.5	1.9
Share of post-tax profits of joint ventures using the equity method	14	(3.3)	(2.5)
Impairment of inventories movement	18	7.6	(8.1)
Net impairment of financial assets	17	0.6	2.3
Income tax expense	8	5.2	6.4
Operating profit before changes in working capital, provisions and contributions to retirement benefit obligations		**43.0**	**37.7**
Decrease/(increase) in trade and other receivables		27.0	(17.0)
(Increase)/decrease in inventories		(182.3)	55.5
Decrease in trade and other payables and provisions		(31.9)	(13.4)
Contribution to retirement benefit obligations	16	(1.5)	(3.4)
Cash (used by)/generated from operations		**(145.7)**	**59.4**
Finance expense paid		(5.6)	(6.3)
Income tax paid		(14.3)	(1.4)
Net cash (outflow)/inflow from operating activities		**(165.6)**	**51.7**
Cash flows from investing activities			
Purchases of property, plant and equipment	12	(1.8)	(0.1)
Disposal of financial assets at fair value through profit and loss		0.9	0.7
Funding to joint ventures		(13.0)	(7.5)
Repayment of funding from joint ventures		11.7	18.8
Dividends received from joint ventures		1.5	2.4
Finance income received		2.3	0.1
Net cash inflow from investing activities		**1.6**	**14.4**
Cash flows from financing activities			
Principal elements of lease payments	13	(2.4)	(2.1)
Dividends paid	9	(43.6)	(38.5)
Net purchase of own shares		(1.0)	(1.1)
Debt arrangement and facility fees		–	(1.5)
Net cash outflow from financing activities		**(47.0)**	**(43.2)**
Net (decrease)/increase in cash and cash equivalents		**(211.0)**	**22.9**
Cash and cash equivalents at the beginning of the year		373.6	350.7
Cash and cash equivalents at the end of the year	19	**162.6**	**373.6**

The notes on pages 115-155 form part of these consolidated financial statements.

Notes to the consolidated financial statements

For the year ended 31 October 2023

1 Accounting policies

Basis of preparation

Crest Nicholson Holdings plc (Company) is a public limited company incorporated, listed and domiciled in the UK. The address of the registered office is 500 Dashwood Lang Road, Bourne Business Park, Addlestone, Surrey KT15 2HJ. The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the Group) and include the Group's interest in jointly controlled entities. The parent company financial statements present information about the Company as a separate entity and not about its Group.

The financial statements are presented in pounds sterling and amounts stated are denominated in millions (£m), unless otherwise stated.

The Group financial statements have been prepared and approved by the Directors in accordance with UK-adopted international accounting standards, and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards and have been prepared on the historical cost basis except for financial assets at fair value through profit and loss, which are as otherwise stated. The parent company financial statements are presented on pages 156-160.

The preparation of financial statements in conformity with UK-adopted international accounting standards requires the Directors to make assumptions and judgements that affect the application of policies and reported amounts within the financial statements. Assumptions and judgements are based on experience and other factors that the Directors consider reasonable under the circumstances. Actual results may differ from these estimates.

Judgements made by the Directors, in the application of these accounting policies that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed below.

Going concern

The Directors have adopted the going concern basis in preparing the financial statements and have concluded that there are no material uncertainties leading to significant doubt about the Group's going concern status. The assessment has been performed over the 15 month period to April 2025, aligning with the measurement date of the Group's covenants on its lending facilities.

Assessment of principal risks

The Directors assessed the Group's principal risks as detailed on pages 37–42 and considered three overarching risks when developing the stress testing for this assessment. These risks were selected due to the potential impact over the period assessed for going concern, which is shorter than the period used for the principal risk assessment.

Risk	Mitigation and other considerations	Link to principal risks
Will the volume of home completions fall further? — Will the current economic activity disrupt future operations and our ability to build and sell properties? — Will material and labour availability worsen due to energy prices or other economic factors and impact project timelines?	— The Group has successfully demonstrated its ability to trade effectively in previous downturns in the housing cycle and benefits from a strong balance sheet and good forward order book — The UK Government has consistently demonstrated its support for the housing lending market, encouraging lenders to maintain good levels of mortgage availability — The Group benefits from strong supplier and subcontractor relationships that help mitigate availability issues.	— Market conditions — Supply chain
Will UK house prices fall? — Will the current or further decline in macro-economic conditions result in lower prices for UK property due to reduced demand through unemployment or mortgage availability? — Will the higher cost of mortgages persist and create an affordability gap?	— The Group has a good forward order book of reservations and exchanges at prevailing prices — There is appetite for institutional capital investment into the UK property market that helps mitigate any cyclical drop in confidence in the private market — The Group participates in affordability schemes such as Deposit Unlock.	— Market conditions
Will build cost inflation remain high and sustained? — Will the availability of materials and labour remain scarce because of the war in Ukraine and high energy prices? — Will the move to more sustainable building practices and materials lead to an increase in construction costs?	— The Group benefits from well-negotiated central contracts with suppliers which help mitigate cost increases — The Group's implementation of COINS as its new ERP platform will enhance the reporting of build costs for the divisions once initial issues are resolved, the implementation was completed in FY23 with all divisions now using a consistent system.	— Supply chain — Build cost management

Notes to the consolidated financials statements continued
For the year ended 31 October 2023

Applying these risks against future forecasts
The Directors have considered prior years trading performance and the completed weeks of trading since 31 October 2023. The Group retains a good level of working capital and liquidity to execute its strategy. During the prior year the Group completed a £250.0m Sustainability Linked RCF which expires in October 2026. The Group also benefits from £100.0m of senior loan notes. Both of these sources of financing are subject to three financial covenant tests. Details of these covenants can be found in note 24. The RCF is also subject to sustainability targets which are aligned to the Group's sustainability strategy with a lower interest rate payable if these are achieved. See note 24 for more information. Given the Group's good liquidity position the Directors consider the possibility of breaching one of the financial covenants as being the first sign that the Group could be in distress and should be the basis of its going concern assessment in this year's financial statements.

The Directors have then considered three scenarios that stress test how the Group would perform against the risks outlined above.

1. 'Base case'. The Directors have considered the forecast for FY24 and FY25 covering the period to April 2025. The forecasts include the Directors current assessment of the potential impact of the economic uncertainty currently being experienced in the UK. These impacts include sales price and sales volume expectation, but are not disclosed as the Group considers them to be commercially sensitive.

   The Group has already secured a significant proportion of sales for FY24 by way of its forward order book. Under this scenario the Group maintains a good level of liquidity and financial headroom throughout FY24 and across the going concern period and remains compliant with all three covenants with comfortable headroom.

2. 'Severe but plausible downside case'. The Directors have applied the three risks outlined above to the base case scenario without double counting the sales price and volume assumptions implicit in that base case. These risks are considered effective from 1 November 2023 and include a 0.37 SPOW (FY23 SPOW was 0.52), a reduction in forecast average selling prices that increase over time and reaches a peak of 7% before recovering and a 10.0% increase in forecast build costs. Build costs include the Group's stated commitment under the Developer Remediation Contract to remediate legacy buildings and therefore any assumed increase in build costs also increases the size of this commitment. Each of these risks has been applied individually and the Group remains compliant with all three covenants with sufficient headroom. The Directors have then applied the 7.0% sales price reduction together with the 0.37 SPOW rate, to reflect what they consider to be a 'severe but plausible downside case' outcome and trading environment. The build cost inflation risk was not included in this severe but plausible downside case, as during a downturn as severe as that considered, the Group has historically seen build cost deflation as suppliers and subcontractors swiftly recalibrate their pricing to compete for work in shrinking forward order books. As such, applying all three risks in aggregate was not considered plausible. This combined scenario inevitably places a higher stress than the base case scenario, but again the Group remains compliant with all three covenants, with sufficient headroom.

   In all three 'downside' individual scenarios, and in the combined scenario, the Group has used appropriate mitigations available to enable it to offset the deterioration in financial performance. These mitigations are within the control of the Group and can be enacted in good time, and are outlined below.

3. 'Test to failure'. The assumptions have then individually, and again in combination, been applied to each of the risks above to a level beyond that which is considered to be a plausible 'downside' scenario. This informs the Directors as to what level of stress would be needed to realise a breach in any of the covenants. The results of these tests are not disclosed as they are considered commercially sensitive.

Mitigation options and considerations
Based on the assessment methodology outlined above the Directors have considered some of the mitigations that could be applied in a deteriorating trading environment to either increase profit or conserve cash. Some of these measures are implicit outcomes of a downturn (such as reduction in build spend) rather than mitigating actions which the Group would have to apply. The Group has experience of applying such mitigations in the past, which include but are not limited to:

— The impact of any immediate reduction in home reservations or achieved average selling prices would be mitigated by the Group's forward order book of reservations and exchanges
— A reduction in Group overheads to reflect the lower build and selling activity in a weaker trading environment
— Renegotiation of supplier arrangements as the amount of build activity contracts, and materials suppliers and subcontractors are required to be more competitive, reducing build spend
— Mothballing unproductive and/or capital-intensive schemes
— Repaying interest-bearing products to reduce the net interest charge, recognising the Group's current liquidity position
— A reduction in sales and marketing costs to reflect a fall in sales volumes
— A reduction in discretionary land acquisitions and therefore land expenditure as we require less land to replenish the land portfolio
— Reduction in dividend to conserve cash.

Conclusion on going concern
In reviewing the assessment outlined above the Directors are confident that the Group has the necessary resources and mitigations available to continue trading for at least 12 months from the date of signing of the financial statements. Accordingly, the consolidated financial statements continue to be prepared on a going concern basis.

Critical accounting estimates and judgements

The preparation of the consolidated financial statements under UK-adopted international accounting standards requires the Directors to make estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses and related disclosures. In applying the Group's accounting policies, the key judgements that have a significant impact on the financial statements, include those involving estimates, which are described below, the judgement to present certain items as exceptional (see note 4), certain revenue policies relating to part exchange sales, the identification of performance obligations where a revenue transaction involves the sale of both land and residential units and revenue on the units is then subsequently recognised over time where the land sale element takes place at the start of the contract (see note 3 for the split of revenue recognised at a point in time and recognised over time), the recognition of the defined benefit pension scheme net surplus (see note 16) and the current and non-current presentation of the combustible materials provision.

The Group has made a judgement to not recognise revenue on the proceeds received on the disposal of properties taken in part exchange against a new property as they are incidental to the main revenue-generating activities of the Group. As part exchange sales are deemed incidental, the income and expenses associated with part exchange properties are recognised in other operating income and other operating expenses which are presented within net administrative expenses in the consolidated income statement. Income is recognised when legal title is passed to the customer. Previously the income and associated costs arising on these sales was presented net within cost of sales. The prior year balance has not been restated since the net result is immaterial to the Group and there is no change to the operating profit realised in each year.

Estimates and associated assumptions affecting the financial statements are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The estimates and underlying assumptions are reviewed on an ongoing basis. Changes in accounting estimates may be necessary if there are changes in the circumstances on which the estimate was based or as a result of new information.

Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

The Directors have made consistent estimates and assumptions in reviewing the going concern assumption as those detailed above. The Directors consider the key sources of estimation uncertainty that have a risk of causing a material adjustment to the carrying value of assets and liabilities as described below.

Carrying value of inventories

Inventories of work-in-progress, completed buildings including show homes and part exchange inventories are stated in the consolidated statement of financial position at the lower of cost or NRV. On a regular basis management update estimates of future revenue and expenditure for each development. Future revenue and expenditure may differ from estimates which could lead to an impairment of inventory if there are adverse changes. Where forecast revenues are lower than forecast total costs an inventory provision is made. This provision may be reversed in subsequent periods if there is evidence of sustained improved revenue or reduced expenditure forecast on a development. If forecast revenue was 10.0% lower on sites within the short-term portfolio (total land portfolio excluding strategic land) as at 31 October 2023, the impact on profit before tax would have been £15.9m lower (2022: £7.0m lower).

Estimation of development profitability

Due to the nature of development activity and, in particular, the length of the development cycle, the Group has to make estimates of the costs to complete developments, in particular those which are multi-phase and/or may have significant infrastructure costs. These estimates are reflected in the margin recognised on developments in relation to sales recognised in the current and future years. There is a degree of inherent uncertainty in making such estimates. The Group has established internal controls that are designed to ensure an effective assessment of estimates is made of the costs to complete developments. The Group considers estimates of the costs to complete on longer-term sites, which typically have higher upfront shared infrastructure costs to have greater estimation uncertainty than sites of shorter duration with less infrastructure requirements. A change in estimated margins on sites, for example due to changes in estimates of build cost inflation or a reduction in house prices, could alter future profitability. If forecast costs were 10.0% higher on sites which contributed to the year ended 31 October 2023 and which are forecast to still be in production beyond the year ending 31 October 2025 (2022: beyond the year ending 31 October 2024), profit before tax in the current year would have been £32.3m lower (2022: £25.3m lower).

The Group has considered the potential financial impacts associated with transitional and physical climate-related risks and opportunities. The primary known impact is the FHS, due to be implemented from 2025, which is expected to increase build cost for individual units. The anticipated additional build cost has been included in new project acquisition appraisals since the FHS was announced. Projects already underway will be substantially built out before the new regulations commence. It is not expected that the additional build cost will have a material impact on the carrying value of inventories or their associated project margins or the value of goodwill. The longer-term costs associated with climate-related risks are considered to be beyond the timescale of the projects the Group is currently contracted to and as such do not impact the carrying value of inventories or their associated project margins. Further information on climate-related risks and opportunities is provided on pages 47–48 and this represents an area of estimation rather than a critical accounting estimate.

Valuation of the pension scheme assets and liabilities

In determining the valuation of the pension scheme assets and liabilities, the Directors utilise the services of an actuary. The actuary uses key assumptions being inflation rate, life expectancy, discount rate and Guaranteed Minimum Pensions, which are dependent on factors outside the control of the Group. To the extent that such assumptions differ to that expected, the pension liability would change. See note 16 for additional details.

Combustible materials

The combustible materials provision requires a number of key estimates and assumptions in its calculation. If it is deemed that the costs are probable and can be reliably measured then, as per IAS 37, a provision is recorded. If costs are considered possible or cannot be reliably estimated, then they are recorded as contingent liabilities (see note 25). During the year, the combustible materials provision has been increased to reflect the most contemporaneous assessment of these costs. The Group signed the Developer Remediation Contract on 13 March 2023, which did not materially alter the provision required from that recorded as at 31 October 2022. In the previous financial year, the Group signed the UK Government's Building Safety Pledge (the Pledge), a consequence of which the Group has committed to funding the remediation of life-critical fire safety issues on buildings over 11 metres in which the Group was involved from 1992.

Notes to the consolidated financials statements continued
For the year ended 31 October 2023

The key assumptions used to determine the provision include but are not limited to identification of the properties impacted through the period of construction considered. The key estimates then applied to these properties include the potential costs of investigation, replacement materials and works to complete, along with the timing of forecast expenditure. The Directors have used BSF cost information, other external information, and internal assessments as a basis for the estimated remedial costs. These estimates are inherently uncertain due to the highly complex and bespoke nature of the buildings. The actual costs may differ to the amounts notified by the BSF costed projects, and fire safety reports in progress may require different levels of remediation and associated costs than those currently estimated. If forecast remediation costs on buildings currently provided for are 20.0% higher than provided, the pre-tax exceptional items charge in the consolidated income statement would be £29.0m higher. If further buildings are identified this could also increase the required provision, but the potential quantity of this change cannot be readily determined without further claims or investigative work. See notes 4 and 22 for additional details.

Adoption of new and revised standards

There are no new standards, amendments to standards and interpretations that are applicable to the Group and are mandatory for the first time for the financial year beginning 1 November 2022 which have had a material impact on the Group.

Impact of standards and interpretations in issue but not yet effective

There are a number of standards, amendments and interpretations that have been published that are not mandatory for the 31 October 2023 reporting period and have not been adopted early by the Group. The Group does not expect that the adoption of these standards, amendments and interpretations will have a material impact on the financial statements of the Group in future years.

Other accounting policies

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Group financial statements except in respect of the presentation of the proceeds generated from the disposal of part exchange properties as detailed within critical accounting estimates and judgements.

Alternative performance measures

The Group has adopted various APMs, as presented on pages 161-162. These measures are not defined by IFRS and therefore may not be directly comparable with other companies' APMs, and should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measurements.

Consolidation

The consolidated financial statements include the financial statements of Crest Nicholson Holdings plc, its subsidiary undertakings and the Group's share of the results of joint ventures and joint operations. Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation.

(a) Subsidiaries

Subsidiaries are entities in which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns through its power over the entity. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The profits and losses of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The acquisition method of accounting is used by the Group to account for the acquisition of subsidiaries that are a business under IFRS 3. On acquisition of a subsidiary, all of the subsidiary's separable, identifiable assets and liabilities existing at the date of acquisition are recorded at their fair values reflecting their condition at that date. All changes to those assets and liabilities and the resulting gains and losses that arise after the Group has gained control of the subsidiary are charged to the post-acquisition consolidated income statement or consolidated statement of comprehensive income. Accounting policies of acquired subsidiaries are changed where necessary, to ensure consistency with policies adopted by the Group.

Acquisitions of subsidiaries which do not qualify as a business under IFRS 3 are accounted for as an asset acquisition rather than a business combination. Under such circumstances the fair value of the consideration paid for the subsidiary is allocated to the assets and liabilities purchased based on their relative fair value at the date of purchase. No goodwill is recognised on such transactions.

(b) Joint ventures

A joint venture is a contractual arrangement in which the Group and other parties undertake an economic activity that is subject to joint control and these parties have rights to the net assets of the arrangement. The Group reports its interests in joint ventures using the equity method of accounting. Under this method, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's share of results of the joint venture after tax is included in a single line in the consolidated income statement. Where the share of losses exceeds the Group's interest in the entity and there is no obligation to fund these losses, the carrying amount is reduced to nil and recognition of further losses is discontinued, unless there is a long-term receivable due from the joint venture in which case, if appropriate, the loss is recognised against the receivable. If an obligation to fund losses exists the further losses and a provision are recognised. Unrealised gains on transactions between the Group and its joint ventures are eliminated on consolidation. Accounting policies of joint ventures are changed where necessary, to ensure consistency with policies adopted by the Group.

(c) Joint operations

A joint operation is a joint arrangement that the Group undertakes with other parties, in which those parties have rights to the assets and obligations of the arrangement. The Group accounts for joint operations by recognising its share of the jointly controlled assets and liabilities and income and expenditure on a line-by-line basis in the consolidated statement of financial position and consolidated income statement.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the acquired entity at the date of the acquisition and is not amortised. Goodwill arising on acquisition of subsidiaries and businesses is capitalised as an asset. The goodwill balance has been allocated to the strategic land holdings within the Group. The Group expects to benefit from the strategic land holdings for a further period of 14 years to 2038. The period used in the assessment represents the estimated time it will take to obtain planning and build out on the remaining acquired strategic land holdings. Goodwill is assessed for impairment at each reporting date. The sites acquired are considered as a singular cash generating unit and the value in use is calculated on a discounted cash flow basis with more speculative strategic sites given a lower probability of reaching development.

The calculated discounted cash flow value is compared to the goodwill balance to assess if it is impaired. Any impairment loss is recognised immediately in the consolidated income statement.

Revenue and profit recognition

Revenue comprises the fair value of the consideration received or receivable, net of value added tax and discounts.

The Group has made a judgement to not recognise revenue on the proceeds received on the disposal of properties taken in part exchange against a new property as they are incidental to the main revenue-generating activities of the Group. As part exchange sales are deemed incidental, the income and expenses associated with part exchange properties are recognised in other operating income and other operating expenses which are presented within net administrative expenses in the consolidated income statement. Income is recognised when legal title is passed to the customer. Previously the income and associated costs arising on these sales was presented net within cost of sales. The prior year balance has not been restated since the net result is immaterial to the Group and there is no change to the operating profit realised in each year.

Revenue is recognised on house and apartment sales at legal completion. For affordable and other sales in bulk, revenue recognition is dependent on freehold legal title being passed to the customer as it is considered that upon transfer of freehold title that the customer controls the work-in-progress. Where freehold legal title and control is passed to the customer, revenue is recognised on any upfront sale of land (where applicable) and then on the housing units as the build of the related units progresses, via surveys of work performed on contract activity. Where freehold legal title is not passed to the customer, revenue is not recognised on any upfront sale of land and the revenue on the housing units and sale of land is recognised at handover of completed units to the customer. The transaction price for all housing units is derived from contractual negotiations and does not include any material variable consideration.

Revenue is predominantly recognised on land sales when legal title passes to the customer. If the Group has remaining performance obligations, such as the provision of services to the land, an element of revenue is allocated to these performance obligations and recognised as the obligations are performed, which can be when the works are finished if the work-in-progress is controlled by the Group or over the performance of the works if they are controlled by the customer.

Revenue recognition on commercial property sales is dependent on freehold legal title being passed to the customer, as it is considered that upon transfer of freehold title that the customer controls the work-in-progress. Where freehold legal title is passed to the customer, revenue is recognised on any upfront sale of land (where applicable) and then on the development revenue over time as the build of the related commercial units progress. Where freehold legal title is not passed to the customer revenue is not recognised on any upfront sale of land and the revenue on the commercial property is recognised at handover of the completed commercial unit to the customer.

The transaction price for commercial property revenue may include an element of variable consideration based on the commercial occupancy of the units when they are completed, though this is not expected to be material. If this is the case, the Directors take the view that unless the lettings not yet contracted are highly probable they should not be included in the calculation of the transaction price. The transaction price is regularly updated to reflect any changes in the accounting period.

Revenue is recognised on freehold reversion sales when the customer is contractually entitled to the ground rent revenue stream associated with the units purchased.

Revenue on specification upgrades paid for by the customer or on the cost of specification upgrades offered to the customer as part of the purchase price is recognised as revenue when legal title passes to the customer.

Profit is recognised on a plot-by-plot basis, by reference to the margin forecast across the related development site. Due to the development cycle often exceeding one financial year, plot margins are forecast, taking into account the allocation of site-wide development costs such as infrastructure, and estimates required for the cost to complete such developments.

Exceptional items

Exceptional items are those which, in the opinion of the Directors, are material by size and/or non-recurring in nature such as significant costs and settlements associated with combustible materials, significant costs associated with acquiring another business, significant legal matters and significant inventory impairments. Where appropriate, the Directors consider that items should be considered as categories or classes of items, such as any credits/costs impacting the consolidated income statement which relate to combustible materials, notwithstanding where an item may be individually immaterial. The Directors believe that these items require separate disclosure within the consolidated income statement in order to assist the users of the financial statements to better understand the performance of the Group, which is also how the Directors internally manage the business. Where appropriate, the material reversal of any of these amounts will also be reflected through exceptional items. Additional charges/credits to items classified as exceptional items in prior years will be classified as exceptional in the current year, unless immaterial to the financial statements. As these exceptional items can vary significantly year on year, they may introduce volatility into the reported earnings. The income tax impacts of exceptional items are reflected at the actual tax rate related to these items.

Net finance expense

Interest income is recognised on a time apportioned basis by reference to the principal outstanding and the effective interest rate. Interest costs are recognised in the consolidated income statement on an accruals basis in the period in which they are incurred. Imputed interest expense on deferred land creditors and combustible materials discounting is recognised over the life of associated cash flows.

Income and deferred tax

Income tax comprises current tax and deferred tax. Income tax is recognised in the consolidated income statement except to the extent that it relates to items recognised in other comprehensive income, in which case it is recognised in other comprehensive income. Current tax is the expected tax payable on taxable profit for the year and any adjustment to tax payable in respect of previous years. Taxable profit is profit before tax per the consolidated income statement after adjusting for income and expenditure that is not subject to tax, and for items that are subject to tax in other accounting periods. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the consolidated statement of financial position date. Current tax assets are recognised to the extent that it is probable the asset is recoverable.

Deferred tax is provided in full on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profits.

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. Deferred tax liabilities are recognised for all temporary differences. Deferred tax is calculated using tax rates that have been substantively enacted by the consolidated statement of financial position date.

Notes to the consolidated financials statements continued
For the year ended 31 October 2023

Dividends
Final and interim dividend distributions to the Company's shareholders are recorded in the Group's financial statements in the earlier of the period in which they are approved by the Company's shareholders, or paid.

Employee benefits
(a) Pensions
The Group operates a defined benefit (DB) scheme (closed to new employees since October 2001 and to future service accrual since April 2010) and also makes payments into a defined contribution scheme for employees.

In respect of the DB scheme, the retirement benefit deficit or surplus 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 rate used to discount the benefits accrued is the yield at the consolidated statement of financial position 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 consolidated income statement; past service costs and financing costs are recognised in the periods in which they arise. The Group recognises expected scheme gains and losses via the consolidated income statement and actuarial gains and losses are recognised in the period they occur directly in other comprehensive income, with associated deferred tax.

The retirement benefit deficit or surplus recognised in the consolidated statement of financial position represents the deficit or surplus of the fair value of the scheme's assets over the present value of scheme liabilities, with any net surplus recognised to the extent that the employer can gain economic benefit as set out in the requirements of IFRIC 14.

Payments to the defined contribution scheme are accounted for on an accruals basis.

(b) Share-based payments
The fair value of equity-settled, share-based compensation plans is recognised as an employee expense with a corresponding increase in equity. The fair value is measured as at the date the options are granted and the charge amended if vesting does not take place due to non-market conditions (such as service or performance) not being met. The fair value is spread over the period during which the employees become unconditionally entitled to the shares and is adjusted to reflect the actual number of options that vest. At the consolidated statement of financial position date, if it is expected that non-market conditions will not be satisfied, the cumulative expense recognised in relation to the relevant options is reversed. The proceeds received are credited to share capital (nominal value) and share premium when the options are exercised if new shares are issued. If treasury shares are used the proceeds are credited to retained reserves. There are no cash-settled share-based compensation plans.

Own shares held by Employee Share Ownership Trust (ESOT)
Transactions of the Company-sponsored ESOT are included in both the Group financial statements and the Company's own financial statements. The purchase of shares in the Company by the ESOT are charged directly to equity.

Software as a Service (SaaS) arrangements
Implementation costs including costs to configure or customise a cloud provider's application software are recognised as administrative expenses when the services are received, and the Group determines that there is no control over the asset in development.

Property, plant and equipment
Property, plant and equipment is stated at cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition. Depreciation is calculated to write off the cost of the assets on a straight-line basis to their estimated residual value over its expected useful life at the following rates:

Fixtures and fittings	10%
Computer equipment and non-SaaS software	20% to 33%

The asset residual values, carrying values and useful lives are reviewed on an annual basis and adjusted if appropriate at each consolidated statement of financial position date.

Right-of-use assets and lease liabilities
The Group assesses at lease inception whether a contract is, or contains, a lease. The Group recognises a right-of-use asset and a lease liability at lease commencement.

The right-of-use asset is initially recorded at the present value of future lease payments and subsequently measured net of depreciation, which is charged to the consolidated income statement as an administrative expense over the shorter of its useful economic life or its lease term on a straight-line basis.

The Group recognises lease liabilities at the present value of future lease payments, lease payments being discounted at the rate implicit in the lease or the Group's incremental borrowing rate as determined with reference to the most recently issued financial liabilities carrying interest. The discount is subsequently unwound and recorded in the consolidated income statement over the lease term as a finance expense. The lease term comprises the non-cancellable period of the contract, together with periods covered by an option to extend the lease where the Group is reasonably certain to exercise that option.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Inventories
Inventories are stated at the lower of cost and NRV.

Work-in-progress and completed buildings including show homes comprise land under development, undeveloped land, land option payments, direct materials, sub-contract work, labour costs, site overheads, associated professional fees and other attributable overheads, but excludes interest costs.

Part exchange inventories are held at the lower of cost and NRV, which includes an assessment of costs of management and resale.

Land inventories and the associated land payables are recognised in the consolidated statement of financial position from the date of unconditional exchange of contracts. Land payables are recognised as part of trade and other payables.

Options purchased in respect of land are recognised initially as a prepayment within inventories and written down on a straight-line basis over the life of the option. If planning permission is granted and the option exercised, the option is not written down during that year and its carrying value is included within the cost of land purchased.

Provisions are established to write down inventories where the estimated net sales proceeds less costs to complete exceed the current carrying value. Adjustments to the provisions will be required where selling prices or costs to complete change. NRV for inventories is assessed by estimating selling prices and costs, taking into account current market conditions.

Financial assets
Financial assets are initially recognised at fair value and subsequently classified into one of the following measurement categories:

— At amortised cost
— Subsequently at FVTPL
— Subsequently at FVOCI.

The classification of financial assets depends on the Group's business model for managing the asset and the contractual terms of the cash flows. Assets that are held for the collection of contractual cash flows that represent solely payments of principal and interest are measured at amortised cost, with any interest income recognised in the consolidated income statement using the effective interest rate method.

Financial assets that do not meet the criteria to be measured at amortised cost are classified by the Group as measured at FVTPL. Fair value gains and losses on financial assets measured at FVTPL are recognised in the consolidated income statement and presented within administrative expenses. The Group currently has no financial assets measured at FVOCI.

Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss (which comprise shared equity receivables) are classified as being held to collect and initially recognised at fair value. Changes in fair value relating to the expected recoverable amount are recognised in the consolidated income statement as a finance income or expense. These assets are held as current or non-current based on their contractual repayment dates.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established based on an expected credit loss model applying the simplified approach, which uses a lifetime expected loss allowance for all trade and other receivables. The amount of the loss is recognised separately in the consolidated income statement. Current trade and other receivables do not carry any interest and are stated at their amortised cost, as reduced by appropriate allowances for estimated irrecoverable amounts. Non-current trade and other receivables are discounted to present value when the impact of discounting is deemed to be material, with any discount to nominal value being recognised in the consolidated income statement as interest income over the duration of the deferred payment.

Contract assets

Contract assets represent unbilled work-in-progress on affordable and other sales in bulk on contracts in which revenue is recognised over time. Contract assets are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less provision for impairment. Contract assets do not carry any interest and are stated at their amortised cost, as reduced by appropriate allowances for estimated irrecoverable amounts.

Cash and cash equivalents

Cash and cash equivalents are cash balances in hand and in the bank and are carried in the consolidated statement of financial position at nominal value.

Interest-bearing loans and borrowings

Interest-bearing loans and borrowings are recognised initially at fair value, net of direct transaction costs, and subsequently measured at amortised cost. Finance charges are accounted for on an accruals basis in the consolidated 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 or included within interest accruals.

Financial liabilities

Financial liabilities are initially recognised at fair value and subsequently classified into one of the following measurement categories:

— At amortised cost
— Subsequently at FVTPL.

Non-derivative financial liabilities are measured at FVTPL when they are considered held for trading or designated as such on initial recognition. The Group has no non-derivative financial liabilities measured at FVTPL.

Land payables

Land payables are recognised in the consolidated statement of financial position from the date of unconditional exchange of contracts. Where land is purchased on deferred settlement terms then the land and the land payable are discounted to their fair value using the effective interest method in accordance with IFRS 9. The difference between the fair value and the nominal value is amortised over the deferment period, with the financing element being charged as an interest expense through the consolidated income statement.

Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method. Trade and other payables on deferred terms are initially recorded at their fair value, with the discount to nominal value being charged to the consolidated income statement as an interest expense over the duration of the deferred period.

Contract liabilities

Contract liabilities represent payments on account, received from customers, in excess of billable work-in-progress on affordable and other sales in bulk on contracts. Contract liabilities are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Provisions

A provision is recognised in the consolidated statement of financial position 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, and the amount can be reliably estimated. Provisions are discounted to present value on a discounted cash flow basis using an interest rate appropriate to the class of the provision, where the effect is material.

Seasonality

In common with the rest of the UK housebuilding industry, activity occurs throughout the year, with peaks in sales completions in spring and autumn. This creates seasonality in the Group's trading results and working capital.

2 Segmental reporting

The ELT (comprising Peter Truscott (Chief Executive), Duncan Cooper (Group Finance Director until 13 December 2023), Bill Floydd (Group Finance Director from 13 November 2023) David Marchant (Group Operations Director), Kieran Daya (Managing Director, Crest Nicholson Partnerships and Strategic Land until 31 December 2023 and Chief Operating Officer from 1 January 2024), Jane Cookson (Group HR Director), Kevin Maguire (General Counsel and Company Secretary until 18 August 2023), Heather O'Sullivan (General Council from 25 September 2023), Penny Thomas (Group Company Secretary from 1 January 2024), Alex Stark (Executive Managing Director until 8 August 2023) and David Brown (Executive Managing Director until 15 December 2023)), which is accountable to the Board, has been identified as the chief operating decision maker for the purposes of determining the Group's operating segments. The ELT approves investment decisions, allocates group resources and performs divisional performance reviews. The Group operating segments are considered to be its divisions, each of which has its own management board. All divisions are engaged in residential-led, mixed-use developments in the United Kingdom and therefore with consideration of relevant economic indicators such as the nature of the products sold and customer base, and, having regard to the aggregation criteria in IFRS 8, the Group identifies that it has one reportable operating segment.

3 Revenue

Revenue type	2023 £m	2022 £m
Open market housing including specification upgrades	550.0	803.7
Affordable housing	88.0	76.9
Total housing	**638.0**	**880.6**
Land and commercial sales	19.5	32.0
Freehold reversions	–	1.0
Total revenue	**657.5**	**913.6**

	2023 £m	2022 £m
Timing of revenue recognition		
Revenue recognised at a point in time	552.4	842.6
Revenue recognised over time	105.1	71.0
Total revenue	**657.5**	**913.6**

	2023 £m	2022 £m
Assets and liabilities related to contracts with customers		
Contract assets (note 17)	6.9	25.1
Contract liabilities (note 21)	(6.0)	(19.3)

Contract assets have decreased to £6.9m from £25.1m in 2022, reflecting less unbilled work-in-progress on affordable and other sales in bulk at the year end. This is in line with the trading of the Group and the contractual arrangements in the Group's contracts. Contract liabilities have reduced to £6.0m from £19.3m in 2022, reflecting a lower amount of payments on account received from customers in excess of billable work-in-progress on affordable and other sales in bulk on contracts on which revenue is recognised over time. This fall was driven primarily by a reduction in a number of sites where revenue was recognised at a point in time in the current year but the Group had received progress payments from the customer in the prior year.

Based on historical trends, the Directors expect a significant proportion of the contract liabilities total to be recognised as revenue in the next reporting period.

Included in revenue during the year was £16.1m (2022: £19.6m) that was included in contract liabilities at the beginning of the year.

During the year £nil (2022: £nil) of revenue was recognised from performance obligations satisfied or partially satisfied in previous years.

As at 31 October 2023 there was £229.1m (2022: £322.4m) of transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied on contracts exchanged with customers. Forecasts recognise £114.3m (2022: £257.4m) of transaction prices allocated to performance obligations that are unsatisfied on contracts exchanged with customers within one year, £112.0m (2022: £65.0m) within two to five years, and £2.8m (2022: £nil) over five years.

4 Exceptional items

Exceptional items are those which, in the opinion of the Directors, are material by size and/or non-recurring in nature and therefore require separate disclosure within the consolidated income statement in order to assist the users of the financial statements to better understand the performance of the Group, which is also how the Directors internally manage the business. Where appropriate, the Directors consider that items should be considered as categories or classes of items, such as any credits/costs impacting the consolidated income statement which relate to combustible materials, notwithstanding where an item may be individually immaterial. Where appropriate, a material reversal of these amounts will be reflected through exceptional items.

	2023 £m	2022 £m
Cost of sales		
Combustible materials charge	(11.3)	(102.5)
Combustible materials credit	10.0	–
Net combustible materials charge	**(1.3)**	**(102.5)**
Legal provision	(13.0)	–
Total cost of sales charge	**(14.3)**	**(102.5)**
Net finance expense		
Combustible materials imputed interest	(4.6)	(1.0)
Share of post-tax profit/(loss) of joint ventures		
Combustible materials credit/(charge) of joint ventures	0.6	(1.5)
Total exceptional charge	**(18.3)**	**(105.0)**
Tax credit on exceptional charge	4.8	22.4
Total exceptional charge after tax credit	**(13.5)**	**(82.6)**

Net combustible materials charge

As a consequence of signing the Developer Remediation Contract on 13 March 2023, the Group has entered into contractual commitments with the UK Government to identify and remediate those buildings it has developed with possible life-critical fire safety defects. The Group is currently working on circa 90 buildings in various stages of design, procurement and works. The combustible materials charge represents forecast changes in build costs and in the provision discount. The Group has recovered £10.0m cash from third parties in the year in respect of defective design and workmanship. See note 22 for additional information.

Legal provision

The Group is subject to a legal claim relating to a low-rise bespoke apartment block built by the Group which was damaged by fire in 2021. Due to the size and nature of the claim, and in line with the Group's accounting policy, this has been presented as an exceptional item. See note 22 for additional information.

Net finance expense

The combustible materials imputed interest reflects the unwind of the imputed interest on the provision to reflect the time value of the liability.

Share of post-tax loss of joint ventures

The combustible materials credit/(charge) of joint ventures represents the Group's share of exceptional combustibles materials credit/(charge) in its joint venture Crest Nicholson Bioregional Quintain LLP. The joint venture recognised a provision in the prior year and the current year credit represents a recovery from third parties, net of changes in build costs.

Taxation

An exceptional income tax credit of £4.8m (2022: £22.4m) has been recognised in relation to the above exceptional items using the actual tax rate applicable to these items.

5 Net administrative expenses and operating profit

Operating profit of £29.9m (2022: £38.4m) from continuing activities is stated after (charging)/crediting:

	Note	2023 £m	2022 £m
Inventories expensed in the year		(520.2)	(705.3)
Inventories impairment movement in the year	18	(7.6)	8.1
Employee costs	6	(60.7)	(58.4)
Depreciation on property, plant and equipment	12	(0.5)	(0.4)
Depreciation on right-of-use assets	13	(2.3)	(1.9)
Joint venture project management fees recognised in administrative expenses	27	1.9	2.0

Net administrative expenses		£m	£m
Administrative expenses		(55.0)	(51.1)
Other operating income		40.1	48.9
Other operating expenses		(40.9)	(47.4)
Net administrative expenses		**(55.8)**	

Other operating income and other operating expenses shown above relate to the income and associated costs arising on the sale of part exchange properties. For the year ended 31 October 2023, both the income and associated costs of these sales has been presented within net administrative expenses in the consolidated income statement. Previously the income and associated costs arising on these sales was included within cost of sales. The prior year has not been restated since the net result is immaterial to the Group and there is no change to the operating profit realised in the year.

	2023 £000	2022 £000
Auditors' remuneration		
Audit of these consolidated financial statements	166	137
Audit of financial statements of subsidiaries pursuant to legislation	819	783
Other non-audit services	154	95

The audit fees payable in 2022 included £30,000 in relation to additional costs for the 2021 audit.

Fees payable to the Group's auditors for non-audit services included £100,000 (2022: £95,000) in respect of an independent review of the half-year results and £54,000 for other non-audit assurance services for sustainability reporting.

In addition to the above, PricewaterhouseCoopers LLP provide audit services to the Crest Nicholson Group Pension and Life Assurance Scheme and Group joint ventures. The fees associated with the services to the Crest Nicholson Group Pension and Life Assurance Scheme are £35,565 (2022: £25,400) and are met by the assets of the scheme, and the fees associated with services to Group joint ventures are £20,000 (2022: £22,000).

6 Employee numbers and costs

(a) Average monthly number of persons employed by the Group	2023 Number	2022 Number
Development	778	727

The Directors consider all employees of the Group to be employed within the same category of Development.

(b) Employee costs (including Directors and key management)	2023 £m	2022 £m
Wages and salaries	50.4	48.0
Social security costs	5.8	6.0
Other pension costs	3.0	2.5
Share-based payments (note 16)	1.5	1.9
	60.7	**58.4**

(c) Key management remuneration	2023 £m	2022 £m
Salaries and short-term employee benefits	3.5	4.0
Directors' remuneration for loss of office	–	0.5
Share-based payments	0.6	1.0
	4.1	**5.5**

Key management comprises the ELT (which includes the Executive Directors of the Board) and Non-Executive Directors as they are considered to have the authority and responsibility for planning, directing and controlling the activities of the Group.

(d) Directors' remuneration	2023 £m	2022 £m
Salaries and short-term employee benefits	1.7	2.6
Directors' remuneration for loss of office	–	0.5
Share-based payments	0.5	0.7
	2.2	**3.8**

Further information relating to Directors' remuneration, incentive plans, share options, pension entitlement and the highest paid Director, appears in the Directors' Remuneration Report, which is presented on pages 81–98.

7 Finance income and expense

	2023 £m	2022 £m
Finance income		
Interest income	2.4	0.7
Interest on amounts due from joint ventures (note 27)	1.2	2.1
Net interest on defined benefit pension scheme (note 16)	0.5	0.3
	4.1	**3.1**
Finance expense		
Interest on bank loans	(5.7)	(6.6)
Revolving credit facility issue costs	(0.6)	(0.7)
Imputed interest on deferred land payables	(3.1)	(2.8)
Interest on lease liabilities (note 13)	(0.2)	(0.1)
Imputed interest on combustible materials provision – exceptional (note 22)	(4.6)	(1.0)
	(14.2)	**(11.2)**
Net finance expense	**(10.1)**	**(8.1)**

Notes to the consolidated financials statements continued
For the year ended 31 October 2023

8 Income tax expense

	2023 £m	2022 £m
Current tax		
UK corporation tax expense on profit for the year	(4.2)	(6.1)
Adjustment in respect of prior periods	0.7	–
Total current tax expense	**(3.5)**	**(6.1)**
Deferred tax		
Origination and reversal of temporary differences in the year	(1.7)	(0.3)
Total deferred tax charge (note 15)	**(1.7)**	**(0.3)**
Total income tax expense in consolidated income statement	**(5.2)**	**(6.4)**

Corporation tax is calculated at 22.5%, based on a tax rate of 19.0% up until 1 April 2023, and a tax rate of 25.0% from 1 April 2023 (2022: 19.0%), of the profit chargeable to tax for the year. From 1 April 2022 the Group is subject to the RPDT at an additional rate of 4.0%. This results in a weighted statutory rate of corporation tax of 26.5% (2022: 21.3%) for the year. The effective tax rate for the year is 22.5% (2022: 19.5%), which is lower than (2022: lower than) the weighted standard rate of UK corporation tax due to the impact of a prior year adjustment, enhanced tax deductions and the RPDT annual allowance. The Group expects the effective tax rate to be more aligned to the standard rate of corporation tax in future years as deferred tax on temporary differences unwinds.

	2023 £m	2022 £m
Reconciliation of tax expense in the year		
Profit before tax	23.1	32.8
Tax charge on profit at 26.5% (2022: 21.3%)	(6.1)	(7.0)
Effects of:		
Expenses not deductible for tax purposes	(0.8)	(0.7)
Enhanced tax deductions	0.3	0.2
Adjustment in respect of prior periods	0.7	–
Effect of change in rate of tax	–	0.6
Impact of RPDT annual allowance and adjustments	0.7	0.5
Total income tax expense in consolidated income statement	**(5.2)**	**(6.4)**

RPDT came into force in April 2022 and is therefore applicable to relevant profits for the full financial year. RPDT is an additional tax on profits generated from residential property development activity, in excess of an annual threshold and adjusting for amounts disallowable under RPDT, such as interest expense. The impact of RPDT annual allowance and adjustments reflects the net tax benefit of the annual threshold and interest adjustment.

Expenses not deductible for tax purposes include business entertaining and other permanent disallowable expenses. Enhanced tax deductions include items for which, under tax law, a corporation tax deduction is available in excess of the amount shown in the consolidated income statement. For example, land remediation enhanced allowances.

Adjustment in respect of prior periods reflect the difference between the estimated consolidated income statement tax charge in the prior year and that of the actual tax outcome.

9 Dividends

	2023 £m	2022 £m
Dividends recognised as distributions to equity shareholders in the year:		
Current year interim dividend of 5.5 pence per share (2022: 5.5 pence per share)	14.1	14.1
Prior year final dividend per share of 11.5 pence per share (2022: 9.5 pence per share)	29.5	24.4
	43.6	**38.5**

	2023 £m	2022 £m
Dividends proposed as distributions to equity shareholders in the year:		
Final dividend for the year ended 31 October 2023 of 11.5 pence per share (2022: 11.5 pence per share)	29.5	29.5

The proposed final dividend was approved by the Board on 23 January 2024 and, in accordance with IAS 10: Events after the Reporting Period, has not been included as a liability in this financial year. The final dividend will be paid on 23 April 2024 to all ordinary shareholders on the Register of Members on 22 March 2024.

10 Earnings per ordinary share

Basic earnings per share is calculated by dividing profit attributable to equity shareholders by the weighted average number of ordinary shares in issue during the year. For diluted earnings per share, the weighted average number of shares is increased by 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 difference in value between the market value of shares and the share option exercise price. The market value of shares has been calculated using the average ordinary share price during the year. Only share options which have met their cumulative performance criteria have been included in the dilution calculation. The earnings and weighted average number of shares used in the calculations are set out below.

	Earnings £m	Weighted average number of ordinary shares Number	Per share amount Pence
Year ended 31 October 2023			
Basic earnings per share	**17.9**	**256,131,621**	**7.0**
Dilutive effect of share options	–	594,762	
Diluted earnings per share	**17.9**	**256,726,383**	**7.0**
Year ended 31 October 2023 – Pre-exceptional items			
Adjusted basic earnings per share	**31.4**	**256,131,621**	**12.3**
Dilutive effect of share options	–	594,762	
Adjusted diluted earnings per share	**31.4**	**256,726,383**	**12.2**
Year ended 31 October 2022			
Basic earnings per share	**26.4**	**256,405,006**	**10.3**
Dilutive effect of share options	–	1,320,375	
Diluted earnings per share	**26.4**	**257,725,381**	**10.2**
Year ended 31 October 2022 – Pre-exceptional items			
Adjusted basic earnings per share	**109.0**	**256,405,006**	**42.5**
Dilutive effect of share options	–	1,320,375	
Adjusted diluted earnings per share	**109.0**	**257,725,381**	**42.3**

11 Intangible assets

Goodwill	2023 £m	2022 £m
Cost at beginning and end of the year	47.7	47.7
Accumulated impairment	(18.7)	(18.7)
At beginning and end of the year	**29.0**	**29.0**

Goodwill arose on the acquisition of CN Finance plc (formerly Castle Bidco plc) on 24 March 2009. The goodwill relating to items other than the holding of strategic land was fully impaired in prior periods. The remaining goodwill was allocated to acquired strategic land holdings (the cash-generating unit) within the Group and has not previously been impaired. The goodwill is assessed for impairment annually. The recoverable amount is equal to the higher of value in use and fair value less costs of disposal. The Directors have therefore assessed value in use, being the present value of the forecast cash flows from the expected development and sale of properties on the strategic land. These cash flows are the key estimates in the value in use assessment. The forecast looks at the likelihood and scale of permitted development, forecast build costs and forecast selling prices, using a pre-tax discount rate of 9.5% (2022: 8.5%), covering a further period of 14 years to 2038, and based on current market conditions. The discount rate is based on an externally produced weighted average cost of capital range estimate. For 2023 9.5% (2022: 8.5%) falls within the range. The FHS will not impact the estimated development cash flows as sites in production already incorporate the forecast extra costs, and for those under option the extra costs will be adjusted in the land values payable. The period used in this assessment represents the estimated time it will take to obtain planning and build out on the remaining acquired strategic land holdings. The recoverable value of the cash generating unit is substantially in excess of the carrying value of goodwill. Sensitivity analysis has been undertaken by changing the discount rates by plus or minus 1.0% and the forecast profit margins applicable to the site within the cash generating unit. None of the sensitivities, either individually or in aggregate, resulted in the fair value of the goodwill being reduced to below its current book value amount. As the forecast covers the entire life of the cash generating unit no growth rate has been used to extrapolate the cash flow projection, and as such the rate is not disclosed.

12 Property, plant and equipment

	Fixtures and fittings £m	Computer equipment and software £m	Total £m
Cost			
At 1 November 2021	1.8	3.2	5.0
Additions	–	0.1	0.1
Disposals	(0.1)	(0.4)	(0.5)
At 31 October 2022	**1.7**	**2.9**	**4.6**
Additions	1.8	–	1.8
Disposals	–	(0.7)	(0.7)
At 31 October 2023	**3.5**	**2.2**	**5.7**
Accumulated depreciation			
At 1 November 2021	1.0	2.8	3.8
Charge for the year	0.2	0.2	0.4
Disposals	(0.1)	(0.4)	(0.5)
At 31 October 2022	**1.1**	**2.6**	**3.7**
Charge for the year	0.3	0.2	0.5
Disposals	–	(0.7)	(0.7)
At 31 October 2023	**1.4**	**2.1**	**3.5**
Net book value			
At 31 October 2023	**2.1**	**0.1**	**2.2**
At 31 October 2022	0.6	0.3	0.9
At 1 November 2021	0.8	0.4	1.2

The Group has contractual commitments for the acquisition of property, plant and equipment of £nil (2022: £nil).

13 Right-of-use assets and liabilities

	Office buildings £m	Motor vehicles £m	Total £m
Cost			
At 1 November 2021	13.1	4.2	17.3
Additions	–	1.3	1.3
Disposals	–	(1.0)	(1.0)
At 31 October 2022	**13.1**	**4.5**	**17.6**
Additions	2.8	1.9	4.7
Disposals	(7.3)	(1.6)	(8.9)
At 31 October 2023	**8.6**	**4.8**	**13.4**
Accumulated depreciation			
At 1 November 2021	10.7	2.9	13.6
Charge for the year	1.0	0.9	1.9
Disposals	–	(1.0)	(1.0)
Reclassification	(0.6)	–	(0.6)
At 31 October 2022	**11.1**	**2.8**	**13.9**
Charge for the year	1.3	1.0	2.3
Disposals	(7.3)	(1.6)	(8.9)
At 31 October 2023	**5.1**	**2.2**	**7.3**
Net book value			
At 31 October 2023	**3.5**	**2.6**	**6.1**
At 31 October 2022	2.0	1.7	3.7
At 1 November 2021	2.4	1.3	3.7

	2023 £m	2022 £m
Lease liabilities included in the consolidated statement of financial position		
Non-current	4.4	2.3
Current	2.0	1.6
Total lease liabilities	**6.4**	**3.9**

	2023 £m	2022 £m
Amounts recognised in the consolidated income statement		
Depreciation on right-of-use assets	2.3	1.9
Interest on lease liabilities	0.2	0.1

	2023 £m	2022 £m
Amounts recognised in the consolidated cash flow statement		
Principal element of lease payments	2.4	2.1

	2023 £m	2022 £m
Maturity of undiscounted contracted lease cash flows		
Less than one year	2.2	1.7
One to five years	3.2	2.4
More than five years	1.6	–
Total	**7.0**	**4.1**

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For the year ended 31 October 2023

14 Investments

Investments in joint ventures
Below are the joint ventures that the Directors consider to be material to the Group:

— Crest A2D (Walton Court) LLP: In January 2016 the Group entered into a partnership agreement with A2 Dominion Developments Limited to procure and develop a site in Surrey. The LLP commenced construction in 2019, with sales completion forecast for 2025. The development will be equally funded by both parties by way of interest free loans. The Group performs the role of project manager, for which it receives a project management fee
— Elmsbrook (Crest A2D) LLP: In July 2017 the Group entered into a partnership agreement with A2 Dominion Developments Limited to procure and develop a site in Oxfordshire. The LLP commenced construction in 2018, with sales completion forecast for 2024. The development will be equally funded by both parties by way of interest free loans. The Group performs the role of project manager, for which it receives a project management fee
— Crest Sovereign (Brooklands) LLP: In April 2019 the Group entered into a partnership agreement with Sovereign Housing Association Limited to develop a site in Bristol. The LLP commenced construction in 2019, with sales completion forecast for 2027. The LLP will be equally funded by both parties, who will receive interest on loaned sums. The Group performs the role of project manager, for which it receives a project management fee
— Crest Peabody (Turweston) LLP: In September 2023 the Group entered into a partnership agreement with the Peabody Trust to develop a site in Buckinghamshire. The LLP is expecting to commence construction in 2024, with sales completion forecast for 2029. The development will be equally funded by both parties by way of interest free loans. The Group performs the role of project manager, for which it will receive a project management fee and a sales and marketing fee.

	2023 £m	2022 £m
Total investments in joint ventures		
Crest A2D (Walton Court) LLP	2.3	3.4
Elmsbrook (Crest A2D) LLP	3.5	3.3
Crest Sovereign (Brooklands) LLP	4.9	2.3
Crest Peabody (Turweston) LLP	–	–
Other non-material joint ventures	–	–
Total investments in joint ventures	**10.7**	**9.0**

All material joint ventures have their place of business in Great Britain, are 50% owned and are accounted for using the equity method, in line with the prior year. See note 28 for further details.

Summarised financial information for joint ventures

The tables below provide financial information for joint ventures that are material to the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant joint ventures, where the Group retains an interest, and not the Group's share of those amounts.

2023	Crest A2D (Walton Court) LLP £m	Elmsbrook (Crest A2D) LLP £m	Crest Sovereign (Brooklands) LLP £m	Crest Peabody (Turweston) LLP £m	Other non-material joint ventures £m	Total £m
Summarised statement of financial position						
Current assets						
Cash and cash equivalents	0.2	6.0	0.4	–	0.2	6.8
Inventories	64.8	4.6	16.7	–	–	86.1
Other current assets	0.2	1.0	1.9	5.3	2.0	10.4
Current liabilities						
Financial liabilities	(52.0)	(1.4)	(1.1)	(0.3)	–	(54.8)
Other current liabilities	(5.7)	(3.3)	(8.1)	(5.0)	(3.9)	(26.0)
Non-current liabilities						
Financial liabilities	(3.0)	–	–	–	–	(3.0)
Net assets/(liabilities)	**4.5**	**6.9**	**9.8**	**–**	**(1.7)**	**19.5**
Reconciliation to carrying amounts						
Opening net assets/(liabilities) at 1 November 2022	6.7	6.5	4.6	–	(2.9)	14.9
(Loss)/profit for the year	(3.2)	3.4	5.2	–	1.2	6.6
Capital contribution reserve	1.0	–	–	–	–	1.0
Dividends paid	–	(3.0)	–	–	–	(3.0)
Closing net assets/(liabilities) at 31 October 2023	**4.5**	**6.9**	**9.8**	**–**	**(1.7)**	**19.5**
Group's share of closing net assets/(liabilities) at 31 October 2023	2.3	3.5	4.9	–	(0.9)	9.8
Fully provided in the Group financial statements (note 22)	–	–	–	–	0.9	0.9
Group's share in joint venture	**2.3**	**3.5**	**4.9**	**–**	**–**	**10.7**
Amount due to the Group (note 17)	27.4[1]	1.4	0.4	0.3	–	29.5
Amount due from the Group (note 21)	–	–	–	–	0.7	0.7
Summarised income statement for the 12 months ending 31 October 2023						
Revenue	0.9	21.1	47.2	–	–	69.2
Expenditure	(2.6)	(17.7)	(41.1)	–	–	(61.4)
Expenditure – exceptional item (note 4)	–	–	–	–	1.2	1.2
Operating (loss)/profit before finance expense	**(1.7)**	**3.4**	**6.1**	**–**	**1.2**	**9.0**
Finance expense	(1.5)	–	(0.9)	–	–	(2.4)
Pre-tax and post-tax (loss)/profit for the year	(3.2)	3.4	5.2	–	1.2	6.6
Group's share in joint venture (loss)/profit for the year	**(1.6)**	**1.7**	**2.6**	**–**	**0.6**	**3.3**

1 £27.4m stated after expected credit loss of £0.1m.

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The Group is committed to provide such funding to joint ventures as may be required by the joint venture in order to carry out the project if called. Funding of this nature is currently expected to be £5.9m (2022: £1.2m). The Group has recognised its share of the accumulated losses of its joint ventures against the carrying value of investments or loans in the joint venture where appropriate, in line with IAS 28.

2022	Bonner Road LLP[1] £m	Crest A2D (Walton Court) LLP £m	Elmsbrook (Crest A2D) LLP £m	Crest Sovereign (Brooklands) LLP £m	Other non-material joint ventures £m	Total £m
Summarised statement of financial position						
Current assets						
Cash and cash equivalents	–	0.1	1.6	0.3	0.2	2.2
Inventories	–	40.4	7.8	28.8	–	77.0
Other current assets	–	0.1	0.1	2.3	0.2	2.7
Current liabilities						
Financial liabilities	–	(0.6)	–	(1.0)	–	(1.6)
Other current liabilities	–	(1.4)	(3.0)	(6.9)	(3.3)	(14.6)
Non-current liabilities						
Financial liabilities	–	(31.9)	–	(18.9)	–	(50.8)
Net assets/(liabilities)	**–**	**6.7**	**6.5**	**4.6**	**(2.9)**	**14.9**
Reconciliation to carrying amounts						
Opening net (liabilities)/assets at 1 November 2021	(13.7)	4.3	8.9	(1.0)	0.2	(1.3)
(Loss)/profit for the year	(1.2)	1.2	2.4	5.6	(3.1)	4.9
Capital contribution reserve	–	1.2	–	–	–	1.2
Dividends paid	–	–	(4.8)	–	–	(4.8)
Disposal in the year	14.9*	–	–	–	–	14.9
Closing net assets/(liabilities) at 31 October 2022	**–**	**6.7**	**6.5**	**4.6**	**(2.9)**	**14.9**
Group's share of closing net assets/(liabilities) at 31 October 2022	–	3.4	3.3	2.3	(1.4)	7.6
Losses recognised against receivable from joint venture (note 17)	–	–	–	–	0.2	0.2
Fully provided in the Group financial statements (note 22)	–	–	–	–	1.2	1.2
Group's share in joint venture	**–**	**3.4**	**3.3**	**2.3**	**–**	**9.0**
Amount due to the Group (note 17)	–	15.9[2]	0.8	10.4	–	27.1
Amount due from the Group (note 21)	–	–	–	–	0.1	0.1
Summarised income statement for the 12months ending 31 October 2022						
Revenue	–	26.0	11.0	47.4	–	84.4
Expenditure	–	(23.6)	(8.6)	(39.9)	(0.1)	(72.2)
Expenditure – exceptional item (note 4)	–	–	–	–	(3.0)	(3.0)
Operating profit/(loss) before finance expense	**–**	**2.4**	**2.4**	**7.5**	**(3.1)**	**9.2**
Finance expense	(1.2)	(1.2)	–	(1.9)	–	(4.3)
Pre-tax and post-tax (loss)/profit for the year	**(1.2)**	**1.2**	**2.4**	**5.6**	**(3.1)**	**4.9**
Group's share in joint venture (loss)/profit for the year	**(0.6)**	**0.6**	**1.2**	**2.8**	**(1.5)**	**2.5**

1 Group's share of the net liabilities comprises £7.5m made up of brought forward net liabilities of £6.9m and current year loss of £0.6m. Bonner Road LLP was disposed of on 6 May 2022.
2 £15.9m stated after expected credit loss of £0.1m.

Subsidiary undertakings

The subsidiary undertakings that are significant to the Group and traded during the year are set out below. The Group's interest is in respect of ordinary issued share capital that is wholly owned and all the subsidiary undertakings are incorporated in Great Britain and are included in the consolidated financial statements.

Subsidiary	Nature of business
CN Finance plc	Holding company (including group financing)
Crest Nicholson plc	Holding company
Crest Nicholson Operations Limited	Residential and commercial property development

A full list of the Group's undertakings including subsidiaries and joint ventures is set out in note 28.

15 Deferred tax assets and liabilities

Deferred tax assets	Inventories fair value £m	Share-based payments £m	Other temporary differences £m	Total £m
At 1 November 2021	1.5	0.4	2.9	4.8
Consolidated income statement movements	–	0.5	(0.1)	0.4
Equity movements	–	(0.4)	–	(0.4)
At 31 October 2022	**1.5**	**0.5**	**2.8**	**4.8**
Consolidated income statement movements	(0.4)	(0.1)	(0.8)	(1.3)
Equity movements	–	(0.2)	–	(0.2)
At 31 October 2023	**1.1**	**0.2**	**2.0**	**3.3**

Deferred tax liabilities	Pension surplus £m	Total £m
At 1 November 2021	(4.1)	(4.1)
Consolidated income statement movements	(0.7)	(0.7)
Equity movements	1.6	1.6
At 31 October 2022	**(3.2)**	**(3.2)**
Consolidated income statement movements	(0.4)	(0.4)
Equity movements	1.1	1.1
At 31 October 2023	**(2.5)**	**(2.5)**

Total deferred tax credited to equity in the year is £0.9m (2022: £1.2m). Deferred tax assets expected to be recovered in less than 12 months is £1.0m (2022: £1.5m), and in more than 12 months is £2.3m (2022: £3.3m). Deferred tax liabilities are expected to be settled in more than 12 months.

At the consolidated statement of financial position date the substantively enacted future corporation tax rate is 25.0% (as from 1 April 2023). RPDT became effective from 1 April 2022 and is an additional tax at 4.0% of profits generated from residential property development activity, in excess of an annual threshold. Deferred tax assets and liabilities have been evaluated using the applicable tax rates when the asset is forecast to be realised and the liability is forecast to be settled. The Group has no material unrecognised deferred tax assets.

Inventories fair value represents temporary differences on the carrying value of inventory fair valued on the acquisition of CN Finance plc in 2009. These temporary differences are expected to be recoverable in full as it is considered probable that taxable profits will be available against which the deductible temporary differences can be utilised, and are therefore recognised as deferred tax assets in the above amounts.

16 Employee benefits

(a) Retirement benefit obligations

Defined contribution scheme

The Group operates a defined contribution scheme for new employees. The assets of the scheme are held separately from those of the Group in an independently administered fund. The contributions to this scheme for the year were £2.8m (2022: £2.3m). At the consolidated statement of financial position date there were no outstanding or prepaid contributions (2022: £nil).

Defined benefit scheme

The Company sponsors the Crest Nicholson Group Pension and Life Assurance Scheme (Scheme), a funded defined benefit pension scheme in the UK. The Scheme is administered within a trust that is legally separate from the Company. A Trustee company (Trustee) is appointed by the Company and the Company and the Scheme's members appoint Trustee Directors. The Trustee is appointed to act in the interest of the Scheme and all relevant stakeholders, including the members and the Company. The Trustee is also responsible for the investment of the Scheme's assets.

The Scheme closed to future accrual from 30 April 2010. Accrued pensions in relation to deferred members are revalued at statutory revaluation in the period before retirement. Benefits also increase either at a fixed rate or in line with inflation while in payment. The Scheme provides pensions to members on retirement and to their dependants on death.

The Company pays contributions to improve the Scheme's funding position as determined by regular actuarial valuations. The Trustee is required to use prudent assumptions to value the liabilities and costs of the Scheme whereas the accounting assumptions must be best estimates.

Responsibility for meeting any deficit within the Scheme lies with the Company and this introduces a number of risks for the Company. The major risks are: interest rate risk, inflation risk, investment risk and longevity risk. The Company and Trustee are aware of these risks and manage them through appropriate investment and funding strategies.

The Scheme is subject to regular actuarial valuations, which are usually carried out every three years. The last actuarial valuation was carried out with an effective date of 31 January 2021. These actuarial valuations are carried out in accordance with the requirements of the Pensions Act 2004 and so include deliberate margins for prudence. This contrasts with these accounting disclosures, which are determined using best estimate assumptions.

The results of the actuarial valuation as at 31 January 2021 have been projected to 31 October 2023 by a qualified independent actuary. The figures in the following disclosure were measured using the Projected Unit Method.

The investment strategy in place for the Scheme is to invest in a mix of return seeking, index linked and fixed interest investments. As at 31 October 2023 the allocation of the Scheme's invested assets was 18% in return seeking investments, 40% in liability-driven investing, 40% in cash and 2% in insured annuities. Details of the investment strategy can be found in the Scheme's Statement of Investment Principles, which the Trustee updates as their policy evolves.

It should also be noted that liabilities relating to insured members of the Scheme have been included as both an asset and a liability.

Following the High Court judgement in the Lloyds Banking Group Pensions Trustees Limited v Lloyds Bank plc and others (2018) case, overall pension benefits now need to be equalised to eliminate inequalities between males and females in Guaranteed Minimum Pensions (GMP). The Company has allowed for this in its accounts by adding a 1.3% (2022: 1.3%) reserve reflecting an approximate estimate of the additional liability.

	2023 £m	2022 £m	2021 £m
The amounts recognised in the consolidated statement of financial position are as follows:			
Fair value of scheme assets	141.3	160.0	241.9
Present value of scheme liabilities	(131.3)	(148.9)	(225.2)
Net surplus amount recognised at year end	**10.0**	**11.1**	**16.7**
Deferred tax liability recognised at year end within non-current liabilities	(2.5)	(3.2)	(4.1)

The retirement benefit surplus recognised in the consolidated statement of financial position represents the surplus of the fair value of the Scheme's assets over the present value of the Scheme's liabilities.

The rules of the Scheme provide the Group with an unconditional right to a refund of surplus assets on the gradual settlement of the Scheme's liabilities. In the ordinary course of business the Scheme Trustee has no unilateral right to wind the Scheme up. Based on these rights and in accordance with IFRIC 14, the Group has made the judgement that the net surplus in the Scheme is recognised in full.

At the consolidated statement of financial position date the corporation tax rate is 25.0%. The deferred tax liability on the retirement benefit surplus has been evaluated applying this rate. RPDT of 4.0% is applicable to residential property development trading income only.

Amounts recognised in comprehensive income:

The current and past service costs, settlements and curtailments, together with the interest income for the year are included in the consolidated statement of comprehensive income. Remeasurements of the net defined benefit asset are included in the consolidated statement of comprehensive income.

	2023 £m	2022 £m
Service cost		
Administrative expenses	(0.6)	(0.9)
Interest income	0.5	0.3
Recognised in the consolidated income statement	**(0.1)**	**(0.6)**

	2023 £m	2022 £m
Remeasurements of the net liability		
Return on Scheme assets	(18.5)	(82.6)
Gains arising from changes in financial assumptions	12.5	79.8
Gains/(losses) arising from changes in demographic assumptions	6.1	(0.1)
Experience losses	(2.6)	(5.5)
Actuarial losses recorded in the consolidated statement of comprehensive income	**(2.5)**	**(8.4)**
Total defined benefit scheme losses	**(2.6)**	**(9.0)**

	2023 %	2022 %
The principal actuarial assumptions used were:		
Liability discount rate	5.6	4.8
Inflation assumption – RPI	3.3	3.2
Inflation assumption – CPI	2.7	2.6
Revaluation of deferred pensions	2.7	2.6
Increases for pensions in payment		
Benefits accrued in excess of GMP pre-1997	3.0	3.0
Benefits accrued post-1997	3.1	3.0
Proportion of employees opting for early retirement	0.0	0.0
Proportion of employees commuting pension for cash	100.0	100.0
Mortality assumption – pre-retirement	AC00	AC00
Mortality assumption – male and female post-retirement	S3PA light base tables (males and females) projected in line with CMI_2022 core model with core parameters (Sk = 7.0, an initial addition of 0.25%, w2020 and w2021 set to zero and 2022 set to 25%) and with a long-term rate of improvement of 1.25% p.a	S3PA light base tables projected in line with CMI_2021 core model with core parameters (Sk = 7.0, an initial addition of 0.25%, w2020 and w2021 set to zero) and with a long-term rate of improvement of 1.25% p.a

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	2023 Years	2022 Years
Future expected lifetime of current pensioner at age 65		
Male aged 65 at year end	22.9	23.4
Female aged 65 at year end	24.6	25.0
Future expected lifetime of future pensioner at age 65		
Male aged 45 at year end	24.1	24.6
Female aged 45 at year end	25.9	26.3

	2023 £m	2022 £m
Changes in the present value of assets over the year		
Fair value of assets at beginning of the year	160.0	241.9
Interest income	7.5	4.1
Return on assets (excluding amount included in net interest income)	(18.5)	(82.6)
Contributions from the employer	1.5	3.4
Benefits paid	(8.6)	(5.9)
Administrative expenses	(0.6)	(0.9)
Fair value of assets at end of the year	**141.3**	**160.0**
Actual return on assets over the year	(10.9)	(78.5)

	2023 £m	2022 £m
Changes in the present value of liabilities over the year		
Liabilities at beginning of the year	(148.9)	(225.2)
Interest cost	(7.0)	(3.8)
Remeasurement gains/(losses)		
Gains arising from changes in financial assumptions	12.5	79.8
Gains/(losses) arising from changes in demographic assumptions	6.1	(0.1)
Experience losses	(2.6)	(5.5)
Benefits paid	8.6	5.9
Liabilities at end of the year	**(131.3)**	**(148.9)**

	2023 £m	2022 £m
Split of the Scheme's liabilities by category of membership		
Deferred pensioners	(57.8)	(71.5)
Pensions in payment	(73.5)	(77.4)
	(131.3)	**(148.9)**

	2023 Years	2022 Years
Average duration of the Scheme's liabilities at end of the year	12.0	14.0
This can be subdivided as follows:		
Deferred pensioners	16.0	18.0
Pensions in payment	9.0	10.0

	2023 £m	2022 £m
Major categories of scheme assets		
Return seeking		
Overseas equities	2.4	2.3
Other (hedge funds, multi asset strategy and absolute return funds)	23.6	55.9
	26.0	**58.2**
Debt instruments		
Corporates	11.8	–
Liability-driven investing	44.1	71.6
	55.9	**71.6**
Other		
Cash	55.9	25.9
Insured annuities	3.5	4.3
	59.4	**30.2**
Total market value of assets	**141.3**	**160.0**

The Scheme has implemented a Liability driven investment (LDI) strategy designed to closely align investment returns with movements in the Scheme's liabilities on a low-risk basis, thereby reducing the volatility of the Scheme's funding level. The use of LDI brings liquidity risk as the demand for additional collateral to maintain the Scheme's hedging can change over short periods when interest rates change. In consultation with the Company, during the 2022 gilts crisis the Scheme continued to follow their LDI strategy, maintaining their interest rate and inflation hedging during the period of significant market volatility. Following the 2022 gilts crisis, the Trustee worked with its investment advisor (and in consultation with the Company) to review the investment strategy in April 2023. As a result, LCP (the Trustee's investment advisor) estimate that as at 30 September 2023 the Scheme has sufficient liquidity in the LDI portfolio (and Liquidity Plus Fund alongside) to withstand a greater than 4% p.a. increase in yields (from already historic highs) across the curve (assuming no accompanying fall in the value of collateral) before other assets would need to be sold to maintain the Scheme's hedge.

£nil (2022: £nil) of Scheme assets have a quoted market price in active markets, £90.9m (2022: £106.2m) of Scheme assets have valuation inputs other than quoted market prices, including quoted market prices for similar assets in active markets, £21.4m (2022: £42.4m) of Scheme assets are instruments that are valued based on quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect the differences between the instruments, and £29.0m (2022: £11.4m) of Scheme assets are cash and insured pension annuities.

The Scheme has no investments in the Group or in property occupied by the Group.

The Scheme had a deficit as at the latest valuation date of 31 January 2021, with a recovery plan agreed between the Group and the Trustee. The Scheme was in surplus on the Technical Provisions basis, and so no further contributions were payable in respect of the shortfall in funding in accordance with the Recovery Plan dated 8 February 2022. In order to continue to move the Scheme towards the Trustee's secondary funding objective, the Trustee and the Group have agreed that the Company will fund the Scheme with contributions of £1.5m per annum, payable monthly until 30 April 2025. When the Scheme is at least 95% funded on the Secondary Funding Basis for a period of three consecutive months then the Group has the option to pay any remaining contributions to an escrow account. The Group expects to contribute £1.5m to scheme funding in the year ending 31 October 2024.

Sensitivity of the liability value to changes in the principal assumptions

The sensitivities included are consistent with those shown in prior years and show the change in the consolidated statement of financial position as at 31 October 2023 as a result of a change to the key assumptions.

If the discount rate was 0.25% higher/(lower), the Scheme liabilities would decrease by £3.8m/(increase by £3.9m) if all the other assumptions remained unchanged.

If the inflation assumption was 0.25% higher/(lower), the Scheme liabilities would increase by £2.3m/(decrease by £2.4m) if all the other assumptions remained unchanged.

If life expectancies were to increase by one year, the scheme liabilities would increase by £4.7m if all the other assumptions remained unchanged.

Notes to the consolidated financials statements continued
For the year ended 31 October 2023

(b) Share-based payments

The Group operates a Long-Term Incentive Plan (LTIP), save as you earn (SAYE) and a deferred bonus plan.

Long-Term Incentive Plan

The Group's LTIP is open to the Executive Directors and senior management with awards being made at the discretion of the Remuneration Committee. Options granted under the plan are exercisable between three and 10 years after the date of grant. Awards may be satisfied by shares held in the ESOT, the issue of new shares (directly or to the ESOT) or the acquisition of shares in the market. Awards made prior to 31 October 2020 vest over three years and are subject to three years' service, and return on capital and profit performance conditions.

Awards issued between 2021 and 2023 are subject to three years' service and assessed against return on capital, profit performance conditions and relative total shareholder returns (TSR). The non-market based return on capital and profit performance conditions applies to 60% of the award and value the options using a binomial option valuation model. The market-based TSR performance conditions apply to 40% of the award and values the options using the Monte Carlo valuation model. The TSR-based performance conditions are split one-third FTSE 250 excluding investment funds and two-thirds sector peer group. 1,320,566 of the options awarded in 2023 (961,765 of the 2022 award) are subject to an additional post-vesting holding period, where shares cannot be sold for two years after vesting date.

The 2021 fair value at measurement date of the different valuation elements are £2.25 TSR (FTSE 250), £1.85 TSR (peer group), and £2.84 for the non-market-based return on capital and profit performance conditions. The correlation of FTSE 250 and peer group calculated for each individual comparator company relative to the Group is 30% and 67% respectively. The average fair value at measurement date is £2.50 per option.

The 28 January 2022 grant fair value at measurement date of the different valuation elements of the unrestricted options are £1.68 TSR (FTSE 250), £1.55 TSR (peer group), and £2.62 for the non-market-based return on capital and profit performance conditions. The 2023 fair value at measurement date of the different valuation elements of the restricted options are £1.51 TSR (FTSE 250), £1.40 TSR (peer group), and £2.36 for the non-market-based return on capital and profit performance conditions. The correlation of FTSE 250 and peer group calculated for each individual comparator company relative to the Group is 31% and 68% respectively. The average fair value at measurement date is £2.10 per option. The average fair value at measurement date of the 25 August 2023 grant is £1.59 per option.

The 27 January 2023 grant fair value at measurement date of the different valuation elements of the unrestricted options are £1.84 TSR (FTSE 250), £1.68 TSR (peer group), and £2.45 for the non-market-based return on capital and tCO_2 elements. The 2023 fair value at measurement date of the different valuation elements of the restricted options are £1.58 TSR (FTSE 250), £1.44 TSR (peer group), and £2.10 for the non-market-based return on capital and profit performance conditions. The correlation of FTSE 250 and peer group calculated for each individual comparator company relative to the Group is 33% and 65% respectively. The average fair value at measurement date is £1.88 per option.

Date of grant	26 Feb 2016	16 Apr 2019	21 Jun 2019	20 Feb 2020	04 Aug 2020	08 Feb 2021	28 Jan 2022	25 Aug 2022	06 Mar 2023	07 Aug 2023	27 Jan 2023
Options granted	1,075,943	1,140,962	278,558	1,125,531	7,298	1,328,192	1,341,918	23,955	29,462	508	1,771,417
Fair value at measurement date	£5.07	£3.15	£3.15	£4.28	£1.53	£2.50	£2.10	£1.59	£2.75	£2.46	£1.88
Share price on date of grant	£5.62	£4.00	£3.55	£5.16	£1.85	£3.23	£3.07	£2.33	£2.32	£2.14	£2.45
Exercise price	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
Vesting period	3 years	3 years	3 years	3 years	3 years	3 years	3 years	3 years	3 years	3 years	3 years
Expected dividend yield	3.50%	8.20%	8.20%	6.40%	6.40%	4.30%	5.30%	5.30%	N/A	N/A	0.0%
Expected volatility	30.0%	35.0%	35.0%	30.0%	30.0%	40.0%	40.0%	40.0%	N/A	N/A	45.0%
Risk-free interest rate	0.43%	0.81%	0.81%	0.45%	0.45%	0.03%	0.97%	0.97%	N/A	N/A	3.23%
Valuation model	Binomial	Binomial	Binomial	Binomial	Binomial	Binomial/ Monte Carlo	Binomial/ Monte Carlo	Binomial/ Monte Carlo	N/A	N/A	Binomial/ Monte Carlo
Contractual life from	26.02.16	16.04.19	21.06.19	20.02.20	04.08.20	08.02.21	28.01.22	25.08.22	06.03.23	07.08.23	27.01.23
Contractual life to	25.02.26	15.04.29	20.06.29	19.02.30	03.08.30	07.02.31	27.02.32	27.02.32	19.02.30	03.08.30	26.01.33

Movements in the year	Number of options	Number of options	Number of options	Number of options	Number of options	Number of options	Number of options	Number of options	Number of options	Number of options	Number of options	Total Number of options
Outstanding at 1 November 2021	1,518	692,934	278,558	954,131	7,298	1,276,437	–	–	–	–	–	3,210,876
Granted during the year	–	–	–	–	–	–	1,341,918	23,955	–	–	–	1,365,873
Exercised during the year	(1,518)	–	–	–	–	–	–	–	–	–	–	(1,518)
Lapsed during the year	–	(692,934)	(278,558)	(62,161)	–	(78,761)	(29,443)	–	–	–	–	(1,141,857)
Outstanding at 31 October 2022	**–**	**–**	**–**	**891,970**	**7,298**	**1,197,676**	**1,312,475**	**23,955**	**–**	**–**	**–**	**3,433,374**
Granted during the year	–	–	–	–	–	–	–	–	29,462	508	1,771,407	1,801,377
Exercised during the year	–	–	–	(417,308)	(3,948)	–	–	–	(29,462)	(508)	–	(451,226)
Lapsed during the year	–	–	–	(474,662)	(3,350)	(167,438)	(181,150)	–	–	–	(201,028)	(1,027,628)
Outstanding at 31 October 2023	**–**	**–**	**–**	**–**	**–**	**1,030,238**	**1,131,325**	**23,955**	**–**	**–**	**1,570,379**	**3,755,897**
Exercisable at 31 October 2023	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Exercisable at 31 October 2022	–	–	–	–	–	–	–	–	–	–	–	–

	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	Total £m
Charge to income for the current year	**–**	**–**	**–**	**0.1**	**–**	**–**	**0.1**	**–**	**0.1**	**–**	**0.3**	**0.6**
Charge to income for the prior year	–	–	–	1.1	–	(0.1)	0.2	–	–	–	–	1.2

The weighted average exercise price of LTIP options was £nil (2022: £nil).

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For the year ended 31 October 2023

Save As You Earn

Executive Directors and eligible employees are invited to make regular monthly contributions to a Sharesave scheme administered by EQ. On completion of the three-year contract period employees are able to purchase ordinary shares in the Company based on the market price at the date of invitation less a 20% discount. There are no performance conditions.

Date of grant	26 Jul 2018	30 Jul 2019	07 Aug 2020	03 Aug 2021	02 Aug 2022	28 Jul 2023
Options granted	712,944	935,208	1,624,259	256,132	975,549	1,938,156
Fair value at measurement date	£0.52	£0.54	£0.36	£1.15	£0.66	£1.51
Share price on date of grant	£3.77	£3.68	£1.94	£4.14	£2.67	£2.19
Exercise price	£3.15	£2.86	£1.70	£3.42	£1.94	£1.51
Vesting period	3 years	3 years	3 years	3 years	3 years	3 years
Expected dividend yield	8.76%	8.96%	5.20%	1.98%	5.63%	7.78%
Expected volatility	35.00%	35.00%	40.00%	45.30%	42.20%	41.6%
Risk-free interest rate	0.85%	0.38%	-0.08%	0.14%	1.62%	4.63%
Valuation model	Binomial	Binomial	Binomial	Binomial	Binomial	Binomial
Contractual life from	01.09.18	01.09.19	01.09.20	01.09.21	01.09.22	01.09.23
Contractual life to	01.03.22	01.03.23	01.03.24	01.03.25	01.03.26	01.03.27

Movements in the year	Number of options	Number of options	Number of options	Number of options	Number of options	Number of options	Total number of options	Weighted average exercise price
Outstanding at 1 November 2021	40,842	147,357	1,124,088	244,294	–	–	1,556,581	£2.12
Granted during the year	–	–	–	–	975,549	–	975,549	£1.94
Exercised during the year	(8,854)	–	(5,764)	–	–	–	(14,618)	£2.58
Lapsed during the year	(31,988)	(50,525)	(210,555)	(160,163)	(62,992)	–	(516,223)	£2.47
Outstanding at 31 October 2022	**–**	**96,832**	**907,769**	**84,131**	**912,557**	**–**	**2,001,289**	**£1.94**
Granted during the year	–	–	–	–	–	1,938,156	1,938,156	£1.51
Exercised during the year	–	–	(522,976)	–	–	–	(522,976)	£1.70
Lapsed during the year	–	(96,832)	(61,983)	(41,201)	(486,485)	(158,774)	(845,275)	£2.02
Outstanding at 31 October 2023	**–**	**–**	**322,810**	**42,930**	**426,072**	**1,779,382**	**2,571,194**	**£1.64**
Exercisable at 31 October 2023	**–**	**–**	**322,810**	**–**	**–**	**–**	**322,810**	
Exercisable at 31 October 2022	–	96,832	–	–	–	–	96,832	
	£m	£m	£m	£m	£m	£m	Total £m	
Charge to income for the current year	**–**	**–**	**0.1**	**–**	**0.3**	**0.1**	**0.5**	
Charge to income for the prior year	–	–	0.1	0.1	0.1	–	0.3	

Deferred bonus plan

Under the terms of certain bonus schemes, some parts of bonus payments must be deferred into share options. The options carry no performance criteria and vest over one or three years. Options granted under the plan are exercisable between one and 10 years after the date of grant. Deferred bonus plan option numbers are based on the share price on the date of grant.

Date of grant	28 Feb 2020	26 Feb 2021	01 Mar 2022	28 Jan 2022	09 Feb 2022	06 Mar 2023	06 Mar 2023	27 Jan 2023
Options granted	20,956	34,800	251	230,605	58,848	151	2,897	340,125
Fair value at measurement date	£4.52	£3.28	£4.06	£2.76	£2.76	£2.75	£2.53	£2.44
Share price on date of grant	£4.52	£3.28	£2.70	£3.06	£3.27	£2.32	£2.32	£2.45
Exercise price	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
Vesting period	3 years	1 year	N/A	3 years	1 year	N/A	N/A	3/1 year
Expected dividend yield and volatility	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Risk-free interest rate	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Valuation model	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contractual life from	28.02.20	26.02.21	02.03.22	28.01.22	09.02.22	06.03.23	06.03.23	27.01.23
Contractual life to	27.02.30	25.02.31	25.02.31	27.01.25	08.02.23	27.02.30	08.02.32	28.02.33

Movements in the year	Number of options	Number of options	Number of options	Number of options	Number of options	Number of options	Number of options	Number of options	Total number of options
Outstanding at 1 November 2021	2,260	34,800	–	–	–	–	–	–	37,060
Granted during the year	–	–	251	230,605	58,848	–	–	–	289,704
Exercised during the year	–	(24,985)	(251)	–	–	–	–	–	(25,236)
Lapsed during the year	–	(9,815)	–	–	–	–	–	–	(9,815)
Outstanding at 31 October 2022	**2,260**	**–**	**–**	**230,605**	**58,848**	**–**	**–**	**–**	**291,713**
Granted during the year	–	–	–	–	–	151	2,897	340,125	343,173
Exercised during the year	(2,260)	–	–	–	(48,374)	(151)	(2,897)	–	(53,682)
Lapsed during the year	–	–	–	–	(10,474)	–	–	(21,108)	(31,582)
Outstanding at 31 October 2023	**–**	**–**	**–**	**230,605**	**–**	**–**	**–**	**319,017**	**549,622**
Exercisable at 31 October 2023	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Exercisable at 31 October 2022	–	–	–	–	–	–	–	–	–

	£m	£m	£m	£m	£m	£m	£m	£m	Total £m
Charge to income for the current year	**–**	**–**	**–**	**0.2**	**–**	**–**	**–**	**0.2**	**0.4**
Charge to income for the prior year	–	–	–	0.4	–	–	–	–	0.4

The weighted average exercise price of deferred bonus plan share options was £nil (2022: £nil).

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Total share incentive schemes

Movements in the year	2023 Number of options	2022 Number of options
Outstanding at beginning of the year	5,726,376	4,804,517
Granted during the year	4,082,706	2,631,126
Exercised during the year	(1,027,884)	(41,372)
Lapsed during the year	(1,904,485)	(1,667,895)
Outstanding at end of the year	**6,876,713**	**5,726,376**
Exercisable at end of the year	**322,810**	**96,832**
	£m	£m
Charge to income for share incentive schemes	**1.5**	**1.9**

The weighted average share price at the date of exercise of share options exercised during the year was £2.77 (2022: £3.59). The options outstanding had a range of exercise prices of £nil to £3.42 (2022: £nil to £3.42) and a weighted average remaining contractual life of 6.2 years (2022: 6.4 years). The gain on shares exercised during the year was £0.1m (2022: £0.6m).

17 Trade and other receivables

	Trade and other receivables before expected credit loss 2023 £m	Expected credit loss 2023 £m	Trade and other receivables after expected credit loss 2023 £m	Trade and other receivables before expected credit loss 2022 £m	Expected credit loss 2022 £m	Trade and other receivables after expected credit loss 2022 £m
Non-current						
Trade receivables	4.6	(0.1)	4.5	9.7	–	9.7
Due from joint ventures	1.5	–	1.5	25.4	(0.1)	25.3
	6.1	**(0.1)**	**6.0**	**35.1**	**(0.1)**	**35.0**
Current						
Trade receivables	57.1	(0.7)	56.4	49.7	(0.3)	49.4
Contract assets	6.9	–	6.9	25.2	(0.1)	25.1
Due from joint ventures	28.1	(0.1)	28.0	1.8	–	1.8
Other receivables	27.0	(0.2)	26.8	38.1	–	38.1
Prepayments and accrued income	1.9	–	1.9	1.9	–	1.9
	121.0	**(1.0)**	**120.0**	**116.7**	**(0.4)**	**116.3**
Non-current and current	**127.1**	**(1.1)**	**126.0**	**151.8**	**(0.5)**	**151.3**

Trade receivables and contract assets mainly comprise contractual amounts due from housing associations, bulk sale purchasers and land sales to other housebuilders. Other receivables mainly comprise two development agreements where the Group is entitled to recovery of costs incurred under the agreement. Current trade receivables of £20.2m have been collected as of 1 January 2024 (2022: £21.2m have been collected as of 1 January 2023). The remaining balance is due according to contractual terms, and no individually material amounts are past due. At the consolidated statement of financial position date the difference between the fair value of amounts due from joint ventures and nominal value is £0.2m (2022: £0.4m).

Amounts due from joint ventures comprises funding provided on four (2022: three) joint venture developments which are being project managed by the Group and are repayable according to contractual arrangements. Amounts due from joint ventures are stated net of losses of £nil (2022: £0.2m). See note 14 for additional details on the Group's interests in joint ventures.

Amounts due from joint ventures are stated after a loss allowance of £0.1m (2022: £0.1m) in respect of expected credit losses. £nil (2022: £2.3m) provision was made during the year, £nil (2022: £14.1m) was utilised and £nil (2022: £nil) provision was released during the year.

Trade receivables, contract assets and other receivables are stated after a loss allowance of £1.0m (2022: £0.4m) in respect of expected credit losses, assessed on an estimate of default rates. £0.7m (2022: £nil) provision was made during the year, £nil (2022: £nil) was utilised and £0.1m (2022: £nil) provision was released during the year.

Notes to the consolidated financials statements continued
For the year ended 31 October 2023

	2023 £m	2022 £m
Movements in total loss allowance for expected credit losses		
At beginning of the year	0.5	12.3
Charged in the year on joint venture balances (note 14)	–	2.3
Charged in the year on trade and other trade receivables	0.7	–
Released in the year on contract assets	(0.1)	–
Utilised in the year on joint venture balances (note 14)	–	(14.1)
At end of the year	**1.1**	**0.5**

	2023 £m	2022 £m
Maturity of non-current receivables:		
Due between one and two years	5.8	34.2
Due between two and five years	0.2	0.8
Due after five years	–	–
	6.0	**35.0**

18 Inventories

	2023 £m	2022 £m
Work-in-progress	1,040.7	942.8
Completed buildings including show homes	89.6	30.1
Part exchange inventories	34.5	17.2
	1,164.8	**990.1**

Included within inventories is a fair value adjustment of £1.3m (2022: £2.0m) which arose on the acquisition of CN Finance plc in 2009 and will continue to unwind to cost of sales in future years as the units against which the original fair value provision was recognised are sold or otherwise divested. The amount of fair value provision unwound in cost of sales in the year was £0.7m (2022: £0.5m). Total inventories of £520.2m (2022: £705.3m) were recognised as cost of sales in the year.

During the year £13.4m additional NRV was charged, mainly relating to the legacy Farnham development.

Inventories are stated after an NRV provision of £20.2m (2022: £12.6m), which it is currently forecast that over a third will be used in the next financial year.

Movements in the NRV provision in the current and prior year are shown below:

	2023 £m	2022 £m
At beginning of the year	12.6	20.7
Pre-exceptional NRV charged in the year	13.4	9.6
Pre-exceptional NRV used in the year	(5.0)	(7.2)
Exceptional NRV used in the year	(0.8)	(10.5)
Total movement in NRV in the year	**7.6**	**(8.1)**
At end of the year	**20.2**	**12.6**

19 Movement in net cash

	2023 £m	Movement £m	2022 £m
Cash and cash equivalents	162.6	(211.0)	373.6
Bank loans and senior loan notes	(97.7)	(0.6)	(97.1)
Net cash	**64.9**	**(211.6)**	**276.5**

20 Interest-bearing loans and borrowings

	2023 £m	2022 £m
Non-current		
Senior loan notes	85.0	100.0
Revolving credit and senior loan notes issue costs	(1.5)	(2.9)
	83.5	**97.1**
Current		
Senior loan notes	15.0	–
Revolving credit and senior loan notes issue costs	(0.8)	–
	14.2	**–**

There were undrawn amounts of £250.0m (2022: £250.0m) under the RCF at the consolidated statement of financial position date. The Group was undrawn throughout the financial year (2022: undrawn) under the RCF. See note 24 for additional disclosures.

21 Trade and other payables

	2023 £m	2022 £m
Non-current		
Land payables on contractual terms	64.7	32.9
Other payables	2.0	2.3
Contract liabilities	0.3	0.3
Accruals and deferred income	4.1	6.3
	71.1	**41.8**
Current		
Land payables on contractual terms	140.8	165.8
Other trade payables	61.8	41.1
Contract liabilities	5.7	19.0
Due to joint ventures	0.7	0.1
Taxes and social security costs	1.7	1.8
Other payables	1.1	3.2
Accruals and deferred income	125.2	176.1
	337.0	**407.1**

Land payables are recognised from the date of unconditional exchange of contracts, and represent amounts due to land vendors for development sites acquired. All land payables are due according to contractual terms. Where land is purchased on deferred settlement terms then the land and the land payable are discounted to their fair value using the effective interest method in accordance with IFRS 9. The difference between the fair value and the nominal value is amortised over the deferment period, with the financing element being charged as an interest expense through the consolidated income statement. As at 31 October 2023 the difference between the fair value and nominal value of land payables is £6.8m (2022: £2.4m).

Contract liabilities represent payments on account, received from customers, in excess of billable work-in-progress on affordable and other sales in bulk on contracts in which revenue is recognised over time. Based on historical trends, the Directors expect a significant proportion of the contract liabilities total to be recognised as revenue in the next reporting period.

Amounts due to joint ventures are interest free and repayable on demand. See note 14 for additional details on the Group's interests in joint ventures.

Other trade payables mainly comprise amounts due to suppliers and subcontractor retentions. Suppliers are settled according to agreed payment terms and subcontractor retentions are released once the retention condition has been satisfied.

Accruals are mainly work-in-progress related where work has been performed but not yet invoiced.

22 Provisions

	Combustible materials £m	Legal provision £m	Joint ventures £m	Other provisions £m	Total £m
At 1 November 2021	42.6	–	–	0.5	43.1
Provided in the year	102.5	–	–	0.3	102.8
Imputed interest	1.0	–	–	–	1.0
Utilised in the year	(5.3)	–	–	–	(5.3)
Released in the year	–	–	–	(0.4)	(0.4)
Funding commitment recognised	–	–	1.2	–	1.2
Reclassification	–	–	–	0.6	0.6
At 31 October 2022	**140.8**	**–**	**1.2**	**1.0**	**143.0**
Provided in the year	12.0	13.0	–	0.4	25.4
Imputed interest	4.6	–	–	–	4.6
Utilised in the year	(12.6)	–	–	(0.6)	(13.2)
Released in the year	–	–	–	(0.2)	(0.2)
Funding commitment change	–	–	(0.3)	–	(0.3)
At 31 October 2023	**144.8**	**13.0**	**0.9**	**0.6**	**159.3**
At 31 October 2023					
Non-current	73.6	–	–	0.2	73.8
Current	71.2	13.0	0.9	0.4	85.5
	144.8	**13.0**	**0.9**	**0.6**	**159.3**
At 31 October 2022					
Non-current	70.5	–	–	0.3	70.8
Current	70.3	–	1.2	0.7	72.2
	140.8	–	**1.2**	**1.0**	**143.0**

Combustible materials

As a consequence of signing the Developer Remediation Contract on 13 March 2023, the Group has entered into contractual commitments with the UK Government to identify and remediate those buildings it has developed with possible life-critical fire safety defects. The signing of the contract did not materially alter the provision required as at 31 October 2022, which reflected the requirements of the Pledge. The Group is currently working on circa 90 buildings in various stages of design, procurement and works.

The combustible materials provision reflects the estimated costs to complete the remediation of life-critical fire safety issues on identified buildings. The Directors have used a combination of BSF costed information, other external information, and internal assessments as a basis for the provision, which is a best estimate at this time.

The Group recorded a further net combustible materials charge of £12.0m in the year predominantly related to changes in forecast build cost scope and price over the duration of remediation, net of the change in discounting. £11.3m of the charge relates to exceptional items per note 4. The provision is stated after a related discount of £7.3m, which unwinds to the consolidated income statement as finance expense over the expected duration of the provision using the effective interest rate method.

The provision of £144.8m represents the Group's best estimate of future costs on 31 October 2023. The Group will continue to assess the magnitude and utilisation of this provision in future reporting periods. The Group recognises that required remediation works could be subject to further inflationary pressures and cash outflows. If forecast remediation costs on buildings currently provided for are 20.0% higher than provided, the pre-tax exceptional items charge in the consolidated income statement would be £29.0m higher. If further buildings are identified this could also increase the required provision, but the potential quantity of this change cannot be readily determined without further claims or investigative work.

The Group spent £12.6m in the year across several buildings requiring further investigative costs, including balcony and cladding-related works. The Group expects to have completed any required remediation within a five-year period, using £71.2m of the remaining provision within one year, and the balance within one to five years. The timing of the expenditure is based on the Directors best estimates of the timing of remediating buildings and repaying the BSF incurred costs. Actual timing may differ due to delays in agreeing scope of works, obtaining licences, tendering works contracts and the BSF payment schedule differing to our forecast.

The Group is continuing to review the recoverability of costs incurred from third parties where it has a contractual right of recourse. In the year £10.0m was recovered from third parties by the Group. The Group also recognised its share of recoveries from third parties in its joint venture Crest Nicholson Bioregional Quintain LLP of £0.6m, net of changes in build costs. Recoveries are not recognised until they are virtually certain to be received. See note 4 for consolidated income statement disclosure.

Legal provision
The Group is subject to a legal claim relating to a low-rise bespoke apartment block built by the Group which was damaged by fire in 2021. The fire caused extensive damage to the property which was subsequently demolished and is currently being rebuilt by the freeholder. In June 2023 the Group received a letter of claim alleging fire safety defects and claiming compensation for the rebuild and other associated costs. The Group has now assessed the claim and the provision recorded represents managements best estimate of the Group's potential exposure taking into account legal and professional advice. The claim and ultimate route to settlement is ongoing but the Group currently does not have a set timeline for when the matter will be concluded.

Joint ventures
Joint ventures represents the Group's legal or constructive obligation to fund losses on joint ventures.

Other provisions
Other provisions comprise dilapidation provisions on Group offices and dilapidation provisions on commercial properties where the Group previously held the head lease. In the prior year the Group reclassified the brought forward balance of dilapidations on Group offices which were previously offset against right of use assets.

23 Share capital

	Shares issued Number	Nominal value Pence	Share capital £	Share premium account
Ordinary shares as at 1 November 2021, 31 October 2022 and 31 October 2023	**256,920,539**	**5**	**12,846,027**	**74,227,216**

Ordinary shares are issued and fully paid. Authorised ordinary shares of five pence each are 342,560,719 (2022: 342,560,719).

For details of outstanding share options at 31 October 2023 see note 17.

Own shares held
The Group and Company holds shares within ESOT for participants of certain share-based payment schemes. These are held within retained earnings. During the year 840,000 shares were purchased by the ESOT for £1.9m (2022: 440,000 shares were purchased by the ESOT for £1.1m) and the ESOT transferred 1,027,884 (2022: 41,382) shares to employees and Directors to satisfy options as detailed in note 17. The number of shares held within the ESOT (Treasury shares), and on which dividends have been waived, at 31 October 2023 was 600,256 (2022: 788,140). These shares are held within the financial statements in equity at a cost of £1.5m (2022: £2.5m). The market value of these shares at 31 October 2023 was £1.0m (2022: £1.6m).

24 Financial risk management

The Group's financial instruments comprise cash, trade and other receivables, financial assets at fair value through profit and loss, bank loans, senior loan notes, and trade and other payables. The main objective of the Group's policy towards financial instruments is to maximise returns on the Group's cash balances, manage the Group's working capital requirements and finance the Group's ongoing operations.

Capital management
The Group's policies seek to match long-term assets with long-term finance and ensure that there is sufficient working capital to meet the Group's commitments as they fall due, comply with the loan covenants and continue to sustain trading.

The Group's capital comprises shareholders' funds and net cash. A five-year summary of this can be found in the unaudited historical summary on page 163, in addition to its return on average capital employed.

The Group seeks to manage its capital through control of expenditure, dividend payments and through its banking facilities. The RCF and senior loan notes impose certain minimum capital requirements on the Group. These requirements are integrated into the Group's internal forecasting process and are regularly reviewed. The Group has, and is forecasting, to operate within these capital requirements.

There were undrawn amounts of £250.0m (2022: £250.0m) under the RCF at the consolidated statement of financial position date. The RCF carries interest at SONIA plus 1.85% and ends in 2026.

Both the Senior loan notes and the RCF are subject to three covenants that are measured quarterly in January, April, July and October each year, they are, gearing being of a maximum of 70%, interest cover being a minimum of 3 times and consolidated tangible net worth being not less than £500m, all based on measures as defined in the facilities agreements which are adjusted from the equivalent IFRS amounts. As at the statement of financial position date gearing was 17.0%, interest cover was 8.0 times and consolidated tangible net worth was £827.3m.

On 12 October 2022 the Group signed an amendment to the RCF. This amendment extended the facility to run through to October 2026 and changed the facility into a Sustainability Linked RCF.

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For the year ended 31 October 2023

Under this amended facility the margin applicable can vary by plus or minus 0.05% depending on the Group's progress against four targets. These targets include:

— Reduction in absolute scope 1 and 2 emissions in line with our science-based targets

2023. Target met. A focus on efficient use of materials and fuel with an absolute reduction in site activity

— Increasing the number of our suppliers engaging with the Supply Chain Sustainability School

2023. Target met. Proactive engagement with our key suppliers in the year

— Reduction in carbon emissions associated with the use of our homes

2023. Target met. Impact of the switch to standard house types across the business

— Increasing the number of our employees in trainee positions and on training programmes

2023. Target met. A continued priority with dedicated resource and strong employee engagement

As a result of meeting 4 out of 4 of the metrics for FY23 the margin on the RCF will be amended down by 0.05% from the date of submission of the compliance documents for the facility.

Financial risk
As virtually all of the operations of the Group are in sterling, there is no direct currency risk, and thus the Group's main financial risks are credit risk, liquidity risk and market interest rate risk. The Board is responsible for managing these risks and the policies adopted are as set out below:

Credit risk
Credit risk is the risk of financial loss to the Group if a customer or other counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's cash deposits, as most receivables are secured on land and buildings.

The Group has cash deposits of £162.6m (2022: £373.6m) which are held by the providers of its banking facilities. These are primarily provided by HSBC Bank Plc, Barclays Bank Plc, Lloyds Bank Plc and Natwest Group Plc, being four of the UK's leading financial institutions. The security and suitability of these banks is monitored by the treasury function on a regular basis. The Group has bank facilities of £250.0m expiring in October 2026, with £250.0m remaining available for drawdown under such facilities at 31 October 2023.

Financial assets at fair value through profit and loss of £3.7m (2022: £4.6m) are receivables on extended terms granted as part of a sales transaction and are secured by way of a legal charge on the relevant property and therefore credit risk is considered low.

The carrying value of trade and other receivables is mainly contractual amounts due from housing associations, bulk sale purchasers, land sales to other housebuilders and a development agreement where the Group is entitled to recovery of costs incurred under the agreement, and equates to the Group's exposure to credit risk which is set out in note 17. Amounts due from joint ventures of £29.5m (2022: £27.1m) is funding provided on four (2022: three) joint venture developments which are being project managed by the Group and are subject to contractual arrangements. The Group has assessed the expected credit loss impact on the carrying value of trade and other receivables as set out in note 17. Within trade receivables the other largest single amount outstanding at 31 October 2023 is £12.1m (2022: £11.5m) which is within agreed terms.

The Group considers the credit quality of financial assets that are neither past due nor impaired as good. In managing risk the Group assesses the credit risk of its counterparties before entering into a transaction. No credit limits were exceeded during the reporting year, and the Directors do not expect any material losses from non-performance of any counterparties, including in respect of receivables not yet due. No individually material financial assets are past due, or are considered to be impaired as at the consolidated statement of financial position date (2022: none).

Liquidity risk
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Cash flow forecasts are produced to monitor the expected cash flow requirements of the Group against the available facilities. The principal risks within these cash flows relate to achieving the level of sales volume and prices in line with current forecasts.

The following are the contractual maturities of the financial liabilities of the Group at 31 October 2023:

2023	Carrying value £m	Contractual cash flows £m	Within 1 year £m	1-2 years £m	2-3 years £m	More than 3 years £m
Senior loan notes	100.0	112.5	18.5	23.1	2.4	68.5
Financial liabilities carrying no interest	401.4	408.8	333.5	44.1	28.3	2.9
At 31 October 2023	**501.4**	**521.3**	**352.0**	**67.2**	**30.7**	**71.4**

2022	Carrying value £m	Contractual cash flows £m	Within 1 year £m	1-2 years £m	2-3 years £m	More than 3 years £m
Senior loan notes	100.0	116.1	3.5	18.5	23.1	71.0
Financial liabilities carrying interest	29.8	30.1	30.1	–	–	–
Financial liabilities carrying no interest	395.2	397.8	357.6	37.5	1.1	1.6
At 31 October 2022	**525.0**	**544.0**	**391.2**	**56.0**	**24.2**	**72.6**

Other financial liabilities carrying interest are land acquisitions using promissory notes. The timing and amount of future cash flows given in the table above is based on the Directors' best estimate of the likely outcome.

Market interest rate risk

Market interest rate risk reflects the Group's exposure to fluctuations to interest rates in the market. The risk arises because the Group's RCF is subject to floating interest rates based on SONIA. The Group accepts a degree of interest rate risk, and monitors rate changes to ensure they are within acceptable limits and in line with banking covenants. The Group has partially mitigated this risk by placing £100m of senior loan notes which are at fixed interest rates. For the year ended 31 October 2023 it is estimated that an increase of 1.0% in interest rates applying for the full year would decrease the Group's profit before tax and equity by £nil (2022: £nil). The Group currently does not have any interest carrying liabilities with floating interest rates.

The interest rate profile of the financial liabilities of the Group was:

	2023 £m	2022 £m
Sterling bank borrowings, loan notes and long-term creditors		
Financial liabilities carrying interest	100.0	129.8
Financial liabilities carrying no interest	401.4	395.2
	501.4	**525.0**

For financial liabilities that have no interest payable but for which imputed interest is charged, consisting of land payables, the weighted average period to maturity is 26 months (2022: 14 months).

	2023 £m	2022 £m
The maturity of the financial liabilities is:		
Repayable within one year	344.0	385.2
Repayable between one and two years	61.7	52.1
Repayable between two and five years	78.9	72.1
Repayable after five years	16.8	15.6
	501.4	**525.0**

Fair values

Financial assets

The Group's financial assets are detailed in a table below. The carrying value of cash and cash equivalents and trade and other receivables is a reasonable approximation of fair value which would be measured under a level 3 hierarchy. Financial assets at fair value through profit and loss are carried at fair value and categorised as level 3 (inputs not based on observable market data) within the hierarchical classification of IFRS 13: Revised.

Financial liabilities

The Group's financial liabilities are detailed in a table below, the carrying amounts of which are deemed to be a reasonable approximation to their fair value. The fair values of the RCF, other loans and loan notes are calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the consolidated statement of financial position date.

The fair values of the facilities determined on this basis are:

2023	Nominal interest rate	Face value £m	Carrying value £m	Fair value £m	Maturity
Current					
Senior loan notes	3.15%	15.0	15.0	15.0	2024
Non-current					
Senior loan notes	3.32%–3.87%	85.0	85.0	85.0	2025–2029
Total interest-bearing loans		**100.0**	**100.0**	**100.0**	

2022	Nominal interest rate	Face value £m	Carrying value £m	Fair value £m	Maturity
Senior loan notes	3.15%–3.87%	100.0	100.0	100.0	2024–2029
Total non-current interest-bearing loans		**100.0**	**100.0**	**100.0**	

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Financial assets and liabilities by category

Financial assets	2023 £m	2022 £m
Sterling cash deposits	162.6	373.6
Trade receivables	60.9	59.1
Amounts due from joint ventures	29.5	27.1
Other receivables	22.7	29.6
Total financial assets at amortised cost	**275.7**	**489.4**
Financial assets at fair value through profit and loss	3.7	4.6
Total financial assets	**279.4**	**494.0**

Financial liabilities	2023 £m	2022 £m
Senior loan notes	100.0	100.0
Land payables on contractual terms carrying interest	–	29.8
Land payables on contractual terms carrying no interest	205.5	168.9
Amounts due to joint ventures	0.7	0.1
Lease liabilities	6.4	3.9
Other trade payables	61.8	41.1
Other payables	3.1	5.5
Accruals	123.9	175.7
Total financial liabilities at amortised cost	**501.4**	**525.0**

25 Contingencies and commitments

There are performance bonds and other engagements, including those in respect of joint venture partners, undertaken in the ordinary course of business. It is impractical to quantify the financial effect of performance bonds and other arrangements. The Directors consider the possibility of a cash outflow in settlement of performance bonds and other arrangements to be remote and therefore this does not represent a contingent liability for the Group.

In the ordinary course of business, the Group enters into certain land purchase contracts with vendors on a conditional exchange basis. The conditions must be satisfied for the Group to recognise the land asset and corresponding liabilities within the consolidated statement of financial position. No land payable in respect of conditional land acquisitions has been recognised.

The Group provides for all known material legal actions, where having taken appropriate legal advice as to the likelihood of success of the actions, it is considered probable that an outflow of economic resource will be required, and the amount can be reliably measured. No material contingent liability in respect of such claims has been recognised since there are no known claims of this nature.

As a consequence of signing the Developer Remediation Contract on 13 March 2023, the Group has entered into contractual commitments with the UK Government to identify and remediate those buildings it has developed with possible life-critical fire safety defects. Accordingly, while the Group believes that most significant liabilities will have been identified through the process of building owners assessing buildings and applying for BSF funding and through Crest commissioning assessments to date, contingent liabilities exist where additional buildings have not yet been identified which require remediation. Due to the enduring challenges of developing a reliable estimate of these possible costs, it is not practicable to disclose an expected range.

The Group is reviewing the recoverability of costs incurred from third parties where it has a contractual right of recourse. As reflected in these financial results, the Group has a track record of successfully obtaining such recoveries, however no contingent assets have been recognised in these consolidated financial statements for such items.

26 Net cash and land creditors

	2023 £m	2022 £m
Cash and cash equivalents	162.6	373.6
Non-current Interest-bearing loans and borrowings	(83.5)	(97.1)
Current Interest-bearing loans and borrowings	(14.2)	–
Net cash	**64.9**	**276.5**
Land payables on contractual terms carrying interest	–	(29.8)
Land payables on contractual terms carrying no interest	(205.5)	(168.9)
Net cash and land creditors	**(140.6)**	**77.8**

27 Related party transactions

Transactions between fellow subsidiaries, which are related parties, are eliminated on consolidation, as well as transactions between the Company and its subsidiaries during the current and prior year.

Transactions between the Group and key management personnel mainly comprise remuneration which is given in note 6. Detailed disclosure for Board members is given within the Directors' Remuneration Report on pages 81–98. There were no other transactions between the Group and key management personnel in the year.

Transactions between the Group and the Crest Nicholson Group Pension and Life Assurance Scheme is given in note 16.

The Company's Directors and Non-Executive Directors have associations other than with the Company. From time to time the Group may trade with organisations with which a Director or Non-Executive Director has an association. Where this occurs, it is on normal commercial terms and without the direct involvement of the Director or Non-Executive Director.

The Group had the following transactions/balances with its joint ventures in the year/at year end:

	2023 £m	2022 £m
Interest income on joint venture funding	1.2	2.1
Project management fees recognised	1.9	2.0
Amounts due from joint ventures, net of expected credit losses	29.5	27.1
Amounts due to joint ventures	0.7	0.1
Funding to joint ventures	(13.0)	(7.5)
Repayment of funding from joint ventures	11.7	18.8
Dividends received from joint ventures	1.5	2.4

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28 Group undertakings

In accordance with Section 409 Companies Act 2006, the following is a list of all the Group's undertakings at 31 October 2023.

Subsidiary undertakings

At 31 October 2023 the Group had an interest in the below subsidiary undertakings, which are included in the consolidated financial statements. All subsidiaries were incorporated in England and Wales.

Entity name	Registered office	Active/ dormant	Year end date	Voting rights and shareholding (direct or indirect)
Bath Riverside Estate Management Company Limited	2	Dormant	31 October	100%
Bath Riverside Liberty Management Company Limited	2	Dormant	31 October	100%
Castle Bidco Home Loans Limited	1	Active	31 October	100%
Brightwells Residential 1 Company Limited	1	Dormant	31 October	100%
Bristol Parkway North Limited	1	Dormant	31 October	100%
Building 7 Harbourside Management Company Limited	2	Active	31 December	58.33%
Buildings 3A, 3B & 4 Harbourside Management Company Limited	2	Dormant	31 December	83.33%
Clevedon Developments Limited	1	Dormant	31 October	100%
Clevedon Investment Limited	1	Active	31 October	100%
CN Finance plc*	1	Active	31 October	100%
CN Nominees Limited	1	Dormant	31 October	100%
CN Properties Limited	1	Dormant	31 October	100%
CN Secretarial Limited	1	Dormant	31 October	100%
CN Shelf 2 LLP	1	Dormant	31 October	100%
CN Shelf 3 LLP	1	Dormant	31 October	100%
Crest (Claybury) Limited	1	Dormant	31 October	100%
Crest Developments Limited	1	Dormant	31 October	100%
Crest Estates Limited	1	Dormant	31 October	100%
Crest Homes (Eastern) Limited	1	Dormant	31 October	100%
Crest Homes (Midlands) Limited	1	Dormant	31 October	100%
Crest Homes (Nominees) Limited	1	Dormant	31 October	100%
Crest Homes (Nominees No. 2) Limited	1	Active	31 October	100%
Crest Homes (Northern) Limited	1	Dormant	31 October	100%
Crest Homes (South East) Limited	1	Dormant	31 October	100%
Crest Homes (South West) Limited	1	Dormant	31 October	100%
Crest Homes (South) Limited	1	Dormant	31 October	100%
Crest Homes (Wessex) Limited	1	Dormant	31 October	100%
Crest Homes (Westerham) Limited	1	Dormant	31 October	100%
Crest Homes Limited	1	Dormant	31 October	100%
Crest Manhattan Limited	1	Dormant	31 October	100%
Crest Nicholson (Bath) Holdings Limited	1	Dormant	31 October	100%
Crest Nicholson (Chiltern) Limited	1	Dormant	31 October	100%
Crest Nicholson (Eastern) Limited	1	Dormant	31 October	100%
Crest Nicholson (Epsom) Limited	1	Dormant	31 October	100%
Crest Nicholson (Henley-on-Thames) Limited	1	Active	31 October	100%
Crest Nicholson (Highlands Farm) Limited	1	Dormant	31 October	100%
Crest Nicholson (Londinium) Limited	1	Dormant	31 October	100%
Crest Nicholson (Midlands) Limited	1	Dormant	31 October	100%
Crest Nicholson (Peckham) Limited	1	Active	31 October	100%

Entity name	Registered office	Active/ dormant	Year end date	Voting rights and shareholding (direct or indirect)
Crest Nicholson (South East) Limited	1	Dormant	31 October	100%
Crest Nicholson (South West) Limited	1	Dormant	31 October	100%
Crest Nicholson (South) Limited	1	Dormant	31 October	100%
Crest Nicholson (Stotfold) Limited	1	Active	31 October	100%
Crest Nicholson Developments (Chertsey) Limited	1	Active	31 October	100%
Crest Nicholson Operations Limited	1	Active	31 October	100%
Crest Nicholson Pension Trustee Limited	1	Dormant	31 January	100%
Crest Nicholson plc	1	Active	31 October	100%
Crest Nicholson Projects Limited	1	Dormant	31 October	100%
Crest Nicholson Properties Limited	1	Dormant	31 October	100%
Crest Nicholson Regeneration Limited	1	Dormant	31 October	100%
Crest Nicholson Residential (London) Limited	1	Dormant	31 October	100%
Crest Nicholson Residential (Midlands) Limited	1	Dormant	31 October	100%
Crest Nicholson Residential (South East) Limited	1	Dormant	31 October	100%
Crest Nicholson Residential (South) Limited	1	Dormant	31 October	100%
Crest Nicholson Residential Limited	1	Dormant	31 October	100%
Crest Nicholson (Wheatley) LLP	1	Active	31 October	100%
Crest Partnership Homes Limited	1	Dormant	31 October	100%
Crest Strategic Projects Limited	1	Dormant	31 October	100%
Eastern Perspective Management Company Limited	1	Dormant	31 October	100%
Essex Brewery (Walthamstow) LLP	1	Dormant	31 October	100%
Harbourside Leisure Management Company Limited	1	Active	30 December	71.43%
Landscape Estates Limited	1	Dormant	31 October	100%
Mertonplace Limited	1	Dormant	31 October	100%
Nicholson Estates (Century House) Limited	1	Dormant	31 October	100%
Park Central Management (Central Plaza) Limited	1	Dormant	31 October	100%
Ellis Mews (Park Central) Management Limited	1	Active	31 October	100%
Park Central Management (Zone 11) Limited	1	Dormant	31 October	100%
Park Central Management (Zone 12) Limited	1	Dormant	31 October	100%
Park Central Management (Zone 1A North) Limited	1	Dormant	31 October	100%
Park Central Management (Zone 1A South) Limited	1	Dormant	31 October	100%
Park Central Management (Zone 1B) Limited	1	Dormant	31 October	100%
Park Central Management (Zone 3/1) Limited	1	Dormant	31 October	100%
Park Central Management (Zone 3/2) Limited	1	Dormant	31 October	100%
Park Central Management (Zone 3/3) Limited	1	Dormant	31 October	100%
Park Central Management (Zone 3/4) Limited	1	Dormant	31 October	100%
Park Central Management (Zone 4/41 & 42) Limited	1	Dormant	31 October	100%
Park Central Management (Zone 4/43/44) Limited	1	Dormant	31 October	100%
Park Central Management (Zone 5/53) Limited	1	Dormant	31 October	100%
Park Central Management (Zone 5/54) Limited	1	Dormant	31 October	100%
Park Central Management (Zone 5/55) Limited	1	Dormant	31 October	100%

1 500 Dashwood Lang Road, Bourne Business Park, Addlestone, Surrey KT15 2HJ.
2 Unit 2 & 3 Beech Court, Wokingham Road, Hurst, Reading RG10 0RU.
* CN Finance plc is the only direct holding of Crest Nicholson Holdings plc.

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Entity name	Registered office	Active/ dormant	Year end date	Voting rights and shareholding (direct or indirect)
Park Central Management (Zone 6/61-64) Limited	1	Dormant	31 October	100%
Park Central Management (Zone 7/9) Limited	1	Dormant	31 October	100%
Park Central Management (Zone 8) Limited	1	Dormant	31 October	100%
Park Central Management (Zone 9/91) Limited	1	Dormant	31 January	100%
Park West Management Services Limited	1	Active	29 March	62.00%

1 500 Dashwood Lang Road, Bourne Business Park, Addlestone, Surrey KT15 2HJ.

Subsidiary audit exemption
The following subsidiaries have taken advantage of an exemption from audit under section 479A of the Companies Act 2006. The parent of the subsidiaries, Crest Nicholson plc, has provided a statutory guarantee for any outstanding liabilities of these subsidiaries. All subsidiary undertakings have been included in the consolidated financial statements of Crest Nicholson Holdings plc as at 31 October 2023.

Clevedon Investment Limited (00454327)	Crest Homes (Nominees No. 2) Limited (02213319)
Crest Nicholson (Henley-on-Thames) Limited (03828831)	Crest Nicholson (Peckham) Limited (07296143)
Crest Nicholson (Stotfold) Limited (08774274)	Crest Nicholson (Bath) Holdings Limited (05235961)
Crest Nicholson Developments (Chertsey) Limited (04707982)	Crest Homes (Nominees) Limited (01715768)
Crest Nicholson Residential Limited (00714425)	

Joint venture undertakings
At 31 October 2023 the Group had an interest in the following joint venture undertakings which are equity accounted within the consolidated financial statements. The principal activity of all undertakings is that of residential development. All joint ventures were incorporated in England and Wales.

Entity name	Registered office	Active/ dormant	Year end date	Voting rights and shareholding (direct or indirect)
Material joint ventures				
Crest A2D (Walton Court) LLP	1	Active	31 March	50%
Elmsbrook (Crest A2D) LLP	4	Active	31 March	50%
Crest Sovereign (Brooklands) LLP	3	Active	31 October	50%
Crest Peabody (Turweston) LLP	1	Active	31 May	50%
Other joint ventures not material to the Group				
Crest/Vistry (Epsom) LLP	1	Active	31 October	50%
Crest Nicholson Bioregional Quintain LLP	1	Active	31 October	50%
English Land Banking Company Limited	1	Active	31 October	50%
Haydon Development Company Limited	2	Active	30 April	21.36%
North Swindon Development Company Limited	2	Active	31 December	32.64%

1 500 Dashwood Lang Road, Bourne Business Park, Addlestone, Surrey KT15 2HJ.
2 6 Drakes Meadow, Penny Lane, Swindon, Wiltshire SN3 3LL.
3 Sovereign House, Basing View, Basingstoke RG21 4FA.
4 The Point, 37 North Wharf Road, London W2 1BD.

Joint operations
The Group is party to a joint unincorporated arrangement with Linden Homes Limited, the purpose of which was to acquire, and develop, a site in Hemel Hempstead, Hertfordshire. The two parties are jointly responsible for the control and management of the site's development, with each party funding 50% of the cost of the land acquisition and development of the site, in return for 50% of the returns. As such this arrangement was designated as a joint operation.

The Group is party to a joint unincorporated arrangement with CGNU Life Assurance Limited, the purpose of which is to acquire, and develop, a site in Chertsey, Surrey. The two parties are jointly responsible for the control and management of the site's development, with each party funding 50% of the cost of the land acquisition and development of the site, in return for 50% of the returns. As such this arrangement has been designated as a joint operation.

The Group is party to a joint arrangement with Passion Property Group Limited, the purpose of which was to develop a site in London. The development was completed in 2014 and there are no material balances in the Group financial statements relating to this joint arrangement as at 31 October 2023. The two parties were jointly responsible for the control and management of the site's development, with each party having prescribed funding obligations and returns. As such this arrangement has been designated as a joint operation.

In line with the Group's accounting policies, the Group has recognised its share of the jointly controlled assets and liabilities, and income and expenditure, in relation to these joint arrangements on a line-by-line basis in the consolidated statement of financial position and consolidated income statement as there is no legal entity in place and the arrangements as structured such that the Group has a direct interest in the underlying assets and liabilities of each arrangement.

Crest Nicholson Employee Share Ownership Trust
The Group operates the Crest Nicholson ESOT which is used to satisfy awards granted under the Group's share incentive schemes, shares are allotted to the Trust or the Trust is funded to acquire shares in the open market. The ESOT falls within the scope of IFRS 10: Consolidated Financial Statements, and is consolidated within the Group financial statements, as the Group is considered to have control over the ESOT.

Company statement of financial position
As at 31 October 2023

	Note	2023 £m	2022 £m
Assets			
Non-current assets			
Investments	4	1.6	2.6
Current assets			
Trade and other receivables	5	186.4	222.4
Total Assets		**188.0**	**225.0**
Net Assets		**188.0**	**225.0**
Shareholders' Equity			
Share capital	6	12.8	12.8
Share premium account	6	74.2	74.2
Retained earnings:			
At 1 November		138.0	166.1
Profit for the year		8.6	10.5
Other changes in retained earnings		(45.6)	(38.6)
At 31 October		**101.0**	**138.0**
Total Shareholders' Equity		**188.0**	**225.0**

The Company recorded a profit for the financial year of £8.6m (2022: £10.5m).

The notes on pages 158–160 form part of these financial statements.

The financial statements on pages 156–160 were approved by the Board of Directors on 23 January 2024.

On behalf of the Board

Peter Truscott
Director

Bill Floydd
Director

Company statement of changes in equity

For the year ended 31 October 2023

	Note	Share capital £m	Share premium account £m	Retained earnings £m	Total equity £m
Balance at 1 November 2021		**12.8**	**74.2**	**166.1**	**253.1**
Profit for the financial year and total comprehensive income		–	–	10.5	10.5
Transactions with shareholders					
Dividends paid		–	–	(38.5)	(38.5)
Exercise of share options through employee share ownership trust	4	–	–	(0.1)	(0.1)
Balance at 31 October 2022		**12.8**	**74.2**	**138.0**	**225.0**
Profit for the financial year and total comprehensive income		–	–	8.6	8.6
Transactions with shareholders					
Dividends paid		–	–	(43.6)	(43.6)
Exercise of share options through employee share ownership trust	4	–	–	(2.9)	(2.9)
Net proceeds from the issue of shares and exercise of share options		–	–	0.9	0.9
Balance at 31 October 2023		**12.8**	**74.2**	**101.0**	**188.0**

Notes to the company financial statements

1 Accounting policies

Basis of preparation
Crest Nicholson Holdings plc (the Company) is a public company limited by shares, incorporated, listed and domiciled in England and Wales. The address of the registered office is 500 Dashwood Lang Road, Bourne Business Park, Addlestone, Surrey KT15 2HJ. The Company financial statements have been prepared and approved by the Directors in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101), in accordance with the Companies Act 2006 as applicable to companies using FRS 101, and have been prepared on the historical cost basis. The preparation of financial statements in conformity with FRS 101 requires the Directors to make assumptions and judgements that affect the application of policies and reported amounts within the financial statements. Assumptions and judgements are based on experience and other factors that the Directors consider reasonable under the circumstances. Actual results may differ from these estimates.

The financial statements are presented in pounds sterling and amounts stated are denominated in millions (£m), unless otherwise stated. The accounting policies have been applied consistently in dealing with items which are considered material.

These financial statements present information about the Company as an individual undertaking and not about its group. Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

As outlined in FRS 101 paragraph 8(a) the Company is exempt from the requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based Payments. This exemption has been taken in the preparation of these financial statements.

As outlined in FRS 101 paragraph 8(d-e) the Company is exempt from the requirements of IFRS 7 Financial Instruments: Disclosures, and from the requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement. These exemptions have been taken in the preparation of these financial statements.

As outlined in FRS 101 paragraph 8(h) the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements. This exemption has been taken in the preparation of these financial statements.

As outlined in FRS 101 paragraph 8(i) the Company is exempt from the requirement to provide information about the impact of IFRSs that have been issued but are not yet effective. This exemption has been taken in the preparation of these financial statements.

Under FRS 101 paragraph 8(j) the Company is exempt from the requirement to disclose related party transactions with its subsidiary undertakings on the grounds that they are wholly owned subsidiary undertakings of Crest Nicholson Holdings plc. This exemption has been taken in the preparation of these financial statements.

Going concern
The Directors reviewed detailed cash flows and financial forecast for the period up to April 2025, in line the those modelled for the Group's going concern assessment. The Company is reliant upon the performance of the Group as a whole to meet its liabilities. Throughout this review period the Company is forecast to be able to meet its liabilities as they fall due. Therefore, having assessed the principal risks and all other relevant matters, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements of the Company. The Group's going concern assessment can be found in note 1 of the consolidated financial statements.

Adoption of new and revised standards
There were no new standards, amendments or interpretations that were adopted by the Company and effective for the first time for the financial year beginning 1 November 2022 that have had a material impact on the Company.

The principal accounting policies set out below have, unless otherwise stated, been applied consistently to all years presented in these financial statements.

Share-based payments
The Company issues equity-settled share-based payments to certain employees of its subsidiaries. Equity-settled share-based payments are measured at fair value at the grant date, and charged to the income statement on a straight-line basis over the vesting period, based on the estimate of shares that will vest. The cost of equity-settled share-based payments granted to employees of subsidiary companies is borne by the employing company.

Taxation
Income tax comprises current tax and deferred tax. Income tax is recognised in the Company's income statement except to the extent that it relates to items recognised in other comprehensive income, in which case it is also recognised in other comprehensive income.

Current tax is the expected tax payable on taxable profit for the year and any adjustment to tax payable in respect of previous years. Taxable profit is profit before tax per the Company's income statement after adjusting for income and expenditure that is not subject to tax, and for items that are subject to tax in other accounting periods. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date. Where uncertain tax liabilities exist, the liability recognised is assessed as the amount that is probable to be payable.

Deferred tax is provided in full on temporary 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. 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. Deferred tax is calculated using tax rates that have been substantively enacted by the statement of financial position date.

Dividends
Final and interim dividend distributions to the Company's shareholders are recorded in the Company's financial statements in the earlier of the period in which they are approved by the Company's shareholders, or paid.

Investments
Investments relate to Company contributions to the Crest Nicholson ESOT. The ESOT will use the contribution to acquire Company ordinary shares in the market in order to satisfy share options under the Company's share incentive schemes.

Financial assets
Financial assets are initially recognised at fair value and subsequently classified into one of the following measurement categories:

— Measured at amortised cost
— Measured subsequently at FVTPL
— Measured subsequently at FVOCI.

The classification of financial assets depends on the Company's business model for managing the asset and the contractual terms of the cash flows. Assets that are held for the collection of contractual cash flows that represent solely payments of principal and interest are measured at amortised cost, with any interest income recognised in the income statement using the effective interest rate method. Financial assets that do not meet the criteria to be measured at amortised cost are classified by the Company as measured at FVTPL. Fair value gains and losses on financial assets measured at FVTPL are recognised in the income statement and presented within administrative expenses. The Company currently has no financial assets measured at FVOCI.

Trade and other receivables
Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established based on an expected credit loss model applying the simplified approach, which uses a lifetime expected loss allowance for all trade receivables. The amount of the loss is recognised in the income statement.

Financial liabilities
Financial liabilities are initially recognised at fair value and subsequently classified into one of the following measurement categories:

— Measured at amortised cost
— Measured subsequently at FVTPL.

Non-derivative financial liabilities are measured at FVTPL when they are considered held for trading or designated as such on initial recognition. The Company has no non-derivative financial liabilities measured at FVTPL.

Own shares held by ESOT
Transactions of the Company sponsored ESOT are included in both the Group financial statements and the Company's own financial statements. The purchase of shares in the Company by the ESOT are charged directly to equity.

Audit fee
Auditor's remuneration for audit of these financial statements of £30,000 (2022: £27,500) was met by Crest Nicholson plc. No disclosure of other non-audit services has been made as this is included within note 5 of the consolidated financial statements.

Critical accounting estimates and judgements
The preparation of the Company financial statements under FRS 101 requires the Directors to make estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses and related disclosures.

In applying the Company's accounting policies, the Directors have made no individual judgements that have a significant impact on the financial statements.

Estimates and associated assumptions affecting the financial statements are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The estimates and underlying assumptions are reviewed on an ongoing basis. Changes in accounting estimates may be necessary if there are changes in the circumstances on which the estimate was based or as a result of new information. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years. The Directors do not consider there are any significant sources of estimation uncertainty that have a risk of causing a material adjustment to the carrying value of assets and liabilities of the Company.

2 Directors and employees

The Company had no employees during either year. Details of Directors' emoluments, which were paid by another Group company, are set out in the Directors' Remuneration Report on pages 81–98.

3 Dividends

Details of the dividends recognised as distributions to equity shareholders in the year and those proposed after the statement of financial position date are shown in note 9 of the consolidated financial statements.

4 Investments

	2023 £m	2022 £m
Investments in shares of subsidiary undertaking at cost at beginning of the year	2.6	1.6
Additions	1.9	1.1
Disposals	(2.9)	(0.1)
Investments in shares of subsidiary undertaking at cost at end of the year	**1.6**	**2.6**

Additions and disposals in the year relate to Company contributions/utilisation to/from the Trust.

The Directors believe that the carrying value of the investments is supported by their underlying assets.

5 Trade and other receivables

	2023 £m	2022 £m
Amounts due from Group undertakings	186.4	222.4

Amounts due from Group undertakings are unsecured, repayable on demand and carry an interest rate of 5.0% (2022: 5.0%).

Amounts due from Group undertakings are stated after an allowance of £nil has been made (2022: £nil) in respect of expected credit losses. £nil (2022: £nil) provision was made during the year, £nil (2022: £nil) was utilised, and £nil (2022: £nil) provision was released during the year.

6 Share capital

The Company share capital is disclosed in note 23 of the consolidated financial statements.

7 Contingencies and commitments

There are performance bonds and other arrangements, including those in respect of joint venture partners, undertaken in the ordinary course of business. It is impractical to quantify the financial effect of performance bonds and other arrangements. The Directors consider the possibility of a cash outflow in settlement of performance bonds and other arrangements to be remote and therefore this does not represent a contingent liability for the Company.

In addition, the Company is required from time to time to act as guarantor for the performance by subsidiary undertakings of contracts entered into in the normal course of their business and typically provide that the Company will ensure that the obligations of the subsidiary are carried out or met in the unlikely event that any subsidiary default occurs. The Company considers the likelihood of an outflow of cash under these arrangements to be remote and therefore this does not represent a contingent liability for the Company.

8 Group undertakings

A list of all the Group's undertakings at 31 October 2023 is given in note 28 of the consolidated financial statements.

Alternative performance measures (unaudited)

The Group uses a number of APM which are not defined within IFRS. The Directors use the APM, along with IFRS measures, to assess the operational performance of the Group as detailed in the Strategic Report on pages 1–52 of the 2023 annual report and financial statements and above. Definitions and reconciliations of the financial APM used compared to IFRS measures, are included below:

Sales

The Group uses sales as a core management measure to reflect the full extent of its business operations and responsibilities. Sales is a combination of statutory revenue as per the consolidated income statement and the Group's share of revenue earned by joint ventures, as detailed in the below table:

	2023 £m	2022 £m
Revenue	657.5	913.6
Group's share of joint venture revenue (note 14)	34.6	42.2
Sales	**692.1**	**955.8**

Return on capital employed

The Group uses ROCE as a core management measure to reflect the profitability and efficiency with which capital is employed. ROCE is calculated as adjusted operating profit before joint ventures divided by average capital employed (capital employed = equity plus net borrowing or less net cash), as presented below. The Group has long-term performance measures linked to ROCE. ROCE achieved by the Group in the year reduced to 6.3% (2022: increased to 22.4%).

		2023	2022
Adjusted operating profit	£m	44.2	140.9
Average of opening and closing capital employed	£m	699.0	627.7
ROCE	**%**	**6.3**	**22.4**

Capital employed		2023	2022	2021
Equity shareholders' funds	£m	856.3	883.1	901.6
Net cash (note 19)	£m	(64.9)	(276.5)	(252.8)
Closing capital employed	**£m**	**791.4**	**606.6**	**648.8**

Land creditors as a percentage of net assets

The Group uses land creditors as a percentage of net assets as a core management measure to ensure that the Group is maintaining a robust financial position when entering into future land commitments. Land creditors as a percentage of net assets is calculated as land creditors divided by net assets, as presented below. Land creditors as a percentage of net assets has increased in the year to 24.0% (2022: reduced to 22.5%).

		2023	2022
Land creditors (note 21)	£m	205.5	198.7
Net assets	£m	856.3	883.1
Land creditors as a percentage of net assets	**%**	**24.0**	**22.5**

Net cash

Net cash is cash and cash equivalents plus non-current and current interest-bearing loans and borrowings. Net cash illustrates the Group's overall liquidity position and general financial resilience. Net cash has reduced in the year to £64.9m from £276.5m in 2022.

	2023 £m	2022 £m
Cash and cash equivalents	162.6	373.6
Interest-bearing loans and borrowings	(97.7)	(97.1)
Net cash	**64.9**	**276.5**

Alternative performance measures (unaudited) continued

Adjusted performance metrics

Adjusted performance metrics as shown below comprise statutory metrics adjusted for the exceptional items as presented in note 4 of the consolidated financial statements. The exceptional items have a material impact to reported performance and arise from recent, unforeseen events. As such, the Directors' consider these adjusted performance metrics reflect a more accurate view of its core operations and business performance. EBIT margin for share award performance conditions is equivalent to operating profit margin.

Year ended 31 October 2023		Statutory	Exceptional items	Adjusted
Gross profit	£m	86.3	14.3	100.6
Gross profit margin	%	13.1	2.2	15.3
Operating profit	£m	29.9	14.3	44.2
Operating profit margin	%	4.5	2.2	6.7
Net finance expense	£m	(10.1)	4.6	(5.5)
Share of post-tax profit/(loss) of joint ventures using the equity method	£m	3.3	(0.6)	2.7
Profit before tax	£m	23.1	18.3	41.4
Income tax expense	£m	(5.2)	(4.8)	(10.0)
Profit after tax	£m	17.9	13.5	31.4
Basic earnings per share	Pence	7.0	5.3	12.3
Diluted earnings per share	Pence	7.0	5.2	12.2

Year ended 31 October 2022		Statutory	Exceptional items	Adjusted
Gross profit	£m	91.8	102.5	194.3
Gross profit margin	%	10.0	11.3	21.3
Operating profit	£m	38.4	102.5	140.9
Operating profit margin	%	4.2	11.2	15.4
Net finance expense	£m	(8.1)	1.0	(7.1)
Share of post-tax profit/(loss) of joint ventures using the equity method	£m	2.5	1.5	4.0
Profit before tax	£m	32.8	105.0	137.8
Income tax expense	£m	(6.4)	(22.4)	(28.8)
Profit after tax	£m	26.4	82.6	109.0
Basic earnings per share	Pence	10.3	32.2	42.5
Diluted earnings per share	Pence	10.2	32.1	42.3

Historical summary (unaudited)
For the year ended/as at 31 October 2023

	Note		2023[1]	2022[1]	2021[2]	2020[3]	2019[4]
Consolidated income statement							
Revenue		£m	657.5	913.6	786.6	677.9	1,086.4
Gross profit		£m	100.6	194.3	166.7	107.7	201.9
Gross profit margin		%	15.3	21.3	21.2	15.9	18.6
Net administrative expenses		£m	(55.8)	(51.1)	(51.1)	(50.3)	(65.5)
Net impairment losses on financial assets		£m	(0.6)	(2.3)	(1.0)	(0.3)	(3.4)
Operating profit before joint ventures		£m	44.2	140.9	114.6	57.1	133.0
Operating profit before joint ventures margin		%	6.7	15.4	14.6	8.4	12.2
Share of post-tax profit/(loss) of joint ventures		£m	2.7	4.0	1.7	(0.5)	(0.9)
Operating profit after joint ventures		£m	46.9	144.9	116.3	56.6	132.1
Operating profit after joint ventures margin		%	7.1	15.9	14.8	8.3	12.2
Net finance expense		£m	(5.5)	(7.1)	(9.1)	(10.7)	(11.0)
Profit before taxation		£m	41.4	137.8	107.2	45.9	121.1
Income tax expense		£m	(10.0)	(28.8)	(19.9)	(8.5)	(23.7)
Profit after taxation attributable to equity shareholders		£m	31.4	109.0	87.3	37.4	97.4
Basic earnings per share		Pence	12.3	42.5	34.0	14.6	38.0
Consolidated statement of financial position							
Equity shareholders' funds	1	£m	856.3	883.1	901.6	825.3	854.4
Net cash	2	£m	(64.9)	(276.5)	(252.8)	(142.2)	(37.2)
Capital employed closing		£m	791.4	606.6	648.8	683.1	817.2
Gearing	3	%	(8.2)	(45.6)	(39.0)	(20.8)	(4.6)
Land creditors		£m	205.5	198.7	222.9	205.7	216.5
Net (cash)/debt and land creditors	4	£m	140.6	(77.8)	(29.9)	63.5	179.3
Return on average capital employed	5	%	6.3	22.4	17.2	7.6	15.9
Return on average equity	6	%	3.6	12.2	10.1	4.5	11.3
Housing							
Home completions	7	Units	2,020	2,734	2,407	2,247	2,912
Average selling price – open market	8	£000	406	388	359	336	388
Short-term land	9	Units	14,922	14,250	14,677	14,991	16,960
Strategic land	10	Units	18,830	22,450	22,308	22,724	20,169
Total short-term and strategic land		Units	33,752	36,700	36,985	37,715	37,129
Land pipeline gross development value	11	£m	12,163	12,111	11,834	11,360	12,137

1 Consolidated income statement statistics, return on average capital employed and return on average equity are presented before exceptional items as presented in note 4 of the 2023 consolidated financial statements.
2 Consolidated income statement statistics, return on average capital employed and return on average equity are presented before exceptional items relating to net combustible materials provision charge £28.8m, inventory impairment credit £8.0m, and finance expense credit £0.5m.
3 Consolidated income statement statistics, return on average capital employed and return on average equity are presented before exceptional items relating to combustible materials provision £0.6m, inventory impairment £43.7m, restructuring costs £7.5m and impairment losses on financial assets £7.6m. 2020 equity shareholders' funds, capital employed closing, gearing and return on average equity have been restated to reflect the change in accounting policy on land options.
4 Consolidated income statement statistics, return on average capital employed and return on average equity are presented before £18.4m exceptional item relating to combustible materials provision. Not restated to reflect the change in accounting policy on land options from 1 November 2020.

Note

1 Equity shareholders' funds = Group total equity (share capital plus share premium plus retained earnings).
2 Net (cash)/borrowings = Cash and cash equivalents plus non-current and current interest-bearing loans and borrowings.
3 Gearing = Net (cash)/borrowings divided by capital employed closing.
4 Net (cash)/debt and land creditors = land creditors less net cash or add net borrowings.
5 Return on capital employed = adjusted operating profit before joint ventures divided by average capital employed (capital employed = equity shareholders' funds plus net borrowing or less net cash).
6 Return on average equity = adjusted profit after taxation attributable to equity shareholders divided by average equity shareholders' funds.
7 Units completed = Open market and housing association homes recognised in the year. In 2023, 2022 and 2021 units completed includes joint ventures units at full unit count and is stated on an equivalent unit basis. This equivalent unit basis allocates a proportion of the unit count for a deal to the land sale element where the deal contains a land sale. 2019 to 2020 units completed includes the Group's share of joint venture units and no equivalent unit allocation to land sale elements.
8 Average selling price – open market = Revenue recognised in the year on open market homes (including the Group's share of revenue recognised in the year on open market homes by joint ventures), divided by open market home completions (adjusted to reflect the Group's share of joint venture units).
9 Short-term land = Land controlled by the Group with a minimum resolution to grant planning permission.
10 Strategic land = Longer-term land controlled by the Group without planning permission.
11 Land pipeline gross development value = Forecast development revenue of the land pipeline.

Shareholder services and Glossary

Shareholder services

Enquiries concerning shares or shareholdings, such as the loss of a share certificate, consolidation of share certificates, amalgamation of holdings or dividend payments, should be made to the Company's registrar:

Equiniti Limited, Aspect House, Spencer Road Lancing, West Sussex BN99 6DA.

Shareholder helpline: 0371 384 2183
International shareholder helpline: +44 (0)371 384 2183. Lines are open 8.30 a.m. to 5.30 p.m., Monday to Friday (excluding public holidays in England and Wales).

Share fraud

Share or investment scams are often run from 'boiler rooms' where fraudsters cold call investors offering them worthless, overpriced or even non-existent shares, or offer to buy their shares in a company at a higher price than the market values. Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount, or offers of free reports about a company. Even seasoned investors have been caught out by such fraudsters. The Financial Conduct Authority has some helpful information.

Report a scam:

If you are contacted by a cold caller, you should inform the Company Secretary by email at info@crestnicholson.com, as well as the Financial Conduct Authority by using their share fraud reporting form at **www.fca.org.uk/consumers/report-scam**, or by calling their Consumer Helpline on 0800 111 6768. If you have already paid money to a share fraudster you should contact Action Fraud on 0300 123 2040 or **www.actionfraud.police.uk**

Chequeless dividends

From October 2024 payments to Crest Nicholson Holdings plc shareholders will no longer be made by cheque.

If you currently receive your dividend via cheque, you will need to provide your bank or building society account details to the registrars so that payments can be made to your nominated account by direct credit. In addition Crest Nicholson will only issue annual dividend confirmations moving forward rather than a confirmation for each dividend payment. This will now be provided electronically via Shareview. To receive your dividend payments and annual dividend confirmation, you must visit **www.shareview.co.uk** to add your bank or building society account details and your email address.

Further information on the action that will need to be taken will be provided to shareholders in the letter accompanying this Annual Report and on our website.

Glossary

Act	The Companies Act 2006
AGM	Annual General Meeting
APM	Alternative performance measures
AQIs	Audit Quality Indicators
BEIS	Department for Business, Energy and Industrial Strategy
BSF	Building Safety Fund
Code	UK Corporate Governance Code
Crest	Crest Nicholson Holdings plc and its undertakings
CVR	Cost and Value Reconciliation
DBP	Deferred Bonus Plan
D&I	Diversity & Inclusion
EBIT	Earnings before interest and taxes
ELT	Executive Leadership Team
ERP	Enterprise resource planning
ESG	Environment, Social & Governance
ESOT or Trust	Employee share ownership trust
FRC	Financial Reporting Council
FHS	Future Homes Standard
FVTPL	Fair value through profit or loss
FVOCI	Fair value through other comprehensive income
GDV	Gross Development Value
GHG	Greenhouse gas
HBF	Home Builders Federation
IFRS	International Financial Reporting Standards
IPPF	International Professional Practice Framework
KPI	Key Performance Indicator
LTIP	Long-Term Incentive Plan
NHBC	National House Building Council
NHQC	New Homes Quality Code
Notice	The Notice of the AGM
NRV	Net realised value
PBT	Profit before tax
PSL	Partnerships and Strategic Land
Pledge	Building Safety Pledge
PRS	Private Rented Sector
OF	Operational Framework
RAMS	Risk Assessment and Method Statements
RCF	Revolving Credit Facility
ROCE	Return on capital employed
RPDT	Residential property developer tax
RPs	Registered Providers
SaaS	Software as a Service
SAYE	Save as you earn/Sharesave
SBTi	Science Based Targets Initiative
SHE	Safety, Health & Environment
SPOW	Sales per outlet per week
SuDS	Sustainable drainage systems
Supplier Code	Sustainable Procurement Policy and Supply Chain Code of Conduct
TCFD	Task Force on Climate-related Financial Disclosures
tCO_2e	Tonnes of carbon dioxide equivalent

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Additional to the carbon benefits is the flora and fauna this land preserves, including several species identified at risk of extinction on the IUCN Red List of Threatened Species.

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