CREST NICHOLSON

DELIVERING OUR STRATEGY

ANNUAL INTEGRATED REPORT 2020

10

CHIEF EXECUTIVE'S REVIEW

IN THIS YEAR'S REPORT

This is our seventh annual integrated report, demonstrating our continued focus on providing relevant and transparent information and connecting the Group's financial, environmental, social and governance inputs and performance to our key stakeholders, as we create sustainable long-term value.

8

ANSWERING THE BIG QUESTIONS: HOW WE RESPONDED TO COVID-19

18

OUR STRATEGY IN ACTION

Strategic Report

Governance and Directors' Report

Financial Statements

Approval
The Strategic Report for the financial year ended 31 October 2020 as presented on pages 1 to 65 was approved by the Board of Directors on 26 January 2021 and signed on its behalf by:
Kevin Maguire
Company Secretary

Featured in cover photo: Chelsey Richards, Site Manager; Jack Sheridan, Apprentice; Bob Nocter, Bricklayer, TDR Brickwork.

OUR YEAR IN REVIEW
WE CREATE QUALITY HOMES AND PLACES FOR OUR CUSTOMERS AND COMMUNITIES

Financial summary

£693.1m
Sales[1]
2019: £1,094.9m

£45.9m
Adjusted profit before tax[1]
2019: £121.1m

£13.5m
Loss before tax
2019: £102.7m
Profit before tax

14.6p
Adjusted basic earnings per share[1]
2019: 38.0p

4.2p
Basic loss per share
2019: 32.1p
Basic earnings per share

7.6%
Return on capital employed[1]
2019: 15.9%

Non-financial summary

5★
Customer satisfaction
2019: 4★

369
Annual Injury Incidence Rate
2019: 372

0.22
NHBC reportable items
2019: 0.20

1 Sales, adjusted profit before tax, adjusted basic earnings and return on capital employed 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 page 182.

WE ARE CREST NICHOLSON

Our purpose

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

We strive to improve the quality of life for individuals and communities by building attractive homes in desirable surroundings. Our focus on placemaking ensures we create sustainable communities where people and nature can thrive.

Our values

Our values underpin how we implement our Group strategy, defining who we are and how we do business.

1
Work as One Crest
We work towards a common goal and see the bigger picture

2
Committed to success
We strive to be the best and deliver on our promises

3
Considered decision making
We act with integrity and make thoughtful decisions

4
Investing in our people
We empower our people to deliver our success

5
A positive legacy for our customers and communities
We deliver high quality, sustainable communities

Our culture

We aspire to have an open and honest culture, creating a positive, effective and collaborative environment, where all colleagues are empowered to deliver our success.

Working with integrity is fundamental to our Group strategy. We refreshed our values in 2019 and we have embedded these along with underlying behaviours. Our strengthened Environmental, Social and Governance (ESG) strategy and diversity and inclusion workstreams support our culture. We remain focused on the wellbeing of our people and developing talent.

Read more about Our strategy in action on pages 18 to 27

Our purpose, values and culture create the foundations which drive our strategy and business model

Our strategy

We launched an updated strategy in January 2020 to shape and strengthen our business for the future.

Read more on pages 4 to 5

Our business model

Our business model reflects how our business is structured and managed to support the delivery of our strategy.

Read more on pages 30 to 31

Our culture in action

STRENGTHENING OUR COMMUNICATIONS

Peter Truscott and the Executive Leadership Team have focused on ensuring clear and transparent communications to our employees via email and in person via web-based platforms. Regular updates were provided throughout the year in response to the Government's evolving guidance on COVID-19 working practices and our response.

BEING ACCOUNTABLE TO OUR CUSTOMERS

Our 'right first-time' culture enables successful delivery of our homes and after sales service with a strong emphasis on site teams having direct responsibility for quality. In 2020 we were delighted to have been awarded five-star housebuilder status by the Home Builders Federation (HBF).

OUR HOUSE TYPE RANGE

We started the roll out of our new house type range, designed to create high quality, well-planned homes for our customers while reducing design and delivery costs. During the year we launched this range and over 80% of our open market houses will be delivered using this range in 2022.

SUSTAINABILITY TARGETS LAUNCHED

We are committed to adapting our operations to help tackle climate change. We launched the following sustainability targets to achieve by 2025:

— reduce scope 1 and 2 carbon emissions intensity (tonnes CO_2e per 100 sq. m) by 25%

— purchase 100% renewable electricity

— reduce waste intensity (tonnes per 100 sq. m) by 15%.

MAKING OUR HOMES MORE ACCESSIBLE

We want to increase our delivery of affordable homes to widen the opportunity of home ownership for potential buyers.

We launched Home Reach in partnership with Heylo to provide the security of home ownership with a lower initial financial commitment, making it a more affordable way onto the housing ladder.

OUR STRATEGY

We launched our updated strategy in January 2020. Following the onset of COVID-19 we adapted our approach in response to the challenges brought by the pandemic. This decisive action enabled us to make strong progress against all strategic priorities, creating a business well placed and sufficiently capitalised to take advantage of the long-term growth opportunities in the Southern England housing market.

1

Placemaking & Quality

Creating attractive and vibrant communities with a focus on sustainability is what we do well.

We create aspirational developments that we know our customers are proud to call home, maintaining our reputation for build quality.

We will continue to focus our investments on high quality locations and invest in placemaking and design that is valued by our customers and communities.

2

Land Portfolio

We have a well located, flexible land portfolio with a weighting in Southern England where demand is high and supply is more constrained. Our short-term land portfolio provides us with a good supply of land for our forecasted business needs.

We prioritise utilising our land portfolio first for our own operational needs with an aspiration to increase the number of sales outlets. We will then look to deliver combination schemes of private open market units and bulk deals with the Private Rented Sector (PRS) or Registered Providers (RPs), potentially delivered via a joint venture vehicle. Disposal to a third party is our final consideration.

3

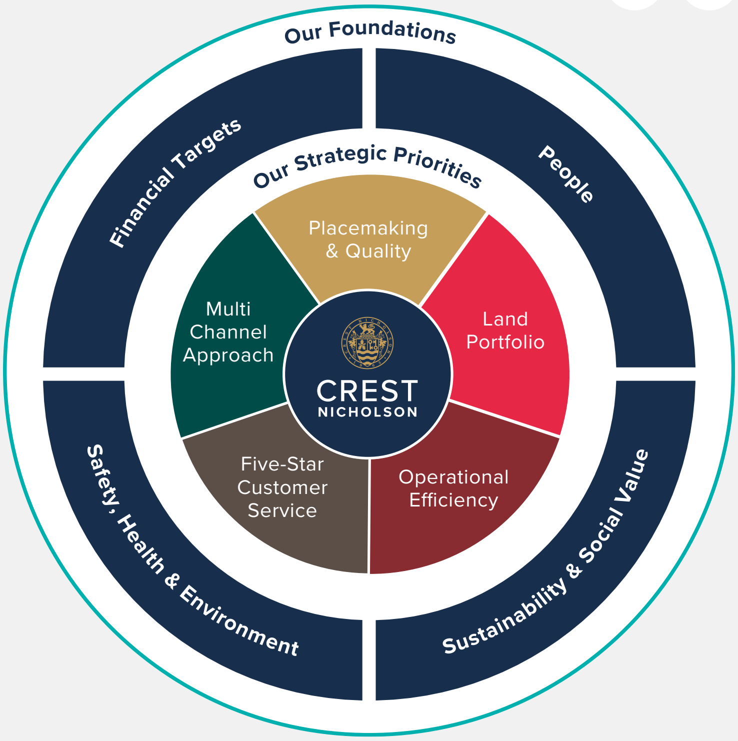
Operational Efficiency

We are focused on working in a disciplined manner and increasing our focus on operational efficiency.

We have made good progress with our new house type range and we are targeting that 80% of our open market houses will be delivered using this range over time.

Our revised core specification and a review of suppliers has driven some major cost savings without reducing the standard of our specification. In many cases, we have been able to enhance our offer.

Focus also remains on delivering central efficiencies, aligned to operational need and reducing administrative expenditure.



Delivering our strategy

Our Group strategy seeks to build on our strengths and address the challenges we face. This strategy is already well underway and consists of five strategic priorities:

Read more on pages 16 to 17

4

Five-Star Customer Service

We have embedded a 'right first-time' culture and are focused on improving delivery of homes and after sales service with a stronger emphasis on site teams having direct responsibility for quality. This is complemented by divisional-based customer service teams which provide post-completion support.

During the year, we were delighted to have been awarded five-star housebuilder status by the Home Builders Federation (HBF).

5

Multi Channel Approach

We are building on our capabilities to deliver homes with partners such as the public sector, PRS providers and RPs. We have been doing this for some time and we aim to build on our reputation as a trusted partner.

We have established an experienced team in our new Crest Nicholson Partnerships and Strategic Land division to lead this work, aiming to increase the sales contribution from our multi tenure business to 15% to 20% over the medium term.

Our foundations

Our strategic priorities are underpinned by four foundations:

Safety, Health & Environment

This is our number one priority as we strive for continuous improvement and set the target to be among the industry leaders for safety performance.

Sustainability & Social Value

We must effectively respond to the social and environmental issues facing society. The nature of our business means we can make a sizeable positive contribution, both environmentally and socially, through our operations and the creation of new homes and communities.

People

The quality of our people and the decisions they make are fundamental to the successful implementation of our strategy. We will continue to focus on the diversity of our workforce and embed the values that will strengthen our culture.

Financial Targets

At the outset of the COVID-19 pandemic the Board suspended all forward financial guidance.

Following the reopening of the housing market we provided FY20 Adjusted Profit Before Tax (APBT) guidance in our HY20 results.

CHAIRMAN'S STATEMENT

IAIN FERGUSON CBE
Chairman

"I AM PROUD OF THE WAY OUR PEOPLE HAVE RESPONDED AND PULLED TOGETHER THROUGH THIS UNCERTAINTY."

Summary of the year

This is my first full year as Chairman of Crest Nicholson, and I am pleased to present this year's results.

It has been an extraordinary year in which our business and the whole of society have faced unprecedented challenges as a result of the COVID-19 pandemic. I am proud of the way our people have responded and pulled together through this uncertainty. I believe we have emerged as a more resilient business as a result.

Handling the COVID-19 pandemic

The health and safety of our employees, customers and suppliers has clearly been a key focus for the Board. In March the Executive Leadership Team acted swiftly to temporarily close sites, sales and administrative offices to keep people safe. We reopened these facilities when we were confident that they had been made safe and compliant with necessary COVID-19 protocols. Many of our colleagues continue to balance working remotely and at their usual place of work. From the outset of the pandemic, I have been impressed at how effectively we have adopted this agile approach to running our business.

We also took tough and decisive action to preserve cash at the beginning of the outbreak, focusing on safeguarding liquidity and minimising unnecessary expenditure. The Group also secured a £300m commercial paper facility by way of the Government's COVID Corporate Financing Facility (CCFF). This facility has never been drawn.

During the spring lockdown, and at the height of uncertainty, we chose to furlough employees and participate in the Government's Job Retention Scheme. We subsequently chose to repay this in full in December 2020.

Trading performance

Until the crisis hit in March, the Group was making good progress against the updated strategic priorities introduced in our last Annual Integrated Report. The subsequent spring lockdown caused significant operational disruption for our business and impacted our financial performance in the first half. However, the Group responded strongly in the second half and has achieved good results, with strong sales performance and cash generation. Considering the impact of COVID-19, we can reflect on the excellent progress we have made across all our strategic priorities during the year. In FY20 Group sales were £693.1m (2019: £1,094.9m), with Adjusted Profit Before Tax (APBT) at £45.9m (2019: £121.1m).

Building our resilience

As the scale of the pandemic came into view, the Group had three immediate priorities: to safeguard the health and safety of our employees and customers; to protect our balance sheet, which included the difficult decision of cancelling our FY19 final dividend; and to assess and plan for what the landscape might look like beyond the crisis and how the business would need to evolve in order to succeed.

It is never easy changing direction so quickly after launching an updated strategy. However, the Board quickly considered the Executive Leadership Team's recommendations to do this. This included deferring the planned opening of an additional division and targeting further reductions in overheads. During the year we undertook two reviews of the size of our workforce – at the end of 2019 and as part of adapting our strategy following the impact of COVID-19 in March 2020 – resulting in a combined reduction of 215 roles, contributing to an annualised reduction in overheads of approximately 23% compared to 2019. I would like to express gratitude and thanks to these colleagues for their dedication and hard work and wish them well for the future.

While these changes have been difficult, they have enabled the Group to place its overheads on a more sustainable footing for the future. We now have a robust operating platform and a clear strategy for growth, with a strong focus on increasing our outlets, developing the multi channel business, and utilising our land portfolio. I believe Crest Nicholson is well set to navigate whatever market conditions may emerge in the future and it is a testament to the Executive Leadership Team's commitment and leadership that our business has remained resilient and robust.

Political and economic environment

The trading year started with significant levels of political and economic uncertainty. The decisive 2019 General Election and its consequences for the UK's approach to Brexit gave us hope that stability was about to return. However, COVID-19 presented a different set of challenges for which none of us could have been fully prepared. The global economic backdrop remains fragile and it is likely that the economic repercussions for the UK economy will be long term.

Despite these challenges, the fundamentals of the UK housing market remain strong. The country continues to suffer from a lack of supply of new housing to meet demand. We welcome the Government's proposed reforms to the planning system and look forward to supporting the acceleration of new homes being built. Additionally, interest rates remain low and mortgage lending has continued to operate normally, both of which help to address the affordability of housing in the UK – especially for those looking to purchase their first home. Finally, we are appreciative of the Government's decision to reopen the sector after the first lockdown and for taking the decision to suspend Stamp Duty until March 2021, which has boosted consumers' confidence to move home.

Sustainability & Social Value

The Board recognises and shares the importance placed by our stakeholders on environmental, social and governance (ESG) matters. We aim to integrate sustainability throughout the business and this continues to be a foundation of our strategy and business model. The Board is focused on ensuring that we fully understand how operations can be improved to keep pace with changing regulations, technology and customer demands, whilst minimising any potential negative impacts.

During the year, the Group established a Sustainability Committee. Chaired by the Chief Executive, it has delegated authority from the Board to provide oversight of ESG matters. This will ensure continuous improvement in this area and will guide our longer-term ambitions. To show our commitment we have set ourselves ambitious new targets relating to carbon emissions, renewable energy and waste reduction within our operations. For more information see pages 48 to 51.

Culture

The Board places great importance on having the right culture to support and guide behaviours. Due to the challenges caused by COVID-19, it has become even more important to strengthen our strong corporate governance framework and positive culture throughout the Group's operations. Crest Nicholson has seen a number of changes in senior leadership in recent years and it was an appropriate time to reflect and consider our culture and the type of business we wish to be. I believe our culture is fundamental to how we perform. In the past year, we have taken further steps to align our culture to our values and strategy. We also created a Diversity and Inclusion Forum, again chaired by the Chief Executive, which aims to provide ideas for the improvement of diversity and inclusion, furthering our commitment to the health and wellbeing of our employees. For more information see pages 53 to 55.

Dividend policy

As the COVID-19 pandemic started to unfold, the Board had to take swift and decisive action to maintain a robust balance sheet and to preserve cash. In March we announced the difficult decision to cancel our final FY19 dividend of 21.8 pence per share otherwise payable on 9 April 2020. The Board considered this decision very carefully, balancing its stated commitment to maintain the dividend policy in place at the time, with the economic uncertainty presented by the crisis and the need to safeguard liquidity until that uncertainty had passed.

However, in recognition of the excellent progress we have made in strengthening our balance sheet during the second half of the year, the further opportunities we have in this area and our confidence in future trading forecasts, the Board was pleased to announce it will reinstate a dividend effective from the HY21 results, on a two and a half times cover basis.

Board changes

In December 2019 Chris Tinker retired from the Company after more than 30 years of service including serving on the senior team and Board from 2007 until his retirement. I would like to thank Chris for his tremendous hard work and dedication to the Group. In March 2020 Leslie Van de Walle stepped down from the role of Deputy Chairman and Senior Independent Director. I would like to express my warmest thanks to Leslie for his service to Crest Nicholson. He has played a central role in recruiting and forming the new Executive Leadership Team and supported me personally during the transition period. I would also like to congratulate Octavia Morley on her appointment as Senior Independent Director. Octavia has been an invaluable member of the Board since 2017. Finally, I extend my congratulations to Tom Nicholson who was promoted to the Board in January 2020.

Summary and outlook

Crest Nicholson has a strong brand and an excellent reputation for building quality homes. We create attractive, sustainable communities, in highly sought-after locations in Southern England. We are seeing evidence of changing customer attitudes and requirements as a result of the pandemic. The structural change to the balance of office and home working has featured strongly in customers' reasons for considering a Crest Nicholson home and how it will support their changing lifestyle needs.

The Group has moved quickly to adapt its strategy in light of this year's challenges, and I am confident we are on track to deliver improved financial performance and have a compelling investment case. We have assembled a strong and experienced senior leadership group and the Board are focused on giving them the necessary support to implement their ambitious and exciting plans.

Although the outlook may continue to be challenging, I am optimistic about our future and would like to thank all Crest Nicholson colleagues for their hard work and resilience during this year.

ANSWERING THE BIG QUESTIONS

HOW HAS CREST NICHOLSON RESPONDED TO COVID-19?

PETER TRUSCOTT
Chief Executive

OUR STRATEGIC RESPONSE

- The Executive Leadership Team held regular meetings to discuss the impact on the business and Board calls were scheduled to keep members informed
- Frequent email communications and meetings with senior leadership ensured clear dialogue with employees
- We furloughed 75% of our employees under the Government's Job Retention Scheme (JRS). All employees received their full pay entitlement and they were encouraged to volunteer in their local communities
- All employees were unfurloughed by 31 May 2020 and the JRS income was subsequently repaid in full in December 2020
- We promptly adapted the strategy announced in January 2020, deferring the opening of a new division and making organisational changes to improve productivity and reduce overheads.

PROTECTING OUR PEOPLE

- We quickly adapted our sites, sales and administrative offices by regularly sanitising communal areas, providing signage and enhancing awareness
- Office-based employees moved to homeworking as soon as Government guidance encouraged it. We will retain an agile working policy in the future
- Our technology applications operated seamlessly and we took the opportunity to roll out Microsoft Teams to all employees
- We maintained strong management oversight and support for our people including awareness of employees needing to quarantine, returning from foreign travel and shielding vulnerable family members.

PROTECTING OUR CUSTOMERS AND SUPPLIERS

- We continued to sell homes to new customers and progress transactions remotely during the spring lockdown
- Our enhanced digital offering allowed customers to complete their entire homebuying journey remotely
- We improved the virtual customer experience, from online video appointments with sales teams to virtual property tours and eSignatures for reservations
- We supported customers with emergency post-completion issues through our network of mobile customer care technicians
- Upon reopening, our Sales Suites were COVID-19 secure and supported a safe and enjoyable interaction with our sales executives.

Monksmoor Park, Daventry

"I AM PLEASED WITH THE WAY WE HAVE BALANCED THE NEEDS OF ALL OUR STAKEHOLDERS WITH THEIR HEALTH AND SAFETY ALWAYS BEING OUR NUMBER ONE PRIORITY."

PETER TRUSCOTT
Chief Executive

HELPING THOSE IN NEED

- Our employees provided care and help to those in need, including supporting the NHS by cleaning ambulances and raising funds for our charity partner, Variety
- The Board donated 20% of their salary or fees to charity for the two months that employees were furloughed
- The Group is participating in the Government's new Kickstart Scheme aimed at providing a work placement to 16–24 year olds claiming Universal Credit and at risk of long-term unemployment.

MAINTAINING A ROBUST FINANCIAL POSITION

- We entered the financial year with net cash position of £37.2m and this has increased to £142.2m as at 31 October 2020
- Planned land purchases were cancelled or deferred and build activity was quickly reviewed and subjected to more rigorous controls
- Other discretionary costs were examined and minimised where appropriate, including the delivery of a Group-wide organisational restructure
- We finalised arrangements for a £300m commercial paper programme, under the Bank of England's COVID Corporate Financing Facility (CCFF), although this has never been drawn
- We increased internal hurdle rates for land acquisitions and remain well placed to selectively participate in future land opportunities as a result of disciplined cash management
- The Board took the prudent decision to cancel the final FY19 dividend and has not declared any dividends for FY20. Dividends will be reinstated from the HY21 results.

CHIEF EXECUTIVE'S REVIEW

A YEAR OF STRONG PROGRESS IN A CHALLENGING ENVIRONMENT

PETER TRUSCOTT
Chief Executive

Strategy yielding results in a challenging year

— Delivered Adjusted Profit Before Tax (APBT) at upper end of guided range
— Enhanced balance sheet with strong cash generation
— Experienced leadership team now in place to grow the business
— £30m of specification savings embedded into land portfolio
— Approximately £40m of other margin enhancements identified
— Achieved a five-star customer service rating.

Strong strategic progress

This year has clearly been defined by COVID-19, which has significantly impacted our operational and financial performance. However, through this challenging time a more resilient Crest Nicholson has emerged and I am pleased to be able to share the strong underlying progress we are making in rebuilding our business.

Before outlining our results in more detail, I want to take this opportunity to thank our colleagues and our stakeholders for the extraordinary efforts that have gone into this year. I have seen so many examples of selfless thinking and commitment to support both our business and the communities in which we operate. In particular, and as a direct result of the pandemic, we have had to take some difficult decisions about the size of our workforce.

Those colleagues affected by these decisions have remained professional throughout and I thank them for their collective service and contribution.

Having joined the business in September 2019, it was apparent that we had some strong attributes; placemaking, brand identity and the quality of our land portfolio. However, the business suffered from too much complexity in its decision making and our organisational structures needed simplifying. Our product and customer experience were inconsistently delivered, and there was no urgency to deliver meaningful efficiencies, despite several reductions in recently reported profits.

This was the background for the strategy we launched in January 2020, which focused on five priority areas:

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

With four additional foundations underpinning everything that we do. These are:

— Safety, Health & Environment (SHE)
— Sustainability & Social Value
— People
— Financial Targets.

I am pleased to report we made excellent progress against all of these during the period.

Business overview – an unprecedented year

We experienced a challenging start to the year as we began to make significant and necessary changes to our business model and ways of working in an environment of political uncertainty surrounding Brexit. This uncertainty led consumers to delay major decisions about their participation in the housing market in the first quarter.

As the implications of the decisive 2019 General Election became clear, and we moved into early 2020, we saw a positive market reaction. At that time, we had every confidence in our ability to achieve the financial targets we set out in January 2020. The business was performing well and adapting to the changes we were making. By the time we reached early March we had delivered our strongest sales week in over 12 months and our confidence was growing as we explored further opportunities for growth.

With growing risks around COVID-19 beginning to emerge in late February, and prior to the announcement of the first national lockdown, our focus naturally began to centre on the defensive measures that would be needed to protect the balance sheet. We quickly devised plans to adapt our strategy in order to be in the strongest possible position in this uncertain economic environment.

This also included the difficult decision to cancel the final FY19 dividend due to be paid in April 2020.

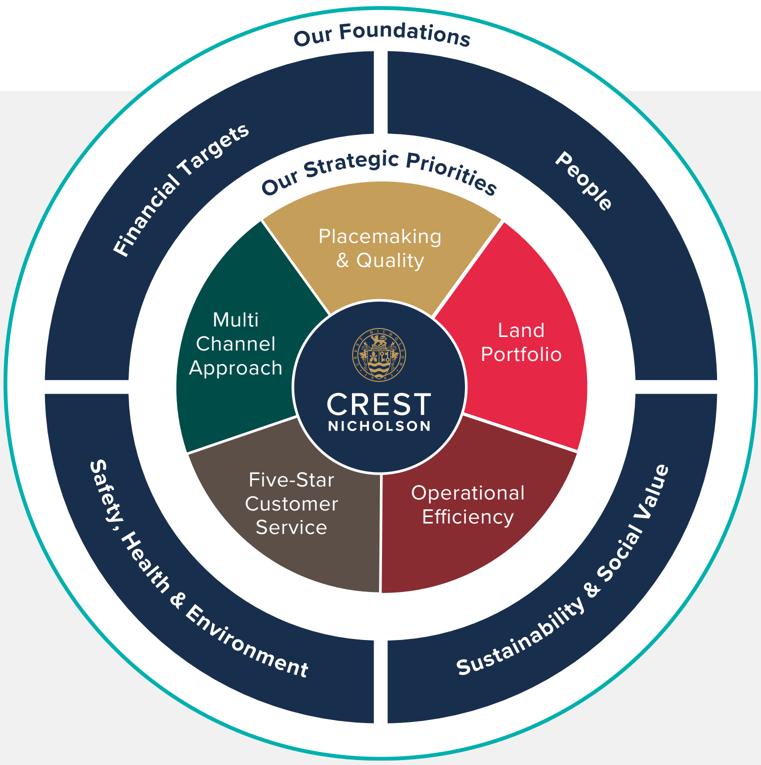
Market conditions in the period following the easing of spring lockdown restrictions have been strong and consistent. This has of course been supported by the Government's decision to suspend Stamp Duty until 31 March 2021 for properties less than £500,000. Pricing has remained stable and sales rates have returned to pre-pandemic levels. We have experienced particularly strong demand across sites including for family homes with internal and external space and community facilities, reflecting changes in the way customers want to live and work.

Reflecting across the entire year, and considering the headwinds we have faced, I am pleased with how we have performed. We have delivered Adjusted Profit Before Tax (APBT) at the upper end of the guided range, generated strong cash flows which have strengthened our financial position and we enter the new financial year with an enhanced forward order book. These combined outcomes have also enabled us to continue to participate in the land market in a disciplined way to support future growth. In addition, we will reinstate a dividend effective from the HY21 results, on a two and a half times cover basis.

Our updated strategy

We launched our updated strategy in January 2020. It is designed to build on the legacy strengths of Crest Nicholson while introducing a greater focus on operational efficiency. Throughout 2020, the Board continued to guide the implementation of our strategy and we chose to adapt some elements to reflect an anticipated increase in future economic uncertainty. Overall, our strategy remains the right one for all market conditions.

Read more on pages 16 to 17



Preservation of liquidity and strong cash generation

I was particularly pleased with the speed and effectiveness with which we implemented decisions to delay or cancel land acquisitions and the immediate and rigorous focus that was applied to work-in-progress and other cash outflows. Many of the decisions we took were building on the increased focus we already had on better cash management which we then simply accelerated as a result of COVID-19. The spring lockdown required us to close our sites and Sales Suites. Although construction activities were still permitted, the supply chain was increasingly unable to service our needs and customer levels started to dwindle. During this period the Group continued to generate cash inflows as we made digital enhancements to all parts of the home purchasing process. Many of these improvements will yield enduring customer experience and efficiency benefits.

As a result of our early and decisive action, and our ability to continue to trade through some of the COVID-19 restrictions, we ended the year with an excellent net cash position. On joining Crest Nicholson, I was struck by the widely held misperception that we had an inferior balance sheet and would require further sources of capital in order to thrive. Therefore, delivering such a strong closing net cash position was one of the most pleasing achievements of the year.

Impairment review

At the half year, and at the peak of pandemic-related economic uncertainty, we reviewed the carrying value of all our schemes. Market consensus at the time was overwhelmingly negative towards the future trajectory of house prices. We have a strong land portfolio, but for a number of our schemes, predominantly legacy London sites or commercial assets, their prevailing margin was so low that even a small reduction in residential or commercial pricing would have resulted in those assets becoming loss making. Accordingly, we took the decision to impair a number of these schemes resulting in an exceptional charge at the half year, which was reviewed in detail again at the year end. The half year and full year impairment reviews are covered in more detail in the Financial Review.

Delivering on our promise of operational efficiency

During this year's uncertainty, we have not deviated from our plan to significantly reshape our underlying business model. We have carefully simplified our organisational structures and thoroughly reviewed all discretionary expenditure. This has delivered a sustainable overhead base that is now approximately £15m lower than in FY19 while at the same time supporting faster and more effective decision making across the Group. Our strategy in January 2020 included plans to open a sixth operating division and because of COVID-19 this decision has now been delayed. The five remaining divisions have the capacity to deliver around 3,250 homes per year, which will be sufficient for the immediate future.

Our people focus will now be to ensure that the high-calibre team we have assembled, blending the promotion of the best we already had with the hiring of proven external talent, is empowered to deliver our future ambitions. In my 36 years in this industry, I believe the senior leadership group we now have is the strongest that I have had the privilege to lead. As well as our overheads, our build costs are also being transformed. Tom Nicholson has led this process, with a focus on quality and consistency, more detail is set out on pages 22 to 23.

We now have a fantastic new house type range. This is being plotted on existing sites through replans and, of course, on all new sites that are being acquired. The house types are being fitted with an enhanced specification which, due to better buying, is being procured at a lower cost than previously. We have worked collaboratively with our subcontractors to enhance the value of our sites where possible. Additionally, we have reduced our sales and marketing costs by approximately one-third versus FY19 through better procurement and consistent execution.

"I BELIEVE THE LEADERSHIP TEAM WE NOW HAVE IS THE STRONGEST THAT I HAVE HAD THE PRIVILEGE TO LEAD."

A step change in quality for our customers

Quality has to be at the heart of everything we do and I am delighted with the improvement in customer service now being delivered by our teams. During the year, we have placed a much stronger emphasis on site teams having more direct responsibility for quality. We want a 'right first-time' culture with divisional-based customer service teams providing any necessary aftercare. We attained our ambition to become a five-star customer service home builder and our scores are now tracking even higher.

Sustainability & Social Value

Sustainability & Social Value are rightly becoming issues of greater importance to all our stakeholders and hence they were established as a foundation of our updated strategy. During the year, we have taken a number of steps to increase our focus and raise our ambitions in this respect. We have created a new Sustainability Committee, which I chair, that will provide strategic oversight over our environmental, social and governance (ESG) performance. This Committee has already received Board approval to launch new targets to reduce our carbon emissions (scope 1 and 2) intensity by 25%, our waste intensity by 15% and to purchase 100% renewable electricity, all by 2025 versus FY19 comparatives. We are also committed to supporting the UN Sustainable Development Goals. We identified eight goals that are most relevant to our business and where we can make the most significant contribution. You can read more about these initiatives on pages 44 to 45.

Delivering our Multi Channel Approach

We have made strong progress developing our multi channel approach to buying land and selling homes. We took the decision to integrate our Partnerships and Strategic Land teams to accelerate this agenda, with a new integrated team now being led by Kieran Daya. The new Crest Nicholson Partnerships and Strategic Land team will co-ordinate larger, more complex land acquisitions, working closely with the other divisions who will build and sell the resultant homes. This will retain the expertise needed to successfully co-ordinate these projects centrally, while delivery of the homes is managed by the relevant local division. It will also help to ensure key relationships, especially with partners such as Homes England and the Defence Infrastructure Organisation, are managed in a more focused and co-ordinated way. Another responsibility of this team is to manage all our bulk sales, whether affordable homes to Registered Providers (RPs) or homes being sold to the Private Rented Sector (PRS). Again, we will benefit from the central concentration of this expertise with the homes themselves built by the relevant divisions. This multi channel approach to selling homes offers greater order book security and will significantly aid near-term cash flows on larger sites.

Increasingly, we are seeing demand in the private rented sector for single family homes. During the year, and given this trend, we have focused on divesting apartment units across city centre sites to PRS partners, realising cash in the process.

We are focused on having earlier conversations with market participants to understand the products they require, enhancing returns for both parties.

Maximising value on land portfolio

Finally, we have secured some excellent land assets throughout the year to support our future growth ambitions. We already have a strong land portfolio and we have taken the opportunity to enhance this with further acquisitions where we have seen outstanding value. Over 952 plots have been added before deletions and other movements, and at an accretive gross margin (before selling expenses) of 25.8%.

Outlook and conclusion

Looking forward, we will maintain our strong focus on operational efficiency, with greater discipline on procurement of land, while continuing to roll out the new house type range and plotting optimisation programme. We will continue to work through legacy sites to reduce work-in-progress and improve cashflows, as the land portfolio delivers improved margins over the medium term.

In conclusion, amidst challenging trading conditions, we can be proud of the progress we have made this year as we continue to restore Crest Nicholson to its rightful position as one of the UK's leading housebuilders. Although it is likely there will be market uncertainty in the foreseeable future, we have an increasingly efficient operating platform, a much stronger balance sheet and a highly skilled and motivated team to take the business forward.

KEY PERFORMANCE INDICATORS
MEASURING OUR PROGRESS

We monitor our business performance using a range of key performance indicators (KPIs). We have made a number of changes to our KPIs this year to align with our five strategic priorities and four foundations, launched in January 2020. See pages 4 to 5 for further details on our strategic priorities and foundations. Two new KPIs are included, where we are providing measurement for the first time, and reflect only this year's data.

Over time we will continue to review our KPIs to ensure they remain the appropriate measures of our performance and progress. We use these KPIs to improve the quality of our business and ensure that we deliver value to all our stakeholders. To align the focus of management with the interests of shareholders, some KPIs are reflected in our senior management incentive schemes.

Sustainability & Social Value

Greenhouse gas (GHG) emissions intensity

3.08

2020	3.08
2019	3.20
2018	3.46

The GHG emissions intensity reflects our scope 1 and 2 emissions per 100 sq. m of completed homes. It includes business travel via company cars, fuel and energy used on sites and in offices. See page 119 for further details.

Waste intensity

8.19

2020	8.19
2019	9.64
2018	11.18

Waste intensity reflects tonnes of construction waste per 100 sq. m of completed homes. See page 50 for further details.

Social infrastructure contributions

£48.5m

2020	£48.5m

Social infrastructure contributions through s106 and Community Infrastructure Levy (CIL) payments that were committed to in 2020. This is the first year we have included this KPI. See page 51 for further details.

Safety, Health & Environment

Annual Injury Incidence Rate (AIIR)

369

2020	369
2019	372
2018	342

AIIR represents the number of accidents in the year normalised per 100,000 people at risk on-site. See page 46 for further details.

People

Voluntary employee turnover

25.6%

2020	25.6%
2019	18.3%
2018	17.8%

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. See pages 53 to 55 for further details.

Employee engagement survey index

70%

2020	70%
2019	N/A
2018	88%

Satisfaction of employees based on our most recent engagement survey. There was no survey in 2019. See page 55 for further details.

Financial Targets

Unit completions

2,247

2020	2,247
2019	2,912
2018	3,048

Sales of homes recognised in the year including our proportion of those held in joint ventures.

Return on capital employed (ROCE)[1]

7.6%

2020	7.6%
2019	15.9%
2018	22.2%

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

Gearing including land creditors[1]

7.1%

2020	7.1%
2019	17.3%
2018	18.3%

Net (cash)/borrowings plus land creditors divided by closing capital employed.

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

8.4%

2020	8.4%
2019	12.2%
2018	16.2%

EBIT margin reflects the returns before interest, joint ventures and tax achieved by the business.

1 ROCE, gearing including land creditors, EBIT margin and adjusted overhead efficiency are alternative performance measures. See page 182 for further details.

A: KPI used in the annual bonus scheme
L: KPI used in the long term incentive plan

For more information see page 115.

KPIs by strategic priority

1 Placemaking & Quality
2 Land Portfolio
3 Operational Efficiency
4 Five-Star Customer Service
5 Multi Channel Approach

1 National House Building Council (NHBC) reportable items

0.22

2020	0.22
2019	0.20
2018	0.25

Defects reported per plot during NHBC inspections at certain key build stages.

3 Adjusted overhead efficiency[1]

7.4%

2020	7.4%
2019	6.0%
2018	5.8%

Adjusted administrative overhead costs as a percentage of revenue which demonstrates overhead efficiency.

4 Customer satisfaction

5★

2020	5*
2019	4*
2018	4*

The HBF star rating based on our NHBC customer satisfaction score. See pages 24 to 25 for more details.

2 Short-term land additions gross margin

27.7%

2020	27.7%
2019	27.2%
2018	27.0%

Average gross margin (excluding bulk units) of short-term land added to our portfolio in the year.

3 Sales and marketing cost

3.1%

2020	3.1%
2019	3.8%
2018	3.5%

Sales and marketing costs as a proportion of open market sales.

5 Number of units in our portfolio under partnership

2,118

2020	14.1%	2,118
2019	14.8%	2,493
2018	16.5%	3,174

Units in our portfolio to be delivered under partnership arrangements.

2 Outlets

63

2020	63
2019	59
2018	55

The average number of active selling outlets during the year.

3 Build cost

£177

2020	£177

Operational portfolio average residential build cost per square foot. This is the first year we have included this KPI.

5 PRS/Affordable unit completions

49.1%

2020	49.1%
2019	49.8%
2018	39.3%

Proportion of unit sales of homes recognised in the year as PRS or affordable.

ANSWERING THE BIG QUESTIONS

"HOW PLEASED ARE YOU WITH PROGRESS ON THE STRATEGY?"

PETER TRUSCOTT
Chief Executive

WHAT HAVE BEEN THE BIGGEST CHALLENGES?

Two key challenges quickly emerged after I joined. The first related to some of our regeneration projects. These schemes are often complex, capital intensive and subject to higher levels of overall delivery risk as well as being apartment focused. We were structured in a way that was trying to oversee the delivery of these schemes across far too broad a geographical area without all the necessary skills.

We quickly addressed these risks by restructuring the business and bringing in the appropriate capabilities, setting a clear direction about building less complex and risky schemes with a new standardised house type range.

The second was the COVID-19 crisis, which necessitated an adaptation of our strategy, and the postponement of growth until the operating environment becomes clearer.

ARE THERE ANY ELEMENTS THAT HAVE BEEN PARTICULARLY PLEASING?

Yes, a number stand out. We have been able to recruit a strong and diverse senior leadership team into the business. People selection is such an important ingredient to successful outcomes in this sector.

You need people who understand the strategic direction of travel while also having the judgement and experience to make sensible and sound judgements at a local level in their division, and I am confident we now have that capability in the Group. The new house type range is another area of great progress, and I must acknowledge the leadership of my colleagues Tom Nicholson and David Marchant in delivering this so quickly. Our new house type range benefits from significant flexibility and efficiency.

WHAT ARE YOUR NEXT AREAS OF FOCUS?

We have done an excellent job in a short period of time generating cash and strengthening the balance sheet, but the next step must be to rebuild Crest's margins back to and in line with those of its peers.

1. We must buy our land at stronger margins, backed up by robust assumptions. We have made a good start on this.

2. We must become better at controlling our costs and ensure that we do not leak margin through error and inefficiency.

3. We have identified several areas where we can lower costs and improve margin without impacting the customer experience such as replanning sites with our new house type range, specification savings and a more disciplined and professional approach to procurement.

There is no reason why Crest Nicholson will not deliver similar margins to other UK housebuilders over time.

CAN YOU EXPLAIN YOUR STRATEGY AROUND THE MULTI CHANNEL APPROACH?

Our market is cyclical, and our customers' activity is generally linked to overall economic sentiment and confidence levels. Our business model requires significant upfront capital investment with returns often generated over a long period of time. We believe that having flexibility in approach in acquiring interests in land and selling homes is a key asset to managing this risk profile and delivering results for all our stakeholders.

"PLACEMAKING IS GOING TO CONTINUE TO BE IMPORTANT. PEOPLE WANT TO HAVE PRIDE IN WHERE THEY LIVE."

PETER TRUSCOTT
Chief Executive

A large proportion of our land is held under option or licence which enables us to control it with lower levels of capital exposure. By participating in the markets to sell homes to a combination of individual buyers, Registered Providers and the Private Rented Sector (PRS), we can build a stronger and more diverse order book to help navigate the peaks and troughs in demand. Our dedicated Crest Nicholson Partnerships and Strategic Land team manage these relationships linking our large land portfolio to different sectors and buyers, and develop links with new buyers in the maturing PRS market where we seek to be a partner of choice.

HAVE YOU SEEN ANY MARKET CHANGES AS A RESULT OF COVID-19 THAT COULD INFLUENCE A CHANGE IN THE STRATEGY?

No, nothing that would change the overall strategy as such, but a few factors that have encouraged us to accelerate our thinking.

Product type is one such area. It is becoming increasingly clear that demand for apartments has reduced while demand for family homes with gardens and flexible accommodation has increased. Consequently, we have accelerated our divestment of apartments this year.

The decision taken by previous management to exit the central London market was the correct one. We will continue to concentrate our investment in suburban areas of major cities, market towns and villages that enable commuting into places of employment while continuing to focus on placemaking.

Finally, we had already started to introduce agile working before the arrival of COVID-19 and this worked well during the periods of lockdown. I can see that our current approach, whereby our teams work partly from home, and partly in an office environment, will be normal for the foreseeable future.

SOME ELEMENTS OF THE STRATEGY HAVE LED TO JOB LOSSES. WAS THIS NECESSARY?

Unfortunately, yes. Our overhead structure simply did not benchmark in line with our competitors and in a challenging environment, against a backdrop of declining profits.

We have simplified our organisational structure, reporting lines and processes.

I acknowledge that these changes have been difficult for the colleagues in our business and I thank them for their understanding. However, they were necessary to safeguard the longer-term prospects of Crest Nicholson. The changes have also enabled us to provide development and promotion opportunities for existing talent and I am confident our new ways of working will have a positive cultural effect as we move forward.

AND HOW ABOUT YOU PERSONALLY, ARE YOU ENJOYING YOUR ROLE AT CREST NICHOLSON?

Yes, immensely. We have a strong and dedicated team here who can see us making demonstrable progress. I am absolutely determined to do my part to help Crest Nicholson return to its rightful place as one of the UK's leading housebuilders.

OUR STRATEGY: PLACEMAKING & QUALITY

1

Quality land will provide ongoing opportunities for us to demonstrate the master planning and placemaking expertise we are known for.

109

Henley Gate will have 109 acres of natural open green spaces

A VISION FOR

T H R

Aligning our strategy to the Sustainable Development Goals

Linking to our stakeholders

- Customers
- Local communities
- Government and other regulatory bodies

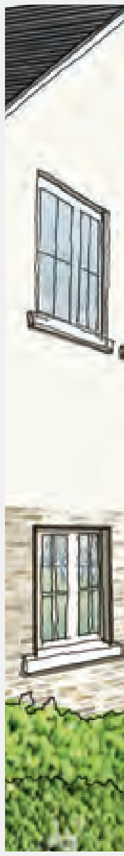
£14m

The investment which will be made into highways improvements, education, community and leisure facilities through the s106 agreement at Henley Gate

CASE STUDY: HENLEY GATE, SUFFOLK

The Henley Gate development in Ipswich is a collaboration between Crest Nicholson Partnerships and Strategic Land (CNPSL) and our Eastern division. It will comprise 1,075 homes set within extensive landscaping, including a new country park. The development will provide much needed new infrastructure for the existing community and new residents.

As part of our commitment to placemaking, the local centre will include shops and a new primary school. A network of pedestrian and cycle routes will connect the community with the proposed country park and visitor centre, promoting wellbeing and sustainability.



Henley Gate will be delivered in accordance with an Overarching Design Code, produced by Crest Nicholson and approved by Ipswich Borough Council, which will shape the development and create a high quality new community with placemaking at its heart.

- A new and distinctive neighbourhood that is a great place to live, now and in the future
- Creating character and aesthetic appeal by drawing on the local architectural style and incorporating existing site features such as trees, hedgerows and woodland
- Developing a sense of community and enhancing lifestyles by creating new civic, social, educational and leisure facilities
- Working to a masterplan that ensures the development is sustainable.

7km

Of cycle and pedestrian routes will run through the Henley Gate development and country park promoting health and wellbeing

IVING

COMMUNITIES

105

Our homes are designed to consume 105 litres of water per person per day, 16% less than current Building Regulations require

OUR STRATEGY: LAND PORTFOLIO

2

Our land portfolio has a strong weighting to Southern England and new acquisitions in 2020 provide excellent scope for further expansion across the Midlands.

Aligning our strategy to the Sustainable Development Goals

Linking to our stakeholders

- Investors
- Suppliers
- Government and other regulatory bodies

24

The number of acres of land purchased in Nuneaton, Warwickshire

EXCELLENT POTENTIAL FOR EXPA

"THE ACQUISITION OF THE SITES IN NUNEATON AND KEGWORTH HAVE ENHANCED THE QUALITY OF OUR DIVISIONAL LAND PORTFOLIO. WE ARE DELIGHTED TO BE EXPANDING THE NUMBER OF CREST NICHOLSON HOMES THAT WILL BE BUILT IN THE MIDLANDS."

Mark Connors
Managing Director, Midlands

1,812

The number of plots approved for purchase across all Crest Nicholson divisions in 2020 at an average gross margin of 28.7%

CASE STUDY: EASTBORO WAY, WARWICKSHIRE

We approved the purchase of 24 acres of land in Nuneaton, Warwickshire from Warwickshire County Council, who were impressed with Crest Nicholson's commitment to quality and product design. This land acquisition delivered a favourable outcome for both parties and met our more demanding investment criteria.

A total of 360 plots will be built, all based on the new house types and specification, providing 270 homes for private sale and 90 housing association homes.

360

The number of plots that will be built at Eastboro Way

NSION

ACROSS THE MIDLANDS

CASE STUDY: KEGWORTH GATE, LEICESTERSHIRE

We acquired the 13.8 acre site at Kegworth Gate with a detailed planning consent for a mix of two, three and four bedroom homes for construction over a period of four years.

While 188 plots were originally consented, a Reserved Matters Planning Permission was granted at the time of purchase. We submitted a new application, replanning the site with the new house type range to improve quality, enhance returns and reduce build costs. At the same time we were able to provide a more appropriate mix of home sizes, including introducing five bedroom homes to the development.

Application boundary

Ownership extent

ANSWERING THE BIG QUESTIONS

HOW HAS CREST NICHOLSON BECOME MORE OPERATIONALLY EFFICIENT OVER THE PAST YEAR?

3 OUR STRATEGY: OPERATIONAL EFFICIENCY

Aligning our strategy to the Sustainable Development Goals

Linking to our stakeholders

- Investors
- Our people
- Customers

TOM NICHOLSON
Chief Operating Officer

WHAT HAS THE BUSINESS BEEN FOCUSING ON TO IMPROVE OPERATIONAL EFFICIENCY?

Towards the end of FY19 the Executive Leadership Team carried out a full strategic review of the business and identified several areas that could yield efficiency opportunities in the immediate and longer term.

NEW HOUSE TYPE RANGE

The new house type range has been central to these improvements. Its 22 house types maximise operational efficiency through build simplicity and consistency. Roll out and adoption of the range is on track and 80% of our open market houses will be delivered using this range in 2022.

The range has been designed to allow divisional teams to deliver street scenes of visual interest that complement the existing fabric of the neighbourhood. The homes are designed to have open living spaces with spacious rooms and to provide maximum natural light. We will offer our customers a range of homes to suit different accommodation and lifestyle needs. These customer focused objectives have been achieved while delivering fully optimised development layouts and site coverage.

With the implementation of the new house type range, we are starting to realise delivery time improvements, forecasting an average reduction of six to eight weeks within our build programmes.

Adopting the new range is fundamental to driving consistency across the business through our portfolio of homes, the specification used and the processes and procedures we utilise to deliver them. Production of the new house types has already commenced across six developments and first completions are forecast for February 2021.

PLOTTING EFFICIENCY

Utilising the new house type range brings further efficiencies through plotting. To optimise the value of developments, our product range includes a number of variants such as two and a half and three storey formats, providing flexibility for our divisions to configure as required, enabling them to match identified

80%

Of our open market homes will be delivered using the new house type range in 2022

6

The number of developments where production of new house types is underway

22

House types

5,500

Future units in our short-term land portfolio replanned for optimisation

£30m

Value of specification savings embedded into short-term land portfolio

market demands. The COVID-19 pandemic has provided real time evidence of our ability to quickly replan sites to provide flexible product offerings with the same footprint. Replotting brings positive benefits in both coverage and enhances the returns from these investments.

OPTIMISING THE SHORT-TERM LAND PORTFOLIO

We are focused on achieving the optimal balance in our short-term land portfolio, increasing average margin while also improving capital efficiency. In the short-term land portfolio we continue to maintain a weighting towards low-rise houses through new acquisitions and replans. In addition, the new house types enable us to be more competitive and we have been able to secure new land at significantly enhanced margins. During this financial year, we have approved 1,812 plots for purchase at an average gross margin of 28.7%.

COST TRANSFORMATION

We have simplified our operational structure and increased consistency of approach throughout the organisation. This includes specification changes, which were primarily derived through better procurement. Overall, we have now enhanced the specification of our homes, ensuring a more consistent delivery and built deeper, more strategic supplier relationships. By concentrating our buying power and revising and refining our specification, we have embedded £30m of cost efficiencies into our portfolio. We are continuing to identify further efficiencies and value elsewhere, not only through better plotting of the new house type range, as mentioned, but the simplicity of the build which will save on labour and material costs.

Additionally, efficiencies of around £2,000 per plot are being achieved on professional fees. £3m of sales and marketing efficiencies were identified in January, and a further £3.5m has been identified as re-tendering of all areas of marketing spend continues.

PERFORMANCE MEASUREMENT

We have increased visibility of performance metrics and established benchmarking for all elements of our delivery. This includes expected timelines for key stages of delivery, through to the individual elements of materials and expectations of our subcontractors. Visibility of key performance metrics and goal-setting enables divisional teams to see the results of best practice and challenge themselves to obtain optimum delivery.

Functional forums for each key discipline have been established and are chaired by one of the Divisional Managing Directors with the aim of sharing best practice and to find further improvements and efficiencies in our delivery. New processes are developed utilising the experience of the team members, and if approved at the bi-monthly Managing Directors Operations Meeting, are developed and implemented consistently across all the divisions.

OUR STRATEGY: FIVE-STAR CUSTOMER SERVICE

4

In 2020 we were awarded five-star status by the Home Builders Federation (HBF).

This follows a number of improvements made to our processes which have driven higher levels of quality and customer satisfaction.

5 STAR HOME BUILDER
CUSTOMER SATISFACTION
HBF 2020
HOME BUILDERS FEDERATION

93.2%

Crest Nicholson Customer Satisfaction Score for the 12 month period for completions up to the end of June 2020[1]

1 Customer Satisfaction Survey data published by the Home Builders Federation.

COMMITTED TO DELIVERING FIVE

Aligning our strategy to the Sustainable Development Goals

3 GOOD HEALTH AND WELL-BEING

11 SUSTAINABLE CITIES AND COMMUNITIES

Linking to our stakeholders

- Customers
- Our people
- Suppliers

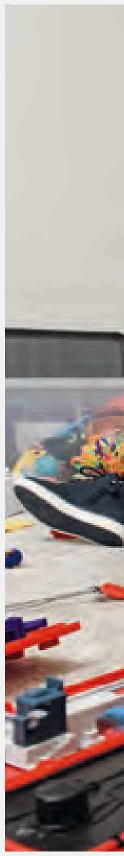
CASE STUDY: BROOKLANDS PLACE, HERTFORDSHIRE

Strong collaboration and clear understanding of team responsibilities is key to delivering high quality homes and customer satisfaction at Brooklands Place.

The build team follow new processes and quality checks to complete each stage of the build to a high standard, ultimately taking ownership for product quality. They give frequent updates on build progress to the sales team, enabling them to provide regular communication to customers on the status of their new homes.

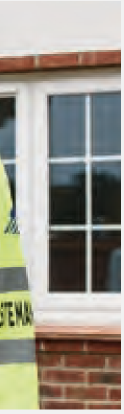
The divisional customer service team focus on providing aftercare, remaining in contact with customers to provide any follow up support required, to quickly and fairly resolve any issues that arise.

Working in this collaborative way, site, sales and customer service colleagues provide customers with excellent service, product quality and support at each stage of their purchasing journey.



14

Within 14 days of moving into their new home, customers receive a courtesy home visit from a site manager



Site Manager Albert Perry was trained by the Crest Nicholson Site Management Academy to produce new homes in accordance with our safety, quality, sustainability and presentational standards. Albert places great importance on establishing good relationships with customers.

Left: Crest Nicholson Eastern Build Director Marco Sidoli with Site Manager Albert Perry. Right and below: Home owner Sarah O'Connell and son Carter.

"WE HAD A GREAT EXPERIENCE WITH THE SITE BUILD TEAM AND THE SALES TEAM WERE VERY ATTENTIVE WHICH MADE THE PURCHASING EXPERIENCE WITH CREST NICHOLSON VERY SMOOTH."

–STAR CUSTOMER SERVICE

CUSTOMER FEEDBACK

Sarah O'Connell and her husband, Christopher, decided it was time to upsize and purchased their second Crest Nicholson home, a four bedroom property at Brooklands Place. Sarah says "We knew that we wanted to purchase another new build; there are so many benefits to buying a brand new house, including not having to worry about additional renovation costs and peace of mind. When touring various developments, we always seemed to come back to Crest Nicholson's Brooklands Place. We knew the quality of the homes and the specifications throughout were superb. The sales team was very attentive during the buying process and gave us regular updates; they were responsive and helpful with any questions we had. Christopher and I also had a great experience with the site build team which made the purchasing experience with Crest Nicholson very smooth."

OUR STRATEGY: MULTI CHANNEL APPROACH

5

Our multi channel, multi tenure business model means we have an established reputation for working with partners to acquire and develop land.

Establishing long-term strategic partnerships allows us to provide homes across a diverse range of customers.

MAXIMISING DELIVERY WITH A BROA

Aligning our strategy to the Sustainable Development Goals

Linking to our stakeholders

- Investors
- Customers
- Local communities
- Government and other regulatory bodies

CASE STUDY: BESSEMER ROAD, HERTFORDSHIRE

Our Bessemer Road development in Welwyn Garden City comprises 110 homes, a mixture of houses and apartments, including 30% affordable homes. All of the private homes will be from the new house type range and will deliver operational efficiencies as well as a range of products that are well suited to the local market. 30 of the apartments are for private sale split across two separate blocks.

Our partner and Registered Provider, St Arthur Homes, will offer 15 of these apartments for shared ownership.

As is typical with this type of transaction, the price agreed is at a discount to the open market value with cash inflows occurring regularly throughout the build programme, delivering good levels of financial efficiency.

30%

Of the new properties at Bessemer Place will be affordable homes

AD MIX

OF QUALITY HOMES

4

The number of sales outlets in Milton Keynes, including Morton Park (above), Towergate, Campbell Wharf, and Tattenhoe

CASE STUDY: TOWERGATE, BUCKINGHAMSHIRE

We purchased the Towergate development site from Homes England through a competitive public procurement process.

150 homes will be delivered over three and a half years, bringing another Crest Nicholson mixed tenure scheme to thriving Milton Keynes. A third of these will be affordable homes and a further third are targeted for the Private Rented Sector (PRS). All of the properties will be from our new house type range.

The site is adjacent to Crest Nicholson's 240 home development, Morton Park, creating efficiencies from economies of scale, and the ability for our subcontractors and supply chain to focus resources in a single area.

150

The number of homes at Towergate that will incorporate Modern Methods of Construction including use of Nuspan flooring slabs. Nuspan is a precast insulated flooring system manufactured off-site, enabling faster on-site construction

MARKET OVERVIEW
THE TRENDS AFFECTING OUR BUSINESS

Our market drivers

Political and economic backdrop

- The political stability that followed the 2019 General Election was offset by the unprecedented levels of economic uncertainty caused by COVID-19. It is still unclear what the long-term economic impact of COVID-19 will be
- The first national lockdown had an immediate impact on housing reservations and completions. However, when the market reopened, the Government suspended Stamp Duty for home purchase transactions below £500,000 until 31 March 2021, supporting consumer confidence
- UK businesses will need to adapt to the new trading relationship with the EU from 1 January 2021
- Towards the end of FY20, the impending approval of several COVID-19 vaccines supported improving levels of economic and consumer confidence.

Government policy

- The Government is committed to accelerating the production of new homes. In 2019 the number of new homes built in England was approximately 214,000[1] and the Government's ambition is an annual target of 300,000
- In July 2020 the Government announced a suspension of Stamp Duty for property sales under £500,000, effective until end of March 2021
- In August 2020 the Government announced a range of proposed planning reforms to improve the quality and speed of the approval process for new developments
- From April 2021 the Help to Buy scheme will be restricted to first-time buyers and subject to regional price caps, before it ends in 2023
- The Government issued several advice notes aimed at clarifying fire and building safety requirements for tall buildings.

Housing market

- The fundamentals for the housing market remain robust. While the supply of new housing is growing steadily, new additions to the housing stock lags significantly behind the demand – even with Government efforts to increase build rates of new homes
- Home ownership has decreased to 64% from its peak at 71% in 2003[2] showing affordability and accessibility of home ownership remains a significant issue
- The number of new homes completed is expected to fall in 2020 and 2021 as housebuilders rebuild their capacity following the effects of COVID-19.

How we are responding

- Maintaining a robust balance sheet with rigorous cash management for sufficient liquidity for operations and organic growth of the Group
- Disciplined approach to capital allocation and operational efficiency measures to improve working capital levels
- Reductions in build and central overhead costs to improve profitability
- Continue to develop and grow the multi channel business to ensure a resilient and diversified income stream.

- We continually review and adapt our product ranges to fit the requirements of a changing market. The flexibility of our house type range means we can replan sites according to market conditions and local demand
- Help to Buy applicants accounted for approximately 30% of our completions in FY20. We welcome the extensions to the build deadline for Help to Buy phase 1
- We have planned for appropriately sized units to be built to comply with the regional price caps in our divisions to provide access to Help to Buy phase 2
- We have conducted a thorough safety review across all our developments and are well progressed with our detailed programme of remediation work.

- Our five divisions have a capacity of up to 650 completed units per year
- Our sites are concentrated in Southern England where demand for new homes acutely exceeds supply, contributing to the shortage of housing in these areas
- Gradual diversification of geography and disciplined reduction in average selling prices across our product offerings reduces risk
- Continual development of our multi channel offerings with a focus on partnerships, private rented sector (PRS) and affordable tenures.

1 MHCLG Housing Statistic September 2020 www.gov.uk/housing-local-and-community/house-building.
2 Latest Ministry of Housing survey published 2019 www.gov.uk/government/statistics/english-housing-survey-2017-to-2018-households.

Land and planning

- The land market will be subject to significant changes following the introduction of the 2021 National Planning Policy Framework (NPPF). Recent updates to the NPPF ensure local authorities plan positively for housing and are accountable for under-delivery, aiming to provide further support to housing growth
- Availability of high quality land at acceptable margins has existed throughout the year, despite market uncertainty
- Despite an increased supply in land, delays in the adoption of Local Plans and backlogs in the planning system caused by COVID-19 have created a shortage of allocated sites in the short term
- Consumers have reflected on the long-term impact COVID-19 may have on their balance of home and office working. This shift lends itself to our land portfolio and planned developments which are concentrated in Southern England and the commuter belts to major towns and cities, especially London.

Lending environment and affordability

- The lending environment experienced COVID-19 disruption but the outlook remains positive. Banks and lending institutions are far better capitalised than at the time of the Global Financial Crisis
- Low interest rates make mortgage service costs relatively affordable and access to mortgages remains good for homeowners with established levels of equity
- Buyers with smaller deposits find obtaining mortgage approval more challenging as mainstream mortgage lenders limit their higher loan-to-value (LTV) products
- Affordability is likely to remain a considerable challenge for many homebuyers as both wage inflation and employment levels are impacted by COVID-19.

Climate change regulation

- Demand for sustainable housing is increasing across all stakeholder groups
- Responding to climate change is one of the core land use planning principles within the NPPF
- Changes to Building Regulations are expected to come into force in 2021 that will require greater energy efficiency and up to 31% lower carbon emissions compared to current requirements
- The Future Homes Standard (FHS), expected to come into effect in 2025, will require new homes to produce at least 75% lower carbon emissions than one built to current requirements. This will be achieved through high fabric standards and a low carbon heating system, with no gas boilers permitted from 2025
- The Environment Bill is currently going through Parliament and is expected to come into force in 2021. Part of this will make it mandatory to achieve a 10% net biodiversity gain on all new developments.

- Our existing land portfolio is of high quality and we have in excess of five years' supply in the short-term land portfolio
- Taking a disciplined approach to land investment, acquiring less new land than we have used and utilising our existing land portfolio
- We have set a higher hurdle rate for new land acquisitions to improve margins in the future, and replan existing sites to increase margins
- Tracking changes to planning policy carefully, we focus on building and maintaining strong relationships with local authorities and public bodies as we work to improve our processes.

- We will continue to consult with Government and other industry bodies for support measures to increase access to home ownership
- We continue to reduce higher priced products through geographical diversification and increasing our offering of smaller sized homes
- We are developing our multi channel offer working with Registered Providers of affordable housing and PRS partners.

- Provided our contribution to the Government's consultation on Future Homes Standard
- The Group established a Sustainability Committee. Chaired by the Chief Executive, it has delegated authority from the Board to provide oversight of ESG matters. This will ensure continuous improvement in this area and will guide our longer-term strategy
- Ambitious new targets relating to carbon emissions and waste reduction within our operations. More information can be found on pages 48 to 51
- Carbon emissions reduction part of our Director annual bonus scheme in 2021 as set out on page 115.

BUSINESS MODEL
HOW WE CREATE VALUE FOR OUR STAKEHOLDERS

Resources and relationships

People
- Experienced, dedicated and motivated employees
- Robust Safety, Health & Environment processes to keep everyone safe.

Natural and manufactured resources
- High quality building materials
- Close monitoring of the energy, water and carbon impacts of our homes.

Partnerships
- Carefully selected business partners and projects
- Close relationships with regulatory and industry bodies to support an effective policy response on key issues
- Relationships with landowners and engagement throughout the development process.

Customers
- Commitment to delivering five-star customer service
- 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 the new 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
- Robust capital structure and a prudent approach to risk.

Creating value

Focused divisional businesses
- Regional housebuilding business focused on local expertise and relationships enabling timely and effective decision making and efficient operations
- Partnership and Strategic Land division develops long-term relationships to support a multi channel approach and diversity of tenure.

Land
- Targeted land acquisition against increased hurdle rates while supporting placemaking
- Building partnerships with local authorities and communities to secure planning permission in a timely manner
- Holding land under option providing the opportunity to add value and convert into high margin developments.

Design, planning and placemaking
- New house type range with interior and exterior flexibility
- Wide range of house sizes and formats to appeal to different buyers
- Strong placemaking to create a legacy of vibrant communities with a mixture of homes and tenures.

Construction
- Championing best practice in build quality, choice of materials and waste management
- Functional forums embedding best practice across each division to support safe and efficient delivery
- Focus on building high quality, energy efficient homes.

Selling our homes
- Highly trained, passionate sales executives and functional sales outlets delivering the high quality homes and sales experience our customers want
- Focused marketing channels and specific targeting to reach customers in the most efficient and effective way
- Partnerships & Strategic Land team bringing forward a range of multi channel tenures including affordable, shared ownership, PRS and large-scale sales.

Quality and customer service
- Aiming to provide the best possible customer experience throughout the home-buying process
- Striving for 'right first time' in the quality of homes and support and after care.

WHAT MAKES US CREST NICHOLSON

1
Masterplanning and technical skills help us optimise layouts and legacy

2
Multi channel approach led by dedicated Partnerships and Strategic Land Division

3
Resilient sustainable business well placed for the medium term

4
Understanding what buying a new home means for our customers

Our business model is centred on our purpose to build great places for our customers, communities and the environment. Supported by our foundations and our strategic priorities, we carefully select our resources and partners to create value for all our stakeholders and for wider society.

Value for stakeholders

Customers

First class customer experience with quality products in desirable locations.

As a five-star Home Builders Federation (HBF) rated housebuilder, we take pride in providing a first-class service and after care.

5* Customer satisfaction rating

14 days Courtesy home visit from a site manager within 14 days of moving in

Read more on pages 24 to 25

Government and other regulatory bodies

Constant engagement with Government to understand their agenda and to share our expertise and support effective regulation.

We engage with Government and regulatory bodies so that new policies and regulations support developments that respond to UK housing needs, and wider societal issues like climate change.

506 Affordable homes

66% Developments with ecological enhancements or protection

Read more on pages 34 to 35

Local communities

Strong community relationships to create a positive legacy.

We provide attractive communities, infrastructure and create green space that supports nature and people's wellbeing.

£48.5m Social infrastructure contributions

40% Developments with access to sustainable transport initiatives

Read more on pages 48 to 51

Our people

Investing in people to develop a reputation as an employer of choice.

Attracting and retaining the best people and maintaining an environment of respect, fairness and sharing valuable perspectives.

An open and honest culture embracing diversity and inclusion.

657 Employees at year end

36% Proportion of female employees

Read more on pages 53 to 55

Investors

Compelling equity case setting out how we realise value from our strong portfolio of assets.

Maintaining a robust balance sheet and ongoing focus on cash generation and growth.

As our updated strategy continues to be embedded in the business, we expect investors to see improved financial performance and returns.

£142.2m Net cash

78 Meetings with investors

Read more on page 73

Suppliers

Being a long term and trusted partner to suppliers.

Our suppliers work with us to address shared challenges and opportunities to deliver projects safely, sustainably and on time, in line with financial targets.

41 days Average time taken to pay invoices

369 Annual Injury Incidence Rate

Read more on page 50

Long-term value for society

We are committed to creating a positive legacy by building quality homes in desirable locations

Our placemaking capabilities and quality land portfolio ensure we create sustainable, thriving communities and better places to live for our customers.

Our mix of homes is informed by the local area. By collaborating with local authorities, we aim to increase accessibility to home ownership for customers with different levels of affordability.

As one of the UK's larger housebuilders, we have a responsibility to address the shortage of housing in the UK.

We aim to meet the expectations of customers and communities by delivering sustainable places to live that satisfy the need for further housing. We continue to support economic growth and the increase in housing delivery.

We ensure financial discipline across all aspects of our operations to maintain a robust balance sheet, deliver our strategic priorities and invest in the future growth of the Group.

We will continue to report on our results and performance in line with best practice, and to clearly communicate progress against our strategic priorities.

We aim to maintain the right balance of capital returns for shareholders and investment for future growth.

STAKEHOLDER RELATIONS
HOW WE LISTEN AND ENGAGE

Stakeholder	Director involvement in 2020
Investors Both individual and institutional investors **What matters to our investors** — Consistent level of total shareholder return — Robust corporate governance and management of environmental, social and governance (ESG) matters — Operational efficiency — Clear and transparent reporting and communications.	— Following the COVID-19 pandemic, the Board made the difficult decision to cancel the final FY19 dividend and suspend financial guidance. We communicated to shareholders regularly on our trading performance and response to COVID-19 — Annual General Meeting (AGM) and other shareholder meetings following the announcement of final and half-year results — Engaged with shareholders about our new strategy, led by the Chief Executive and Group Finance Director — Consultation with shareholders on the Remuneration Policy led by the Chairman and Chair of the Remuneration Committee — Investor Relations programme and reporting to the Board.
Customers The people who purchase our homes **What matters to our customers** — Location, quality and service is reflected in the value of the homes we build — Excellent service and after care — Amenities, infrastructure and open spaces — Support to enable sustainable lifestyles — Strong social and environmental legacy.	— Five-star customer service set as a strategic priority with regular updates given to the Board, and detailed ongoing consideration by all Directors — Customer service and quality bonus targets as part of the Executive Directors' bonus plan — Increased focus on the small number of customers that are less satisfied with the service they receive — Specific focus embedding our new Crest Nicholson Partnership and Strategic Land (CNPSL) division as they develop relationships with partners including those providing alternative tenures such as shared ownership — Led the partnership with Heylo, aimed at increasing the number of people able to live in a Crest Nicholson home.
Our people Those directly employed by Crest Nicholson both now and in the past **What matters to our people** — A safe and healthy working environment — Supportive, diverse and inclusive culture — Fair benefits and reward — Professional development and career opportunities — Challenging and meaningful work — Flexible and agile working arrangements.	— Regular direct email communications from the Chief Executive to all employees — Regular update call from the Executive Leadership Team to wider management — Representation on all the restructuring consultation groups — Employee health and wellbeing roadshows with engagement from Non-Executive Director, Octavia Morley, the chair of the Remuneration Committee — Non-Executive Director site visits across the business, and one-to-one meetings between the Non-Executive Directors and functional directors — Regular updates to the Board and its Committees on people matters — Engagement with pension trustee in relation to Group developments, investment risk and payment terms.

We have responsibilities to a range of stakeholders and are focused on building constructive relationships with them. By considering the impact to our stakeholders we make more effective and balanced decisions. In addition, the Directors' section 172 statement can be found on page 75.

Group engagement in 2020	Outcomes	
— Our Head of Investor Relations engages regularly with our shareholders — Shareholder information available on our website — Tracing programme initiated to attempt to distribute unclaimed dividends to shareholders — Responses to shareholder information requests — Responses to, and engagement with, voting agencies in relation to AGM resolutions.	— Understanding and responding to matters of interest and concern to shareholders for example the implementation of our Remuneration Policy and reflecting shareholders' views — A member of the FTSE4Good and increased our CDP rating from B to A- — Carefully considering what investors expect from engagement with voting agencies.	**78** Meetings with investors **A-** We increased our CDP rating from B to A-
— Participated in the Home Builders Federation's (HBF) Customer Satisfaction Survey with an aim to consistently achieve a five-star performance — Introduced new processes for service and after care with site teams having more direct responsibility for quality — Our CNPSL division focused on developing relationships with institutional customers — Responded to existing customer queries.	— The HBF awarded us five-star housebuilder status during the year making us one of the UK's best performing housebuilders — A 'right first-time' culture, supported by restructured divisional customer service teams — Relationships strengthened with institutional investors in the Private Rented Sector and Registered Providers.	**2,118** Number of units in our portfolio under partnership **2,247** Number of home completions
— Health and wellbeing training — Annual launch of our all employee sharesave scheme — Regular communications about mental health awareness — Regular communication with pensioner and deferred pension scheme members — Dedicated internal recruitment team to attract new talent — Employee pulse surveys.	— 75% of our workforce were furloughed on full pay and benefits for two months of the year. Many employees participated in local volunteering and fundraising initiatives — Launched an employee engagement survey — Introduction of an agile working policy.	**70%** Employee engagement survey index **45.5%** Sharesave participation across all plans

HOW WE LISTEN AND ENGAGE

Stakeholder	Director involvement in 2020
Supply chain Including both our subcontractors and suppliers **What matters to our supply chain** — Mutually beneficial working relationships — Sharing risk and reward — Operational efficiency — Projects delivered safely and on time, in line with financial targets — Strong financial performance — Timely payment.	— Regular updates provided to the Board on supply chain strategy, approach and simplification — Focus on payment practices to suppliers — Regular updates to the Board during the COVID-19 pandemic on disruption to the supply chain and the availability of materials and labour — Chief Executive and Chief Operating Officer continued to maintain relationships with directors of the Group's key suppliers with a focus on Safety, Health and Environment (SHE) matters.
Local communities The environment and communities local to our offices and sites **What matters to our local communities** — Well-designed, quality homes with character — Advanced investment in infrastructure — School and health care facilities — Engagement and two-way communication.	— Site visit to Curbridge Meadows to see the development and meet the South divisional leadership team — Regular updates from the Chief Executive on key issues, including ESG matters — During the period employees were furloughed, Board members donated 20% of their base salary or fees to charity.
Government and other bodies Government departments, regulatory and industry bodies that shape the legislative environment and local planning departments in the areas where we operate **What matters to the Government and other bodies** — Increasing the number of homes — Support for small and medium-sized enterprises — Faster housing delivery — Developments that support biodiversity and climate change priorities.	— Updates to the Board from the Chief Executive in relation to policy considerations arising from the outcome of the General Election, the impact of COVID-19 on the construction industry, Brexit and labour market challenges, home buying and the Stamp Duty suspension for properties under £500,000 — Updates to the wider workforce on industry developments — Industry body memberships and attendance at events (including HBF and National House Building Council (NHBC)).

Group engagement in 2020	Outcomes	
— Feedback on supplier performance shared at divisional board meetings — Regular account review meetings held with key suppliers — Divisions frequently met with key subcontractors — Greater focus on sourcing from Group approved suppliers — Commenced a review of anti-slavery processes with our major suppliers and subcontractors.	— Reviewed specifications, simplified product lists and enhanced relations with key suppliers — Use of tablet-based Field View system supporting monitoring and feedback with subcontractors — Reinforced the focus of modern slavery on our supply chain.	**469** Number of formal SHE compliance inspections **41** Average number of days taken to pay invoices
— CNPSL division focused on investing in placemaking and design, working directly with trusted partners — Engagement with communities through public meetings, consultations and publicly available documentation, ensuring we listened to their views and met local needs — Opening of new schools and health facilities — Focus on placemaking and sustainable communities.	— Development of attractive communities that are valued by our customers and communities — Launch of a standardised house type range that draws upon build and design quality — Receipt of Armed Forces Covenant Employer Recognition Scheme — Formation of Sustainability Committee reporting to the Executive Committee and Board — Feedback and communication from partners, provided at divisional board meetings.	**66%** Developments with ecological enhancements or protection **£48.5m** Social infrastructure contributions
— Divisional local planning meetings and engagement with housing associations — Divisional attendance at HBF and NHBC events — Engagement with industry bodies and Government on policy, including the Future Homes Standard, New Homes Ombudsman and Building Safety Regulator — Regular engagement with the Environment Agency and local water authorities.	— Better understanding of what housing association partners expect from our engagement with them — Awareness of Government's requirements and changes to legislation so we can meet our obligations as developers — Awards received from the NHBC and the HBF.	**25%** Target to reduce carbon emissions intensity by 2025 **49.1%** PRS/Affordable unit completions

ANSWERING THE BIG QUESTIONS

“WHY INVEST IN CREST NICHOLSON?”

1

STRONG FUNDAMENTALS FOR UK HOUSING MARKET

- Market demand underpinned by growing population and limited housing supply
- Structural shift post COVID-19 with strong demand for homes outside of major cities
- COVID-19 initiated changes to agile working with customers contemplating a future of less commuting and more home working
- Government continues to play an important role in supporting house buyers e.g. Help to Buy, the second phase of which has been extended to 2023
- The lending environment continues to be supportive with long-term low interest rates and good mortgage product availability.

2

ATTRACTIVE LAND PORTFOLIO

- Extensive and desirable land portfolio with developments that are primarily concentrated in Southern England and the commuter belt to major towns and cities, especially London
- Limited exposure to inner city developments
- Reputation for placemaking enables us to secure sites in desirable locations.

3

BRAND SYNONYMOUS WITH QUALITY AND GREAT PLACEMAKING

- Established brand name with strong heritage associated with quality
- Strong reputation for placemaking and for creating attractive, sustainable communities
- Underpinned by a five-star customer rating.

£142.2m

Net cash at
31 October 2020

"WE HAVE RESILIENT AND DIVERSIFIED INCOME STREAMS BY HAVING MORE THAN ONE ROUTE TO MARKET."

PETER TRUSCOTT
Chief Executive

4

MULTI CHANNEL APPROACH – DIVERSIFIED INCOME STREAM

- Providing resilience and diversified income streams by having more than one route to market
- Private Rented Sector (PRS) is a well-capitalised, growing asset class providing dependable yields
- Dedicated partnership team with clear vision and strong relationships with Registered Providers (RPs) and PRS partners.

5

COMMITMENT TO BALANCING STRATEGIC OBJECTIVES WITH RESPONSIBILITIES TO THE ENVIRONMENT AND WIDER SOCIETY

- Sustainability Committee, chaired by Chief Executive, now oversees all Environmental, Social and Governance (ESG) matters
- Clear targets to reduce our carbon emissions (scope 1 and 2) intensity by 25%, waste intensity by 15% and to purchase 100% renewable electricity by 2025
- Listed in the FTSE4Good and participate annually in the CDP (formally Carbon Disclosure Project).

6

ROBUST BALANCE SHEET WITH SIGNIFICANT OPPORTUNITIES TO REBUILD MARGINS

- Strong balance sheet with year-end net cash position of £142.2m and £250m revolving credit facility fully undrawn
- Continued focus on work-in-progress and enhancing cash flow generation
- Internal reorganisation complete creating a more efficient operational platform. Material reduction in operational overheads delivered, down approximately 23% compared to FY19
- Reinstatement of dividend from HY21.

FINANCIAL REVIEW

DUNCAN COOPER
Group Finance Director

A YEAR OF STRONG UNDERLYING PROGRESS DESPITE THE IMPACT OF COVID-19

Financial overview

- Revenue down to £677.9m, reflecting a year of operational disruption
- Sales per outlet week of 0.59 (2019: 0.76)
- Loss before tax at £13.5m, after recording exceptional items of £59.4m
- Adjusted profit before tax at £45.9m
- £43.2m exceptional impairment of inventory to reflect market conditions
- Yearend net cash at £142.2m, significantly ahead of prior year
- Average net debt at £99.6m, down on prior year
- Overhead efficiencies implemented, yielding £15m of annualised savings
- £7.5m of one-off costs to deliver efficiency benefits
- Reinstatement of dividend from HY21 on a two and a half times cover basis.

This year our financial performance has clearly been heavily impacted by COVID-19. As a Group we responded decisively in adapting our strategy and those actions have resulted in us finishing the year with a significantly enhanced balance sheet and a sustainable overhead structure for the future. We can look forward to 2021 with optimism as all parts of our strategy are now starting to impact financial performance and we have a clear line of sight to rebuilding profitability and growing the Crest Nicholson brand.

£677.9m
Revenue
(2019: £1,086.4m)

£693.1m
Sales
(2019: £1,094.9m)

£13.5m
Loss before tax
(2019: £102.7m Profit before tax)

£45.9m
Adjusted profit before tax
(2019: £121.1m)

£142.2m
Net cash
(2019: £37.2m)

Read more on the Group's governance, audit and remuneration in the Governance section on pages 66–116

Read more on the Board's priorities and activities during the year in the Governance section on pages 78–79

As in previous years, the business continues to report alternative performance measures relating to sales, return on capital employed and 'adjusted' performance metrics as a result of the exceptional items as detailed in note 4. Alternative performance measures are detailed on page 182.

From 1 November 2019 the Group applied IFRS 16 'Leases'. Information on the initial application of this standard can be found in note 29.

FY20 trading performance

Trading performance in the year was significantly impacted by several external factors. In the last two months of 2019, we continued to see the political uncertainty surrounding Brexit influencing customer confidence levels. Housing transaction levels were subdued and we experienced elevated cancellation rates. Following the decisive General Election outcome in December 2019 we anticipated a strong start to the spring selling season. This manifested itself in our strongest sales week for a rolling 12-month period being delivered in March 2020. However, this market improvement also coincided with the arrival of COVID-19. The imposition of a national lockdown in spring 2020 and the ongoing consequences and restrictions this brought to the housing market have led to significant reductions versus many of our year-on-year comparatives.

Sales, including joint ventures, was £693.1m (2019: £1,094.9m), down 36.7% on the previous year. This comprised £677.9m of statutory revenue (2019: £1,086.4m) and £15.2m of the Group's share of revenue through joint ventures (2019: £8.5m).

Total home completions in the year were 2,247 (2019: 2,912), down 22.8% on prior year. This comprised open market completions of 1,741 (2019: 2,171), down 19.8%, and affordable completions of 506 (2019: 741), down 31.7%.

Open market (private) average selling prices declined 8.5% in the year to £400,000 (2019: £437,000) as we continued to unwind the proportion of properties in our legacy London division and repositioned our overall portfolio to lower price points.

Adjusted gross margin rate saw a corresponding impact from the fall in sales, down 2.7% to 15.9% (2019: 18.6%). COVID-19 not only caused disruption to the volume of home completions but also the land and commercial markets where sales were down 82.1% to £17.8m (2019: £99.4m). Appetite for land transactions was diminished during the period of peak uncertainty and commercial development activity, predominantly relating to physical retail outlets, retrenched significantly due to the lockdown constraints. The Group had already guided to a lower level of land sale contribution in the future as part of its updated strategy launch in January 2020.

The Group also recorded a charge of £2.9m in the year to reduce the carrying value of its freehold reversion portfolio. This action was in response to a lower level of anticipated investor demand for freehold income streams following the recent Competition and Markets Authority review. These adverse variances were offset by a significant reduction in sales and marketing expenditure, down 43.5% on prior year to £17.8m (2019: £31.5m). This decrease was predominantly not volume-linked, and as a result of COVID-19, but the realisation of a Group-wide review, delivering significant efficiencies which will be reflected in the cost base in the future.

Adjusted operating profit margin also fell to 8.4% (2019: 12.2%), down to £57.1m (2019: £133.0m). The lower gross margins were the principal reason for this reduction, offset by the strong progress we have made in reducing our overheads.

As part of our updated strategy communicated in January 2020 the Group outlined its plans to deliver a range of operational efficiencies to improve future profitability. These plans were already underway before the arrival of COVID-19, but the severity of the pandemic's impact on operations and the economic outlook, increased the scale of this ambition and its delivery timeframe. Adjusted administrative expenses for the year were £50.3m, down from £65.5m in 2019, as the Group undertook a rigorous review of all discretionary expenditure, organisational structures and merged two divisions to create Crest Nicholson Partnerships and Strategic Land while closing Crest Nicholson Southern Counties.

FINANCIAL REVIEW CONTINUED

Moving forward, these changes have delivered a sustainable overhead cost base that is approximately £15m lower than in 2019, and as a ratio of revenue, 7.4% (2019: 6.0%), will align the Group more closely to its industry peers in a normalised year of trading. In 2021 the Group will incur a one-off charge of £2.5m in administrative expenses relating to the repayment in full of the Government's Job Retention Scheme funding.

Adjusted profit before tax (APBT) for the year of £45.9m (2019: £121.1m) was 62.1% lower than the prior year. At the start of the year APBT was forecast to be lower year-on-year due to the anticipated decrease in land sales and the continued recognition of lower margin sites, predominantly based in the legacy London division. COVID-19 then amplified this challenge as outlined above.

Loss before tax after exceptional items for the year was £13.5m (2019: £102.7m profit), reflecting the combined impact of the lower operating margin and the £59.4m of exceptional items.

The backdrop for the UK housing market remains positive. There continues to be an imbalance of supply and demand. Although there is a long-standing affordability gap, especially for first-time buyers, the Government has demonstrated its support in a number of ways. Their stated commitment to simplify the planning process and extending programmes such as Help to Buy, and suspending Stamp Duty for properties under £500,000 until 31 March 2021, indicate a willingness to address both supply and demand activity. In addition, COVID-19 has triggered a number of changes to the balance of office and home working which is encouraging customers to consider their living arrangements. As a result of the decisive action we have taken in simplifying our business, and reducing our cost base, we are well positioned as we enter 2021.

Exceptional items

Following the arrival of COVID-19, and its disruptive effect on performance and consumer confidence, the Group considered the impact on future house prices, and the possible effect this could have on the carrying value of its inventories at HY20. Using a range of external insights, the Group derived future sales price reductions of 7.5% and 32.0% for residential and commercial units respectively. This resulted in an exceptional charge at HY20, which was reviewed in detail again at FY20 of £43.2m (2019: nil). This charge comprised £33.9m relating to current operational developments and £9.3m of abortive work-in-progress at our Greenhithe site, a mixed-use scheme adjacent to the River Thames. In addition, the Group also recorded a charge of £7.6m in respect of expected credit losses on recoverable amounts from its Bonner Road LLP joint venture, and a further £0.5m charge in respect of a reduction in fair value of its shared equity loan portfolio. In FY19 the Group recorded a £7.0m charge to reduce the carrying value of its inventory which was not recorded as an exceptional item.

The restructuring activity in the year also generated an exceptional charge of £7.5m (2019: nil) which comprised £5.0m of severance-related costs and £2.5m of accelerated depreciation of IT assets following a review of their useful economic life.

In 2019, following the latest Government guidance notes in respect of combustible materials, fire risk and protection and regulatory compliance on completed developments, the Group recorded an exceptional charge of £18.4m. The Group conducts regular detailed reviews of all current and legacy buildings impacted in light of the evolving regulation in this area. This has resulted in a further charge of £2.6m in the current year, offset by £2.0m of settlements received from claims against architects or subcontractors relating to their design or workmanship obligations.

Due to the size and nature of each of these charges management has considered it appropriate to report them as exceptional items. The material reversal of any of these amounts will also be reflected through exceptional items. See note 4 for further information.

Finance expense and taxation

Adjusted net finance expense of £10.7m (2019: £11.0m) is £0.3m lower, primarily due to lower average use of our revolving credit facility throughout the year, offset by slightly higher rates. Adjusted income tax credit in the year of £8.5m (2019: £23.7m expense) represented an effective tax rate of 18.5% (2019: 19.6%).

Dividend

In the year, due to the impact of COVID-19 and its associated operational and economic uncertainty, the Group took the difficult decision to cancel its FY19 final dividend of 21.8 pence per share, which would have been due on 9 April 2020. Following the decisive action taken to maximise cash generation during the year, resulting in the strong yearend net cash position, and recognising the importance of a dividend to our shareholders, the Board was pleased to announce that it will reinstate a dividend effective from the HY21 results, on a two and a half times cover basis.

Maintaining a robust financial position through COVID-19

At 31 October 2020, the Group had net cash of £142.2m (2019: £37.2m) and was ungeared (2019: ungeared). The strong improvement in net cash is derived from three sources. Firstly, in 2020 the Group paid no dividends (2019: £84.7m) as a result of COVID-19. Secondly, at the height of pandemic uncertainty, the Group paused or deferred land payments where possible and introduced additional Group-led controls on discretionary expenditure items which ensured the business maximised cash retention during a period of falling cash receipts. Thirdly, and as part of our operational efficiency strategic priority the Group continued to reduce average levels of work-in-progress, aligning build expenditure and commitments to sales rates and focusing on unwinding the inefficient level of completed units.

Inventories at 31 October 2020 were £1,025.0m (2019: £1,151.1m), down 11.0% year-on-year – incorporating a net realisable value provision of £37.1m, mainly relating to the impairments outlined above. A detailed reconciliation of this year's charge and the provision is made in note 19. Notwithstanding the lower number of home completions during the year stock of completed units fell to £107.0m (2019: £207.1m). Approximately one-fifth (2019: one-fifth) of the stock of completed units was represented by show homes.

At 31 October 2020 land creditors totalled £205.7m (2019: £216.5m) and average net debt was down to £99.6m (2019: £144.2m). Net cash inflow from operating activities was £114.2m (2019: £125.2m) and return on capital employed (ROCE) achieved in the year decreased to 7.6% (2019: 15.9%), reflecting the impact of COVID-19 and the effect of the impairments on the carrying value of inventory. Net assets at 31 October 2020 were £831.2m (2019: £854.4m), a decrease of 2.7% on the previous year.

At the outset of COVID-19, and as a precautionary measure only, the Group fully drew its £250m revolving credit facility. As normalised trading conditions started to return it repaid this in full and at yearend the facility remains undrawn. This facility is available until June 2024. The Group also successfully applied for the COVID Corporate Financing Facility (CCFF) and established a £300m commercial paper programme available until March 2021. This facility has never been drawn and we have no intention to do so in the future.

The Group has a robust balance sheet and adequate levels of funding to trade through any future economic uncertainty.

	2020 Units	2020 GDV[1] – £m	2019 Units	2019 GDV – £m
Short-term housing	14,991	4,424	16,960	5,417
Short-term commercial	–	73	–	95
Total short-term	14,991	4,497	16,960	5,512
Strategic land	22,724	6,863	20,169	6,624
Total land pipeline	37,715	11,360	37,129	12,137

1 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.

Short-term portfolio

14,991

Units
(2019: 16,960)

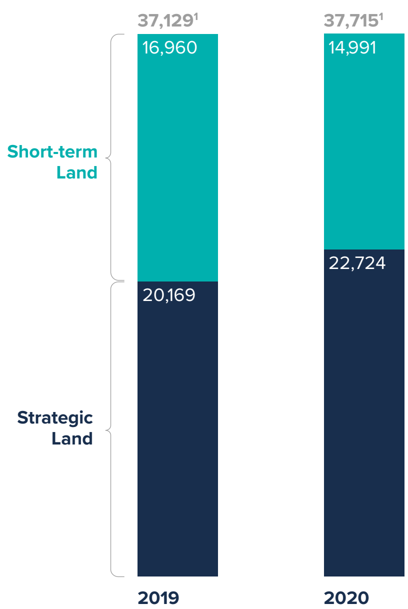
£4,497m

GDV total short-term portfolio
(2019: £5,512m)

£295k

Average selling price of short-term housing portfolio
(2019: £319k)

Land portfolio and pipeline units



1 Plot numbers based on management estimates of site capacity, which are updated quarterly.

Land portfolio and pipeline

The Group has a diverse and well-located land portfolio in Southern England. Our updated strategy provides a clear outline of how we intend to generate value from these assets in the future as one of our five strategic priorities.

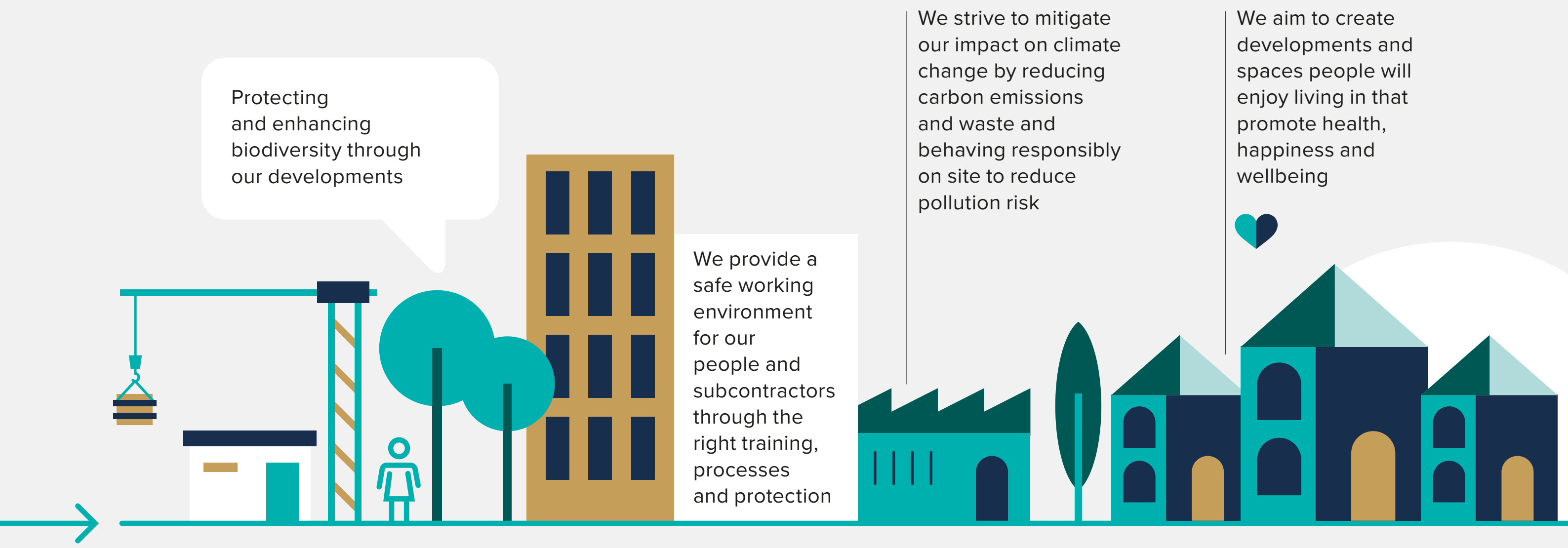
During the year we have been less active than anticipated in the land market, principally as a result of COVID-19. However, we have maintained a selective and disciplined interest and approved the purchase of 1,812 plots at an average gross margin of 28.7%, to support our future growth ambitions.

Our short-term housing portfolio at 31 October 2020 contained 14,991 (2019: 16,960) units, representing over six years of supply based on 2019 completion volumes. The associated gross margin of this portfolio declined in the year to £829.8m (2019: £1,321.0m) predominantly as a result of the inventory impairments referenced above. Excluding the impact of these impairments the short-term housing portfolio gross margin was £1,153.4m.

During the year, we added 952 units to the short-term housing portfolio before deletions and other movements and delivered 2,247 home completions. The average selling price of units within the short-term portfolio, including affordable units and units being sold for private rental, decreased to £295,000 (2019: £319,000), down 7.5% on prior year, and in line with the corresponding impairment assumption referenced above.

ANSWERING THE BIG QUESTIONS

WHAT TYPE OF BUSINESS DOES CREST NICHOLSON WANT TO BE?



What we want to be to our people

WE STRIVE TO

- Be an employer of choice
- Create a working environment where differences are respected, accommodated and valued
- Provide a safe working environment for our people and subcontractors through the right training, processes and protection
- Offer flexibility to choose when, where and how people work to achieve a healthy work-life balance
- Communicate openly, honestly and frequently – inviting two-way dialogue to promote employee engagement.

PROGRESS IN 2020

- Agile working policy launched
- New succession planning process introduced
- Diversity and Inclusion Forum established
- Increased communication throughout COVID-19 and organisational restructure.

Customers are at the heart of what we do

WE STRIVE TO

- Create developments and spaces people will enjoy living in that promote health, happiness and wellbeing
- Build homes in locations where both existing communities and new residents can access local amenities
- Deliver high quality homes, built with care and a keen eye for detail
- Provide a smooth customer experience supported by dedicated, professional Crest Nicholson colleagues throughout the purchasing journey
- Work as One Crest, focusing on how our actions and decisions impact our customers' experience.

ACHIEVEMENTS

5★

Awarded Home Builders Federation (HBF) five-star customer satisfaction rating with over 90% of our customers willing to recommend us to a friend

3.1%

Sales and marketing costs as a proportion of open market sales reduced from 3.8% while creating a more consistent experience for our customers

66%

Crest Nicholson developments with ecological protection or enhancement measures

55%

Developments within 1km of local amenities

BUILDING ON OUR SUSTAINABILITY CREDENTIALS

Maintained our place in the FTSE4Good and awarded an A- score in the CDP (formerly Carbon Disclosure Project)

The future

Create sustainable long-term value for our stakeholders by continuing to build great places for our customers, communities and the environment.

We aim to create networks of pedestrian and cycle routes that connect communities with their surroundings

Leaving a sustainable legacy

PROGRESS IN 2020

- Awarded five-star customer satisfaction rating by the Home Builders Federation (HBF)
- 55% of Crest Nicholson developments within 1km of local amenities
- New house type range launched, delivering attractive homes with a flexible range of distinctive façades
- New quality control and customer service processes introduced, further improving the homes we build and service we provide
- Brand updated and applied across sales and marketing assets
- Streamlined sales and marketing processes, creating a more consistent experience for customers.

WE STRIVE TO

- Mitigate and manage climate-related risks, including transitional risks such as updates to building regulations, and physical risks such as rising temperatures and increasing flood risk
- Reduce carbon emissions and waste and behave responsibly on site to reduce pollution risk
- Partner with our stakeholders to research and implement carbon reduction actions, circular economy opportunities and benefits to biodiversity
- Generate social value by delivering thriving communities with respect for the environment and providing access to outdoor space, good connectivity and local amenities.

PROGRESS IN 2020

- Strengthened our sustainability governance by establishing a Sustainability Committee, chaired by the Chief Executive
- Established carbon and waste reduction targets
- Increased our use of renewable electricity and set a commitment to procure 100% renewable electricity by 2025
- Maintained our place in the FTSE4Good and awarded an A-score in the CDP (formerly Carbon Disclosure Project)
- 66% of Crest Nicholson developments with ecological protection or enhancement measures.

INTEGRATING SUSTAINABILITY
OUR ENVIRONMENTAL AND SOCIAL OUTCOMES

Our approach to sustainability

Sustainability is integrated into our strategy and decision making – it does not stand alone. We believe this is the most effective way to do things and has the greatest impact. This section demonstrates this approach in action.

Our environmental and social outcomes

Safety and health

Annual Injury Incidence Rate of 369 in FY20. Improving slightly compared to FY19 (372)

Read more p46 to 47

Diversity and Inclusion

Launched a Diversity and Inclusion Forum, led by our Chief Executive

Read more p53

Employee engagement

84% of our employees are proud of the work they deliver

84%

SHE inspections

469 SHE inspections completed in FY20

Read more p46 to 47

469

Strong governance and integrated risk management

Established Sustainability Committee in FY20 and a constituent of FTSE4Good

Read more p48 to 52

OUR SUSTAINABILITY APPROACH

This is the decisive decade for climate action and we are committed to showing leadership and implementing initiatives to reduce our impact on the environment. We have a strong sense of purpose and responsibility to play our part – it is the right thing to do.

David Marchant
Group Production Director

Affordable homes

506 affordable homes delivered

506

Responsible procurement

Supply chain contractually obliged to adhere to our Supply Chain Code of Conduct

Read more p50

Five-Star customer service

We develop quality, safe and sustainable communities. Our developments are resilient to a changing climate and enable our customers to lead healthy lifestyles

Read more p24 to 25

Our SDG focus areas

3 GOOD HEALTH AND WELL-BEING
8 DECENT WORK AND ECONOMIC GROWTH
11 SUSTAINABLE CITIES AND COMMUNITIES
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
5 GENDER EQUALITY
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
13 CLIMATE ACTION
15 LIFE ON LAND

External validation

CDP DISCLOSURE INSIGHT ACTION

FTSE4Good

MSCI ESG RATINGS AA

Equality and diversity

50% of our Board Directors are female, above our 33% target

Read more p86 to 87

Wellbeing

Launched a mental health awareness campaign on our e-learning platform

Read more p53 to 55

Delivering social value

£48.5m agreed spend on social infrastructure (combined s106 and Community Infrastructure Levy (CIL) payments) in FY20

Read more p51

WHAT WE ARE DOING

We recognise the importance placed on environmental, social and governance (ESG) issues by our stakeholders and we aim to integrate sustainability into all aspects of our business.

To strengthen our sustainability governance, this year we established a Sustainability Committee, which is chaired by our Chief Executive. The Committee has oversight of issues relating to sustainability throughout our operations and is responsible for overseeing the development and delivery of strategic aims and initiatives to improve ESG performance.

We recognise the threat of climate change and the importance of reducing waste.

To mitigate our impact, we have introduced stretching targets to reduce our carbon and waste intensity.

We are also committed to creating social value, delivering a positive impact through our relationships with customers, the communities in which we operate, suppliers and our people.

We have performed well in investor benchmarks and indices, including the CDP and FTSE4Good. We are also committed to supporting the UN Sustainable Development Goals (SDGs). We identified eight goals that are most relevant to our business and where we can make the most significant contribution.

Timber

97% of timber procured from direct suppliers is FSC or PEFC certified

Read more p50

97%

Climate change

Target a 25% reduction in greenhouse gas emissions intensity by 2025 compared to the FY19 equivalent

Read more p48 to 52

Waste

Target a 15% reduction in waste intensity by 2025 compared to the FY19 equivalent

Read more p50

Biodiversity

66% of developments have ecological protection or enhancement measures

Read more p48 to 52

Renewable energy

56% electricity from renewable sources. Target 100% by 2025

56%

Electricity procured in FY20 was from renewable tariffs

SAFETY, HEALTH & ENVIRONMENT

The safety and health of everyone who is part of our operation, or impacted by our operations, is our number one priority. We want our employees and others affected by the work we do to be healthy and go home safely to their family and friends every day. We have a culture built on individual responsibility, where everyone expects all work to be carried out safely and without harm to people or the environment.

Our Safety, Health and Environmental (SHE) responsibilities and impact are our number one priority. As part of our recent strategy review, the Executive Leadership Team has focused on strengthening our operational processes, compliance regimes and leadership visibility across the business.

Executive oversight is provided by the SHE Committee, chaired by David Marchant, Group Production Director and attended by the Chief Executive and Chief Operating Officer. Given the importance we place on these matters, SHE performance is the first item covered at all Board and divisional board meetings.

469
Number of formal compliance inspections (2019: 238)

369
Annual Injury Incidence Rate (2019: 372)

152
Divisional director and Executive Leadership Team SHE tours

Our progress in 2020

- Introduced a new internal audit programme to monitor compliance with legislation and our own procedures. This has included the deployment of new software to ensure we investigate all identified actions
- Introduced new and rigorous processes to report incidents and accidents and escalate details and learnings to the Executive Leadership Team
- Increased the frequency of senior leadership team safety tours, including from the Executive Leadership Team
- Improved internal reporting and communication regimes, including a new dashboard to benchmark SHE performance across divisions
- All subcontractors certified for safety and health competence and, where appropriate, required to have a SMAS Worksafe Certificate
- Annual Injury Incidence Rate remained stable this year at 369 compared with 372 in FY19
- As we reported last year, one of our subcontractors tragically died on one of our sites in October 2019. We have been working throughout the year to ensure that we continue to make constant enhancements to our processes and the way we and our contractors operate to avoid accidents of any kind.

PROTECTING PEOPLE DURING THE PANDEMIC

When the COVID-19 crisis emerged in the UK, we adapted working practices to facilitate social distancing and ensure our colleagues, customers and suppliers remain safe. Taking into account Construction Leadership Council guidelines, Government guidance and the HBF charter, actions included:

Read more online at crestnicholson.com/buying-with-us/visiting-us

Placing additional washing facilities around our sites

COVID-19 related signage and new hand washing stations are installed across our sites. Our workforce and customers are encouraged to wash hands regularly and to use hand sanitiser when entering site.

Introducing COVID-secure measures at our Sales Suites

New operating procedures and additional hygiene measures are in place to protect our colleagues and customers. These include a diligent approach to social distancing, a focus on cleanliness and screens in place to provide protection in our Sales Suites.

We also improved the virtual customer experience, from online video appointments to virtual property tours.

Introducing inductions covering COVID-19 precautions for everyone on site

We have introduced a set of COVID-19 operating procedures for safe working during the pandemic. The procedures are communicated through a new induction, which is a mandatory requirement for everyone working across our sites. The induction covers our safe operating procedures, including social distancing, face cover requirements, hygiene provision and what to do if anyone has symptoms or tests positive.

We also added a new 'Visiting Us' page to our website setting out the measures in place for each stage of the customer visit.

SUSTAINABILITY & SOCIAL VALUE

We recognise the responsibilities we have as a Group in adapting our operations and the homes we build to help tackle climate change. We are committed to reducing carbon emissions and waste in our business activities and have established new carbon and waste reduction and renewable energy targets. We aim to reduce the impact our homes and developments have on the environment, create developments that are future-proofed for a changing climate and deliver social value for our customers and communities in which we work.

REDUCING ENERGY AND CARBON IN OUR OPERATIONS

Our progress

In 2020 we introduced a target to reduce our scope 1 and 2 carbon emissions intensity (tonnes CO_2e per 100 sq. m) by 25% by 2025 compared to the FY19 equivalent. FY19 represents the most recent year of verified emissions data that is representative of the Group's typical carbon emission profile.

The impact of COVID-19 and the closure of sites during the spring lockdown period has contributed to a significant reduction in our carbon emissions. In FY20 our emissions reduced by 29% compared with FY19. Our carbon intensity decreased to 3.08 tCO_2e per 100 sq. m (2019: 3.20), down 4% on the prior year.

We have also introduced a target to purchase 100% renewable electricity by 2025. Renewable electricity now makes up 56% (2019: 32%) of our total electricity procured, a significant increase compared with the previous year. We continue to increase our procurement of renewable electricity and will be introducing renewable tariffs for our homes in 2021.

A significant proportion of our carbon emissions come from red diesel consumed on our sites, predominantly resulting from generators and telehandlers. Reducing this consumption is critical to achieving our target. As a first step, we have collaborated with our plant hire partners to develop generator optimisation reports detailing the efficiency of generators used on-site and highlighting those that may be oversized and inefficient.

Our emissions associated with red diesel in FY20 were 47% lower than in FY19.

Emissions from business travel were significantly lower than in FY19. At the start of the year we implemented an agile working policy as part of our commitment to support employee wellbeing. This policy, alongside improvements to communications technology and the roll-out of Microsoft Teams, has resulted in fewer car journeys as well as making our business more resilient during the COVID-19 pandemic.

We encourage the use of lower-emission vehicles through our low carbon vehicle incentive. At 31 October 2020, 23% of our fleet was hybrid or electric (2019: 16%). COVID-19 travel guidance has also contributed towards the reduction in business travel.

Our priorities in 2021

- Introduce more thermally efficient site accommodation to reduce energy use and provide a more comfortable environment for our site teams to work in
- Increase our procurement of renewable electricity and introduce a renewable tariff for our homes
- Increase collaboration with our supply chain to research alternative technologies and fuels to reduce carbon emissions
- Use our new reporting tools to identify energy reduction opportunities and monitor progress against our targets.

Renewable electricity target

100%

Targeting 100% renewable electricity by 2025

Carbon emissions reduction target

25%

Targeting a 25% reduction in carbon emissions intensity by 2025

Waste reduction target

15%

Targeting a 15% reduction in waste intensity by 2025

Transparency and disclosure

We comply with the Streamlined Energy and Carbon Reporting (SECR) requirements. Our energy and carbon data is reported in our Greenhouse Gas Emissions Report on page 119.

We support the recommendations of the Financial Stability Board's Taskforce on Climate-related Financial Disclosures (TCFD). Detail on how we are progressing against the recommendations is provided on page 52.

Mitigating the impact of our homes and climate-proofing developments

According to government statistics, the residential sector accounted for approximately 15%[1] of the total UK greenhouse gas emissions in 2018. We recognise that our industry can make a real difference by delivering homes in the future that are more energy and water efficient.

In FY20 our homes were, on average, 7.5% more efficient than current regulations require[2]. We design our homes to be water efficient, consuming on average 105 litres per person per day. This is lower than the building regulations requirement of 125 litres and significantly lower than the average UK home which uses 140 litres.

We welcomed and actively participated in the Government's consultation on the Future Homes Standard which will significantly reduce carbon emissions and change the technology we use to heat homes.

The homes and developments we build are all designed to deal with other climate-related risks such as overheating and flooding.

1 assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/862887/2018_Final_greenhouse_gas_emissions_statistical_release.pdf

2 Based on homes delivered in 2020 against 2013 Building Regulations.

SUSTAINABILITY HIGHLIGHT CASE STUDY

Bicester eco-town

In partnership with A2 Dominion, our homes at Elmsbrook, Bicester, have a number of features that enhance sustainability. The homes are built using timber frame and come fitted with triple glazing, rainwater harvesting, solar photovoltaic panels and a district heating system. The development also provides access to green space, allotments, sports and recreational facilities and interconnected cycle and walking paths.

'A' rating

All Elmsbrook homes built in FY20 achieved an Energy Performance Certificate (EPC) 'A' rating

80 litres

Elmsbrook homes designed to consume 80 litres of water per person per day

"I LIKE THE ECO ASPECTS, THE LOCATION IS BETTER. IT'S EASY TO GET INTO TOWN BY WALKING, BIKE, BUS OR CAR."

Daniel James
Resident at Elmsbrook, Bicester

SUSTAINABILITY HIGHLIGHT

Building sustainable partnerships

Affordable housing

Creating affordable housing is a critical part of sustainable development. Everyone has a right to good quality and affordable housing and we have an important part to play in achieving this.

During the year, we have partnered with Heylo Housing to deliver Home Reach – a part-buy part-rent scheme that makes home buying more accessible. This means that those who previously could not afford a home may now be able to.

"WE'RE PROUD TO BE PARTNERING WITH CREST NICHOLSON TO OFFER HOME REACH TO THEIR CUSTOMER BASE. PART-BUY PART-RENT IS AN OPPORTUNITY FOR BUYERS TO TAKE A SMALLER STEP ON TO THE HOUSING LADDER, WITH THE FACILITY TO 'STAIRCASE' UP TO FULL OWNERSHIP, GIVING BUYERS THE FLEXIBILITY OF OWNING THEIR OWN HOME AT A FRACTION OF THE COST."

Wayne Bennett
National Director of Home Reach for Heylo

Read more online at crestnicholson.com/offers/home-reach

REDUCING WASTE IN OUR OPERATIONS

Material wastage represents a significant cost to our business and contributes to resource scarcity, pollution and climate change. Packaging, timber, plasterboard and inert material make up most of our waste. We seek to eliminate waste through efficient design. Where waste is created, we manage it in the best way possible by diverting from landfill and supporting circular economy principles to extend the life of materials.

Our progress

In 2020 we introduced a new target to reduce waste intensity (tonnes per 100 sq. m) by 15% by 2025 compared to the FY19 equivalent. FY19 represents the most recent year of waste data that is representative of the Group's typical waste profile.

During the year, our total construction waste decreased by 37% and our waste intensity decreased to 8.2 tonnes per 100sq. m (2019: 9.6). The closure of sites during the spring lockdown contributed to this reduction as did our operational efficiency programme in reducing our average levels of work-in-progress and the number of completed units held as stock.

We continue to segregate waste on-site and achieved a diversion from landfill rate of 96%, exceeding our target of 95%.

The launch of our new house type range will contribute to a further reduction in waste through efficient design – for example by aligning ceiling heights with standard plasterboard lengths and square bay windows to reduce brick offcuts.

We recognise the importance of collaborating with our supply chain to reduce waste. Following circular economy principles, we returned 12,593 pallets through our pallet return scheme (2019: 13,559), almost 5,000 of which were returned for reuse in the supply chain. We also launched a paint can return scheme with our paint supplier.

We support the National Community Wood Recycling Project (NCWRP), a social enterprise that collects timber waste from our sites. The initiative enables the reuse and recycling of timber and provides training and job opportunities for local people, especially those who might find it difficult to get into or back to employment. Timber collected by NCWRP from our sites in FY20 supported seven training places, four jobs and diverted 374 tonnes from landfill.

Our priorities in 2021

— Monitor waste produced from sites using the new house type range to observe operational efficiencies and report back on potential improvement opportunities

— Increase utilisation of existing supplier return schemes and engage with supply chain partners to identify new opportunities to reduce packaging waste

— Research alternative construction methods and their impact on waste and embodied carbon.

Reducing waste across the business

Total construction waste
tonnes
15,946

Waste intensity
tonnes/100 sq. m
8.2

Waste diverted from landfill
96%

RESPONSIBLE PROCUREMENT

Our supply chain partners are critical to the performance and sustainability of our operations. They play a significant role in supporting us to reduce our environmental impact and operate safely and efficiently.

We procure and use a substantial amount of timber and our Sustainable Timber Procurement Policy commits us to procure sustainably sourced timber – either FSC (Forest Stewardship Council) or PEFC (Programme for the Endorsement of Forest Certification) certified. In FY19 97% of our timber procured from suppliers was FSC or PEFC and 100% was from legal sources.

Where possible, we work with local suppliers to support the local economy and reduce transport emissions.

Human rights and our Supply Chain Code of Conduct

We apply strong principles, acting in an ethical manner and respecting human rights in our own business and across our supply chain.

Our Supply Chain Code of Conduct (Supplier Code) sets out requirements concerning environmental and social matters. It includes a requirement for supply chain partners to manage their business operations in a manner consistent with the Modern Slavery Act. The Supplier Code also mandates safe working practices, treating people with respect and minimising impacts on the environment. All supply chain partners are contractually obliged to adhere to our Supplier Code.

Both our Supplier Code and Anti-slavery and human trafficking statement are available on our website.

DELIVERING SUSTAINABLE COMMUNITIES

Placemaking & Quality is one of our five strategic priorities. Attractive placemaking helps us deliver appealing, diverse and well-connected communities where people and nature can thrive. It enables us to mitigate and manage the impacts of climate change, improve biodiversity and deliver developments that are resilient for the future.

We work with ecologists to put plans in place to protect and enhance natural habitats and biodiversity on our developments. In FY20 66% of our developments benefited from ecological enhancement or protection measures.

We also recognise the value of accessible green space for people's wellbeing. Where possible across our developments, we prioritise the inclusion of green spaces for the community. A range of spaces are provided to suit all ages, including parks, woodland and sports pitches. Infrastructure to promote sustainable and healthy living – including cycle lanes, footpaths and good access to public transport – are incorporated into our developments.

Our business activity creates many other socio-economic benefits. We create new employment opportunities for local contractors, apprentices and graduates, as well as supporting employment in our supply chain through our spend on materials and labour.

In FY20 we committed to spend £48.5m on social infrastructure through section 106 agreements and the Community Infrastructure Levy (CIL). This benefits local communities through the provision of sports and educational facilities, public art, community buildings, transport improvements and environmental protection and enhancement measures.

SUSTAINABILITY HIGHLIGHT CASE STUDY

Henley Gate, Ipswich

Henley Gate forms part of the wider Ipswich Garden Suburb. A new 30-hectare country park will provide a natural space and quality recreational landscape for residents and the wider community.

The park will include a 2.7km circular walk, cycle lanes, approximately 30% coverage of new native woodland and extensive habitat for wildlife such as birds and hedgehogs. Cycle routes and pedestrian paths, totalling 7km in length, will extend throughout the development connecting the green space, residential areas, local centre and school.

+38%

38% increase in proposed hedgerows, increasing the ecological biodiversity of the site

COMMUNITY ENGAGEMENT

While we always aim to deliver positive impacts in the communities in which we operate, we understand existing residents may have concerns over new development. We engage with local communities to listen and respond to such concerns. We are committed to building the right infrastructure and community spaces to create shared value and reach a positive outcome for all those involved.

Charitable giving

We are proud to support Variety, the Children's Charity and during the year we donated £136,335. This brings our total contribution to Variety to over £2m since 2005.

During the furlough period, our Board donated 20% of their gross salaries or fees to charity and many of our furloughed colleagues volunteered in their local communities. Examples included working at local foodbanks, supporting the NHS by volunteering in local hospitals, cleaning ambulances, and completing fundraising activities for Variety and other charities.

55%

of developments within 1km of local amenities

40%

of developments benefit from sustainable transport initiatives

£48.5m

Agreed spend on social infrastructure (s106 and CIL payments) in FY20

Task Force on Climate-related Financial Disclosures (TCFD)

We support the recommendations of the Financial Stability Board's (FSB) Task Force on Climate-related Financial Disclosures (TCFD). Our response to the CDP (formerly Carbon Disclosure Project) details our progress towards meeting the TCFD recommendations. A summary of our approach is detailed below:

Governance	Our Chief Executive has ultimate responsibility for sustainability, including climate change. He chairs the newly formed Sustainability Committee, which has delegated authority from the Board to ensure environmental, social and governance (ESG) matters are integrated within the business. The Committee has oversight of major issues relating to sustainability and is responsible for overseeing the development and delivery of the strategic aims and initiatives to improve our ESG performance, including climate change.	The Group Production Director, who also sits on the Committee, manages policies and procedures that govern the delivery of outputs from the Committee through a small dedicated team. This team is empowered to engage with the relevant people across the business, including Board members and the Executive Leadership Team (ELT). The Group Production team has in-depth knowledge of climate-related issues, including current and potential future policy. An annual ESG risk assessment feeds into the Group-wide risk management framework and assessment to ensure robust management measures are in place.
Strategy	Climate-related risks to the business are considered using short (0–3 years), medium (4–10 years) and long-term (10+ years) time horizons. A climate related risk and opportunity assessment is disclosed in our annual CDP response that is available on our website. Physical risks associated with climate change include changing weather patterns and increased frequency of extreme weather events, leading to increased risk of flooding and overheating. This could cause disruption on site and to our supply chain. It may also impact comfort levels in our homes.	Flood risk assessments are conducted for all our developments and our new house types have been assessed for overheating risk. Transitional risks include changes to regulations, taxes and changing consumer preferences as we move to a low-carbon economy. An example is the Future Homes Standard which will require increasing levels of energy efficiency and a move away from fossil fuel heating by 2025. We are actively engaging with our supply chain partners and the Home Builders Federation to ensure compliance.
Risk management	The Board and ELT formally considers risk twice a year. It is supported by the Audit and Risk Committee which has specific responsibility for monitoring financial reporting, internal and external audit programmes, and providing assurance to the Board on financial, operational and compliance controls. The ELT is responsible for implementing Group policies, tracking risk management performance, identifying principal risks (significant division-level and Group-wide risks) and allocating resources for effective risk management and mitigation.	Each divisional Board is responsible for identifying, assessing and monitoring their respective business and functional risks (divisional and asset level risks, including climate change) and measuring the impact and likelihood of the risk to the business. Significant areas of risk are subject to regular review as the business and the context in which we operate changes. Climate-related risks and opportunities are identified at three levels: Group-wide, divisional and project level. At the Group-wide level, climate-related risks and opportunities are identified on an ongoing basis by the Sustainability Committee and Group Production Team. These risks are fed into an annual ESG risk assessment, which forms part of our integrated risk management process.
Metrics and targets	Scope 1 and 2 greenhouse gas emissions are measured and reported in our Annual Integrated Report and on our corporate website. Some scope 3 emissions are measured and reported on our website. Scope 3 emissions include business travel via employee-owned vehicles and public transport, employee commuting, water consumption and waste disposal.	We have a target to reduce location-based scope 1 and 2 greenhouse gas emissions intensity by 25% by 2025 compared to the FY19 equivalent. In FY20 our emissions intensity was 3.08 tCO_2e/100 sq. m of completed homes, which is a reduction of 4% against the prior year. We also have a target to procure 100% renewable electricity by 2025.

PEOPLE

Having people who bring a diverse range of talents and perspectives and feel engaged in their roles is paramount to our ability to successfully deliver our strategy. That is why people represent one of the foundations of our strategy and why investing in our people is one of our values.

A MORE MODERN, DIVERSE AND INCLUSIVE CREST NICHOLSON

We launched our Group values in 2019 and over the year we have sought to embed these along with underlying behaviours. As we seek to become a more progressive employer, we are focused on removing the barriers people face – for whatever reason. This includes taking steps to bridge the gender pay gap and become a more inclusive company – providing a flexible workplace, drawing from the broadest pool of talent and rewarding people fairly and transparently. Our new agile working policy, launched in 2020, has transformed the way we work. It provides far greater flexibility in terms of when, where and how our people do their jobs. This reduces our carbon footprint and improves work-life balance, which we expect to have a positive impact on productivity and morale. We are focused on creating an inclusive culture to increase our employee engagement.

Diversity and Inclusion

In 2020, we launched a Diversity and Inclusion (D&I) Forum with ten volunteers from across the organisation, each keen to represent a specific area of diversity. Chaired by our Chief Executive, the forum will meet several times a year and act as an internal sounding board for D&I matters.

Our aim is to be more representative of the areas in which we operate. Through the forum, we will focus on evolving our strategies for recruiting and developing talent, promoting our cultural values and supporting diverse representation across the business.

We are continually looking for ways to improve diversity within our employee population, taking feedback from the D&I forum and other initiatives. We are targeting hiring managers and internal recruiters to diversify shortlists of candidates as much as reasonably possible, with a target of at least one qualified under-represented group shortlisted per vacant role. We will review progress against this initiative and explore other ways to improve our diversity.

CASE STUDY

Driving change

Lucas Sim
Senior Technician

I joined Crest Nicholson in 2019. I volunteered to be part of the Diversity and Inclusion Forum as it is a subject I am passionate about. It makes me feel proud and individually valued to be part of a company pushing this change and embracing modern society, as well as being part of the team that can influence the process.

The first meeting was chaired by Peter Truscott, the Chief Executive and it is motivating to see that this agenda is being led from the top of the organisation. We have already started to formulate a plan for action with honest and open participation encouraged.

I look forward to continuing to participate and be part of a team to progress this agenda.

CASE STUDY

Part of a team

I am proud to be part of the Diversity and Inclusion Forum that Crest Nicholson has recently introduced as it is an important step towards inclusivity, and to break down any perceived or actual barriers.

I work for Crest Nicholson in a site-based role with predominantly male colleagues. The teams I have worked with have always made me feel welcome and included me in decision making.

There is still more to do, listening and learning, if we are to create a more diverse workforce on construction sites. It will take patience and time and require us all to work together.

Sheela Hart
Trainee Site Manager

Organisational changes

During the year we undertook two reviews of the size of our workforce resulting in the loss of 215 roles. This was extremely difficult for all those affected. The HR team facilitated a restructure process at scale over summer 2020 and sought to provide support and guidance for all those subject to consultations and role changes, not just those who ultimately left the business.

Talent and Development

In 2020 we introduced a succession plan process for the senior leadership team. The process provides a clear path for emerging talent to be nurtured into more senior positions. The next step will be to undertake a full succession planning process for the whole business in 2021.

As we continue to work on our succession planning process and build our talent pipeline for critical roles throughout the organisation, we will also focus on embedding leadership and standards to improve employee engagement, ensuring alignment with the Group's values. A targeted training and mentoring programme for emerging talent will also be developed. We have also introduced a new Personal Development Review (PDR) process. It provides a clear, measurable approach that reinforces values and behaviours, giving equal weighting to what is delivered and how tasks are approached.

Throughout the year, we applied a blended approach to training. Sales teams were a major focus to deliver improved skills and competencies. Legal, regulatory and cyber security training also remained priorities.

Wellbeing

We consider the wellbeing of our people to be the responsibility of the organisation, our leaders and every employee. In 2020 we launched a mental health awareness campaign on our e-Learning platform. This was especially important through the COVID-19 lockdown periods.

Mean hourly pay gap between men and women 2019[1]

£1 79p

21%

2018: 24%

1 Gender pay gap 2020 due to be published April 2021.

Median hourly pay gap between men and women 2019

£1 80p

20%

2018: 25%

CASE STUDY

Growing talent

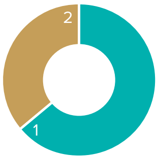
Nick joined Crest Nicholson in 2014 as a Land & Planning Graduate, and participated in a two-year structured training programme which involved rotations across all key departments. At the end of this programme Nick progressed into a permanent role in the then Strategic Projects division, where he spent the next three years working on the acquisition, promotion and delivery of large-scale residential developments. By the end of 2018 Nick was promoted to lead the Land Acquisition function in the Strategic Projects division, reporting to the Managing Director.

At the start of 2020, keen to expand his knowledge and experience into immediate development, Nick joined the newly formed Southern Counties division as Head of Land where he worked on a number of projects inherited from the regeneration portfolio, which comprised primarily large scale urban redevelopment projects. Following a restructure in mid-2020, Nick joined the expanded Chiltern division as Head of Land, overseeing all aspects of the Land & Planning function across Berkshire, Buckinghamshire, Oxfordshire, Hertfordshire, Milton Keynes, Bedfordshire, and South Northants. The Chiltern division is now the largest in the Group, and is forecasting significant growth over the next three years.

Reflecting on the graduate programme: "The graduate programme provided an excellent platform from which to springboard my career, giving me an insight into all aspects of the development process, and an appreciation for the role all functions play in the delivery of our homes. The structured learning events with senior leaders of the business provided an excellent foundational knowledge of important topics, and a great opportunity to network with senior members of staff including Executive Directors. I am very grateful to Crest for their investment in me during these foundational years."

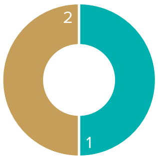
Nick Daruwalla
Head of Land, Chiltern

Gender split – October 2020



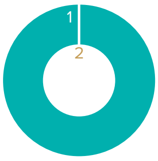
All employees[1]

1	Male	420
2	Female	237



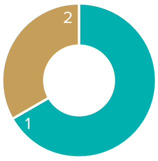
Board[2]

1	Male	4
2	Female	4



Executive Leadership Team[3]

1	Male	5
2	Female	0



Executive Leadership Team and direct reports[4]

1	Male	21
2	Female	8

1 Male 419 Female 238 as at 1 January 2021.
2 Male 4 Female 4 as at 1 January 2021.
3 Male 6 Female 1 as at 1 January 2021.
4 Male 27 Female 14 as at 1 January 2021.

Ethnicity breakdown – October 2020

1	White British	82%
2	White Other	6%
3	Undisclosed	6%
4	Non White British	3%
5	Non White Other	2%

Age breakdown – October 2020

1	20 years or less	11
2	21 to 25 years	48
3	26 to 35 years	188
4	36 to 50 years	215
5	Over 50 years	195

Engagement

We aspire to have an open and collaborative culture creating an honest, positive and focused environment for people to perform to their full potential. Engaging with employees in every part of the business is central to this journey.

During the year, Peter Truscott and members of the Executive Leadership Team have been focused on clear and transparent communications. Activities have included:

— Regular communications led by the Chief Executive and Executive Leadership Team with updates on industry news and messages to keep employees engaged with the business. This was especially important during the spring lockdown and while employees were furloughed

— A reintegration communication campaign as employees returned from furlough leave

— A pulse survey to understand how employees were feeling during the spring lockdown period and as restrictions initially started to lift

— Our Non-Executive Director responsible for workforce engagement presented and answered questions on executive remuneration and its alignment with wider Group pay, and attended and spoke at divisional update calls.

Early talent programmes

While we paused the intake of new trainees in FY20, we continued our Graduate, Apprenticeship and Site Manager Academy programmes. There will be a review of all programmes for 2021.

Top priorities for 2021

— Further focus on our talent and continuing to strengthen the pipeline through the succession planning process

— Continue to invest in developing high potentials and emerging talent

— Continue the focus on diversity and inclusion and driving an inclusive culture.

2020 ANNUAL EMPLOYEE SURVEY

We launched a new annual employee survey in FY20 to capture feedback on leadership and culture and inform action plans to address any specific issues. Key results were:

66%
Responded to the survey

84%
Employees proud of the work they do

70%
Overall engagement level

84%
Employees that feel people in their immediate team work well together

87%
Employees care about the future of Crest Nicholson

82%
Employees would still like to be working at Crest Nicholson in two years' time

NON-FINANCIAL INFORMATION STATEMENT

This section of the Strategic Report is provided in compliance with sections 414CA and 414CB of the Companies Act 2006. The table summarises the policies in line with the reporting requirements and sets out where relevant information can be found in this report.

Reporting requirement	Policies and standards[1]	Related principal risk	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.	**3:** Safety, Health and Environment (SHE) **7:** Laws, policies and regulations	Integrating Sustainability	44–45
			Carbon emissions	48–49, 119
			Waste	50
			Responsible procurement	50
			Taskforce on Climate-related Financial Disclosures	52
			Risk	57–64
Employees	— Corporate health and safety policy — Whistleblowing policy — Equality and Diversity policy.	**3:** Safety, Health and Environment (SHE) **9:** Attracting and retaining our skilled people	Stakeholder relations	32–35
			People	53–55
			Risk	57–64
			Board diversity	86–87
			Gender pay gap	113
Human rights	— Anti-slavery and human trafficking statement — Whistleblowing policy — Supply Chain Code of Conduct.	**4:** Access to site labour and materials	Stakeholder relations	32–35
			Responsible procurement	50
			Whistleblowing	95
Social matters	— Sustainability policy — Supply Chain Code of Conduct.	**3:** Safety, Health and Environment (SHE) **5:** Customer service and quality	Sustainability & Social Value	48–52
			People	53–55
			Risk	57–64
Anti-bribery and corruption	— Anti-bribery and corruption policy — Whistleblowing policy — Supply Chain Code of Conduct.	**7:** Laws, policies and regulations	Anti-fraud and anti-bribery	95
			Whistleblowing	95
Business model			How we create value for our stakeholders	30–31
Non-financial KPIs			Key Performance Indicators	14–15
			Integrating Sustainability	44–45
			SHE	46–47
			Sustainability & Social Value	48–52
			People	53–55

1 Policies and standards are published on our corporate website: crestnicholson.com.

Other ways we respond to material non-financial matters

Customer Charter

Through our customer charter we have made commitments to provide our customers with comprehensive information on their new home and to deal diligently with enquiries.

Customer privacy notice

We ensure that we look after any personal data our customers provide us with or that we may hold. We never sell this personal data. We have a range of technical and organisational measures to help ensure this data is used responsibly and to help keep it safe and secure. We also take steps to ensure any third party that provides services to us – such as hosting personal data on servers – also protect any data they process on our behalf.

OUR GROUP RISKS
HOW WE MANAGE OUR RISKS

We face a wide variety of risks and uncertainties, some arising from within the Group and some caused by external factors. There are some risks we can plan for and others which may be unexpected – in which case we plan for the consequences.

Principal risks and uncertainties

The principal risks and uncertainties that affect us have the potential to impact our business, customers, employees, assets, revenue, profits, liquidity or capital resources.

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, including their potential likelihood, impact and outcomes, and to inform and define our risk appetite.

Our Risk Management Framework supports us in providing assurance that we have identified, and are addressing our principal risks.

Risk culture

Risk awareness exists through decision-making processes and is embedded in systems, policies, leadership, governance and behaviours. Aligned to our values, we aim to maintain a culture where our colleagues are empowered to make decisions within agreed parameters. During the year, we have focused on increasing accountability at divisional level and standardising processes and design standards.

Risk appetite and tolerance

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. This may be based on strategic objectives and guidance from management or advisors developed from appropriate understanding and analysis of the nature of the risk.

Strategic appetite for risk is decided on a case by case basis at Board level and delegated to the Executive Leadership Team to implement.

The Group's financial risks are also decided at Board level and mitigated, as far as possible, by internal controls, business continuity plans, insurance and contracts.

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

The Board

Has overall responsibility for making sure we manage risks appropriately. The Board reviews the Group's emerging and principal risks and sets the Group's appetite for risk, providing support and oversight to management.

The Audit and Risk Committee

Is responsible for monitoring our risk management processes and approving relevant disclosures. It has specific responsibility for monitoring financial reporting and internal and external audit programmes, as well as providing assurance to the Board on financial, operational and compliance controls.

The Executive Leadership Team

Oversees how we are managing the principal risks and the divisional risks. The Executive Leadership Team, with support from functional representatives, considers the Group's principal risks, relevant developments, how we are managing risks and the assurances in place to inform how effectively the risk is being managed. It also provides oversight to the divisional risk reviews.

The divisional boards

Monitor and oversee divisional risks and emerging risks. Each divisional board is responsible for identifying, assessing and monitoring their respective business and functional risks and measuring the impact and likelihood of the risk to the business.

Changes to our principal risks

As part of the Group's risk review processes, some risks have evolved or been removed from the Group's principal risks.

— Demand for housing and macro-economic environment – we previously reported these risks separately. However, as both are closely inter-linked, and require similar management response, we have now combined these two risks

— Business strategy and change management – we incorporated this risk into the principal risks in 2019, with the appointment of a new Executive Leadership Team responsible for developing an updated strategy. The Board consider the updated strategy to have been well communicated and integrated and, as a result, this risk has now been removed

— Supply of permissioned and viable land – due to the current availability levels of land and the Government's stated aims to increase the quantities of planning applications granted, we no longer consider this a principal risk that is likely to prevent the Group from achieving its objectives. We will continue to monitor this risk.

EMERGING RISKS

Emerging risks are identified through our divisions and functions, in respect of matters that have the potential to impact them, alongside horizon scanning by the Board and Executive Leadership Team on industry and macro-economic trends. By considering and monitoring we can appropriately respond to such risks, adjusting our operations and Group strategy as required.

Examples of emerging risks which have been considered during the year are:

COVID-19 pandemic

The impact of the COVID-19 pandemic has resulted in a global health crisis and will have a significant, long-lasting impact on the UK economy, and will continue to impact the UK during 2021. Accordingly, the Board have added 'Epidemic or pandemic from infectious diseases' as a new principal risk and increased the likelihood of principal risks 2 (Demand for housing) and 10 (Solvency and liquidity) of materialising, as these risks would likely to be exacerbated by a recession and its subsequent impact on employment and incomes. More information on how we have responded to the COVID-19 pandemic is detailed on pages 8 to 9.

Withdrawal from the European Union (EU)

Having left the EU on 31 January 2020, the UK entered a transition period to enable the UK and EU to agree suitable trading arrangements before the transition arrangements finalised on 31 December 2020. An agreement was reached between the UK and EU at the end of 2020. While the Board welcomes an agreement, it will continue to monitor the impact of Brexit to the UK economy. This may potentially exacerbate principal risks 2 (Demand for housing) and 10 (Solvency and liquidity), and in the short term, principal risk 4 (Access to site labour and materials).

Laws, policies and regulations

We have considered risk 7 (Laws, policies and regulations) as increasing due to changes in regulations concerning energy efficiency and sustainability alongside legacy matters, such as combustible materials.

Climate change

While we have not added a new risk on climate change, we consider this to be an emerging risk. Further details on how we are responding and mitigating this risk are outlined overleaf.

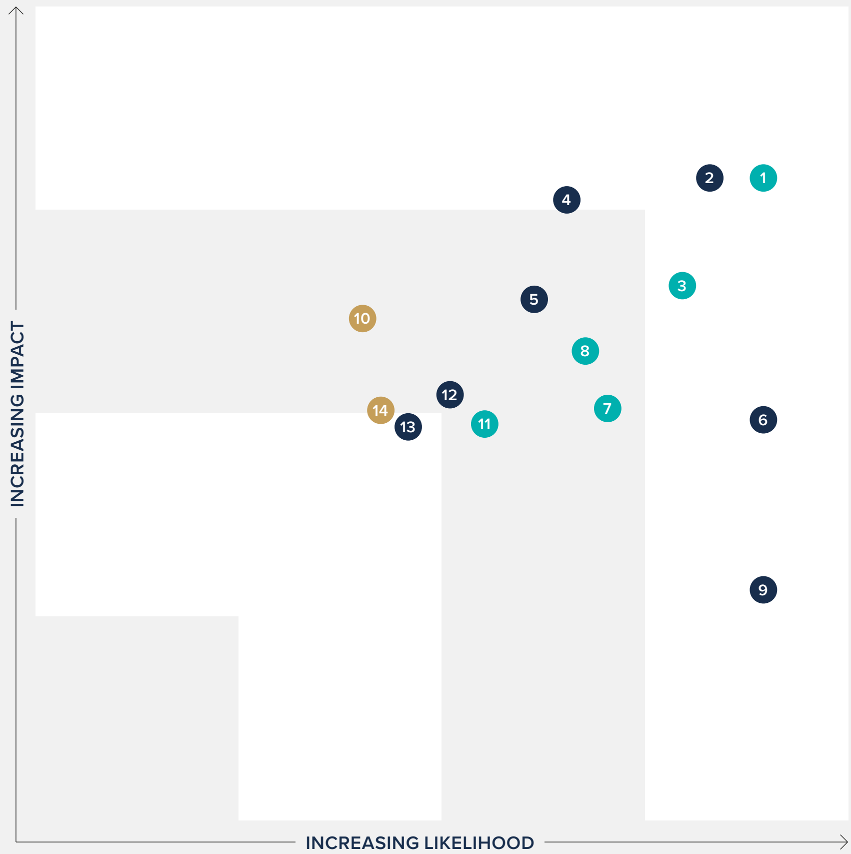
ENVIRONMENTAL, SOCIAL AND GOVERNANCE RISK

An environmental, social and governance (ESG) risk assessment, which includes climate-related risks, is completed on an annual basis. The most material ESG risks to the business are incorporated within our Group-wide risk management framework and assessment, which is reviewed by the ELT. One of the key emerging risks is climate change, which has short, medium and long-term implications for the business. The risks associated with climate change are broken down into transitional risk, such as emerging policy and the increasing cost of energy, and physical risks, including flooding, overheating and water shortages.

In 2020 we established a Sustainability Committee, which is chaired by our Chief Executive. Key updates on ESG matters, including climate-related risks, are provided to the Board.

We support the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and we will be taking action to implement these. Further detail on how we currently support the TCFD recommendations and manage our climate-related risks is detailed on page 52 and in our Carbon Disclosure Project (CDP) response available on our website.

ESG risks: (medium and above)



- ENVIRONMENTAL RISK
- SOCIAL RISK
- GOVERNANCE RISK

1. Increasing regulatory requirements to adapt and mitigate to climate change
2. Safety, health and employee wellbeing
3. Biodiversity net gain
4. Availability of skilled labour
5. Advances in technology
6. Changing stakeholder attitudes towards ESG risks
7. Physical impacts from climate change on operations and homes
8. Physical impacts from climate change on supply chain
9. Population growth and changing demographics
10. Financial solvency
11. Pollution incidents on site
12. Human rights issues on site and in supply chain
13. Levels of diversity across the business
14. Data protection and IT security

OUR PRINCIPAL RISKS

Link to strategic priorities

1. Placemaking & Quality
2. Land Portfolio
3. Operational Efficiency
4. Five-Star Customer Service
5. Multi Channel Approach

Link to foundations

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

Link to our stakeholders

- Investors
- Customers
- Our people
- Supply chain
- Local communities
- Government and other bodies

1. EPIDEMIC OR PANDEMIC FROM INFECTIOUS DISEASES

RISK DESCRIPTION

An epidemic or pandemic of an infectious disease may lead to the imposition of Government controls on the movement of people, including social distancing, with the cessation of large parts of the economy for a significant period of time. This could lead to:

- Short to medium-term impact to consumer confidence
- Lack of liquidity and/or mortgage availability in the mortgage market
- Disruption to our ability to deliver services to customers in the event of supply shortages and/or widespread loss of key people (both employees and subcontractors), with adverse impacts on customer volumes and experience.

A prolonged economic downturn could materially increase our pension deficit and associated contributions.

Adverse impacts to the economy could also affect our cash position and ability to fund investment projects and ongoing operations.

CONTROLS AND MITIGATING ACTIVITIES

Maintenance of a strong balance sheet able to withstand a sustained period of complete or partial cessation of business activity.

Maintenance and regular testing of business continuity and disaster recovery plans supported by investment in IT to enable robust home-working facilities.

Engagement with industry bodies to enable construction and home moving activities to continue, where safe to do so.

DEVELOPMENT IN THE YEAR

This is a new risk and, following the COVID-19 pandemic and subsequent UK lockdowns, the Executive Leadership Team met regularly to identify emerging exposures and review the Group's ability to manage them by implementing a business continuity response. Further detail can be found on pages 8 to 9.

LINK TO STRATEGIC PRIORITY

5 4 3

LINK TO FOUNDATION

1 2 3 4

LINK TO STAKEHOLDERS

Customers, Our people, Supply chain

MOVEMENT IN YEAR

New risk

2. DEMAND FOR HOUSING

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 be able to buy homes, either through unemployment or low employment, constraints on mortgage availability, or higher costs of mortgage funding.

Changes to regulations and taxes, for example Stamp Duty Land Tax (SDLT), taxes on additional home purchases and the impact of government schemes like Help to Buy.

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

An over-reliance on Help to Buy and other Government-backed ownership schemes to boost sales volumes and rates.

CONTROLS AND MITIGATING ACTIVITIES

Strategic purchase of sites, continued development of shared ownership models and engagement with a variety of incentive schemes.

Forward sales, cash flow and work-in-progress are carefully monitored to give the Group time to react to changing market conditions.

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

Political and industry engagement.

Review of ongoing overheads.

DEVELOPMENT IN THE YEAR

While the impact of social distancing has had a significant detrimental impact on the UK economy, the COVID-19 pandemic and its associated restrictions has led to people reassessing their home arrangements, generally wanting more indoor and outdoor space and flexible living arrangements. With a focus of family housing and predominantly being based in Southern England, demand has remained strong in the second half of 2020. This demand has been supported by an increased Stamp Duty Land Tax nil threshold to £500,000 for property sales in England until 31 March 2021.

As the long-term economic impact of COVID-19 becomes clear, there is a risk that the affordability of homes becomes more challenging. This could be exacerbated even further by the conclusion of the Stamp Duty suspension and the limitations to the new Help to Buy Scheme, impacting potential customers' ability to purchase houses via the open market. We are mitigating this risk within our strategic priority, Multi Channel Approach.

LINK TO STRATEGIC PRIORITY

1 2 3 5

LINK TO FOUNDATION

3 4

LINK TO STAKEHOLDERS

Investors, Customers, Supply chain, Local communities

MOVEMENT IN YEAR

Increasing

3. SAFETY, HEALTH & ENVIRONMENT (SHE)

RISK DESCRIPTION

A significant health and safety event could result in 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 our reputation and ability to secure public contracts or, if illegal, prosecution or significant financial losses.

In addition, a SHE failure could lead to production delays and impact our ability to achieve financial forecasts and targets.

CONTROLS AND MITIGATING ACTIVITIES

Strengthening the safety leadership culture and alignment of safety and operational performance.

Focus on strengthening management systems with increased authority for divisional build managers and Group SHE advisors to undertake incident investigations and implement follow up actions.

Appointment of an external independent auditor to conduct regular site safety reviews as appropriate and without warning.

Use of Construction Environment Risk Assessments and Environmental Management Plans.

Use of external specialist consultants and/or contractors where specific health and safety requirements demand.

Development of health and wellbeing roadshows for employees and implementing agile working arrangements to enable employees to meet both their professional and personal needs.

Operational focus at site, sales and office locations in response to the Government's COVID-19 guidance.

SHE performance is a bonus metric target used across the Group, including for Executive Directors.

DEVELOPMENT IN THE YEAR

The revised Group strategy is focused on creating efficiencies. A key aspect of this is our new standardised house type range, which aligns quality with design and build simplification. This, alongside a reduced focus on one-off high-risk projects, for example multi-storey apartment blocks in urban areas, will reduce SHE complexities.

We have increased accountability at divisional level for safety inspections and appointed an independent safety advisory firm to monitor site performance.

LINK TO STRATEGIC PRIORITY

3

LINK TO FOUNDATION

1 2 3 4

LINK TO STAKEHOLDERS

MOVEMENT IN YEAR

No change

4. ACCESS TO SITE LABOUR AND MATERIALS

RISK DESCRIPTION

Rising production levels across the industry put pressure on our materials supply chain.

The industry is struggling to attract the next generation of talent into skilled trade professions. There is also a potential of a reduction of labour availability from the EU market.

Increased use of more modern methods of construction could result in a labour market unwilling and unable to meet the skills and knowledge required and a materials supply chain lacking the scope and capacity.

Given the current UK economic climate and uncertainty there is an enhanced likelihood of suppliers and subcontractors facing insolvency.

CONTROLS AND MITIGATING ACTIVITIES

Encouraging longer-term relationships with our supply chain partners through Group trading agreements and five-year subcontractor framework agreements. These agreements also seek to mitigate price increases.

Maintaining broad supply chain options to spread risk and meet contingency requirements.

Engaging in ongoing dialogue with major suppliers to understand critical supply chain risks.

DEVELOPMENT IN THE YEAR

Our supply chain, both people and goods, was disrupted during the COVID-19 pandemic and we engaged closely with suppliers and subcontractors to enable work to commence in line with Government guidance.

We have undertaken a review of our supply chain which has resulted in a rationalisation of suppliers. This has also enabled us to develop deeper relationships, improving service delivery and cost management.

We remain mindful of the risk of restriction of movement of people following the UK leaving the European Union and the UK's proposal for a points-based immigration system which could impact certain trades.

LINK TO STRATEGIC PRIORITY

1 3

LINK TO FOUNDATION

1 3

LINK TO STAKEHOLDERS

MOVEMENT IN YEAR

No change

OUR PRINCIPAL RISKS CONTINUED

Link to strategic priorities

1. Placemaking & Quality
2. Land Portfolio
3. Operational Efficiency
4. Five-Star Customer Service
5. Multi Channel Approach

Link to foundations

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

Link to our stakeholders

- Investors
- Customers
- Our people
- Supply chain
- Local communities
- Government and other bodies

5. CUSTOMER SERVICE AND QUALITY

RISK DESCRIPTION

Customer service and/or build quality falls below our required standards resulting in reduction of reputation and trust, which could impact sales rates and volumes. Unforeseen product safety or quality issues or latent defects emerge due to new construction methods.

Failure to effectively implement new regulations on build quality and respond to emerging technologies.

Government guidance and mortgage lending policy for apartments with cladding has changed following the Grenfell tragedy.

CONTROLS AND MITIGATING ACTIVITIES

The updated strategy focuses on strengthening build quality, maintaining five-star rated housebuilder status and excellence in placemaking.

We have enhanced quality inspections and build stage inspections to monitor adherence to our quality standards.

Customer service and quality performance is a bonus metric target used across the Group, including for Executive Directors.

We have a clear strategy and action plan for addressing cladding related matters and made a provision in our FY19 financial statements.

DEVELOPMENT IN THE YEAR

Five-Star Customer Service is one of our strategic priorities. During the year, we were rated as a five-star home builder by the Home Builders Federation (HBF).

We have restructured and simplified the customer service function and increased accountability of our build teams for customer service matters.

A central team has been established to conduct and report progress on our cladding remedial works programme.

LINK TO STRATEGIC PRIORITY

1 4 3

LINK TO FOUNDATION

1 2 3

LINK TO STAKEHOLDERS

MOVEMENT IN YEAR

No change

6. INFORMATION SECURITY AND BUSINESS CONTINUITY

RISK DESCRIPTION

Cyber security risks such as data breaches and hacking leading to the loss of operational systems, market-sensitive/competitive information or other critical data which risks non-compliance with data privacy requirements and a failure of our IT systems. This in turn could result in a higher risk of fraud and, as a result, financial penalties and an impact to reputation.

CONTROLS AND MITIGATING ACTIVITIES

We employ network security measures and intrusion detection monitoring, including virus protection on all computers and servers, and carry out annual security-breach tests. We utilise customer relationship management systems for storing sensitive data to prevent negligent misuse by employees.

This is backed 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 established and tested annually. We also purchase cyber insurance.

DEVELOPMENT IN THE YEAR

With increased working from home as part of the Government's social distancing guidelines, there is an increased risk of cyber security attacks, and we have enhanced our systems and provided increased and regular training to employees.

Increased the regularity of presentations and updates from the IT Director to the Board, Audit and Risk Committee and Executive Leadership Team.

We have progressed our business continuity response, including the establishment of a Business Continuity Response Committee.

LINK TO STRATEGIC PRIORITY

3

LINK TO FOUNDATION

3 4

LINK TO STAKEHOLDERS

MOVEMENT IN YEAR

Increased

7. LAWS, POLICIES AND REGULATIONS

RISK DESCRIPTION

This risk is two-fold, both changes to upcoming regulations and legacy matters.

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

Interpretation of the National Planning Policy Framework continues to evolve in an environment where local authorities and public sector resources are constrained.

Failure to effectively implement new environmental regulations including the Future Homes Standard and net biodiversity gain.

Legacy matters
Failure to plan and implement the guidance notes issued by the Government in respect of combustible materials and fire safety. The changes to the guidance are becoming more stringent and impacting a number of our former developments and customers.

CONTROLS AND MITIGATING ACTIVITIES

We engage with the Government directly and through the HBF and build relationships in key local authority areas.

Continue to assess and implement the latest interpretations of fire safety alongside carefully reviewing any potential liabilities.

DEVELOPMENT IN THE YEAR

We have well-developed relationships with legal advisors and have conducted a review of our panel of solicitors, embedding processes in respect to commercial matters.

Mature systems in place throughout the Group and divisions. We have retained an active involvement with industry bodies such as the HBF.

A central team has been established to conduct and report progress on our cladding remedial works programme.

LINK TO STRATEGIC PRIORITY

LINK TO FOUNDATION

1 2 4

LINK TO STAKEHOLDERS

MOVEMENT IN YEAR

Increasing

8. BUILD COST MANAGEMENT

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.

CONTROLS AND MITIGATING ACTIVITIES

Investigate alternative sources of supply and/or alternative production methods.

Benchmark against existing sites to ensure rates remain competitive.

Ongoing communication with supply chain to mitigate price increases where possible.

Build long-term relationships and ensure prompt payment with subcontractors and suppliers.

DEVELOPMENT IN THE YEAR

Operational Efficiency is one of the Group's strategic priorities and the Executive Leadership Team have introduced enhanced controls at both Group and divisional level to monitor build costs.

We have standardised our processes and introduced a new house type range which will also reduce the likelihood of this risk.

LINK TO STRATEGIC PRIORITY

LINK TO FOUNDATION

2 3 4

LINK TO STAKEHOLDERS

MOVEMENT IN YEAR

No change

OUR PRINCIPAL RISKS CONTINUED

Link to strategic priorities

1 Placemaking & Quality
2 Land Portfolio
3 Operational Efficiency
4 Five-Star Customer Service
5 Multi Channel Approach

Link to foundations

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

Link to our stakeholders

Investors
Customers
Our people
Supply chain
Local communities
Government and other bodies

9. ATTRACTING AND RETAINING OUR SKILLED PEOPLE

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 inducting and embedding new employees, alongside the cost of wages increasing as a result of inflated offers in the market.

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.

CONTROLS AND MITIGATING ACTIVITIES

Monitor pay structures and market trends to ensure we remain competitive.

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

Continual focus on improving flexible and agile working arrangements to support employees' personal arrangements throughout life changes.

Providing quality training and professional development opportunities through our entry-level training programmes.

Organisational restructure was managed to enable suitable handovers, retaining certain employees on a temporary basis.

Employee engagement survey, supported by pulse surveys, to enable the Executive Leadership Team to understand and support concerns raised by our people.

DEVELOPMENT IN THE YEAR

In 2020 we launched our Diversity and Inclusion Forum, chaired by the Chief Executive.

Focused on further developing our approach to agile working.

Introduced our succession plan process for the senior leadership team, the results of which show a clear path for emerging talent to be developed into more senior positions. This is supported by a refreshed Personal Development Review (PDR) process.

Voluntary employee turnover is a bonus metric target used across the Group, including for Executive Directors.

LINK TO STRATEGIC PRIORITY

4 3

LINK TO FOUNDATION

1 2 3

LINK TO STAKEHOLDERS

MOVEMENT IN YEAR

No change

10. SOLVENCY AND LIQUIDITY

RISK DESCRIPTION

Cash generation for the Group is a key part of our updated 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.

Fall in sales during economic slowdown and lack of available debt finance.

Reductions in margins as average selling price falls, inability to restructure appropriately and unsustainable levels of work-in-progress.

CONTROLS AND MITIGATING ACTIVITIES

We set cashflow targets for our divisions which form a part of bonus schemes.

We scrutinise the cash terms of deals and any proposed sites Private Rented Sector (PRS) and bulk sales offer us the potential for early cash generation. We also have the ability to use promissory notes to help fund high-value purchases.

We control strategic land with ongoing reviews of development strategies and forecast assumptions, with all major land and build spend reviewed and approved at key points.

DEVELOPMENT IN THE YEAR

Business adapting to changing market which is focused on increasing revenues and operational efficiencies.

Focus on preserving our cash and liquidity by taking a disciplined approach to work-in-progress and land spend.

Put in place a £300m commercial paper facility to access the COVID Corporate Financing Facility.

LINK TO STRATEGIC PRIORITY

2 3

LINK TO FOUNDATION

4

LINK TO STAKEHOLDERS

MOVEMENT IN YEAR

No change

VIABILITY STATEMENT

In accordance with the UK Corporate Governance Code, the Directors and the Executive Leadership Team have assessed the Group's current position and its principal risks 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 (Provision 31). Despite the increased levels of uncertainty in the macroeconomic environment caused by COVID-19, the Board has concluded that a three-year period continues to remain an appropriate timeframe for this assessment. The Group owns or controls a high proportion of the land required to meet unit forecasts over the next three years and is therefore able to forecast cash flows across this period with a reasonable degree of confidence.

While the nature of the material issues, opportunities and risks faced by the Group limits the Directors' ability to reliably predict the longer term, the Board is comfortable that detailed trading and cash flow forecasts are maintained and regularly scrutinised over the three-year period. During this time, the Group is forecast to comply with all of its debt covenants. The Group's banking facilities extend to June 2024 and sufficient headroom exists within these to fund our projected activities.

The assessment has been made having regard to our current position, while also considering the impact of severe but plausible adverse trading conditions arising from the principal risks set out on pages 60 to 64, on the solvency and liquidity of the Group. Details of the assumptions used to model these trading conditions are set out in Note 1 to the consolidated financial statements.

Macroeconomic conditions remain the biggest variable in this respect. The full economic impact of COVID-19 has not yet been realised as the Government has continued to focus on providing a package of economic support measures in favour of repaying its significant borrowings to fund these. As this focus and consequent policy making shifts, we could see a significant reduction in employment, contraction in credit or mortgage lending, increased taxes and reducing levels of consumer confidence, all of which could individually or collectively lead to a fall in house prices.

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 2023.

We are committed to becoming a better business, where build quality and the development of attractive, sustainable communities is supported by strong operational efficiency.

A STRONG GOVERNANCE FRAMEWORK

IN THIS SECTION

GOVERNANCE OVERVIEW

LEADERSHIP AND PURPOSE

Overview of the governance framework of the Group, the activities undertaken by the Board and how the Board has considered its responsibilities to its stakeholders.

For more information:
Chairman's introduction – pages 68 to 69
The Board – pages 70 to 71
The Board's purpose, values and culture – page 72
Shareholder and stakeholder engagement – pages 73 to 74
Section 172(1) Statement – page 75
The Executive Leadership Team – page 76
Governance framework – page 77
Board activity – pages 78 to 79

DIVISION OF RESPONSIBILITIES

Overview of the roles of the individual Directors.

For more information:
Roles and responsibilities – pages 80 to 81

COMPOSITION, SUCCESSION AND EVALUATION

Overview of the composition of the Board, its evaluation process, and the report of the work of the Nomination Committee for the year.

For more information:
Board composition – page 82
Board evaluation – pages 83 to 84
Nomination Committee Report – pages 85 to 88

AUDIT, RISK AND INTERNAL CONTROL

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

For more information:
Audit and Risk Committee Report – pages 89 to 96

REMUNERATION

Provides an overview of the remuneration arrangements for the Directors, payments made during the year, the Remuneration Policy and alignment with the wider workforce.

For more information:
Letter from the Remuneration Committee Chair – pages 97 to 98
Remuneration at a glance – page 99
Directors' Remuneration Policy – pages 100 to 105
Annual Report on Remuneration – pages 106 to 116
Single figure table – page 106
Pay for performance in FY20 – pages 107 to 108
Pay in the wider workforce – page 112
Pay in FY21 – pages 114 to 115

Statement by the Directors on compliance with the UK Corporate Governance Code

The UK Corporate Governance Code 2018 (Code) applied to the Group for the financial year ended 31 October 2020. The Board considers that it has complied in full with the provisions of the Code, other than provision 38 in respect of Peter Truscott's pension contribution which is 10% of salary, and above that of the majority of the workforce, currently 6% of salary. The Remuneration Committee has made a commitment to align the Chief Executive's pension provision to the rate applicable to the majority of the workforce no later than the end of 2022.

The Code is publicly available at www.frc.org.uk.

CHAIRMAN'S INTRODUCTION

"EACH DIRECTOR HAS DEMONSTRATED COMMITMENT, EXPERTISE, CHALLENGE AND RESILIENCE IN DETERMINING THE BEST ACTIONS TO TAKE FOR THE GROUP."

IAIN FERGUSON CBE
Chairman

As I reflect on the achievements and challenges of 2020, I remain impressed by the successes we have delivered and how the Executive Leadership Team have adapted our strategy so quickly in response to the challenges presented by COVID-19. I have been struck by how they have managed to maintain a focus on operational delivery while balancing the needs of all our stakeholders.

COVID-19 has had a significant impact on Board and Committee meetings and has naturally dominated the agenda this year. Each Director has demonstrated commitment, expertise, challenge and resilience in determining the best actions to take for the Group. The Board has convened regularly to focus on supporting the Executive Leadership Team in navigating the Government's COVID-19 guidance, its impact on the business and wider industry, its employees, subcontractors and new and legacy customers.

While I have missed meeting my fellow Directors face to face, we have embraced technology with video calls enabling us to make decisions effectively and responsively. I have no doubt that we will continue to use these new technologies in our future interactions.

UK Corporate Governance Code

The Board promotes high standards of corporate governance and integrity. This is our first year of reporting under the UK Corporate Governance Code 2018 (Code). Our statement of compliance with the Code can be found on page 67.

Board leadership and effectiveness

This year, the Board undertook an internal effectiveness evaluation of the Board and its Committees. There was positive feedback on the way the Board is working together and implementing decisions. Recent Board changes have created a better balance of skills and experience with a shared understanding of the way forward, constructive challenge and high levels of trust. Further detail about the outcome of the evaluation can be found on pages 83 to 84.

Accordingly, all Directors will stand for re-election at the forthcoming Annual General Meeting (AGM).

Central to the long-term delivery of the strategy is the Group's culture, underpinned by the values of all our colleagues. The Board believes that strong corporate governance is critical for the leadership of the Group, ensuring our actions are in keeping with our culture and deliver long-term, sustainable value for all our stakeholders. Further information can also be found on page 72.

Stakeholder engagement

We recognise the importance of all our stakeholders in delivering our strategy and business sustainably. We continuously consider our responsibilities and duties to our stakeholders under section 172 of the Companies Act 2006. We have detailed our key stakeholder relationships, their importance to the business and our engagement later in the Corporate Governance Report. Further information can also be found on pages 73 to 74.

Nomination Committee activity

Following a number of new Board appointments in 2019, the Nomination Committee has been focused on strengthening succession planning throughout the business to ensure we have the right balance of skills for the immediate and long-term future. The Committee has also considered the Group's diversity initiatives at all levels across the organisation.

The Committee recommended to the Board the appointment of Louise Hardy as the Non-Executive Director responsible for workforce engagement. Louise replaced Octavia Morley in this role, following Octavia's recent appointment as Senior Independent Director.

In addition, the Committee considered and approved two further appointments to the Executive Leadership Team. Jane Cookson, Group HR Director and Kieran Daya, Managing Director, Crest Nicholson Partnerships and Strategic Land joined the ELT from 1 January 2021. Further detail on the work of the Nomination Committee can be found on pages 85 to 88.

Audit and Risk Committee activity

The Audit and Risk Committee welcomed Darryl Phillips as the Group's new external audit partner from PwC. The Committee was conscious of the need to maintain and develop constructive relationships between the Committee, PwC and Group Finance. The Committee has also been mindful of the number of employees working from home throughout the COVID-19 pandemic, and the risks and challenges this brings. The Committee received regular updates from management on this risk. Further detail on the work of the Audit and Risk Committee can also be found on pages 89 to 96.

Remuneration Committee activity

Following approval of the Group's Remuneration Policy at the 2020 AGM, the focus of the Committee has been on the impact of COVID-19 to trading and remuneration outcomes, alongside its alignment with the wider workforce. The Committee has strived to develop this year's annual bonus scheme and long-term incentive plan targets that are aligned to both Group strategy and our stakeholders. Further detail on the work of the Remuneration Committee can be found on pages 97 to 116.

Annual General Meeting

I was disappointed that we were unable to personally meet some of our shareholders at my first AGM earlier in the year. We still conducted the meeting and were able to respond to questions in advance and on the day via our website. Shareholders were also able to listen to proceedings. Due to the continued uncertainties and risk surrounding the COVID-19 pandemic, we will be holding the AGM in a similar format this year without physical attendance. I do hope you will ask questions in advance, and vote by proxy.

2020 AGM VOTE

At the AGM in 2020 the Group was included on the Investment Association Register with respect to:

Resolution 2 – Withdrawal of the final dividend

The Board carefully considered Government guidance in respect of COVID-19 and the expectation this was likely to impact trading performance over an unclear timeline. Accordingly, the Board took the difficult decision to cancel its final FY19 dividend of 21.8 pence per share, otherwise payable on 9 April 2020 and therefore withdrew the resolution at the AGM.

The Board recognised that this was a significant step to take, but when faced with this unprecedented and unpredictable situation considered it to be prudent to protect the Group's cash position and maintain a robust balance sheet.

The Board recognises the importance of a sustainable dividend policy to our shareholders. In recognition of this, the Board was pleased to announce it is reinstating a dividend effective from HY21, on a two and a half times cover basis.

Resolution 14 – To approve the Directors' Remuneration Report, which received 79.37% votes in favour, below the 80% threshold

Following engagement with shareholders in advance of the AGM, the Board understands that the principal area of concern was in relation to the salary level of Peter Truscott, Chief Executive, relative to the salary of previous Chief Executives of the Group. The Board has engaged further with major shareholders who voted against the Directors' Remuneration Report, and further detail about how we considered and responded to this can be found within the Remuneration Report on page 116.

BOARD OF DIRECTORS

Key to Committee membership

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

1. IAIN FERGUSON CBE

Chairman

Appointed: September 2019
Age: 65

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 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, Genus plc and externally managed investment trust Personal Assets Trust plc, Pro Chancellor, Cranfield University, Non-Executive Director, Copenhagen Topco Ltd.

2. PETER TRUSCOTT

Chief Executive

Appointed: September 2019
Age: 58

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 vast 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, Anchor Hanover Housing Group.

3. DUNCAN COOPER

Group Finance Director

Appointed: June 2019
Age: 41

Experience
Duncan has extensive financial experience across a range of industries. He formerly worked at J. Sainsbury plc where he held multiple roles since 2010, culminating in Director of Group Finance. Prior to that he held finance roles at Sky plc, GlaxoSmithKline plc and Deloitte LLP. Duncan is a chartered accountant.

What Duncan brings to the Board
Duncan has extensive financial reporting and investor engagement experience which prove valuable to the Board and the Group when communicating strategy and financial targets.

External appointments
None.

4. TOM NICHOLSON

Chief Operating Officer

Appointed: January 2020
Age: 55

Experience
Tom joined the Group in May 2019 and became an Executive Director in January 2020. Tom was a divisional Chairman at Linden Homes and he served on the Executive Board of Galliford Try plc. He has previously worked for Try Homes, Berkeley Group Holdings plc and Trafalgar House.

What Tom brings to the Board
Tom is a seasoned executive in the housebuilding sector with over 30 years' industry experience. He brings the breadth of insight to the key operational areas we are focusing on as we rebuild the Company's margins and returns. He has expertise in driving operational improvements and increasing productivity.

External appointments
None.

5. LUCINDA BELL

Non-Executive Director

Appointed: May 2018
Age: 56

Experience
Lucinda was Chief Financial Officer at The British Land Company plc, one of Europe's largest real estate investment trusts, from May 2011 to January 2018. She has held a range of finance roles in the real estate industry. At British Land, Lucinda played a leading role in its sustainability initiatives. Lucinda currently chairs the Audit and Risk Committee at Man Group plc and Audit Committee at Derwent London plc. She is a chartered accountant.

What Lucinda brings to the Board
Lucinda's background in capital markets, investor engagement, tax and the financing of corporate transactions provides valuable insight to the Group.

External appointments
Non-Executive Director of Derwent London plc and Man Group plc.

6. SHARON FLOOD

Non-Executive Director

Appointed: April 2015
Age: 55

Experience
Sharon has held a range of executive financial and strategic roles including at John Lewis Partnership plc, Kingfisher plc and more recently as Group CFO at Sun European Partners LLP. In her non-executive capacity, Sharon spent six years at housing charity Shelter as Chair of Audit, Risk and Finance Committee and six years at Network Rail Ltd, where she chaired its Audit, Treasury and Environmental Sustainability Committees.

What Sharon brings to the Board
Sharon is a highly experienced director with a background in finance and strategy. Her non-executive experience spans plc, Government and not for profit organisations. Sharon brings a range of housing and infrastructure experience to the Board.

External appointments
Non-Executive Director of Getlink SE, Pets at Home Group plc and CityFibre, Trustee of the Science Museum Group, Council Member of the University of Cambridge and Board member of Cambridge University Property Board.

7. LOUISE HARDY

Non-Executive Director

Appointed: January 2018
Age: 54

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's engineering expertise across large and complex projects has been particularly insightful in the standardisation of technical processes across the Group. Louise is the Non-Executive Director responsible for workforce engagement.

External appointments
Non-Executive Director of Polypipe Group plc, Severfield plc and Ebbsfleet Development Corporation.

8. OCTAVIA MORLEY

Senior Independent Director

Appointed: May 2017
Age: 52

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 extensive 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 various retail and consumer roles.

External appointments
Senior Independent Director of the Card Factory plc, Non-Executive Director of Marston's plc and Ascensos Ltd.

Departures during the year

LESLIE VAN DE WALLE

Deputy Chairman and Senior Independent Director
Stepped down from the Board on 24 March 2020.

CHRIS TINKER

Chairman of Major Projects and Strategic Partnership
Stepped down from the Board on 31 December 2019.

THE BOARD'S PURPOSE, VALUES AND CULTURE

Our purpose

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

We strive to improve the quality of life for individuals and communities by building attractive homes in desirable surroundings. Our focus on placemaking ensures we create sustainable communities where people and nature can thrive.

Our values underpin how we implement our Group strategy, defining who we are and how we do business.

We aspire to have an open and honest culture, creating a positive, effective and collaborative environment, where all colleagues are empowered to deliver our success.

Working with integrity is fundamental to our Group strategy. We recently launched our new values and we have sought to embed these along with underlying behaviours.

How the Board monitors culture

The Board has a major influence over the Group's culture and seeks to ensure that it is operating in line with its values.

The tone of the values is set and demonstrated by the Directors and the Executive Leadership Team. They continually assess culture and the adoption of the Group's values in the following ways:

— Reviewing the results of the employee surveys, which are conducted during the year
— Creating opportunities for the Non-Executive Directors to meet wider management and employees
— Receiving updates on the communication approach to all employees from the Chief Executive and Executive Leadership Team
— Employee health and wellbeing roadshows with engagement from Octavia Morley, the Chair of the Remuneration Committee
— Reviewing policies on pay and inclusion and diversity activities to ensure they appropriately capture and reflect the Group's values and culture
— Reviewing business conduct including employee training, whistleblowing statistics, health and safety incidents and internal audit reviews to identify and address any improvement areas
— Review of supplier payment practices, including most recently in the context of small and medium-sized enterprises during the COVID-19 pandemic.

During the COVID-19 pandemic, 75% of the Group's employees were on furlough at the beginning of April under the Government's Job Retention Scheme (JRS). All employees returned from furlough leave by 31 May 2020. We subsequently chose to repay the JRS funding in full in December 2020. All Board members donated 20% of their salary or fees for the two months that employees were furloughed.

Read more in We are Crest Nicholson on pages 2 to 3

Employment policy

The Board values equality and diversity and considers that a diverse workforce strengthens the organisation. The equality and diversity policy ensures all employees and job applicants are accorded equal opportunities for recruitment, remuneration, access to benefits, and training and promotion. The Group selects and promotes employees based on their aptitudes and abilities, not their gender, sexual orientation, marital status, race, nationality, ethnic or national origin, age or disability.

Where an employee has, or develops, long-term health issues or a disability, the Group works with them to ensure their role, skills and development opportunities remain suitable and appropriate for their circumstances so that they can continue, and progress, in their employment with the Group.

The Board recognises the value of each and every employee, especially in the context of a skills shortage in the housebuilding industry, and the Group has a range of initiatives to support and develop employees.

Pages 53 to 55 set out:

— How we engage and communicate with our employees
— Our approach to diversity and inclusion
— Our talent and development programmes
— Our personal development review process.

Page 112 of the Directors' Remuneration Report sets out our approach to workforce remuneration. In addition, 45.5% of employees participate in one or more Sharesave schemes.

SHAREHOLDER AND STAKEHOLDER ENGAGEMENT

The Board engages regularly with its stakeholders and welcomes their feedback. This engagement informs the Board's thinking and decision making in relation to strategy and the oversight of the day-to-day operations of the Group.

Shareholder engagement

The Board is committed to engaging proactively and constructively with its shareholders.

As part of assuming the role of Chairman last year, Iain Ferguson, alongside Octavia Morley, offered to meet with the Company's largest shareholders. This served as an introductory meeting for Iain while also facilitating the consideration of the proposed Remuneration Policy that was presented and approved at the Company's 2020 AGM.

The AGM ordinarily enables the Board of Directors to meet with some of the Company's individual shareholders. Unfortunately, due to the COVID-19 pandemic, the 2020 AGM was scaled back, with shareholders being offered an opportunity to submit questions in advance and listening to the AGM remotely via conference call. Following the AGM, the same dial-in facility was used by Iain to allow shareholders to ask questions of the Board. Responses to questions were published on our website. Similar arrangements will be used for the 2021 AGM and we encourage shareholders to ask questions in advance and vote by proxy. The Board looks forward to meeting shareholders in person at future events, when circumstances allow.

Investor relations

The Head of Investor Relations is the principal contact for institutional shareholders, sell-side analysts, media and other interested stakeholders' and regularly updates the Board and Executive Leadership Team on investor relations matters.

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 annual and half year results and trading updates. These include formal events throughout the year, along with a regular series of one-to-one and group meetings.

During the year, the Group engaged with its shareholders as follows:

— The senior management team attended 78 investor meetings (71 one-to-one meetings and seven group meetings), engaging with around half of current shareholders (by shareholding value)

— Key themes discussed included the Group's strategy and the progress against its priorities, the housebuilding sector, margin improvement initiatives, dividends and other matters relevant to individual parties

— Investor roadshows were organised virtually either by audio conference calls or video calls, with investors primarily based in the UK

— The Group's investor website was updated throughout the year

— To formalise the consensus process, we launched and utilised Vuma, an independent web-based system to collate and publish sell-side consensus, which is now available on our website.

Additional information was provided in results announcements and trading updates on:

— Progress against the Group's strategy and its priorities

— Strengthening of the balance sheet and cash management

— COVID-19 strategy, process and procedures

— General market conditions, including the post-COVID-19 trading environment, affordability, Help to Buy and the land market

— Quality and customer care.

Engagement with lenders

Regular calls and updates were held with lenders during the COVID-19 pandemic to keep them informed on the financial health and the operational progress of the Group, as well as post-results announcements, providing details of results as well as market feedback.

Investor relations timetable

Event	Date
FY19 results announcement	**28 January 2020**
Investor roadshow FY19	**28 January to 7 February 2020**
COVID-19 trading update 1	**19 March 2020**
AGM	**24 March 2020**
COVID-19 trading update 2	**9 April 2020**
COVID-19 trading update 3	**13 May 2020**
HY20 results announcement	**24 June 2020**
Investor roadshow HY20	**24 June to 8 July 2020**
FY20 year end	**31 October 2020**

Stakeholder engagement

Engagement with the Group's other stakeholders and consideration of their respective interests in the Group's decision making process took place during the year as described on this page and overleaf and on pages 32 to 35.

Our stakeholders

Read more about our Stakeholder relationships on p32–35

INVESTORS

The Board receives regular updates from the Group Finance Director and Head of Investor Relations on investor activities, including feedback from shareholder roadshows.

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

Directors attend the AGM and other shareholder meetings following the announcement of final and half-year results.

CUSTOMERS

The Board recognises the importance of delivering high levels of customer satisfaction to provide high quality homes and enhance the reputation of the business. The Board was delighted that, due to the hard work of its employees, the Group achieved a five-star housebuilder rating during 2020.

The Board and the Executive Leadership Team regularly review performance in relation to customer satisfaction and scoring by the independent National House Building Council (NHBC).

The Board receives presentations from the Chief Operating Officer and Group Production Director covering quality, customer engagement and other operational management initiatives.

OUR PEOPLE

The Board receives updates on employee matters at each Board meeting.

During the year, the Board engaged with employees, namely on: strategic and trading updates including the impact of COVID-19; feedback from the results of employee surveys; our values; and prior to COVID-19, proposals to facilitate agile working.

Louise Hardy is the Non-Executive Director responsible for workforce engagement. Louise was appointed to this position in October 2020, replacing Octavia Morley. Octavia presented at employee health and wellbeing roadshows during the financial year.

Employees are encouraged to participate in the Group's Sharesave scheme, further details can be found on page 112.

Our stakeholders

Read more about our Stakeholder relationships on p32–35

SUPPLY CHAIN

The Board continuously recognises the Group's responsibility to its suppliers and subcontractors and its impact on the local housebuilding and construction industry. Regular updates are provided to the Board on the Supply Chain strategy, approach and simplification, including payment practices and the prevention of modern slavery.

The Chief Operating Officer and Group Production Director maintain relationships with directors of the Group's key suppliers with a focus on Safety, Health and Environment (SHE) matters.

During the COVID-19 pandemic regular updates were provided to the Board in relation to construction materials and labour.

LOCAL COMMUNITIES

The Group actively seeks the views of local communities to develop a tailored planning and community engagement strategy for each development site, working closely with communities and other local stakeholders throughout all aspects of the planning process.

This feeds into Board discussion of future development plans and major capital expenditure proposals, including the Group's policy in relation to land purchases.

The Board, supported by the Sustainability Committee, considers sustainability and environmental impact in relation to the development of its sites.

GOVERNMENTS AND OTHER BODIES

The Board monitors and participates in regulatory and industry bodies that shape the legislative environment and local planning departments.

During the year, regular updates were provided to the Board on industry developments including the policy implications of the outcome of the 2019 General Election, impact of the COVID-19 pandemic on construction, market trends, Stamp Duty suspension, Brexit and the labour market.

THE SECTION 172(1) STATEMENT

The Board of Directors confirm that during the year under review it has acted to promote the long-term success of the Company, for the benefit of shareholders, while having due regard to the matters set out in section 172(1)(a) to (f) of the Companies Act 2006, being:

(a) the likely consequences of any decision in the long term

(b) the interests of the Company's employees

(c) the need to foster the Company's business relationships with suppliers, customers and others

(d) the impact of the Company's operations on the community and the environment

(e) the desirability of the Company maintaining a reputation for high standards of business conduct

(f) the need to act fairly between members of the Company.

Our stakeholders

The Board engages with its stakeholders in various ways. By direct engagement, and via the Executive Leadership Team, the Board is fully appraised of the matters of importance to stakeholders. On pages 32 and 35 we have outlined how both Directors and the Group have engaged with our key stakeholders.

The Board reflects on its key stakeholders as part of its decision making process, developing its strategy and as part of its risk management process.

Methods used by the Board

To support the Directors in performing their duties, initiatives include:

- An annual strategy and budget review which assesses the long-term sustainable success of the Group and our impact on key stakeholders (see page 78)
- Key sub-committees led by the Executive Leadership Team focused on Safety Health & Environment and Sustainability, reporting to the Board
- The Board receives regular shareholder updates from the Head of Investor Relations (see pages 73 to 74)
- The Board's risk management procedures identify the potential consequences of decisions in the short, medium and long term so that mitigation plans can be put in place to prevent, reduce or eliminate risks to our business and wider stakeholders (see pages 57 to 64)
- The Board sets the Group's purpose, values and strategy and ensures it is aligned with our culture (see page 72)
- External assurance is received through audits, stakeholder surveys and reports from brokers and advisors.

Principal activities and decisions in FY20

The principal activities and decisions taken by the Board in FY20 are detailed on pages 78 to 79. Decisions made by the Board which have a significant impact to the Group's long-term sustainable success included:

- Approval of the Group's strategic priorities and foundations and how their success would be measured
- The Group's strategic and financial response to COVID-19 alongside the decisions relating to the protection of the Group's employees, customers and supply chain
- The Group's approach to reducing overheads including organisational changes and redundancies
- The Group's Sustainability targets.

Due to the nature of these decisions, a variety of stakeholders were factored into the Board's discussions.

In addition, the Board discussed various stakeholder concerns and initiatives including:

- The Group's risks and opportunities posed by climate change and customer demand for sustainable housing
- The values and culture of the Group
- The Group's diversity and inclusion and succession planning initiatives
- Performance of the Group against customer service surveys and legacy customer services issues
- The results of employee surveys and how to improve further engagement
- Payment practices in general and in the context of the COVID-19 pandemic.

s172 factor	Relevant disclosures	Link to priorities	Link to foundations
The long term	p2–3 We are Crest Nicholson p4–5 Our strategy p14–15 Key performance indicators p30–31 Business model p38–41 Financial review	1 2 3 4 5	1 2 3 4
Employees	p53–55 Our people p85–88 Nomination Committee Report	3 4	3
Business relationships with suppliers and customers	p24–25 Committed to delivering five-star customer service p46–47 Safety, Health & Environment p49 Building sustainable partnerships p50 Responsible procurement	2 3 4 5	1 2
Community and environment	p52 TCFD disclosures p48–52 Sustainability & Social Value	1 5	2
Business conduct	p2–3 We are Crest Nicholson p95 Ethical behaviours and safeguarding	4	2 3
Shareholders	p73–74 Shareholder engagement p36–37 Why invest in Crest Nicholson?	1 2 3 5	2 4

Link to strategic priorities

1 Placemaking & Quality
2 Land Portfolio
3 Operational Efficiency
4 Five-Star Customer Service
5 Multi Channel Approach

Link to strategic foundations

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

LEADERSHIP AND PURPOSE CONTINUED

THE EXECUTIVE LEADERSHIP TEAM

1. PETER TRUSCOTT

Chief Executive

See biography on page 70

2. DUNCAN COOPER

Group Finance Director

See biography on page 71

3. TOM NICHOLSON

Chief Operating Officer

See biography on page 71

4. DAVID MARCHANT

Group Production Director

Joined: March 2019

Age: 56

Experience

David has over 35 years' construction and home building 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 NHBC. At NHBC he was a Director of their Approved Inspector business.

David is a structural engineer and chartered builder.

5. KEVIN MAGUIRE

General Counsel and Company Secretary

Joined: January 2009

Age: 36

Experience

Kevin joined the Group in March 2008 and became Group Company Secretary in January 2009.

Since joining Crest Nicholson, he has been involved in a range of significant corporate transactions including the initial public offering of the Company. With a legal background Kevin has a comprehensive understanding of the legal, compliance, governance and risk considerations relevant to the Group, and the regulatory environment in which it operates. His responsibilities include providing Board support and advice on corporate governance and UK listing obligations.

Kevin is a fellow of the Chartered Governance Institute and previously held roles in retail, pensions and technology.

6. JANE COOKSON

Group HR Director

Joined: January 2021

Age: 48

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 Company and its people.

Jane has responsibility for all areas of HR including recruitment, talent and performance management.

Jane is MCIPD qualified and has been in the housebuilding industry for 20 years. She has also worked in a range of other industries within the HR function.

7. KIERAN DAYA

Managing Director, Crest Nicholson Partnerships and Strategic Land

Joined: January 2021

Age: 39

Experience

Kieran is a qualified solicitor and he has worked with some of the country's largest developers and has a passion for the built environment. Kieran joined Crest Nicholson in January 2020 to set up and further develop the multi channel and multi tenure capability which provides additional production and points of sale.

Kieran has recent and relevant experience in mergers and acquisitions, having taken a lead on some of the larger transactions in the housebuilding industry in recent years.

GOVERNANCE FRAMEWORK

To enable decision making at appropriate levels within the Group, there is a clear corporate governance framework.

The Board

Responsible for generating and preserving long-term value, setting Group strategy with governance frameworks to support this.

The Board is responsible to shareholders for promoting the long-term sustainable success of the Company through setting clear strategy which generates long-term value for stakeholders and contributes to wider society. It provides Group strategic direction and leadership within a framework of strong governance, risk management and effective controls. The Board monitors and aligns the Group's culture and defines and sets its values and standards.

The Board oversees the performance and progress of the business against business plans, using KPIs to monitor the collective ability of management. This is considered alongside the Group's appetite for risk, with regular monitoring of internal controls and risk management.

The Board sets profit expectations and dividend policy and approves major acquisitions, capital expenditure and financing. The Board has a schedule of matters reserved for its decision. This schedule is aligned with delegation of authority policies across the Group and its divisions.

Executive Committee

Provides executive leadership to deliver the Group strategy and manage the operation of the business on a day-to-day basis.

Divisional boards

The Group has six divisions, five located in different geographies in the UK and one focused on partnerships and strategic land. Each division is run by a divisional board comprising directors responsible for specific disciplines.

— Consider the operational matters and key risks of the division

— Monitor and control costs at a divisional level

— Responsible for delivering high levels of customer service, quality and SHE performance.

Committees

Audit and Risk Committee

— Oversees financial reporting and disclosures to the market

— Monitors internal controls and risk management

— Monitors reporting, independence and effectiveness of external and internal auditors.

Nomination Committee

— Reviews the balance, diversity, independence and effectiveness of the Board

— Oversees the selection and appointment of new Directors to the Board

— Monitors succession planning for the Board and the Executive Leadership Team, alongside talent management.

Remuneration Committee

— Sets the remuneration policy at Board and Executive Leadership Team level

— Aligns remuneration with the enhancement of shareholder value and delivery of the Group strategy

— Considers pay for the wider workforce and when setting remuneration for the Executive Directors.

Safety, Health & Environment Committee

— Monitors performance against the Group's SHE strategy

— Sets associated policies, procedures and initiatives

— Oversees the management of the Group's SHE risks.

Project Committee

In line with agreed delegations and limits:

— Manages the land portfolio and allocation of project capital across the Group

— Oversees all major investment and divestment decisions on behalf of the Executive Committee and Board.

Sustainability Committee

— Monitors performance against the Group's Sustainability strategy

— Recommends associated targets, policies and initiatives to the Board

— Oversees the management of the Group's Sustainability risks.

BOARD ACTIVITY

Meetings of the Board

The Board has kept the Group's performance under close review and actively engaged with shareholders in relation to governance, remuneration and trading.

As well as formally scheduled meetings, the Board held a range of briefings and calls outside of these main meetings as required. A number of those additional Board meetings were held by video conference and focused on the impact of the COVID-19 pandemic on the business as well as the initiatives introduced by the Executive Leadership Team to strengthen health and safety protocols and improve trading performance.

Time is also scheduled when required for the Non-Executive Directors to meet without the Executive Directors present.

Scheduled Board meetings

The Board met six times during the year for formally scheduled meetings. Scheduled meetings of the Board follow an agreed format, with agendas being developed from the Board's annual plan of business and tailored to reflect the status of projects, strategic workstreams and operational matters.

Finalisation of meeting content is a collaborative process involving the Chairman, Chief Executive and General Counsel and Company Secretary, who ensure adequate time is allocated to support effective and constructive discussion and decision making. Board and Committee materials are provided to the Directors via an electronic platform and Directors have access to information, support and advice from the General Counsel and Company Secretary.

Strategic review

In January 2020 an updated Group strategy was launched. The development of this strategy commenced shortly after the appointment of Peter Truscott as Chief Executive. The Board attended a dedicated strategy review, to consider and refine the Executive Leadership Team's proposed areas of focus. The Group's strategic priorities and foundations were formulated, alongside how success would be measured. The budget for FY20 was also reviewed at this meeting. An overview of the Group's strategy is set out on pages 4 to 5.

In line with the Board's responsibility for the overall strategic direction of Crest Nicholson, progress against the updated strategy is reviewed at every Board meeting. The Executive Leadership Team outline their performance against each of the strategic priorities and foundations.

Attendance at scheduled Board meetings

Director	Board	Audit and Risk Committee	Nomination Committee	Remuneration Committee
Iain Ferguson	6/6	–	4/4	4/4
Peter Truscott	6/6	–	–	–
Duncan Cooper	6/6	–	–	–
Tom Nicholson[1]	5/5	–	–	–
Lucinda Bell	6/6	4/4	4/4	4/4
Sharon Flood	6/6	4/4	4/4	4/4
Louise Hardy[2]	6/6	3/4	4/4	4/4
Octavia Morley[3]	5/6	4/4	4/4	4/4
Former Directors				
Chris Tinker[4]	0/1	–	–	–
Leslie Van de Walle[5]	2/2	1/2	2/2	2/2

1 Tom Nicholson joined the Board on 1 January 2020.
2 Louise Hardy was unable to attend one meeting due to conflicting appointments.
3 Octavia Morley was unable to attend one meeting after the Company rescheduled it.
4 Chris Tinker stepped down from the Board on 31 December 2019.
5 Leslie Van de Walle stepped down from the Board on 24 March 2020.

STRATEGY, OPERATIONS AND FINANCE

GOVERNANCE AND LEGAL

LEADERSHIP AND PEOPLE

— Continued to focus on the composition, balance and effectiveness of the Board and approved the appointment of Tom Nicholson, Chief Operating Officer, to Executive Director on the recommendation of the Nomination Committee
— Received regular updates in relation to people and engagement activities
— Carefully considered the Group's values when making decisions.

- Monitored trading performance throughout the year, and management's response, to the COVID-19 pandemic
- Reviewed progress against the Group strategy
- Monitored SHE performance and initiatives, including the investigation into the fatality at one of our sites in October 2019
- Monitored and received regular updates on sector, market and the legislative landscape
- Discussed developments around the Sustainability strategy
- Reviewed the Group's debt, capital and funding arrangements and put in place a £300m facility under the COVID Corporate Finance Facility
- Approved the annual budget, business plan and KPIs
- Received regular updates from management on customer service and marketing
- Reviewed and approved the Group's full year 2019 and half year 2020 financial statements
- Approved the Group's 2019 Annual Integrated Report, including a fair, balanced and understandable assessment
- Approved a final FY19 dividend, although due to the rapidly evolving Government guidance in respect of COVID-19 and the anticipated impact on trading performance, the Board took the difficult decision to cancel its final dividend
- Suspension of all financial guidance in March 2020 due to COVID-19, reinstating FY20 adjusted profit before tax guidance on release of HY20 results.

- Regular updates on major legal matters
- Discussed developments around the Sustainability strategy
- Received and reviewed regular briefings on corporate governance developments and legal and regulatory issues
- Approved the Group's Anti-slavery and human trafficking statement for publication
- Received reports on engagement with investors and other stakeholders throughout the year
- Reviewed progress against the 2019 Board evaluation action plan
- Conducted an internally-facilitated Board evaluation covering the Board's effectiveness, processes and ways of working with the outcome discussed by the Board
- Reviewed the terms of reference for the Board Committees
- Received regular updates from the Chairs of the Audit and Risk Committee, Nomination Committee, Remuneration Committee, Safety, Health and Environment Committee and Sustainability Committee
- Considered the impact on stakeholders in its decision making.

INTERNAL CONTROL AND RISK MANAGEMENT

- Debated significant and emerging risks including building regulations, fire risk, the outcome of the 2019 UK General Election and developments in respect of the UK leaving the EU
- Reviewed the Group's risk management framework, principal risks and uncertainties including the addition of a new principal risk: 'Epidemic or pandemic from infectious diseases'
- Reviewed and confirmed the Group's viability statement and going concern status, at half year and full year
- Reviewed updates on the information and cyber security control environment.

Board visit

Curbridge Meadows, Botley, Hampshire

While several site visits and off-site meetings were scheduled during the year, a number of these had to be cancelled due to the COVID-19 pandemic. It was not always practical to replace these with video conference.

However, in September 2020, the Board visited Curbridge Meadows, met the divisional management, and toured the site in a COVID-secure way.

Part of a consortium, the development will include two new primary schools, a secondary school and two neighbourhood centres with space for shops. This will be accompanied by green open space as well as community amenities.

The divisional management team had the opportunity to meet the Board in small groups at the start of the day before a formal presentation. The team then took the Board through their portfolio, key sites and how the Group's strategy is operating within the South division. After Q&A, tours took place around the construction site, and then the marketing suite and show homes. These were interactive and allowed both the Board and site colleagues to ask questions of each other.

The sales team explained the Group's unique offering compared to other developers and the site highlights which typically attract homebuyers.

The Board found the visit extremely valuable and gained additional insight into its SHE processes in practice, the implementation of changes to the Group's branding and new site quality procedures.

ROLES AND RESPONSIBILITIES

Individual roles and responsibilities

The Board plays an active role in shaping the Group's strategic direction. The Directors contribute their skills and expertise and provide the framework for management's decision making. Directors are sought with functional skills and experience from the housebuilding industry or other relevant backgrounds.

IAIN FERGUSON CBE

Chairman

- Leads Board, governance, major shareholder and other stakeholder engagement
- Supports and advises the Chief Executive on the day-to-day management of the business
- Application of 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
- Facilitates an environment for effective relationships between all Directors
- Drives a culture that supports constructive discussion, challenge, debate and decision making
- Ensures the views of all stakeholders are understood and considered appropriately in Board discussions.

PETER TRUSCOTT

Chief Executive

- Responsible for the leadership of the Group and implementing the Group's strategy
- Manages the overall performance of the business and provides effective leadership to the Executive Leadership Team
- 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 Board-agreed policies, and their impact on behaviours and Group culture
- Leads and supports Crest Nicholson's divisions and its Group support functions
- Engages with Crest Nicholson's key stakeholder groups including the Government.

DUNCAN COOPER

Group Finance Director

- Provides leadership, direction and management of Group Finance, overseeing divisional financial control functions
- Responsible for the consolidation of the Group's financial statements, financial control mechanisms and the Group's 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.

TOM NICHOLSON

Chief Operating Officer

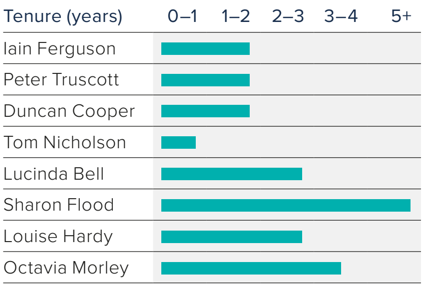
- Provides leadership and direction to the divisional businesses
- Oversees delivery of the Group's strategy across the divisions
- Maintains a strong control environment
- Delivers operational efficiencies across the divisions
- Sets exemplary standards and embeds assurance processes for SHE and quality management.

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 shareholders that cannot be resolved through the normal channels of the Chairman or the Executive Directors
- Responsible for leading the Chairman's performance evaluation.

Board tenure[1]



1 As at 31 October 2020.
2 As at 31 October 2020 and unchanged at 1 January 2021.

Gender diversity[2]

50% Female

50% Male

Board composition[2]

One Chairman independent on appointment

Three Executive Directors

Four Independent Non-Executive Directors

LUCINDA BELL, SHARON FLOOD, LOUISE HARDY AND OCTAVIA MORLEY

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 Leadership Team
- Constructively challenge and assist in the development of Group strategy
- Provide independent insight, support and any specialist advice.

KEVIN MAGUIRE

General Counsel and Company Secretary

- Provides advice and assistance to the Board, the Chairman and other Directors
- Develops agendas for Board meetings
- Oversees processes for providing information to the Board
- Advises and keeps the Board updated on corporate governance developments
- Considers Board effectiveness and Directors' training needs in conjunction with the Chairman
- Supports the Chairman on shareholder governance engagement matters.

Conflicts of interest

The Board has adopted a policy to identify and manage Directors' conflicts or potential conflicts of interest. Directors' and Executive Leadership Team's interests, and those of their close family, are reviewed by the Board at each meeting. New conflicts arising between meetings are dealt with at the time between the Chairman and the General Counsel and Company Secretary. The Board confirms 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, processes will be put in place accordingly.

External appointments made in the year

The Board carefully considers each of its Director's existing commitments and time required to fulfil their obligations to the Company. During the year, the following external appointments were made and disclosed to London Stock Exchange, in line with the Listing Rules:

- Lucinda Bell appointed a Non-Executive Director of Man Group plc with effect from 28 February 2020
- Iain Ferguson appointed a Non-Executive Director of Genus plc with effect from 1 July 2020 becoming Chairman in November 2020
- Sharon Flood appointed a Non-Executive Director of Getlink SE with effect from 30 September 2020.

During the year, Peter Truscott was appointed a Non-Executive Director of Anchor Hanover Housing Group. This appointment is considered to complement Peter's role as Chief Executive.

Iain Ferguson holds two Chair mandates in FTSE 250 listed entities (Crest Nicholson Holdings plc and Genus plc) and a further Chair mandate at 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 Board was satisfied that these appointments do not result in overboarding, and no potential conflicts were raised.

Professional development, support and training

During the year, the Board received updates from management on customer service, an overview of the new CNPSL division and on the Future Homes Standard. Time was also spent considering how section 172 of the Companies Act impacted the Board's deliberations.

While Board meetings held at divisional offices were postponed during the COVID-19 pandemic, the Chairman and Non-Executive Directors continued to attend sites on an individual basis. These included visits to Morton Park in Milton Keynes, Harborne Manor in Stoke Mandeville both in Buckinghamshire, Kilnwood Vale, Faygate in West Sussex, Westvale Park, Horley and Upper Longcross, both in Surrey and Arborfield, Wokingham, Berkshire.

BOARD COMPOSITION

There is a clear and effective division of responsibilities between Board members. The Chairman leads the Board and is responsible for its overall effectiveness in directing the Group, demonstrating objective judgement and promoting a culture of openness and debate. In addition, the Chairman facilitates constructive Board relations and the effective contribution of all Non-Executive Directors. The Chief Executive leads and manages the day-to-day business within the parameters of the authorities delegated to him by the Board. With the appointment of Iain Ferguson as Chairman last year, the roles and responsibilities of the Chairman and Chief Executive were refreshed during the year.

The Board includes an appropriate combination of Executive Directors and Non-Executive Directors, with half the Board considered independent. No one individual or small group of individuals dominates the Board's decision making. The Non-Executive Directors provide constructive challenge, strategic guidance and specialist advice and hold management to account. The Chairman, supported by the General Counsel and Company Secretary, ensures that it has the policies, processes, information, time and resources it needs to function effectively and efficiently.

The Board has an established framework of delegated financial, commercial and operational authorities which define the scope and powers of the Chief Executive and operational management.

BOARD EXPERIENCE

A broad range of skills with a wide range of industry experience

BOARD EVALUATION

BOARD EVALUATION PROCESS

During the year, the Board conducted an internal evaluation of its performance following an external evaluation conducted by Lintstock (who have no connection with the Company) in 2018 and an internally facilitated evaluation led by the Deputy Chairman in 2019.

The 2020 review process took place from July to October and was led by the Chairman with support from the General Counsel and Company Secretary.

Progress against last year's agreed areas of focus was considered. The review concluded that the Board continued to operate effectively. The Chairman, alongside the General Counsel and Company Secretary, will implement the agreed actions during 2021. These are summarised overleaf.

EVALUATION OF CHAIRMAN'S PERFORMANCE

Senior Independent Director, Octavia Morley, led a review of Iain Ferguson's performance as Chairman. The review noted the significant contribution Iain had made to the Board in his first year in the role and continues to diligently and effectively lead the Board, giving a significant time commitment.

Year 1 (2018)	An externally facilitated evaluation was carried out by Lintstock.
Year 2 (2019)	Internal facilitated evaluation led by the Deputy Chairman.
Year 3 (2020)	Internal facilitated evaluation led by the Chairman.

2020 BOARD EVALUATION

Stage 1	Stage 2	Stage 3
The Board, following recommendation from the Nomination Committee, considered it appropriate to conduct this year's Board evaluation internally. The Chairman and General Counsel and Company Secretary agreed on the review process in line with Code requirements and based on themes specific to the Company. It was agreed that the Non-Executive Directors led by the Senior Independent Director would review the performance of the Chairman.	The Chairman held one-to-one meetings with each of the Directors, and the Directors were asked to consider key themes prior to these meetings. The Senior Independent Director held a meeting with the Non-Executive Directors to consider the Chairman's performance.	The Chairman presented the findings of the review and recommendations for improvements to the Nomination Committee. The Board subsequently agreed on the areas of focus for 2021, which are outlined overleaf.

2020 areas of focus in response to the 2019 evaluation

Evolving strategy and investor proposition

In the first year of the Group's updated strategy, ensure the strategy is communicated clearly both internally and externally, presenting the Group's vision and culture to shareholders and stakeholders so that they support the delivery of the strategy over the medium term.

Board operations and meeting format

In the context of a new Chairman and Chief Executive, it is essential that the timetable and format for meetings and information flow support all Board members in carrying out their roles. It was agreed this would be reviewed in the early part of 2020.

Risk

With an updated strategy, it is even more important that the Group's risk appetite and internal risk assessment and control processes are regularly reviewed. It was agreed this would take place during 2020.

Culture and stakeholders

With an updated strategy set out and implemented, the Board would continue to focus on key areas of:

- Culture
- Safety, health and environment
- Customers
- Employees and workforce engagement
- Diversity and inclusion
- People focus and change management
- Talent development.

A range of presentations and initiatives to take place as the updated strategy is implemented.

Board relationships

With a range of new Board members, and particularly Executive Directors, developing and maintaining relationships would continue as a theme in 2020. The Chairman would work closely with all members of the Board and Executive Leadership Team to develop relationships around the Boardroom and ensure that Directors are bringing their skills to the Board's operation. The Chairman would facilitate regular individual and group feedback opportunities and provide support as required.

Maintaining the breadth of industry and Company knowledge throughout the Board

In a year where all the Executive Directors were new to the business, a special focus would be placed on industry and Company knowledge, at the same time as developing relationships around the Boardroom and ensuring that the Non-Executive Directors were supported and continued to develop their industry knowledge. Developing effective induction processes to enable new Executive Directors to become familiar with all core operations of the business.

Output of 2020 Board evaluation on performance

The Board evaluation demonstrated that good progress had been made across all 2020 areas of focus in the financial year.

All Board members agreed that the updated strategy had been communicated effectively across the Group, the analyst community and current and prospective shareholders. Corporate advisor relationships were also reviewed during this period and changes made accordingly.

The outbreak of the COVID-19 pandemic resulted in an immediate adaptation of the recently updated strategy and the Board agreed it was able to support the Executive Leadership Team's prompt and appropriate recommendations at this time.

The evaluation also highlighted that the Board worked well together during this period and considered its stakeholders and culture, challenged constructively, particularly in relation to making major decisions such as organisational changes, cancelling the final FY19 dividend and suspending future financial guidance.

The review noted that working together on the major challenges posed by COVID-19 had accelerated the process of new Board members getting to know each other and using new technology to facilitate ways of working.

During the year, there was enhanced risk reviews by the Board and across the organisation.

2021 areas of focus

Strategy development

The Board intend to:

- Spend further time on strategy development, using full Board experience to work together on assumptions and scenarios that are aligned to stakeholder expectations
- Further reflect and develop the culture of the Group
- Further enhance the assessment of the Group's appetite for risk as part of strategy discussions.

Reiterate the investor proposition

The Board intend to:

- Develop a clearer explanation of the Group's investment case
- Outline a medium-term vision of the Group's financial and operational recovery
- Align the Group KPIs to the updated strategy for future reporting purposes.

Greater focus on succession planning and talent development

To continue to build relationships between the Non-Executive and Executive Directors in an informal setting outside of Board meetings.

To develop a comprehensive succession planning process, remaining mindful of diversity and inclusion.

To further focus on retaining key talent for the future.

Work to build further Board cohesion and trust

By creating opportunities for more shared experiences, for example further site visits and divisional meetings.

NOMINATION COMMITTEE REPORT

COMMITTEE OVERVIEW

Committee members

Iain Ferguson CBE

Lucinda Bell

Sharon Flood

Louise Hardy

Octavia Morley

Leslie Van de Walle
Committee member until 24 March 2020

Committee snapshot

- Iain Ferguson has chaired the Committee since September 2019
- All other members of the Committee are independent Non-Executive Directors. Attendance at Committee meetings is set out on page 78 and the relevant Directors' biographies can be found on pages 70 to 71
- Other regular attendees at meetings at the invitation of the Committee include the Chief Executive, the Group HR Director and the General Counsel and Company Secretary
- The Committee is authorised to seek outside legal or other independent professional advice as it sees fit but has not done so during the year.

I am pleased to present this year's Nomination Committee report. Following a year of change and strengthening of the Board in 2019, the Committee is pleased with the excellent progress made by the new Executive Leadership Team. The Committee has fully supported the divisional management changes made during the year which have enabled the Group to bring in proven skills and relevant experience from within the sector while also providing development opportunities for our existing talent. Accordingly, the Group now has a high calibre leadership group to deliver our strategy.

The Committee has spent time during the year considering succession plans to ensure contingencies are in place for future business needs, alongside enabling talented individuals to reach their full potential.

Tom Nicholson, who joined the Group as Chief Operating Officer in May 2019, was appointed to the Board in January 2020. Tom brings a breadth of experience in the key operational areas and is a valued addition to the Board and Executive Leadership Team.

In December 2019 Chris Tinker, Chairman of Major Projects and Strategic Partnerships, retired from the Company after more than 30 years of service including serving on the senior team and Board from 2007 until his retirement. We thank Chris for his significant contribution to Crest Nicholson particularly his period as Interim Chief Executive and wish him a long and happy retirement.

We also saw the departure of Leslie Van de Walle as Deputy Chairman and Senior Independent Director, with the Committee recommending current Non-Executive Director, Octavia Morley, as the new Senior Independent Director on 24 March 2020. The Board is extremely grateful for Leslie's commitment, dedicated service and counsel over his two years with the Group, particularly during the recruitment processes of a new Chairman, Chief Executive, Group Finance Director and Chief Operating Officer.

In addition, the Committee considered and approved two further appointments to the Executive Leadership Team. Jane Cookson, Group HR Director and Kieran Daya, Managing Director, Crest Nicholson Partnerships and Strategic Land joined the Executive Leadership Team from 1 January 2021. The Committee carefully considered the composition of the ELT, and the skills and expertise that the new appointments will bring to the wider team and considered both to be excellent additions. I welcome them both to the ELT and look forward to working with them in their new roles.

Finally, alongside succession planning for the Board, the Committee will be focused on expanding further succession and contingency planning through the organisation. We are committed to ensuring every Crest Nicholson employee can fulfil their potential and we recruit from a variety of backgrounds to complement this. We know that a diverse and engaged workforce is key to effective delivery of our strategy.

IAIN FERGUSON CBE
Nomination Committee Chair

Main responsibilities of the Committee

Recruitment

- Reviewing structure, size and composition of the Board
- Preparing job specifications, appointing search agencies and overseeing the search process for potential candidates for new Board appointments
- Overseeing the induction of new Directors.

Succession planning

- Considering the succession plans for the Executive Directors, Executive Leadership Team, functional directors and divisional boards.

Board evaluation

- Facilitating the performance evaluation of Directors
- Making recommendations with respect to the annual re-election, continuation in office and appointment of Directors.

Diversity

- Reviewing the Board's approach to diversity and the Group's progress in implementing its initiatives.

Re-election of Directors

The Committee considered the output from the Board effectiveness evaluation report and concluded that each of the Directors continued to make an effective contribution to the Board. The Committee considered the tenure, independence, time commitments and any other significant appointments of each of the Non-Executive Directors, including the Chairman, and concluded that each Director continues to contribute effectively and provides sufficient time to the Company.

Iain Ferguson was independent on appointment as Chairman, and Octavia Morley, Sharon Flood, Lucinda Bell and Louise Hardy are each considered to be independent Non-Executive Directors.

In accordance with the Code, each of the Directors will submit themselves for re-election at the 2021 AGM. Further detail on the Board evaluation process is outlined on pages 83 to 84 and the Directors' biographies, are detailed on pages 70 to 71.

Succession planning

The Committee plays a vital role in ensuring the effectiveness of the Board and its ability to deliver long-term success for the business. 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. The Committee also considers the executive pipeline and the talent development initiatives to identify and grow future leaders in the business, for example the new appointments to the Executive Leadership Team.

During the year, the Group rolled out its new succession planning framework. The following roles were considered:

- Executive Leadership Team members
- Functional directors
- Divisional managing directors and divisional board members.

Through a structured approach to development opportunities, the Group is committed to focusing on retaining its high potential individuals and emerging talent. These development opportunities will take the form of mentoring, breakfast meetings, rotating individuals into divisional board meetings to get a wider business perspective as well as certain e-learning.

The focus for this year of management's recruitment activity will be to attract and retain a diverse mix of people, with succession in mind for those areas where there are currently gaps.

A new performance and development review (PDR) process has been rolled out to align employees' objectives to the business strategy. Moving forward, this will support the succession planning process.

The Committee also considered the Emergency Succession Plan for the Executive Leadership Team. 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 Executive Leadership Team, or a divisional managing director, where such absence would be reasonably expected to be more than two weeks.

Board diversity

The Group's approach to diversity and inclusion is set out in the Board's diversity and inclusion policy which is reviewed annually by the Committee and applies in a similar way to senior management (as defined in the Corporate Governance Code 2018). It is the Board's policy to recruit Board members and senior management based on skills and experience taking into account the benefits of having a diverse Board of Directors, and wider team in the broadest sense. The Board has retained the target for at least 33% of the Board to be female.

While no Board changes are currently planned, the Committee intends to prioritise meeting the recommendations of the Parker Review (which recommends at least one director from an ethnic minority background for FTSE 250 companies by 2024) in its next, and future recruitment processes. This will include requiring all search firms appointed to work for the Group to commit to supporting this objective, broadening their research process, and ensuring that short lists reflect a clear range of ethnicity, gender and social characteristics. The Committee will also consider closely any potential Board appointment which would cause the Board not to meet the objective of the Parker Review, to be completely satisfied that the most appropriate candidate could not be recruited from an ethnic minority background.

The Committee keeps its balance and composition of the Board and senior management under regular review. During the year it approved the appointment of Jane Cookson, Group HR Director and Kieran Daya, Managing Director, Crest Nicholson Partnerships and Strategic Land to the Executive Leadership Team from 1 January 2021.

The Board meets the requirements of the Hampton-Alexander report, for one-third of its Board to be female. At 31 October 2020, the Board consisted of four female members and four male members, and senior management consisted of five male members with female employees making up 27.6% of the combined senior management and direct reports. From 1 January 2021, senior management consisted of one female and six male members, with female employees making up 34.1% of the combined senior management and direct reports.

It is acknowledged that there is a need to identify and develop the

The Committee's terms of reference can be found online at: www.crestnicholson.com/investor-relations/corporate-governance/board-committees next generation of female talent and talent from under-represented groups within the organisation, and initiatives are in place towards this. The Committee is updated at each of its meetings.

To support the Board and Committee, a Diversity and Inclusion Forum has been set up to generate ideas and initiatives to drive this agenda forward. Members from a range of under-represented groups volunteered to be part of this forum. Feedback in relation to the Group's approach to diversity and inclusion from the recent employee engagement survey is being considered by the forum and members will provide input into an updated Group employee diversity and inclusion policy statement. The Committee will consider this policy as part of its activities next year. Further information on our approach to diversity across the Group can be found on page 53.

Committee evaluation

During the year, the Committee's performance was evaluated as part of the overall Board evaluation. The review explored the composition of the Committee, the management of its meetings, the Committee's scope, processes and the support it receives, and areas for development. The evaluation concluded that the Committee continues to work effectively.

Activity during the year

Items of business considered by the Committee during the year are set out in the table below.

Activity during the year	Outcomes
RECRUITMENT	
Reviewed the Board's operation and expertise	Recommended to the Board the promotion of Tom Nicholson to the Board Recommended to the Board that Louise Hardy be appointed as the Non-Executive Director responsible for employee engagement, replacing Octavia Morley
Acknowledged the resignation of Leslie Van de Walle as Deputy Chairman and Senior Independent Director	Following consideration, recommended to the Board the appointment of Octavia Morley as Senior Independent Director, and that a Deputy Chairman was no longer appropriate due to the appointment of a Chairman independent on appointment
Following the extensive Board and Executive Leadership Team changes made during 2019, reflected on the composition of the Board and Executive Leadership Team	Considered and approved two further appointments to the Executive Leadership Team, Jane Cookson, Group HR Director and Kieran Daya, Managing Director, Crest Nicholson Partnerships and Strategic Land joined the ELT from 1 January 2021. With these changes, the Committee agreed that the composition of the Board and Executive Leadership Team is appropriate
Considered the performance and effectiveness of individual Directors, and their contribution to the Board	Recommended to shareholders the re-appointment of all Directors standing for re-election at its 2020 AGM
DIVERSITY	
Received updates from management on the Group's ongoing initiatives in respect to diversity and inclusion	Supported and endorsed the Group's diversity initiatives
Received the Board diversity policy and target	Approved the Board diversity policy and target
SUCCESSION PLANNING	
Considered succession planning arrangements presented by management	Agreed and made recommendations for strengthening succession planning
Reviewed current initiatives in respect of talent management across the Group both at entry level, mid-tier and wider management	Agreed and made recommendations for strengthening talent management
BOARD EVALUATION	
Participated in, and reviewed the output of the 2020 internal Board evaluation process	Presented the recommendations to the Board to approve
Reviewed the Board Committee composition	Agreed and reported to the Board that the Board Committee composition remains appropriate
GOVERNANCE	
Reviewed the Committee's terms of reference	Agreed terms of reference were in line with best practice and Code compliant

Activities key

- Strategy, operations and finance
- Leadership and people
- Governance and legal
- Internal control and risk management

APPOINTMENT OF TOM NICHOLSON

TOM NICHOLSON
Chief Operating Officer

Tom Nicholson was promoted to the Board of the Company in January 2020.

Process

The Committee, supported by the Board, agreed that to drive Group-wide change in standardised focus and procedures, it was necessary to create the role of Chief Operating Officer to help lead the change.

The Chief Operating Officer recruitment process commenced in early 2019, in conjunction with Russell Reynolds Associates (who have no connection with the Company).

After reviewing a range of strong candidates that were presented, Tom Nicholson was selected to be taken forward to the final stage of the process. This included meeting with members of the Committee.

Following consideration of the feedback, the Committee went on to recommend the appointment of Tom as Chief Operating Officer to the Executive Leadership Team.

Following the launch of the updated strategy the Committee carefully considered the position of the Chief Operating Officer, and based on the importance placed on improving operational efficiency, recommended his appointment to the Board.

Skills and background

Tom is a highly experienced senior executive with over 30 years' industry experience. He has previously worked for Try Homes, Berkeley Group Holdings plc and Trafalgar House. He has demonstrable expertise in driving operational improvements and increasing productivity. At Linden Homes, he was a key part of the team that improved its operating margin by 3.5% in three years.

Induction

Tom received an induction on joining the business which consisted of meeting all divisional boards and visiting all sites within the Group. The Committee were mindful this was Tom's first listed plc appointment, and as such a suitable induction was organised on his appointment to the Board. This consisted of meeting with key advisors (corporate brokers, corporate lawyers and financial public relations firm). Briefings comprised of the following:

- Overview of the regulatory framework, including the Market Abuse Regulation, corporate governance, shareholder engagement and further statutory obligations
- Investor relations activity and the role of corporate broking
- Financial results reporting process, the annual corporate timeline and key corporate activities for the Group during the year.

AUDIT AND RISK COMMITTEE REPORT

COMMITTEE OVERVIEW

Committee members

Sharon Flood
Chair (since April 2015)

Lucinda Bell

Louise Hardy

Octavia Morley

Leslie Van de Walle
Committee member until 24 March 2020

Committee snapshot

— Sharon Flood has extensive financial reporting and audit experience gained through her roles as CFO of Sun European Partners LLP and Finance Director of John Lewis Department Stores. Sharon was formerly Chair of the Audit and Risk Committee at Pets at Home Group plc and Network Rail Ltd

— The Board is satisfied that the Committee as a whole has competence relevant to the sector. Attendance at Committee meetings is set out on page 78 and relevant Directors' biographies can be found on pages 70 to 71

— Other regular attendees at meetings at the invitation of the Committee include the Chairman, the Chief Executive, the Group Finance Director, the General Counsel and Company Secretary, the Group Financial Controller and representatives from both the external auditor, PwC, and internal audit team from Deloitte

— The Committee is authorised to seek outside legal or other independent professional advice as it sees fit but has not done so during the year.

Dear Shareholder

I am pleased to present this year's Audit and Risk Committee report which provides an insight into the work and focus of the Committee during the year. The Committee supports the Board in fulfilling its responsibilities in respect of monitoring the integrity of financial reporting, the effectiveness of risk management and internal control processes, and governance and compliance matters.

Following the outbreak of the COVID-19 pandemic, the Committee has both challenged and supported Duncan Cooper and members of the Group Finance team, in their response to the impact on financial performance and ensuring the Group maintained a robust financial position during this period of uncertainty. An additional focus was placed on preserving cash and liquidity alongside putting in place a £300m commercial paper programme to access the Government's COVID Corporate Financing Facility (CCFF). As the year progressed, and trading conditions improved, the Committee supported the reinstatement of future financial guidance and dividend policy.

PricewaterhouseCoopers LLP (PwC) remain our external auditors. During the year, Sonia Copeland, our lead audit partner, was replaced with Darryl Phillips as Sonia had completed her five-year term. During the HY20 review and the FY20 audit, Committee members and I have held regular video conference meetings with Darryl and Duncan. During the HY20 review, and at peak uncertainty surrounding the pandemic, the work focused on a thorough going concern model prepared by management, which assessed the potential impact of COVID-19 on the Group. Management concluded that a material uncertainty existed around compliance with the interest cover debt covenant in the case of a severe but plausible downside scenario, and consequently an emphasis of matter was included in the interim review report from PwC. While the emphasis of matter was carefully considered by the Committee and management, both recognised that it was reflective of the uncertain environment that existed at the time. I am pleased to report that it was determined no material uncertainty existed at FY20 and an unmodified audit opinion was issued by PwC.

As part of the Financial Reporting Council's (FRC's) annual review of corporate reporting for 2019/20, our 2019 annual report was selected for a full-scope review. I am pleased to report that the FRC's review of our report did not require us to respond to any substantive questions or provide any additional information. However, we have reviewed and reflected their recommendations where appropriate.

Deloitte LLP provide an outsourced Internal Audit function and remain focused on both the Group and divisional control environment.

The Group followed Government guidance from the beginning of the pandemic with employees working from home if they were able to do so. The Committee considered the risks and control mechanisms associated with this and received updates on operational and cyber risks.

I would like to thank my Committee colleagues for their work and support during the year. Similarly, the Committee and I wish to extend our thanks to Duncan and his team who have kept us abreast of financial reporting, key risks and internal control matters throughout the year.

I am pleased to confirm the Committee continues to meet the FRC's Guidance on Audit Committees, issued in April 2016. We are 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.

SHARON FLOOD
Audit and Risk Committee Chair

Main responsibilities of the Committee

Internal control and risk management

- Reviewing the effectiveness of the Group's system of internal controls and risk management
- Monitoring and reviewing the effectiveness of the internal audit function
- Reviewing the Group's procedures for detecting fraud, its systems and controls for the prevention of bribery and the adequacy and effectiveness of the Group's anti-money laundering systems and controls.

Financial reporting

- Monitoring the integrity of the Group's financial statements and any formal announcements relating to its financial performance
- Reviewing significant financial reporting judgements contained in the financial statements and announcements.

External audit

- Considering the scope of the statutory audit of the annual consolidated financial statements and the half-year review, including monitoring and reviewing the effectiveness of the audit process
- Advising on the appointment and re-appointment of the external auditors, their fees and reviewing and monitoring the auditors' independence and objectivity, including the extent of any non-audit services provided by the external auditor.

Activity during the year

The Committee has an extensive agenda of items of business, focusing on financial reporting, external audit, internal control and risk management and overseeing Group Finance, the external auditor and the Internal Audit function.

Committees' evaluation

During the year, the Committee's annual evaluation, was facilitated internally, as part of the overall Board evaluation. The review explored the composition of the Committee, the management of the meetings, the Committee's processes and support, the agenda and work of the Committee and the priorities for change. The results of the evaluation concluded that the Committee continued to be effective.

Activities Key

- Strategy, operations and finance
- Leadership and people
- Governance and legal
- Internal control and risk management

The Committee's terms of reference can be found online at: www.crestnicholson.com/investor-relations/corporate-governance/board-committees

Committees' activities	Outcomes
FINANCIAL REPORTING	
Scrutinised and reviewed the reports from the Group Finance team on the financial statements, considered management's significant accounting judgements and the policies being applied for both the half-year and full-year results	Recommendations were made to the Board, supporting the approval of the half-year and full-year results, associated presentations and the Annual Integrated Report
Reviewed the proposed audit strategy for the statutory audit, including the level of materiality applied by PwC and audit reports on the financial statements	Monitoring progress made by statutory audit team against the agreed plan, and consideration of issues as they arise
Reviewed the basis of preparation of the financial statements as a going concern as set out in the accounting policies	Recommendation made to the Board to support the going concern statement
Reviewed the long-term viability statement proposed by management, with focus on the judgements and estimates and testing in respect to the impact of the COVID-19 pandemic on trading	Recommendation made to the Board to support the long-term viability statement and focus was given to the emphasis of matter given by PwC on the HY20 results
Reviewed the potential impact of COVID-19 on the financial statements	Reviewed and approved accounting adjustments related to COVID-19
Reviewed whether the 2019 Annual Integrated Report was considered to be a fair, balanced and understandable assessment of the Company's position and prospects	Recommendation made to the Board that the Annual Integrated Report was a fair, balanced and understandable assessment of the Company's position and prospects
Reviewed the letter received from the FRC on their review of the Company's annual report as part of their annual review of corporate reporting for 2019/20	Noted that the Company was not required to respond to any substantive questions or provide any additional information. Recommendations were reviewed and reflected where appropriate
EXTERNAL AUDIT	
Reviewed the results of the Committee's assessment of the effectiveness of the external audit	The Committee concluded that the audit was effective, and a recommendation was made to the Board on the re-appointment of PwC as the auditor at the 2020 AGM
Reviewed the non-audit services and related fees provided by the external auditor for the financial year	Approved the non-audit services and related fees provided by PwC for the financial year
Negotiated and agreed the statutory audit fee for the financial year	Statutory audit fee to be paid as agreed by the Committee
INTERNAL CONTROL AND RISK MANAGEMENT	
Reviewed the effectiveness of the risk management activities and the Group's internal controls, including in respect to build cost management and the risks associated with home-working due to the COVID-19 pandemic	Recommendation made to the Board that the risk management activities and internal controls were effective
Received updates from the Group IT Director and Group Production Director on cyber risk and the risk of combustible materials respectively	Noted management's areas of improvement and monitored progress during the year
INTERNAL AUDIT	
Approved the strategic Internal Audit planning approach and reviewed reports produced by the Internal Audit function	Reviewed specific findings of Internal Audit and implementation of any resulting actions by management
Considered the issues and findings brought to the Committee's attention by the Internal Audit function	The Committee was satisfied that management had resolved, or were in the process of resolving, any outstanding issues or concerns in relation to matters scrutinised by the Internal Audit function
Reviewed the quality and effectiveness of Internal Audit	Concluded that the Internal Audit function was effective
Reviewed the proposal to postpone the commencement of the Internal Audit plan for FY21 to March 2021 due to the COVID-19 pandemic	Agreed to delay the Internal Audit plan for FY21 to commence in March 2021, to enable the lower-risk internal audits that were delayed due to the COVID-19 pandemic to be completed prior to the internal audits planned for FY21
GOVERNANCE	
Reviewed the Committee's terms of reference	Terms of reference were updated in line with best practice and Code compliance
Monitored compliance reporting, incidents raised and employee training in respect to data privacy, anti-money laundering, bribery and corruption, whistleblowing and other compliance matters	Supported management's initiatives and received updates as appropriate

Key financial and internal control matters

During 2020, 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 the same external factors and the cyclical nature of the housing industry, 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. The COVID-19 pandemic has caused significant disruption to the housing sector and created future economic uncertainty, with commentators forecasting price reductions in the residential and commercial development markets. Accordingly, a detailed impairment review of inventories was performed at HY20 and updated at the year end, resulting in an exceptional charge of £43.2m and a pre-exceptional charge of £2.9m being recognised in the year. The Committee reviewed and challenged the NRV provision as presented by management, alongside its associated sales price assumptions, taking into account a range of market forecasts. The Committee considers the NRV provision recognised in the year, and the assumptions behind the provision, appropriate given the level of market uncertainty.
Going concern	The COVID-19 pandemic has created future economic uncertainty and caused significant disruption to housebuilding activity and sales in the year to 31 October 2020. Management has conducted a detailed going concern review and considered its liquidity and banking covenant compliance. Management has performed stress testing within its going concern model, in which, the Group maintains adequate levels of liquidity and continues to maintain covenant compliance throughout the going concern assessment period. The Committee has challenged the stress testing assumptions applied within the going concern model. The Committee considered the appropriateness of both the base case and the downside scenarios modelled. They believe that the downside scenarios adequately model a realistic severe but plausible scenario, given all the facts and market expectations known to the Group at this time. The cash flow forecasts support adequate levels of liquidity within the business and banking covenants are complied with for at least 12 months from 26 January 2021. The Committee therefore considers that it is appropriate to continue to adopt a going concern basis in the preparation of the financial statements. Further detail on the viability assessment and going concern model can be found on page 65.
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, representing 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 reviews management's control processes, the main areas of estimate, challenges management where appropriate and is satisfied that there is adequate oversight of control and that the margins are appropriately recognised in the financial statements.
Exceptional items	Exceptional items are those which, in the opinion of the Directors, are material by size and non-recurring in nature and therefore require separate disclosure within the consolidated income statement in order to assist the users of the financial statements in understanding the underlying business performance of the Group. The Group has recognised £59.4m (before tax) of exceptional items as disclosed in note 4 to the consolidated financial statements. The Committee reviewed the exceptional items and associated assumptions presented by management. The Committee considered the disclosure of adjusting items considering the prevailing FRC recommendations on COVID-related disclosures, and concluded these charges were fair, balanced and understandable. The Committee understands the importance to stakeholders of being able to assess the underlying performance of the business by adjusting for exceptional items. The Committee does not consider such measures to be a substitute for, or superior to, IFRS measures. Due to the size and nature of the exceptional items, the Committee has agreed with management's opinion to treat these as exceptional items.

Viability and going concern

The Committee reviewed management's consideration in relation to the prospects of the Group, as set out in key audit matters on the prior page. It also 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 65. 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, in its opinion, the 2020 Annual Integrated Report is fair, balanced and understandable, and whether it provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy. The Fair, Balanced and Understandable process was led by the Group Finance Director supported by members of Group Finance, the Company Secretariat, Investor Relations, Sustainability, HR and Marketing functions (AIR Group). This AIR Group was responsible for regularly reviewing work and ensuring balanced reporting with appropriate links between key messages and sections of the Annual Integrated Report. A recommendation was made from the AIR Group to the Committee confirming that they considered the Annual Integrated Report was fair, balanced and understandable. In particular, the Committee considered, whether the report was:

Fair	Balanced	Understandable
Provided a comprehensive review of the Group's activities and strategy that was consistent throughout	Provided a balanced view with emphasis on both the key positive and negative points	Provided an understandable framework to the Annual Integrated Report with key messages appropriately outlined throughout
Accurately described current market uncertainty, particularly surrounding the impact of COVID-19 to the business and Brexit, and the principal risks faced by the Group, including the actions taken to mitigate these	Clearly outlined the key accounting judgements in the Committee's report, consistent with those outlined in the financial statements, and how these reflected the external auditor's key accounting risks	Clearly and concisely presented the information through a combination of appropriate performance measures and KPIs
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 Integrated Report is fair, balanced and understandable.

External auditor

PwC was appointed as external auditor for the year ended 31 October 2015 following a tender process carried out in 2014. At the end of the FY19 audit, the lead audit partner, Sonia Copeland, who had completed her five-year term stepped down. Following engagement between PwC and the Committee, Darryl Phillips became the Group's lead audit partner, overseeing the HY20 review and FY20 audit.

There are currently no plans to carry out a re-tender exercise but in accordance with the EU Audit Regulation and Directive (as it forms part of UK law) the Group will be required to put the external audit contract out to tender by 2024. The Group has complied with the Statutory Audit Services Order for FY20 with respect to both 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 present the strategy and scope of the audit for the forthcoming financial year highlighting any areas which would be given special consideration. PwC report against this audit scope at subsequent Committee meetings, providing an opportunity for the Committee to monitor progress and raise any questions. Private meetings are regularly held between the Committee and the external auditor 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

The Committee is responsible for overseeing the relationship with the external auditor and the effectiveness of the external audit process. An annual review of audit effectiveness is undertaken at the conclusion of the year end audit. This uses a questionnaire-based approach to seek insight and feedback from management on key areas of the audit process, including the audit approach, the team, communications with the Committee and how the external auditor brings rigour and provides insight. The review concluded that the audit process and the audit team continue to perform well.

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 Company, the Committee considers the information and assurances provided by the auditor confirming that all its partners and staff involved with the audit are independent of any links to the Group. PwC confirmed that all its partners and employees complied with their ethics and independence policies and procedures which are fully consistent with the FRC's Ethical Standard, including that none of its employees working on the Group's audit hold any shares in Crest Nicholson.

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 from 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 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.

The Committee will be considering the Ethical Standard (Revised) during FY21, reviewing the Group's current policies and guidance to align them with the requirements of the revised standard.

Non-audit fees

The Committee has pre-approved certain permitted non-audit services below a threshold as set out in the policy. The current threshold is £50,000 per annum. Non-audit services were provided during the year in respect of the independent review of the half-year results. Fees payable were £153,000 (2019: £57,000). The current non-audit services provided to the Group, consisting of the interim review performed at the half-year, would not be impacted by the changes to the previous Ethical Standard. 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.

	2020	2019
Audit fees (£'000)	885	453
Non-audit fees (£'000)	153	57
Ratio of non-audit fees to audit fees	0.17:1	0.13:1

External auditor re-appointment

The Committee is of the view that PwC was objective and independent throughout FY20 and is proposing that PwC be re-appointed as external auditor to the Company at the 2021 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 internal controls

The Board oversees the Group's control framework, so that clearly defined processes are in place. It is responsible for determining the nature and extent of the principal risks it is willing to accept to achieve its strategic objectives. It is the role of management to implement and take day-to-day responsibility for Board policies on risk management and internal control.

The Board retains overall responsibility in this area and needs to satisfy itself that management has understood the risks, implemented and monitored appropriate policies and controls, and is being provided with timely information so that it can discharge its own responsibilities in this respect. To support the Board, the Committee reviews the effectiveness of the Group's internal controls alongside the principal risks.
The Group's internal controls are designed to manage, rather than eliminate, the risk of not achieving corporate objectives. As such, it can only provide reasonable, and not absolute, assurance against material misstatement or loss.

The Group Finance Director has executive responsibility for risk management and is supported in this role by the General Counsel and Company Secretary. Risk review sessions are held at divisional board level and reported to the Executive Leadership Team for their functional 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.

For both HY20 and FY20, the Board (with input from the Committee) carried out an assessment of the emerging and principal risks facing the Group and how those risks affect the prospects of the Group, alongside the mitigations in place. More information about our approach to risk is found on pages 57 to 64.

Effectiveness of the Company's risk management and internal controls

During the year, the Committee received reports from management and the Internal Audit function on the operation and effectiveness of internal controls and risk management protocols. The Committee is satisfied that the principal risks that could prevent the Group from achieving its corporate objectives have been identified, key controls have been identified and evaluated to manage those principal risks, and mechanisms are in place to obtain assurance over the effectiveness of those key controls. In drawing its conclusions, the Committee considered the fundamental risk management and internal control principles that are applied throughout the Group.

Ethical behaviours and safeguarding

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 and they are encouraged to work as One Crest.

Anti-fraud and anti-bribery

The Committee has a zero tolerance of bribery, corruption or fraud. In the first instance of an incident being reported, a summary of the allegations is passed to the Group HR Director and the General Counsel and Company Secretary to decide on the appropriate course of action and investigation.

The Group has an anti-bribery and corruption policy which all employees must follow. Supporting 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.

RISK ASSURANCE PROCESSES DURING THE YEAR

Stakeholder monitoring Consideration of how decisions and risks impact key stakeholder groups	**Governance framework** Divisional boards report to the Executive Committee, via the Chief Operating Officer
Risk assessment of the principal risks A review of the principal risks facing the Group is carried out at both divisional and Group level	**Key performance indicators (KPIs)** The Board, Executive Committee and divisions use KPIs and targets to monitor their performance against the Group's strategic plans
Assurance processes Independent assurance over the operating effectiveness of control activities is obtained through Internal Audit. In addition, there are other forms of assurance, such as regular SHE audits, and regulatory training for employees	**Behaviours and values** Group culture is regularly considered by the Board, Executive Committee and the divisional boards

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 and reviews the related procedures and training.

Whistleblowing

The Committee is responsible for the Group's arrangements with regards to whistleblowing and receives regular updates on matters raised. Clear procedures are in place to allow employees and supply chain partners to raise concerns, in confidence, about possible wrongdoing in financial reporting, breaches of Group policies or other matters. The Company encourages employees and supply chain partners to report any concerns of malpractice in an open and honest way and promotes access to a free and independent helpline that can be used to report concerns. There are clear communication lines and escalation processes to ensure the investigation of such matters and appropriate follow up actions.

Internal Audit

The Committee's role is to monitor and provide oversight on the effectiveness of internal controls and risk management protocols. It carries out this role in support of the Board's formal review of significant risks and material controls, as summarised in the section on risk on pages 57 to 64.

The Group's Internal Audit function has been outsourced to Deloitte since 2016, whose appointment and mandate was reviewed and approved by the Committee.

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, the Board and the Executive Committee. The Internal Audit function reviews the effectiveness and efficiency of internal controls in place, providing assurance that internal controls remain fit for purpose and 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 makes recommendations to address any key issues and improve processes. Once any recommendations are agreed with management, Deloitte monitor their implementation and report 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. Internal Audits conducted during the year included: margin and cost improvement; cyber security and IT systems. 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. The Committee receives regular reports from the Internal Audit function. Internal Audit identifies key risks and assesses the relevant internal controls to ensure they are appropriately designed and operating as intended together with, where necessary, any recommendations for improvement. The Executive Leadership Team and management responsible for the area reviewed will consider the reports on a regular basis. They are responsible for ensuring recommendations are implemented as agreed. Follow up and escalation processes are in place to ensure recommendations are implemented and fully embedded in a timely manner.

Internal Audit effectiveness

On an annual basis, the Committee undertakes a formal review of Internal Audit's effectiveness taking into account the quality, experience and expertise of the Deloitte LLP team. To support the Committee in evaluating the effectiveness of the internal auditors, feedback is received by key stakeholders involved in the Internal Audit programme, including divisional and functional management and the Executive Leadership Team. Following an evaluation of the services provided by Deloitte in respect of Internal Audit, the Committee confirms that both the process for determining the Internal Audit programme and the programme itself are appropriate and effective.

Internal Audit independence

The Committee keeps the relationship with Deloitte under review to ensure the independence of the Internal Audit function is maintained. Deloitte also liaise with PwC, the external auditor, discussing relevant aspects of their respective activities which ultimately supports the assurance provided to the Committee and the Board.

DIRECTORS' REMUNERATION REPORT

COMMITTEE OVERVIEW

Committee members

Octavia Morley
Chair

Iain Ferguson CBE

Lucinda Bell

Sharon Flood

Louise Hardy

Leslie Van de Walle
Committee member until 24 March 2020

Committee snapshot

- Octavia Morley has chaired the Committee since October 2017
- Other than Iain Ferguson, all other members of the Committee are independent Non-Executive Directors
- Attendance at Committee meetings is set out on page 78 and the relevant Directors' biographies can be found on pages 70 to 71
- Other regular attendees at meetings at the invitation of the Committee include the Chief Executive, the Group HR Director and the General Counsel and Company Secretary.

The Committee's terms of reference can be found online at: www.crestnicholson.com/investor-relations/corporate-governance/board-committees

Dear Shareholder

I am pleased to introduce this Directors' Remuneration Report for the year ending 31 October 2020, which consists of our Remuneration Policy and Annual Report on Remuneration.

Impact of COVID-19

The COVID-19 pandemic has had a significant impact on our trading in the year, including during the period of the first lockdown. The Group utilised the Government's Job Retention Scheme and placed 75% of employees on furlough leave during April and May, returning on a gradual basis. It remained critical that those employees were supported financially during the period. As such, employees continued to receive all their pay and benefits throughout the period of furlough leave.

The Board donated 20% of their salary/fees to charity during the period employees were on furlough.

To protect the Group's cash position, the Board took the difficult decision to cancel the final FY19 dividend of 21.8 pence per share due to be paid at the start of April 2020 and not to declare an interim FY20 dividend. The Committee has been careful to ensure that no benefit is gained from this decision under the net cash bonus measure, or other aspects of variable pay.

During the year we undertook two reviews of the size of our workforce – at the end of 2019, and as part of adapting our strategy following the impact of COVID-19 in March 2020 – resulting in a combined reduction of 215 roles.

FY20 remuneration outcomes

Our accompanying Strategic Report sets out the trading environment and the significant impact of the COVID-19 pandemic on our financial results.

While COVID-19 has had a significant impact on our profit performance, we are pleased to see other aspects delivering strongly against our strategy, specifically net cash, customer service, forward sales and Safety Health & Environment (SHE), all of which underpin the future financial performance of the Group.

With respect to the FY20 bonus plan, although Adjusted Profit Before Tax performance did not meet the threshold, resulting in no bonus, net cash (25%), customer service (12.5%) and forward sales (12.5%) performance each exceeded the maximum target and SHE leadership had been demonstrated in the year.

However, the cancelled final FY19 dividend and, based on the pre-COVID-19 dividend policy, the amount equivalent to an interim FY20 dividend, were excluded from the annual bonus outcome including the net cash measure. Furthermore, the Executive Directors waived entitlement to a bonus under the FY20 bonus plan in light of the significant impact that COVID-19 has had on the business. As such, no bonus payments will be made and the Committee agreed that this was an appropriate outcome.

The 2018 LTIP measured performance over the three years to 31 October 2020 was as follows:

	Target range	Performance	Vesting
EPS	82p–92p	14.6p	Nil
ROCE	25%–29%	15.5%	Nil

As such, the 2018 LTIP will lapse in full. The Committee is satisfied that this outcome is commensurate with performance during the period.

During the year the Committee did not exercise discretion in relation to Executive Directors' remuneration.

Taking into account the overall pay outcomes, the Committee is satisfied that the Remuneration Policy operated as intended during the year and no changes are proposed for the coming year.

Appointment of Chief Operating Officer

Tom Nicholson, Chief Operating Officer, was appointed to the Board during this financial year. His remuneration arrangements, agreed on appointment, were disclosed in the 2019 Directors' Remuneration Report.

FY21 remuneration

There will be no salary or fee increases for Directors for FY21.

We have set out the FY21 bonus scheme performance measures on page 115 and the rationale. Shareholders will see further alignment with the strategic priorities of the business as we have developed our scheme for the coming year. In line with previous years we will disclose bonus targets for FY21 in our 2021 Directors' Remuneration Report.

The Committee has considered LTIP measures and targets for FY21 awards, and introduced a total shareholder return measure (TSR) against the FTSE 250 (one-third) and a selection of sector peers (two-thirds). TSR replaces the earnings per share (EPS) measure providing a stronger emphasis on our stock market performance which has lagged the sector in recent years. This will also incentivise the growth of the business consistently and sustainably. Return on capital employed (ROCE) and earnings before interest and tax (EBIT) margin are retained to provide continued focus on two of our most important financial key performance indicators (KPIs). Stretching targets have been set and these are set out on page 115.

Gender pay gap

We set out our gender pay gap performance on page 113. Compared to 2018, our 2019 gap has narrowed by 5%. Diversity and inclusion including gender remain a continued focus for the Group.

Workforce pay

During FY20 we have continued our focus on wider employee pay structures, as well as engaging with colleagues through presentations held in early 2020. The Committee is satisfied that the pay and reward framework applies to employees in a similar way to the Executive Directors. This is important to incentivise and reward our people. Further information is found on page 112.

In addition, the pension rate of the Chief Executive of 10% will align to the rate applicable to the majority of the workforce (currently 6%) no later than 31 December 2022.

Shareholder engagement

We undertook extensive engagement activity with shareholders in FY20 with respect to remuneration matters. We received a 20.6% vote against our remuneration report at our 2020 AGM. While a range of engagement was held with shareholders throughout the period before and after our AGM, some shareholders expressed concern about the salary of our newly appointed Chief Executive. Further information about this, and our response is set out on page 116.

Concluding remarks

I would like to thank all our shareholders for their support and engagement this year. We believe that the decisions taken with respect to FY20 pay outcomes and the pay structures for FY21 are aligned with the Group's strategy, reflect the market environment and are in the best interests of shareholders.

We hope that you will support the advisory vote in relation to the Directors' Remuneration Report.

OCTAVIA MORLEY
Remuneration Committee Chair

Alignment of remuneration philosophy to business strategy in 2020

Our remuneration philosophy is to:

— promote the long-term success of the Group
— reward performance
— be simple and transparent.

Using this philosophy, the Committee has designed the annual bonus and LTIP so that they align with our strategic priorities and foundations of Placemaking & Quality, Land Portfolio, Operational Efficiency, Five-Star Customer Service, and Multi Channel Approach.

Adjusted profit before tax

£45.9m

Annual bonus
3 5 9

Net cash

£142.2m

Annual bonus
3 5 9

Forward sales

£177.6m

Annual bonus
1 2 5 9

Customer service and quality

93.2%

Annual bonus
1 4 6

ROCE

7.6%

LTIP
2 3 5 9

Adjusted EPS

14.6p

LTIP
3 5 9

Adjusted EBIT margin

8.4%

LTIP
3 5 9

SHE leadership

✓

Annual bonus
6 8

Link to strategic priorities

1 Placemaking & Quality
2 Land Portfolio
3 Operational Efficiency
4 Five-Star Customer Service
5 Multi Channel Approach
6 People
7 Sustainability & Social Value
8 Safety, Health & Environment
9 Financial Targets

REMUNERATION
AT A GLANCE

	PETER TRUSCOTT	DUNCAN COOPER	TOM NICHOLSON
Single figure totals Details on page 106	1. Fixed £739,267 2. Variable £0	1. Fixed £405,217 2. Variable £0	1. Fixed £347,711 2. Variable £0
Salaries Details on page 106	**2020** **£650,000** 2021 £650,000	**2020** **£365,000** 2021 £365,000	**2020** **£374,000** 2021 £374,000
Shareholding Details on page 108	102% 98% ● Progress towards holding requirement ● Balance of 200% holding requirement	6% 194% ● Progress towards holding requirement ● Balance of 200% holding requirement	23% 177% ● Progress towards holding requirement ● Balance of 200% holding requirement
2020 LTIP Details on page 108	Awarded 200% EPS ROCE EBIT Margin	Awarded 150% EPS ROCE EBIT Margin	Awarded 150% EPS ROCE EBIT Margin
2021 LTIP Details on page 115	Awarded 150% TSR ROCE EBIT Margin	Awarded 150% TSR ROCE EBIT Margin	Awarded 150% TSR ROCE EBIT Margin

2020 annual bonus

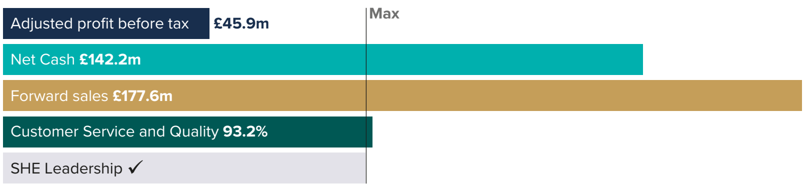
Details on page 107

The Executive Directors waived entitlement to a bonus under the annual bonus scheme in light of the significant impact that COVID-19 had on the business. The Committee agreed that this is the appropriate outcome taking into account the experience of its wider stakeholders during the year, particularly its employees.

Peter Truscott
0% of salary

Duncan Cooper
0% of salary

Tom Nicholson
0% of salary



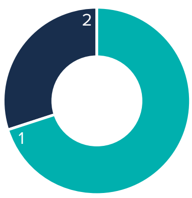
2021 annual bonus

Details on pages 114 to 115

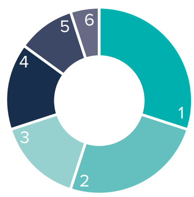
Peter Truscott
Maximum 125%

Duncan Cooper
Maximum 125%

Tom Nicholson
Maximum 125%



1. Financial	**70%**
2. Non-financial	**30%**



1. Adjusted profit before tax	**30%**
2. Net cash	**25%**
3. Cost savings	**15%**
4. Personal and strategic objectives	**15%**
5. Customer service and quality	**10%**
6. Environmental and social governance (ESG)	**5%**
7. SHE leadership	**Up to -10%**

Wider Workforce

Details on page 112

Sharesave

45.5%
Participation across all plans

£315
Average monthly savings

Gender pay gap 2019[1]

20%
(2018: 25%)

% of employees in a bonus plan

97.5%
(2019: 97%)

1 Gender pay gap 2020 due to be published April 2021.

DIRECTORS' REMUNERATION POLICY

This section sets out the Directors' Remuneration Policy (Policy) approved by shareholders at the Company's AGM on 24 March 2020. This can also be found at https://www.crestnicholson.com/investor-relations/corporate-governance/remuneration-policies

The Policy is reviewed annually by the Committee to ensure it continues to support the Group's strategy, and if changes are necessary, the Committee will seek approval from shareholders prior to the triennial shareholder vote. When the Committee determines that changes are required it will formulate proposals to consult with shareholders. Shareholder feedback is taken into consideration in finalising the Policy changes, prior to any shareholder vote.

Remuneration Policy Table

Element/Link to strategy	Operation (including maximum opportunity)
Base salary for Executive Directors Recognises individual experience, responsibility and performance. Provides an appropriate level of fixed pay without over-reliance on variable pay. Essential to recruit, motivate and retain the best people in the market to execute the Group's strategy.	Salaries are normally reviewed annually taking into account: — Personal and Group performance — Salary increase received by the general workforce — Inflation and earnings forecasts — External marketplace comparisons. Base salary is set with reference to similar roles in a group of UK housebuilders and other listed companies more widely. The exact positioning of salary depends on a variety of factors including: the specific nature of the role and responsibility (particularly where this is not directly comparable to roles outside the Group); individual experience and performance; cost of living increases; inflation; Group performance; relativities to other Group employees; and market practice among other UK housebuilders. A new Director may be appointed at a salary less than the prevailing market rate but which may increase over a period to the desired positioning subject to satisfactory performance. While the Committee is guided by increases applied to the general workforce, it retains discretion to apply an above-workforce increase to a Director's salary. This may occur, for example, should there be a change in: the scope of an individual's role, the complexity of the business or market or the size/value of the business that the Committee believes justifies a further adjustment of salary. **Performance framework** The Committee considers and sets appropriate individual Director salary levels annually having regard to the factors noted in this element of the Policy. Salary is not linked to specific financial or non-financial performance measures.
Fees for Non-Executive Directors Remunerates appropriately based on individual experience, time commitment and responsibilities.	Non-Executive Directors' fees are paid in cash and are not performance related. Fees are reviewed annually and set taking into consideration the time commitment and responsibilities of the role, the sector and market practice. Fees are determined and approved by the Board upon a recommendation from the Executive Directors. The Chairman's fee is set by the Committee. No Director is involved in setting his or her own fee. Additional fees may be payable in relation to extra responsibilities or time commitments undertaken, for example chairing a Board Committee and/or holding the position of Senior Independent Director. Reasonable travelling and other expenses for costs incurred in the course of the Chairman and Non-Executive Directors undertaking their duties are reimbursed (including personal tax that may be due on those expenses).

Element/Link to strategy	Operation (including maximum opportunity)
Benefits Provides a competitive level of benefits and encourages the wellbeing and engagement of our people which are one of the four foundations of our strategy.	A range of benefits are provided, including but not limited to: — Family private medical insurance — Company car or car allowance — Income protection — Personal accident insurance — Life assurance — Annual health check — Holiday and sick pay. The cost of these benefits varies over time depending on their cost in the market and individual circumstances. Directors who are required to move for a business reason may, where appropriate, be provided with relocation assistance. Where the Group offers a flexible benefits approach to employees generally (where the value of one benefit may be exchanged for another), a Director would have the option to participate. Other benefits in line with those received by the general workforce may be offered at the discretion of the Committee, such as long service awards or recognition of life events. The Group may also operate all-employee share incentive plans including Sharesave (SAYE), Share Incentive Plan (SIP) and other HMRC tax-approved all-employee schemes. Directors may participate in these on the same terms as other employees. As a general principle, benefits are not provided to Non-Executive Directors. However, there may be exceptional circumstances under which the Group provides a benefit, for example private medical cover, either with or without their meeting the cost (at the Group's negotiated rate).
Pension Provides retirement planning and protection to employees and their family during their working life.	Executive Directors may participate in the Crest Nicholson defined contribution pension scheme or, where deemed appropriate, receive cash in lieu of all or some of such benefit. For current Directors, a contribution in line with the rate applying to the majority of the workforce (currently 6% of salary) may be paid as pension contribution, cash or part cash, other than for the current Chief Executive whose pension contribution may be up to 10% of base salary. For new Executive Directors, the pension contribution level will be in line with the rate applying to the majority of the workforce (currently 6% of salary).
Annual bonus Motivates and rewards individuals for executing the Group's strategy and achieving Committee-approved corporate objectives linked to the strategic priorities and foundations. Compulsory deferral provides alignment with shareholders.	The maximum bonus opportunity is capped at 125% 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 (non-pensionable), with the remaining one-third deferred under the Deferred Bonus Plan for three years. **Performance framework** At least half of the bonus will be linked to one or more financial metrics with the remainder linked to non-financial metrics. Non-financial metrics will be based on relevant operational, business or personal objectives. The specific performance targets are set with the aim of setting stretching targets which incentivise and reward improved performance. The Committee may, in exceptional circumstances, use its discretion to amend the bonus outcome if it believes that it does not properly reflect overall underlying business performance, an individual's contribution or some other factor. The bonus (cash and deferred element) is subject to recovery provisions for three years from the date of payment in the event of serious misconduct, corporate failure, material misstatement of financial statements, material failure of risk management, material breach of health and safety or environmental regulations, serious reputational damage arising from misconduct, error in calculation, or events that are similar in nature or outcome to those above. Repayments may be made through a reduction in future bonus or share awards on vesting, or by direct repayment.
Deferred Bonus Plan (DBP) Deferred element encourages longer-term shareholding and links part of annual bonus payments to the further success of the Group and shareholders' interests.	One-third of annual bonus is deferred in the form of conditional share awards or nil-cost options (the Deferred Share Awards) that vest or first become exercisable three years from grant and is normally subject to continued employment. Amounts equivalent to any dividends or shareholder distributions made during the vesting period may be awarded in respect of vested or exercisable Deferred Share Awards. **Performance framework** Deferred bonuses are based on the value of the bonus for any particular year. Vesting is not based on any future performance criteria and the value of deferred bonus awards on vesting are based on the share price at vesting. Deferred Share Awards are subject to withholding (adjustment downwards) at the Committee's discretion for the same recovery situations as set out above for the cash element of bonus.

Remuneration Policy Table continued

Element/Link to strategy	Operation (including maximum opportunity)
Long-Term Incentive Plan (LTIP) Incentivises long-term 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.	LTIP awards will take the form of nil-cost options or conditional share awards. LTIP awards 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. In normal circumstances, award levels will be at a maximum of 150% of salary. However, the Committee retains the flexibility to make awards up to 200% of salary in exceptional circumstances including, for example, recruitment. 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. **Performance framework** Awards will be subject to challenging performance conditions in line with the Group's KPIs and will be measured over a three-year period. A maximum of 25% of each element vests for achieving the threshold performance target with 100% of the awards being earned for maximum performance. From FY21 the Committee uses TSR for 40% of the measure, ROCE for 30% of the measure and EBIT Margin for the remaining 30% for new awards. The Committee reviews the measures, their relative weightings and targets prior to each award and makes changes as is deemed appropriate (which may include the introduction of new measures in conjunction with, or in replacement of, TSR, ROCE and EBIT Margin). The use and split of TSR, ROCE and EBIT Margin are considered to be appropriate measures to incentivise operating discipline and returns for shareholders. The specific performance targets are set with the aim of setting stretching targets which incentivise and reward improved performance. The Committee may, in exceptional circumstances, use its discretion to adjust downwards the level of vesting of LTIP awards if it believes it does not properly reflect overall underlying business performance, shareholders' experience, an individual's contribution or any combination thereof. LTIP awards are subject to withholding (downward adjustment) at the Committee's discretion in the event of material misstatement of financial statements, material failure of risk management, corporate failure, material breach of health and safety or environmental regulations, serious reputational damage arising from misconduct, serious misconduct, error in calculation, or events that are similar in nature or outcome to those set out above. Recovery (clawback) applies if such an event occurs within three years of an award vesting or, in the case of an option, when it first becomes exercisable. Repayments may be made through a reduction in future bonus or share awards on vesting, or by direct repayment.
Minimum shareholding requirement Encourages long-term commitment and alignment with shareholder interests.	Executive Directors are expected to build up and retain a significant shareholding equivalent to at least 200% of their base salary. Executive Directors are required to retain 50% of vested deferred bonus and LTIP awards after sale of shares for tax, national insurance or other statutory deductions until the requirement is met. **Post-service requirement** An Executive Director shall continue to hold shares equivalent to the 200% of their base salary for a period of two years following termination of their employment. If an Executive Director holds less than 200% of their base salary at the date of cessation, they must continue to hold that lower level for the same period of two years. Shares purchased by an Executive Director from their own funds will not be required to be held. The Committee may, in exceptional circumstances, exercise its discretion to adjust the holding requirement.

How the Committee will use its discretion

Incentive plans will be operated in line with the rules of each plan, together with relevant laws and regulations. However, it is important that the Committee retains appropriate discretion (as is customary) over the administration and operation of incentive plans.

Discretion includes, but is not limited to, the following in relation to incentive schemes:

- Changes or adjustments required in certain circumstances (e.g. change of control, rights issues, special corporate or dividend events, or change in business strategy)
- Determination of vesting (or payment) and the treatment of leavers and vesting for leavers
- As permitted by HMRC and other regulations, in respect of SAYE, SIP or any other all-employee schemes.

In relation to incentive schemes including annual bonus and LTIP, the Committee may adjust performance targets and/or measures where these have ceased to be appropriate. Such adjusted targets or measures will not be materially less difficult to satisfy. Any use of this discretion would, where relevant, be explained in future Directors' Remuneration Reports and may be subject to consultation with major shareholders where appropriate.

Remuneration policy for other employees

The Policy described in the previous table applies specifically to the Company's Executive and Non-Executive Directors.

The Committee believes that it is appropriate that the reward of the Group's senior management be linked to Group performance and aligned with the growth of shareholder value.

The same remuneration and benefits framework is operated across the Group:

Area	Policy and operation
Salary	The policy applied to Executive Directors is applied in the same way to the overall workforce.
Benefits	The policy applied to Executive Directors is applied in the same way to wider employees. Certain benefits apply at higher levels based on seniority, relate to specific roles or have shorter or no waiting periods.
Annual bonus	Annual bonus schemes operate throughout the Group at all levels of seniority. Performance targets and the amount which can be earned are based on seniority and the nature of the role and responsibilities.
Long-Term Incentive Plan	The LTIP for Executive Directors also applies to Crest Nicholson's senior management at a reduced opportunity level commensurate with the seniority and level of responsibility of participants.
SAYE	All employees are eligible to participate in the Crest Nicholson Sharesave scheme or any other all-employee scheme operated by the Company.

Approach to recruitment remuneration

The table below sets out the components that would be considered for inclusion in the remuneration package of an Executive Director on appointment, and the approach the Committee will adopt in respect of each element.

Area	Policy and operation
Overall	For an external appointment, the Committee will take account of an individual's remuneration package in their prior role, the market positioning of the package and their skills and experience. The Committee will not pay more than necessary to facilitate the recruitment of an individual. For an internal appointment, the Committee may initially position remuneration below market level and increase overall pay levels over a period of time to achieve alignment with market levels for the role, subject to Group and individual performance.
Base salary	Salary level will be set taking into account the skills and experience of the individual, responsibilities of the role and salaries paid for similar roles in comparable organisations. The direct comparability or otherwise of those other roles will be a material factor.
Pension and benefits	Directors will be eligible to participate in Crest Nicholson's benefit plans and the Crest Nicholson Pension Plan or salary supplement scheme in accordance with the policy set out in the Remuneration Policy table.
Annual bonus	Directors will be eligible to participate in the discretionary annual bonus scheme as set out in the Policy table. The maximum opportunity will be 125% of salary, consistent with this Policy. Depending on the timing of the appointment, the Committee may deem it appropriate to set different annual bonus performance conditions to the current Executive Directors in the first performance year of appointment.
Long-term incentives	An Executive Director will be eligible to participate in the LTIP set out in the Policy table. The opportunity levels will be consistent with what is disclosed in the Policy table and, in exceptional circumstances, the Committee is able to make an award of up to 200% of salary. An LTIP award can be made shortly following an appointment.
Replacement awards	The Committee may grant an Executive Director replacement awards to compensate for forfeited remuneration (including bonus and long-term incentive awards) from previous employment. Should replacement awards be made, the awards granted would be no more generous in terms of quantum or vesting period than the awards due to be forfeited. In determining the quantum and structure of these commitments, the Committee will seek to replicate the fair value of the award and, as far as is practical, the timing and performance of the remuneration foregone. For an internal appointment, any variable pay element awarded in respect of the prior role may be allowed to pay out according to its terms, adjusted to take account of the appointment if this is appropriate.
Other	The Committee may agree that the Group will meet certain relocation or other transitional expenses deemed appropriate.

Service contracts and policy on payment for loss of office

For Executive Directors, nine months' notice of termination is required from either party and this will be the approach for all new appointments.

The table below sets out the Committee's policy on termination arrangements for Executive Directors. References to good or bad leavers below are examples of how the Policy would work and are not definitive:

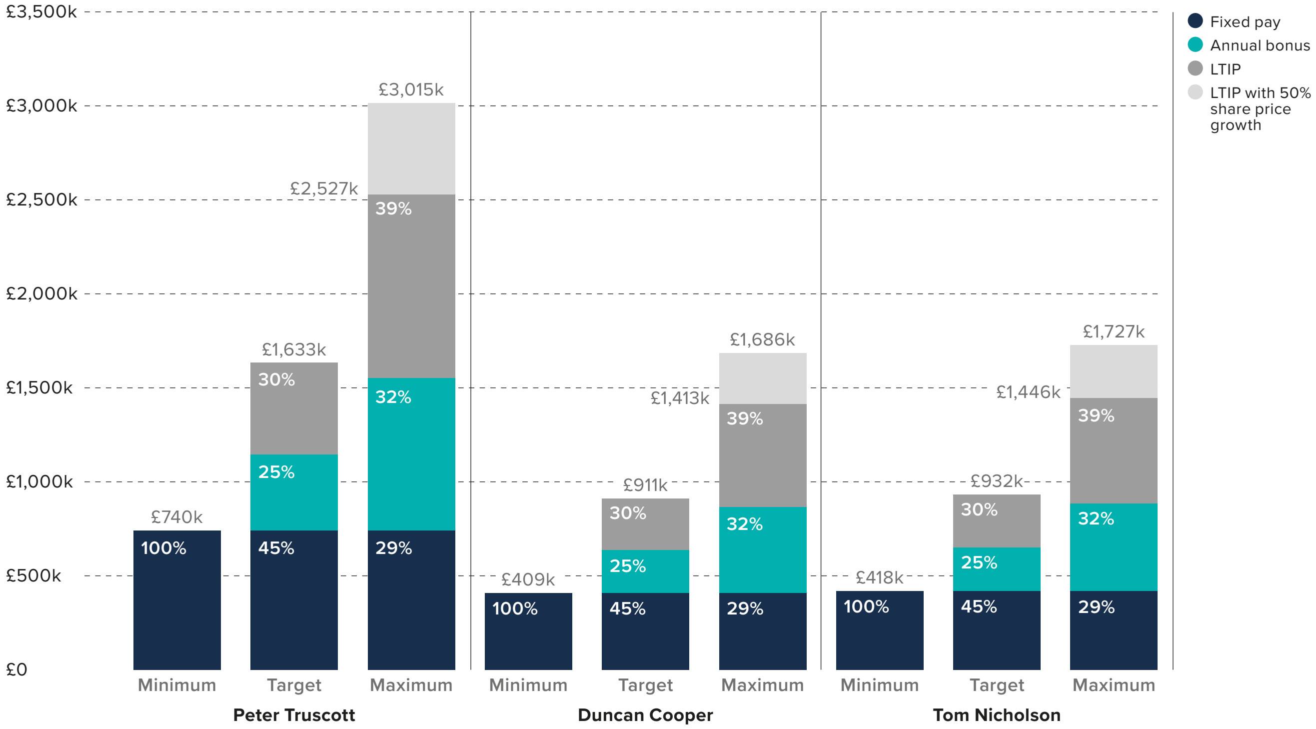
Area	Policy and operation
Overall	Because terminations do not always fit neatly into defined categories, when considering the suitable treatment of a termination, the Committee will have regard to all relevant facts and circumstances available at the time including the reason, contractual obligations and incentive plan rules. The Committee is firmly against rewarding failure. The Committee retains discretion for payments to be made in good faith in relation to very specific legal circumstances, such as the discharge of an existing legal obligation in respect of salary, benefits and other contractual entitlements, damages for breach of obligation and a settlement or compromise of any claim or potential claim arising with the termination of a person's office or employment. In any event the Committee will only make such payments where it considers it to be in the best interests of the Group and its shareholders, with full disclosure of any such payments in the following year's Remuneration Report.
Contractual payments	Crest Nicholson may terminate service contracts immediately by making a payment in lieu of notice consisting of base salary, pension and any contractual benefits for the unexpired period of notice. This payment may be made as either a lump sum or as instalments over the period. If Crest Nicholson elects to make this payment by instalments, the Executive Director normally has a duty to seek alternative employment and, where practical, any remuneration received from a new role will be offset against the payment.
Annual bonus	In the event of termination for a reason other than resignation or gross misconduct for material performance or conduct concerns, a Director may be entitled, at the discretion of the Committee, to a bonus in respect of the year in which their employment terminates. Payment would be reduced on a pro rata basis to reflect the portion of the bonus year worked, be paid at the usual time and be subject to an assessment of performance over the period. In relation to Deferred Bonus awards, individuals would be defined as good or bad leavers, with good leavers being those leaving under pre-determined circumstances such as retirement (proved to the satisfaction of the Board), redundancy, ill-health, death or disability (proved to the satisfaction of the Board), or those deemed by the Board in its absolute discretion to be good leavers given the circumstances surrounding termination. All other leavers would be bad leavers. If an individual is categorised as a good leaver then, other than in exceptional circumstances, they will continue to hold the deferred share award, which will vest on the normal vesting date. If an individual is considered by the Committee to be a bad leaver, their awards will lapse in full.
Long-term incentives	Individuals would be defined as good or bad leavers, with good leavers being those leaving under pre-determined circumstances such as retirement (proved to the satisfaction of the Board), redundancy, ill-health, death or disability (proved to the satisfaction of the Board), or those deemed by the Board in its absolute discretion to be good leavers given the circumstances surrounding termination. All other leavers would be bad leavers. If an individual is categorised as a good leaver then, other than in exceptional circumstances, the award will vest on the normal vesting date reflecting the extent to which performance targets have been met and the number of shares would normally reflect the reduced service period, pro rata. The post-vesting holding period would also apply, other than in exceptional circumstances. If an individual is determined to be a bad leaver, their awards will lapse in full.
Shareholding requirements	The Committee would enforce the post cessation of employment shareholding requirements, as described in the Policy.
Other	The Committee may provide for outplacement services where it considers that this is reasonable.

Performance conditions and target setting

Operation of the Policy is considered annually for the year ahead, including metrics for incentives, weightings and targets. The Committee reviews operation for the prior year and considers whether in light of the strategy, market practice or the remuneration policy for the wider workforce, changes are required for the year ahead. Targets for the annual bonus and LTIP awards are also reviewed and consideration is given as to whether these remain appropriate or need to be recalibrated. Shareholders' views will be sought depending on the changes proposed.

Illustration of application of Policy in FY21

The composition and structure of the remuneration package for Executive Directors in three performance scenarios is set out in the charts below.



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.

ANNUAL REPORT ON REMUNERATION

The information in this report is audited where this is indicated, and otherwise unaudited.

The table below sets out FY20 remuneration for Executive and Non-Executive Directors.

2020 Remuneration payable to Directors (audited)

		Salary[1] £000	Benefits[2] £000	Bonus £000	LTIPs £000	Retirement benefits[3] £000	Other[4] £000	Total Pay £000	Total fixed pay £000	Total Variable pay £000
Peter Truscott[5]	2020	650	24	–	–	65	–	**739**	739	–
	2019	95	4	3	–	10	910	1,022	109	913
Duncan Cooper	2020	360	21	–	–	24	–	**405**	405	
	2019	126	7	4	–	13	–	150	146	4
Tom Nicholson[6]	2020	312	17	–	–	19	–	**348**	348	–
	2019	–	–	–	–	–	–	–	–	–
Former Director										
Chris Tinker[7]	2020	41	5	–	–	10	–	**56**	56	–
	2019	365	26	13	–	89	–	493	480	13

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.
COVID-19: salaries include 20% donation to charity during the period that employees were on furlough: Peter Truscott £21,667, Duncan Cooper £12,167 and Tom Nicholson £12,467.

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 **Retirement benefits:** salary supplement of 24.5% in respect of Chris Tinker; 10% (workforce maximum) in respect of Peter Truscott; 6% (workforce average) in respect of Tom Nicholson and Duncan Cooper. No Directors have a prospective interest in a defined benefit scheme.

4 **Other:** other payments for 2019 relate to the Buy Out awards to Peter Truscott. Full details can be found in the 2019 Directors' Remuneration Report.

5 **Peter Truscott:** joined as Chief Executive on 9 September 2019.

6 **Tom Nicholson:** remuneration from joining the Board on 1 January 2020.

7 **Chris Tinker:** the figures for 2019 have been time adjusted pro rata to include Chris Tinker's period as Interim Chief Executive from 26 March to 8 September 2019. The figures for 2020 are to the date of his leaving on 31 December 2019.

The table below shows the remuneration for the Non-Executive Directors who served during FY20.

	2020 Fee £000[1]	2019 Fee £000
Ian Ferguson[2]	200	25
Lucinda Bell	52	52
Sharon Flood	60	60
Louise Hardy	52	52
Octavia Morley[3]	65	60
Former Director		
Leslie Van de Walle[4]	35	85

1 **COVID-19:** fees include 20% donation to charity during the period that employees were on furlough: Iain Ferguson £6,667, Lucinda Bell £1,717, Sharon Flood £2,000, Louise Hardy £1,717, Octavia Morley £2,283.

2 **Iain Ferguson:** joined the Board on 16 September 2019.

3 **Octavia Morley:** Senior Independent Director from 24 March 2020.

4 **Leslie Van de Walle:** figures for 2020 are to date of leaving on 24 March 2020.

Pay for performance in 2020 (audited)

Annual bonus targets and outcomes

Peter Truscott, Duncan Cooper and Tom Nicholson were eligible for a bonus opportunity of 125% of salary. Targets and outcomes are set out below.

As set out in the Financial Review, trading performance during the year was significantly affected by the COVID-19 pandemic, particularly with respect to revenue and profit. However, from a contribution of trading before the first national lockdown in March 2020, and a stronger than expected sales environment over summer 2020, other important metrics such as net cash, forward sales, customer service and quality all performed well. The Committee is acutely aware of the impact to shareholders of cancelling the final FY19 dividend and not declaring an interim FY20 dividend. It has therefore ensured that the impact of this has not benefited the Directors in relation to bonus scheme measures and outcomes. The Committee has also considered carefully the experience of its wider stakeholders during the year, particularly its employees.

The Committee considered the SHE leadership shown by the Executive Directors during the year. Taking into account a range of factors including new processes implemented, 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 bonus measure.

Despite the strong performance of some bonus scheme metrics during the period, the Executive Directors waived entitlement to a bonus under the annual bonus scheme in light of the significant impact that COVID-19 had on the business. The Committee agreed that this is the appropriate outcome taking into account the experience of its wider stakeholders during the year, particularly its employees.

Measure	Weighting (% of maximum)	Threshold	On-target	Stretch and maximum	Actual	% of maximum bonus achieved	Final Payout
Financial measures							
Adjusted profit before tax[1]	50%	£115.5m	£121.6m	£133.8m	£45.9m	Nil	Nil
Net cash[2]	25%	£46.3m	£48.7m	£53.6m	£142.2m	25%	Nil
Forward sales[3]	12.5%	£93.4m	£98.0m	£107.9m	£177.6m	12.5%	Nil
Non-financial measures							
Customer service and quality[4]	12.5%	–	90%	92%	93.2%	12.5%	Nil
Safety, health and environment leadership[5]	Up to 10% downward adjustment	–	–	–	✓	N/A	N/A
Total bonus						**50%**	**Nil**

1 **Adjusted profit before tax:** adjusted profit before tax as defined on page 182.
2 **Net cash:** cash and cash equivalents plus non-current and current interest-bearing loans and borrowings at 31 October 2020.
3 **Forward sales:** the forward sales position for open market units at 31 October 2020 based on gross sales value net of bulk sales and private rented sector (PRS) sales.
4 **Customer service and quality:** the average of the monthly 'recommend your housebuilder' scores over the customer satisfaction survey period July 2019 to June 2020.
5 **Safety, health and environment leadership:** a downwards adjustment of up to 10% of the bonus achieved should SHE leadership fall below the standard expected by the Group.

LTIP targets and outcomes (audited)

The 2018 LTIP award, granted on 28 February 2018, was based on performance over the three years ended 31 October 2020 and would have become exercisable from 28 February 2021 (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 performance targets and measures.

Measure	Weighting	Performance period	Threshold (25%)	Target (50%)	Maximum (100%)	Actual performance	% of award achieved
EPS in FY20	50%	3 years ending 31/10/20	82 pence	85.3 pence	92 pence	14.6 pence[1]	0
ROCE average over 3 years	50%	3 years ending 31/10/20	25%	27%	29%	15.5%	0

1 Adjusted earnings per share as defined on page 182.

During the performance period 2018 to 2020, the business performance declined significantly with both EPS and ROCE below the threshold level for both measures. As such, no shares will vest, and the awards will lapse in full.

No current Director holds a 2018 LTIP award.

Scheme interests awarded during the financial year (audited)

On 20 February 2020, in accordance with the Policy, an award of 150% of salary was made to Duncan Cooper and Tom Nicholson, and Peter Truscott received an award of 200% of salary (as agreed under the terms of his appointment).

The following table sets out the 2020 awards granted to Executive Directors under the Group's LTIP for the performance period 1 November 2019 to 31 October 2022:

	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 options	20.02.20	253,016	1,300	200	25
Duncan Cooper	Performance	Nil-cost options	20.02.20	106,558	547	150	25
Tom Nicholson	Performance	Nil-cost options	20.02.20	109,186	561	150	25

1 Performance conditions in each case measured in FY22: 40% Adjusted EPS (threshold 48.9p to maximum 52.3p), 40% average ROCE (threshold 19.3% to maximum 23.3%), 20% Adjusted EBIT margin (threshold 14.2% to maximum 15.2%).

2 Face value calculated based on 513.80 pence, the average of the closing middle market share price for the five preceding dealing days.

On 28 February 2020, the following Directors received an award under the deferred bonus plan in respect of the deferred element of their 2019 annual bonus as set out on page 92 of the Annual Integrated Report 2019.

	Award[1]	Type	Date of Grant	Number of shares	Face value of award[2] £000	% of bonus
Peter Truscott	Service	Nil-cost options	28.02.20	240	1	33
Duncan Cooper	Service	Nil-cost options	28.02.20	320	1	33
Tom Nicholson	Service	Nil-cost options	28.02.20	356	2	33
Chris Tinker	Service	Nil-cost options	28.02.20	918	4	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 and 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 453.00 pence, the closing middle market share price on the preceding dealing day.

Directors' shareholdings and share interests (audited)

Share ownership plays a key role in aligning Executive Directors' interests with the interests of shareholders and helps to maintain commitment over the long term. The Policy requires Executive Directors to build up and maintain a significant shareholding in the Company of 200% salary and, following cessation of employment, to continue to hold the lower of their shareholding requirement or their shareholding at the date of leaving. Peter Truscott, Duncan Cooper and Tom Nicholson will build up their shareholding over time. The Committee was pleased to see a number of market purchases by Executive and Non-Executive Directors during the year.

Directors' shareholdings at the end of the financial year (audited)

The table below sets out the number of shares and share awards held by Directors (including any connected persons) as at 31 October 2020[1]. There have been no changes to Directors' interests between 31 October 2020 and 26 January 2021.

	Shares held, including connected persons at 31 October 2020	Outstanding share awards at 31 October 2020 with performance conditions	Outstanding share awards at 31 October 2020 without performance conditions	Total share interests at 31 October 2020	Shareholding[2] as a percentage of salary and share price of 388.4 pence at 31 October 2020
Iain Ferguson	100,000	N/A	N/A	100,000	N/A
Peter Truscott	300,171	253,016	240	553,427	102%
Duncan Cooper	10,000	247,947	320	258,267	6%
Tom Nicholson	33,485	246,355	10,944	290,784	23%
Lucinda Bell	11,650	N/A	N/A	11,650	N/A
Sharon Flood	22,878	N/A	N/A	22,878	N/A
Louise Hardy	–	N/A	N/A	–	N/A
Octavia Morley	5,600	N/A	N/A	5,600	N/A
Former Directors					
Chris Tinker[3]	545,484	164,961	23,426	733,871	493%
Leslie Van de Walle[4]	16,000	N/A	N/A	16,000	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 2020.

2 Shareholding excludes outstanding share awards with performance conditions and includes outstanding share awards without performance conditions net of tax.

3 Shareholding as at date of leaving: 31 December 2019. As set out on page 97 of the report, the resulting vesting level for the 2018 LTIP award will be 0%. As a result, Chris Tinker's outstanding share awards with performance conditions will be 101,345 (63,616 lapsing) as at 26 January 2021.

4 Shareholding as at date of leaving: 24 March 2020.

Executive Directors' scheme interests at the end of the financial year (audited)

The tables below set out the Executive Directors' outstanding share awards under the LTIP, DBP and SAYE as at 31 October 2020 including any dividend equivalents awarded in the year. The DBP and SAYE awards do not have any performance criteria attached to them. The LTIP awards have performance criteria attached to them in accordance with the Policy.

	Outstanding share options/ awards at 31 October 2019	Date of grant	Granted	Exercised	Lapsed	Vested but not exercised	Outstanding share options/ awards at 31 October 2020	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	–	20.02.2020	253,016	–	–	–	253,016	5.14	Nil	–	–	20.02.2023	19.02.2030
DBP													
2020	–	28.02.2020	240	–	–	–	240	4.53	Nil	–	–	28.02.2023	27.02.2023
Duncan Cooper													
LTIP													
2019	141,389	21.06.2019	–	–	–	–	141,389	3.55	Nil	–	–	21.06.2022	20.06.2029
2020	–	20.02.2020	106,558	–	–	–	106,558	5.14	Nil	–	–	20.02.2023	19.02.2030
DBP													
2020	–	28.02.2020	320	–	–	–	320	4.53	Nil	–	–	28.02.2023	27.02.2030
Tom Nicholson													
LTIP													
2019	137,169	21.06.2019	–	–	–	–	137,169	3.55	Nil	–	–	21.06.2022	20.06.2029
2020	–	20.02.2020	109,186	–	–	–	109,186	5.14	Nil	–	–	20.02.2023	19.02.2030
DBP													
2020	–	28.02.2020	356	–	–	–	356	4.53	Nil	–	–	28.02.2023	27.02.2030
SAYE													
2020		07.08.2020	10,588	–	–	–	10,588	2.12	1.70	–	–	01.09.2023	28.02.2024

Loss of office payments (audited)

During FY19, a number of changes were made to the Board and details of these can be found in the Annual Integrated Report 2019. In summary:

Individual	Role	Date of leaving	Leaving arrangements
Stephen Stone	Chairman	31 October 2019	AIR 2019 page 97
Patrick Bergin	Chief Executive	26 March 2019	AIR 2019 page 96

Chris Tinker

Chris Tinker stepped down from the Board on 31 December 2019, he continued in employment until the end of February 2020 to assist with the transition of his responsibilities with the balance of pay and benefits paid monthly until 31 July 2020. The amounts paid to Chris Tinker are set out below:

Pay element	Amount
Salary and benefits in respect of employment	£59,595
Pay in lieu of notice (PILON)	£103,737
Pension	£25,416
Benefits	£11,535
Total	**£200,283**

In accordance with the reporting requirements, the Single Figure Table on page 106 details Chris Tinker's remuneration for his service as an Executive Director up to 31 December 2019. Outstanding share awards received good leaver treatment as set out in our 2019 Annual Integrated Report page 97. No post employment shareholding requirement applies.

There were no other payments for loss of office made during the year.

Payments to past Directors (audited)

There were no payments to past Directors made during the year other than as disclosed above.

External directorships

Subject to Board approval, Executive Directors are able to 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 Hanover Housing Group (appointed September 2020), for which he will receive and retain an annual fee of £30,000.

Directors' service contracts and letters of appointment

In line with our Policy, 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 2020
Peter Truscott	9 September 2019	Nine months	Terminable on nine months' notice
Duncan Cooper	17 June 2019	Nine months	Terminable on nine months' notice
Tom Nicholson	1 January 2020	Nine months	Terminable on nine months' notice
Iain Ferguson	16 September 2019	Three months	Terminable on three months' notice
Octavia Morley	1 May 2017	Three months	Terminable on three months' notice
Lucinda Bell	25 May 2018	Three months	Terminable on three months' notice
Sharon Flood	1 April 2015	Three months	Terminable on three months' notice
Louise Hardy	24 January 2018	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 104.

Wider stakeholder considerations

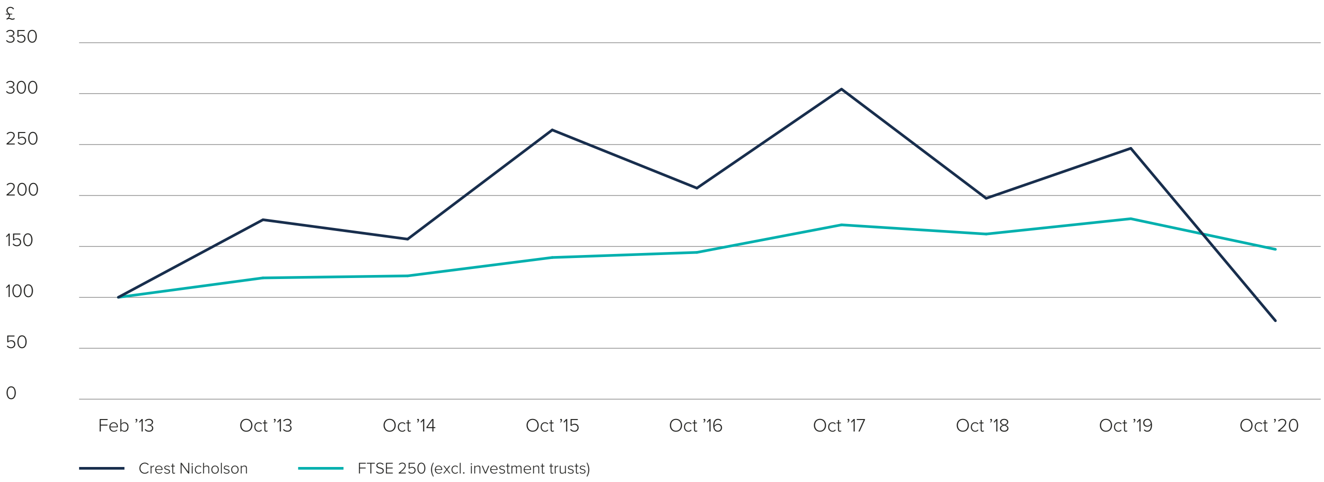
Statement of consideration of shareholder views

In considering the operation of the Remuneration Policy, the Committee takes into account the published remuneration guidelines and specific views of shareholders and proxy voting agencies. The Committee consults with the Company's larger shareholders, where considered appropriate, regarding changes to the operation of the Policy and when the Policy is being reviewed and brought to shareholders for approval. The Committee considers specific concerns or matters raised at any time by shareholders. Further information about our engagement with shareholders following the 20.6% vote against our Remuneration Report at our 2020 AGM, can be found on page 116.

The new Policy that was approved at the 2020 AGM was the subject of a consultation process with major shareholders in autumn 2019. The majority of contributors were supportive and the Committee carefully considered the comments received. The Committee thanks shareholders for their time and contributions during this process.

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 the start of conditional share dealing. As a member of the FTSE 250 (since joining the index on 24 June 2013), the Committee considers this to be an appropriate comparator.



The graph above shows the performance of a hypothetical £100 invested over that period.

Historical Chief Executive remuneration

The table below sets out total Chief Executive remuneration for FY20 and prior years, together with the percentage of maximum annual bonus awarded in that year and the percentage of maximum LTIP vested in that year.

£000	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Chief Executive total remuneration	979	1,043	14,110[1]	1,313	4,127	2,345	2,150	714[3]	1,495[4]	739
Annual bonus – % of maximum	76	80	100	100	82	82	84	0	3.5	0
Incentive plan award – % of maximum	N/A	N/A	100	N/A[2]	100	100	100	25	0	0

1 The total Chief Executive salary and benefits remuneration in FY13 was £1,274,507 before inclusion of incentive plan shares and options included in the 2013 figure above.

2 No incentive plans vested or had a performance period ending in FY14.

3 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 2019.

4 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 FY19 and FY20. The table holds 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 FY19 and FY20 are made up of cash paid to shareholders in each respective year.

The decrease in headcount during FY20, together with a significant reduction in annual bonus payments (given financial performance), led to a reduction in pay generally over the course of the year. The level of distributions to shareholders reduced due to the decision to suspend dividend payments as a result of the COVID-19 pandemic.

The measures shown below are those specified by the applicable disclosure requirements.

Total spend on pay

2020	2019	£ Change	% Change
£53.2m	£61.4m	£-8.3m	-13.4%

Distributions to shareholders by way of dividend and share buyback

2020	2019	£ Change	% Change
£0.0m	£84.7m	£-84.7m	-100%

Wider workforce considerations

Statement of consideration of employment conditions elsewhere in the Group

During the year, the Committee reviewed the remuneration framework applicable to all employees. 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.

The Committee also considered the following employee matters during the year:

Matter	Workforce treatment
Furlough leave	All employees received 100% of their pay and benefits.
Annual Bonus	Where performance targets have been met (excluding the impact of cancelling 2020 dividend payments), payments under wider employee schemes will be made. These are expected to be at the lower end of bonus scheme ranges.
Annual Salary Increase	Although it is not considered appropriate to award a general annual salary increase across the Group, a 1.0% pay increase will be given to those earning below £40,000 per annum where their bonus scheme does not qualify for a bonus payment. In addition, a small number of promotions or other pay changes will be considered. The average increase in salary for FY21 is 1.0%.
Sharesave	The Committee approved the launch of the 2020 Sharesave scheme to all employees which had 39.3% participation this year.

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 wider workforce and carefully considers the broader employee salary increase budget when making reward decisions for Directors. The Committee considers wider industry benchmarking material in the context of monitoring its overall position on Director and employee pay.

	Executive Directors[1]	Senior management[2]	Management[3]	Wider workforce[4]
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 and Group performance.			
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.			
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 the workforce receive an employer contribution of 6%.			
Annual bonus	Yes	Yes	Yes	Yes
LTIP	Yes	Yes	No	No

1 **Executive Directors:** Executive Directors of the Company.
2 **Senior management:** Executive Leadership Team (other than Executive Directors) and other senior roles.
3 **Management:** Management roles below Senior management.
4 **Wider workforce:** other roles not included in (1) to (3).

Employee engagement

The Group carries out periodic employee engagement surveys that give employees the opportunity to share their views on employment related matters, including remuneration. Almost two thirds of our employees took part in our most recent survey in September 2020, and their responses indicated that they were satisfied with their overall benefits package, and the investment in equipment and resources to assist them with doing their work but raised some concerns about base pay relative to the market. 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 FY21. The Committee will continue to review workforce pay structures and levels during the forthcoming year.

During health and wellbeing workshops held in early 2020 (which included benefits and remuneration), the Chair of the Committee presented the proposed Remuneration Policy and received questions and comments. These were taken into account in the drafting of the 2020 Policy that was approved at the AGM in March 2020.

The Committee was pleased that 39.3% of eligible employees joined the 2020 Sharesave scheme and that 45.5% of employees participate across all sharesave schemes. The Committee consider sharesave to be a valuable mechanism that provides employees with a path to share ownership.

Percentage change in Directors' remuneration

The table below sets out the percentage change between FY19 and FY20 for salary, benefits and annual bonus of the Directors compared with a selected group of employees. The parent company, Crest Nicholson Holdings plc, does not have any direct employees. We have therefore, used a comparator group of employees who have not joined or left employment during the comparison periods and are employed on a permanent full-time basis as this group provides the best like-for-like comparison.

	Percentage change FY20 compared to FY19		
	Salary/Fees	Benefits	Bonus
Peter Truscott[1]	35.2%	-6.1%	-100%
Duncan Cooper[2]	7.6%	18.4%	-100%
Tom Nicholson[3]	14.8%	6.3%	-100%
Iain Ferguson[4]	-26.4%	–	–
Octavia Morley[5]	8.3%	–	–
Lucinda Bell	0.0%	–	–
Sharon Flood	0.0%	–	–
Louise Hardy	0.0%	–	–
Average change for employee	2.8%	13.8%	-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 a pro rata amount in respect of Duncan Cooper.

3 For FY19 we have used a pro rata amount in respect of Tom Nicholson, and included remuneration prior to joining the Board.

4 The figure used for FY19 is the salary for Stephen Stone who was Chairman during this period.

5 The increase for Ms Morley reflects her extra responsibilities as Senior Independent Director.

Chief Executive to employees' pay ratio

The table below reports the pay ratio for FY20 and has been calculated using Option A, as the Committee considers this to be the most appropriate and robust way to calculate the ratio. This is our first year publishing a Chief Executive pay ratio and in future years we expect to disclose the year we are reporting and prior years for comparison, building up over time to show a rolling ten-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
		Employees' total pay	£29,977	£43,346	£68,121
		Employees' salary	£29,334	£34,150	£62,220

Under Option A we calculated the total remuneration for all employees in FY20 on the same basis as the Chief Executive single total figure of remuneration (see page 106) and then identified three employees that represent the lower quartile, median and upper quartile based on pay and benefits. Earnings for those who are part time, joined or left during the year have been annualised on a full time equivalent basis. Employee pay includes such items as overtime, commission, annual bonus and any long-term incentives. Benefits include company car or car allowance, private medical and employer pension contributions.

Other than any annual bonus, all other payments are included on a cash basis. The annual bonus element for the Chief Executive (although not applicable for 2020) and all other employees is the bonus earned during FY20 which is due to be paid in February 2021. The Company considers the median pay ratio is consistent with the Group's wider policies on employee pay, reward and progression. The ratio is relatively low this year because there have been no annual bonus or LTIP payments for the Chief Executive in respect of FY20. The ratio is likely to increase in future years if bonus payments are made and/or LTIP awards vest.

Gender pay gap reporting

Median hourly gender pay gap for the year to April 2019[1] is 20% (2018: 25%), compared with a national average of 17.3%. The Group's mean level hourly pay gap between men and women across all roles is 21% (2018: 24%). During the year, the Company has continued to focus on diversity and inclusion initiatives and more details can be found on page 53. Details of the gender breakdown for senior management roles is set out in more detail on pages 86 to 87. The Committee continues to take in to account its gender pay gap when making pay decisions and works in conjunction with the Nomination Committee to improve the diversity of the workforce.

1 Gender pay gap 2020 will be published in April 2021.

Pay arrangements during COVID-19

During April and May 2020, while the country was under national lockdown, 75% of the Group's workforce were furloughed under the Government's Job Retention Scheme. These employees received their full pay entitlement until they returned to work, enabling the consistent treatment of all employees during this period. The Group gradually welcomed employees back to work from the middle of May, with all employees having returned by the end of May. During this period, the Board and Executive Directors donated 20% of their gross salaries or fees to various charities. The Group repaid £2.5m of funds received under the Government's Job Retention Scheme in December 2020.

Statement of implementation of Remuneration Policy in the following financial year

In FY21, the Committee intends to implement the Executive and Non-Executive Director remuneration policies as set out below.

Executive Directors

Director		Fee (annual)		Change
Peter Truscott	There will be no change to annual salary in respect of FY21	2021	£650,000	0.00%
		2020	£650,000	
Duncan Cooper	There will be no change to annual salary in respect of FY21	2021	£365,000	0.00%
		2020	£365,000	
Tom Nicholson	There will be no change to annual salary in respect of FY21	2021	£374,000	0.00%
		2020	£374,000	

The average salary increase across the workforce from 1 January 2021 was 1.0% of salary.

Non-Executive Directors

Director	Role	2021 fee (annual)	2020 fee (annual)	Change
Iain Ferguson	Chairman	£200,000	£200,000	0.00%
Lucinda Bell	Non-Executive Director	£51,500	£51,500	0.00%
Sharon Flood	Non-Executive Director	£60,000[1]	£60,000[1]	0.00%
Louise Hardy	Non-Executive Director	£51,500	£51,500	0.00%
Octavia Morley	Senior Independent Director	£68,500[2]	£68,500[2]	0.00%

1 Includes £8,500 for role as Chair of the Audit & Risk Committee.

2 Includes £8,500 for role as Chair of the Remuneration Committee, and £8,500 for role as Senior Independent Director from 24 March 2020.

Pension and benefits

	Pension or cash equivalent	Annual bonus	LTIP
Peter Truscott	10%[1]	125%	150%
Duncan Cooper	6%[2]	125%	150%
Tom Nicholson	6%[2]	125%	150%

1 Peter Truscott's pension benefit was negotiated in early 2019. The benefit will align to the rate applicable to the majority of the workforce (currently 6%) no later than 31 December 2022. 10% represents the maximum level available to employees.

2 6% is the rate applicable to the majority of the workforce.

All 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 FY21.

For financial targets, the threshold payment will be reduced from 25% to zero, increasing the level of performance required before a bonus is earned. This is in recognition of the fact that target ranges for FY21 are reflective of lower profitability caused by the ongoing impact of COVID-19 on the business.

The targets are considered to be commercially sensitive and will be disclosed in the FY21 Directors' Remuneration Report to the extent that they do not remain commercially sensitive. The Committee will review performance under the annual bonus in the context of wider stakeholder experience over the performance period when determining bonus payments.

One-third of any bonus earned will be deferred in shares for three years.

The Committee has reviewed the mix of measures in line with the Group's strategy and, accordingly, the following measures and weightings have been agreed for the FY21 annual bonus, and are set out overleaf.

Performance measure	Measure detail	Strategic priority and foundation	Weighting (% of total bonus opportunity)
Financial			
Adjusted profit before tax	PBT performance measured between a threshold and maximum	Financial Targets Operational Efficiency Multi Channel Approach	30%
Net cash	Net cash performance measured between a threshold and maximum	Operational Efficiency Multi Channel Approach Financial Targets	25%
Cost savings	Improvement (including the effects of inflation) against FY20 residential build cost per square foot measured between a threshold and maximum	Operational Efficiency Financial Targets	15%
Non-financial			
Personal and strategic objectives	Three objectives to reduce voluntary staff turnover, increase employee engagement and reduce the number of quality issues identified in NHBC inspections	Placemaking & Quality People	15%
Customer service and quality	NHBC Customer Service Survey score measured between threshold and maximum	Placemaking & Quality Five-Star Customer Service People	10%
Environment, Social and Governance	Reduction in Scope 1 and 2 combined emissions intensity (tCO_2e/100 sq. m) during the year between threshold and maximum, compared to FY19 equivalent	Sustainability & Social Value	5%
SHE Leadership	Assessment of safety, health and environment leadership during the year	Safety, Health & Environment People	less up to 10% downward adjuster

LTIP

Peter Truscott, Duncan Cooper and Tom Nicholson will be granted an LTIP award with a face value of 150% of base salary.

The Committee has carefully considered the structure of its LTIP for FY21 taking account of the Group's historic performance, and its future strategy.

Having used EPS, ROCE and EBIT margin in FY19 and FY20, the Committee has replaced EPS with a total shareholder return (TSR) measure against the FTSE 250 and certain sector peers, retaining ROCE and EBIT Margin as follows:

Measure	% of award	Threshold (25% of element)	Maximum (100% of element)	Link to strategy
TSR (FTSE 250 & sector peers)	40%	Median	Upper Quartile	1 2 3 5 7 9
ROCE FY23	30%	17%	20%	2 3 5 9
EBIT margin FY23	30%	14.5%	16.5%	3 5 9

1 Placemaking & Quality
2 Land Portfolio
3 Operational Efficiency
4 Five-Star Customer Service
5 Multi Channel Approach
6 People
7 Sustainability & Social Value
8 Safety, Health & Environment
9 Financial Targets

TSR will be 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. The Committee does not consider that The Berkeley Group plc reflects the geographic or product focus of the Group and has therefore not been included.

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 has been introduced to provide focus on our relative stock market performance against the sector and the stock market generally, which has lagged in recent years and will provide a renewed focus on sustained growth in profitability and dividend distribution. Finally, ROCE and EBIT Margin, both financial KPIs, will provide a balance of financial measures in the other aspects of the award and will be adjusted measures as defined on page 182. Vested awards will be subject to a two-year holding period which, together with the three-year performance period during which withholding applies, provides five-years' control of performance outcome.

The target range for EBIT margin is higher than the range set for the prior year award, but the target range used for ROCE is lower. In both cases, the targets are considered stretching in light of the strategy, three-year business plan and market outlook.

The Committee intends to grant awards at the normal policy level of 150% of base salary. Whilst the Company's share price has reduced during the year, this has now found a level of stability based on the current market and outlook. Taking into account that the Executive Directors are a relatively new management team and the early stages of the Group's recovery, rather than reduce the award level on grant, the Committee will instead review the respective grants at vesting. 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 wider 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 Directors' Remuneration Report.

Advisors to the Committee

The Chief Executive and Group HR Director provide input to the Committee on matters concerning remuneration and the General Counsel and Company Secretary acts as Secretary to the Committee. These individuals are not present when their own remuneration is determined.

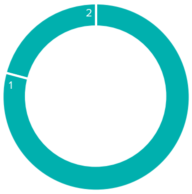
The Committee received external advice in the year from Korn Ferry (total fees £48,200). Korn Ferry was appointed by the Committee following a competitive selection process in 2018. Korn Ferry is a founder member of the Remuneration Consultants' Group, which operates a code of conduct. No other services are provided by Korn Ferry. Fees paid to external remuneration advisors are typically charged on an hourly basis with costs for work agreed in advance where possible.

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. In addition, the Committee is satisfied that the advice received by Korn Ferry in relation to executive remuneration matters was objective and independent. During the year, the Committee's performance was evaluated as part of the overall Board evaluation. The review explored how the Committee operates, its scope of work and areas for development. The evaluation concluded that the Committee continues to work effectively.

Statement of voting at Annual General Meeting

The tables below set out the votes received for the 2019 Directors' Remuneration Report and Remuneration Policy at the 2020 AGM, respectively.

Directors' Remuneration Report



1 Shares voted in favour 156,754,860 79.37%
2 Shares voted against 40,749,860 20.63%

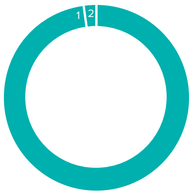
197,504,820

Total votes cast (76.87% of issued share capital)

19,265

Votes withheld (abstentions)

Directors' Remuneration Policy



1 Shares voted in favour 193,645,902 98.05%
2 Shares voted against 3,858,618 1.95%

197,504,520

Total votes cast (76.87% of issued share capital)

19,865

Votes withheld (abstentions)

The Committee has maintained a regular dialogue with leading shareholders on a range of matters, including remuneration. This year, the Committee engaged with the Company's largest shareholders regarding the new Policy and its application for FY20, specifically performance measures for the annual bonus and target setting for the LTIP. The Committee welcomes feedback and encourages shareholders to contact the Remuneration Committee Chair via the General Counsel and Company Secretary to provide their views and feedback.

AGM Resolution 14

The Company was pleased with the support it received its new Directors' Remuneration Policy.

However, Resolution 14, to approve the Annual Directors' Remuneration Report, received 79.4% of votes in favour. Following engagement with shareholders in advance of the AGM, the principal area of concern was in relation to the salary level of Peter Truscott, Chief Executive, relative to the salary of previous Chief Executives at the Company.

The Group has engaged further with major shareholders who voted against the Directors' Remuneration Report, highlighting the background to the recruitment and pay decisions, and the commitment to align the Chief Executive's pension provision (currently 10% of salary) to the rate applicable to the majority of the workforce (currently 6% of salary) by the end of 2022, in line with the Investment Association's recommended approach. The Committee is satisfied that the Group has a high quality Chief Executive to lead the turnaround required and the Company has paid no more than was absolutely necessary to achieve this.

The Committee has carefully considered the views of shareholders, the vote against the Directors' Remuneration Report, and wider shareholder and workforce experience during the year. The outcome of the deliberations of the Committee, the Directors and the Board respectively have led to a number of important actions in the year including donation of some salary/fees to charity, the waiver of bonus payments by Executive Directors whilst bonuses continued to be paid to the wider workforce and a 1% salary increase for lower earners not otherwise due to receive a bonus. The Committee believes that actions taken together demonstrate the balance of restraint of executive pay, fair treatment of the wider workforce, and align with shareholder experience and the views expressed through the vote against the Directors' Remuneration Report.

Approval

This report and Policy were approved by the Board of Directors on 26 January 2021 and signed on its behalf by

OCTAVIA MORLEY
Remuneration Committee Chair

DIRECTORS' REPORT
COMPLIANCE AND OTHER DISCLOSURES

The Directors' Report for the year ended 31 October 2020 comprises pages 66 to 121 together with other sections of the report as referenced below.

A full description of the activities of the Group, including performance, important events affecting the Group in the year, indicative information in respect of the likely future developments in the Group's business, and matters relating to research and development, can be found in the Strategic Report on pages 1 to 65.

In accordance with the UK Financial Conduct Authority's Listing Rules LR 9.8.4c, the information to be included within the Annual Integrated Report, where applicable, is set out in the Directors' Report.

Articles of Association (Articles)

The Articles regulate the internal affairs of the Company and cover such matters as Board and shareholder meetings, the appointment and replacement of Directors, the powers and duties of Directors, borrowing powers and the issue and transfer of shares.

The Articles are available on the Company's website. The Articles can be amended by special resolution of the Company's shareholders.

Going concern and viability statement

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 on page 135 and the Company's viability statement is detailed on page 65.

Directors

The current Directors and their biographical details are detailed on pages 70 to 71.

Powers of Directors

The Directors' powers are conferred on them by UK legislation and by the Company's Articles.

Election and re-election of Directors

The Board may appoint any person to be a Director (so long as the total number of Directors does not exceed the limit prescribed in the Company's Articles). Any such Director shall hold office until the next AGM and shall then be eligible for election. All current Directors will submit themselves for re-election at the 2021 AGM. The Board confirms that it has the appropriate balance of skills, experience, independence and knowledge, and shareholders should support the re-election of the Directors.

Directors' and officers' liability insurance

The Company maintains Directors' and officers' liability insurance for the Directors and the General Counsel and Company Secretary. The Company has granted qualifying pension scheme indemnities to the extent permitted by law to the Directors of Crest Nicholson Pension Trustee Limited, which acts as trustee to the Company's defined benefit pension scheme.

Share capital

As at 31 October 2020 the Company had issued share capital of 256,920,539 ordinary shares of 5 pence. No ordinary shares have been issued during the financial year.

Rights 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 2020 the Company's shareholders delegated 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. This standard authority will expire on 30 April 2021 or at the conclusion of the next AGM, whichever is earlier
- Authority to make market purchases of its own shares up to a maximum aggregate number of 25,692,053. This standard authority will expire on 30 April 2021 or at the conclusion of the next AGM, whichever is earlier.

The Directors will seek to renew the authorities at the AGM to be held on 23 March 2021.

At 31 October 2020, the Group's Employee Benefit Trust (EBT) held 184,997 ordinary shares in the Company for the purposes of satisfying awards under the Company's share and incentive plans. The EBT 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 sites go through a rigorous approval and assessment process at Group level.

The Group operates a range of compliance, ethical and equal treatment policies, including the equality and diversity policy and the anti-bribery and corruption policy. The Group also operates a whistleblowing policy whereby employees and supply chain partners can report concerns via an independent, free and confidential helpline. The policy details the appropriate lines of communication and an escalation procedure has been established to ensure any report is dealt with effectively and efficiently.

Central functions

Strong central functions support the Board, Executive Committee and divisional businesses. These functions include, among others: Legal and Company Secretariat; Group Finance; Human Resources; Safety, Health and Environment (SHE); Sustainability; IT; and Marketing. Each central function contributes in its area of expertise to improve compliance, oversight, support and education with the relevant legal and regulatory requirements. In addition, principal treasury-related risks, decisions and control processes are managed by the Group Finance function.

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.

Change of control

The Group has in place a number of agreements with its lending banks, private placement note holders, joint venture partners, government authorities (such as the Homes England), private investors and customers, which contain certain termination rights that would have an effect on 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. Accordingly, they do not intend to disclose specific details of these. In addition, all the Group's share schemes contain provisions that, in the event of a change of control, this would result in outstanding options and awards becoming exercisable, subject to the rules of the relevant schemes. 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.

Financial Risk Management

Note 25 to the financial statements on pages 166 to 169 sets out the Company's approach to financial risk management including financial credit and liquidity risk.

Political donations

The Group made no political donations during the year (2019: 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.

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 2020 and 26 January 2021.

	As at 31 October 2020		As at 26 January 2021	
Shareholder	Number of voting rights held	% of voting rights held	Number of voting rights held	% of voting rights held
Standard Life Aberdeen plc	22,199,232	8.64	19,689,885	7.66
Norges Bank	11,192,156	4.36	11,192,156	4.36

GREENHOUSE GAS EMISSIONS REPORT

Global greenhouse gas (GHG) emissions data	2020 Location-based	2020 Market-based	2019 Location-based	2019 Market-based
Scope 1 emissions (tCO_2e)	4,232	4,232	6,721	6,721
Scope 2 emissions (tCO_2e)	1,771	500	1,737	1,171
Scope 1 and 2 combined emissions intensity[1] (tCO_2e/100 sq. m)	3.08	2.43	3.20	2.99
Group-wide energy use (kWh)[2]	26,370,982	26,370,982	35,760,757	35,760,757

1 Intensity metric is the floor area (sq. m) of the Group's completed homes. 2019 intensity figures restated due to change in intensity metric.

2 Group-wide energy use includes site and office electricity, gas, diesel and liquefied petroleum gas (LPG) and business travel associated with Company-owned vehicles.

Methodology

The Group has reported on the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. These sources fall within the Group's operational control.

In accordance with the Greenhouse Gas Protocol's Corporate Standard, the Group has reported both location and market-based scope 2 emissions. Location-based emissions are calculated using the UK Government's GHG Conversion Factors for company reporting. Market-based emissions are calculated using tariff specific factors from the Group's 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 the Group's control is supplied by the Group's utilities management partner. For non-plot supplies, they visit site 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 occupied by the Group. Diesel and LPG data is obtained directly from suppliers. Business travel data is obtained from fuel-card data and the Group's expense claim system.

For operational joint ventures, GHG emissions are included from site compounds for the parts of the sites the Group are developing and the homes delivered by the Group.

The Group uses the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (revised edition) and emission factors from UK Government's GHG Conversion Factors for Company Reporting 2020.

Streamlined Energy and Carbon Reporting (SECR) disclosure

The SECR disclosure includes carbon emission data in line with the methodology above. Energy consumption data includes the Group's site and office electricity, gas, diesel and LPG and business travel associated with Company-owned vehicles. The intensity metric has been updated to provide better alignment with the Group's peers. The intensity metric is based on the floor area (tCO_2e/100 sq. m) of completed homes during the financial year. The Strategic Report provides details of energy efficiency measures carried out during the year.

Verification statement by Verco Advisory Services

Verco Advisory Services Ltd has reviewed the Group's GHG calculations using the World Resources Institute (WRI) and World Business Council for Sustainable Development (WBCSD) Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard. Verco has also provided limited assurance against ISO 14064.

Based on its review of Crest Nicholson's GHG emissions inventory for 1 November 2019 to 31 October 2020, 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.

DIRECTORS' REPORT APPROVAL

Disclosure of information to the auditors

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 2020 Annual General Meeting and is willing to seek re-appointment this year. Resolutions to re-appoint PwC will be proposed at the 2021 AGM.

Approval

The Directors' Report was approved by the Board of Directors on 26 January 2021 and signed on its behalf.

KEVIN MAGUIRE
Company Secretary

FINANCIAL
STATEMENTS

IN THIS SECTION

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Integrated 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 international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and 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 international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union 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 also 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 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 Integrated Report and the 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 70 and 71 confirm that, to the best of their knowledge:

— the Group financial statements, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, give a true and fair view of the assets, liabilities, financial position and loss 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, financial position and loss 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
Director

26 January 2021

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 2020 and of the Group's loss and cash flows for the year then ended;
- the Group and Company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Integrated Report (the "Annual Report"), which comprise: the Consolidated and Company Statements of Financial Position as at 31 October 2020; the Consolidated Income Statement and 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 Committee.

Separate opinion in relation to international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union

As explained in note 1 to the financial statements, the Group, in addition to applying international accounting standards in conformity with the requirements of the Companies Act 2006, has also applied international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

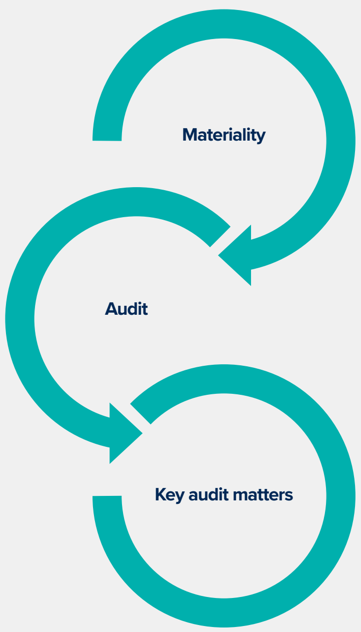
In our opinion, the Group financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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.

Our audit approach

Overview



- Overall Group materiality: £5.4 million (2019: £6.1 million), based on approximately 5% of a three-year average of profit before tax and exceptional items (2019: based on 5% of current year profit before tax and exceptional items).
- Overall Company materiality: £2.4m (2019: £2.4m), based on approximately 1% of total assets.

- We conducted an audit of the complete financial information of each of the five geographically-based housebuilding Divisions. Specific balances and financial statement line items were audited within additional reporting units based on their size. Revenue, the carrying value of inventory and exceptional items were tested at the Group level.
- The reporting units where we performed an audit of complete financial information, in addition to the audit of consolidation journals and specified procedures over other reporting units accounted for 88% of Group profit before tax and exceptional items. We audited exceptional items in full.

- Valuation of inventory at the lower of cost and net realisable value ("NRV") (Group).
- Margin forecasting and recognition (Group).
- Exceptional items (Group).
- Going concern (Group and Company).
- COVID-19 (Group and Company).

Independence

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

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

Other than those disclosed in note 5 to the financial statements, we have provided no non-audit services to the Group or the Company in the period from 1 November 2019 to 31 October 2020.

Context

Crest Nicholson Holdings plc is a residential housebuilder listed on the London Stock Exchange. The Group is wholly UK based, operating primarily across the Southern half of England, and in the Midlands.

The Group is susceptible to external macro-economic factors such as government regulation, mortgage availability and changes in the wider building 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 the valuation of inventory. During the year ended 31 October 2020, the Group has been significantly impacted by the COVID-19 pandemic, resulting in the closure of its developments for a period mid-way through the year and reduced sales levels compared to prior years. Consequently, our audit focused this year on the impact of the COVID-19 pandemic on the business and implications on the financial statements, including the potential impairment of inventory and other assets (and relevant presentation and disclosure), and the appropriateness of the going concern basis of preparation.

The scope of our audit

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

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to, but were not limited to, the breach of safety and health legislation and planning guidelines, pensions legislation and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006 and the Listing Rules. 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 determining accounting estimates, in particular around revenue and profit recognition and provisions. Audit procedures performed by the Group engagement team included:

- Discussions with the Executive Leadership Team, Divisional management teams and the Audit Committee, review of internal audit reports and consideration of known or suspected instances of non-compliance with laws and regulation (including safety and health legislation) 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;
- Challenging the assumptions and judgements made by management in determining their significant accounting estimates, in particular in relation to cost forecasting, margin estimation and provisions (see related key audit matters below);
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations including unusual or unexpected journal postings to the income statement.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Going concern, exceptional items and COVID-19 are new key audit matters this year. Accounting for the combustible materials provision, which was a key audit matter last year, is no longer included since any change in the provision is recognised through exceptional items, which is addressed through the new key audit matter for exceptional items. Otherwise, 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), Note 19 (Inventories) and page 92 (Key financial and internal control matters). 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"). While the current cost is relatively straightforward to determine, the NRV of each 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 risk is a significant risk for the audit and therefore a focus of our work. During the year, the Directors performed a detailed NRV assessment in response to COVID-19 and the impact on the housing market, resulting in an exceptional impairment charge of £33.9m. This is in addition to an underlying impairment of £2.9m recorded on other sites which is not a result of the NRV assessment performed and is due to other specific factors.	We confirmed and updated our understanding of management's process for preparing a forecast for each development, consistent with the risk associated with the margin forecasting and recognition process; We tested management's controls over the approval of initial forecasts and the monitoring of updates required to the forecasts over the course of the development's life, including attendance at the October (year-end) Build Cost control meetings at all Divisions. This was performed to a high level of assurance; We tested 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, where relevant, we also had discussions with site surveyors and other individuals outside the finance function; We understood the composition of the inventory balance, specifically the level and ageing of completed but unreserved build complete units, to confirm if inventory is held at the appropriate value. We assessed the level of post year end reservations and compared forecast sales prices to actual sales prices achieved or to external market data to determine if there were any valuation issues at the period end; We evaluated the subsequent margins recognised on sites where we identified potential valuation issues, being those sites with low margins or high levels of completed and unreserved units at the year end date; We evaluated the carrying value of part exchange stock by verifying sales values in the area to external evidence and testing to post-year end reservations; We assessed the appropriateness of the 7.5% sales price decline used in management's model by considering the range of market forecast available at the year-end date; We tested management's NRV model to confirm the mathematical accuracy of the workings; and For sites with specific impairment considerations, we obtained audit evidence to support the sales value used in management's NRV calculation. Based upon the procedures performed we did not identify any sites where we determined that further material impairments were required in the year. We are satisfied that the Group's provisions are not materially misstated.

Key audit matter	How our audit addressed the key audit matter
Margin forecasting and recognition (Group) Refer to Note 1 (Accounting policies) and page 92 (Key financial and internal control matters). The Group's margin recognition policy is based on the margin forecast for each development. These margins reflect estimated sales prices and costs for each development. This process is a method of allocating the total forecast costs, representing both land and build costs, of a development over each individual unit. There is a risk that the margin forecast for the site and consequently the margin recognised on each unit sale is not appropriate and reflective of the actual final margin that will be recognised on a development. As a result excess profit margins would be recognised earlier to the detriment of reduced margins at the end of the development. The risk is due to 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 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 or build cost inflation. There is higher uncertainty when a development is scheduled to be completed over a long timeframe. Management have implemented internal controls to assess site acquisition and commencement forecasts to assist initial financial appraisal processes, and further controls to monitor the ongoing costs and sales prices within these forecasts. There is a risk that these controls do not operate effectively in ensuring the accuracy and completeness of the forecasts. We consider the accuracy and completeness of forecasting and the appropriateness of margin recognition across the life of the site to be a significant financial reporting, and hence audit, risk for the Group.	Our audit procedures included, but were not limited to: — Testing management's forecasting and monitoring controls for the developments (including attendance at a selection of internal control meetings designed to monitor cost movements) and testing over the data used in these meetings; — Attending the October (year-end) Build Cost control meetings at all Divisions. Through our control testing procedures, we noted that management's forecasts are materially accurate and are prepared, monitored and updated in accordance with the stated controls; — For a sample of sites where we noted variances in forecast build costs compared to the prior year, we substantively tested a sample of the inputs to confirm these were appropriate and appeared complete; — Confirmation, through sampling of additions to inventory, that costs were being allocated to appropriate developments and therefore impacting the correct margin; — Assessing management's overall historic accuracy of the forecasts by analysing the changes to margins in the year and adjustments made to margins through cost of sales, with no significant changes noted on any one site. We also assessed how margins had moved across divisions over the last two years and changed from operational commencement for a sample of sites to consider whether there were any systemic trends that might impact revenue recognition. No material items were noted; — Checking, by recalculating the margins, that the system correctly calculates the margin following each cost or sales price amendment made by management, noting no exceptions; — Confirming the consistent application of the margin recognition framework through analysing the margins recognised on specific sites compared to the developments' forecast margin; and — Auditing any material manual adjustments to margins to ensure these were appropriate by agreeing these costs/income to third party support. Based on the procedures performed, we did not identify any sites where we considered the actual margin recognised or forecast margin to be materially inappropriate.
Exceptional items (Group) Refer to Note 4 (Exceptional items) for details of the items presented as exceptional and Note 1 (Accounting policies). The Group has chosen to present certain items as 'exceptional' on the basis that they are individually material and/or non-recurring in nature, and that in the Directors' opinion separate disclosure will enable shareholders to better understand the underlying performance of the business. Exceptional items are also excluded from the assessment of compliance with debt covenants. Exceptional items include inventory impairment, impairment of financial assets and shared equity loans and restructuring costs. There is judgement is determining whether an item meets the Group's definition of 'exceptional' per its accounting policy. In addition, once an item is classified as 'exceptional' there can be judgement around the quantum of the amount disclosed as exceptional. As a result, we determined that there was a significant audit risk around the value and the presentation and disclosure of 'exceptional' items. Exceptional items were presented for the first time in the previous financial year, solely relating to the combustible materials provision, which was treated as a separate key audit matter. All exceptional items are presented as one key audit matter for the year ended 31 October 2020.	Our audit procedures included but were not limited to: — Obtaining management's schedule of exceptional items and testing this for mathematical accuracy; — Testing the assumptions used by management in determining exceptional impairment of inventory to recent market forecasts where appropriate, and testing the underlying model. See the key audit matter on valuation of inventory above for further details; — Understanding management's rationale for including these items as exceptional and challenging whether they meet the Group's accounting policy. In particular we focussed on whether items such as bulk deals resulting in impairment were truly "one-off" items given these occur each year. In this instance the sales price decline was significant on these deals leading to material impairments which had not previously occurred, as a result of the economic uncertainty. These items were individually material; — Testing a sample of items included within exceptional restructuring costs and vouched to payments and settlement agreements; and — Considering recent guidance from the FRC and ESMA and the appropriateness of the disclosures in the Annual Report in response to this. Management updated some of their disclosures to reflect this guidance. We proposed certain adjustments that were immaterial in aggregate to reverse charges or reclassify items as pre-exceptional where we believed management's treatment was not appropriate. Some of these adjustments were corrected. With the exception of the remaining unadjusted items that the Audit committee believed immaterial, and we concurred, we agree that the exceptional items are materially in line with the Group's accounting policy, and that presentation as exceptional is appropriate under accounting standards and in considering recent guidance.

Key audit matter	How our audit addressed the key audit matter
Going concern (Group and Company) Refer to Note 1 (Accounting policies) for the basis of preparation regarding going concern, and page 117 for the Directors' statement on Going Concern. COVID-19 has significantly impacted the operations of the Group and Company over the year and is likely to have an impact going forward. As the performance of the Group has been adversely impacted to date, and the Group's debt facilities have covenants attached which are dependent on future performance, going concern is considered a significant risk for our audit. In undertaking their assessment of going concern for the Group and Company the Directors modelled future business performance and cash flow forecasts, by means of a 'base case' and a 'severe but plausible' downside model. In both models, the Directors considered both the liquidity position as well as the three associated debt covenants. The key assumptions in the base case are a 7.5% price reduction on forecast selling prices on open market unexchanged units and a 5% reduction on Housing Association unexchanged units. For Open Market, the model also assumes a sales per outlet per week ("SPOW") rate of 0.42 for FY21 and 0.57 for the first half of FY22. The severe but plausible downside scenario includes a number of assumptions including a two-month shutdown and an immediate sales price decline of 7.5% followed by a sustained 2.5% sales value reduction each quarter until reaching a 17.5% decline in April 2022. The model also assumes a SPOW rate of 0.35 for FY21 and 0.48 for the first half of FY22 for Open Market units and 0.04 for FY21 and 0.03 for the first half of FY22 for Housing Association sales. In considering both scenarios, the Directors concluded that the Group has sufficient resources available to meet its liabilities as they fall due and comply with the covenants of its debt facilities and is therefore a going concern.	In performing our work over going concern we have performed the following audit procedures: — Utilised internal data specialists to assess the integrity of the model; — Discussed with management the critical assumptions and judgements applied in their going concern assessment so that we could understand and challenge these assumptions made. Our key challenges to the model were around the appropriateness of the SPOW rate applied, the sales price reductions and the lockdown period assumed in the model; — Agreed key information, including volumes and phasing, back to supporting documentation including board approved forecasts; — Assessed the accuracy of management's forecasting by comparing the FY20 COVID-19 adjusted base case model to actuals and understanding significant differences; — Where possible, utilised third party information to corroborate significant assumptions, for example using third party market data to corroborate the key assumptions of sale price reductions. We also considered historic evidence (Group and market) to the extent it is relevant; for example the actual sales value, volume and resulting EBIT during FY20 and during the 2008/09 global financial crisis; — Assessed the likelihood of the different scenarios and sensitivities considered by the Directors and performance of our own independent assessment of other potential downside scenarios; — Recalculated the covenant outcomes, both under the base case and downside scenarios; — Examined agreements and legal representations in respect of the Group's borrowing facilities and the related covenants. We note that the covenant calculations are performed on 'pre-exceptional' profits and therefore we included specific considerations of covenant definitions. See our exceptional items key audit matter. We focussed our work on the interest cover ratio given this is the tightest of the covenants; — Considered the potential additional mitigants that are available to the Group and their ability to control these; and — Considered the appropriateness of the disclosures relating to the going concern basis of preparation and found that these provided an explanation of the Directors' assessment that was consistent with the evidence we obtained. Our conclusions on going concern are set out in the "Going concern" section of our report.

Key audit matter	How our audit addressed the key audit matter
COVID-19 (Group and Company) Refer to the Strategic Report for the impact of COVID-19 on the Group and Company's financial performance during the year. Some of the impact of COVID-19 is reflected through Note 4 (Exceptional Items) to the financial statements. The pandemic has had a significant impact on the trading of the Group over the course of the year. At the start of the pandemic in 'Lockdown 1' the Group closed its developments along with much of the industry, reopening them in a COVID-19 compliant environment a couple of months later. Sales levels also reduced across the year as a whole but higher levels of activity returned in the second half of the year, helped by government assistance through the stamp duty holiday and the Job Retention Scheme more broadly supporting the economy. There remains uncertainty around the future economic outlook for the UK housebuilding industry, in particular when government support schemes are expected to end in Spring 2021. Market forecasters generally expect a decline in future house prices for 2021 with the risk of subdued transactional volumes. In considering the impact that COVID-19 has had and is expected to have on the business management have considered COVID-19 as a 'trigger' event for impairment reviews and considered the impact on the carrying value of assets held and the need for provisions. Specifically, they have modelled a future house price decline of 7.5% as well as considering specific price reductions on certain legacy sites. As a result, certain developments are no longer expected to be profitable and an inventory impairment charge has been recorded. This modelling has also increased the expected credit loss on certain receivables from joint ventures and resulted in further inventory write off through the abandonment of a large development. Any future disruption to the housing market will likely have an adverse impact on the Group and the Company and therefore the Directors have considered the impact of this on their going concern and viability assessments.	In advance of the year end and throughout the course of the audit we continued to assess the risks arising from the COVID-19 pandemic. We focussed on areas where significant additional audit effort might be required as well as those areas which might be susceptible to a material financial impact on the performance and position of the Group or Company for the year ended 31 October 2020. The primary impacts on the Group relate to the considerations around going concern and the valuation of inventory, as set out in the relevant key audit matters above. Other procedures performed were as follows: — Reviewing the appropriateness of profit forecasts to determine the recoverability of current and deferred tax assets; — Understanding and testing the expected credit loss assessment performed by management over financial assets, including trade receivables, receivables from joint ventures and intercompany receivables, to confirm any impairment recognised was sufficient; and — We reviewed the disclosures in the financial statements in respect of the impact of COVID-19 and concluded that these are appropriate. Despite undertaking all of our year end work remotely, we did not encounter any significant difficulties in performing our audit testing or in obtaining the required evidence to support our audit conclusions. Based on the work performed, as summarised above, we have concluded that the Group's conclusions in respect of the impact of COVID-19 are appropriate.

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 17 reporting units (each of which were deemed to be components) representing the Group's geographically-based housebuilding Divisions, other 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 geographically-based 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 specified procedures over other reporting units, accounted for 88% of the Group's profit before tax and exceptional items. We audited exceptional items in full. Specified procedures included the audit of specific financial statement line items over a further five reporting units, to provide additional coverage over certain financial statement line items, such as payroll, administrative costs and provisions.

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, taxation, pensions, payroll expense, interest expense, loans and borrowings, share based payments, provisions, exceptional items and other financial assets, gave us the evidence we needed for our opinion on the Group 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.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Overall materiality	£5.4 million (2019: £6.1 million).	£2.4m (2019: £2.4m).
How we determined it	Approximately 5% of a three-year average of profit before tax and exceptional items (2019: 5% of current year profit before tax and exceptional item).	Approximately 1% of total assets.
Rationale for benchmark applied	Based on the benchmarks used in the annual report, profit before tax and exceptional items is the primary measure used by the shareholders in assessing the performance of the Group. A three-year average measure has been used given the significant and one-off impact of COVID-19 on the Group's financial performance during the year. In the prior year, profit before tax and exceptional items for the year was used as our benchmark.	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 £0.5m and £4.5m. Certain components were audited to a statutory audit materiality that was also less than our overall Group materiality.

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 approximately 75% of overall materiality, amounting to £4.0m for the Group financial statements and £1.8m 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 Committee that we would report to them misstatements identified during our audit above £270,000 (Group audit) (2019: £300,000) and £120,000 (Company audit) (2019: £122,000) 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 is set out in the above key audit matter.

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 Group's and the Company's 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 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 Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 October 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

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.

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 with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified;

— 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;

— 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 Board's confirmation that it has carried out a robust assessment of the emerging and principal risks;

— The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and

— The section describing the work of the Audit Committee.

Our review of the Directors' statement regarding the longer-term viability of the Group 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.

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 set out on page 121, 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.

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 received all the information and explanations we require for our audit; or

— adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or

— certain disclosures of Directors' remuneration specified by law are not made; or

— the Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 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 6 years, covering the years ended 31 October 2015 to 31 October 2020.

DARRYL PHILLIPS
Senior Statutory Auditor

For and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

26 January 2021

CONSOLIDATED INCOME STATEMENT

For the year ended 31 October 2020

	Note	2020 Pre-exceptional items £m	2020 Exceptional items (note 4) £m	2020 Total £m	2019 Pre-exceptional items £m	2019 Exceptional items (note 4) £m	2019 Total £m
Revenue	3	**677.9**	–	**677.9**	**1,086.4**	**–**	**1,086.4**
Cost of sales		(570.2)	(43.8)	(614.0)	(884.5)	(18.4)	(902.9)
Gross profit/(loss)		**107.7**	**(43.8)**	**63.9**	**201.9**	**(18.4)**	**183.5**
Administrative expenses		(50.3)	(7.5)	(57.8)	(65.5)	–	(65.5)
Net impairment losses on financial assets	18	(0.3)	(7.6)	(7.9)	(3.4)	–	(3.4)
Operating profit/(loss)	5	**57.1**	**(58.9)**	**(1.8)**	**133.0**	**(18.4)**	**114.6**
Finance income	7	3.4	–	3.4	3.6	–	3.6
Finance expense	7	(14.1)	(0.5)	(14.6)	(14.6)	–	(14.6)
Net finance expense		(10.7)	(0.5)	(11.2)	(11.0)	–	(11.0)
Share of post-tax losses of joint ventures using the equity method	14	(0.5)	–	(0.5)	(0.9)	–	(0.9)
Profit/(loss) before tax		**45.9**	**(59.4)**	**(13.5)**	**121.1**	**(18.4)**	**102.7**
Income tax (expense)/credit	8	(8.5)	11.3	2.8	(23.7)	3.5	(20.2)
Profit/(loss) for the year attributable to equity shareholders		**37.4**	**(48.1)**	**(10.7)**	**97.4**	**(14.9)**	**82.5**
Earnings/(loss) per ordinary share							
Basic	10	14.6p		(4.2)p	38.0p		32.1p
Diluted	10	14.5p		(4.2)p	37.9p		32.1p

The notes on pages 135 to 175 form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 October 2020

	Note	2020 £m	2019 £m
(Loss)/profit for the year attributable to equity shareholders		**(10.7)**	**82.5**
Other comprehensive (expense)/income:			
Items that will not be reclassified to the consolidated income statement:			
Actuarial losses of defined benefit schemes	17	(13.8)	(17.3)
Change in deferred tax on actuarial losses of defined benefit schemes	16	2.7	3.3
Other comprehensive expense for the year net of income tax		**(11.1)**	**(14.0)**
Total comprehensive (expense)/income attributable to equity shareholders		**(21.8)**	**68.5**

The notes on pages 135 to 175 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 October 2020

	Note	Share capital £m	Share premium account £m	Retained earnings £m	Total equity £m
Full year ended 31 October 2019					
Balance at 31 October 2018		**12.8**	**74.2**	**785.7**	**872.7**
Profit for the year attributable to equity shareholders		–	–	82.5	82.5
Actuarial losses of defined benefit schemes	17	–	–	(17.3)	(17.3)
Change in deferred tax on actuarial losses of defined benefit schemes	16	–	–	3.3	3.3
Total comprehensive income for the year		**–**	**–**	**68.5**	**68.5**
Transactions with shareholders:					
Equity-settled share-based payments	17	–	–	(0.4)	(0.4)
Deferred tax on equity-settled share-based payments	16	–	–	0.2	0.2
Purchase of own shares	24	–	–	(3.8)	(3.8)
Transfers in respect of share options		–	–	1.9	1.9
Dividends paid	9	–	–	(84.7)	(84.7)
Balance at 31 October 2019		**12.8**	**74.2**	**767.4**	**854.4**
Full year ended 31 October 2020					
Balance at 31 October 2019 – Originally reported		**12.8**	**74.2**	**767.4**	**854.4**
Change in accounting policy[1]	29	–	–	(0.5)	(0.5)
Balance at 1 November 2019 – Restated		**12.8**	**74.2**	**766.9**	**853.9**
Loss for the year attributable to equity shareholders		–	–	(10.7)	(10.7)
Actuarial losses of defined benefit schemes	17	–	–	(13.8)	(13.8)
Change in deferred tax on actuarial losses of defined benefit schemes	16	–	–	2.7	2.7
Total comprehensive expense for the year		**–**	**–**	**(21.8)**	**(21.8)**
Transactions with shareholders:					
Equity-settled share-based payments	17	–	–	0.5	0.5
Purchase of own shares	24	–	–	(1.8)	(1.8)
Transfers in respect of share options		–	–	0.4	0.4
Balance at 31 October 2020		**12.8**	**74.2**	**744.2**	**831.2**

1 The Group has applied IFRS 16 using the modified retrospective approach and therefore comparatives have not been restated. Further information on the initial application of this standard can be found in note 29.

The notes on pages 135 to 175 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 October 2020

	Note	2020 £m	2019 £m
ASSETS			
Non-current assets			
Intangible assets	11	29.0	29.0
Property, plant and equipment	12	2.0	6.1
Right-of-use assets[1]	13	6.0	–
Investments in joint ventures	14	3.7	2.0
Financial assets at fair value through profit and loss	15	4.6	6.2
Deferred tax assets	16	8.4	6.4
Trade and other receivables	18	55.6	58.5
		109.3	**108.2**
Current assets			
Inventories	19	1,025.0	1,151.1
Financial assets at fair value through profit and loss	15	0.8	1.0
Trade and other receivables	18	95.2	145.3
Current income tax receivable		3.4	–
Cash and cash equivalents	20	239.4	170.6
		1,363.8	**1,468.0**
Total assets		**1,473.1**	**1,576.2**
LIABILITIES			
Non-current liabilities			
Interest-bearing loans and borrowings	21	(97.2)	(131.5)
Trade and other payables	22	(151.7)	(149.4)
Lease liabilities[1]	13	(4.7)	–
Retirement benefit obligations	17	(13.8)	(6.2)
Provisions	23	(3.4)	(11.8)
		(270.8)	**(298.9)**
Current liabilities			
Interest-bearing loans and borrowings	21	–	(1.9)
Trade and other payables	22	(357.0)	(412.9)
Lease liabilities[1]	13	(2.3)	–
Current income tax liabilities		–	(3.2)
Provisions	23	(11.8)	(4.9)
		(371.1)	**(422.9)**
Total liabilities		**(641.9)**	**(721.8)**
Net assets		**831.2**	**854.4**
EQUITY			
Share capital	24	12.8	12.8
Share premium account	24	74.2	74.2
Retained earnings		744.2	767.4
Total equity		**831.2**	**854.4**

1 The Group has applied IFRS 16 using the modified retrospective approach and therefore comparatives have not been restated. Further information on the initial application of this standard can be found in note 29.

The notes on pages 135 to 175 form part of these financial statements.

These financial statements on pages 131 to 175 were approved by the Board of Directors on 26 January 2021.

On behalf of the Board

PETER TRUSCOTT
Director

DUNCAN COOPER
Director

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 October 2020

	Note	2020 £m	(Restated) 2019 £m
Cash flows from operating activities			
(Loss)/profit for the year attributable to equity shareholders		(10.7)	82.5
Adjustments for:			
Depreciation on property, plant and equipment	12	4.4	2.5
Depreciation on right-of-use assets[1]	13	2.7	–
Net finance expense	7	11.2	11.0
Share-based payment expense/(credit)	17	0.5	(0.4)
Share of post-tax losses of joint ventures using the equity method	14	0.5	0.9
Impairment of inventories	19	29.3	–
Impairment of financial assets	18	7.9	–
Income tax (credit)/expense	8	(2.8)	20.2
Operating profit before changes in working capital and provisions		**43.0**	**116.7**
Decrease/(increase) in trade and other receivables		45.8	(11.5)
Decrease in inventories		96.8	62.1
(Decrease)/increase in trade and other payables		(52.9)	2.2
Contribution to retirement benefit obligations		(6.7)	(9.0)
Cash generated from operations		**126.0**	**160.5**
Finance expense paid		(8.7)	(11.1)
Income tax paid		(3.1)	(24.2)
Net cash inflow from operating activities		**114.2**	**125.2**
Cash flows from investing activities			
Purchases of property, plant and equipment		(0.3)	(3.8)
Disposal of financial assets at fair value through profit and loss		1.3	3.5
Funding to joint ventures[2]		(15.6)	(28.7)
Repayment of funding from joint ventures[2]		10.1	13.6
Finance income received		0.3	0.6
Net cash outflow from investing activities		**(4.2)**	**(14.8)**
Cash flows from financing activities			
Repayment of bank and other borrowings		(36.9)	(36.9)
Debt arrangement and facility fees paid		–	(0.6)
Principal elements of lease payments[1]	13	(2.9)	–
Dividends paid	9	–	(84.7)
Purchase of own shares		(1.8)	(3.8)
Transfers in respect of share options		0.4	1.9
Net cash outflow from financing activities		**(41.2)**	**(124.1)**
Net increase/(decrease) in cash and cash equivalents		**68.8**	**(13.7)**
Cash and cash equivalents at the beginning of the year		170.6	184.3
Cash and cash equivalents at end of the year	20	**239.4**	**170.6**

1 The Group has applied IFRS 16 using the modified retrospective approach and therefore comparatives have not been restated. Further information on the initial application of this standard can be found in note 29.

2 In the prior year funding to joint ventures and repayment of funding from joint ventures was shown as net funding to joint ventures of (£15.1m). The balance has been restated to gross up the cash flows as required by IAS 7.

The notes on pages 135 to 175 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

Basis of preparation

Crest Nicholson Holdings plc (the 'Company') is a public limited company incorporated, listed and domiciled in the UK. The address of the registered office is Crest Nicholson Holdings plc, Crest House, Pyrcroft Road, Chertsey, Surrey, KT16 9GN. 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).

The Group financial statements have been prepared and approved by the Directors in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, and international financial reporting standards (IFRS) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, 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 176 to 181.

The preparation of financial statements in conformity with IFRS 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 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 COVID-19 pandemic has created future economic uncertainty and caused significant disruption to housebuilding activity and sales in the year to 31 October 2020. Accordingly, the Group has conducted an even more detailed going concern review than otherwise would have been required and has considered its liquidity position and banking covenant compliance.

The Group has a £250m revolving credit facility (RCF) provided by its four syndicate banks which expires in June 2024. The Group considers HSBC Bank Plc, Barclays Bank Plc, Lloyds Bank Plc and Natwest Group Plc to be leading UK financial institutions. The Group has also placed £100m of senior loan notes at fixed interest rates which mature from 2024 to 2029. These facilities include financial covenants in respect of gearing, tangible net worth and interest cover which are measured at April and October each year. The Group maintains a regular dialogue with all of its lenders as part of the ordinary course of business.

The Group's management forecasts through to the end of October 2023 formed the base case model. This took into account the Directors' views on expected volumes and prices as well as build costs and production levels. In addition, a severe but plausible downside model was produced taking account of several independent expert views on the UK housing market outlook.

The following assumptions were overlaid to the base case:

1) A two-month shut down in January and February 2021 with completions reduced by 90% during this period. Of the 90% deferred completions, 75% of these are then forecast to complete in March and April 2021, with disruption to completions passing thereafter. This is similar to the trend seen in the first 2020 national lockdown
2) An impaired sales per outlet week rate across FY21 of 0.39, below the rate seen during the worst of the Global Financial Crisis
3) An immediate reduction in sales prices of 7.5% for private open market units not yet exchanged and 5.0% reduction for housing association units. From 1 April 2021 sales prices are assumed to fall a further 2.5% every quarter, peaking at a 17.5% cumulative drop by Q1 FY22. House prices are then assumed to start growing again by 2.5% per quarter.

Notwithstanding the combined impact of these assumptions, the Group continues to maintain adequate levels of liquidity, head room and covenant compliance for its gearing, tangible net worth and interest cover thresholds, throughout the going concern assessment period to 30 April 2022.

While COVID-19 inevitably brings increased uncertainty, the Directors consider that the Group has adequate resources in place for at least 12 months from the date of these results and have therefore adopted the going concern basis of accounting in preparing these financial statements.

1 ACCOUNTING POLICIES CONTINUED

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Group financial statements.

Adoption of new and revised standards

During the financial year ended 31 October 2020, the Group has adopted and applied the following standards and amendments issued by the International Accounting Standards Board ('IASB') that are relevant to its operations for the first time in the year commencing 1 November 2019:

- IFRS 16 'Leases'
- IFRIC 23 'Uncertainty over Income Tax Treatments'
- Amendments to IAS 19 'Plan Amendment, Curtailment or Settlement'
- Amendments to IAS 28 'Long-term Interests in Associates and Joint Ventures'
- Annual improvements to IFRSs 2015 – 2017 Cycle.

IFRS 16 replaces IAS 17 'Leases', and related interpretations, and requires lessees to recognise a lease liability and asset for virtually all right-of-use lease assets; certain short-term leases and leases of low value assets can apply an optional exemption. The Group's lease commitments are brought onto the consolidated statement of financial position along with an associated asset, subject to applying the short-term lease exemption where applicable. The operating lease rental expense previously charged to administrative expenses in the consolidated income statement will be replaced by a depreciation charge for the right-of-use assets recognised in administrative expenses and an interest charge on the lease liabilities recognised in finance expenses. IFRS 16 has been applied using the modified retrospective approach to transition, applying the practical expedients available under this approach, with no restatement of comparative financial information, which continues to be reported under IAS 17. Information on the initial application of IFRS 16, including the impact on the financial position and performance of the Group, can be found in note 29.

The adoption of the other amendments and annual improvements in the period did not have a material impact on the financial statements.

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 2020 reporting period and have not been early adopted 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 periods.

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. Unrealised gains on transactions between the Group and its joint ventures are eliminated on consolidation. Accounting policies of joint ventures have been 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. 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 13 years to 2033. 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 cashflow basis with more speculative strategic sites given a lower probability of reaching development. The calculated discounted cashflow value is compared to the goodwill balance to assess if it is impaired. Any impairment loss is recognised immediately in the consolidated income statement. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Revenue and profit recognition

Revenue comprises the fair value of the consideration received or receivable, net of value added tax, rebates and discounts.

The Group does 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. Surpluses or deficits on the disposal of part exchange properties, which are bought in at their forecast recoverable amount, are recognised directly within cost of sales and are not material to the results of the Group. Proceeds received on the disposal of part exchange properties, which is not included in revenue, are £40.6m (2019: £58.0m).

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 investor as it is considered that upon transfer of freehold title that the investor controls the work-in-progress. Where freehold legal title and control is passed to the investor, 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, using the input method based on costs incurred. Where freehold legal title is not passed to the investor, 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 investor. The transaction price for all housing units is derived from contractual negotiations and does not include any material variable consideration.

Revenue is recognised on land sales when legal title passes to the buyer.

Revenue recognition on commercial property sales is dependent on freehold legal title being passed to the purchaser, as it is considered that upon transfer of freehold title that the purchaser controls the work-in-progress. Where freehold legal title is passed to the purchaser, revenue is recognised on any upfront sale of land (where applicable) and then on the development revenue as the build of the related commercial units progress. Where freehold legal title is not passed to the purchaser 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 purchaser.

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. 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 purchaser is contractually entitled to the ground rent revenue stream associated with the units purchased.

Revenue on specification upgrades paid for by the purchaser or on the cost of specification upgrades offered to the purchaser as part of the purchase price is recognised as revenue when legal title passes to the buyer.

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.

Where the Group performs the role of project manager on joint venture projects and receives a fee for this service, this fee is recognised within cost of sales in the period it is receivable. The Group defers recognition of project management fees in accordance with the Group's interest in the joint venture where the joint venture capitalises the cost of this fee within its work-in-progress. Deferred project management fee income is recognised by the Group in accordance with the revenue recognised on sales made by the joint venture entity.

1 ACCOUNTING POLICIES CONTINUED

Government grants

Unconditional Government grants are recognised against the line item to which they relate in the consolidated income statement. Conditional Government grants received are presented in the consolidated statement of financial position as trade and other payables. As conditions are satisfied the Government grants are recognised against the line item to which they relate. The Government grants during the year relate to support received under the Government's Job Retention Scheme.

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 restructuring programmes, significant costs associated with acquiring another business and significant inventory impairments. These items require separate disclosure within the consolidated income statement in order to assist the users of the financial statements in understanding what the Directors consider to be the underlying business performance of the Group. 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 insignificant to the financial statements.

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.

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.

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; service costs are spread systematically over the lives of employees 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 schemes 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 Plan trust (ESOP)

Transactions of the Company-sponsored ESOP trust are included in both the Group financial statements and the Company's own financial statements. The purchase of shares in the Company by the trust are charged directly to equity.

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 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 net realisable value (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 net realisable value, which includes an assessment of costs of management and resale. Any profit or loss on the disposal of part exchange properties is recognised within cost of sales in the consolidated income statement.

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 at cost within inventories. Regular reviews are completed for impairment of the value of these options, and provisions made accordingly to reflect loss of value. The impairment reviews consider the period elapsed since the date of the purchase of the option, given that the option contract has not been exercised at the review date. Further, the impairment reviews consider the remaining life of the option, taking into account any concerns over whether the remaining time available will allow successful exercise of the option.

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. Net realisable value for inventories was 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:

- measured at amortised cost;
- measured subsequently at fair value through profit and loss (FVTPL);
- measured subsequently at fair value through other comprehensive income (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 net operating 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.

1 ACCOUNTING POLICIES CONTINUED

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

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:

- measured at amortised cost;
- measured subsequently at fair value through profit or loss (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.

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.

Critical accounting estimates and judgements

The preparation of the consolidated financial statements under IFRS 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 taken 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), and certain revenue policies relating to recognition over time and part exchange sales (see revenue and profit recognition accounting policy).

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 estimates and assumptions in reviewing the going concern assumption as 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 and net realisable value (NRV). On a monthly 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 expenditure an inventory provision is made. This provision may be reversed in subsequent periods if there is evidence of improved revenue or reduced expenditure forecast on a development. If forecast revenue was 10% lower on sites within the short-term portfolio as at 31 October 2020, the impact on profit before tax and inventories would have been £27.7m lower (2019: £7.5m).

In the year the COVID-19 pandemic significantly increased uncertainty around house prices which has required the carrying value of inventories and the estimation of project profitability to be reviewed in detail across all developments. Following this review the Group has concluded that an impairment of inventory is required, as detailed within note 4.

Estimation of development profitability

Due to the nature of development activity and, in particular, the length of the development cycle, the Group has to allocate site-wide development costs such as infrastructure between units being built and/or completed in the current year and those for future years. It also has to make estimates of the cost to complete such developments. 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 up front shared infrastructure costs to have greater estimation uncertainty than sites of shorter duration with less infrastructure requirements. If forecast costs were 10% higher on sites which contributed to the year ended 31 October 2020 and which are forecast to still be in production beyond the year ending 31 October 2022 (2019: beyond the year ending 31 October 2021), profit before tax in the current year would have been £19.0m lower (2019: £21.5m).

Pension 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, pension growth rates 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 17 for additional details.

2 SEGMENTAL ANALYSIS

The Executive Leadership Team (comprising Peter Truscott (Chief Executive), Tom Nicholson (Chief Operating Officer), Duncan Cooper (Group Finance Director), David Marchant (Group Production Director), Chris Tinker (Chairman of Major Projects and Strategic Partnerships, up to 31 December 2019) and Kevin Maguire (General Counsel and Company Secretary)), 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 Executive Leadership Team 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, having regard to the aggregation criteria in IFRS 8, the Group has one reportable operating segment.

3 REVENUE

Revenue type	2020 £m	2019 £m
Open market housing including specification upgrades	581.8	848.3
Affordable housing	76.6	134.2
Total housing	**658.4**	**982.5**
Land and commercial sales	17.8	99.4
Freehold reversions	1.7	4.5
Total revenue	**677.9**	**1,086.4**

Timing of revenue recognition	2020 £m	2019 £m
Revenue recognised at a point in time	551.2	875.3
Revenue recognised over time	126.7	211.1
Total revenue	**677.9**	**1,086.4**

Proceeds received on the disposal of part exchange properties, which is not included in revenue, were £40.6m (2019: £58.0m). These have been included within cost of sales.

Assets and liabilities related to contracts with customers	2020 £m	2019 £m
Contract assets (note 18)	53.6	70.0
Contract liabilities (note 22)	(32.8)	(33.6)

Contract assets have reduced to £53.6m from £70.0m in 2019, reflecting less unbilled work-in-progress on affordable and other sales in bulk at the year end. This decrease is driven by the lower amount of activity in the year.

Contract liabilities have reduced to £32.8m from £33.6m in 2019, 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. Whilst reduced, this is not in line with the fall in revenue recognised over time as the impact of COVID-19 was to delay activity on these contracts in the period, but not reduce them.

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 £18.1m (2019: £44.7m) that was included in contract liabilities at the beginning of the year.

During the year £nil (2019: £nil) of revenue was recognised from performance obligations satisfied or partially satisfied in previous years.

At 31 October 2020 there were £260.8m (2019: £292.7m) of transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied on contracts exchanged with customers. We are forecasting to recognise £162.2m (2019: £198.9m) of transaction prices allocated to performance obligations that are unsatisfied on contracts exchanged with customers within one year, £98.6m (2019: £88.9m) within two to five years, and £nil (2019: £4.9m) 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 in understanding what the Directors consider to be the underlying business performance of the Group. The material reversal of these amounts will be reflected through exceptional items.

Cost of sales	2020 £m	2019 £m
Combustible materials charge	2.6	18.4
Combustible materials credit	(2.0)	–
Net combustible materials charge	0.6	18.4
Inventory impairment	43.2	–
Total cost of sales exceptional charge	43.8	18.4
Administrative expenses		
Restructuring costs	7.5	–
Net impairment losses on financial assets		
Impairment losses on financial assets	7.6	–
Net finance expense		
Finance expense	0.5	–
Total exceptional charge	59.4	18.4
Tax credit on exceptional charge	(11.3)	(3.5)
Total exceptional charge after tax credit	**48.1**	**14.9**

Net combustible materials charge

In the prior year, following the latest Government guidance notes in respect of combustible materials, fire risk and protection and regulatory compliance on completed developments, the Group recorded an exceptional charge of £18.4m. At the time the Group conducted a detailed review of all current and legacy buildings to identify those that are impacted and had estimated remediation costs where a legal or constructive obligation to remediate the buildings exists. The charge is a complex calculation considering many different inputs including the height and square footage of the impacted buildings, costs of interrogation, estimated costs of replacement materials and labour, the extent of the works to be complete and potential disruption to customers.

During the year, the Group re-assessed the adequacy of the provision held resulting in an increased charge of £2.6m. The Group received £2.0m in settlements of claims against architects and subcontractors for incorrect building design or workmanship, the costs of which were previously included within the prior year combustible materials provision. In line with the recognition of the initial charge related to the settlement received, as an exceptional expense, the settlement is recognised as exceptional income. The combustible materials charge for the year, net of settlements is £0.6m. See note 23 for additional information.

Inventory impairment

The COVID-19 pandemic has caused significant disruption to the housing sector and created future economic uncertainty. In combination with the uncertainty caused by Brexit and other market factors, analysts and commentators are forecasting price reductions in the residential and commercial development markets. In light of this, the Group have performed a detailed impairment review of inventories, resulting in an exceptional charge in the year of £43.2m. Whilst this assessment was originally performed at April 2020, the introduction of certain Government-backed housing market stimula meant that no immediate sales price declines of note arose in the second half of the year.

Post year end two approved COVID-19 vaccines have been announced in the UK, which when fully rolled out will likely see the withdrawal or reduction of the Government's Job Retention Scheme and other Government-backed housing market stimula, such as the Government's decision to suspend Stamp Duty until 31 March 2021 for properties less than £500,000. The conclusion of this market intervention is expected to have a longer-term impact on employment levels and economic productivity, which may negatively affect the demand and thus prices achieved for homes and commercial property.

— NRV on current operational developments £33.9m
  The Directors derived sales price reductions of 7.5% and 32.0% for unexchanged residential and commercial units respectively using a wide range of market forecasts and the Directors' experience. These were then applied against the financial appraisal of all current developments, along with other site specific provisions where sales price reductions were expected to be more severe, and those producing a resulting negative margin were provided for. Three complex legacy developments comprise the majority of the write down, primarily due to specific price reductions, including one commercial development where the value and quantum of currently unsecured lettings has been reforecast in line with current trading conditions. The NRV provision is materially sensitive to the residential sales price assumptions used. If the residential price reduction was 2.5% (5% lower) the NRV provision would reduce by £5.3m to £28.6m. If the residential price reduction was 12.5% (5% higher) the NRV provision would increase by £12.7m to £46.6m. The NRV provision is not materially sensitive to the commercial price reduction, with a plus or minus 10% change not altering the provision. This is due to the majority of the Group's commercial units being on sites with a margin high enough to counteract a large fall in commercial sales prices.

4 EXCEPTIONAL ITEMS CONTINUED

— Abortive work-in-progress £9.3m
This relates to a complex mixed-use scheme in Kent, next to the River Thames. Following the application of the sales price reductions as noted above and an assessment of the local market conditions, the scheme is no longer expected to be profitable. Therefore, the Group has decided not to complete the scheme, resulting in work-in-progress to date being written off, and costs arising from contractual obligations have been provided for. This is abortive work-in-progress since no future sales are expected to take place and the site will not be operational.

Restructuring related expenses

The prior financial year was one of considerable change for the Group, as detailed within the Annual Integrated Report for the year ended 31 October 2019. Following the appointment of a new Chairman, Chief Executive, Chief Operating Officer and Group Finance Director a strategic review was instigated and an updated strategy was communicated in January 2020.

The updated strategy is centred on five strategic priorities which will see the Group operate differently in the future and with a much greater emphasis on operational efficiency. The restructuring process involving head office and divisional business unit structures was completed by yearend, and resulted in a reduction in overall headcount. One-off employee related costs were incurred in the year, including redundancy payments, benefits foregone and associated company car related lease costs. An exceptional charge relating to these costs of £5.0m was recognised in the year. The Group also carefully considered the current information technology infrastructure and its useful life in the business, resulting in an accelerated depreciation charge of £2.5m within computer equipment and software.

Impairment losses on financial assets

Expected credit losses of £7.6m have been recognised on recoverable amounts due from one of the Group's joint ventures, Bonner Road LLP. In considering several scenarios, the scheme has been reassessed in light of the sales price reductions discussed above, an expected increase in costs and a delay in production. The charge reflects the expected increase in the required provision on the advances provided to the joint venture to fund the development, based on the forecast profitability of the scheme. For the year ended 31 October 2019, an impairment loss of £3.2m was charged to the income statement, this charge in the prior year was not material and thus not considered an exceptional item.

Finance expense

Financial assets at fair value through profit and loss comprise shared equity loans secured by way of a second charge on the property. The prior year end assumptions within the valuation model of these assets assumed a 3.0% sales price inflation over a three-year period, which has been replaced with the 7.5% sales price reduction as noted above. The resulting adjustment is an increased finance expense of £0.5m.

Taxation

An income tax credit of £11.3m (2019: £3.5m) has been recognised in relation to the above exceptional items.

5 OPERATING (LOSS)/PROFIT

Operating loss of £1.8m (2019: profit of £114.6m) from continuing activities is stated after charging/(crediting):

	Note	2020 £m	2019 £m
Inventories expensed in the year		535.7	843.5
Inventories impairment	19	29.3	7.0
Staff costs	6	60.3	68.8
Depreciation on property, plant and equipment	12	4.4	2.5
Depreciation on right-of-use assets	13	2.7	–
Joint venture project management fees received		(1.4)	(0.8)
Government grants received		(2.5)	–

Government grants received

During the year the Group recognised a £2.5m credit within administrative expenses relating to the Government's Job Retention Scheme (JRS). The Group placed approximately 75% of its employees on furlough during April and May 2020. On 14 December, the Group repaid the JRS grant. This repayment will be charged within administrative expenses for the year ending 31 October 2021.

Auditors’ remuneration	2020 £000	2019 £000
Audit of these consolidated financial statements	95	57
Audit of financial statements of subsidiaries pursuant to legislation	790	396
Other non-audit services	153	57

The audit fees payable in 2020 includes £335,000 in relation to additional costs for the 2019 audit (2019: fees payable includes £129,000 in relation to additional costs for the 2018 audit).

Fees payable to the Group’s auditors for non-audit services included £153,000 (2019: £57,000) in respect of an independent review of the half year results.

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 £22,000 (2019: £20,000) and are met by the assets of the scheme, and the fees associated with services to Group joint ventures are £25,000 (2019: £30,500).

6 STAFF NUMBERS AND COSTS

(a) Average monthly number of persons employed by the Group

	2020 Number	2019 Number
Development	796	1,005

The Directors consider all employees of the Group to be employed within the same category of Development.

(b) Staff costs (including Directors and key management)

	2020 £m	2019 £m
Wages and salaries	50.6	58.6
Social security costs	6.3	7.2
Other pension costs	2.9	3.4
Share-based payments (note 17)	0.5	(0.4)
	60.3	**68.8**

(c) Key management remuneration

	2020 £m	2019 £m
Salaries and short-term employee benefits	2.9	3.4
Share-based payments	0.3	0.1
	3.2	**3.5**

Key management comprises the Executive Leadership Team (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

	2020 £m	2019 £m
Salaries and short-term employee benefits	1.8	1.9
Payments to Directors for loss of office	–	0.5
Share-based payments	0.3	0.2
	2.1	**2.6**

During the year £0.1m (2019: £0.1m) of accrued payments to Directors for loss of office were written back as the amount was no longer required.

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 97 to 116.

7 FINANCE INCOME AND EXPENSE

	2020 £m	2019 £m
Finance income		
Interest income	0.7	1.3
Interest on amounts due from joint ventures	2.7	2.1
Interest on financial assets at fair value through profit and loss (note 15)	–	0.2
	3.4	**3.6**
Finance expense		
Interest on bank loans	(9.7)	(10.0)
Revolving credit facility issue costs	(0.7)	(0.7)
Imputed interest on deferred land payables	(3.0)	(3.5)
Interest on lease liabilities	(0.2)	–
Interest on financial assets at fair value through profit and loss – exceptional (note 15)	(0.5)	–
Net interest on defined benefit pension plan obligations (note 17)	(0.5)	(0.4)
	(14.6)	**(14.6)**
Net finance expense	**(11.2)**	**(11.0)**

8 INCOME TAX CREDIT/(EXPENSE)

	2020 £m	2019 £m
Current tax		
UK corporation tax credit/(expense) on loss/(profit) for the year	3.6	(17.8)
Adjustments in respect of prior periods	(0.1)	0.2
Total current tax credit/(expense)	3.5	(17.6)
Deferred tax		
Origination and reversal of temporary differences in the current year	(0.7)	(2.6)
Total deferred tax charge (note 16)	**(0.7)**	**(2.6)**
Total income tax credit/(expense) in consolidated income statement	**2.8**	**(20.2)**

The effective tax rate for the year is 20.7% (2019: 19.7%), which is higher than (2019: higher than) the standard rate of UK corporation tax of 19.0% (2019: 19.0%). The Group expects this profile to continue in future years, adjusted for the impact of effect of change in rate of tax.

	2020 £m	2019 £m
Reconciliation of tax credit/(expense) in the year		
(Loss)/profit before tax	(13.5)	102.7
Tax on (loss)/profit at 19.0% (2019: 19.0%)	2.6	(19.5)
Effects of:		
Expenses not deductible for tax purposes	(0.5)	(1.4)
Enhanced tax deductions	0.2	0.5
Adjustments in respect of prior periods	(0.1)	0.2
Effect of change in rate of tax	0.6	–
Total tax credit/(expense) in consolidated income statement	**2.8**	**(20.2)**

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. Examples are share schemes, defined benefit pension payments and land remediation enhanced allowances. Adjustments 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. Effect of change in rate of tax reflects the adjustment in respect of the change in future tax rate from 17.0% to 19.0% on deferred tax balances, as changed by the 2020 Budget which was effective from 17 March 2020. As a result, the deferred tax balances on the consolidated statement of financial position have been measured using these revised rates.

9 DIVIDENDS

	2020 £m	2019 £m
Dividends recognised as distributions to equity shareholders in the year:		
Prior year final dividend of nil pence per share (2019: 21.8 pence per share)	–	56.0
Current year interim dividend of nil pence per share (2019: 11.2 pence per share)	–	28.7
	–	**84.7**

	2020 £m	2019 £m
Dividends declared as distributions to equity shareholders in the year:		
Final dividend for the year ended 31 October 2020 of nil pence per share (2019: 21.8 pence per share)	–	56.0

Due to the impact of COVID-19 and associated business and economic uncertainty, during the year the Group took the difficult decision to cancel its 2019 final dividend of 21.8 pence per share, which would have been due on 9 April 2020, and not pay an FY20 interim dividend.

10 (LOSS)/EARNINGS PER ORDINARY SHARE

Basic (loss)/earnings per share is calculated by dividing (loss)/profit attributable to equity shareholders by the weighted average number of ordinary shares in issue during the year. For diluted (loss)/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.

	(Loss)/earnings £m	Weighted average number of ordinary shares Number	Per share amount Pence
Year ended 31 October 2020			
Basic loss per share	(10.7)	256,821,245	(4.2)
Dilutive effect of share options[1]	–	–	
Diluted loss per share	**(10.7)**	**256,821,245**	**(4.2)**
Year ended 31 October 2020 – Pre-exceptional items			
Adjusted basic earnings per share	37.4	256,821,245	14.6
Dilutive effect of share options	–	257,953	
Adjusted diluted earnings per share	**37.4**	**257,079,198**	**14.5**
Year ended 31 October 2019			
Basic earnings per share	82.5	256,630,910	32.1
Dilutive effect of share options	–	456,142	
Diluted earnings per share	**82.5**	**257,087,052**	**32.1**
Year ended 31 October 2019 – Pre-exceptional items			
Adjusted basic earnings per share	97.4	256,630,910	38.0
Dilutive effect of share options	–	456,142	
Adjusted diluted earnings per share	**97.4**	**257,087,052**	**37.9**

1 Share options are not shown to be dilutive as they cannot further increase a loss per share.

11 INTANGIBLE ASSETS

	2020 £m	2019 £m
Goodwill		
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 Castle Bidco Limited on 24 March 2009. The goodwill related 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 8.5% (2019: 8.5%), covering a further period of 13 years to 2033, and based on current market conditions. 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 discount rates, profit margins and other variables applicable to 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.

12 PROPERTY, PLANT AND EQUIPMENT

	Fixtures and fittings £m	Computer equipment and software £m	Total £m
Cost			
At 1 November 2018	2.2	9.3	11.5
Additions	–	3.8	3.8
At 31 October 2019	2.2	13.1	15.3
Additions	–	0.3	0.3
Disposals	(0.2)	(1.4)	(1.6)
At 31 October 2020	**2.0**	**12.0**	**14.0**
Accumulated depreciation			
At 1 November 2018	0.6	6.1	6.7
Charge for the year	0.4	2.1	2.5
At 31 October 2019	1.0	8.2	9.2
Charge for the year	0.2	4.2	4.4
Disposals	(0.2)	(1.4)	(1.6)
At 31 October 2020	**1.0**	**11.0**	**12.0**
Net book value			
At 31 October 2020	**1.0**	**1.0**	**2.0**
At 31 October 2019	1.2	4.9	6.1
At 1 November 2018	1.6	3.2	4.8

The Group has contractual commitments for the acquisition of property, plant and equipment of £nil (2019: £nil).

As detailed in note 4, during the year the Directors reassessed the current IT infrastructure and its useful life in the business, resulting in an accelerated depreciation charge of £2.5m within computer equipment and software.

13 RIGHT-OF-USE ASSETS AND LIABILITIES

During the year, the Group has adopted IFRS 16 'Leases'. The impact of the adoption of IFRS 16 on the Group's financial statements is detailed in note 29.

Right-of-use assets included in the consolidated statement of financial position

	Office buildings £m	Motor vehicles £m	Photocopiers £m	Total £m
Cost				
At 1 November 2019	13.3	7.6	0.6	21.5
Additions	–	0.8	–	0.8
Disposals	–	(1.7)	–	(1.7)
At 31 October 2020	**13.3**	**6.7**	**0.6**	**20.6**
Accumulated depreciation				
At 1 November 2019	8.4	4.8	0.3	13.5
Charge for the year	1.1	1.4	0.2	2.7
Released on disposal	–	(1.6)	–	(1.6)
At 31 October 2020	**9.5**	**4.6**	**0.5**	**14.6**
Net book value				
At 31 October 2020	**3.8**	**2.1**	**0.1**	**6.0**
At 1 November 2019	4.9	2.8	0.3	8.0

Lease liabilities included in the consolidated statement of financial position

	2020 £m
Non-current	4.7
Current	2.3
Total lease liabilities	**7.0**

Amounts recognised in the consolidated income statement

	2020 £m
Depreciation on right-of-use assets	2.7
Interest on lease liabilities	0.2

Amounts recognised in the consolidated cash flow statement

	2020 £m
Principal elements of lease payments	2.9

Maturity of undiscounted contracted lease cash flows

	2020 £m
Less than one year	2.4
One to five years	4.6
More than five years	0.3
Total	**7.3**

14 INVESTMENTS

Investments in joint ventures

Below are the joint ventures that the Directors consider to be material to the Group:

- 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.
- Bonner Road LLP: In August 2015 the Group entered into a partnership agreement with Your Lifespace Limited to procure and develop a site in London. The LLP is forecast to start construction in 2022, with sales completion forecast for 2028. 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 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 2026. 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 2023. 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.

Total investments in joint ventures	2020 £m	2019 £m
Crest Sovereign (Brooklands) LLP	–	–
Bonner Road LLP	–	–
Crest A2D (Walton Court) LLP	1.0	0.8
Elmsbrook (Crest A2D) LLP	2.6	1.1
Other non-material joint ventures	0.1	0.1
Total investments in joint ventures	**3.7**	**2.0**

All 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 30 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 and not Crest Nicholson Holdings plc's share of those amounts.

2020	Crest Sovereign (Brooklands) LLP £m	Bonner Road LLP £m	Crest A2D (Walton Court) LLP £m	Elmsbrook (Crest A2D) LLP £m	Other non-material joint ventures £m	Total £m
Summarised statement of financial position						
Current assets						
Cash and cash equivalents	3.0	0.1	0.7	4.2	0.2	8.2
Inventories	39.2	59.0	39.8	8.0	–	146.0
Other current assets	2.9	–	0.3	1.6	0.2	5.0
Current liabilities						
Financial liabilities	(7.8)	–	(14.8)	(4.4)	–	(27.0)
Other current liabilities	(2.3)	–	(3.6)	(4.2)	(0.2)	(10.3)
Non-current liabilities						
Financial liabilities	(37.4)	(70.6)	(20.4)	–	–	(128.4)
Net (liabilities)/assets	**(2.4)**	**(11.5)**	**2.0**	**5.2**	**0.2**	**(6.5)**
Reconciliation to carrying amounts						
Opening net (liabilities)/assets at 1 November 2019	(1.0)	(9.1)	1.6	2.1	0.2	(6.2)
(Loss)/profit for the year	(1.4)	(2.4)	(0.2)	3.1	–	(0.9)
Capital contribution reserve	–	–	0.6	–	–	0.6
Closing net (liabilities)/assets at 31 October 2020	**(2.4)**	**(11.5)**	**2.0**	**5.2**	**0.2**	**(6.5)**
Group's share in closing net (liabilities)/assets at 31 October 2020	(1.2)	(5.8)	1.0	2.6	0.1	(3.3)
Losses recognised against receivable from joint venture (note 18)	1.2	5.8	–	–	–	7.0
Group's share in joint venture	**–**	**–**	**1.0**	**2.6**	**0.1**	**3.7**
Amount due to the Group (note 18)	21.4	18.8[1]	12.0[1]	2.3	–	54.5
Amount due from the Group (note 22)	–	–	–	–	0.1	0.1
Summarised income statement						
Revenue	7.3	–	7.7	15.4	–	30.4
Expenditure	(6.7)	–	(6.9)	(12.3)	–	(25.9)
Operating profit before finance expense	0.6	–	0.8	3.1	–	4.5
Finance expense	(2.0)	(2.4)	(1.0)	–	–	(5.4)
Pre-tax and post-tax (loss)/profit for the year	**(1.4)**	**(2.4)**	**(0.2)**	**3.1**	**–**	**(0.9)**
Group's share in joint venture (loss)/profit for the year	**(0.7)**	**(1.2)**	**(0.1)**	**1.5**	**–**	**(0.5)**

1 £18.8m stated after expected credit loss of £10.8m, and £12.0m stated after expected credit loss of £0.1m.

14 INVESTMENTS CONTINUED

2019	Crest Sovereign (Brooklands) LLP £m	Bonner Road LLP £m	Crest A2D (Walton Court) LLP £m	Elmsbrook (Crest A2D) LLP £m	Other non-material joint ventures £m	Total £m
Summarised statement of financial position						
Current assets						
Cash and cash equivalents	1.5	–	0.3	2.5	1.5	5.8
Inventories	37.0	59.0	30.2	11.4	–	137.6
Other current assets	0.3	–	6.0	0.8	0.3	7.4
Current liabilities						
Financial liabilities	(2.8)	–	(1.5)	(9.6)	(0.7)	(14.6)
Other current liabilities	(0.8)	(0.1)	(3.5)	(3.0)	(0.9)	(8.3)
Non-current liabilities						
Financial liabilities	(36.2)	(68.0)	(29.9)	–	–	(134.1)
Net (liabilities)/assets	**(1.0)**	**(9.1)**	**1.6**	**2.1**	**0.2**	**(6.2)**
Reconciliation to carrying amounts						
Opening net (liabilities)/assets at 1 November 2018	–	(6.5)	1.6	0.3	0.6	(4.0)
(Loss)/profit for the year	(1.0)	(2.6)	0.5	1.8	(0.4)	(1.7)
Capital contribution reserve	–	–	(0.5)	–	–	(0.5)
Closing net (liabilities)/assets at 31 October 2019	**(1.0)**	**(9.1)**	**1.6**	**2.1**	**0.2**	**(6.2)**
Group's share in closing net (liabilities)/assets at 31 October 2019	(0.5)	(4.6)	0.8	1.1	0.1	(3.1)
Losses recognised against receivable from joint venture (note 18)	0.5	4.6	–	–	–	5.1
Group's share in joint venture	**–**	**–**	**0.8**	**1.1**	**0.1**	**2.0**
Amount due to the Group (note 18)	19.7	26.4[1]	9.7	4.8	0.7	61.3
Amount due from the Group (note 22)	–	–	4.8	–	0.1	4.9
Summarised income statement						
Revenue	–	–	5.7	11.2	–	16.9
Expenditure	–	(0.1)	(4.5)	(9.4)	(0.4)	(14.4)
Operating (loss)/profit before finance expense	–	(0.1)	1.2	1.8	(0.4)	2.5
Finance expense	(1.0)	(2.5)	(0.7)	–	–	(4.2)
Pre-tax and post-tax (loss)/profit for the year	**(1.0)**	**(2.6)**	**0.5**	**1.8**	**(0.4)**	**(1.7)**
Group's share in joint venture (loss)/profit for the year	**(0.5)**	**(1.3)**	**0.2**	**0.9**	**(0.2)**	**(0.9)**

1 Stated after expected credit loss of £3.2m.

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.

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 included in the consolidated financial statements.

Subsidiary	Nature of business
Castle Bidco 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 30.

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	2020 £m	2019 £m
At beginning of the year	7.2	10.5
Disposals	(1.3)	(3.5)
Imputed interest	(0.5)	0.2
At end of the year	**5.4**	**7.2**
Of which:		
Non-current assets	4.6	6.2
Current assets	0.8	1.0
	5.4	**7.2**

Financial assets at fair value through profit and loss (FVTPL) 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.

FVTPL comprise shared equity loans secured by way of a second charge on the property. The loans can be repaid at any time within the loan agreement, the amount of which is dependent on the market value of the asset at the date of repayment. The assets are recorded at fair value, being the estimated amount receivable by the Group, discounted to present day values.

The fair value of future anticipated cash receipts takes into account Directors' views of an appropriate discount rate (incorporating purchaser default rate), future house price movements and the expected timing of receipts. These assumptions are given below and are reviewed at each year end:

	2020	2019
Assumptions		
Discount rate, incorporating default rate	10.5%	10.5%
House price inflation for the next three years	0.0%	3.0%
Timing of receipt	8 to 16 years	8 to 15 years

	2020 Increase assumptions by 1 %/year £m	2020 Decrease assumptions by 1 %/year £m
Sensitivity – effect on value of FVTPL (less)/more		
Discount rate, incorporating default rate	(0.1)	0.1
House price inflation for the next three years	0.1	(0.1)
Timing of receipt	(0.1)	0.5

As detailed in note 4, during the year the Directors reassessed the key assumptions due to the market impact of COVID-19 and as a result removed all future house price growth and reduced the anticipated net receipt by 7.5%. This reduced the fair value of the remaining portfolio by £0.5m in the year. House price inflation is now modelled at being 0%.

The difference between the anticipated future receipt and the initial fair value is charged over the estimated deferred term to financing, with the financial asset increasing to its full expected cash settlement value on the anticipated receipt date. The imputed finance expense charged to financing for the year ended 31 October 2020 was £0.5m (2019: finance income £0.2m).

At initial recognition, the fair values of the assets are calculated using a discount rate, appropriate to the class of assets, which reflects market conditions at the date of entering into the transaction. The Directors consider at the end of each reporting period whether the initial market discount rate still reflects up-to-date market conditions. If a revision is required, the fair values of the assets are remeasured at the present value of the revised future cash flows using this revised discount rate. The difference between these values and the carrying values of the assets is recorded against the carrying value of the assets and recognised directly in the consolidated income statement.

16 DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets	Inventories fair value £m	Share-based payments £m	Pension deficit £m	Other temporary differences £m	Total £m
At 1 November 2018	5.2	0.5	–	0.3	6.0
Consolidated income statement movements	(1.6)	(0.5)	(1.7)	1.2	(2.6)
Equity movements	–	0.2	2.8	–	3.0
At 31 October 2019	3.6	0.2	1.1	1.5	6.4
Consolidated income statement movements	(0.6)	(0.1)	(1.2)	1.2	(0.7)
Equity movements	–	–	2.7	–	2.7
At 31 October 2020	**3.0**	**0.1**	**2.6**	**2.7**	**8.4**

Deferred tax liabilities	Pension surplus £m	Total £m
At 1 November 2018	(0.5)	(0.5)
Equity movements	0.5	0.5
At 31 October 2019 and 31 October 2020	**–**	**–**

Deferred tax expected to be recovered or settled in less than 12 months is £3.7m (2019: £1.7m), and in more than 12 months is £5.1m (2019: £4.7m).

At the consolidated statement of financial position date the substantively enacted future corporation tax rate for FY21 and beyond is 19.0%, on which the deferred tax assets have been evaluated. 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 Castle Bidco Limited 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.

17 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 £2.7m (2019: £3.1m). At the consolidated statement of financial position date there were no outstanding or prepaid contributions (2019: £nil).

Defined benefit scheme

The Company sponsors the Crest Nicholson Group Pension and Life Assurance Scheme, a funded defined benefit pension scheme in the UK. The Scheme is administered within a trust that is legally separate from the Company. Trustees are appointed by both the Company and the Scheme's members and act in the interest of the Scheme and all relevant stakeholders, including the members and the Company. The Trustees are 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 Trustees are required to use prudent assumptions to value the liabilities and costs of the Scheme whereas the accounting assumptions must be best estimates.

Responsibility for making good 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 Trustees 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 2018. The actuarial valuation was carried out in accordance with the requirements of the Pensions Act 2004 and so includes 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 2018 have been projected to 31 October 2020 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. At 31 October 2020, the allocation of the Scheme's invested assets was 56% in return seeking investments, 19% in corporate bonds, 24% in index linked gilts and 1% in cash. Details of the investment strategy can be found in the Scheme's Statement of Investment Principles, which the Trustees update 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 case, overall pension benefits now need to be equalised to eliminate inequalities between males and females in Guaranteed Minimum Pensions (GMP). The Company has always allowed for this in its accounts by adding a 2% reserve reflecting an approximate estimate of the additional liability. Although this does not explicitly allow for the recent judgement on allowing for GMP equalisation for past transfer values as it is too early to quantify, it is likely that the current allowance would be sufficient to cover this as well. The real cost will be known once the relevant calculations have been carried out, which is expected to be during 2022. Once the true cost is known, any difference from the estimated 2% is expected to flow through other comprehensive income.

	2020 £m	2019 £m	2018 £m
The amounts recognised in the consolidated statement of financial position are as follows:			
Present value of scheme liabilities	(228.3)	(216.5)	(195.4)
Fair value of scheme assets	214.5	210.3	197.9
Net (deficit)/surplus amount recognised at year end	**(13.8)**	**(6.2)**	**2.5**

The retirement benefit (deficit)/surplus recognised in the consolidated statement of financial position represents the (deficit)/surplus of the fair value of the Scheme's assets over the present value of Scheme liabilities. The rules of the Crest Nicholson Group Pension and Life Assurance 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 trustees have no unilateral right to wind the Scheme up. Based on these rights and in accordance with IFRIC 14, any net surplus in the Scheme is recognised in full. A deferred tax asset of £2.6m (2019: £1.1m) has been recognised in the consolidated statement of financial position.

Amounts recognised in comprehensive income:

The current and past service costs, settlements and curtailments, together with the net interest expense for the year are included in the consolidated statement of comprehensive income. Remeasurements of the net defined benefit (liability)/asset are included in other comprehensive income.

	2020 £m	2019 £m
Service cost		
Administrative expenses	(0.4)	(0.6)
Net interest (expense)/income	(0.1)	0.2
Expense recognised in the consolidated income statement	**(0.5)**	**(0.4)**

	2020 £m	2019 £m
Remeasurements of the net liability		
Return on Scheme assets	1.3	4.4
Loss arising from changes in financial assumptions	(13.8)	(24.5)
(Loss)/gain arising from changes in demographic assumptions	(3.7)	2.4
Experience gain	2.4	0.4
Actuarial loss recorded in the consolidated statement of comprehensive income	**(13.8)**	**(17.3)**
Total defined benefit scheme loss	**(14.3)**	**(17.7)**

17 EMPLOYEE BENEFITS CONTINUED

(a) Retirement benefit obligations continued

	2020 %	2019 %
The principal actuarial assumptions used were:		
Liability discount rate	1.50	1.95
Inflation assumption – RPI	3.05	3.15
Inflation assumption – CPI	2.25	2.35
Revaluation of deferred pensions	2.25	2.35
Increases for pensions in payment		
Benefits accrued in respect of GMP	3.00	3.00
Benefits accrued in excess of GMP pre-1997	3.00	3.00
Benefits accrued post-1997	2.95	3.05
Proportion of employees opting for early retirement	0.00	0.00
Proportion of employees commuting pension for cash	100.00	100.00
Mortality assumption – pre-retirement	AC00	AC00
Mortality assumption – male post-retirement	SAPS S2 PMA _LCMI_2019 with initial addition of 0.5% p.a. ltr 1.25%	SAPS S2 PMA _LCMI_2017 with smoothing parameter of 8.0 ltr 1.25%
Mortality assumption – female post-retirement	SAPS S2 PFA_LCMI_2019 with initial addition of 0.5% p.a. ltr 1.25%	SAPS S2 PFA_LCMI_2017 with smoothing parameter of 8.0 ltr 1.25%

	2020 Years	2019 Years
Future expected lifetime of current pensioner at age 65		
Male aged 65 at year end	23.3	23.5
Female aged 65 at year end	24.4	24.5
Future expected lifetime of future pensioner at age 65		
Male aged 45 at year end	24.6	24.8
Female aged 45 at year end	25.9	26.0

Changes in the present value of assets over the year

	2020 £m	2019 £m
Fair value of assets at beginning of the year	210.3	197.9
Interest income	4.1	5.6
Return on assets (excluding amount included in net interest expense)	1.3	4.4
Contributions from the employer	6.7	9.0
Benefits paid	(7.5)	(6.0)
Administrative expenses	(0.4)	(0.6)
Fair value of assets at end of the year	**214.5**	**210.3**
Actual return on assets over the period	3.3	9.9

Changes in the present value of liabilities over the year

	2020 £m	2019 £m
Liabilities at beginning of the year	(216.5)	(195.4)
Interest cost	(4.2)	(5.4)
Remeasurement (losses)/gains		
Loss arising from changes in financial assumptions	(13.8)	(24.5)
(Loss)/gain arising from changes in demographic assumptions	(3.7)	2.4
Experience gain	2.4	0.4
Benefits paid	7.5	6.0
Liabilities at end of the year	**(228.3)**	**(216.5)**

Split of the Scheme's liabilities by category of membership:

	2020 £m	2019 £m
Deferred pensioners	(135.4)	(123.4)
Pensions in payment	(92.9)	(93.1)
	(228.3)	**(216.5)**

	2020 Years	2019 Years
Average duration of the Scheme's liabilities at end of the year	17.0	17.0
This can be subdivided as follows:		
Deferred pensioners	21.0	21.0
Pensions in payment	12.0	12.0

Major categories of scheme assets:

	2020 £m	2019 £m
Return seeking		
Overseas equities	14.5	14.0
Absolute return funds	54.1	53.1
Multi-strategy funds	26.7	32.4
Other (secured income, structured product)	19.8	20.4
	115.1	**119.9**
Debt instruments		
Corporates	38.8	36.1
Index linked	48.2	44.9
	87.0	**81.0**
Other		
Cash	5.1	1.7
Insured annuities	7.3	7.7
	12.4	**9.4**
Total market value of assets	**214.5**	**210.3**

£111.5m (2019: £112.3m) of Scheme assets have a quoted market price in active markets, £63.2m (2019: £64.2m) of Scheme assets have valuation inputs other than quoted market prices, including quoted market prices for similar assets in active markets, £27.4m (2019: £24.4m) 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 £12.4m (2019: £9.4m) 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 Group's statutory funding obligation was met as at 31 January 2018 with the Scheme achieving a 101% funding level on a technical provisions basis. The Company will fund the Scheme with contributions of £0.94m per month from 1 November 2020 to 31 October 2021, and then £0.75m per month, until the earlier of 30 June 2022 or the Scheme meeting its funding objective on a self-sufficiency basis. The Group expects to contribute £11.3m (2019: £9.0m) to scheme funding in the year ending 31 October 2021.

The Group agreed deferment of £2.3m of contributions with the Scheme Trustees during the year due to COVID-19, in the early stages of the pandemic. These deferred contributions will be paid during the year ending 31 October 2021 and form part of the £11.3m contributions disclosed above.

Sensitivity of the liability value to changes in the principal assumptions

If the discount rate was 0.25% higher/(lower), the Scheme liabilities would decrease by £9.2m (increase by £9.8m) if all the other assumptions remained unchanged.

If the inflation assumption was 0.25% higher/(lower), the Scheme liabilities would increase by £5.4m (decrease by £5.1m) if all the other assumptions remained unchanged.

If life expectancies were to increase by one year, the scheme liabilities would increase by £11.6m if all the other assumptions remained unchanged.

17 EMPLOYEE BENEFITS CONTINUED

(b) Share-based payments

The Group operates a Long-Term Incentive Plan (LTIP), employee share option scheme (ESOS), save as you earn (SAYE) and a deferred bonus plan. Expected volatility for all plans/schemes for the current and previous year (where applicable) is based on the historical share price movements of Crest Nicholson Holdings plc since the Company listed in February 2013. Further, in the prior year as part of his terms of appointment, the Group made a commitment to Peter Truscott to buy out certain share-based awards from his previous employment (Chief Executive buy-out arrangement) consisting of 143,713 shares in Crest Nicholson Holdings plc, the cost of which has been recognised as a share-based payment under IFRS 2.

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. Awards under the plan vest over three years and are subject to three years' service, and return on capital and profit performance conditions. 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 employee benefit trust (EBT), the issue of new shares (directly or to the EBT) or the acquisition of shares in the market.

Date of grant	27 Feb 2015	26 Feb 2016	28 Feb 2017	28 Feb 2018	22 Mar 2018	16 Apr 2019	21 Jun 2019	20 Feb 2020	04 Aug 2020
Options granted	1,270,176	1,075,943	1,266,364	1,112,762	150,898	1,140,962	278,558	1,125,531	7,298
Fair value at measurement date	£4.02	£5.07	£4.67	£3.89	£3.67	£3.15	£3.15	£4.28	£1.53
Share price on date of grant	£4.45	£5.62	£5.41	£4.76	£4.54	£4.00	£3.55	£5.16	£1.85
Exercise price	£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
Expected dividend yield	3.20%	3.50%	5.09%	6.93%	7.27%	8.20%	8.20%	6.40%	6.40%
Expected volatility	30.00%	30.00%	45.00%	35.00%	35.00%	35.00%	35.00%	30.00%	30.00%
Risk free interest rate	0.86%	0.43%	0.14%	0.84%	0.92%	0.81%	0.81%	0.45%	0.45%
Valuation model	Binomial	Binomial	Binomial	Binomial	Binomial	Binomial	Binomial	Binomial	Binomial
Contractual life from	27.02.15	26.02.16	28.02.17	28.02.18	22.03.18	16.04.19	21.06.19	20.02.20	04.08.20
Contractual life to	26.02.25	25.02.26	27.02.27	27.02.28	21.03.28	15.04.29	20.06.29	19.02.30	03.08.30

	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
Movements in the year										
Outstanding at 1 November 2018	5,358	852,689	938,290	890,900	150,898	–	–	–	–	2,838,135
Granted during the year	–	–	–	–	–	1,140,962	278,558	–	–	1,419,520
Exercised during the year	(5,358)	(198,170)	–	–	–	–	–	–	–	(203,528)
Lapsed during the year	–	(653,001)	(218,443)	(133,935)	(150,898)	(79,713)	–	–	–	(1,235,990)
Outstanding at 31 October 2019	**–**	**1,518**	**719,847**	**756,965**	**–**	**1,061,249**	**278,558**	**–**	**–**	**2,818,137**
Granted during the year	–	–	–	–	–	–	–	1,125,531	7,298	1,132,829
Lapsed during the year	–	–	(719,847)	(154,112)	–	(242,773)	–	(62,613)	–	(1,179,345)
Outstanding at 31 October 2020	**–**	**1,518**	**–**	**602,853**	**–**	**818,476**	**278,558**	**1,062,918**	**7,298**	**2,771,621**
Exercisable at 31 October 2020	**–**	**1,518**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,518**
Exercisable at 31 October 2019	–	1,518	–	–	–	–	–	–	–	1,518

	£m	£m	£m	£m	£m	£m	£m	£m	£m	Total £m
Charge to income for the current year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Credit to income for the prior year	–	–	(1.0)	(0.2)	–	–	–	–	–	(1.2)

The weighted average exercise price of LTIP options was £nil (2019: £nil).

Employee share option scheme

This is a limited scheme which represents the balance of shares from the previous management incentive plan, which vested at admission. The balance of shares are held by the Group's Employee Share Ownership Trust and certain options have been granted to Executive Directors and other employees. Options granted under the plan are exercisable between two and 10 years after the date of grant. The options are valued at the admission price or share price on date of grant. There are no performance criteria but recipients must remain employed by the Group on the applicable vesting date.

Date of grant	01 Jun 2018
Options granted	10,000
Fair value at measurement date	£0.00
Share price on date of grant	£4.40
Exercise price	£0.00
Vesting period	2 years
Expected dividend yield	N/A
Expected volatility	N/A
Risk free interest rate	N/A
Valuation model	N/A
Contractual life from	01.06.18
Contractual life to	31.05.28

Movements in the year	Number of options
Outstanding at 1 November 2018	**10,000**
Lapsed during the year	(10,000)
Outstanding at 31 October 2019 and 31 October 2020	–
Exercisable at 31 October 2019 and 31 October 2020	–

	£m
Charge to income for the current year and prior year	–

The weighted average exercise price of employee share options was £nil (2019: £nil).

17 EMPLOYEE BENEFITS CONTINUED

Save As You Earn

Executive Directors and eligible employees are invited to make regular monthly contributions to a Sharesave scheme operated by Equiniti. 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	16 Jul 2015	01 Aug 2016	03 Aug 2017	26 Jul 2018	30 Jul 2019	07 Aug 2020
Options granted	257,264	1,208,742	453,663	712,944	935,208	1,624,259
Fair value at measurement date	£1.03	£1.11	£1.06	£0.52	£0.54	£0.36
Share price on date of grant	£5.63	£3.56	£5.41	£3.77	£3.68	£1.94
Exercise price	£4.51	£2.86	£4.20	£3.15	£2.86	£1.70
Vesting period	3 years	3 years	3 years	3 years	3 years	3 years
Expected dividend yield	3.00%	4.80%	5.10%	8.76%	8.96%	5.20%
Expected volatility	29.00%	45.00%	35.00%	35.00%	35.00%	40.00%
Risk free interest rate	1.16%	0.19%	0.30%	0.85%	0.38%	-0.08%
Valuation model	Binomial	Binomial	Binomial	Binomial	Binomial	Binomial
Contractual life from	01.08.15	01.09.16	01.09.17	01.09.18	01.09.19	01.09.20
Contractual life to	01.02.19	01.03.20	01.03.21	01.03.22	01.03.23	01.03.24

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 2018	70,821	874,001	223,732	681,751	–	–	1,850,305	£3.19
Granted during the year	–	–	–	–	935,208	–	935,208	£2.86
Exercised during the year	–	(667,791)	–	–	–	–	(667,791)	£2.86
Lapsed during the year	(70,821)	(95,277)	(76,150)	(230,370)	(29,888)	–	(502,506)	£3.43
Outstanding at 31 October 2019	**–**	**110,933**	**147,582**	**451,381**	**905,320**	**–**	**1,615,216**	**£3.06**
Granted during the year	–	–	–	–	–	1,624,259	1,624,259	£1.70
Exercised during the year	–	(107,158)	(3,985)	(9,707)	(1,134)	–	(121,984)	£2.93
Lapsed during the year	–	(3,775)	(50,019)	(315,921)	(606,550)	(85,589)	(1,061,854)	£2.92
Outstanding at 31 October 2020	**–**	**–**	**93,578**	**125,753**	**297,636**	**1,538,670**	**2,055,637**	**£2.07**

Exercisable at 31 October 2020	**–**	**–**	**93,578**	**–**	**–**	**–**	**93,578**
Exercisable at 31 October 2019	–	110,933	–	–	–	–	110,933

	£m	£m	£m	£m	£m	£m	Total £m
Credit to income for the current year	**–**	**–**	**–**	**(0.1)**	**–**	**–**	**(0.1)**
(Credit)/charge to income for the prior year	(0.1)	0.2	(0.1)	0.1	–	–	0.1

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	26 Feb 2016	28 Feb 2017	28 Feb 2018	26 Feb 2019	28 Feb 2019	28 Feb 2019	28 Feb 2020	28 Feb 2020	28 Feb 2020
Options granted	140,185	133,761	188,122	16,040	4,012	50,676	20,669	2,976	20,956
Fair value at measurement date	£5.62	£5.41	£4.89	£3.91	£3.91	£3.95	£4.52	£4.52	£4.52
Share price on date of grant	£5.62	£5.41	£4.89	£3.91	£3.91	£3.95	£4.52	£4.52	£4.52
Exercise price	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
Vesting period	1/3 years	1/3 years	1/3 years	3 years	1 year	1 year	3 years	1 year	1/3 years
Expected dividend yield and volatility	N/A	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	N/A
Valuation model	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contractual life from	26.02.16	28.02.17	28.02.18	26.02.19	28.02.19	28.02.19	28.02.20	28.02.20	28.02.20
Contractual life to	25.02.26	27.02.27	27.02.28	25.02.29	27.02.29	27.02.29	27.02.30	27.02.30	27.02.30

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	Total number of options
Outstanding at 1 November 2018	83,252	89,897	186,773	–	–	–	–	–	–	359,922
Granted during the year	–	–	–	16,040	4,012	50,676	–	–	–	70,728
Exercised during the year	(83,252)	–	(50,951)	(16,040)	(4,012)	–	–	–	–	(154,255)
Lapsed during the year	–	(5,793)	–	–	–	(18,816)	–	–	–	(24,609)
Outstanding at 31 October 2019	**–**	**84,104**	**135,822**	**–**	**–**	**31,860**	**–**	**–**	**–**	**251,786**
Granted during the year	–	–	–	–	–	–	20,669	2,976	20,956	44,601
Exercised during the year	–	(73,705)	–	–	–	(31,860)	(20,669)	(2,976)	–	(129,210)
Lapsed during the year	–	(10,399)	–	–	–	–	–	–	–	(10,399)
Outstanding at 31 October 2020	**–**	**–**	**135,822**	**–**	**–**	**–**	**–**	**–**	**20,956**	**156,778**
Exercisable at 31 October 2020	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Exercisable at 31 October 2019	–	–	–	–	–	–	–	–	–	–

	£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**
Charge to income for the prior year	–	0.1	0.3	–	–	0.1	–	–	–	0.5

The weighted average exercise price of deferred bonus plan share options was £nil (2019: £nil).

17 EMPLOYEE BENEFITS CONTINUED

Total share incentive schemes

	2020 Number of options	2019 Number of options
Movements in the year		
Outstanding at beginning of the year	4,685,139	5,058,362
Granted during the year	2,801,689	2,425,456
Exercised during the year	(251,194)	(1,025,574)
Lapsed during the year	(2,251,598)	(1,773,105)
Outstanding at end of the year	**4,984,036**	**4,685,139**
Exercisable at end of the year	**95,096**	**112,451**

	£m	£m
Charge/(credit) to income for share incentive schemes	0.2	(0.6)
Chief Executive buy-out arrangement[1]	0.3	0.2
Charge/(credit) to income for the year	0.5	(0.4)

1 In the prior year as part of his terms of appointment, the Group made a commitment to Peter Truscott to buy-out certain share-based awards from his previous employment consisting of 143,713 shares in Crest Nicholson Holdings plc. During the year, the commitment was satisfied in full resulting in a charge to income for the year of £0.3m (2019: £0.2m).

The weighted average share price at the date of exercise of share options exercised during the year was £4.76 (2019: £3.69). The options outstanding had a range of exercise prices of £nil to £4.20 (2019: £nil to £4.20) and a weighted average remaining contractual life of 6.2 years (2019: 6.6 years). The gain on shares exercised during the year was £1.5m (2019: £1.9m).

18 TRADE AND OTHER RECEIVABLES

	Trade and other receivables before expected credit loss 2020 £m	Expected credit loss 2020 £m	Trade and other receivables after expected credit loss 2020 £m	Trade and other receivables before expected credit loss 2019 £m	Expected credit loss 2019 £m	Trade and other receivables after expected credit loss 2019 £m
Non-current						
Trade receivables	5.5	–	5.5	5.2	(0.2)	5.0
Due from joint ventures	61.0	(10.9)	50.1	56.7	(3.2)	53.5
	66.5	**(10.9)**	**55.6**	**61.9**	**(3.4)**	**58.5**
Current						
Trade receivables	27.3	(0.1)	27.2	56.4	–	56.4
Contract assets	53.9	(0.3)	53.6	70.0	–	70.0
Due from joint ventures	4.4	–	4.4	7.8	–	7.8
Other receivables	7.9	–	7.9	7.6	–	7.6
Prepayments and accrued income	2.1	–	2.1	3.5	–	3.5
	95.6	**(0.4)**	**95.2**	**145.3**	**–**	**145.3**
Non-current and Current	**162.1**	**(11.3)**	**150.8**	**207.2**	**(3.4)**	**203.8**

Trade and other receivables mainly comprise contractual amounts due from housing associations, bulk sale purchasers and land sales to other housebuilders. Current trade receivables of £10.7m have been collected as of 1 January 2021 (2019: £17.2m have been collected as of 3 January 2020). The remaining balance is due according to contractual terms, and no 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 £17.9m (2019: £8.1m).

Amounts due from joint ventures comprises funding provided on four (2019: four) 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 £7.0m (2019: £5.1m). 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 £10.9m (2019: £3.2m) in respect of expected credit losses. This estimate is based on a discounted cashflow analysis of the relevant joint ventures using available cashflow projections for the remainder of the project. £7.7m (2019: £3.2m) provision was made during the year, £nil (2019: £nil) was utilised and £nil (2019: £nil) provision was released during the year. The actual result depends on achieved sales values and delivery of the build to forecast.

Trade receivables and contract assets are stated after a loss allowance of £0.4m (2019: £0.2m) in respect of expected credit losses, assessed on an estimate of default rates. £0.2m (2019: £0.2m) provision was made during the year, £nil (2019: £nil) was utilised and £nil (2019: £nil) provision was released during the year.

Movements in total loss allowance for expected credit losses

	2020 £m	2019 £m
At beginning of the year	3.4	–
Provided in the year on joint venture balances	7.7	3.2
Provided in the year on other receivables	0.2	0.2
At end of the year	**11.3**	**3.4**

The total loss allowance for the Bonner Road LLP expected credit loss is £10.8m (2019: £3.2m). For additional information see note 4.

Maturity of non-current receivables

	2020 £m	2019 £m
Due between one and two years	9.9	9.3
Due between two and five years	32.8	49.2
Due after five years	12.9	–
	55.6	**58.5**

19 INVENTORIES

	2020 £m	2019 £m
Work-in-progress	897.1	917.2
Completed buildings including show homes	107.0	207.1
Part exchange inventories	20.9	26.8
	1,025.0	**1,151.1**

Included within inventories is a fair value adjustment of £11.3m (2019: £16.5m) which arose on the acquisition of Castle Bidco Limited 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 £5.2m (2019: £8.1m). Total inventories of £535.7m (2019: £843.5m) were recognised as cost of sales in the year.

During the year, due to changes in assumptions and estimates on the viability of individual sites, a net realisable value charge of £29.3m (2019: £7.0m) was made. The key estimates in these reviews are those used to estimate the realisable value of a site, which is determined by forecast sales rates, expected sales prices and estimated costs to complete. The effects of COVID-19 have been considered and the expected extension in the time period required to trade through each site has increased site costs to complete.

Total inventories are stated net of a net realisable value provision of £37.1m (2019: £7.8m), mainly relating to the impairments as disclosed in note 4 (2019: mainly relating to legacy London sites). Movements in the NRV provision in the current and prior year are shown below:

	2020 £m	2019 £m
At beginning of the year	7.8	0.8
Pre-exceptional NRV added in the year	2.9	7.0
Pre-exceptional NRV removed in the year	(2.1)	–
Exceptional NRV added in the year (note 4)	33.9	–
Exceptional NRV removed in the year	(5.4)	–
Total movement in NRV in the year	29.3	7.0
At end of the year	**37.1**	**7.8**

During the year the Group wrote off as an exceptional item £9.3m of work-in-progress and other associated costs on a project where the scheme is no longer profitable. The combination of this and the exceptional NRV provided in the year of £33.9m is £43.2m, representing the total exceptional inventory impairment charge per note 4.

20 MOVEMENT IN NET CASH

	2020 £m	Movement £m	2019 £m
Cash and cash equivalents	239.4	68.8	170.6
Bank loans, senior loan notes and other loans	(97.2)	36.2	(133.4)
Net cash	**142.2**	**105.0**	**37.2**

21 INTEREST-BEARING LOANS AND BORROWINGS

	2020 £m	2019 £m
Non-current		
Revolving credit facility	–	35.0
Senior loan notes	100.0	100.0
Revolving credit and senior loan notes issue costs	(2.8)	(3.5)
	97.2	**131.5**
Current		
Other loans	**–**	**1.9**

There were undrawn amounts of £250.0m (2019: £215.0m) under the revolving credit facility at the consolidated statement of financial position date. During the year the Group repaid £35.0m under the revolving credit facility on the same terms and conditions. See note 25 for additional disclosures.

22 TRADE AND OTHER PAYABLES

	2020 £m	2019 £m
Non-current		
Land payables on contractual terms	130.1	125.3
Contract liabilities	–	1.6
Other payables	4.0	4.9
Accruals and deferred income	17.6	17.6
	151.7	**149.4**
Current		
Land payables on contractual terms	75.6	91.2
Other trade payables	36.2	38.7
Contract liabilities	32.8	32.0
Due to joint ventures	0.1	4.9
Taxes and social security costs	2.4	5.5
Other payables	4.6	6.2
Accruals and deferred income	205.3	234.4
	357.0	**412.9**

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. At 31 October 2020 the difference between the fair value and nominal value of non-current land payables is £4.6m (2019: £6.0m).

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.

23 PROVISIONS

	Combustible materials 2020 £m	Commercial properties 2020 £m	Other provisions 2020 £m	Total 2020 £m	Combustible materials 2019 £m	Commercial properties 2019 £m	Other provisions 2019 £m	Total 2019 £m
At beginning of the year	14.6	0.8	1.3	16.7	–	2.2	0.4	2.6
Change in accounting policy[1]	–	–	(0.5)	(0.5)	–	–	–	–
Provided in the year	2.6	–	–	2.6	18.4	–	1.5	19.9
Utilised in the year	(2.4)	–	(0.4)	(2.8)	(3.8)	(0.9)	(0.5)	(5.2)
Released in the year	–	(0.4)	(0.4)	(0.8)	–	(0.5)	(0.1)	(0.6)
At end of the year	**14.8**	**0.4**	**–**	**15.2**	**14.6**	**0.8**	**1.3**	**16.7**
Of which:								
Non-current	3.4	–	–	3.4	11.0	–	0.8	11.8
Current	11.4	0.4	–	11.8	3.6	0.8	0.5	4.9
	14.8	**0.4**	**–**	**15.2**	**14.6**	**0.8**	**1.3**	**16.7**

1 The Group has applied IFRS 16 using the modified retrospective approach and therefore comparatives have not been restated. Further information on the initial application of this standard can be found in note 29.

Combustible materials

In the prior year, following the latest Government guidance notes in respect of combustible materials, fire risk and protection and regulatory compliance on completed developments, the Group recorded an exceptional charge and provision of £18.4m. At the time the Group conducted a detailed review of all current and legacy buildings to identify those that were impacted and has estimated remediation costs where a legal or constructive obligation to remediate the buildings exists. The charge is a complex calculation considering many different inputs including the height and square footage of the impacted buildings, costs of interrogation, estimated costs of replacement materials and labour, the extent of the works to be complete and potential disruption to customers.

During the year the Group reassessed the estimates on costs and timing of works and associated adequacy of the provision held. This resulted in an increase of £2.6m in the provision. The Group spent £2.4m in the year, of which £2.0m was incurred in completing the remediation on one building which required complete cladding replacement, and £0.4m was spent on further investigative and commencement works.

The closing provision of £14.8m represents the Group's best estimate of costs at 31 October 2020. The Group will continue to assess the magnitude and utilisation of this provision in future financial reporting periods. The Group recognises that guidance in this area is evolving over time and that assumptions may require revising, resulting in changes to the expected cash outflow. The Directors expect to have completed any required remedies within a five-year period. If forecast remediation costs are 10% higher than provided, the cumulative impact on profit before tax will be £1.5m lower (2019: £1.5m). The Group expects to utilise £11.4m of the remaining provision within one year, and the balance within two to five years.

The Group is continuing to review the recoverability of costs incurred from third parties where we have a contractual right of recourse. In the year £2.0m was recovered from third parties, which has been recorded as an exceptional credit in the consolidated income statement.

Commercial properties

Commercial properties are dilapidation provisions on commercial properties where the Group previously held the head lease. All leases are now expired and the provision represents forecast costs to be incurred in bringing the buildings back to their original condition. In the prior year the commercial properties provision reflected onerous rental and other obligations in respect of commercial properties.

Other provisions

Other provisions in the prior year comprised dilapidation provisions on Group offices, and loss of office provisions for former Executives. Following the adoption of IFRS 16 on 1 November 2019 the £0.5m dilapidations provision has been transferred from provisions to right-of-use assets. See note 29 for additional details.

Provisions released in the year relate to properties where the onerous lease and dilapidations provisions are no longer required.

24 SHARE CAPITAL

	Shares issued Number	Nominal value Pence	Share capital £	Share premium account £
Ordinary shares as at 1 November 2018, 31 October 2019 and 31 October 2020	**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 (2019: 342,560,719).

For details of outstanding share options at 31 October 2020 see note 17.

Own shares held

The Group and Company holds shares within the Crest Nicholson Employee Share Ownership Trust (the 'Trust') for participants of certain share-based payment schemes. These are held within retained earnings. During the year 435,500 shares were purchased by the Trust for £1.8m (2019: 1,031,671 shares were purchased by the Trust for £3.8m) and the Trust transferred 394,913 (2019: 1,025,574) shares to employees and directors to satisfy options as detailed in note 16. The number of shares held within the Trust (Treasury shares), and on which dividends have been waived, at 31 October 2020 was 184,997 (2019: 144,410). These shares are held within the financial statements at a cost of £0.5m (2019: £0.5m). The market value of these shares at 31 October 2020 was £0.4m (2019: £0.6m).

25 FINANCIAL RISK MANAGEMENT

The Group's financial instruments comprise cash, bank loans, senior loan notes, trade and other receivables, contract assets, financial assets at fair value through profit and loss and trade 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 borrowings. A five-year summary of this can be found in the unaudited historical summary on page 183, 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 revolving credit facility 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 (2019: £215.0m) under the revolving credit facility at the consolidated statement of financial position date. The revolving credit facility carries interest at three-month LIBOR plus 2.15% and ends in 2024.

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 £239.4m (2019: £170.6m) 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 June 2024, with £250.0m remaining available for drawdown under such facilities at 31 October 2020.

Financial assets at fair value through profit and loss, as described in note 15, of £5.4m (2019: £7.2m) 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 and contract assets is mainly amounts due from housing association sales, land sales and commercial sales and equates to the Group's exposure to credit risk which is set out in note 18. Amounts due from joint ventures of £54.5m (2019: £61.3m) is funding provided on four (2019: four) 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 and contract assets as set out in note 18. Within trade and other receivables the other largest single amount outstanding at the year end is £5.5m (2019: £14.9m) 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 material financial assets are past due, or are considered to be impaired as at the consolidated statement of financial position date (2019: 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 2020:

2020	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	123.1	3.5	3.5	3.5	112.6
Financial liabilities carrying interest	101.9	104.5	38.2	36.1	30.2	–
Financial liabilities carrying no interest	378.6	383.6	290.3	41.0	29.5	22.8
At 31 October 2020	**580.5**	**611.2**	**332.0**	**80.6**	**63.2**	**135.4**

2019	Carrying value £m	Contractual cash flows £m	Within 1 year £m	1–2 years £m	2–3 years £m	More than 3 years £m
Revolving credit facility	35.0	35.1	0.1	–	–	35.0
Senior loan notes	100.0	126.6	3.5	3.5	3.5	116.1
Other loans	1.9	1.9	1.9	–	–	–
Financial liabilities carrying interest	91.3	93.5	20.6	37.5	35.4	–
Financial liabilities carrying no interest	431.9	437.9	359.2	37.0	19.7	22.0
At 31 October 2019	**660.1**	**695.0**	**385.3**	**78.0**	**58.6**	**173.1**

Other loans (LIFF loans) were development-specific loans from Homes England and were repaid in the year. 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 revolving credit facility is subject to floating interest rates based on LIBOR. 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 2020 it is estimated that an increase of 1% in interest rates applying for the full year would decrease the Group's profit before tax by £0.8m (2019: £1.0m).

At 31 October 2020, the interest rate profile of the financial liabilities of the Group was:

	2020 £m	2019 £m
Sterling bank borrowings, loan notes and long-term creditors		
Floating rate financial liabilities	–	36.9
Financial liabilities carrying interest	201.9	191.3
Financial liabilities carrying no interest	378.6	431.9
	580.5	**660.1**

FINANCIAL STATEMENTS 120–186

25 FINANCIAL RISK MANAGEMENT CONTINUED

Market interest rate risk continued

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 35 months (2019: 38 months).

	2020 £m	2019 £m
The maturity of the financial liabilities is:		
Repayable within one year	324.1	377.3
Repayable between one and two years	74.4	72.1
Repayable between two and five years	115.4	144.5
Repayable after five years	66.6	66.2
	580.5	**660.1**

Fair values

Financial assets

The Group's financial assets comprise cash and cash equivalents, financial assets at fair value through profit and loss, trade and other receivables and contract assets. The carrying value of cash and cash equivalents, trade and other receivables and contract assets is a reasonable approximation of fair value which would be measured under a level 3 hierarchy.
At 31 October 2020 financial assets consisted of sterling cash deposits of £239.4m (2019: £170.6m), both with solicitors and on current account, £5.4m (2019: £7.2m) of financial assets at fair value through profit and loss, £94.2m (2019: £139.0m) of trade, other receivables and contract assets, and £54.5m (2019: £61.3m) of amounts due from joint ventures. 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 comprise the revolving credit facility, loan notes, other loans, trade payables, loans from joint ventures, lease liabilities and accruals, the carrying amounts of which are deemed to be a reasonable approximation to their fair value. The fair values of the revolving credit facility, 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:

2020	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**	

2019	Nominal interest rate	Face value £m	Carrying value £m	Fair value £m	Maturity
Revolving credit facility	3 month LIBOR + 2.15%	35.0	35.0	35.0	2024
Senior loan notes	3.15% – 3.87%	100.0	100.0	100.0	2024–2029
Total non-current interest-bearing loans		**135.0**	**135.0**	**135.0**	
LIFF loans	EU reference rate + 2.2%	1.9	1.9	1.9	2020
Total current interest-bearing loans		**1.9**	**1.9**	**1.9**	

Financial assets and liabilities by category

	2020 £m	2019 £m
Financial assets		
Sterling cash deposits	239.4	170.6
Trade receivables	32.7	61.4
Amounts due from joint ventures	54.5	61.3
Contract assets	53.6	70.0
Other receivables	7.9	7.6
Total financial assets at amortised cost	**388.1**	**370.9**
Financial assets at fair value through profit and loss	5.4	7.2
Total financial assets	**393.5**	**378.1**

	2020 £m	2019 £m
Financial liabilities		
Revolving credit facility	–	35.0
Senior loan notes	100.0	100.0
Other loans	–	1.9
Land payables on contractual terms carrying interest	101.9	91.3
Land payables on contractual terms carrying no interest	103.8	125.2
Amounts due to joint ventures	0.1	4.9
Lease liabilities	7.0	–
Other trade payables	36.2	38.7
Other payables	8.6	11.1
Accruals	222.9	252.0
Total financial liabilities at amortised cost	**580.5**	**660.1**

26 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.

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 liability within the consolidated statement of financial position. No contingent liability 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 contingent liability in respect of such claims has been recognised.

In 2019 the Group recorded a combustible materials provision following the latest Government guidance notes. This provision is subject to the Directors' estimates on costs and timing. The Group recognises that guidance in this area continues to evolve over time and that assumptions may require revising, resulting in a further cash outflow. The Group is reviewing the recoverability of costs incurred from third parties where we have a contractual right of recourse. No contingent assets have been recognised.

27 NET DEBT AND LAND CREDITORS

	2020 £m	2019 £m
Cash and cash equivalents	239.4	170.6
Non-current interest-bearing loans and borrowings	(97.2)	(131.5)
Current interest-bearing loans and borrowings	–	(1.9)
Land payables on contractual terms carrying interest	(101.9)	(91.3)
Land payables on contractual terms carrying no interest	(103.8)	(125.2)
Total net debt and land creditors	**(63.5)**	**(179.3)**

28 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. There were no other transactions between the Group and key management personnel in the year.

The Company's Directors and Non-Executive Directors have associations other than with the Company. From time to time the Group may buy products or services from 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.

Stephen Stone, Chairman until October 2019, was a Non-Executive Director of the HBF and the NHBC. The Group paid subscription and other fees in 2019 to the HBF of £0.1m and paid fees (mainly relating to warranty insurance costs on new homes built) to the NHBC of £2.9m.

The Group had the following transactions with its joint ventures: (i) the Group recognised £2.7m (2019: £2.1m) interest on joint venture funding, (ii) the Group recognised £1.4m (2019: £0.8m) in project management fees, (iii) the amount of outstanding loans due to the Group from joint ventures was £54.5m (2019: £61.3m), (iv) the amount of outstanding loans due from the Group to joint ventures was £0.1m (2019: £4.9m), and (v) net funding to joint ventures was £5.5m (2019: £15.1m).

29 CHANGE IN ACCOUNTING POLICIES

During the year, the Group has adopted IFRS 16 'Leases', as issued by the International Accounting Standards Board. The impact of the adoption of IFRS 16 on the Group's financial statements is detailed below.

The Group's lease commitments were previously accounted as operating leases under IAS 17, with rental costs recognised in operating profit on a straight-line basis over the period of the lease.

IFRS 16 requires lessees to recognise right-of-use assets and lease liabilities in the statement of financial position for all leases, except short-term and low value asset leases. The Group recognises the 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. The discount is subsequently unwound and recorded in the consolidated income statement over the lease term as a finance expense. The right-of-use assets are 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 administrative expenses over the shorter of its useful economic life or its lease term.

The accounting treatment for leases of 12 months or less or low value assets is unchanged under IFRS 16, with rental costs recognised on a straight-line basis as an expense in the consolidated income statement.

The Group has recognised lease liabilities and right-of-use assets for leases relating to offices, company cars and photocopiers. IFRS 16 has been applied using the modified retrospective approach applying the practical expedients of applying a single discount rate to portfolios with similar characteristics and accounting for operating leases with a remaining lease term of less than 12 months at 1 November 2019 as short-term leases even though the initial term of the leases from lease commencement date may have been more than 12 months. Comparative financial information has not been restated, as permitted under the specific transitional provisions in the standard. The adjustments arising from the adoption of IFRS 16 are therefore recognised in the opening balances of the consolidated statement of financial position on 1 November 2019.

The adoption of IFRS 16 on 1 November 2019 had the following impact on the consolidated statement of financial position: £8.5m right-of-use assets recognised, reduced by the existing £0.5m property related provisions transferred from provisions, and £9.0m lease liabilities recognised, with a reduction of £0.5m in net assets.

The table below reconciles the Group's total operating lease commitments as at 31 October 2019 to the lease liabilities recognised under IFRS 16 on 1 November 2019:

	£m
Operating lease commitments at 31 October 2019 (Restated)	9.7
Adjustments as a result of different treatments of termination options	0.5
Servicing obligations not included in IFRS 16 lease liabilities	(0.4)
Short-term leases recognised on a straight-line basis as an expense	(0.3)
	9.5
Discounted using incremental borrowing rate	(0.5)
Total lease liabilities recognised under IFRS 16 at 1 November 2019	9.0

Of which:	£m
Current liabilities	2.2
Non-current liabilities	6.8
	9.0

As part of the transition from IAS 17 to IFRS 16, the Group assessed the operating lease arrangements in place and identified further leases previously excluded, and as a consequence the operating lease commitments at 31 October 2019 were increased by £1.4m.

The weighted average incremental borrowing rate applied to all asset classes in calculating the lease liabilities on 1 November 2019 was 3.0% where relevant.

The table below outlines the impact of IFRS 16 on the consolidated statement of comprehensive income for the year ended 31 October 2020:

	Prior to adjustments for the adoption of IFRS16 £m	Adjustments in respect of the adoption of IFRS16 £m	Year ended 31 October 2020 as reported £m
Operating loss	(2.0)	0.2	(1.8)
Finance expense	(14.4)	(0.2)	(14.6)
Loss before tax	(13.5)	–	(13.5)

The table below outlines the impact of IFRS 16 on the consolidated statement of financial position as at 31 October 2020:

	Prior to adjustments for the adoption of IFRS 16 £m	Adjustments in respect of IFRS 16 £m	Year ended 31 October 2020 as reported £m
Right-of-use assets	–	6.0	6.0
Lease liabilities	–	(7.0)	(7.0)
Provisions	(15.7)	0.5	(15.2)
Retained earnings	744.7	(0.5)	744.2

The table below outlines the impact of IFRS 16 on the consolidated statement of cash flows for the year ended 31 October 2020:

	Prior to adjustments for the adoption of IFRS 16 £m	Adjustments in respect of IFRS 16 £m	Year ended 31 October 2020 as reported £m
Net cash inflow from operating activities	111.3	2.9	114.2
Payment of lease liabilities	–	(2.9)	(2.9)
Net cash outflow from financing activities	(38.3)	(2.9)	(41.2)
Net increase in cash and cash equivalents	68.8	–	68.8

30 GROUP UNDERTAKINGS

In accordance with s409 Companies Act 2006, the following is a list of all the Group's undertakings at 31 October 2020.

Subsidiary undertakings

At 31 October 2020 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)
Bartley Wood Management Services No.2 Limited	1	8	31 March	100%
Bath Riverside Estate Management Company Limited	2	9	31 October	100%
Bath Riverside Liberty Management Company Limited	2	9	31 October	100%
Block L1-L3 Whitelands Park Limited	1	9	31 October	100%
Brightwells Residential 1 Company Limited	1	9	31 October	100%
Bristol Parkway North Limited	1	9	31 October	100%
CN Nominees Limited	1	9	31 October	100%
CN Properties Limited	1	9	31 October	100%
CN Secretarial Limited	1	9	31 October	100%
CN Shelf 1 LLP	1	9	30 June	100%
CN Shelf 2 LLP	1	9	30 June	100%
CN Shelf 3 LLP	1	9	30 June	100%
Castle Bidco plc[1]	1	8	31 October	100%
Clevedon Developments Limited	1	9	31 October	100%
Clevedon Investment Limited	1	8	31 October	100%
Crest (Claybury) Limited	1	9	31 October	100%
Crest (Napsbury) Limited	1	9	31 October	100%
Crest Developments Limited	1	9	31 October	100%
Crest Estates Limited	1	9	31 October	100%
Crest Homes (Chiltern) Limited	1	9	31 October	100%
Crest Homes (Eastern) Limited	1	9	31 October	100%
Crest Homes (Midlands) Limited	1	9	31 October	100%
Crest Homes (Nominees) Limited	1	9	31 October	100%
Crest Homes (Nominees No. 2) Limited	1	8	31 October	100%
Crest Homes (Northern) Limited	1	9	31 October	100%
Crest Homes (South East) Limited	1	9	31 October	100%
Crest Homes (South West) Limited	1	9	31 October	100%
Crest Homes (South) Limited	1	9	31 October	100%
Crest Homes (Wessex) Limited	1	9	31 October	100%
Crest Homes (Westerham) Limited	1	9	31 October	100%
Crest Homes Limited	1	9	31 October	100%
Crest Homes Management Limited	1	9	31 October	100%
Crest Manhattan Limited	1	9	31 October	100%
Crest Nicholson (Bath Western) Limited	1	9	31 October	100%
Crest Nicholson (Bath) Holdings Limited	1	9	31 October	100%
Crest Nicholson (Chiltern) Limited	1	9	31 October	100%
Crest Nicholson (Eastern) Limited	1	9	31 October	100%
Crest Nicholson (Epsom) Limited	1	9	31 October	100%
Crest Nicholson (Henley-on-Thames) Limited	1	8	31 October	100%
Crest Nicholson (Highlands Farm) Limited	1	9	31 October	100%
Crest Nicholson (Londinium) Limited	1	9	31 October	100%
Crest Nicholson (London) Limited	1	9	31 October	100%
Crest Nicholson (Midlands) Limited	1	9	31 October	100%
Crest Nicholson (Peckham) Limited	1	8	31 October	100%
Crest Nicholson (Rainsford Road) Limited	1	9	31 October	100%
Crest Nicholson (South East) Limited	1	9	31 October	100%
Crest Nicholson (South West) Limited	1	9	31 October	100%
Crest Nicholson (South) Limited	1	9	31 October	100%

1 Castle Bidco plc is the only direct holding of Crest Nicholson Holdings plc.

Entity name	Registered office	Active/ dormant	Year end date	Voting rights and shareholding (direct or indirect)
Crest Nicholson (Stotfold) Limited	1	8	31 October	100%
Crest Nicholson (Wainscott)	1	9	31 October	100%
Crest Nicholson (Wessex) Limited	1	9	31 October	100%
Crest Nicholson Developments (Chertsey) Limited	1	8	31 October	100%
Crest Nicholson Greenwich Limited	1	9	31 October	100%
Crest Nicholson Operations Limited	1	8	31 October	100%
Crest Nicholson Pension Trustee Ltd	1	9	31 January	100%
Crest Nicholson plc	1	8	31 October	100%
Crest Nicholson Projects Limited	1	9	31 October	100%
Crest Nicholson Properties Limited	1	9	31 October	100%
Crest Nicholson Quest Trustee Limited	1	9	31 October	100%
Crest Nicholson Regeneration Limited	1	9	31 October	100%
Crest Nicholson Residential (London) Limited	1	9	31 October	100%
Crest Nicholson Residential (Midlands) Limited	1	9	31 October	100%
Crest Nicholson Residential (South East) Limited	1	9	31 October	100%
Crest Nicholson Residential (South) Limited	1	9	31 October	100%
Crest Nicholson Residential Limited	1	9	31 October	100%
Crest Partnership Homes Limited	1	9	31 October	100%
Crest Strategic Projects Limited	1	9	31 October	100%
Dialled Despatches Limited	1	9	31 October	100%
Eastern Perspective Management Company Limited	1	9	31 October	100%
Essex Brewery (Walthamstow) LLP	1	9	31 October	100%
Grassphalte-Gaze Limited	1	9	31 October	100%
Landscape Estates Limited	1	9	31 October	100%
Mertonplace Limited	1	9	31 October	100%
Nicholson Estates (Century House) Limited	1	9	31 October	100%
Nicholson Homes Limited	1	9	31 October	100%
Park Central Management (Central Plaza) Limited	1	9	31 October	100%
Ellis Mews (Park Central) Management Limited	1	8	31 October	100%
Park Central Management (Zone 11) Limited	1	9	31 October	100%
Park Central Management (Zone 12) Limited	1	9	31 October	100%
Park Central Management (Zone 1A North) Limited	1	9	31 October	100%
Park Central Management (Zone 1A South) Limited	1	9	31 October	100%
Park Central Management (Zone 1B) Limited	1	9	31 October	100%
Park Central Management (Zone 3/1) Limited	1	9	31 October	100%
Park Central Management (Zone 3/2) Limited	1	9	31 October	100%
Park Central Management (Zone 3/3) Limited	1	9	31 October	100%
Park Central Management (Zone 3/4) Limited	1	9	31 October	100%
Park Central Management (Zone 4/41 & 42) Limited	1	9	31 October	100%
Park Central Management (Zone 4/43/44) Limited	1	9	31 October	100%
Park Central Management (Zone 5/53) Limited	1	9	31 October	100%
Park Central Management (Zone 5/54) Limited	1	9	31 October	100%
Park Central Management (Zone 5/55) Limited	1	9	31 October	100%
Park Central Management (Zone 6/61-64) Limited	1	9	31 October	100%
Park Central Management (Zone 7/9) Limited	1	9	31 October	100%
Park Central Management (Zone 8) Limited	1	8	31 October	100%
Park Central Management (Zone 9/91) Limited	1	9	31 January	100%
Timberform Building Systems Limited	1	9	31 October	100%
Building 7 Harbourside Management Company Limited	2	8	31 December	58.33%
Buildings 3A, 3B & 4 Harbourside Management Company Limited	2	9	31 December	83.33%
Harbourside Leisure Management Company Limited	1	8	30 December	71.43%
Park West Management Services Limited	1	8	31 March	62.00%

30 GROUP UNDERTAKINGS CONTINUED

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 2020.

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 Developments (Chertsey) Limited (04707982)
Clevedon Investment Limited (00454327)

Joint venture undertakings

At 31 October 2020 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				
Bonner Road LLP	6	8	31 March	50%
Crest A2D (Walton Court) LLP	1	8	31 March	50%
Crest Sovereign (Brooklands) LLP	5	8	31 October	50%
Elmsbrook (Crest A2D) LLP	7	8	31 March	50%
Other joint ventures not material to the Group				
Brentford Lock Limited	3	8	31 December	50%
Crest/Vistry (Epsom) LLP	1	8	31 October	50%
Crest Nicholson Bioregional Quintain LLP	1	8	31 October	50%
English Land Banking Company Limited	1	8	31 October	50%
Haydon Development Company Limited	4	8	30 April	21.36%
North Swindon Development Company Limited	4	8	31 December	32.64%

Registered office

1 Crest House, Pyrcroft Road, Chertsey, Surrey KT16 9GN.
2 Unit 2 & 3 Beech Court, Wokingham Road, Hurst, Reading RG10 0RU.
3 Persimmon House, Fulford, York YO19 4FE.
4 6 Drakes Meadow, Penny Lane, Swindon, Wiltshire SN3 3LL.
5 Sovereign House, Basing View, Basingstoke RG21 4FA.
6 Level 6, 6 More London Place, Tooley Street, London SE1 2DA.
7 The Point, 37 North Wharf Road, London W2 1BD.

Active/dormant

8 active
9 dormant

Joint operations

The Group is party to a joint arrangement with Linden Homes Limited, the purpose of which is 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 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 2020. 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.

Crest Nicholson Employee Share Ownership Trust

The Group operates The Crest Nicholson Employee Share Ownership Trust, 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 Crest Nicholson Employee Share Ownership Trust falls within the scope of IFRS 10 Consolidated statements, and is consolidated within the Group financial statements, as the Group is considered to have control over the Trust.

COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 October 2020

	Note	2020 £m	2019 £m
ASSETS			
Non-current assets			
Investments	4	0.6	0.6
Current assets			
Trade and other receivables	5	252.1	243.9
TOTAL ASSETS		**252.7**	**244.5**
LIABILITIES			
Current liabilities			
Current income tax liabilities		–	(1.6)
TOTAL LIABILITIES		**–**	**(1.6)**
NET ASSETS		**252.7**	**242.9**
SHAREHOLDERS' EQUITY			
Share capital	6	12.8	12.8
Share premium account	6	74.2	74.2
Retained earnings:			
At 1 November		155.9	134.8
Profit for the year		11.2	107.1
Other changes in retained earnings		(1.4)	(86.0)
At 31 October		165.7	155.9
TOTAL SHAREHOLDERS' EQUITY		**252.7**	**242.9**

The Company recorded a profit for the financial year of £11.2m (2019: £107.1m).

The notes on pages 178 to 181 form part of these financial statements.

The financial statements on pages 176 to 181 were approved by the Board of Directors on 26 January 2021.

On behalf of the Board

PETER TRUSCOTT
Director

DUNCAN COOPER
Director

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 October 2020

	Note	Share capital £m	Share premium account £m	Retained earnings £m	Total equity £m
Balance at 1 November 2018		**12.8**	**74.2**	**134.8**	**221.8**
Profit for the financial year and total comprehensive income		–	–	107.1	107.1
Transactions with shareholders					
Dividends paid	3	–	–	(84.7)	(84.7)
Exercise of share options through employee benefit trust		–	–	(3.2)	(3.2)
Net proceeds from the issue of shares and exercise share options		–	–	1.9	1.9
Balance at 31 October 2019		**12.8**	**74.2**	**155.9**	**242.9**
Profit for the financial year and total comprehensive income		–	–	11.2	11.2
Transactions with shareholders					
Exercise of share options through employee benefit trust		–	–	(1.8)	(1.8)
Net proceeds from the issue of shares and exercise share options		–	–	0.4	0.4
Balance at 31 October 2020		**12.8**	**74.2**	**165.7**	**252.7**

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 Crest House, Pyrcroft Road, Chertsey, Surrey KT16 9GN. 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). 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 cashflows and financial forecasts for the next year and summary cashflows and financial forecasts for the following two years. 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 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 2019 that 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 Group'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 Employee Share Ownership Trust (the Trust or ESOP). The Trust 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 fair value through profit or loss (FVTPL);

— measured subsequently at fair value through other comprehensive income (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 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 income statement and presented within administrative expenses. The Group 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 fair value through profit or loss (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.

Own shares held by ESOP
Transactions of the Company sponsored ESOP are included in both the Group financial statements and the Company's own financial statements. The purchase of shares in the Company by the Trust are charged directly to equity.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

1 ACCOUNTING POLICIES CONTINUED

Audit fee

Auditor's remuneration for audit of these financial statements of £18,000 (2019: £13,125) 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 97 to 116.

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. No dividends were paid or proposed during the year.

4 INVESTMENTS

	2020 £m	2019 £m
Investments in shares of subsidiary undertaking at cost at beginning of the year	0.6	1.0
Additions	1.8	2.8
Disposals	(1.8)	(3.2)
Investments in shares of subsidiary undertaking at cost at end of the year	**0.6**	**0.6**

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

	2020 £m	2019 £m
Amounts due from Group undertakings	252.1	243.9

Amounts due from Group undertakings are unsecured, repayable on demand and carry an interest rate of 5.0% (2019: 5.0%).

Amounts due from Group undertakings are stated after an allowance of £nil has been made (2019: £nil) in respect of expected credit losses. £nil (2019: £nil) provision was made during the year, £nil (2019: £nil) was utilised, and £nil (2019: £nil) provision was released during the year.

6 SHARE CAPITAL

The Company share capital is disclosed in note 24 of the consolidated financial statements.

7 CONTINGENT LIABILITIES

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.

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.

8 GROUP UNDERTAKINGS

A list of all the Group's undertakings at 31 October 2020 is given in note 30 of the consolidated financial statements.

ALTERNATIVE PERFORMANCE MEASURES (UNAUDITED)

The Group uses a number of alternative performance measures (APM) which are not defined within IFRS. The Directors use the APMs, along with IFRS measures, to assess the operational performance of the Group as detailed in the Strategic Report on pages 1 to 65. Definitions and reconciliations of the financial APMs 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:

	2020 £m	2019 £m
Revenue	677.9	1,086.4
Group's share of joint venture revenue (note 14)	15.2	8.5
Sales	**693.1**	**1,094.9**

Return on capital employed (ROCE)

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). Average capital employed during 2020 was £753.1m (2019: £837.9m). The Group has long-term performance measures linked to ROCE. ROCE achieved by the Group in the year decreased to 7.6% (2019: 15.9%).

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 underlying business performance. EBIT margin for share award performance conditions is equivalent to operating profit margin.

		Statutory 2020	Exceptional items 2020	Adjusted 2020	Statutory 2019	Exceptional items 2019	Adjusted 2019
Gross profit	£m	63.9	43.8	107.7	183.5	18.4	201.9
Gross profit margin	%	9.4	6.5	15.9	16.9	1.7	18.6
Administrative expenses	£m	(57.8)	7.5	(50.3)	(65.5)	–	(65.5)
Administrative expenses/ Overhead efficiency	%	(8.5)	1.1	(7.4)	(6.0)	–	(6.0)
Net impairment losses on financial assets	£m	(7.9)	7.6	(0.3)	(3.4)	–	(3.4)
Operating (loss)/profit	£m	(1.8)	58.9	57.1	114.6	18.4	133.0
Operating (loss)/profit margin	%	(0.3)	8.7	8.4	10.5	1.7	12.2
Net finance expense	£m	(11.2)	0.5	(10.7)	(11.0)	–	(11.0)
(Loss)/profit before tax	£m	(13.5)	59.4	45.9	102.7	18.4	121.1
Income tax credit/(expense)	£m	2.8	(11.3)	(8.5)	(20.2)	(3.5)	(23.7)
(Loss)/profit after tax	£m	(10.7)	48.1	37.4	82.5	14.9	97.4
Basic (loss)/earnings per share	Pence	(4.2)	18.8	14.6	32.1	5.9	38.0
Diluted (loss)/earnings per share	Pence	(4.2)	18.7	14.5	32.1	5.8	37.9

Gearing including land creditors

Gearing including land creditors is total net debt and land creditors divided by equity shareholders' funds and total net debt and land creditors.

		2020	2019
Total net debt and land creditors (note 27)	£m	63.5	179.3
Equity shareholders' funds	£m	831.2	854.4
Total net debt and land creditors	£m	63.5	179.3
	£m	**894.7**	**1,033.7**
Gearing including land creditors	%	7.1	17.3

HISTORICAL SUMMARY (UNAUDITED)

For the year ended/as at 31 October 2020

	Note		2020[1]	2019[2]	2018[3]	2017[4]	2016[4]
Consolidated income statement							
Revenue		£m	677.9	1,086.4	1,121.0	1,043.2	997.0
Gross profit		£m	107.7	201.9	246.9	274.9	265.8
Gross profit margin		%	15.9	18.6	22.0	26.4	26.7
Administrative expenses		£m	(50.3)	(65.5)	(64.9)	(63.3)	(62.0)
Net impairment losses on financial assets		£m	(0.3)	(3.4)	–	–	–
Operating profit before joint ventures		£m	57.1	133.0	182.0	211.6	203.8
Operating profit before joint ventures margin		%	8.4	12.2	16.2	20.3	20.4
Share of post-tax (loss)/profit of joint ventures		£m	(0.5)	(0.9)	(1.3)	3.7	(0.7)
Operating profit after joint ventures		£m	56.6	132.1	180.7	215.3	203.1
Operating profit after joint ventures margin		%	8.3	12.2	16.1	20.6	20.4
Net finance expense		£m	(10.7)	(11.0)	(12.0)	(8.3)	(8.1)
Profit before taxation		£m	45.9	121.1	168.7	207.0	195.0
Income tax expense		£m	(8.5)	(23.7)	(32.1)	(38.4)	(38.2)
Profit after taxation attributable to equity shareholders		£m	37.4	97.4	136.6	168.6	156.8
Basic earnings per share		Pence	14.6	38.0	53.3	66.1	62.0
Consolidated statement of financial position							
Equity shareholders' funds	1	£m	831.2	854.4	872.7	817.8	719.2
Net cash	2	£m	(142.2)	(37.2)	(14.1)	(33.2)	(77.0)
Capital employed closing		£m	689.0	817.2	858.6	784.6	642.2
Gearing	3	%	(20.6)	(4.6)	(1.6)	(4.1)	(10.7)
Land creditors		£m	205.7	216.5	209.7	215.6	185.0
Net debt and land creditors	4	£m	63.5	179.3	195.6	182.4	108.0
Return on average capital employed	5	%	7.6	15.9	22.2	29.7	31.3
Return on average equity	6	%	4.4	11.3	16.6	21.9	23.2
Housing							
Home completions	7	Units	2,247	2,912	3,048	2,935	2,870
Average selling price – open market	8	£000	336	388	396	388	369
Short-term land	9	Units	14,991	16,960	19,507	16,260	15,901
Strategic land	10	Units	22,724	20,169	16,837	18,174	17,026
Total short-term and strategic land		Units	37,715	37,129	36,344	34,434	32,927
Land pipeline gross development value	11	£m	11,360	12,137	12,166	11,736	10,646

1 Consolidated income statement statistics, return on average capital employed and return on average equity is presented before exceptional items as presented in note 4 of the consolidated financial statements. The Group has applied IFRS 16 in the year using the modified retrospective approach and therefore comparatives have not been restated.

2 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.

3 Restated to reflect the adoption of IFRS 15 with effect from 1 November 2018.

4 Historic figures, not restated to reflect the adoption of IFRS 15.

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 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 including the Group share of homes recognised in the year by joint ventures.
8 Average selling price – open market = Revenue recognised in the year on open market homes including the Group share of revenue recognised in the year on open market homes by joint ventures divided by open market home completions.
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

Shareholder profile by category as at 31 October 2020

Category	Number of shareholders	Percentage of total	Ordinary shares (millions)	Percentage of issued share capital
Private individuals	585	42.61	1,836,723	0.71
Nominee companies	440	32.05	218,754,405	85.14
Limited and public limited companies	298	21.70	32,731,087	12.74
Other corporate bodies	45	3.28	3,352,321	1.31
Pension funds, insurance companies and banks	5	0.36	246,003	0.10

Shareholder profile by size as at 31 October 2020

Category	Number of shareholders	Percentage of total	Ordinary shares (millions)	Percentage of issued share capital
1–499	173	12.60	42,855	0.02
500–999	174	12.67	118,083	0.04
1,000–4,999	494	35.98	1,041,783	0.40
5,000–9,999	128	9.32	844,446	0.33
10,000–49,999	159	11.58	3,618,939	1.41
50,000–99,999	62	4.52	4,436,917	1.73
100,000–499,999	103	7.50	23,888,690	9.30
500,000–999,999	36	2.62	27,620,119	10.75
1,000,000+	44	3.21	195,308,707	76.02

Registrars

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 registrars:

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

Shareholder Helpline: 0371 384 2030

International Shareholder Helpline:
+44 (0)121 415 7047

www.shareview.co.uk

Lines are open 9.00 a.m. to 5.00 p.m., Monday to Friday (excluding public holidays in England and Wales). In any correspondence with the registrars, please refer to Crest Nicholson Holdings plc and state clearly the registered name and address of the shareholder. Please notify the registrars promptly of any change of address.

Electronic communications

Shareholders can elect to receive shareholder documents electronically by registering with Shareview at www.shareview.co.uk. This will save on printing and distribution costs. When you register, you will be sent an email notification to say when shareholder documents are available on our website and you will be provided with a link to that information. When registering, you will need your shareholder reference number which can be found on your share certificate or proxy form. Please contact Equiniti if you require any assistance or further information.

Share dealing services

Equiniti provides a share dealing service that enables shares to be bought or sold by UK shareholders by telephone or over the internet. For telephone share dealing please call 0345 603 7037 between 8.30 a.m. and 4.30 p.m. (lines are open until 6.00 p.m. for enquiries) and for internet share dealing please visit: www.shareview.co.uk/dealing.

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 FCA has some helpful information.

Report a scam

If you are contacted by a cold caller, you should inform the General Counsel and Company Secretary by email and also the FCA by using their share fraud reporting form at www.fca.org.uk, or calling their Consumer Helpline on 0800 111 6768. If you have already paid money to a share fraudster please contact Action Fraud on 0300 123 2040 or www.actionfraud.police.uk.

GROUP DIRECTORY

For our Group directory please visit our website:
www.crestnicholson.com/contact-us

Our head office and registered office is based at:

Crest House
Pyrcroft Road
Chertsey
Surrey
KT16 9GN

Company number: 06800600

General Counsel and Company Secretary: Kevin Maguire

Email: info@crestnicholson.com
Telephone: 01932 580 555

Annual General Meeting

The Notice of Annual General Meeting is included in a separate document and is available on our website:

www.crestnicholson.com/investor-relations/shareholder-centre

Investor relations

For investor relations matters please contact Jenny Matthews, Head of Investor Relations:
investor.relations@crestnicholson.com

www.crestnicholson.com/investor-relations

Company secretariat

For shareholding notifications required under the FCA Disclosure Guidance and Transparency Rules please email:
dtr-notifications@crestnicholson.com

Auditors

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1 Embankment Place, London
WC2N 6RH

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Red Consultancy

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CrestNicholsonTeam@redconsultancy.com

Cautionary statement
The Annual Integrated Report for the financial year ended 31 October 2020, as contained in this document (Annual Integrated 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 (the 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 Integrated Report should be construed as a profit forecast.

Images featured in this report were either taken prior to the start of the COVID-19 pandemic or with due consideration to social distancing.

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Crest Nicholson Holdings plc
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