Crest Nicholson Holdings plc

('Crest Nicholson' or the 'Group')

PROFIT AHEAD OF GUIDANCE

STRONG PROGRESS AGAINST STRATEGY

STRENGTHENED BALANCE SHEET AND DIVIDEND REINSTATED

Crest Nicholson Holdings plc (Crest Nicholson) today announces its Preliminary Results for the year ended 31 October 2020:

Financial highlights

- Revenue at £677.9m (FY19: £1,086.4m), impacted by COVID-19 disruption in FY20
- Adjusted profit before tax[1] at £45.9m, (FY19: £121.1m), ahead of £35m-£45m guidance range
- Exceptional charge net of tax of £48.1m (FY19: £14.9m), including £43.2m non-cash inventory impairment charge
- Loss after tax at £10.7m (FY19: £82.5m profit after tax)
- Good trading performance since the spring lockdown and reservation levels in line with expectations during January 2021. Year to date sales per outlet week (SPOW) of 0.60
- Forward sales as at 15 January 2021 of 2,435 units and £564.5m Gross Development Value (GDV) c.55% of FY21 covered (17 January 2020: 2,346 units and £503.5m GDV)
- FY20 SPOW of 0.59 (FY19: 0.76)
- Average outlets at 63, up from 59 in FY19, in line with our strategic priority to grow outlets
- Excellent progress strengthening balance sheet through better WIP management and control
    - Net cash[2] at £142.2m (FY19: £37.2m), ahead of November trading statement guidance
    - Land creditors at £205.7m (£216.5m)
- £2.5m Government Job Retention Scheme funding repaid in full on 14 December 2020
- Reinstatement of dividend at two and a half times cover, effective from HY21

(1) Adjusted items represent the FY20 and FY19 statutory figures adjusted for exceptional items as disclosed in note 4 to the consolidated financial statements. These alternative (non statutory) performance measures have been disclosed as the Directors believe this assists in better understanding the performance of the Group.

(2) Net cash is defined as cash and cash equivalents less bank loans, senior loan notes and other loans. See note 23 to the consolidated financial statements for a reconciliation.

Sustainability targets

- Ambitious new sustainability targets set to achieve by 2025, versus FY19 comparatives:
    - Reduce scope 1 and 2 carbon emissions intensity by 25%
    - Reduce waste intensity by 15%
    - Purchase 100% renewable electricity

Strategic highlights

Despite the impact of COVID-19 on trading performance during the year, the Group has made strong progress against all of its strategic priorities and is well placed heading into 2021:

- Internal reorganisation completed, delivering annualised overhead savings in excess of £15m (c. 23%) compared to FY19. Strong, new leadership team now established and aligned behind strategy
- £30m of specification savings now embedded in our short-term land portfolio, strengthening supplier relationships and enhancing quality in a number of areas
- Approximately £40m of gross margin improvements identified and being delivered through better design of existing and future schemes utilising our new house type range and benefitting from our plotting efficiency programme
- Over 5,500 future units in our short-term land portfolio have now been replanned with the new house type range. We expect 80% of our houses will be delivered using this range in 2022
- Awarded five-star rating for customer satisfaction in FY20 with scores continuing to improve
- 1,812 plots approved for purchase at an average gross margin of 28.7%
- Growing multi channel business with strong pipeline of potential opportunities

Key financial metrics

£m (unless otherwise stated)	FY20	FY19	**% Change**
Home completions (units)	**2,247**	**2,912**	**(22.8)**
Revenue	**677.9**	**1,086.4**	**(37.6)**
Adjusted gross profit[3]	**107.7**	**201.9**	**(46.7)**
Adjusted gross profit margin %[3]	*15.9%*	*18.6%*	*(270bps)*
Adjusted administrative expenses[3]	(50.3)	(65.5)	23.2
Adjusted net impairment losses on financial assets[3]	(0.3)	(3.4)	91.2
Adjusted operating profit[3]	**57.1**	**133.0**	**(57.1)**
Adjusted operating profit margin %[3]	*8.4%*	*12.2%*	*(380bps)*
Adjusted net finance expense[3]	(10.7)	(11.0)	2.7
Share of joint venture results	(0.5)	(0.9)	44.4
Adjusted profit before tax[3]	**45.9**	**121.1**	**(62.1)**
Adjusted income tax[3]	(8.5)	(23.7)	64.1
Adjusted profit after tax[3]	**37.4**	**97.4**	**(61.6)**
Exceptional items net of income tax	(48.1)	(14.9)	(222.8)
Operating (loss) / profit	**(1.8)**	**114.6**	**(101.6)**
(Loss) / profit before tax	**(13.5)**	**102.7**	**(113.1)**
(Loss) / profit after tax	**(10.7)**	**82.5**	**(113.0)**
Adjusted basic earnings per share (p)[3]	**14.6**	**38.0**	**(61.6)**
Basic (loss) / earnings per share (p)	**(4.2)**	**32.1**	**(113.1)**
Dividend per share (p)[4]	**-**	**11.2**	

(3) Adjusted items represent the FY20 and FY19 statutory figures adjusted for exceptional items as disclosed in note 4 to the consolidated financial statements. These alternative (non statutory) performance measures have been disclosed as the Directors believe this assists in better understanding the performance of the Group.
(4) FY19 interim dividend paid. FY19 final dividend of 21.8p per share cancelled due to the impact of COVID-19.

Current trading

We have entered the new year with a strong forward order book and enhanced balance sheet. The organisational improvements we made across the business in 2020 have created a more efficient and effective operating platform, now overseen by a highly experienced new management team. We are confident that Crest Nicholson is well positioned to navigate the current uncertainty caused by COVID-19. Despite the current lockdown restrictions, we are continuing to trade in line with our expectations and will provide further financial guidance when these restrictions ease and the economic outlook is clearer.

Outlook

Looking forward, through 2021 and 2022, the next phase of Crest Nicholson's recovery will be improving operating margins to be in line with industry peers. Gross profit margins in 2021 will continue to be impacted by some of our more complex legacy sites and we will also need to invest the necessary capital to complete these. However, the Group still expects to deliver strong profit growth and cash flow generation. This backdrop supports the reinstatement of the dividend and provides flexibility to invest for growth.

From FY22 we will begin to see the full effects of our updated strategy driving growth, as the new sites acquired at a higher hurdle rate, developed with our new standardised house type range from a significantly lower cost base, also start to contribute to stronger operating margins. Accordingly, the Board remain positive about the long-term prospects of Crest Nicholson.

Peter Truscott, Chief Executive, commented:

'The impact of COVID-19 has clearly had a defining impact on this year's financial performance. It has challenged all of us in ways we could not have predicted, and I would like to recognise at the outset, the incredible job the team at Crest Nicholson have done in keeping our operations running safely and securely during the pandemic.

We had to make some difficult decisions during this year but because we acted swiftly we have ensured the Group enters 2021 in strong shape and will remain resilient to whatever challenges this year brings. We have made strong progress on all elements of our strategy, delivered profit ahead of our revised guidance and strengthened the balance sheet as we promised.'

Analyst and investor conference call and webcast

There will be an analyst and investor presentation via webcast, hosted by Peter Truscott, Chief Executive and Duncan Cooper, Group Finance Director, at 9.00 a.m. today. To join the presentation, go to the Crest Nicholson website, https://www.crestnicholson.com/investor-relations.

There is also a facility to join the presentation and Q&A session via a conference call. Participants should dial **+44 203 936 2999** and use confirmation code **501172**. A playback facility will be available shortly after the presentation has finished. For further information, please contact:

Crest Nicholson

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26 January 2021

Chief Executive's Review

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.

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.

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.

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.

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.

Peter Truscott
Chief Executive

Financial Review

Introduction

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.

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 71.

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. 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.

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.

	2020		2019	
	Units	GDV[1] – £m	Units	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.

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.

Duncan Cooper
Group Finance Director

Cautionary statement regarding forward-looking statements

This release may include statements that are, or may be deemed to be, 'forward-looking statements'. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms 'believes', 'estimates', 'plans', 'projects', 'anticipates', 'expects', 'intends', 'may', 'will' or 'should' or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this release and include, but are not limited to, statements regarding the Group's intentions, beliefs or current expectations concerning, among other things, the Group's results of operations, financial position, liquidity, prospects, growth, strategies and expectations of the industry.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements are not guarantees of future performance and the development of the markets and the industry in which the Group operates may differ materially from those described in, or suggested by, any forward-looking statements contained in this release. In addition, even if the development of the markets and the industry in which the Group operates are consistent with the forward-looking statements contained in this release, those developments may not be indicative of developments in subsequent periods. A number of factors could cause developments to differ materially from those expressed or implied by the forward-looking statements including, without limitation, general economic and business conditions, industry trends, competition, commodity prices, changes in law or regulation, changes in its business strategy, political and economic uncertainty. Save as required by the Listing and Disclosure Guidance and Transparency Rules, the Company is under no obligation to update the information contained in this release. Past performance cannot be relied on as a guide to future performance.

Principal Risks and Uncertainties

The Group's emerging and principal risks are outlined below. They are monitored by the Executive Leadership Team, the Audit and Risk Committee and the Board.

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.

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. Climate change 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.

Principal risks

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	**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.

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.	**Development in the year** This is a new risk and, following the COVID-19 pandemic and subsequent UK lockdown, 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.
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.
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.	**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.

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

<table>
<tr><td></td><td>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.</td></tr>
<tr><td colspan="2">6. Information security and business continuity</td></tr>
<tr><td rowspan="2">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.</td><td>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 disaster recovery and business continuity plans established and tested annually. We also purchase cyber insurance.</td></tr>
<tr><td>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.</td></tr>
<tr><td colspan="2">7. Laws, policies and regulations</td></tr>
<tr><td>Risk description
This risk is two-fold, both changes to upcoming regulations and legacy matters.

<u>Upcoming regulations and guidance</u>
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.</td><td>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.</td></tr>
</table>

<u>Legacy matters</u> 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.	**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.
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.
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 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.
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.

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 in on pages 70 and 71 of our Annual Integrated Report 2020 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

CREST NICHOLSON HOLDINGS PLC
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 23 to 66 form part of these financial statements.

CREST NICHOLSON HOLDINGS PLC
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 23 to 66 form part of these financial statements.

CREST NICHOLSON HOLDINGS PLC
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 23 to 66 form part of these financial statements.

CREST NICHOLSON HOLDINGS PLC
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 October 2020

		2020	2019
ASSETS	**Note**	**£m**	**£m**
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 23 to 66 form part of these financial statements.
These financial statements on pages 19 to 66 were approved by the Board of Directors on 26 January 2021.

On behalf of the Board

PETER TRUSCOTT
Director

DUNCAN COOPER
Director

CREST NICHOLSON HOLDINGS PLC
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 23 to 66 form part of these 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 67 to 70.

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:

- 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

- An impaired sales per outlet week rate across FY21 of 0.39, below that seen during the worst of the Global Financial Crisis

- 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.

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.

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.

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.

	2020 £m	2019 £m
Cost of sales		
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 stimulus 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.

- 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**	**2019**
	£m	**£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**	**2019**
	£m	**£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 of the Annual Integrated Report 2020.

7 FINANCE INCOME AND EXPENSE

	2020	**2019**
Finance income	**£m**	**£m**
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	**2019**
	£m	**£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.

Reconciliation of tax credit/(expense) in the year	**2020 £m**	**2019 £m**
(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

Dividends recognised as distributions to equity shareholders in the year:	**2020 £m**	**2019 £m**
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**

Dividends declared as distributions to equity shareholders in the year:	**2020 £m**	**2019 £m**
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 to 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

Goodwill	2020	2019
	£m	£m
Cost at beginning and end of the year	47.7	47.7
Accumulated impairment	(18.7)	(18.7)
At beginning and end of the year	29.0	29.0

Goodwill arose on the acquisition of 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	Computer equipment and software	Total
	£m	£m	£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	Bonner Road LLP	Crest A2D (Walton Court) LLP	Elmsbrook (Crest A2D) LLP	Other non-material joint ventures	Total
	£m	£m	£m	£m	£m	£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*	12.0*	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)

* £18.8m stated after expected credit loss of £10.8m, and £12.0m stated after expected credit loss of £0.1m.

2019	Crest Sovereign (Brooklands) LLP	Bonner Road LLP	Crest A2D (Walton Court) LLP	Elmsbrook (Crest A2D) LLP	Other non-material joint ventures	Total
	£m	£m	£m	£m	£m	£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*	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)

* 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:

Assumptions	**2020**	**2019**
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)**

The principal actuarial assumptions used were:	**2020 %**	**2019 %**
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_L CMI_2019 with initial addition of 0.5% p.a. ltr 1.25%**	**SAPS S2 PFA_L CMI_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.

(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	**1 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 and prior year	**-**

The weighted average exercise price of employee share options was £nil (2019: £nil).

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).

Total share incentive schemes	**2020**	**2019**
Movements in the year	**Number of options**	**Number of options**
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	2019
	£m	£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	2019
	£m	£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	2019
	£m	£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	Movement	2019
	£m	£m	£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 73, 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	2019
	£m	£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

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	2019
	£m	£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	2019
Financial assets	**£m**	**£m**
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	2019
Financial liabilities	**£m**	**£m**
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 IFRS 16	Adjustments in respect of the adoption of IFRS 16	Year ended 31 October 2020 as reported
	£m	£m	£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	Adjustments in respect of IFRS 16	Year ended 31 October 2020 as reported
	£m	£m	£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	Adjustments in respect of IFRS 16	Year ended 31 October 2020 as reported
	£m	£m	£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	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%

*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%

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.

Clevedon Investment Limited (00454327)
Crest Homes (Nominees No. 2) Limited (02213319)
Crest Nicholson (Henley-on-Thames) Limited (03828831)
Crest Nicholson (Peckham) Limited (07296143)
Crest Nicholson (Stotfold) Limited (08774274)
Crest Nicholson Developments (Chertsey) Limited (04707982)

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.

CREST NICHOLSON HOLDINGS PLC
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 68 to 70 form part of these financial statements.
The financial statements on pages 67 to 70 were approved by the Board of Directors on [xx] January 2021.

On behalf of the Board

PETER TRUSCOTT
Director

DUNCAN COOPER
Director

CREST NICHOLSON HOLDINGS PLC
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

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.

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 of the Annual Integrated Report 2020.

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.

CREST NICHOLSON HOLDINGS PLC
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 of the Annual Integrated Report 2020, and above. 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 as 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**

CREST NICHOLSON HOLDINGS PLC
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.