24 June 2020

The information contained in this announcement is deemed by the Company to constitute inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) No. 596/2014

Crest Nicholson Holdings plc

Unaudited interim results for the six months ended 30 April 2020

Decisive action to protect the balance sheet and reposition for future growth

Crest Nicholson Holdings plc (Crest Nicholson, the Group, or the Company) today announces its interim results for the six months ended 30 April 2020.

Commenting on today's results, Peter Truscott, Chief Executive of Crest Nicholson, said:

"Despite a difficult first half performance we have made excellent progress implementing our updated strategy. We are ahead of our own expectations in a number of our strategic priorities and that has been delivered against the backdrop of COVID-19. The health and safety of our customers, employees and extended supply chain will always be our number one priority and as you would expect we continue to focus closely on ensuring the safe return of these groups to our sites and sales and management offices. I am hugely grateful to all Crest Nicholson employees who have quickly pulled together to make this happen.

Before lockdown the business was performing well and trading in line with our expectations. We were continuing to recognise further improvements to margin in our current developments and short-term land portfolio. We were also delighted to be awarded five-star status by the HBF customer satisfaction scheme in March this year.

However, we cannot ignore the risks that COVID-19 presents to the UK housing market even if we cannot predict with certainty what the impact of those risks will be. Therefore, we have adapted our strategy by deferring the planned opening of an additional division and targeting further reductions in overheads. Taking decisive action now will ensure Crest Nicholson is able to flourish in whatever market conditions may emerge in the future including if the market quickly returns to growth."

Strategic highlights

- Best sales week for the rolling 12-month period in the week before UK lockdown announced
- Excellent progress in implementing improvements across all five of our strategic priorities:
  - achieving Home Builders Federation (HBF) five-star rating for customer satisfaction
  - £30m further build cost savings identified and £20m now embedded
  - 3,362 plots in re-plan with new house types
  - strong pipeline of partnership opportunities
- Adaptation of strategy announced in January in anticipation of more challenging trading conditions:
  - deferral of planned new division opening
  - further overhead reductions proposed saving c.£5m pa
- Encouraging early signs since re-opening:
  - increasing levels of web traffic, footfall and conversion rates
  - reservation rates returning to pre-lockdown levels

Key financials

£m (unless otherwise stated)	HY20	HY19	*% change*
Revenue	240.0	501.9	*(52.2)%*
Adjusted gross profit[1]	35.9	100.3	*(64.2)%*
Adjusted gross profit margin %[1]	*15.0%*	*20.0%*	
Adjusted administrative expenses[1]	(24.8)	(29.5)	*(15.9)%*
Adjusted operating profit[1]	11.1	70.8	*(84.3)%*
Adjusted operating profit margin %[1]	*4.6%*	*14.1%*	
Adjusted profit before tax[1]	4.5	64.4	*(93.0)%*
Exceptional items net of income tax	(44.1)	-	
Adjusted basic earnings per share[1]	1.4	20.2	*(93.1)%*
Gross (loss)/profit	(7.3)	100.3	*(107.3)%*
Gross (loss)/profit margin %	*(3.0)%*	*20.0%*	
Operating (loss)/profit	(44.0)	70.8	*(162.1)%*
Operating (loss)/profit margin %	*(18.3)%*	*14.1%*	
(Loss)/profit before tax	(51.2)	64.4	*(179.5)%*
Basic (loss)/earnings per share	(15.8)	20.2	*(178.2)%*
Dividend per share (p)	-	11.2	
Net debt[2]	93.3	68.3	*36.6%*

[1] HY20 figures, adjusted for exceptional items, see note 5
[2] Net debt is cash and cash equivalents less interest bearing loans and borrowings

Financial overview

- Revenue in the period fell to £240.0m and completed homes fell 34.7% to 775 (HY19: 1,187)
- Forward sales of £575.1m (HY19: £636.9m)[3]
- Sales per outlet week (SPOW) excluding bulk reduced to 0.37 (HY19: 0.46)
- Open market (including bulk) Average Selling Price (ASP) down 16.7% to £344k (HY19: £413k)
- Average outlets grew to 64 (HY19: 58)
- Loss before tax £51.2m (HY19: £64.4m profit)
- Adjusted profit before tax (APBT) down to £4.5m (HY19: £64.4m) reflecting:
    - the impact of political uncertainty and COVID-19
    - land and commercial contribution £12.1m lower than prior half year
    - bulk contribution £13.7m lower than prior half year
- Good progress in reducing adjusted administrative expenses to £24.8m (HY19: £29.5m)
- Net debt £93.3m (HY19: £68.3m):
    - net debt including land creditors £317.2m (HY19: £260.4m)
    - FY20 net cash expected to be higher than FY19
- Ongoing reduction in average net debt to £125.0m (HY19: £136.6m) as proactive steps taken to protect balance sheet and control work-in-progress
- Exceptional item charge of £4.5m for restructuring
- Reinstating FY20 APBT guidance in the range of £35m-£45m
- Reinstate dividend when appropriate

[3] Housing forward sales as at 19 June 2020. Prior half year restated to equivalent sales week.

COVID-19

- Health and safety of our employees and customers is our number one priority. Closure of all sites and sales and management offices announced on 9 April 2020
- Decisive action taken at the outset of the pandemic to preserve cash and liquidity:
    - pausing all discretionary land spend and applying rigorous expenditure and work-in-progress controls
    - furloughing 75% of employees from beginning of April under the Government's Job Retention Scheme (JRS) with all employees unfurloughed by 31 May 2020
    - cancelling the final dividend for the full year ended 31 October 2019
    - put in place a £300m commercial paper facility to access the Government's COVID Corporate Financing Facility (CCFF) – this facility is currently undrawn
- Phased re-opening of sites from 18 May 2020 with new safety protocols
- Modest number of reservations and completions were made for the six weeks to 18 May 2020
- Non-cash exceptional items charge of £51.2m relating to COVID-19 impairment review

Current trading and outlook

From 18 May 2020 we started to resume build activity on our sites and reopened our sales offices in a phased and controlled manner. The Group has carefully considered guidance from Government, Public Health Authorities and the Construction Leadership Council in developing its new site protocols and procedures to safeguard the wellbeing of its customers and employees as they return to work. We will continue to review any updates to this guidance and actively monitor compliance in all parts of our organisation.

Given the economic and operational uncertainty resulting from COVID-19 the Group announced on 19 March 2020 that it was suspending financial guidance. While we have been encouraged by the improvement in the trading environment in recent weeks, with increasing levels of web traffic and footfall being converted into reservation rates similar to those seen prior to the lockdown, it remains a highly uncertain operating environment. However, in order to contextualise the Group's half year results, and to give some visibility around the likely outturn for the full year, we are providing some additional market commentary and reinstating FY20 APBT guidance.

In the first two months of the period the Group experienced significant volatility and uncertainty associated with the run up to the General Election on 12 December 2019. Following the decisive political outcome our sales performance gained strong momentum in the run up to the spring selling season before the UK lockdown was introduced.

The combined impact of the political uncertainty, and the sales deferrals associated with COVID-19, significantly reduced profitability in the first half. Assuming that the lockdown continues to carefully unwind with supportive measures in place to facilitate building and selling homes, the Group expects profit in the second half of the year to be significantly higher than the first. On this basis the Group expects FY20 APBT to be in the range of £35m-£45m.

While the Group remains cautious in its assessment of the prospects for the UK housing market over the medium term it remains confident in its ability to successfully manage through further periods of instability. Accordingly, the Group has recently announced plans to defer its planned creation of another division and further reduce its overheads. The Group remains focused on improving its margins and increasing its cash reserves and is committed to returning to a sustainable dividend policy as soon as it is appropriate to do so.

The Group has a £250m revolving credit facility (RCF) provided by four of the UK's largest banks, expiring June 2024. It also benefits from £100m of senior loan notes which mature between 2024 and 2029. In addition, the availability of a further £300m of liquidity has been finalised through the CCFF commercial paper programme should the Group require it. At present this facility is undrawn. Accordingly, the Group believes it has sufficient and diverse sources of financing to operate in potentially more challenging market conditions.

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 (0)20 3936 2999 and use confirmation code 234800. A playback facility will be available shortly after the presentation has finished. For further information, please contact:

Crest Nicholson	
Jenny Matthews, Head of Investor Relations	07557 842720
Finsbury	020 7251 3801
James Bradley	
Philip Walters	

The person responsible for arranging the release of this announcement on behalf of the Company is Kevin Maguire, General Counsel and Company Secretary.

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.

COVID-19 and impact on our results

Trading and operational impact

In January we announced an updated strategy to improve the recent financial performance of Crest Nicholson and restore it to being one of the UK's leading housebuilders. At that time we had already made excellent progress in implementing many elements of our strategy and entered 2020 with the backdrop of a decisive General Election result and reduced political and economic uncertainty. We anticipated a strong spring selling season for both ourselves and the overall housing market.

COVID-19 has significantly impacted our half year performance. Revenue and profit were both lower than we had anticipated with a substantial number of private completions planned for the end of April being postponed. We also saw indecision in several bulk deal negotiations as we entered the period of peak uncertainty.

On 9 April 2020 we announced we were finalising the closure of all sites and sales and management offices. At that time we were ready to embrace new safety protocols in order to maintain our building activity and complete homes for our customers and partners. It quickly became clear that it was no longer economically viable to continue with our operations as normal. Our supply chain started to experience disruption in both the provision of material and the availability of labour. Lenders began to experience processing issues affecting the issuance of mortgages and the Government expressed caution to those imminently contemplating a house move.

Prior to closing our sites and sales offices we adapted these for safe use including sanitising communal facilities regularly and improving signage and awareness. Our office-based employees moved to homeworking as soon as the Government guidance encouraged them to do so and our technology applications have supported this in a seamless manner since then.

On 9 April 2020 we announced that we had furloughed 75% of our employees under the Government's JRS. All employees continued to receive their full pay entitlement during their period of furlough. Employees were also encouraged to volunteer in their local communities if they were able to do so. We would like to thank and acknowledge the many generous acts that Crest Nicholson employees performed including activities such as providing care and help to those in need, supporting the NHS by cleaning ambulances and raising funds for our charity partner, Variety. All employees were unfurloughed by 31 May 2020 albeit many will continue to work remotely in line with the Government guidance.

The Executive Leadership Team introduced daily update meetings to discuss the impact on the business and further Board calls were scheduled to keep members informed and updated. Regular email communications and senior leadership meetings have been introduced to ensure a clear dialogue has been established with all employees throughout the pandemic, whether they have remained working in the business, or on furlough. The Board also announced they would be making a charitable donation of 20% of their salary or fees for the two months that employees were furloughed.

During the period of lockdown we continued to sell homes to new customers and progress transactions remotely each week. Our enhanced digital offering has allowed customers to complete their entire homebuying journey remotely, from registering their interest through to completion of purchase. We have improved the virtual customer experience, from online video appointments with our sales teams, to virtual property tours and eSignature for reservations. Finally, we have continued to support our customers in resolving emergency post-completion issues and have focused on how to make the process easier when communicating with us.

Cash preservation and liquidity

The Executive Leadership Team have taken decisive action to maintain a robust balance sheet and preserve cash during the COVID-19 pandemic.

On 19 March 2020 we announced the difficult decision to cancel our final dividend of 21.8 pence per share otherwise payable on 9 April 2020. The Board considered this decision very carefully, balancing its stated commitment to maintain the dividend policy in place at the time, with the economic uncertainty presented by COVID-19, and the need to safeguard liquidity until that uncertainty had passed.

Land purchases and development agreements were, where possible, either cancelled or renegotiated and deferred. Build activity on site was quickly reviewed with a view to minimising work-in-progress expenditure. All other discretionary business costs were reviewed with reductions then implemented. We also secured deferrals of payments to HMRC and, with the support and agreement of the Trustees, the Company defined benefit pension scheme. Finally, the RCF of £250m was fully drawn at the start of lockdown to maximise our cash position.

On 18 June 2020 we finalised arrangements with the Bank of England to participate in the CCFF and have now put in place a £300m commercial paper programme. This facility would provide additional liquidity, should it be required, but is currently undrawn.

We have also been carefully monitoring the covenants associated with our RCF and our £100m senior loan notes. While our management forecast continues to see us maintain sufficient levels of liquidity and compliance with our covenants for the foreseeable future, we continue to maintain regular conversations with our lenders during this challenging period.

The market outlook is uncertain and trading conditions are likely to be challenging as the full effect of COVID-19 is realised in the wider economy. We have increased our internal hurdle rates for future land acquisitions to recognise this outlook and we will maintain a rigorous discipline on the use of cash, challenging all discretionary spend and ensuring work-in-progress is carefully matched to the demand that exists. As a result of our disciplined cash management we remain well placed should land opportunities present themselves.

Progress on our updated strategy

Although our results have been overshadowed by the impact of COVID-19 we have made excellent progress across all our strategic priorities and are well positioned to succeed whatever conditions we face.

Placemaking and quality

- Creating attractive and vibrant communities and a focus on sustainability is what we do well
- We continue to create developments that are aspirational and ‘places in which our customers wish to live’
- We will maintain our reputation for build quality
- We will continue to focus our investments in high quality locations and invest in placemaking and design as valued by our customers and communities

Land portfolio

- We have a well located, flexible land portfolio with a weighting in Southern England where demand is high and supply is more constrained
- Our short-term land portfolio provides us with a good supply of land for our forecasted business needs. We will need to acquire some short-term land to meet our objective of growing our number of outlets but can do so in a disciplined and selective manner

- The prioritisation for utilising our land portfolio is firstly for our own operational needs with an aspiration to increase the number of outlets. We would then look to deliver combination schemes of private open market units and bulk deals with the Private Rental Sector (PRS) or Registered Providers (RPs), and these could be delivered via a joint venture vehicle. The final consideration would be an external disposal
- 422 plots were added during the period with open market schemes achieving 350bps higher gross margin than the short-term portfolio average

Operational efficiency

- We announced in January 2020 we had identified and implemented a reduction of £9m of sales-related costs and overheads. Further savings have been identified through the re-tendering of agencies and a more targeted social media approach. We have also re-tendered all core marketing items ensuring costs have been substantially reduced, while at the same time increasing the quality and consistency of design, and significantly reducing management and supply chain delivery times
- £30m of specification savings identified through more disciplined design and procurement. £20m now embedded into the short-term land portfolio – we expect the standardised house-type design will reduce future design and delivery costs even further
- During the period we have made good progress rolling out the new house-types, with 3,362 plots being re-planned, offering further margin accretion. 567 of these plots have now secured planning approval
- The first foundation for build of the new house-type is scheduled in June this year and we are targeting 80% of our production with the new range over time
- The new house-type will reduce build costs further and enhance gross margins in new land acquisition and re-plan of existing schemes. We anticipate further plot efficiency and build cost savings as we continue the roll out of the new range

Five-star customer experience

- We were delighted to be awarded five-star housebuilder status by the HBF
- We have improved the delivery of our homes and after sales service, with a stronger emphasis on site teams having more direct responsibility for quality. This is then complemented by the divisional-based customer service teams providing post-completion support
- We have embedded a ‘right first-time’ culture
- During lockdown we continued to provide customers with excellent service to resolve emergency issues
- Our internal measures of customer satisfaction have continued to increase over the course of the period

Multi-channel approach

- We aim to increase the sales contribution from our multi-tenure business to 15%-20% over the medium term
- In more challenging market conditions we believe institutional capital will become an increasingly important source of investment and provide investors with low-risk yields
- We have assembled an experienced team that is continuing to establish strong relationships with new partners
- As we emerge from the lockdown existing schemes are attracting healthy levels of interest and the pipeline of opportunities is growing
- Pricing is currently stable and prospective margins being maintained

Our strategy after COVID-19

The updated strategy that we outlined in January 2020 remains as relevant now as before the COVID-19 pandemic. At its heart was, and remains, a desire to take the best elements of Crest Nicholson, its commitment to placemaking and quality, its flexible and well located land portfolio, and its growing multi-channel capability and allying that to a stronger focus on operational efficiency, and delivering a five-star customer experience every time. We have already made significant progress implementing our plans against these five strategic priorities, but in anticipating an even more challenging market backdrop, are now intending to go further and revise and adapt our operational efficiency plans.

It is impossible for any of us to predict with any certainty, the scale or endurance of the impact of COVID-19 on the UK housing market, or indeed the wider economy. The Executive Leadership Team and Board have been considering a wide range of market insights throughout this pandemic and feel that the Group now needs to prepare for a potentially more challenging trading environment in the medium term.

We are therefore proposing to make a number of changes to how the business is structured and managed in the future.

We are proposing to merge Crest Strategic Projects (CSP) with our Crest Nicholson Partnerships and Regeneration (CNPR) division. The combined division Crest Nicholson Partnerships and Strategic Land (CNPSL) will be based in our Chertsey Head Office. We believe there are obvious synergies in putting these two divisions together as all our larger sites, whether major projects or strategic land, that sit outside of the operational divisions are then managed in one place. This will ensure that our multi-channel sales approach adopted on these larger projects will be the subject of better and more effective visibility and co-ordination from the outset. Additionally, our wider partnering ethos can be better delivered across all facets of these larger and more complex assets.

In January 2020 we communicated our intention to create a new division called Crest Nicholson Southern Counties (CNSC), and in the early part of this year these plans were well progressed having recruited the leadership team to take this division forward. However, given the market uncertainty created by COVID-19, we are proposing to defer this decision, and instead allocate the planned sites, operations and activities intended to be run out of CNSC to the other remaining divisions. This change will ensure that each of the existing divisions will have sufficient scale and overhead leverage to manage a wide range of potential market outcomes.

Finally, we are carefully reviewing the structures within both our divisions and Head Office and are proposing to simplify some activities and tasks where we believe that it is appropriate to do so. This is likely to lead to some job roles being merged or no longer being required.

The combined impact of the above actions results in a proposed reduction of approximately 130 roles in the Group and will realise an overhead saving of c.£5m on an annualised basis. In the first half we have reported an exceptional item related to restructuring of £4.5m. This did not include any costs or provision for the proposed actions highlighted above but we would expect a similar charge in the second half to represent the one-off cost of making these changes.

It is never easy for management to take decisions such as these being proposed, especially so soon after launching an updated strategy, and during a period of significant economic and job uncertainty. However, it is important that we quickly recognise the likely scale and magnitude of the COVID-19 pandemic on our business and act decisively to protect the longer-term interests of our employees, customers and shareholders. We will be a leaner organisation than we envisaged in January, but we will be more appropriately sized for the market conditions now anticipated. This adaptation in our strategy will ensure we can continue to deliver financial and operational improvements despite a potentially more challenging backdrop. However, if the market is more resilient than we expect, and returns to growth quickly, then it will equally position us strongly for that outcome.

Finally, we also recognise the importance of reinstating a dividend for our shareholders and communicating an updated investment case. We are committed to returning to a sustainable dividend policy as soon as it is appropriate to do so.

Financial Review

Completions and revenue

All figures include the Group's share of home completions from joint ventures.

Open market (private) completions fell 38.8% to 384 (HY19: 627), principally as a result of the disruption caused by COVID-19 in completing planned first half transactions. In addition, the Group recorded a lower level of affordable completions down to 208 (HY19: 307) and a lower level of bulk completions down to 183 (HY19: 253), reflecting the strong comparative for bulk completions in the first half last year. Overall completions fell 34.7% to 775 (HY19: 1,187).

Open market (including bulk) ASP was down 16.7% to £344k (HY19: £413k) as we continue to reposition the portfolio to lower price points and unwind the legacy London sites from our inventory. Affordable ASP was down 39.6% to £139k (HY19: £230k) reflecting site mix. Combining the impact of ASP reductions with the lower level of completions meant Group revenue, excluding joint venture revenue of £2.4m (HY19: £1.7m), declined 52.2% to £240.0m (HY19: £501.9m) in the first six months of the year.

Sales

Sales rates, as measured by SPOW (excluding bulk), were 0.37 for the period compared to 0.46 for the prior half year, the reduction principally due to the COVID-19 lockdown. SPOW (including bulk) was 0.46 for the period compared to 0.78 for the prior half year.

Sales outlets continued to grow, increasing to 64 (HY19: 58) in the period. Growing our outlets is part of one of our strategic priorities, as we look to develop our flexible, well-located land portfolio.

Forward sales as at 19 June 2020 were 2,715 units (HY19: 2,835) and £575.1m Gross Development Value (GDV) (HY19: £636.9m). The prior half year comparative has been restated to the equivalent sales week. Forward sales include housing sales only.

Operating profit and margin

Adjusted operating profit reduced by 84.3% to £11.1m (HY19: £70.8m). Adjusted operating profit margin also fell to 4.6% (HY19: 14.1%). The principal reason for the reduction was the disruption caused by COVID-19 in completing planned first half transactions. Additionally, the Group recognised £12.1m additional contribution from land and commercial sales in the prior half year which was not replicated this half year. Contribution from bulk sales was £13.7m higher in the prior half year reflecting a strong performance in delivering several high-value schemes in the prior first half. Finally, the Group also recorded a £2.6m charge in the half year to reduce the carrying value of freehold reversions. These items were offset by the reduction in administrative expenses which were 15.9% lower, down to £24.8m (HY19: £29.5m), reflecting the impact of organisational changes since prior half year and the greater focus on eliminating non-essential expenditure. The Group also recognised a £0.6m credit in the period within administrative expenses relating to the Government's JRS and the employees it placed on furlough during April 2020.

Exceptional items

Exceptional items relate primarily to impairments resulting from COVID-19.

The Group considered the economic uncertainty arising from COVID-19 when performing its impairment review of inventory. This has resulted in an impairment charge in the period of £43.2m. A further £7.4m charge in the period was made in respect of an expected credit loss on recoverable amounts due from the joint venture, Bonner Road LLP. An additional finance charge of £0.6m was also recognised, relating to the valuation of the Group's shared equity loans.

Following the appointment of a new Chairman, Chief Executive, Chief Operating Officer and Group Finance Director in 2019, the Group conducted a detailed strategic review and communicated an updated strategy in January 2020. As a result of changes made to the way the Group is structured and run, one-off expenses of £4.5m were incurred in the period and recognised as an exceptional restructuring cost. The Group expects a similar charge in the second half as a result of further proposed restructuring plans, see note 5.

Financing and net debt

At 30 April 2020 the Group had fully drawn its RCF of £250.0m and had cash and cash equivalents of £255.5m (HY19: £185.4m). Given the rapid onset of economic uncertainty arising from COVID-19 the Board decided to draw the RCF in full as a prudent measure to maximise the Group's liquidity position.

At 30 April 2020 the Group had net debt of £93.3m (HY19: £68.3m). Net debt and land creditors were £317.2m (HY19: £260.4m) and the Group's gearing increased to 10.4% (HY19: 7.4%). Average net debt during the period decreased to £125.0m (HY19: £136.6m).

On 18 June 2020 the Group finalised arrangements with the Bank of England to participate in the CCFF and has now put in place a £300m commercial paper programme. This facility would provide additional liquidity, should it be required, but is currently undrawn.

Taxation

The effective tax rate applied to adjusted profit for the period was 20.9% (HY19: 19.4%). This reflects the anticipated full year effective rate and is higher than the statutory rate of 19.0%.

Earnings per share

Adjusted basic earnings per share was 1.4 pence (HY19: 20.2 pence), reflecting the reduction in earnings in the period. Loss per share was 15.8 pence (HY19: earnings per share 20.2 pence).

Dividend

Given the timing of the COVID-19 pandemic the Board announced on 19 March 2020 its decision to cancel the final dividend of 21.8 pence per share, otherwise payable on 9 April 2020, relating to the prior financial year. The future economic outlook and its impact on the housing market remains uncertain and as such no further resolutions have been made in respect of dividends in the current financial year.

Land and planning

The Group has remained disciplined in its acquisition of new land. The existing land portfolio is well located and provides flexibility for a range of development and tenure choices. The COVID-19 impact has prompted the Group to cancel, renegotiate or defer planned purchases in the period.

At 30 April 2020 the short-term land portfolio includes 16,263 plots. 422 plots were added in the period across three sites. The strategic portfolio now contains 21,383 plots, adding 1,057 plots in the period. The combined assessed GDV of both portfolios is £11.3bn (HY19: £12.6bn). The significant reduction compared to prior year is principally as a result of the price reductions assumed in the inventory impairment review, see note 5.

Principal risks and uncertainties

The Group's principal risks and a summary of the mitigating actions for each are outlined below. They are monitored by the Executive Leadership Team, the Audit and Risk Committee and the Board.

COVID-19

The COVID-19 outbreak and the Government's guidance on social distancing has led the Group to invoke its business continuity procedures to manage the immediate impact of the pandemic.

As a Group we have:

- Furloughed 75% of employees between 2 April 2020 and 31 May 2020 on a gradual basis. All employees continued to receive full pay and benefits throughout this period. The Group has claimed under the Government's JRS for this period but does not intend to do so from 31 May 2020
- Implemented arrangements so that all employees were able to work from home, in accordance with the Government guidance
- Prepared and implemented a detailed set of working practices and protocols for when we started to return to sites and offices from 18 May 2020. Such arrangements have been carefully planned to enable construction sites to operate safely and in line with the latest guidance from Government, Public Health Authorities and the Construction Leadership Council
- Focused on preserving our cash and liquidity by taking a disciplined approach to work-in-progress, pausing land spend and cancelling the final dividend for the year ended 31 October 2019
- Put in place a £300m commercial paper facility to access the Government's CCFF

The Board set out the principal risks and uncertainties facing the Group in detail on pages 51 to 55 of its 2019 Annual Integrated Report, which is available from www.crestnicholson.com. The Board recently reviewed the Group's principal risks and has categorised *Epidemic or pandemic from infectious diseases* as a new principal risk.

Beyond the immediate impact of COVID-19, a forecasted recession in the UK and global economies is likely to impact our performance. Principal risks 2, 6 and 11 listed below would be exacerbated by such a recession and its subsequent impact on jobs and incomes.

Withdrawal from the EU

Having left the EU on 31 January 2020, the UK has commenced a transition period to enable both the UK and EU the opportunity to agree suitable trading arrangements before the transition arrangements end on 31 December 2020. While this transition period can be extended, should both parties agree by 30 June 2020, if no extension is agreed it is possible that the UK will have a future trading agreement with the EU on WTO terms by the end of December 2020. This may lead to a period of further reduced consumer confidence and potentially exacerbate many of the principal risks, but particularly risks 2, 6 and 11.

Risk	Risk Description	Mitigation
1	***Epidemic or pandemic from infectious diseases*** An epidemic or pandemic of an infectious disease may lead to the imposition of Government controls, including social distancing, on the movement of people with the associated cessation of large parts of the economy for a significant period of time. The cessation of business will lead to reduced revenues until normal sales and construction activity can be recommenced.	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.
2	***The macro-economic environment*** A decline in macro-economic conditions throughout the UK, which negatively impacts the UK residential property market, and reduces the ability for people to be able to buy homes. Higher unemployment, interest rates and inflation will impact consumer confidence and reduce demand for new homes. Constraints on mortgage availability, or higher costs of mortgage funding, may make it more difficult to sell homes.	Reducing ongoing sales-related and overhead costs. Further development of schemes of differing tenure type. A gradual repositioning of our ASP and further diversifying of our regional portfolio. Forward sales, cash flow and work-in-progress are being carefully monitored to give the Group time to react to changing market conditions.
3	***Safety, Health and Environment (SHE)*** A significant SHE event resulting in a fatality, serious injury or a dangerous situation. The SHE risk to our people, supply chain and our customers who come into contact with confirmed cases of COVID-19. 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 well-being of employees.	Strengthening the safety leadership culture and alignment of safety and operational performance. Strengthening management systems with increased authority for SHE advisors to undertake incident investigations and implement follow up actions. Appointment of an independent auditor to conduct safety reviews as appropriate, and without warning. Use of construction environment risk assessments and environmental management plans. Use of external specialist consultants and/or contractors where specific health and safety requirements demand. Prepared and implemented a detailed set of working practices and protocols for enabling construction in line with the latest guidance from Government to socially distance during the COVID-19 pandemic. Well-being roadshows for employees held and flexible working arrangements implemented to enable employees to meet both their professional and personal needs.

4	***Business strategy and change management*** The Board adopting the wrong business strategy for a recessive or low growth economy. Failure to embed and retain the new Executive Leadership Team into the organisation to effectively deliver the revised strategy. The risk of failure to effectively implement change programmes and cost control mechanisms that are essential for delivery of the strategy. Failure to communicate the benefits of the strategy to major investors and senior management. The strategy no longer being fit for purpose in a low growth / recessive economic climate during 2020 and 2021.	Progress against the strategy is regularly reviewed by the Board. Major investors have been briefed on the business strategy and the Head of Investor Relations leads engagement with shareholders. The Executive Leadership Team is focused on improving operational and financial reporting to identify negative performance. The Chief Executive regularly updates and engages with employees on strategic progress and actively seeks feedback from them. The Board develops detailed induction plans for the Executive Leadership Team. The Remuneration Committee regularly reviews remuneration and retention policies.
5	***Access to site labour and materials*** Variable production levels across the industry put pressure on our materials supply chain. Industry failing to attract the next generation of talent into skilled trade professions, coupled with impact of reduction in availability to the EU labour 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, alongside a material supply chain lacking the scope and capacity. Increasing occurrences of severe weather could result in an impact to the supply chain.	Encouraging longer-term relationships with our supply chain through Group Trading Agreements and sub-contractor 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. Trialling off-site manufacturing and standardisation in our operations and monitoring positive and negative impacts on our supply chain management.
6	***Demand for housing*** Heavily influenced by macro-economic factors as outlined in risk two. Loss of confidence by buyers as a result of both job insecurity and concern about house price deflation. 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.	Regular sales forecasts and cost reviews to manage potential impact on sales volumes. Strategic purchase of sites, continued development of shared ownership models and engagement with a variety of incentive schemes. Political and industry lobbying.
7	***Customer service, quality and product safety*** Customer service and/or build quality falls below our required standards. Unforeseen product safety or quality issues, or latent defects emerge as a result of new construction methods. Our ability to respond to new building regulations and new technologies.	The updated strategy focuses on strengthening quality of build, becoming a five-star rated house builder and maintaining our excellence in placemaking. Customer service and quality is an Executive remuneration measure. Quality inspections and build stage inspections to monitor adherence to our quality standards.

8	***Build cost management*** Build cost inflation and unforeseen cost increases driven by demands in the supply chain and failure to implement core 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.	Investigation of alternative sources of supply and/or alternative production methods. Benchmark against existing sites to ensure rates remain competitive. Ongoing communication with supply chain to manage cost. Develop relationships and seek to leverage volume, certainty and prompt payment with sub-contractors and suppliers.
9	***Information security and business continuity*** Cyber Security risks such as data breaches and hacking leading to the loss of operational systems, market-sensitive, competitive information, personal information or other critical data. Risk of non-compliance with data privacy requirements. Component failure of our IT systems.	We employ network security measures and intrusion detection monitoring, including virus protection on all computers and servers, and annual security-breach tests. This is backed by: • Staff training on data protection and internet security • Data classification, retention policies and toolsets with appropriate and responsive procedures embedded • Disaster Recovery and Business Continuity Plans established and tested annually
10	***Attracting and retaining employees*** Increasing skills gap in the industry at all levels. Difficulty recruiting the right people for vacant positions. Staff turnover and inducting and embedding new staff and the cost of wages increase as a result of inflated offers in the market. Longer-term succession affected. Recognition of the importance of attracting diversity into the Group to enhance skill set.	Through our HR team, monitor pay structures and market trends to ensure we remain competitive. Consulting with employees regularly e.g. through the Employee Engagement Survey. Programmes of work to develop robust succession plans and improve diversity across the business. Increase in annual leave allowance in line with our industry peers and introduction of flexible working arrangements to support employees' personal arrangements throughout life changes. Providing quality training and professional development opportunities through our Apprenticeship Scheme and Graduate Programme. Reviewing our recruitment and induction of site managers.

11	***Solvency and liquidity*** Cash generation for the Group is central to our business 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 ASP falls, inability to restructure appropriately and unsustainable levels of work-in-progress.	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 CCFF.
12	***Laws, policies and regulations*** Future potential regulatory changes which principally relate to Brexit increase uncertainty within the business and impact our ability to make medium and longer term decisions. Potential for inappropriate business practices, fraudulent activity relating to existing laws, for example modern slavery. The National Planning Policy Framework continues to embed with lack of clarity 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. Failure to effectively implement the guidance notes issued by the Government in respect of combustible materials and fire safety for residential dwellings. Perceived or actual failure to implement effective social distancing to prevent COVID-19, and enhanced insurance claims received.	We lobby the Government directly and through the HBF and build political relationships in key local authority areas. Supply Chain Code of Conduct is in place to ensure adherence to existing requirements. Clear policies, guidance and training for staff on compliance matters backed up by formal reporting of serious concerns procedures. Continuing to assess and implement the latest interpretations of fire safety alongside carefully reviewing any potential liabilities.
13	***Supply of permissioned and viable land*** An inadequate supply of suitable land. Inability to convert conditional land purchases and strategic land into timely viable planning permissions. Slower conversions of planning permissions due to Local Planning Authority capacity.	Maintain good relationships with agents and landowners and work with the Government and the HBF to ensure there is a policy base to deliver an adequate supply of permissioned and viable land. Targeted approach to land acquisitions. Regularly review prospects of the strategic land portfolio, with processes and appraisals in place to minimise disruption. Maintain sufficient skills and experience within the organisation to negotiate timely and viable consents.

Statement of Directors' responsibilities

The Directors' confirm that these condensed consolidated half year financial statements have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

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

The current Directors of Crest Nicholson Holdings plc are listed in the Annual Integrated Report for the year ended 31 October 2019, with the exception that in the period Leslie Van de Walle stepped down from the Board on 24 March 2020. A list of Directors is maintained on the Crest Nicholson website: www.crestnicholson.com.

By order of the Board

Peter Truscott

Chief Executive

24 June 2020

Registered number 6800600

Crest Nicholson Holdings plc
Half Year Results for the six months ended 30 April 2020

Condensed Consolidated Income Statement

	Note	Half year ended 30 April 2020 (unaudited) Pre-exceptional items £m	Half year ended 30 April 2020 (unaudited) Exceptional items (note 5) £m	Half year ended 30 April 2020 (unaudited) Total £m	Half year ended 30 April 2019 (unaudited) £m	Full year ended 31 October 2019 (audited) Pre-exceptional item £m	Full year ended 31 October 2019 (audited) Exceptional item (note 5) £m	Full year ended 31 October 2019 (audited) Total £m
Revenue	4	240.0	-	240.0	501.9	1,086.4	-	1,086.4
Cost of sales		(204.1)	(43.2)	(247.3)	(401.6)	(884.5)	(18.4)	(902.9)
Gross profit/(loss)		**35.9**	**(43.2)**	**(7.3)**	**100.3**	**201.9**	**(18.4)**	**183.5**
Administrative expenses		(24.8)	(4.5)	(29.3)	(29.5)	(65.5)	-	(65.5)
Net impairment losses on financial assets		-	(7.4)	(7.4)	-	(3.4)	-	(3.4)
Operating profit/(loss)		**11.1**	**(55.1)**	**(44.0)**	**70.8**	**133.0**	**(18.4)**	**114.6**
Finance income		1.7	-	1.7	1.8	3.6	-	3.6
Finance expense		(7.2)	(0.6)	(7.8)	(7.1)	(14.6)	-	(14.6)
Net finance expense		(5.5)	(0.6)	(6.1)	(5.3)	(11.0)	-	(11.0)
Share of post-tax results of joint ventures using the equity method		(1.1)	-	(1.1)	(1.1)	(0.9)	-	(0.9)
Profit/(loss) before income tax		**4.5**	**(55.7)**	**(51.2)**	**64.4**	**121.1**	**(18.4)**	**102.7**
Income tax (expense)/credit	6	(0.9)	11.6	10.7	(12.5)	(23.7)	3.5	(20.2)
Profit/(loss) for the period attributable to equity shareholders		**3.6**	**(44.1)**	**(40.5)**	**51.9**	**97.4**	**(14.9)**	**82.5**
Earnings/(loss) per ordinary share								
Basic	7	1.4p		(15.8)p	20.2p	38.0p		32.1p
Diluted	7	1.4p		(15.8)p	20.2p	37.9p		32.1p

Condensed Consolidated Statement of Comprehensive Income

	Half year ended 30 April 2020 (unaudited) £m	Half year ended 30 April 2019 (unaudited) £m	Full year ended 31 October 2019 (audited) £m
(Loss)/profit for the period attributable to equity shareholders	(40.5)	51.9	82.5
Other comprehensive (expense)/income:			
Items that will not be reclassified to the consolidated income statement:			
Actuarial losses of defined benefit schemes	(5.7)	(7.9)	(17.3)
Change in deferred tax on actuarial losses of defined benefit schemes	1.1	1.5	3.3
Other comprehensive expense for the period net of income tax	**(4.6)**	**(6.4)**	**(14.0)**
Total comprehensive (expense)/income for the period attributable to equity shareholders	**(45.1)**	**45.5**	**68.5**

Condensed Consolidated Statement of Changes in Equity

	Note	Share capital	Share premium account	Retained earnings	Total
		£m	£m	£m	£m
Half year ended 30 April 2020 (unaudited)					
Balance at 1 November 2019 – originally reported		**12.8**	**74.2**	**767.4**	**854.4**
Change in accounting policy	14	-	-	(0.5)	(0.5)
Balance at 1 November 2019 – Restated[1]		**12.8**	**74.2**	**766.9**	**853.9**
Loss for the period attributable to equity shareholders		-	-	(40.5)	(40.5)
Actuarial losses of defined benefit schemes		-	-	(5.7)	(5.7)
Change in deferred tax on actuarial losses of defined benefit schemes		-	-	1.1	1.1
Total comprehensive expense for the period		-	-	(45.1)	(45.1)
Transactions with shareholders:					
Equity-settled share-based payments		-	-	0.3	0.3
Purchase of own shares		-	-	(1.5)	(1.5)
Transfers in respect of share options		-	-	0.4	0.4
Balance at 30 April 2020		**12.8**	**74.2**	**721.0**	**808.0**

[1] Restated to reflect the adoption of IFRS 16 with effect from 1 November 2019. See note 14.

	Note	Share capital	Share premium account	Retained earnings	Total
Half year ended 30 April 2019 (unaudited)					
Balance at 1 November 2018		**12.8**	**74.2**	**785.7**	**872.7**
Profit for the period attributable to equity shareholders		-	-	51.9	51.9
Actuarial losses of defined benefit schemes		-	-	(7.9)	(7.9)
Change in deferred tax on actuarial losses of defined benefit schemes		-	-	1.5	1.5
Total comprehensive income for the period		-	-	45.5	45.5
Transactions with shareholders:					
Equity-settled share-based payments		-	-	(0.7)	(0.7)
Deferred tax on equity-settled share-based payments		-	-	0.3	0.3
Purchase of own shares		-	-	(1.0)	(1.0)
Dividends paid	8	-	-	(56.0)	(56.0)
Balance at 30 April 2019		**12.8**	**74.2**	**773.8**	**860.8**
Year ended 31 October 2019 (audited)					
Balance at 1 November 2018		**12.8**	**74.2**	**785.7**	**872.7**
Profit for the period attributable to equity shareholders		-	-	82.5	82.5
Actuarial losses of defined benefit schemes		-	-	(17.3)	(17.3)
Change in deferred tax on actuarial losses of defined benefit schemes		-	-	3.3	3.3
Total comprehensive income for the year		-	-	68.5	68.5
Transactions with shareholders:					
Equity-settled share-based payments		-	-	(0.4)	(0.4)
Deferred tax on equity-settled share-based payments		-	-	0.2	0.2
Purchase of own shares		-	-	(3.8)	(3.8)
Transfers in respect of share options		-	-	1.9	1.9
Dividends paid	8	-	-	(84.7)	(84.7)
Balance at 31 October 2019		**12.8**	**74.2**	**767.4**	**854.4**

Crest Nicholson Holdings plc
Half Year Results for the six months ended 30 April 2020

Condensed Consolidated Statement of Financial Position

	Note	As at 30 April 2020 (unaudited) £m	As at 30 April 2019 (unaudited) £m	As at 31 October 2019 (audited) £m
ASSETS				
Non-current assets				
Intangible assets		29.0	29.0	29.0
Property, plant and equipment		2.5	5.4	6.1
Right of use assets	14	7.2	-	-
Investments in joint ventures		2.1	0.9	2.0
Financial assets at fair value through profit and loss		4.1	6.1	6.2
Deferred tax assets		5.8	8.0	6.4
Trade and other receivables		56.8	67.2	58.5
		107.5	**116.6**	**108.2**
Current assets				
Inventories		1,168.3	1,183.9	1,151.1
Financial assets at fair value through profit and loss		1.6	2.5	1.0
Trade and other receivables		106.1	129.0	145.3
Current income tax receivables		17.3	-	-
Cash and cash equivalents		255.5	185.4	170.6
		1,548.8	**1,500.8**	**1,468.0**
Total assets		**1,656.3**	**1,617.4**	**1,576.2**
LIABILITIES				
Non-current liabilities				
Interest-bearing loans and borrowings	9	(346.9)	(251.8)	(131.5)
Trade and other payables		(129.8)	(142.6)	(149.4)
Lease liabilities	14	(5.6)	-	-
Retirement benefit obligations		(8.4)	(1.2)	(6.2)
Provisions		(5.1)	(0.4)	(11.8)
		(495.8)	**(396.0)**	**(298.9)**
Current liabilities				
Interest-bearing loans and borrowings	9	(1.9)	(1.9)	(1.9)
Trade and other payables		(339.8)	(344.8)	(412.9)
Lease liabilities	14	(2.6)	-	-
Current income tax liabilities		-	(11.8)	(3.2)
Provisions		(8.2)	(2.1)	(4.9)
		(352.5)	**(360.6)**	**(422.9)**
Total liabilities		**(848.3)**	**(756.6)**	**(721.8)**
Net assets		**808.0**	**860.8**	**854.4**
EQUITY				
Share capital	12	12.8	12.8	12.8
Share premium account	12	74.2	74.2	74.2
Retained earnings		721.0	773.8	767.4
Total equity		**808.0**	**860.8**	**854.4**

Crest Nicholson Holdings plc Registered number 6800600. These condensed consolidated half year financial statements were approved by the Board of Directors on 24 June 2020.

Crest Nicholson Holdings plc
Half Year Results for the six months ended 30 April 2020

Condensed Consolidated Cash Flow Statement

	Half year ended 30 April 2020 (unaudited) £m	Half year ended 30 April 2019 (unaudited) £m	Full year ended 31 October 2019 (audited) £m
Cash flows from operating activities			
(Loss)/profit for the period attributable to equity shareholders	(40.5)	51.9	82.5
Adjustments for:			
Depreciation	5.2	1.1	2.5
Net finance expense	6.1	5.3	11.0
Share-based payment expense/(credit)	0.3	(0.7)	(0.4)
Share of post-tax result of joint ventures using the equity method	1.1	1.1	0.9
Impairment of inventories	43.2	-	-
Impairment of financial assets	7.4	-	-
Income tax (credit)/expense	(10.7)	12.5	20.2
Operating profit before changes in working capital and provisions	**12.1**	**71.2**	**116.7**
Decrease/(increase) in trade and other receivables	32.7	(26.6)	(11.5)
(Increase)/decrease in inventories	(60.4)	29.3	62.1
(Decrease)/increase in trade and other payables	(92.4)	(78.8)	2.2
Contribution to retirement benefit obligations	(3.7)	(4.5)	(9.0)
Cash (used by)/generated from operations	**(111.7)**	**(9.4)**	**160.5**
Interest paid	(4.4)	(5.0)	(11.1)
Taxation paid	(8.1)	(11.2)	(24.2)
Net cash (used by)/generated from operating activities	**(124.2)**	**(25.6)**	**125.2**
Cash flows from investing activities			
Purchases of property, plant and equipment	(0.2)	(1.7)	(3.8)
Disposal of financial assets at fair value through profit and loss	1.0	2.0	3.5
Net funding to joint ventures	(4.3)	-	(15.1)
Interest received	0.2	0.3	0.6
Net cash (outflow)/inflow from investing activities	**(3.3)**	**0.6**	**(14.8)**
Cash flows from financing activities			
Repayment of bank and other borrowings	-	(1.9)	(36.9)
Proceeds from borrowings	215.0	85.0	-
Debt arrangement and facility fees	-	-	(0.6)
Payment of lease obligations	(1.5)	-	-
Dividends paid	-	(56.0)	(84.7)
Purchase of own shares	(1.5)	(1.0)	(3.8)
Transfer in respect of share options	0.4	-	1.9
Net cash inflow/(outflow) from financing activities	**212.4**	**26.1**	**(124.1)**
Net increase/(decrease) in cash and cash equivalents	**84.9**	**1.1**	**(13.7)**
Cash and cash equivalents at the beginning of the period	170.6	184.3	184.3
Cash and cash equivalents at end of the period	**255.5**	**185.4**	**170.6**

Notes to the condensed consolidated half year financial statements (unaudited)

1 Basis of preparation

The Company is a public limited company incorporated, listed and domiciled in the UK. The address of the registered office is Crest House, Pyrcroft Road, Chertsey, Surrey KT16 9GN. The condensed consolidated half year financial statements consolidate the results of the Company and its subsidiaries (together referred to as the Group) and include the Group's interest in jointly controlled entities.

These condensed consolidated half year financial statements for the six months ended 30 April 2020 have been prepared in accordance with the Disclosure Guidance and Transparency Rules of the UK Financial Conduct Authority and with International Accounting Standard 34, 'Interim financial reporting', as adopted by the European Union. These condensed consolidated half year financial statements do not include all of the information required for full annual consolidated financial statements and should be read in conjunction with the Annual Integrated Report for the year ended 31 October 2019, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

These condensed consolidated half year financial statements do not comprise statutory financial statements within the meaning of Section 434 of the Companies Act 2006. Statutory financial statements for the year ended 31 October 2019 were approved by the Board of Directors on 28 January 2020 and delivered to the Registrar of Companies. The report of the auditor on those accounts was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

These condensed consolidated half year financial statements are unaudited but have been subject to a review in accordance with International Standard on Review Engagements 2410 'Review of Interim Financial Information performed by the Independent Auditor of the Entity', issued by the Auditing Practices Board. The auditor's review report for the period to 30 April 2020 is set out on pages 33 and 34.

Going Concern

The COVID-19 pandemic has created future economic uncertainty and caused significant disruption to housebuilding activity and sales in the six months to 30 April 2020. Accordingly, the Group has conducted a detailed going concern review and considered its liquidity position and banking covenant compliance.

The Group has a £250m 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 The Royal Bank of Scotland 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 covenants in respect of gearing, tangible net worth and interest cover. The Group maintains a regular dialogue with all of its lenders as part of the ordinary course of business.

On 18 June 2020, the Group finalised arrangements with the Bank of England to participate in the CCFF and has now put in place a £300m commercial paper programme. This facility would provide additional liquidity, should it be required, but is currently undrawn. The Group notes that the offer is subject to the Bank of England's standard terms where it reserves the right to deem any security ineligible. The Bank of England currently intends to purchase eligible securities until 23 March 2021. Securities can be up to one year in length from this date. The Bank of England has communicated its intention to give six months' notice of the withdrawal of the scheme.

On 19 March 2020, the Group announced the difficult decision to cancel its final dividend of 21.8 pence per share otherwise payable on 9 April 2020. At this time the Group was also taking decisive action to focus on liquidity. Land purchases and development agreements were, where possible, either cancelled or renegotiated and deferred. Build activity on site was quickly reviewed with a view to minimising unnecessary work-in-progress exposure. All other discretionary business costs were reviewed with reductions identified and then implemented.

On 9 April 2020, the Group announced it was finalising the closure of all of its sites and sales and management offices. The Group also announced that around three-quarters of its workforce had been furloughed under the Government's JRS.

On 12 May 2020, the Group announced it was initiating a phased return to work. The re-opening of building sites and sales offices, supported by the Government's specific interventions to reopen the UK housing market, has led to a return to cash inflows. All employees were removed from furlough by 31 May 2020 and continued to receive full pay entitlement during their absence from work.

Notes to the condensed consolidated half year financial statements (unaudited)

1 Basis of preparation (continued)

Management has applied the following stress tests and assumptions in its half year going concern model:

1) No unreserved, reserved or exchanged plots to complete in May or June 2020. 50% of reserved plots to be cancelled altogether (the Group has continued to take sales during May 2020)
2) An immediate portfolio-wide drop in unexchanged open market house prices of 20% and 10% for all housing association units. Selling prices are then assumed to recover slowly over the model period to pre-COVID-19 levels by 2022. This price drop is greater than the c.18% peak correction experienced in the Global Financial Crisis. It is also greater than the 16% drop forecast in the Bank of England's stress testing detailed in their May 2020 Interim Financial Stability report which considered the maximum impact of COVID-19 on all parts of the UK economic outlook including the housing market
3) A sales rate from July 2020 of approximately 50% of the sales rate achieved for the prior financial year, for all periods in the assessment to October 2021

Notwithstanding the combined impact of these stress tests, the Group continues to maintain adequate levels of liquidity and makes no assumption to utilise the CCFF facility throughout the same assessment period. The Group also continues to maintain covenant compliance for its gearing and tangible net worth thresholds throughout the going concern assessment period to 31 October 2021. However, the Directors note that in this combined stress test scenario the interest cover covenant threshold would not be met at the next measurement date of 31 October 2020. Thereafter, the covenants would be met in the assessment period to October 2021. This 31 October 2020 potential breach constitutes an event of default under the terms of the revolving credit facility and senior loan notes agreement and therefore represents a material uncertainty that could cast significant doubt on the Group's ability to continue as a going concern.

The Directors have discussed the outputs of this stress testing with all of their lenders, together with their internal management forecast for the remainder of the year which predicts all covenants will be complied with for all future measurement points. The Group will maintain a regular dialogue with all of its lenders as trading returns to normal but has not currently proposed any relaxation in the Group's interest cover covenant thresholds.

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 the half year financial statements.

Critical accounting estimates and judgements

The preparation of the condensed consolidated half year financial statements requires management to make estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses and related disclosures. 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.

Management considers the key sources of estimation uncertainty that has a risk of causing a material adjustment to the carrying value of assets and liabilities continues to be carrying value of inventories, estimation of project profitability and combustible materials, and are described within the Annual Integrated Report for the year ended 31 October 2019.

In the period the COVID-19 pandemic has 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 impairment of inventory is required, as detailed within note 5.

The Directors have made estimates and assumptions in reviewing the going concern assumption as detailed above.

Accounting policies

The principal accounting policies adopted in the condensed consolidated half year financial statements are consistent with those applied by the Group in its Annual Integrated Report for the year ended 31 October 2019 except in respect of taxation which is based on the expected effective tax rate that would be applicable to expected annual earnings, and the impact of IFRS 16 'Leases' which is described below.

Notes to the condensed consolidated half year financial statements (unaudited)

1 Basis of preparation (continued)

Adoption of new and revised standards

The following new standards, amendments to standards and interpretations are applicable to the Group and are mandatory for the first time for the financial year beginning 1 November 2019:

- IFRS 16 'Leases'
- IFRIC 23 'Uncertainty over Income Tax Treatments'
- Amendments to IAS 19 'Employee Benefits'
- Annual improvements to IFRSs 2015 – 2017 Cycle
- Amendments to IAS 28 'Long-term Interests in Associates and Joint Ventures'

In the current year the Group adopted IFRS 16. 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 operating profit in the consolidated income statement will be replaced by an amortisation charge for the right of use assets recognised in operating profit and an interest charge on the lease liabilities recognised in finance costs. 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. See note 14 for more information.

The adoption of the other amendments and annual improvements in the period did not have a material impact on the financial statements.

The following amendments to standards and interpretations have also been issued but are not effective:

- Amendment to IFRS 9, 'Financial Instruments', on prepayment features with negative compensation and modification of financial liabilities
- Amendments to IFRS 3 'Business Combinations', definition of a business
- Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', on the definition of material

The Group do not expect that the adoption of the standards, amendments and interpretations listed above will have a material impact on the financial statements of the Group in future periods.

2 Segmental reporting

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.

Notes to the condensed consolidated half year financial statements (unaudited)

3 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. In the prior year 41% of full year homes were completed in the first half of the year. This profile, due to the impact of COVID-19 may not reflect current year trading.

4 Revenue

Revenue type	Half year ended 30 April 2020 £m	Half year ended 30 April 2019 £m	Full year ended 31 October 2019 £m
Open market housing including specification upgrades	196.0	366.3	848.3
Affordable housing	28.6	69.6	134.2
Total housing	**224.6**	**435.9**	**982.5**
Land and commercial sales	14.3	63.0	99.4
Freehold reversions	1.1	3.0	4.5
Total	**240.0**	**501.9**	**1,086.4**

Timing of revenue recognition	Half year ended 30 April 2020 £m	Half year ended 30 April 2019 £m	Full year ended 31 October 2019 £m
Revenue recognised at a point in time	187.2	424.9	875.3
Revenue recognised over time	52.8	77.0	211.1
Total revenue	240.0	501.9	1,086.4

Proceeds received on the disposal of part exchange properties, which is not included in revenue, were £22.0m (April 2019: £29.5m, October 2019: £58.0m). These have been included within cost of sales.

Assets and liabilities related to contracts with customers	Half year ended 30 April 2020 £m	Half year ended 30 April 2019 £m	Full year ended 31 October 2019 £m
Contract assets	56.4	36.1	70.0
Contract liabilities	(35.8)	(41.5)	(33.6)

Contract assets have decreased to £56.4m from £70.0m since October 2019, reflecting a lower amount of unbilled work in progress on affordable and other sales in bulk at the period end.

Contract liabilities have increased to £35.8m from £33.6m since October 2019, reflecting a higher amount of 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 current forecasts for building and billing, management expects a significant proportion of the contract liabilities total to be recognised as revenue over the next 12 months.

Notes to the condensed consolidated half year financial statements (unaudited)

5 Exceptional items

Exceptional items are those which, in the opinion of the Group, are material by size and non-recurring in nature and therefore require separate disclosure within the condensed consolidated income statement in order to assist the users of the financial statements in understanding the underlying business performance of the Group. The material reversal of any of these amounts will also be reflected through exceptional items.

	Half year ended 30 April 2020 £m	Half year ended 30 April 2019 £m	Full year ended 31 October 2019 £m
Combustible materials provision	-	-	(18.4)
COVID-19 related impairments			
Inventory impairment	(43.2)	-	-
Net impairment losses on financial assets	(7.4)	-	-
Finance expense	(0.6)	-	-
	(51.2)	-	(18.4)
Restructuring costs	(4.5)	-	-
Total exceptional items	(55.7)	-	(18.4)
Tax credit on exceptional items	11.6	-	3.5
Total exceptional items after tax credit	(44.1)	-	(14.9)

COVID-19 related impairments

Inventory impairment
The COVID-19 pandemic has caused significant disruption to the housing sector and created future economic uncertainty. Analysts and commentators are forecasting price reductions in the residential and commercial markets. In light of this the Group have performed a detailed impairment review of inventories, resulting in an exceptional charge in the period of £43.2m.

- NRV on current operational developments £33.9m

Management derived sales price reductions of 7.5% and 32.0% for residential and commercial units respectively using a wide range of market forecasts and management experience. These were then applied against the financial appraisal of all current developments, along with other site specific provisions where considered necessary, and those producing a resulting negative margin were provided for. Three developments comprise the majority of the write down.

- Abortive WIP £9.3m

This relates to a complex mixed-use scheme in Kent, on the River Thames. Following the application of the sales price reductions as noted above the scheme is no longer expected to be profitable. Therefore the Group have 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.

Net impairment losses on financial assets
Expected credit loss of £7.4m on recoverable amounts due from the joint venture, Bonner Road LLP. The scheme has been re-assessed in light of the sales price reductions discussed above, an expected increase in costs and a further delay in production. At the year ended 31 October 2019 an impairment loss of £3.1m was charged to the income statement, which due to its size was not considered exceptional.

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 assume 3.0% sales price inflation for a three-year period, this has been replaced with the 7.5% sales price reduction as noted above. The resulting adjustment is an increased finance charge of £0.6m.

Notes to the condensed consolidated half year financial statements (unaudited)

5 Exceptional items (continued)

Restructuring related expenses
The prior financial year was one of considerable change for the Group, as presented within the Annual Integrated Report for the year ended 31 October 2019. The arrival of a new Chairman, Chief Executive, Chief Operating Officer and Group Finance Director instigated a strategic review and the launch of an updated strategy which 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. Changes that have already been introduced have affected Head Office and divisional business unit structures and resulted in a reduction in overall headcount. One-off employee-related costs were incurred in the period, including redundancy payments, benefits foregone and associated company car related lease costs.

The Group also carefully considered the current IT infrastructure and its useful life in the business, resulting in an impairment charge.

Restructuring related expenses in the period of £4.5m are viewed as exceptional when considered against the value of total overheads. Additional exceptional costs of a similar magnitude are expected in the second half of the financial year as the Group implements further proposed changes as part of the strategy.

Taxation
A tax credit of £11.6m in relation to all of the above exceptional items.

Combustible materials provision

In the prior year the exceptional item of £18.4m related to a combustible materials provision, details of which are presented within the Annual Integrated Report for the year ended 31 October 2019. The level of the required provision has not changed in the period.

Alternative performance metrics
Adjusted metrics as shown below are alternative performance measures, consisting of statutory metrics adjusted for the £51.2m exceptional COVID-19 related impairments and £4.5m restructuring costs. The Group believe that the exceptional items have a material impact to reported performance, and believe these alternative metrics reflect a more accurate view of its core operations and underlying performance.

	Statutory	**Exceptional items**	**Adjusted**
Gross (loss)/profit (£m)	(7.3)	43.2	35.9
Gross (loss)/profit margin %	(3.0)%		15.0%
Administrative expenses (£m)	(29.3)	4.5	(24.8)
Operating (loss)/profit (£m)	(44.0)	55.1	11.1
Operating (loss)/profit margin %	(18.3)%		4.6%
(Loss)/profit before tax (£m)	(51.2)	55.7	4.5
Basic (loss)/earnings per share (pence)	(15.8)		1.4

6 Taxation

The rate of taxation credit/(expense) on (loss)/profit for the half year ended 30 April 2020 is 20.9% (30 April 2019: 19.4%) and reflects the best estimate of the weighted average annual effective tax rate for the full financial year.

Notes to the condensed consolidated half year financial statements (unaudited)

7 (Loss)/earnings per ordinary share

The basic EPS for the six months ended 30 April 2020 is based on the weighted average number of shares in issue during the period of 256.8m (April 2019: 256.6m, October 2019: 256.6m). Diluted EPS has been calculated after adjusting the weighted average number of shares in issue for all potentially dilutive shares held under unexercised options.

	Earnings £m	Weighted average number of shares millions	Per share amount pence
Half year ended 30 April 2020 – Total			
Basic loss per share	(40.5)	256.8	(15.8)
Effect of share options	-	-	
Diluted loss per share	**(40.5)**	**256.8**	**(15.8)**
Half year ended 30 April 2020 – Pre-exceptional			
Basic earnings per share	3.6	256.8	1.4
Effect of share options	-	0.3	
Diluted earnings per share	**3.6**	**257.1**	**1.4**
Half year ended 30 April 2019			
Basic earnings per share	51.9	256.6	20.2
Effect of share options	-	0.6	
Diluted earnings per share	**51.9**	**257.2**	**20.2**
Full year ended 31 October 2019 – Total			
Basic earnings per share	82.5	256.6	32.1
Effect of share options	-	0.5	
Diluted earnings per share	**82.5**	**257.1**	**32.1**
Full year ended 31 October 2019 – Pre-exceptional			
Basic earnings per share	97.4	256.6	38.0
Effect of share options	-	0.5	
Diluted earnings per share	**97.4**	**257.1**	**37.9**

Notes to the condensed consolidated half year financial statements (unaudited)

8 Dividends

	Half year ended 30 April 2020 £m	Half year ended 30 April 2019 £m	Full year ended 31 October 2019 £m
Dividends recognised as distributions to equity shareholders in the period:			
Final dividend for the year ended 31 October 2019 of nil pence per share (2018: 21.8 pence per share)	-	56.0	56.0
Interim dividend for the year ended 31 October 2019: 11.2 pence per share	-	-	28.7
	-	56.0	84.7
Dividends declared as distributions to equity shareholders in the period:			
Proposed final dividend for the year ended 31 October 2019: 21.8 pence per share	-	-	56.0
Proposed interim dividend for the year ending 31 October 2020 of nil pence per share (2019: 11.2 pence per share)	-	28.7	-

In the period, due to the impact of COVID-19 and associated business and economic uncertainty the Group took the difficult decision to cancel its final 2019 dividend of 21.8 pence per share, which would have been due on 9 April 2020.

9 Interest-bearing loans and borrowings

	As at 30 April 2020 £m	As at 30 April 2019 £m	As at 31 October 2019 £m
Non-current			
Revolving credit facility	250.0	155.0	35.0
Senior loan notes	100.0	100.0	100.0
Revolving credit facility and senior loan notes issue costs	(3.1)	(3.2)	(3.5)
	346.9	251.8	131.5
Current			
Other loans	1.9	1.9	1.9
	1.9	1.9	1.9

At 30 April 2020, the Group had undrawn revolving credit facilities of £nil (April 2019: £95.0m, October 2019: £215.0m) and cash and cash equivalents of £255.5m (April 2019: £185.4m, October 2019: £170.6m).

Notes to the condensed consolidated half year financial statements (unaudited)

10 Financial assets and liabilities

Financial assets	As at 30 April 2020 £m	As at 30 April 2019 £m	As at 31 October 2019 £m
Sterling cash deposits	255.5	185.4	170.6
Trade receivables	41.2	73.9	61.4
Amounts due from joint ventures	53.4	68.5	61.3
Contract assets	56.4	36.1	70.0
Other receivables	7.8	13.4	7.6
Total cash equivalents and trade and other receivables	414.3	377.3	370.9
Financial assets at fair value through profit and loss	5.7	8.6	7.2
Total financial assets	420.0	385.9	378.1

Financial assets at fair value through profit and loss are held at fair value and categorised as level three within the hierarchical classification of IFRS 13. The carrying value of the remaining financial assets is not materially different to their fair value.

Financial liabilities	As at 30 April 2020 £m	As at 30 April 2019 £m	As at 31 October 2019 £m
Revolving credit facility	250.0	155.0	35.0
Senior loan notes	100.0	100.0	100.0
Other loans	1.9	1.9	1.9
Land payables on contractual terms carrying interest	72.0	63.8	91.3
Land payables on contractual terms carrying no interest	151.9	128.3	125.2
Amounts due to joint ventures	0.1	-	4.9
Lease liabilities	8.2	-	-
Other trade payables	36.0	38.9	38.7
Other payables	9.7	16.0	11.1
Accruals	159.6	184.7	252.0
Financial liabilities at amortised cost	789.4	688.6	660.1

The carrying value of the Group's financial liabilities is not materially different to their fair value.

Notes to the condensed consolidated half year financial statements (unaudited)

11 Net debt and land creditors

	As at 30 April 2020 £m	As at 30 April 2019 £m	As at 31 October 2019 £m
Cash and cash equivalents	255.5	185.4	170.6
Non-current interest-bearing loans and borrowings	(346.9)	(251.8)	(131.5)
Current interest-bearing loans and borrowings	(1.9)	(1.9)	(1.9)
Net (debt)/cash	**(93.3)**	**(68.3)**	**37.2**
Land payables on contractual terms carrying interest	(72.0)	(63.8)	(91.3)
Land payables on contractual terms carrying no interest	(151.9)	(128.3)	(125.2)
Net debt and land creditors	**(317.2)**	**(260.4)**	**(179.3)**

12 Share Capital

	Shares issued Number	Nominal value Pence	Share capital £	Share premium account £
As at 30 April 2020, 30 April 2019 and 31 October 2019	256,920,539	5	12,846,027	74,227,216

13 Related party transactions

Related parties are consistent with those disclosed in the Group's Annual Integrated Report for the year ended 31 October 2019, other than changes in key management personnel which are presented therein.

The Group had the following transactions with its joint ventures in the period: (i) the Group received £1.1m (2019: £1.1m) interest on joint venture funding, (ii) the Group received £0.5m (2019: £0.2m) in project management fees, (iii) the amount of outstanding loans due to the Group from joint ventures, net of expected credit loss was £53.4m (2019: £68.5m), and, (iv) the amount of outstanding loans due from the Group to joint ventures was £0.1m (2019: £nil).

Notes to the condensed consolidated half year financial statements (unaudited)

14 Adoption of new and revised standards

During the period, the Group has adopted IFRS 16 'Leases', as issued by the International Accounting Standards Board (IASB). The impact of the adoption of IFRS 16 on the Group's financial statements is explained 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 present value of future lease payments, lease payments being discounted at the Group's incremental borrowing rate. The discount is subsequently unwound and recorded in the condensed consolidated income statement over the lease term as a financing 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 condensed 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 condensed 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 condensed consolidated statement of financial position on 1 November 2019.

The adoption of IFRS 16 on 1 November 2019 had the following impact on the condensed 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	9.7
Add: adjustments as a result of different treatments of termination options	0.5
Less: servicing obligations not included in IFRS 16 lease liabilities	(0.4)
Less: 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 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 assets classes in calculating the lease liabilities on 1 November 2019 was 3.0%.

Notes to the condensed consolidated half year financial statements (unaudited)

14 Adoption of new and revised standards (continued)

The table below outlines the impact of IFRS 16 on the condensed consolidated statement of comprehensive income for the six months ended 30 April 2020.

	Results before adjustments for the adoption of IFRS16	Adjustments in respect of the adoption of IFRS 16	Six months ended 30 April 2020 as reported
	£m	£m	£m
Operating loss	(44.1)	0.1	(44.0)
Finance expense	(7.7)	(0.1)	(7.8)
Loss before tax	(51.2)	-	(51.2)

The table below outlines the impact of IFRS 16 on the condensed consolidated statement of financial position as at 30 April 2020.

	As at 30 April 2020 before the adoption of IFRS 16	Adjustments in respect of IFRS 16	As at 30 April 2020 as reported
	£m	£m	£m
Right of use assets	-	7.2	7.2
Lease liabilities	-	(8.2)	(8.2)
Provisions	(13.8)	0.5	(13.3)
Retained earnings	721.5	(0.5)	721.0

15 Post balance sheet events

COVID Corporate Financing Facility (CCFF)
On 18 June 2020, the Group finalised arrangements with the Bank of England to participate in the CCFF and has now put in place a £300m commercial paper programme. This facility would provide additional liquidity, should it be required, but is currently undrawn.

Restructuring
In June 2020 the Group announced proposed changes to how the business will be structured and managed in the future. This process is expected to be complete by the financial year end and will result in a similar quantum of restructuring charge to the £4.5m incurred in the first half of the financial year.

Independent review report to Crest Nicholson Holdings plc

Report on the condensed consolidated half year financial statements

Our conclusion
We have reviewed Crest Nicholson Holdings plc's condensed consolidated unaudited interim financial statements (the "interim financial statements") in the unaudited interim results of Crest Nicholson Holdings plc for the six month period ended 30 April 2020. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Emphasis of matter – Going Concern
Without modifying our conclusion on the interim financial statements, we draw your attention to the disclosure made in note 1 "Basis of preparation" which explains how management has formed a judgement that it is appropriate to adopt the going concern basis.

The Group's forecast going concern model contains assumptions over revenue, profitability and cash flows. These forecasts have been stress-tested for severe but plausible scenarios that could impact the Group. The analysis shows that in a reasonable worst-case scenario, lower levels of Group profitability mean the interest cover covenant would not be met at the next measurement date of 31 October 2020. If this covenant breach were to occur, it would constitute an event of default under the terms of the revolving credit facility agreement and senior loan notes and therefore represents a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The interim financial statements do not include the adjustments that would result if the Group were unable to continue as a going concern.

What we have reviewed
The interim financial statements comprise:

- the Condensed Consolidated Statement of Financial Position as at 30 April 2020;
- the Condensed Consolidated Income Statement and Condensed Consolidated Statement of Comprehensive Income for the period then ended;
- the Condensed Consolidated Cash Flow Statement for the period then ended;
- the Condensed Consolidated Statement of Changes in Equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the unaudited interim results have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.
As disclosed in note 1 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors
The unaudited interim results, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the unaudited interim results in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.
Our responsibility is to express a conclusion on the interim financial statements in the unaudited interim results based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What a review of interim financial statements involves
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing

Independent review report to Crest Nicholson Holdings plc

Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

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

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

PricewaterhouseCoopers LLP
Chartered Accountants
London
24 June 2020