Crest Nicholson Holdings plc

STRONG FINANCIAL PERFORMANCE WITH TURNAROUND NOW COMPLETE
EXCELLENT STRATEGIC PROGRESS SETS PLATFORM FOR EXPANSION
ROBUST BALANCE SHEET TO SUPPORT FUTURE GROWTH

Crest Nicholson Holdings plc ('Crest Nicholson' or 'Group') today announces its Preliminary Results for the year ended 31 October 2021:

Financial highlights

- Revenue at £786.6m (FY20: £677.9m), reflecting strategic progress and underlying strength of the housing market
- Strong sales momentum with sales per outlet week[1] (SPOW) of 0.80 (FY20: 0.59) with average outlets at 59 (FY20: 63)
- Forward sales[1] as at 14 January 2022 of 2,702 units and £719.0m Gross Development Value (GDV) (15 January 2021: 2,435 units and £564.5m GDV) with c.63% of FY22 revenue covered
- 2,407 (FY20: 2,247) home completions[1], comprising open market completions (including bulk deals) of 1,924 (FY20: 1,741) and affordable completions of 483 (FY20: 506)
- Adjusted profit before tax[2] at £107.2m (FY20: £45.9m) including £16.0m contribution from the sale of Longcross Film Studio. Adjusted operating margin[2] at 14.6% (FY20: 8.4%)
- Exceptional inventory impairment provision credit of £8.0m (FY20: £43.2m exceptional charge)
- Net exceptional charge for combustible materials of £28.8m (FY20: £0.6m), with £42.6m (FY20: £14.8m) remaining provision
- Profit after tax increased to £70.9m (FY20: £10.7m loss after tax)
- Increased participation in the land market in the year with 4,332 plots approved for purchase at a forecast gross margin of 26.7% (after sales and marketing costs)
- Transformed balance sheet with resources to support future growth ambitions
    - Net cash[3] at £252.8m (FY20: £142.2m) and average net cash of £78.4m (FY20: £99.6m average net debt)
    - Return on capital employed increased to 17.2% (FY20: 7.6%)
- Medium-term financial guidance reinstated to accompany growth strategy
- Proposed final dividend of 9.5 pence per share. Total dividend for the year of 13.6 pence per share, in line with dividend policy and reflecting confidence in outlook

1. FY21 includes joint venture units at full unit count (FY20: Crests share of joint venture units), and FY21 is on an equivalent unit basis which allocates a proportion of the unit count for a deal to the land sale element where the deal contains a land sale (FY20: no equivalent unit allocation to land sale element). This approach reflects the Group's actual production output and also removes the distortive impact on ASPs of land sales.
2. Adjusted items represent the FY21 and FY20 statutory figures adjusted for exceptional items as disclosed in note 4 to the consolidated financial statements Adjusted performance metrics are disclosed on pages 72 to 73. These alternative (non-statutory) performance measures, which are not necessarily better than statutory measures, have been disclosed as the Directors believe this assists in better understanding the performance of the Group, which is how the Directors internally manage the business.
3. Net cash is defined as cash and cash equivalents less bank loans, senior loan notes and other loans. See note 20 to the consolidated financial statements for a reconciliation.

Strategic highlights

The Group has delivered a successful turnaround of its financial and operational performance. It has an efficient operating platform, a well-resourced balance sheet and an experienced leadership team to execute its future growth plans:

- Successful roll out of new house types with over 6,800 units now plotted in the short-term land portfolio (FY20: 5,500). We expect 80% of our private open market houses will be delivered using this range in FY22
- Over 1,500 plots added to the short-term land portfolio in FY22 YTD
- Achieved another year of five-star customer satisfaction in HBF survey
- Crest Nicholson Partnerships and Strategic Land (CNPSL) established new relationships and delivered a strong pipeline of bulk deals, including for several low margin legacy sites
- Ambitious growth strategy outlined at Capital Markets Day on 20 October 2021:
    - Plan to open divisions in East Anglia, Yorkshire and one other region by FY24
    - New divisional leader for Yorkshire joined Group in January 2022
- Medium-term financial guidance reinstated to accompany growth strategy:
    - Phase one: gross margin rate accretion and volume growth from existing divisions (FY22-FY24)
    - Phase two: volume growth from the three new divisions (FY24-FY26)
    - Expect FY22 gross margin rate to be similar or slightly ahead of FY21

Medium term targets	FY24	FY26
Home completions (units)	**In excess of 3,000**	**In excess of 4,200**
Divisions	**5+**	**8**
Operating profit margins	**18-20%**	
Return on capital employed	**22-25%**	
Land creditors (% of net assets)	**Less than 30%**	
Dividend policy(cover)	**2.5x**	

Sustainability

In FY20 the Group set new sustainability targets and has made strong progress against these in the year:

Measure	Sustainability target by 2025	Achieved in FY21 v FY19 equivalent
Carbon emission intensity reduction (scope 1 and 2)	25%	21%
Waste intensity reduction	15%	4%
% Renewable electricity (absolute basis)	100%	62%

In FY21 the Group also pledged to reduce its scope 3 emissions and joined the United Nations-backed Race to Zero, committing to net zero emissions by 2050 at the very latest. This will see the Group develop science-based targets, validated by the Science Based Targets initiative (SBTi), which will be announced in FY22. Finally, the Group is also committed to improving biodiversity on its developments in line with the requirements set out in the Environment Act 2021.

Combustible materials

On 10 January 2022, the Secretary of State communicated the Government's latest policy position with respect to building safety concerns arising from cladding and combustible materials. The Board is carefully considering the impact of this update and is representing its views in response through the Home Builders Federation (HBF), who have sought to establish a dialogue with the Government in this area. The Group recognises the distress caused to homeowners from living in a property that they rightfully expect is safe and has been built to a standard that is compliant with all the necessary building regulations.

The Board and Executive Leadership Team of Crest Nicholson take their responsibilities in this area very seriously. Following the Grenfell Tower tragedy, the Group has actively worked to identify buildings where it has an obligation as legal owner, to remedy defects or meet the requirements of newly published Government guidance. In addition, it has considered situations where it is no longer the owner of the building but there are design or workmanship defects because of the Group, its subcontractors, product suppliers or designers falling short of their obligations at the time of construction. In these instances, the Group is taking action to ensure these issues are remedied as quickly as possible.

In conducting this assessment, and in estimating the provisions made to date, the Group has not discriminated between buildings based on their height and has instead considered all buildings where a risk may exist. The Group is working with a wide range of stakeholders to implement any identified and agreed remediation works as swiftly as possible and will shortly be paying the cladding levy announced in the last Budget.

Key financial metrics

£m (unless otherwise stated)	**FY21**	**FY20**	**% change**
Home completions[1]	**2,407**	**2,247**	**7.1**
Revenue	**786.6**	**677.9**	**16.0**
Adjusted gross profit[2]	**166.7**	**107.7**	**54.8**
Adjusted gross profit margin[2]	*21.2%*	*15.9%*	*530bps*
Administrative expenses[2]	(51.1)	(50.3)	1.6
Net impairment losses on financial assets[2]	(1.0)	(0.3)	233.3
Adjusted operating profit[2]	**114.6**	**57.1**	**100.7**
Adjusted operating profit margin[2]	*14.6%*	*8.4%*	*620bps*
Adjusted net finance expenses[2]	(9.1)	(10.7)	(15.0)
Share of joint venture results	1.7	(0.5)	(440.0)
Adjusted profit before tax[2]	**107.2**	**45.9**	**133.6**
Adjusted income tax[2]	(19.9)	(8.5)	134.1
Adjusted profit after tax[2]	**87.3**	**37.4**	**133.4**
Exceptional items net of income tax	(16.4)	(48.1)	(65.9)
Gross profit	**145.9**	**63.9**	**128.3**
Gross profit margin	*18.5%*	*9.4%*	*910bps*
Net impairment losses on financial assets	(1.0)	(7.9)	(87.3)
Operating profit/(loss)	**93.8**	**(1.8)**	**(5,311.1)**
Operating profit/(loss) margin	11.9%	(0.3)%	1,220bps
Profit/(loss) before tax	**86.9**	**(13.5)**	**(743.7)**
Profit/(loss) after tax	**70.9**	**(10.7)**	**(762.6)**
Adjusted basic earnings per share(p)[2]	**34.0**	**14.6**	**132.9**
Basic earnings/(loss) per share (p)	**27.6**	**(4.2)**	**(757.1)**
Dividend per share (p)	**13.6**	**-**	**-**

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Peter Truscott, Chief Executive, commented:

'It was a clear objective of the new leadership team to restore Crest Nicholson to being one of the UK's leading housebuilders. That challenge was undoubtedly heightened by the arrival of the pandemic. However, we can say with confidence that we have delivered the turnaround that we wanted. Our operating platform is now efficient and scalable, our balance sheet is transformed and equips us with the resources to grow the Group's footprint in the UK and we have assembled an experienced leadership team to drive the Group forward.

A strong improvement in financial performance has followed which also reflects the ongoing underlying strength of the market. We were delighted to increase profit expectations twice in the year and we have started 2022 with a strong forward order book and everyone in Crest Nicholson is excited about our plans for expansion. I would like to thank all colleagues for their dedication and hard work this year in delivering these results.

It is right that we remain aware of the broader macroeconomic uncertainty, but the fundamentals of our sector remain strong. I am confident that our strategy is the right one to navigate this environment and ensure we deliver maximum value for all of our stakeholders.'

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, please click on the following link: Crest Preliminary Results FY21 webcast or go to the Crest Nicholson website, https://www.crestnicholson.com/investor-relations for further details

There is also a facility to join the presentation and Q&A session via a conference call. Participants should dial **+44 203 936 3000** and use confirmation code **017802**. A playback facility will be available shortly after the presentation has finished. For further information, please contact:

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19 January 2022

Chief Executive's Review

Ready for growth

The Group continued to perform strongly in FY21 and made significant progress against its strategic priorities despite the impact of the COVID-19 pandemic. During this financial year the pandemic continued to affect operations, however the market remained open throughout, and the sales environment was largely favourable. Disruption associated with the relaxation of restrictions and the rapid restart of building activities was largely felt in our supply chains and did result in some difficulties in sourcing materials towards the end of the year.

Given the backdrop of a favourable sales environment and our success in navigating these supply chain issues, we have once again delivered a very pleasing performance against our financial targets and wider strategic objectives.

It is now apparent that the changes we have introduced to our operational platform over the past two years are helping us deliver a more consistent product and customer experience, and this in turn is also flowing through to our financial performance and cash generation. Accordingly, we are now able to plan with confidence, and have the necessary balance sheet resources, for a growth strategy that will see the Group expand into new geographies.

Improving profitability and cash flows

Building more attractive homes in the places where people wish to live and continuing to offer customers a five-star experience has enabled us to sell more homes this year.

We achieved 2,407 home completions in the period (2020: 2,247), up 7.1% on the prior year. We also finished the year with a strong forward order book. Forward sales as at 12 November 2021 were 2,502 units and £623.9m Gross Development Value which will enable the delivery of a strong performance in the coming year.

This volume growth was achieved despite some of the disruption we experienced to our supply chains. Both materials and labour availability have been impacted throughout the year by Brexit, the ongoing impacts of COVID-19 restrictions and then towards the end of the financial year, the rapid increase in global construction output as restrictions started to lift, outstripping the ability for supply chains to react quickly enough.

We have managed to weather these headwinds by virtue of our strong relationships with our subcontractors, careful forward planning of purchasing and delivery of materials, and where appropriate sourcing alternative options, such as concrete bricks, to ensure continuity of our operations. I am always impressed by our industry's ability to find solutions to these types of problems, and I want to pay tribute to all my colleagues in Crest Nicholson for their outstanding efforts in overcoming these challenges this year, ensuring we still delivered our customers their homes on time and met our financial targets as well.

Adjusted profit before tax (APBT) of £107.2m (2020: £45.9m) was up strongly against prior year, ahead of our expectations. The combination of volume growth, moderate levels of house price inflation and a retained discipline on our overhead structure supported the expansion of earnings. Within APBT the Group recognised £16.0m in respect of the disposal of our share in the Longcross Film Studio to our joint venture partner Aviva. This divestment of a non-core asset also delivered a cash contribution of £46.0m during the year, which can now be reinvested into our core housebuilding activities.

Within profit before tax of £86.9m (2020: £13.5m loss before tax) for the year the Group also recognised two items relating to the reversal of a previously recorded exceptional net realisable value provision and a further charge for combustible materials. At HY20, and at the peak of COVID-19 uncertainty, the Group responded to market consensus that residential and commercial asset values would fall, because of economic uncertainty stemming from the pandemic. An exceptional inventory impairment charge of £43.2m was taken at this time. Given the robust performance of the housing market since HY20, the Group has decided to release the unutilised element of this provision, resulting in an exceptional credit for the year of £8.0m.

In addition, the Group continues to carefully review any potential remediation obligations to legacy buildings arising from the latest Building Regulations and Fire Safety Regulations. This review remains complex and judgemental in nature and often involves multiple stakeholders in developing agreed solutions. As our review has progressed, we have started to receive more detailed reports on the remedies required, primarily from those schemes that have been more complex and time consuming to investigate. Given the specialist nature of this work and the scarcity of qualified resource to conduct reviews, we have also seen inflation in our costs to complete for both labour and materials. To reflect our latest expectation of the overall remediation costs the Group has also recorded a further exceptional net combustible materials charge in the year of £28.8m.

More detail on both items can be found in the Financial Review on page 8.

Our strategy has delivered a transformational effect on the balance sheet. Further progress in divesting poorer legacy schemes, coupled with better work-in-progress management, disciplined capital allocation and the cash contribution from the Longcross Film Studio sale have all contributed to us finishing the year with £252.8m of net cash (2020: £142.2m).

Investment in land

Following a year of reduced land purchasing activity because of the COVID-19 uncertainty, the Group was far more active in acquiring land in the year. The land market remains competitive, but our operational efficiency programme has ensured that we can now appraise land on robust assumptions and strong margins. Accordingly, we approved 4,332 plots for purchase during the year at a forecast gross margin (after sales and marketing costs) of 26.7%.

Operational excellence

The enhancements we made to our operational platform in FY20, driving standardisation and consistency across multiple facets of the business, have continued to positively impact our performance.

Benefits delivered the previous year in overhead efficiency and more productive sales and marketing costs have been consolidated. Notwithstanding the external inflation pressures on build costs, these have also reduced due to the continued roll out of our new house type range and our high quality standardised specification. In FY21 30% of our private open market house completions utilised the new house type range and over 6,800 units of our open market housing in our short-term land portfolio is now plotted with one of these products. By FY22 we expect 80% of our private open market house completions will utilise this range.

Our operational efficiency improvements also extend their reach to our customer service and satisfaction scores. We were delighted to be awarded another five-star customer satisfaction score from the Home Builders Federation (HBF). This is a testament to the hard work of all our teams who are committed to ensuring every Crest Nicholson customer is happy and satisfied with the homes we hand over.

Crest Nicholson Partnerships and Strategic Land (CNPSL)

Our CNPSL team delivered a strong performance in the year providing support to our trading divisions. Many sales were negotiated with registered providers for affordable homes at enhanced values. Significant numbers of sales were agreed for homes for the private rented sector (PRS) also. These sales, increasingly with long-term strategic partners, offer support and visibility to our order book and have also enabled us to exit from some of our more challenging legacy projects earlier than might otherwise have been the case.

Increasing competition in the PRS sector is driving stronger pricing, initial offers and leading to lower discounts to private sale margin levels. Progress was made across a multitude of our strategic land projects in the period with new assets also being added. These will provide sites with enhanced margins for our trading divisions in the coming years.

Sustainability – committed to action on climate change

We understand the urgent challenge around climate change and are increasing our efforts to do more in this respect. In FY20 we set out targets to 2025 to reduce our scope 1 and 2 emissions and the waste we generate on our sites. We also committed to utilise 100% renewable electricity over the same period. Strong progress was made against these measures in FY21, but we recognise that we must go further. Accordingly, we have pledged to reduce our scope 3 emissions and joined the United Nations-backed Race to Zero, committing to net zero emissions by 2050 at the very latest. We are also committed to improving biodiversity on our developments in line with the requirements set out in the Environment Act 2021.

Our team

It has been another challenging year for our teams as they have sought to balance their personal lives, often impacted by the ongoing difficulties around the pandemic, with our business needs. Their commitment and performance has been outstanding and once again I would like to thank everyone for their considerable efforts.

The business has continued to utilise an agile working approach for most roles, enabling a combination of office and home working. It is recognised though that the benefits of some office working remain very important in supporting our sites, enhancing teamwork, and providing training and guidance for our less experienced team members.

Our comprehensive employee engagement survey showed an overall score of 75%, up by 5% in FY21 which reflects the ongoing initiatives and progress our employees are seeing. Alongside other sectors however, we continue to see higher employee turnover rates than we would like, predominantly driven by a shortage of people for specific roles across the industry. The Board and Executive Leadership Team regularly discuss this topic and I am confident that the measures we are taking to make Crest Nicholson a great place to work will see this pressure start to subside.

Geographical expansion

On 20 October 2021 the Group held a Capital Markets Day at our development Wycke Place, Maldon, Essex. The event was a great opportunity to communicate key messages about Crest Nicholson's future and showcase our new house type range.

We were able to outline that our turnaround is now complete. We have an efficient operating platform that can be scaled in other parts of the UK and a strong balance sheet that can finance this growth or return additional capital to shareholders. The Board considered the strategic choices for the Group carefully over the summer of 2021 and concluded that a growth strategy was the best way to maximise value for shareholders.

The housing market backdrop remains attractive. There is an under-supply of homes in the areas of most demand. These areas in Southern England and parts of the Midlands coincide with our current operations and our extensive land portfolio. This positions us strongly to grow volumes of home completions over the medium term as we mature towards a capacity of around 3,250 homes per year from our five existing trading divisions. Our profitability will also improve as the legacy poorer margin schemes fall away and the new house types represent the mainstay of our earnings instead.

However, notwithstanding the favourable market environment and capability in our existing geographies, the Group now has a platform which can be rolled out into new regions in the UK. We also have an experienced leadership team in place who have operated in other areas and understand those local markets. Finally, we also have financial resources to acquire the new land needed in these areas and can do so while maintaining a robust balance sheet.

Therefore, in FY22 we will start to set up new divisions in Yorkshire and East Anglia. These divisions will take time to establish and will start to make a material contribution to earnings from FY24. The Government is committed to 'levelling up' the UK economy and we see this leading to more housing growth in Northern England and to more limited opportunities for land release in the South.

As such, we see strong alignment with our locations and timings for expansion. Yorkshire has a strong economy, a growing population and excellent transport networks. The East Anglia market functions similarly to our existing Southern and Midlands environments. It is expected to have strong population growth but also has a more visible pipeline of land releases coming forward. By FY24 we will identify a third division for expansion with contribution expected from FY26. We will provide further detail of these plans nearer the time.

Outlook – our focus for FY22

As we move into FY22 and beyond our focus remains on enhancing our profitability through both margin rate accretion and volume growth. We will continue to invest in land in our existing divisions and in the new geographic areas already referred to.

Our consistent operating model, experienced leadership team and strong balance sheet will enable us to achieve this growth in a disciplined manner ensuring that we also maintain our focus upon quality, customer service and the climate change agenda.

Peter Truscott
Chief Executive

Financial Review

Introduction

The Group has delivered a strong rebound in financial performance this year. Trading was robust across all divisions allowing us to increase our financial expectations as the year unfolded. We made great progress in divesting our poorer legacy sites while at the same time remaining active in the land market, approving new acquisitions at our desired hurdle rates. The sale of the Longcross Film Studio, coupled with a sustained and disciplined focus on capital allocation, means the Group's financial position has been transformed, and provides us with the platform to grow the Crest Nicholson brand in new geographies in the UK.

As in previous years, the business continues to report alternative performance measures relating to sales, return on capital employed and 'adjusted' performance metrics because of the exceptional items as detailed in note 4 within the financial statements. The exceptional items have a material impact to reported performance and arise from recent, unforeseen events. As such, the Directors consider these adjusted performance metrics reflect a more accurate view of its core operations and underlying business performance. All alternative performance measures are detailed on pages 72 to 73.

FY21 trading performance

The UK housing market performed strongly during the year. Although COVID-19 restrictions continued in some form until July 2021, housebuilders received strong encouragement from the Government to keep building and remain open for business. Further economic support remained in place through the extension of the temporary reduction in Stamp Duty Land Tax (SDLT) which helped support changing confidence levels. The effect of national lockdowns and work from home guidance advice challenged well established traditional living and working patterns. Extra space at home and more outdoor space became increasingly desirable for home buyers looking to adapt to their changing working practices. In the second half of the year, we started to see shortages of both labour and materials, as the global economy rapidly reopened when COVID-19 restrictions started being lifted, following the successful rollout of vaccines. In the UK the full impact of Brexit, especially on labour availability, was also clearly a feature. The Group was able to navigate its way through these challenges successfully and is confident it is already seeing signs that these pressures have stabilised, and in some areas, have started to reduce.

Sales, including joint ventures, increased by 17.4% on prior year at £813.6m (2020: £693.1m). This comprised £786.6m of statutory revenue (2020: £677.9m) and £27.0m of the Group's share of revenue through joint ventures (2020: £15.2m).

The Group delivered 2,407 (2020: 2,247) home completions during the year, up 7.1% on prior year. This comprised open market completions (including bulk deals) of 1,924 (2020: 1,741), up 10.5% on prior year and affordable completions of 483 (2020: 506), down 4.5%, due to a change in sales mix and unit reporting. At HY21 the Group announced a change to the way it reports units of home completions to bring it line with more commonly adopted reporting protocols for UK housebuilders. The 2,407 units reported in the year includes joint venture units at full unit count. In addition, the unit count has an allocation for any land sale element that is present in any relevant completed transaction and is referred to as being on an equivalent unit basis. This approach reflects the Group's actual production output and also removes the distortive impact on average selling prices (ASP) of land sales. Prior period home completions were reported using the Group's share of joint venture units and no equivalent unit allocation to any land sale element of a relevant completed transaction.

Open market (private) ASPs increased to £359,000 (2020: £336,000) during the year as the Group responded to the inflationary environment in the UK housing market. In addition, the discount to open market selling price for bulk deals continues to narrow as deals are now being conceived on a longer-term basis and with a growing set of trusted strategic partners. The Group continued to sell through the legacy central London portfolio, at higher ASPs than the rest of its divisions and was left holding only one unit (excluding London Chest Hospital) for private sale at the end of the year.

Adjusted gross profit was £166.7m (2020: £107.7m), up 54.8% on prior year. The stronger trading performance year-on-year was the major driver of this improvement but contained within this year's balance was a £16.0m one-off contribution arising from the sale of the Longcross Film Studio to our joint venture partner on that scheme, Aviva. Adjusted gross margin rate was ahead of our expectations at 21.2% (2020: 15.9%), up strongly on prior year reflecting the stronger underlying trading performance, the Longcross Film Studio contribution, and the delayed recognition of the final stages of two low margin, rate diluting, legacy schemes at Sherborne Wharf, Birmingham and Old Vinyl Factory, Hayes, which will now complete in FY22. The Longcross transaction is reflected in the increase in land and commercial sales for the year at £49.2m (2020: £17.8m). Gross profit margin was £145.9m (2020: £63.9m), up 128.3% on prior year. In FY22 the Group expects the gross margin rate to be similar or slightly ahead of FY21.

Administrative expenses for the year were £51.1m (2020: adjusted administrative expenses £50.3m), overhead efficiency is 6.5% (2020: adjusted overhead efficiency 7.4%) reflecting an ongoing discipline in managing the Group's central overheads. This charge contained the voluntary repayment in the year of £2.5m of Government Job Retention Scheme financial support which was received and recognised in the prior year. Given the Group's improved financial performance a higher bonus charge has also been recognised year-on-year and offsetting this has been the reclassification of management fee income from joint ventures of £1.5m to administrative expenses from cost of sales.

A net impairment loss on financial assets of £1.0m (2020: exceptional charge of £7.6m) was recognised in the year in respect of the London Chest Hospital development. This asset is held in a joint venture with an interest-bearing intercompany loan between the Group and the joint venture. The proposed development was subject to a judicial review in the year, challenging the consent that had been given to develop the site. The review was upheld, and the Group is in the process of appealing against the ruling. To reflect the latest timing now expected for works to commence and sales to then be recognised, and in consideration of the loan arrangement in the shared joint venture vehicle, the Group has recorded a further £1.0m charge for the expected credit loss on the loan associated with this scheme.

Adjusted operating profit rose strongly to £114.6m (2020: £57.1m) reflecting the significantly enhanced gross margin performance and ongoing focus on tightly controlling overheads. This translated into an adjusted profit before tax (APBT) for the year of £107.2m (2020: £45.9m), up 133.6% on prior year. Profit before tax after exceptional items for the year was £86.9m (2020: £13.5m loss), reflecting the combined impact of the stronger year-on-year operating profit contribution and the lower exceptional charge comparative. Operating profit was £93.8m (2020: loss of £1.8m).

The Group has made good progress this year in implementing its strategy and its turnaround is now complete. The divestment of the Longcross Film Studio has provided a significant one-off contribution to profitability in the year, but also significantly strengthened a rapidly improved balance sheet. Given these financial resources and the Group's positive outlook for the UK housing market, and clear visibility to improving gross margins in future years, the Group was pleased to announce an ambitious growth strategy at its Capital Markets Day on 20 October 2021 – see further detail on page 2.

Exceptional items

As we came out of the first lockdown in May 2020, the overwhelming consensus amongst market commentators was that house prices would fall sharply given the expected economic consequences of the pandemic. At this time, Crest Nicholson had some zero or low margin sites which would require impairing if this scenario was to be realised. This was the context for the exceptional net realisable value (NRV) provision that the Group made at HY20, as we applied an assumed 7.5% reduction in residential selling prices and a 32.0% reduction in commercial values across our whole portfolio.

In contrast to this outlook the housing market has performed strongly during the year. The Government acted decisively in the face of COVID-19 by temporarily reducing the rate of stamp duty and encouraging housebuilders to remain operational with the appropriate safety protocols in place. In addition, the way in which COVID-19 has challenged traditional working patterns has encouraged homeowners to assess the suitability of their current property for home working and driven a desire for more outdoor space. All these factors have helped underpin strong demand for new homes and resulted in house price inflation.

Accordingly, the Group took the decision at HY21 to reassess its NRV provision without a forecast 7.5% residential sales price fall. It has also retained the 32.0% commercial sales price fall assumption relating to commercial property, where market conditions remain challenging. Although a large proportion of this provision has, or will be utilised to trade out of complex, mostly apartment-based legacy schemes, releasing the remaining balance has created an exceptional credit to the income statement of £8.0m.

In the year ended 31 October 2019, following the latest Government guidance notes in respect of combustible materials, fire risk and protection, and regulatory compliance on completed developments, the Group recorded an exceptional charge of £18.4m.

In the year ended 31 October 2020, the Group reassessed the adequacy of the provision held, resulting in a net combustible materials charge of £0.6m, comprising a charge of £2.6m and a credit of £2.0m from settlement of claims against architects and subcontractors for incorrect building design or workmanship. These costs were previously included within the combustible materials exceptional expense.

In the current year, the Group again reassessed the adequacy of the provision held, resulting in a net charge of £28.8m, comprising a charge of £31.2m and a credit of £2.4m from settlements of claims against architects and subcontractors. The main driver for the increase in the charge has been the September 2021 deadline for freeholders and managing agents to apply for the Government's Building Safety Fund and so during the year the Group received new claims predominantly where it is no longer the freeholder of the building and following the results of intrusive surveys where fire related defects have been identified. The Group spent £3.4m in the year across several buildings requiring further investigative costs, including balcony and cladding related works. See notes 23 and 26 for additional information. Total exceptional items before tax are £20.3m (2020: £59.4m).

Finance expense and taxation

An adjusted net finance expense of £9.1m (2020: £10.7m) was £1.6m lower, as the Group's revolving credit facility remained undrawn for the duration of the year. An adjusted income tax charge in the year of £19.9m (2020: £8.5m) represented an effective tax rate of 18.6% (2020: 18.5%). The forthcoming impact of the Residential Property Developer Tax (RPDT) on the Group is detailed in note 8 to the financial statements.

Dividend

The Board proposes to pay a final dividend of 9.5 pence per share for the financial year end 31 October 2021 which, subject to shareholder approval, is expected to be paid on 8 April 2022 to shareholders on the register at the close of business on 18 March 2022. This is in addition to the 4.1 pence per share interim dividend that was paid in October 2021.

A transformed balance sheet

At 31 October 2021, the Group had net cash of £252.8m (2020: £142.2m) and was ungeared (2020: ungeared). Net cash and land creditors were £29.9m (2020: (£63.5m) net cash and land creditors). Return on capital employed increased strongly in the year to 17.2% (2020: 7.6%). The Group's balance sheet has been transformed over the past two years. A strong focus on more disciplined capital allocation and tightly aligning build stages, and associated work-in-progress, to sales rates has underpinned this progress and enabled the Group to run on an average net cash basis throughout the year. Average net cash during the period was £78.4m (2020: £99.6m average net debt). The Group has also successfully divested several poorer legacy schemes, transacting at a lower level of expected profitability over time for cash now, where it has been economically sensible to do so. During the year this review also extended to any non-core assets held on the balance sheet and resulted in the successful divestment of the Longcross Film Studio. This provided a one-off cash receipt of £46.0m, received in September 2021.

Inventories at 31 October 2021 were £1,037.5m (2020 restated to reflect the change in accounting policy on land options per note 23 to the financial statements: £1,017.7m), up 1.9% year-on-year. This balance is net of the NRV provision referred to above of £20.7m (2020: £37.1m) which now predominantly relates to the Group's schemes at Brightwells Yard, Farnham and Old Vinyl Factory, Hayes. A detailed reconciliation of this year's charge and the provision is made in note 19. Completed units at 31 October 2021 fell to £57.7m (2020: £107.0m). Approximately one-sixth (2020: one-fifth) of the stock of completed units was represented by show homes.

There has been a material improvement in the Group's defined benefit pension scheme, recognising a retirement benefit surplus in the year of £16.7m (2020: deficit £13.8m), driven mainly by improved asset returns and funding contributions in the year.

Net cash inflow from operating activities was £126.5m (2020: £114.2m) and return on capital employed improved strongly in the year to 17.2% (2020: 7.6%), reflecting the effect of both the increase in earnings and significantly enhanced balance sheet position. Net assets at 31 October 2021 were £901.6m (2020 restated: £825.3m), an increase of 9.2% on the previous year.

Land portfolio

The Group continues to benefit from a well-located land portfolio and has a clear strategy of how it intends to generate future value from these assets. The improvements delivered through the Group's operational efficiency programme are now being reflected in appraisals for new land, and this coupled with the significantly enhanced balance sheet position, has enabled the Group to step up its activity in the land market during the year. 4,332 plots have been approved for purchase at a forecast gross margin of 26.7% (after sales and marketing costs).

The Group's short-term land portfolio at 31 October 2021 contained 14,677 (2020: 14,991) plots, representing circa five years of supply. The associated forecast gross margin of this portfolio increased in the year to £1,145.7m (2020: £829.8m), primarily because of the NRV reversal referenced above. At the year end the Group held 22,308 (2020: 22,724) plots in the strategic land portfolio, resulting in a total land portfolio of 36,985 (2020: 37,715) plots.

During the year the Group added 1,510 units to the short-term land portfolio and delivered 2,407 home completions. The ASP of units within the short-term portfolio, including affordable units and units being sold for private rental, increased to £325,000 (2020: £295,000), up 10.2% reflecting the effect of the reversal of the NRV provision referenced above, an element of house price inflation embedded in the portfolio and the change to equivalent unit basis.

	2021		**2020**	
	Units[1]	GDV[2] – £m	Units[1]	GDV[2] – £m
Short-term housing	14,677	4,482	14,991	4,424
Short-term commercial	–	44	–	73
Total short-term	**14,667**	**4,526**	**14,991**	**4,497**
Strategic land	22,308	7,308	22,724	6,863
Total land pipeline	**36,985**	**11,834**	**37,715**	**11,360**

(1) Units based on management estimates of site capacity. FY21 includes joint venture units at full unit count (2020: Group's share of joint venture units). FY21 is presented on an equivalent unit basis which allocates a proportion of the unit count for a deal to the land sale element where the deal contains a land sale (2020: no equivalent unit allocation to land sale element).

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

Duncan Cooper
Group Finance Director

Cautionary statement regarding forward-looking statements

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

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

Principal Risks and Uncertainties

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

Emerging risks

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

Our emerging risks are identified through horizon-scanning by the Executive Leadership Team and Board in relation to industry and macroeconomic trends. This is supported by our divisional risk review process.

Examples of emerging risks which were considered during the year are:

COVID-19 pandemic

Given the rising case numbers and variants in the UK over the winter period we continue to monitor the situation carefully and have the appropriate plans in place if there are further Government restrictions imposed, including the ability to work in a COVID-19-secure environment.

Regulatory change

This risk continues to evolve and has several dimensions. It reflects the proposed changes in regulations concerning energy efficiency and sustainability, the introduction of the New Homes Ombudsman alongside legacy matters, such as combustible materials and building safety. Possible changes to the planning systems have also been tabled by the Government and may impact our future land acquisitions and new home delivery. In addition, there is an outstanding consultation by BEIS in relation to audit and corporate governance.

Site labour and materials

Material shortages and labour availability have challenged our industry and created inflationary pressures in some areas. We have continually monitored the impact of these risks throughout the year and maintained effective relationships with our supply chain partners through comprehensive trade agreements. Where appropriate, we have forward ordered materials to secure supply and utilised available product alternatives, ensuring quality standards are maintained.

Reputational impact

Several legacy matters have impacted the perception of the housebuilding sector. If matters continue to negatively impact the industry’s earlier home buyers and other stakeholders, there is a potential that this could create a further principal risk.

Changes to our principal risks

As part of the Group’s risk review processes, some risks have evolved or been added to the Group’s principal risks:

Access to site labour and materials – increasing trend

Attracting and retaining our skilled people – increasing trend

Solvency and liquidity – decreasing trend

Laws, policies and regulations – increasing trend

Climate change – new risk.

Please see further details in Principal risks below.

Principal risks

1. Epidemic or pandemic from infectious diseases	
Risk description An epidemic or pandemic of an infectious disease may lead to the imposition of Government controls on the movement of people, including social distancing, with the cessation of large parts of the economy for a significant period of time. This could lead to: Short to medium-term impact to consumer confidence Lack of liquidity and/or mortgage availability in the mortgage market Disruption to our ability to deliver services to customers in the event of supply shortages and/or widespread loss of key people (both employees and subcontractors), with adverse impacts on customer volumes and experience.	**Actions/mitigations** 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 homeworking facilities. Engagement with industry bodies to enable construction and home moving activities to continue. **Development in the year** The UK Government has removed COVID-19 social distancing measures following the implementation of its vaccination programme enabling us to return to normalised construction and home moving activities. With infection rates fluctuating, the divisions are managing productivity in response to this. The Board and Executive Committee are aware that there is also a potential emerging risk around developing variants and continue to monitor the situation carefully. We have robust procedures and capabilities to operate through restrictions that may be reintroduced, developed from the learnt experiences of the pandemic so far.
2. Demand for housing	
Risk description A decline in macroeconomic conditions in the UK, which negatively impacts the UK residential property market and reduces the ability for people to buy homes, either through unemployment or low employment, constraints on mortgage availability, or higher costs of mortgage funding. Changes to regulations and taxes, for example stamp duty land tax (SDLT) and the impact of Government schemes like Help to Buy; Equity Loan (HtB). Decreased sales volumes occurring from a drop in housing demand, could see an increasing number of units held as unreserved stock and part exchange stock with a potential loss realised on final sales. An over-reliance on HtB, which has now been restricted, and other Government-backed ownership schemes to boost sales volumes and rates. Limited land availability restricting our ability to meet housing demand and allow us to grow successfully.	**Actions/mitigations** We focus on strategic purchasing of sites, continued development of shared ownership models and provision of a variety of incentive schemes. Forward sales, cash flow and work-in-progress are carefully monitored to give the Group time to react to changing market conditions. Regular sales forecasts and cost reviews to manage potential impact on sales volumes. We have an agile and appropriately structured organisation to meet the changing demands within the housebuilding sector. Our Multi Channel Approach gives us access to a range of tenure options in changing market conditions. **Development in the year** Although demand for housing remains strong, there are economic headwinds arising from the aftermath of COVID-19. Rising inflation and increasing energy costs could lead to reduced disposable income that may impact the housing market.

	The economic recovery is taking longer to materialise than initially forecast and the Government's HtB scheme is now restricted to first-time buyers with regional price caps. Our operational efficiency programme is enabling us to acquire land more competitively and build more efficiently. We continue to strengthen our balance sheet giving us the resources to be competitive in all market scenarios.
3. Safety, Health & Environment (SHE)	
Risk description A significant health and safety event could result in a fatality, serious injury or a dangerous situation to an individual. Significant environmental damage could be caused by operations on site or in our offices (for example, water contamination from pollution). Lack of recognition of the importance of the wellbeing of employees. These incidents or situations could have an adverse effect on our reputation and ability to secure public contracts and/or, if illegal, prosecution or significant financial losses.	**Actions/mitigations** We have strengthened the safety leadership culture and alignment of safety and operational performance. Focus on strengthening management systems with increased authority for divisional build managers and Group SHE advisors to undertake incident investigations and implement follow up actions. Appointment of an external independent safety auditor to conduct regular site safety reviews as appropriate and without warning. Use of Construction Environment Risk Assessments and Environmental Management Plans. Use of external specialist consultants and/or contractors where specific health and safety requirements demand. Development of health and wellbeing roadshows for employees and implementing flexible or agile working arrangements to enable employees to meet both their professional and/or personal needs. Operational focus at site, sales and office locations in response to the Government's COVID-19 guidance. SHE performance is a bonus metric target used across the Group, including for Executive Directors.
	Development in the year Safety performance continues to be our number one priority and performance remains stable. Our new house type range is reducing build complexity and related risks. We continue to have a rigorous safety monitoring regime with safety inspections at divisional levels, including an independent safety advisory firm to assist in monitoring site performance. Safety is embedded in our performance reviews, and we continue to enhance and develop our SHE policies and procedures.

4. Access to site labour and materials	
Risk description Rising production levels across the industry put pressure on our materials supply chain. The industry is struggling to attract the next generation of talent into skilled trade professions. There is also a potential reduction in labour availability from the EU market. Increased use of more modern methods of construction could result in a labour market that no longer has the knowledge and skills required to deliver these types of construction projects. It is also possible that the supply chain struggles to maintain capacity for new types of materials. Given the current UK economic climate and uncertainty there is an enhanced likelihood of suppliers and subcontractors facing insolvency.	**Actions/mitigations** We encourage longer-term relationships with our supply chain partners through Group trading agreements and multi-year subcontractor framework agreements. These agreements also seek to mitigate price increases. We maintain broad supply chain options to spread risk and meet contingency requirements. We engage in dialogue with major suppliers to understand critical supply chain risks and respond effectively. We have developed effective procurement schedules to mitigate supply challenges. We consider different construction methods such as timber frame or using alternative materials such as concrete bricks. **Development in the year** Material shortages and labour availability challenges continue to impact the housebuilding industry and this has led to inflationary pressures in the year. We continue to work with our supply chain partners to maximise our use of trade agreements and supply of available labour. Where possible and appropriate we forward order materials to secure supply and also utilise alternative products if they are available and it is appropriate to do so.
5. Customer service and quality	
Risk description Customer service and build quality falls below our required standards, resulting in a reduction of reputation and trust, which could impact sales rates and volumes. Unforeseen product safety, quality issues or latent defects emerge due to new construction methods. Failure to effectively implement new regulations on build quality and respond to emerging technologies.	**Actions/mitigations** The updated strategy focuses on enhancing build quality, maintaining a five-star customer satisfaction rating and a retained commitment to excellent placemaking. We have enhanced our quality and build stage inspections to monitor adherence to our quality standards. We have a clear strategy and action plan for addressing legacy combustible materials risk and have made a further provision in our FY21 financial statements. We have a new house type range that reduces complexity and drives improvements in quality. Customer satisfaction and quality performance is a bonus metric target used across the Group, including for Executive Directors.

	Development in the year Excellent customer service is one of our strategic priorities, embedding a 'right first time' culture that focuses on the delivery of our homes and after sales services. We have a strong brand and continue to be rated as a five-star housebuilder by the Home Builders Federation (HBF).
6. Build cost management	
Risk description Build cost inflation and unforeseen cost increases driven by demands in the supply chain or failure to implement adequate cost control systems. Lack of awareness and understanding of external factors that may impact build costs including complex planning permissions and emerging sustainability and environmental regulations. A lack of quality in the build process could expose the Group to increased costs, reduced selling prices and volumes, and impact our reputation.	**Actions/mitigations** We benchmark our costs against existing sites to ensure our rates remain competitive. We build and maintain strong relationships with our suppliers and seek to obtain volume purchasing benefits. We operate a fair and competitive tender for works process and we are committed to paying our suppliers and subcontractors promptly. There are rigorous and regular divisional build cost review processes and site-based quality reviews. We continue to monitor alternative sources of supply where possible and utilise alternative production methods or materials where it is appropriate to do so. **Development in the year** Operational Efficiency is one of the Group's strategic priorities and the Executive Leadership Team routinely reviews build cost movements at both a Group and divisional level. The implementation of COINS as our new ERP platform will enhance the reporting of build costs across the Group.
7. Information security and business continuity	
Risk description Cyber security risks such as data breaches and hacking leading to the loss of operational systems, market-sensitive information or other critical data which compromises compliance with data privacy requirements. This could result in a higher risk of fraud, financial penalties and an impact to reputation.	**Actions/mitigations** We employ network security measures and intrusion detection monitoring, including virus protection on all computers and servers, and carry out annual security-breach tests. We utilise customer relationship management systems for storing sensitive data to prevent negligent misuse by employees. This is complemented by: Employee training on data protection and internet security Data classification, retention policies and toolsets with appropriate and responsive procedures embedded to respond to data privacy matters IT disaster recovery and business continuity plans.

	Development in the year The threat of external cyber security risk is ever present, and we routinely experience phishing attempts on our IT systems. We continue to utilise a Security Operations Centre (SOC) to monitor our networks and have enhanced our security policies and procedures with further training for employees. We regularly perform phishing training and mock exercises to highlight the risks across the Group. The established Data and Cyber Security Sub-Board, chaired by the Group Finance Director, continues to monitor threats and develops appropriate policies and procedures.
8. Attracting and retaining our skilled people	
Risk description An increasing skills gap in the industry at all levels resulting in difficulty with recruiting the right and diverse mix of people for vacant positions. Employee turnover and requirement to induct and embed new employees, alongside the cost of wages increasing as a result of inflated offers in the market. Loss of knowledge within the Group which could result in inefficiencies, productivity loss, delays to business operations, increasing costs, and an overuse or reliance on consultants and the supply chain.	**Actions/mitigations** Employee engagement survey, supported by pulse surveys, to enable the Executive Leadership Team to understand and support concerns raised by our people. Continual focus on improving flexible and agile working arrangements to support employees. Programmes of work to develop robust succession plans and improve diversity across the business. Providing quality training and professional development opportunities through our entry-level training programmes. We monitor pay structures and market trends to ensure we remain competitive.
	Development in the year Our industry continues to face a skills shortage and there is an increased demand for employees. To address this, we provide competitive salary packages, reflecting market rates and offer a wide range of career development opportunities. We continue to monitor employee turnover and review employee feedback through engagement surveys. During the year we launched a new employee induction programme and have made further improvements to our learning and development programme across the Group. We engage with our employees through a variety of communications and forums. We have doubled our trainees and we have increased resourcing to address specific legacy issues.

<table>
<tr><td colspan="2">9. Solvency and liquidity</td></tr>
<tr><td rowspan="2">Risk description

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

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

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

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

To reflect the cyclical nature of housebuilding and following the Global Financial Crisis, equity investors in housebuilders now expect a lower-risk investment proposition by way of a more capitalised and robust balance sheet.</td>
<td>Actions/mitigations

Cash generation is a key focus for the Executive Leadership Team. Cash performance is measured against forecast with a variance analysis issued weekly by the Group Treasurer. Cash performance is also considered at divisional board level.

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

The Group has available the use of a £250m revolving credit facility (RCF) which was unused throughout FY21.

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

Cash management is a bonus metric target used across the Group, including for Executive Directors.</td></tr>
<tr><td>Development in the year

The balance sheet has been transformed, aided significantly by the divestment of our interest in the Longcross Film Studio for £46m.

Diverse sources of finance are in place with £100m of senior notes maturing 2024-29 and a £250m RCF expiring in 2024.

We have maintained operational capital discipline and effective management of cash, margin and return on capital employed.</td></tr>
<tr><td colspan="2">10. Laws, policies and regulations</td></tr>
<tr><td>Risk description

This risk is two-fold, both changes to upcoming regulations and combustible materials.

Upcoming regulations and guidance

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

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

Failure to effectively implement new environmental regulations including the Future Homes Standard (FHS) and the Environment Act 2021, New Homes Ombudsman, BEIS consultation on audit reform and corporate governance and the developments from the new Building Safety Act.</td>
<td>Actions/mitigations

We engage with the Government directly and through the HBF, via various memberships of industry groups and build relationships in key local authority areas.

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

Combustible materials

During 2019 the Group established robust controls and processes in respect of combustible materials. Since that time these have been overseen by a regular review meeting which is attended by the Chief Executive, Group Finance Director and the internal project team responsible for this area. The forum reviews a detailed risk register of all schemes under review including any recent customer, or other affected stakeholder, correspondence and considers how the Group may choose to respond. In addition, the forum assesses</td></tr>
</table>

Combustible materials Failure to plan and implement the guidance notes issued by the Government in respect of combustible materials and fire safety. This is a complex area where it is often difficult to identify and implement remedies quickly. The rapidly changing landscape of regulatory guidance and need to engage with multiple stakeholders contribute to this complexity as does the limited availability of qualified resource to oversee work performed.	whether faulty workmanship or design was a factor in the potential remedial works, and if appropriate seeks to recover these costs directly from the subcontractor or consultant involved, or through engagement of external legal counsel. **Development in the year** The pace of regulatory reform is increasing. We are well developed in planning for the requirements arising from the FHS and other new and emerging regulations such as the BEIS consultation on audit reform and corporate governance. We undertake close Government consultation regarding the New Homes Ombudsman and have developed plans for potential changes. We were also in close consultation regarding the new Residential Property Developer Tax which will be introduced in April 2022. We continue to monitor and review our combustible materials provisioning.
11. Climate change	
Risk description The Group will need to further enhance its sustainable practices and processes as we transition to a carbon ‘net zero’ business by 2050 at the very latest and continue to meet evolving Government regulations. We will need to adapt to physical climate changes and the risks that this presents to the Group and our operational sites. We will also need to consider any potential climate-related risk in our land acquisitions. Failure to mitigate these risks from climate change could impact our reputation with key stakeholders.	**Actions/mitigations** Through our Sustainability Committee, chaired by our Chief Executive, we assess climate-related risks and opportunities, on an ongoing basis. We have existing targets to reduce our scope 1 and 2 greenhouse gas emissions intensity by 25% by 2025 (2019 base year). We have signed up to the Business Ambition for 1.5°C, which aims to limit global temperature rise to 1.5°C above pre-industrial levels. We also commit to achieving net zero emissions across our value chain by no later than 2050. We plan to transition to exclusive use of renewable electricity which will lead to a significant reduction of emissions through our day-to-day operations. We are members of the Future Homes Hub, an industry-wide initiative to support the implementation of the Future Homes Delivery Plan to meet climate and environmental targets. We also have internal workstreams to plan for new regulations, including theFHS. **Development in the year** During the year we have continued to plan for the FHS and are an active member of the Future Homes Hub. Potential costs of the FHS are embedded in our divisional plans.

	We have reduced scope 1 and 2 carbon emissions intensity by 21% compared to our base year of 2019. We have increased the use of renewable electricity to 62% (2020: 56%). We became a signatory of the Business Ambition for 1.5°C and joined the United Nations-backed Race to Zero. We made a commitment to set new targets that will be validated by the Science Based Targets initiative. We continue to assess our progress against the Task Force for Climate-related Financial Disclosures (TCFD) recommendations and achieved a CDP rating of B.

CREST NICHOLSON HOLDINGS PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Integrated Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and the Company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Additionally, the Financial Conduct Authority's Disclosure Guidance and Transparency Rules require the Directors to prepare the Group financial statements in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- State whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union have been followed for the Group financial statements and international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements
- Make judgements and accounting estimates that are reasonable and prudent, and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

The Directors consider that the Annual Integrated Report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and Company's position and performance, business model and strategy.

- Each of the Directors, whose names and functions are listed on pages 74–75 of our Annual Integrated Report 2021 confirm that, to the best of their knowledge:
- The Group financial statements, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group
- The Company financial statements, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, give a true and fair view of the assets, liabilities and financial position of the company, and
- The Strategic Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

In the case of each Director in office at the date the Directors' Report is approved:

- So far as the Director is aware, there is no relevant audit information of which the Group's and Company's auditors are unaware, and
- They have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's and Company's auditors are aware of that information.

On behalf of the Board

Peter Truscott

Director

19 January 2022

AUDITED FINANCIAL INFORMATION

The consolidated financial statements and notes 1 to 30 for the year ended 31 October 2021 are derived from the Group's annual financial statements which have been audited by PricewaterhouseCoopers LLP. The unmodified audit report is available for inspection at the Group's registered office.

CREST NICHOLSON HOLDINGS PLC
CONSOLIDATED INCOME STATEMENT
For the year ended 31 October 2021

	Note	2021 Pre-exceptional items £m	2021 Exceptional items (note 4) £m	2021 Total £m	2020 Pre-exceptional items £m	2020 Exceptional items (note 4) £m	2020 Total £m
Revenue	3	786.6	-	786.6	677.9	-	677.9
Cost of sales		(619.9)	(20.8)	(640.7)	(570.2)	(43.8)	(614.0)
Gross profit/(loss)		166.7	(20.8)	145.9	107.7	(43.8)	63.9
Administrative expenses		(51.1)	-	(51.1)	(50.3)	(7.5)	(57.8)
Net impairment losses on financial assets	18	(1.0)	-	(1.0)	(0.3)	(7.6)	(7.9)
Operating profit/(loss)	5	114.6	(20.8)	93.8	57.1	(58.9)	(1.8)
Finance income	7	3.4	-	3.4	3.4	-	3.4
Finance expense	7	(12.5)	0.5	(12.0)	(14.1)	(0.5)	(14.6)
Net finance expense		(9.1)	0.5	(8.6)	(10.7)	(0.5)	(11.2)
Share of post-tax profits/(losses) of joint ventures using the equity method	14	1.7	-	1.7	(0.5)	-	(0.5)
Profit/(loss) before tax		107.2	(20.3)	86.9	45.9	(59.4)	(13.5)
Income tax (expense)/credit	8	(19.9)	3.9	(16.0)	(8.5)	11.3	2.8
Profit/(loss) for the year attributable to equity shareholders		87.3	(16.4)	70.9	37.4	(48.1)	(10.7)
Earnings/(loss) per ordinary share							
Basic	10	34.0p		27.6p	14.6p		(4.2)p
Diluted	10	33.9p		27.5p	14.5p		(4.2)p

The notes on pages 26 to 67 form part of these financial statements.

CREST NICHOLSON HOLDINGS PLC
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 October 2021

	Note	2021 £m	2020 £m
Profit/(loss) for the year attributable to equity shareholders		70.9	(10.7)
Other comprehensive income/(expense):			
Items that will not be reclassified to the consolidated income statement:			
Actuarial gains/(losses) of defined benefit schemes	17	20.2	(13.8)
Change in deferred tax on actuarial gains/(losses) of defined benefit schemes	16	(4.8)	2.7
Other comprehensive income/(expense) for the year net of income tax		15.4	(11.1)
Total comprehensive income/(expense) attributable to equity shareholders		86.3	(21.8)

The notes on pages 26 to 67 form part of these financial statements.

CREST NICHOLSON HOLDINGS PLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 October 2021

	Note	Share capital £m	Share premium account £m	Retained earnings £m	Total equity £m
Full year ended 31 October 2020					
Balance at 1 November 2019 – originally reported		12.8	74.2	766.9	853.9
Change in accounting policy – land options	29	-	-	(5.9)	(5.9)
Balance at 1 November 2019 – restated[1]		12.8	74.2	761.0	848.0
Loss for the year attributable to equity shareholders		-	-	(10.7)	(10.7)
Actuarial losses of defined benefit schemes	17	-	-	(13.8)	(13.8)
Change in deferred tax on actuarial losses of defined benefit schemes	16	-	-	2.7	2.7
Total comprehensive expense for the year		-	-	(21.8)	(21.8)
Transactions with shareholders:					
Equity-settled share-based payments	17	-	-	0.5	0.5
Purchase of own shares	24	-	-	(1.8)	(1.8)
Transfers in respect of share options		-	-	0.4	0.4
Balance at 31 October 2020		12.8	74.2	738.3	825.3
Full year ended 31 October 2021					
Balance at 1 November 2020 – originally reported		12.8	74.2	744.2	831.2
Change in accounting policy – land options	29	-	-	(5.9)	(5.9)
Balance at 1 November 2020 – restated[1]		12.8	74.2	738.3	825.3
Profit for the year attributable to equity shareholders		-	-	70.9	70.9
Actuarial gains of defined benefit schemes	17	-	-	20.2	20.2
Change in deferred tax on actuarial gains of defined benefit schemes	16	-	-	(4.8)	(4.8)
Total comprehensive income for the year		-	-	86.3	86.3
Transactions with shareholders:					
Equity-settled share-based payments	17	-	-	1.8	1.8
Deferred tax on equity-settled share-based payments	16	-	-	0.1	0.1
Purchase of own shares	24	-	-	(1.6)	(1.6)
Transfers in respect of share options		-	-	0.2	0.2
Dividends paid	9	-	-	(10.5)	(10.5)
Balance at 31 October 2021		12.8	74.2	814.6	901.6

[1] Restated to reflect the change in accounting policy on land options. See note 29.

The notes on pages 26 to 67 form part of these financial statements.

CREST NICHOLSON HOLDINGS PLC
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 October 2021

			Restated[1]
		2021	2020
ASSETS	**Note**	**£m**	**£m**
Non-current assets			
Intangible assets	11	29.0	29.0
Property, plant and equipment	12	1.2	2.0
Right-of-use assets	13	3.7	6.0
Investments in joint ventures	14	6.8	3.7
Financial assets at fair value through profit and loss	15	4.2	4.6
Deferred tax assets	16	4.8	9.8
Retirement benefit surplus	17	16.7	-
Trade and other receivables	18	44.5	55.6
		110.9	110.7
Current assets			
Inventories	19	1,037.5	1,017.7
Financial assets at fair value through profit and loss	15	1.1	0.8
Trade and other receivables	18	102.4	95.2
Current income tax receivable		5.8	3.4
Cash and cash equivalents	20	350.7	239.4
		1,497.5	1,356.5
Total assets		1,608.4	1,467.2
LIABILITIES			
Non-current liabilities			
Interest-bearing loans and borrowings	21	(97.9)	(97.2)
Trade and other payables	22	(107.6)	(151.7)
Lease liabilities	13	(2.7)	(4.7)
Deferred tax liabilities	16	(4.1)	-
Retirement benefit obligations	17	-	(13.8)
Provisions	23	(28.4)	(3.4)
		(240.7)	(270.8)
Current liabilities			
Trade and other payables	22	(449.5)	(357.0)
Lease liabilities	13	(1.9)	(2.3)
Provisions	23	(14.7)	(11.8)
		(466.1)	(371.1)
Total liabilities		(706.8)	(641.9)
Net assets		901.6	825.3
EQUITY			
Share capital	24	12.8	12.8
Share premium account	24	74.2	74.2
Retained earnings		814.6	738.3
Total equity		901.6	825.3

[1] Restated to reflect the change in accounting policy on land options. See note 29.

The notes on pages 26 to 67 form part of these financial statements.
These financial statements on pages 22 to 67 were approved by the Board of Directors on 19 January 2022.

On behalf of the Board

PETER TRUSCOTT
Director

DUNCAN COOPER
Director

CREST NICHOLSON HOLDINGS PLC
CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 October 2021

	Note	2021 £m	2020 £m
Cash flows from operating activities			
Profit/(loss) for the year attributable to equity shareholders		**70.9**	**(10.7)**
Adjustments for:			
Depreciation on property, plant and equipment	**12**	**1.0**	**4.4**
Depreciation on right-of-use assets	**13**	**2.4**	**2.7**
Net finance expense	**7**	**8.6**	**11.2**
Share-based payment expense	**17**	**1.8**	**0.5**
Share of post-tax (profits)/losses of joint ventures using the equity method	**14**	**(1.7)**	**0.5**
Impairment of inventories movement	**19**	**(16.4)**	**29.3**
Net impairment of financial assets	**18**	**1.0**	**7.9**
Income tax expense/(credit)	**8**	**16.0**	**(2.8)**
Operating profit before changes in working capital, provisions and contributions to retirement benefit obligations		**83.6**	**43.0**
Decrease in trade and other receivables		**4.8**	**45.8**
(Increase)/decrease in inventories		**(3.4)**	**96.8**
Increase/(decrease) in trade and other payables		**73.5**	**(52.9)**
Contribution to retirement benefit obligations	**17**	**(11.2)**	**(6.7)**
Cash generated from operations		**147.3**	**126.0**
Finance expense paid		**(6.9)**	**(8.7)**
Income tax paid		**(13.9)**	**(3.1)**
Net cash inflow from operating activities		**126.5**	**114.2**
Cash flows from investing activities			
Purchases of property, plant and equipment	**12**	**(0.2)**	**(0.3)**
Disposal of financial assets at fair value through profit and loss	**15**	**1.0**	**1.3**
Funding to joint ventures		**(13.0)**	**(15.6)**
Repayment of funding from joint ventures		**11.5**	**10.1**
Finance income received		**0.1**	**0.3**
Net cash outflow from investing activities		**(0.6)**	**(4.2)**
Cash flows from financing activities			
Repayment of bank and other borrowings		**-**	**(36.9)**
Principal elements of lease payments	**13**	**(2.7)**	**(2.9)**
Dividends paid	**9**	**(10.5)**	**-**
Purchase of own shares	**24**	**(1.6)**	**(1.8)**
Proceeds from share option transfers		**0.2**	**0.4**
Net cash outflow from financing activities		**(14.6)**	**(41.2)**
Net increase in cash and cash equivalents		**111.3**	**68.8**
Cash and cash equivalents at the beginning of the year		**239.4**	**170.6**
Cash and cash equivalents at end of the year	**20**	**350.7**	**239.4**

The notes on pages 26 to 67 form part of these financial statements.

1 ACCOUNTING POLICIES

Basis of preparation
Crest Nicholson Holdings plc (Company) is a public limited company incorporated, listed and domiciled in the UK. The address of the registered office is Crest Nicholson Holdings plc, Crest House, Pyrcroft Road, Chertsey, Surrey, KT16 9GN. The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the Group) and include the Group's interest in jointly controlled entities. The parent company financial statements present information about the Company as a separate entity and not about its Group.

The financial statements are presented in pounds sterling and amounts stated are denominated in millions (£m).

The Group financial statements have been prepared and approved by the Directors in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, and international financial reporting standards (IFRS) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, and have been prepared on the historical cost basis except for financial assets at fair value through profit and loss, which are as otherwise stated. In future periods the financial statements will be prepared in accordance with UK-adopted international accounting standards. There is no difference currently to the Group preparing the consolidated financial statements on either basis. The parent company financial statements are presented on pages 68 to 71.

The preparation of financial statements in conformity with IFRS requires the Directors to make assumptions and judgements that affect the application of policies and reported amounts within the financial statements. Assumptions and judgements are based on experience and other factors that the Directors consider reasonable under the circumstances. Actual results may differ from these estimates.

Judgements made by the Directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed below.

Going concern
The Directors have adopted the going concern basis in preparing the financial statements and have concluded that there are no material uncertainties leading to significant doubt about the Group's going concern status.

Assessment of principal risks
The Directors assessed the Group's principal risks as detailed on pages 13 to 20 and considered three overarching risks when developing the stress testing for this assessment.

Risk	Mitigation and other considerations	Link to principal risks
Will the volume of home completions fall? • Will COVID-19 or other unforeseen economic shocks disrupt future operations and our ability to build and sell properties? • Will material and labour availability shortages worsen and impact project timelines?	• The Group has successfully demonstrated its ability to build safely throughout the pandemic and in line with Government-issued protocols • The UK Government has shown consistently strong support for construction projects during pandemic restrictions • The Group benefits from strong supplier and subcontractor relationships that help mitigate availability issues.	• Epidemic or pandemic from infectious diseases • Access to site labour and materials
Will UK house prices fall? • Will economic confidence drop because of post-pandemic economic policies – for example higher taxation to repay Government debt or rising interest rates to combat inflation? • Will the recent rises in UK house prices result in an affordability gap that is now so high that a pricing correction will follow?	• The Group has a strong forward order book of reservations and exchanges at prevailing prices • There is strong appetite for institutional capital investment into the UK property market that helps mitigate any cyclical drop in confidence in the private market • The Group participates in affordability schemes such as Deposit Unlock.	• Demand for housing

Risk	Mitigation and other considerations	Link to principal risks
Will build cost inflation remain high and sustained? • Will the availability of materials and labour remain scarce because of the unpredictable nature of the post-pandemic recovery and the UK's exit from the European Union? • Will the move to more sustainable building practices and materials lead to an increase in construction costs	• The Group benefits from well-negotiated central contracts with suppliers which help mitigate cost increases • The Group is including the cost of the Future Homes Standard (FHS) into its land acquisition appraisals.	• Access to site labour and materials • Build cost management

Applying these risks against future forecasts
The Directors have considered prior years' trading performance and the completed weeks of trading since 31 October 2021. The Group has performed in line with expectations and retains a strong level of working capital and liquidity to execute its strategy. The Group benefits from a £250.0m revolving credit facility (RCF) and £100.0m of senior loan notes which are both subject to three financial covenant tests. The Group does not disclose the terms of these covenants as it considers them to be commercially confidential. Given the Group's strong liquidity position the Directors consider the impact of breaching one of these covenants as being the first sign that the Group could be in distress and should be the basis of assessing its going concern basis in this year's financial statements.

The Directors have then considered three scenarios that stress test how the Group would perform against the risks outlined above.

1. 'Base case'. The Directors have considered the forecast for FY22. This forecast remains in line with the FY22 budget considered and approved by the Board in November 2021.

   The base case scenario assumes house price inflation and build cost inflation continue at current levels. The Group has already secured a significant proportion of sales for FY22 by way of its strong forward order book. Under this scenario the Group maintains a strong level of liquidity and financial headroom throughout FY22 and beyond and remains compliant with all three covenants with comfortable headroom.

2. 'Severe but plausible downside case'. The Directors have then applied the three risks outlined above to the base case scenario. Effective from November 2021, an immediate 15.0% reduction in forecast home completions has been applied, a 7.5% reduction in forecast average selling prices and a 5.0% increase in forecast build costs. Each of these risks has been applied individually to the base case scenario and the Group remains compliant with all three covenants with comfortable headroom. The Directors have then applied all three risks together, in conjunction, to reflect what they consider to be a 'severe but plausible downside case' outcome and trading environment. This inevitably places a higher stress onto the base case scenario, but again the Group remains compliant with all three covenants with comfortable headroom.

   In all three 'downside' individual scenarios and in the combined scenario, the Group has not calculated or applied the benefit of any mitigation efforts to offset the deterioration in financial performance. Faced with this trading environment, mitigations would be developed and implemented by the Directors depending on the nature of the risk and scenario in place.

3. 'Test to failure'. The assumptions have then individually, and again in combination, been applied to each of the risks above to a level beyond that which is considered to be a plausible 'downside' scenario. This informs the Directors as to what level of stress would be needed to realise a breach in any of the covenants. The results of these tests are not disclosed as they are considered commercially confidential.

Mitigation options and considerations
Based on the assessment methodology outlined above the Directors have not quantified the impact of any mitigations that could be applied in a deteriorating trading environment. Such mitigations, some of which were applied in the prior year, could include:
- The impact of any immediate reduction in home reservations or achieved average selling prices would be mitigated by the Group's significant forward order book of reservations and exchanges
- A reduction in Group overheads to reflect the lower build and selling activity in a weaker trading environment
- Renegotiation of supplier arrangements as the amount of build activity contracts and materials suppliers and subcontractors are required to be more competitive
- Mothballing unproductive and/or capital-intensive schemes
- Repaying interest-bearing products to reduce the net interest charge, recognising the Group's strong liquidity position.

Conclusion on going concern
In reviewing the assessment outlined above the Directors are confident that the Group has the necessary resources and mitigations available to continue trading for at least 12 months from the date of signing of the financial statements. Accordingly, the financial statements continue to be prepared on a going concern basis.

Critical accounting estimates and judgements
The preparation of the consolidated financial statements under IFRS requires the Directors to make estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses and related disclosures. In applying the Group's accounting policies, the key judgements that have a significant impact on the financial statements, include those involving estimates, which are described below, the judgement to present certain items as exceptional (see note 4), certain revenue policies relating to part exchange sales, the identification of performance obligations where a revenue transaction involves the sale of both land and residential units and revenue on the units is then subsequently recognised over time, and the recognition of the defined benefit pension scheme surplus (see note 17).

Estimates and associated assumptions affecting the financial statements are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The estimates and underlying assumptions are reviewed on an ongoing basis. Changes in accounting estimates may be necessary if there are changes in the circumstances on which the estimate was based or as a result of new information.

Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

The Directors have made estimates and assumptions in reviewing the going concern assumption as detailed above. The Directors consider the key sources of estimation uncertainty that have a risk of causing a material adjustment to the carrying value of assets and liabilities as described below:

Carrying value of inventories
Inventories of work-in-progress, completed buildings including show homes and part exchange inventories are stated in the consolidated statement of financial position at the lower of cost or net realisable value (NRV). On a monthly basis management update estimates of future revenue and expenditure for each development. Future revenue and expenditure may differ from estimates which could lead to an impairment of inventory if there are adverse changes. Where forecast revenues are lower than forecast expenditure an inventory provision is made. This provision may be reversed in subsequent periods if there is evidence of improved revenue or reduced expenditure forecast on a development. If forecast revenue was 10% lower on sites within the short-term portfolio as at 31 October 2021, the impact on profit before tax and inventories would have been £10.9m lower (2020: £27.7m).

Estimation of development profitability
Due to the nature of development activity and, in particular, the length of the development cycle, the Group has to make estimates of the costs to complete developments, in particular those which are multi-phase and/or may have significant infrastructure costs. These estimates are reflected in the margin recognised on developments in relation to sales recognised in the current and future years. There is a degree of inherent uncertainty in making such estimates. The Group has established internal controls that are designed to ensure an effective assessment of estimates is made of the costs to complete developments. The Group considers estimates of the costs to complete on longer-term sites, which typically have higher up front shared infrastructure costs to have greater estimation uncertainty than sites of shorter duration with less infrastructure requirements. If forecast costs were 10% higher on sites which contributed to the year ended 31 October 2021 and which are forecast to still be in production beyond the year ending 31 October 2023 (2020: beyond the year ending 31 October 2022), profit before tax in the current year would have been £12.8m lower (2020: £19.0m lower).

The Group has considered the potential financial impacts associated with transitional and physical climate-related risks and opportunities. The primary known impact is the Future Homes Standard (FHS), due to be implemented from 2025, which is expected to increase build cost for individual units. The anticipated additional build cost has been included in new project acquisition appraisals since the FHS was announced. Projects already underway will be substantially built out before the new regulations commence. It is not expected that the additional build cost will have a material impact on the carrying value of inventories or their associated project margins. Further information on climate-related risks and opportunities is provided on page 61 of the Annual Integrated Report 2021.

Valuation of the pension scheme assets and liabilities
In determining the valuation of the pension scheme assets and liabilities, the Directors utilise the services of an actuary. The actuary uses key assumptions being inflation rate, life expectancy, discount rate, pension growth rates and Guaranteed Minimum Pensions, which are dependent on factors outside the control of the Group. To the extent that such assumptions differ to that expected, the pension liability would change. See note 17 for additional details.

Combustible materials
The combustible materials provision requires a number of key estimates and judgements in its calculation. If it is deemed that the costs are probable and can be reliably measured then, as per IAS 37, a provision is recorded. If costs are considered possible or cannot be reliably estimated then they are recorded as contingent liabilities (see note 26). The key judgements include but are not limited to identification of the properties impacted through the period of construction considered, the time period to consider and which properties should then be included. The key estimates then applied to these properties include the potential costs of investigation, replacement materials, works to complete and disruption to customers, along with the timing of forecast expenditure. During the year, the combustible materials provision has been increased to reflect the most contemporaneous assessment of these costs. If forecast remediation costs on buildings currently provided for are 20% higher than provided, the exceptional items charge in the consolidated income statement would be £8.6m higher. If further buildings are identified this could also increase the required provision, but the potential quantity of this change cannot be readily determined without further claims or investigative work. See notes 4 and 23 for additional details.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Group financial statements except in respect of the impact on inventories of options purchased in respect of land as detailed within the policies below.

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 2020:

- Amendments to IFRS 3: Definition of a business
- Amendments to IAS 1 and IAS 8: Definition of material
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest rate benchmark reform
- Amendment to IFRS 16: COVID-19 related rent concessions.

The adoption of the amendments in the year did not have a material impact on the financial statements.

Impact of standards and interpretations in issue but not yet effective
There are a number of standards, amendments and interpretations that have been published that are not mandatory for the 31 October 2021 reporting period and have not been adopted early by the Group. The Group does not expect that the adoption of these standards, amendments and interpretations will have a material impact on the financial statements of the Group in future years.

Alternative performance measures
The Group has adopted various Alternative Performance Measures (APMs), as presented on pages 72 to 73. These measures are not defined by IFRS and therefore may not be directly comparable with other companies' APMs, and should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measurements.

Consolidation
The consolidated financial statements include the financial statements of Crest Nicholson Holdings plc, its subsidiary undertakings and the Group's share of the results of joint ventures and joint operations. Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation.

(a) Subsidiaries
Subsidiaries are entities in which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns through its power over the entity. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The profits and losses of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The acquisition method of accounting is used by the Group to account for the acquisition of subsidiaries that are a business under IFRS 3. On acquisition of a subsidiary, all of the subsidiary's separable, identifiable assets and liabilities existing at the date of acquisition are recorded at their fair values reflecting their condition at that date. All changes to those assets and liabilities and the resulting gains and losses that arise after the Group has gained control of the subsidiary are charged to the post-acquisition consolidated income statement or consolidated statement of comprehensive income. Accounting policies of acquired subsidiaries are changed where necessary, to ensure consistency with policies adopted by the Group.

Acquisitions of subsidiaries which do not qualify as a business under IFRS 3 are accounted for as an asset acquisition rather than a business combination. Under such circumstances the fair value of the consideration paid for the subsidiary is allocated to the assets and liabilities purchased based on their relative fair value at the date of purchase. No goodwill is recognised on such transactions.

(b) Joint ventures
A joint venture is a contractual arrangement in which the Group and other parties undertake an economic activity that is subject to joint control and these parties have rights to the net assets of the arrangement. The Group reports its interests in joint ventures using the equity method of accounting. Under this method, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's share of results of the joint venture after tax is included in a single line in the consolidated income statement. Where the share of losses exceeds the Group's interest in the entity and there is no obligation to fund these losses, the carrying amount is reduced to nil and recognition of further losses is discontinued, unless there is a long-term receivable due from the joint venture in which case, if appropriate, the loss is recognised against the receivable. Unrealised gains on transactions between the Group and its joint ventures are eliminated on consolidation. Accounting policies of joint ventures have been changed where necessary, to ensure consistency with policies adopted by the Group.

(c) Joint operations
A joint operation is a joint arrangement that the Group undertakes with other parties, in which those parties have rights to the assets and obligations of the arrangement. The Group accounts for joint operations by recognising its share of the jointly controlled assets and liabilities and income and expenditure on a line-by-line basis in the consolidated statement of financial position and consolidated income statement.

Goodwill
Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the acquired entity at the date of the acquisition. Goodwill arising on acquisition of subsidiaries and businesses is capitalised as an asset. The goodwill balance has been allocated to the strategic land holdings within the Group. The Group expects to benefit from the strategic land holdings for a further period of 14 years to 2035. The period used in the assessment represents the estimated time it will take to obtain planning and build out on the remaining acquired strategic land holdings. Goodwill is assessed for impairment at each reporting date. The sites acquired are considered as a singular cash-generating unit and the value in use is calculated on a discounted cash flow basis with more speculative strategic sites given a lower probability of reaching development. The calculated discounted cash flow value is compared to the goodwill balance to assess if it is impaired. Any impairment loss is recognised immediately in the consolidated income statement.

Revenue and profit recognition
Revenue comprises the fair value of the consideration received or receivable, net of value added tax, rebates and discounts.

The Group does not recognise revenue on the proceeds received on the disposal of properties taken in part exchange against a new property as they are incidental to the main revenue generating activities of the Group. Surpluses or deficits on the disposal of part exchange properties, which are bought in at their forecast recoverable amount, are recognised directly within cost of sales and are not material to the results of the Group. Proceeds received on the disposal of part exchange properties, which is not included in revenue, are £48.6m (2020: £40.6m).

Revenue is recognised on house and apartment sales at legal completion. For affordable and other sales in bulk, revenue recognition is dependent on freehold legal title being passed to the customer as it is considered that upon transfer of freehold title that the customer controls the work-in-progress. Where freehold legal title and control is passed to the customer, revenue is recognised on any upfront sale of land (where applicable) and then on the housing units as the build of the related units progresses, using the input method based on costs incurred. Where freehold legal title is not passed to the customer, revenue is not recognised on any upfront sale of land and the revenue on the housing units and sale of land is recognised at handover of completed units to the customer. The transaction price for all housing units is derived from contractual negotiations and does not include any material variable consideration.

Revenue is predominantly recognised on land sales when legal title passes to the customer. If the Group has remaining performance obligations such as the provision of services to the land an element of revenue is allocated to these performance obligations and recognised as the obligations are performed, which can be when the works are finished if the work in progress is controlled by the Group or over the performance of the works if they are controlled by the customer.

Revenue recognition on commercial property sales is dependent on freehold legal title being passed to the customer, as it is considered that upon transfer of freehold title that the customer controls the work in progress. Where freehold legal title is passed to the customer, revenue is recognised on any upfront sale of land (where applicable) and then on the development revenue over time as the build of the related commercial units progress. Where freehold legal title is not passed to the customer revenue is not recognised on any upfront sale of land and the revenue on the commercial property is recognised at handover of the completed commercial unit to the customer.

The transaction price for commercial property revenue may include an element of variable consideration based on the commercial occupancy of the units when they are completed, though this is not expected to be material. If this is the case, the Directors take the view that unless the lettings not yet contracted are highly probable they should not be included in the calculation of the transaction price. The transaction price is regularly updated to reflect any changes in the accounting period.

Revenue is recognised on freehold reversion sales when the customer is contractually entitled to the ground rent revenue stream associated with the units purchased.

Revenue on specification upgrades paid for by the customer or on the cost of specification upgrades offered to the customer as part of the purchase price is recognised as revenue when legal title passes to the customer.

Profit is recognised on a plot-by-plot basis, by reference to the margin forecast across the related development site. Due to the development cycle often exceeding one financial year, plot margins are forecast, taking into account the allocation of site-wide development costs such as infrastructure, and estimates required for the cost to complete such developments.

Government grants
Unconditional Government grants are recognised against the line item to which they relate in the consolidated income statement. Conditional Government grants received are presented in the consolidated statement of financial position as accruals and deferred income. As conditions are satisfied the Government grants are recognised against the line item to which they relate.

Exceptional items
Exceptional items are those which, in the opinion of the Directors, are material by size and/or non-recurring in nature such significant costs associated with combustible materials, significant costs associated with acquiring another business and significant inventory impairments. The Directors believe that these items require separate disclosure within the consolidated income statement in order to assist the users of the financial statements in understanding what the Directors consider to be the underlying business performance of the Group, which is how the Directors internally manage the business. Where appropriate, the material reversal of any of these amounts will also be reflected through exceptional items. Additional charges/credits to items classified as exceptional items in prior years will be classified as exceptional in the current year, unless immaterial to the financial statements. As these exceptional items can vary significantly year-on-year, they may introduce volatility into the reported earnings.

Net finance expense
Interest income is recognised on a time apportioned basis by reference to the principal outstanding and the effective interest rate. Interest costs are recognised in the consolidated income statement on an accruals basis in the period in which they are incurred.

Income and deferred tax
Income tax comprises current tax and deferred tax. Income tax is recognised in the consolidated income statement except to the extent that it relates to items recognised in other comprehensive income, in which case it is recognised in other comprehensive income. Current tax is the expected tax payable on taxable profit for the year and any adjustment to tax payable in respect of previous years. Taxable profit is profit before tax per the consolidated income statement after adjusting for income and expenditure that is not subject to tax, and for items that are subject to tax in other accounting periods. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the consolidated statement of financial position date. Current tax assets are recognised to the extent that it is probable the asset is recoverable.

Deferred tax is provided in full on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profits.

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax liabilities are recognised for all temporary differences. Deferred tax is calculated using tax rates that have been substantively enacted by the consolidated statement of financial position date.

Dividends
Final and interim dividend distributions to the Company's shareholders are recorded in the Group's financial statements in the earlier of the period in which they are approved by the Company's shareholders, or paid.

Employee benefits
(a) Pensions
The Group operates a defined benefit (DB) scheme (closed to new employees since October 2001 and to future service accrual since April 2010) and also makes payments into a defined contribution scheme for employees.

In respect of the DB scheme, the retirement benefit deficit or surplus is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, such benefits measured at discounted present value, less the fair value of the scheme assets. The rate used to discount the benefits accrued is the yield at the consolidated statement of financial position date on AA credit rated bonds that have maturity dates approximating to the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit method. The operating and financing costs of such plans are recognised separately in the consolidated income statement; past service costs and financing costs are recognised in the periods in which they arise. The Group recognises expected scheme gains and losses via the consolidated income statement and actuarial gains and losses are recognised in the period they occur directly in other comprehensive income, with associated deferred tax.

The retirement benefit deficit or surplus recognised in the consolidated statement of financial position represents the deficit or surplus of the fair value of the scheme's assets over the present value of scheme liabilities, with any net surplus recognised to the extent that the employer can gain economic benefit as set out in the requirements of IFRIC 14.

Payments to the defined contribution scheme are accounted for on an accruals basis.

(b) Share-based payments
The fair value of equity-settled, share-based compensation plans is recognised as an employee expense with a corresponding increase in equity. The fair value is measured as at the date the options are granted and the charge amended if vesting does not take place due to non-market conditions (such as service or performance) not being met. The fair value is spread over the period during which the employees become unconditionally entitled to the shares and is adjusted to reflect the actual number of options that vest. At the consolidated statement of financial position date, if it is expected that non-market conditions will not be satisfied, the cumulative expense recognised in relation to the relevant options is reversed. The proceeds received are credited to share capital (nominal value) and share premium when the options are exercised if new shares are issued. If treasury shares are used the proceeds are credited to retained reserves. There are no cash-settled share-based compensation plans.

Own shares held by Employee Share Ownership Plan trust (ESOP)
Transactions of the Company-sponsored ESOP are included in both the Group financial statements and the Company's own financial statements. The purchase of shares in the Company by the trust are charged directly to equity.

Software as a Service (SaaS) arrangements
Implementation costs including costs to configure or customise a cloud provider's application software are recognised as administrative expenses when the services are received, and the Group determines that there is no control over the asset in development.

Property, plant and equipment
Property, plant and equipment is stated at cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition. Depreciation is calculated to write off the cost of the assets on a straight-line basis to their estimated residual value over its expected useful life at the following rates:

Fixtures and fittings	10%
Computer equipment and non-SaaS software	20% to 33%

The asset residual values, carrying values and useful lives are reviewed on an annual basis and adjusted if appropriate at each consolidated statement of financial position date.

Right-of-use assets and lease liabilities
The Group assesses at lease inception whether a contract is, or contains, a lease. The Group recognises a right-of-use asset and a lease liability at lease commencement.

The right-of-use asset is initially recorded at the present value of future lease payments and subsequently measured net of depreciation, which is charged to the consolidated income statement as an administrative expense over the shorter of its useful economic life or its lease term on a straight-line basis.

The Group recognises lease liabilities at the present value of future lease payments, lease payments being discounted at the rate implicit in the lease or the Group's incremental borrowing rate as determined with reference to the most recently issued financial liabilities carrying interest. The discount is subsequently unwound and recorded in the consolidated income statement over the lease term as a finance expense. The lease term comprises the non-cancellable period of the contract, together with periods covered by an option to extend the lease where the Group is reasonably certain to exercise that option.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Inventories
Inventories are stated at the lower of cost and net realisable value (NRV).

Work-in-progress and completed buildings including show homes comprise land under development, undeveloped land, land option payments, direct materials, sub-contract work, labour costs, site overheads, associated professional fees and other attributable overheads, but excludes interest costs.

Part exchange inventories are held at the lower of cost and net realisable value, which includes an assessment of costs of management and resale. Any profit or loss on the disposal of part exchange properties is recognised within cost of sales in the consolidated income statement.

Land inventories and the associated land payables are recognised in the consolidated statement of financial position from the date of unconditional exchange of contracts. Land payables are recognised as part of trade and other payables.

Options purchased in respect of land are recognised initially as a prepayment within inventories and written down on a straight-line basis over the life of the option. If planning permission is granted and the option exercised, the option is not written down during that year and its carrying value is included within the cost of land purchased. The accounting policy for options purchased in respect of land was changed during the year, see note 29 for further information.

Provisions are established to write down inventories where the estimated net sales proceeds less costs to complete exceed the current carrying value. Adjustments to the provisions will be required where selling prices or costs to complete change. Net realisable value for inventories is assessed by estimating selling prices and costs, taking into account current market conditions.

Financial assets
Financial assets are initially recognised at fair value and subsequently classified into one of the following measurement categories:

- Measured at amortised cost
- Measured subsequently at fair value through profit and loss (FVTPL)
- Measured subsequently at fair value through other comprehensive income (FVOCI)

The classification of financial assets depends on the Group's business model for managing the asset and the contractual terms of the cash flows. Assets that are held for the collection of contractual cash flows that represent solely payments of principal and interest are measured at amortised cost, with any interest income recognised in the consolidated income statement using the effective interest rate method.

Financial assets that do not meet the criteria to be measured at amortised cost are classified by the Group as measured at FVTPL. Fair value gains and losses on financial assets measured at FVTPL are recognised in the consolidated income statement and presented within administrative expenses. The Group currently has no financial assets measured at FVOCI.

Financial assets at fair value through profit and loss
Financial assets at fair value through profit and loss (which comprise shared equity receivables) are classified as being held to collect and initially recognised at fair value. Changes in fair value relating to the expected recoverable amount are recognised in the consolidated income statement as a finance income or expense. These assets are held as current or non-current based on their contractual repayment dates.

Trade and other receivables
Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established based on an expected credit loss model applying the simplified approach, which uses a lifetime expected loss allowance for all trade and other receivables. The amount of the loss is recognised separately in the consolidated income statement. Current trade and other receivables do not carry any interest and are stated at their amortised cost, as reduced by appropriate allowances for estimated irrecoverable amounts. Non-current trade and other receivables are discounted to present value when the impact of discounting is deemed to be material, with any discount to nominal value being recognised in the consolidated income statement as interest income over the duration of the deferred payment.

Contract assets
Contract assets represent unbilled work-in-progress on affordable and other sales in bulk on contracts in which revenue is recognised over time. Contract assets are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less provision for impairment. Contract assets do not carry any interest and are stated at their amortised cost, as reduced by appropriate allowances for estimated irrecoverable amounts.

Cash and cash equivalents
Cash and cash equivalents are cash balances in hand and in the bank and are carried in the consolidated statement of financial position at nominal value.

Interest-bearing loans and borrowings
Borrowings are recognised initially at fair value, net of direct transaction costs, and subsequently measured at amortised cost. Finance charges are accounted for on an accruals basis in the consolidated income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise or included within interest accruals.

Financial liabilities
Financial liabilities are initially recognised at fair value and subsequently classified into one of the following measurement categories:

- Measured at amortised cost
- Measured subsequently at FVTPL.

Non-derivative financial liabilities are measured at FVTPL when they are considered held for trading or designated as such on initial recognition. The Group has no non-derivative financial liabilities measured at FVTPL.

Land payables
Land payables are recognised in the consolidated statement of financial position from the date of unconditional exchange of contracts. Where land is purchased on deferred settlement terms then the land and the land payable are discounted to their fair value using the effective interest method in accordance with IFRS 9. The difference between the fair value and the nominal value is amortised over the deferment period, with the financing element being charged as an interest expense through the consolidated income statement.

Trade and other payables
Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method. Trade and other payables on deferred terms are initially recorded at their fair value, with the discount to nominal value being charged to the consolidated income statement as an interest expense over the duration of the deferred period.

Contract liabilities
Contract liabilities represent payments on account, received from customers, in excess of billable work-in-progress on affordable and other sales in bulk on contracts. Contract liabilities are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Provisions
A provision is recognised in the consolidated statement of financial position when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount can be reliably estimated.

Seasonality
In common with the rest of the UK housebuilding industry, activity occurs throughout the year, with peaks in sales completions in spring and autumn. This creates seasonality in the Group's trading results and working capital.

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), Kieran Daya (Managing Director, Crest Nicholson Partnerships and Strategic Land), Jane Cookson (Group HR Director) 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 with consideration of relevant economic indicators such as the nature of the products sold and customer base, and, having regard to the aggregation criteria in IFRS 8, the Group identifies that it has one reportable operating segment.

3 REVENUE

	2021	2020
Revenue type	**£m**	**£m**
Open market housing including specification upgrades	**654.7**	**581.8**
Affordable housing	**78.7**	**76.6**
Total housing	**733.4**	**658.4**
Land and commercial sales	**49.2**	**17.8**
Freehold reversions	**4.0**	**1.7**
Total revenue	**786.6**	**677.9**

Land and commercial sales include revenue of £42.3m from the sale of the Longcross Film Studio to our joint unincorporated arrangement partner on that scheme. Commercial sales are immaterial in each year.

	2021	2020
Timing of revenue recognition	**£m**	**£m**
Revenue recognised at a point in time	**687.7**	**551.2**
Revenue recognised over time	**98.9**	**126.7**
Total revenue	**786.6**	**677.9**

Proceeds received on the disposal of part exchange properties, which is not included in revenue, were £48.6m (2020: £40.6m). These have been included within cost of sales.

	2021	2020
Assets and liabilities related to contracts with customers	**£m**	**£m**
Contract assets (note 18)	**56.4**	**53.6**
Contract liabilities (note 22)	**(25.0)**	**(32.8)**

Contract assets have increased to £56.4m from £53.6m in 2020, reflecting more unbilled work-in-progress on affordable and other sales in bulk at the year end. This increase is not significant and is in line with the trading of the Group.

Contract liabilities have reduced to £25.0m from £32.8m in 2020, reflecting a lower amount of payments on account received from customers in excess of billable work-in-progress on affordable and other sales in bulk on contracts on which revenue is recognised over time. This fall was driven primarily by a reduction in a number of sites where revenue was recognised at a point in time in the current year but the Group had received progress payments from the customer in the prior year.

Based on historical trends, the Directors expect a significant proportion of the contract liabilities total to be recognised as revenue in the next reporting period.

Included in revenue during the year was £21.3m (2020: £18.1m) that was included in contract liabilities at the beginning of the year.

During the year £nil (2020: £nil) of revenue was recognised from performance obligations satisfied or partially satisfied in previous years.

At 31 October 2021 there was £358.5m (2020: £260.8m) of transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied on contracts exchanged with customers. We are forecasting to recognise £261.7m (2020: £162.2m) of transaction prices allocated to performance obligations that are unsatisfied on contracts exchanged with customers within one year, £96.8m (2020: £98.6m) within two to five years, and £nil (2020: £nil) over five years.

4 EXCEPTIONAL ITEMS

Exceptional items are those which, in the opinion of the Directors, are material by size and/or non-recurring in nature and therefore require separate disclosure within the consolidated income statement in order to assist the users of the financial statements in understanding what the Directors consider to be the underlying business performance of the Group. This is consistent with how the Directors internally manage the business. Where appropriate, a material reversal of these amounts will be reflected through exceptional items. Exceptional items for the year relate to the same category of items booked in previous financial years.

	2021	2020
Cost of sales	**£m**	**£m**
Combustible materials charge	**31.2**	**2.6**
Combustible materials credit	**(2.4)**	**(2.0)**
Net combustible materials charge	**28.8**	**0.6**
Inventory impairment (credit)/charge	**(8.0)**	**43.2**
Total cost of sales exceptional charge	**20.8**	**43.8**
Administrative expenses		
Restructuring costs	**-**	**7.5**
Net impairment losses on financial assets	**-**	**7.6**
Net finance expense		
Finance expense (credit)/charge	**(0.5)**	**0.5**
Total exceptional charge	**20.3**	**59.4**
Tax credit on exceptional charge	**(3.9)**	**(11.3)**
Total exceptional charge after tax credit	**16.4**	**48.1**

Net combustible materials charge
In the year ended 31 October 2019, following the latest Government guidance notes in respect of combustible materials, fire risk and protection, and regulatory compliance on completed developments, the Group recorded an exceptional charge of £18.4m.

In the year ended 31 October 2020, the Group reassessed the adequacy of the provision held, resulting in a net combustible materials charge of £0.6m, comprising a charge of £2.6m and a credit of £2.0m from settlement of claims against architects and subcontractors for incorrect building design or workmanship, which is recognised when virtually certain. These costs were previously included within the combustible materials exceptional expense. As the recognition of the initial charge related to the settlement received was an exceptional expense, the settlement is therefore recognised as an exceptional income.

In the current year, the Group reassessed the adequacy of the provision held to reflect a contemporaneous assessment of expected remediation costs including additional claims received in the year. This has resulted in a net charge of £28.8m, comprising a charge of £31.2m and a credit of £2.4m from settlements of claims against architects and subcontractors. Due to the material nature of the charge, it has been recognised as an exceptional item. See note 23 for additional information.

Inventory impairment
Reflecting the anticipated deterioration to the housing sector and future economic uncertainty caused by COVID-19, along with uncertainty caused by Brexit and other market factors at the time, the Group recorded a £43.2m exceptional inventory impairment charge in the year to 31 October 2020, comprising £33.9m NRV charge on current operational developments and £9.3m on abortive work-in-progress. The £33.9m NRV charge was based on a consensus of external market commentary estimates from which the Directors derived key assumptions.

Sales price reductions of 7.5% and 32.0% for unexchanged residential and commercial units were applied to the entire inventory portfolio respectively. In addition, site specific provisions were also applied to schemes where the Directors anticipated that further price action would be needed in a challenging market. These schemes share common characteristics of being complex, urban-located and predominantly comprise apartment accommodation. Three of these complex legacy developments comprised the majority of the write down.

In the year ended 31 October 2021, the Group has not experienced the residential sales price reductions previously anticipated. Since recording the NRV charge the Government has acted decisively to support the housing market, allowing it to remain open during COVID-19 restrictions, and extending the deadline for the initial stamp duty holiday to 30 September 2021. The propensity to move home has also been boosted by expected changes to future remote working expectations. Accordingly, the Group has considered whether it remains appropriate to hold the remaining, unutilised residential 7.5% sales price provision and has concluded it should be released. Therefore, an exceptional inventory impairment credit of £8.0m has been recognised in the year. The sales price provision of 32.0% for unexchanged commercial units has been maintained due to continued uncertainty in this segment of the market.

The remaining NRV provision of £20.7m (of which £16.6m was recorded as exceptional in 2020) held by the Group as presented in note 19, mainly represents site specific provisions on two complex legacy developments which are unaffected by the removal of the residential 7.5% sales price reductions, and have agreed fixed prices in place.

Administrative expenses and net impairment losses on financial assets
In the prior year the Group recorded restructuring costs of £7.5m within administrative expenses and net impairment losses on financial assets of £7.6m as detailed in the Annual Integrated Report 2020. A further £1.0m net impairment loss on financial assets was recorded in the current year and is not presented as an exceptional item due to materiality and nature.

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 charge of £0.5m reflects the application of the 7.5% sales price reduction, and in line with the removal of this assumption as noted above, this results in a reduced exceptional finance expense of £0.5m in the current year.

Taxation
An income tax credit of £3.9m (2020: £11.3m) has been recognised in relation to the above exceptional items.

5 OPERATING PROFIT/(LOSS)

Operating profit of £93.8m (2020: loss of £1.8m) from continuing activities is stated after charging/(crediting):

	Note	2021	2020
		£m	£m
Inventories expensed in the year		603.5	535.7
Inventories impairment movement in the year	19	(16.4)	29.3
Staff costs	6	53.4	60.3
Depreciation on property, plant and equipment	12	1.0	4.4
Depreciation on right-of-use assets	13	2.4	2.7
Joint venture project management fees received	28	(1.5)	(1.4)
Government grants repaid/(received)		2.5	(2.5)

Government grants repaid/(received)
During the year ended 31 October 2020 the Group recognised £2.5m credit within administrative expenses relating to the Government's Job Retention Scheme (JRS). On 14 December 2020, the Group voluntarily repaid the JRS grant, representing a charge within administrative expenses in the current year.

	2021	2020
Auditors' remuneration	£000	£000
Audit of these consolidated financial statements	125	95
Audit of financial statements of subsidiaries pursuant to legislation	665	790
Other non-audit services	90	153

The audit fees payable in 2021 included £70,000 in relation to additional costs for the 2020 audit (2020: included £335,000 in relation to additional costs for the 2019 audit).

Fees payable to the Group's auditors for non-audit services included £90,000 (2020: £153,000) in respect of an independent review of the half-year results.

In addition to the above, PricewaterhouseCoopers LLP provide audit services to the Crest Nicholson Group Pension and Life Assurance Scheme and Group joint ventures. The fees associated with the services to the Crest Nicholson Group Pension and Life Assurance Scheme are £24,000 (2020: £22,000) and are met by the assets of the scheme, and the fees associated with services to Group joint ventures are £28,000 (2020: £25,000).

6 STAFF NUMBERS AND COSTS

(a) Average monthly number of persons employed by the Group	2021	2020
	Number	Number
Development	661	796

The Directors consider all employees of the Group to be employed within the same category of Development.

(b) Staff costs (including Directors and key management)	2021	2020
	£m	£m
Wages and salaries	43.8	50.6
Social security costs	5.4	6.3
Other pension costs	2.4	2.9
Share-based payments (note 17)	1.8	0.5
	53.4	60.3

(c) Key management remuneration	2021	2020
	£m	£m
Salaries and short-term employee benefits	4.3	2.9
Share-based payments	0.9	0.3
	5.2	3.2

Key management comprises the Executive Leadership Team (which includes the Executive Directors of the Board) and Non-Executive Directors as they are considered to have the authority and responsibility for planning, directing and controlling the activities of the Group.

(d) Directors' remuneration	2021	2020
	£m	£m
Salaries and short-term employee benefits	2.9	1.8
Share-based payments	0.7	0.3
	3.6	2.1

During the year £nil (2020: £0.1m) of accrued payments to Directors for loss of office were written back as the amount was no longer required.

Further information relating to Directors' remuneration, incentive plans, share options, pension entitlement and the highest paid Director, appears in the Directors' Remuneration Report, which is presented on pages 104 to 125 of the Annual Integrated Report 2021.

7 FINANCE INCOME AND EXPENSE

	2021	2020
Finance income	**£m**	**£m**
Interest income	**0.2**	**0.7**
Interest on amounts due from joint ventures (note 28)	**2.8**	**2.7**
Interest on financial assets at fair value through profit and loss (note 15)	**0.4**	**-**
	3.4	**3.4**
Finance expense		
Interest on bank loans	**(7.9)**	**(9.7)**
Revolving credit facility issue costs	**(0.7)**	**(0.7)**
Imputed interest on deferred land payables	**(2.8)**	**(3.0)**
Interest on lease liabilities (note 13)	**(0.2)**	**(0.2)**
Interest on financial assets at fair value through profit and lo–s - exceptional (note 15)	**0.5**	**(0.5)**
Net interest on defined benefit pension plan obligations (note 17)	**(0.9)**	**(0.5)**
	(12.0)	**(14.6)**
Net finance expense	**(8.6)**	**(11.2)**

8 INCOME TAX (EXPENSE)/CREDIT

	2021	2020
	£m	**£m**
Current tax		
UK corporation tax (expense)/credit on profit/(loss) for the year	**(11.4)**	**3.6**
Adjustments in respect of prior periods	**(0.2)**	**(0.1)**
Total current tax (expense)/credit	**(11.6)**	**3.5**
Deferred tax		
Origination and reversal of temporary differences in the year	**(4.9)**	**(0.7)**
Adjustment in respect of prior periods	**0.5**	**-**
Total deferred tax charge (note 16)	**(4.4)**	**(0.7)**
Total income tax (expense)/credit in consolidated income statement	**(16.0)**	**2.8**

The effective tax rate for the year is 18.4% (2020: 20.7%), which is lower than (2020: higher than) the standard rate of UK corporation tax of 19.0% (2020: 19.0%) due to the impact of the changes in UK tax rates on deferred tax. The Group expects the effective tax rate to be higher that the standard rate of corporation tax in future years, adjusted for the impact of effect of change in rate of tax.

	2021	2020
Reconciliation of tax (expense)/credit in the year	**£m**	**£m**
Profit/(loss) before tax	**86.9**	**(13.5)**
Tax on profit/(loss) at 19.0% (2020: 19.0%)	**(16.5)**	**2.6**
Effects of:		
Expenses not deductible for tax purposes	**(0.7)**	**(0.5)**
Enhanced tax deductions	**0.2**	**0.2**
Adjustments in respect of prior periods	**0.3**	**(0.1)**
Effect of change in rate of tax	**0.7**	**0.6**
Total tax (expense)/credit in consolidated income statement	**(16.0)**	**2.8**

Expenses not deductible for tax purposes include business entertaining and other permanent disallowable expenses. Enhanced tax deductions include items for which, under tax law, a corporation tax deduction is available in excess of the amount shown in the consolidated income statement. Examples are share schemes, defined benefit pension payments and land remediation enhanced allowances. Adjustments in respect of prior periods reflect the difference between the estimated consolidated income statement tax charge in the prior year and that of the actual tax outcome. Effect of change in rate of tax reflects the adjustment in respect of the change in future tax rate from 19.0% to 25.0% with effect from 1 April 2023 on deferred tax balances, as changed by the 2021 Budget. As a result, the deferred tax balances on the consolidated statement of financial position have been measured using these revised rates. The Residential Property Developer Tax (RPDT) tax rate of 4.0% has been confirmed which will be effective from 1 April 2022, and be applicable to the Group. As this change was not substantively enacted by the consolidated statement of financial position date, the impact is not reflected in these financial statements.

9 DIVIDENDS

	2021	2020
Dividends recognised as distributions to equity shareholders in the year:	**£m**	**£m**
Current year interim dividend of 4.1 pence per share (2020: nil pence per share)	**10.5**	**-**

	2021	2020
Dividends proposed as distributions to equity shareholders in the year:	**£m**	**£m**
Final dividend for the year ended 31 October 2021 of 9.5 pence per share (2020: nil pence per share)	**24.4**	**-**

Due to the impact of COVID-19, and associated business and economic uncertainty, no dividends were paid during the year ended 31 October 2020. The final 2019 dividend of 21.8 pence per share was cancelled, which would have been due on 9 April 2020. The proposed final dividend was approved by the Board on 19 January 2022 and, in accordance with IAS 10: Events after the Reporting Period, has not been included as a liability in this financial year. The final dividend will be paid on 8 April 2022 to all ordinary shareholders on the Register of Members on 18 March 2022.

10 EARNINGS/(LOSS) PER ORDINARY SHARE

Basic earnings/(loss) per share is calculated by dividing profit/(loss) attributable to equity shareholders by the weighted average number of ordinary shares in issue during the year. For diluted earnings/(loss) per share, the weighted average number of shares is increased by the average number of potential ordinary shares held under option during the year. This reflects the number of ordinary shares which would be purchased using the difference in value between the market value of shares and the share option exercise price. The market value of shares has been calculated using the average ordinary share price during the year. Only share options which have met their cumulative performance criteria have been included in the dilution calculation. The earnings and weighted average number of shares used in the calculations are set out below.

	Earnings / (loss) £m	Weighted average number of ordinary shares Number	Per share amount Pence
Year ended 31 October 2021			
Basic earnings per share	**70.9**	**256,786,983**	**27.6**
Dilutive effect of share options	**-**	**1,049,680**	
Diluted earnings per share	**70.9**	**257,836,663**	**27.5**
Year ended 31 October 2021 – Pre-exceptional items			
Adjusted basic earnings per share	**87.3**	**256,786,983**	**34.0**
Dilutive effect of share options	**-**	**1,049,680**	
Adjusted diluted earnings per share	**87.3**	**257,836,663**	**33.9**
Year ended 31 October 2020			
Basic loss per share	**(10.7)**	**256,821,245**	**(4.2)**
Dilutive effect of share options[1]	**-**	**-**	
Diluted loss per share	**(10.7)**	**256,821,245**	**(4.2)**
Year ended 31 October 2020 – Pre-exceptional items			
Adjusted basic earnings per share	**37.4**	**256,821,245**	**14.6**
Dilutive effect of share options	**-**	**257,953**	
Adjusted diluted earnings per share	**37.4**	**257,079,198**	**14.5**

[1] Share options are not shown to be dilutive as they cannot further increase a loss per share.

11 INTANGIBLE ASSETS

Goodwill	**2021**	**2020**
	£m	**£m**
Cost at beginning and end of the year	**47.7**	**47.7**
Accumulated impairment	**(18.7)**	**(18.7)**
At beginning and end of the year	**29.0**	**29.0**

Goodwill arose on the acquisition of Castle Bidco Limited on 24 March 2009. The goodwill relating to items other than the holding of strategic land was fully impaired in prior periods. The remaining goodwill was allocated to acquired strategic land holdings (the cash-generating unit) within the Group and has not previously been impaired. The goodwill is assessed for impairment annually. The recoverable amount is equal to the higher of value in use and fair value less costs of disposal. The Directors have therefore assessed value in use, being the present value of the forecast cash flows from the expected development and sale of properties on the strategic land. These cash flows are the key estimates in the value in use assessment. The forecast looks at the likelihood and scale of permitted development, forecast build costs and forecast selling prices, using a pre-tax discount rate of 8.5% (2020: 8.5%), covering a further period of 14 years to 2035, and based on current market conditions. The period used in this assessment represents the estimated time it will take to obtain planning and build out on the remaining acquired strategic land holdings. The recoverable value of the cash-generating unit is substantially in excess of the carrying value of goodwill. Sensitivity analysis has been undertaken by changing the discount rates and the forecast profit margins applicable to the site within the cash-generating unit. None of the sensitivities, either individually or in aggregate, resulted in the fair value of the goodwill being reduced to below its current book value amount.

12 PROPERTY, PLANT AND EQUIPMENT

	Fixtures and fittings	**Computer equipment and software**	**Total**
	£m	**£m**	**£m**
Cost			
At 1 November 2019	**2.2**	**13.1**	**15.3**
Additions	**-**	**0.3**	**0.3**
Disposals	**(0.2)**	**(1.4)**	**(1.6)**
At 31 October 2020	**2.0**	**12.0**	**14.0**
Additions	**-**	**0.2**	**0.2**
Disposals	**(0.2)**	**(9.0)**	**(9.2)**
At 31 October 2021	**1.8**	**3.2**	**5.0**
Accumulated depreciation			
At 1 November 2019	**1.0**	**8.2**	**9.2**
Charge for the year	**0.2**	**4.2**	**4.4**
Disposals	**(0.2)**	**(1.4)**	**(1.6)**
At 31 October 2020	**1.0**	**11.0**	**12.0**
Charge for the year	**0.2**	**0.8**	**1.0**
Disposals	**(0.2)**	**(9.0)**	**(9.2)**
At 31 October 2021	**1.0**	**2.8**	**3.8**
Net book value			
At 31 October 2021	**0.8**	**0.4**	**1.2**
At 31 October 2020	**1.0**	**1.0**	**2.0**
At 1 November 2019	**1.2**	**4.9**	**6.1**

In line with IAS 16, a review of the fixed asset register was carried out during the year resulting in removal of computer assets that were no longer used by the business with a cost of £9.0m and net book value of £nil.

In the prior year the Group reassessed the IT infrastructure’s useful life in the business, resulting in an accelerated depreciation charge in that year of £2.5m within computer equipment and software.

The Group has contractual commitments for the acquisition of property, plant and equipment of £nil (2020: £nil).

13 RIGHT-OF-USE ASSETS AND LIABILITIES

Right-of-use assets included in the consolidated statement of financial position

	Office buildings £m	Motor vehicles £m	Photocopiers £m	Total £m
Cost				
At 1 November 2020	**13.3**	**6.7**	**0.6**	**20.6**
Additions	**-**	**0.1**	**-**	**0.1**
Disposals	**(0.2)**	**(2.6)**	**(0.6)**	**(3.4)**
At 31 October 2021	**13.1**	**4.2**	**-**	**17.3**
Accumulated depreciation				
At 1 November 2020	**9.5**	**4.6**	**0.5**	**14.6**
Charge for the year	**1.4**	**0.9**	**0.1**	**2.4**
Released on disposal	**(0.2)**	**(2.6)**	**(0.6)**	**(3.4)**
At 31 October 2021	**10.7**	**2.9**	**-**	**13.6**
Net book value				
At 31 October 2021	**2.4**	**1.3**	**-**	**3.7**
At 1 November 2020	**3.8**	**2.1**	**0.1**	**6.0**

Lease liabilities included in the consolidated statement of financial position

	2021 £m	2020 £m
Non-current	**2.7**	**4.7**
Current	**1.9**	**2.3**
Total lease liabilities	**4.6**	**7.0**

Amounts recognised in the consolidated income statement

	2021 £m	2020 £m
Depreciation on right-of-use assets	**2.4**	**2.7**
Interest on lease liabilities	**0.2**	**0.2**

Amounts recognised in the consolidated cash flow statement

	2021 £m	2020 £m
Principal elements of lease payments	**2.7**	**2.9**

Maturity of undiscounted contracted lease cash flows

	2021 £m	2020 £m
Less than one year	**2.1**	**2.4**
One to five years	**2.9**	**4.6**
More than five years	**-**	**0.3**
Total	**5.0**	**7.3**

14 INVESTMENTS

Investments in joint ventures

Below are the joint ventures that the Directors consider to be material to the Group:

- Crest Sovereign (Brooklands) LLP: In April 2019 the Group entered into a partnership agreement with Sovereign Housing Association Limited to develop a site in Bristol. The LLP commenced construction in 2019, with sales completion forecast for 2027. The LLP will be equally funded by both parties, who will receive interest on loaned sums. The Group performs the role of project manager, for which it receives a project management fee.
- Bonner Road LLP: In August 2015 the Group entered into a partnership agreement with Your Lifespace Limited to procure and develop a site in London. Planning permission for this development is being sought, but has not yet been obtained. The LLP is forecast to start construction in 2023, with sales completion forecast for 2030. The LLP will be equally funded by both parties, who will receive interest on loaned sums. The Group performs the role of project manager, for which it receives a project management fee.
- Crest A2D (Walton Court) LLP: In January 2016 the Group entered into a partnership agreement with A2 Dominion Developments Limited to procure and develop a site in Surrey. The LLP commenced construction in 2019, with sales completion forecast for 2026. The development will be equally funded by both parties by way of interest free loans. The Group performs the role of project manager, for which it receives a project management fee.
- Elmsbrook (Crest A2D) LLP: In July 2017 the Group entered into a partnership agreement with A2 Dominion Developments Limited to procure and develop a site in Oxfordshire. The LLP commenced construction in 2018, with sales completion forecast for 2023. The development will be equally funded by both parties by way of interest free loans. The Group performs the role of project manager, for which it receives a project management fee.

Total investments in joint ventures	**2021 £m**	**2020 £m**
Crest Sovereign (Brooklands) LLP	**-**	**-**
Bonner Road LLP	**-**	**-**
Crest A2D (Walton Court) LLP	**2.2**	**1.0**
Elmsbrook (Crest A2D) LLP	**4.5**	**2.6**
Other non-material joint ventures	**0.1**	**0.1**
Total investments in joint ventures	**6.8**	**3.7**

All joint ventures have their place of business in Great Britain, are 50% owned and are accounted for using the equity method, in line with the prior year. See note 30 for further details.

Summarised financial information for joint ventures
The tables below provide financial information for joint ventures that are material to the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant joint ventures and not Crest Nicholson Holdings plc's share of those amounts.

2021	Crest Sovereign (Brooklands) LLP	Bonner Road LLP	Crest A2D (Walton Court) LLP	Elmsbrook (Crest A2D) LLP	Other non-material joint ventures	Total
	£m	£m	£m	£m	£m	£m
Summarised statement of financial position						
Current assets						
Cash and cash equivalents	**0.8**	**0.1**	**-**	**6.6**	**0.2**	**7.7**
Inventories	**42.8**	**59.9**	**45.8**	**7.2**	**-**	**155.7**
Other current assets	**4.8**	**-**	**0.6**	**0.6**	**0.2**	**6.2**
Current liabilities						
Financial liabilities	**(22.4)**	**-**	**(7.8)**	**(2.2)**	**-**	**(32.4)**
Other current liabilities	**(6.2)**	**(0.2)**	**(3.7)**	**(3.3)**	**(0.2)**	**(13.6)**
Non-current liabilities						
Financial liabilities	**(20.8)**	**(73.5)**	**(30.6)**	**-**	**-**	**(124.9)**
Net (liabilities)/assets	**(1.0)**	**(13.7)**	**4.3**	**8.9**	**0.2**	**(1.3)**
Reconciliation to carrying amounts						
Opening net (liabilities)/assets at 1 November 2020	**(2.4)**	**(11.5)**	**2.0**	**5.2**	**0.2**	**(6.5)**
Profit/(loss) for the year	**1.4**	**(2.2)**	**0.7**	**3.7**	**-**	**3.6**
Capital contribution reserve	**-**	**-**	**1.6**	**-**	**-**	**1.6**
Closing net (liabilities)/assets at 31 October 2021	**(1.0)**	**(13.7)**	**4.3**	**8.9**	**0.2**	**(1.3)**
Group's share in closing net (liabilities)/assets at 31 October 2021	**(0.5)**	**(6.9)**	**2.2**	**4.5**	**0.1**	**(0.6)**
Losses recognised against receivable from joint venture (note 18)	**0.5**	**6.9**	**-**	**-**	**-**	**7.4**
Group's share in joint venture	**-**	**-**	**2.2**	**4.5**	**0.1**	**6.8**
Amount due to the Group (note 18)	**21.2**	**18.2***	**15.5***	**1.1**	**-**	**56.0**
Amount due from the Group (note 22)	**-**	**-**	**-**	**-**	**0.1**	**0.1**
Summarised income statement						
Revenue	**22.0**	**-**	**15.5**	**16.6**	**-**	**54.1**
Expenditure	**(18.4)**	**-**	**(13.7)**	**(12.9)**	**-**	**(45.0)**
Operating profit before finance expense	**3.6**	**-**	**1.8**	**3.7**	**-**	**9.1**
Finance expense	**(2.2)**	**(2.2)**	**(1.1)**	**-**	**-**	**(5.5)**
Pre-tax and post-tax profit/(loss) for the year	**1.4**	**(2.2)**	**0.7**	**3.7**	**-**	**3.6**
Group's share in joint venture profit/(loss) for the year	**0.7**	**(1.1)**	**0.3**	**1.8**	**-**	**1.7**

* £18.2m stated after expected credit loss of £11.8m, and £15.5m stated after expected credit loss of £0.1m.

The Group is committed to provide such funding to joint ventures as may be required by the joint venture in order to carry out the project if called. No funding of this nature is currently expected to be required. The Group has recognised its share of the accumulated losses of its joint ventures against the carrying value of investments or loans in the joint venture where appropriate, in line with IAS 28.

2020	Crest Sovereign (Brooklands) LLP	Bonner Road LLP	Crest A2D (Walton Court) LLP	Elmsbrook (Crest A2D) LLP	Other non-material joint ventures	Total
	£m	£m	£m	£m	£m	£m
Summarised statement of financial position						
Current assets						
Cash and cash equivalents	**3.0**	**0.1**	**0.7**	**4.2**	**0.2**	**8.2**
Inventories	**39.2**	**59.0**	**39.8**	**8.0**	**-**	**146.0**
Other current assets	**2.9**	**-**	**0.3**	**1.6**	**0.2**	**5.0**
Current liabilities						
Financial liabilities	**(7.8)**	**-**	**(14.8)**	**(4.4)**	**-**	**(27.0)**
Other current liabilities	**(2.3)**	**-**	**(3.6)**	**(4.2)**	**(0.2)**	**(10.3)**
Non-current liabilities						
Financial liabilities	**(37.4)**	**(70.6)**	**(20.4)**	**-**	**-**	**(128.4)**
Net (liabilities)/assets	**(2.4)**	**(11.5)**	**2.0**	**5.2**	**0.2**	**(6.5)**
Reconciliation to carrying amounts						
Opening net (liabilities)/assets at 1 November 2019	**(1.0)**	**(9.1)**	**1.6**	**2.1**	**0.2**	**(6.2)**
(Loss)/profit for the year	**(1.4)**	**(2.4)**	**(0.2)**	**3.1**	**-**	**(0.9)**
Capital contribution reserve	**-**	**-**	**0.6**	**-**	**-**	**0.6**
Closing net (liabilities)/assets at 31 October 2020	**(2.4)**	**(11.5)**	**2.0**	**5.2**	**0.2**	**(6.5)**
Group's share in closing net (liabilities)/assets at 31 October 2020	**(1.2)**	**(5.8)**	**1.0**	**2.6**	**0.1**	**(3.3)**
Losses recognised against receivable from joint venture (note 18)	**1.2**	**5.8**	**-**	**-**	**-**	**7.0**
Group's share in joint venture	**-**	**-**	**1.0**	**2.6**	**0.1**	**3.7**
Amount due to the Group (note 18)	**21.4**	**18.8***	**12.0***	**2.3**	**-**	**54.5**
Amount due from the Group (note 22)	**-**	**-**	**-**	**-**	**0.1**	**0.1**
Summarised income statement						
Revenue	**7.3**	**-**	**7.7**	**15.4**	**-**	**30.4**
Expenditure	**(6.7)**	**-**	**(6.9)**	**(12.3)**	**-**	**(25.9)**
Operating profit before finance expense	**0.6**	**-**	**0.8**	**3.1**	**-**	**4.5**
Finance expense	**(2.0)**	**(2.4)**	**(1.0)**	**-**	**-**	**(5.4)**
Pre-tax and post-tax (loss)/profit for the year	**(1.4)**	**(2.4)**	**(0.2)**	**3.1**	**-**	**(0.9)**
Group's share in joint venture (loss)/profit for the year	**(0.7)**	**(1.2)**	**(0.1)**	**1.5**	**-**	**(0.5)**

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

The Group is committed to provide such funding to joint ventures as may be required by the joint venture in order to carry out the project if called.

Subsidiary undertakings
The subsidiary undertakings that are significant to the Group and traded during the year are set out below. The Group's interest is in respect of ordinary issued share capital that is wholly owned and all the subsidiary undertakings are incorporated in Great Britain and included in the consolidated financial statements.

Subsidiary	**Nature of business**
Castle Bidco plc	Holding company (including group financing)
Crest Nicholson plc	Holding company
Crest Nicholson Operations Limited	Residential and commercial property development

A full list of the Group's undertakings including subsidiaries and joint ventures is set out in note 30.

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	2021 £m	**2020 £m**
At beginning of the year	**5.4**	7.2
Disposals	**(1.0)**	(1.3)
Imputed interest	**0.9**	(0.5)
At end of the year	**5.3**	5.4
Of which:		
Non-current assets	**4.2**	4.6
Current assets	**1.1**	0.8
	5.3	5.4

Financial assets at FVTPL are carried at fair value and categorised as level 3 (inputs not based on observable market data) within the hierarchical classification of IFRS 13: Revised.

FVTPL comprise shared equity loans secured by way of a second charge on the property. The loans can be repaid at any time within the loan agreement, the amount of which is dependent on the market value of the asset at the date of repayment. The assets are recorded at fair value, being the estimated amount receivable by the Group, discounted to present day values.

The fair value of future anticipated cash receipts takes into account Directors' views of an appropriate discount rate (incorporating purchaser default rate), future house price movements and the expected timing of receipts. These assumptions are given below and are reviewed at each year end:

Assumptions	**2021**	**2020**
Discount rate, incorporating default rate	**10.5%**	10.5%
House price inflation for the next three years	**3.0%**	0.0%
Timing of receipt	**8 to 17 years**	8 to 16 years

	2021 Increase assumptions by 1 %/year £m	**2021 Decrease assumptions by 1 %/year £m**
Sensitivity – effect on value of FVTPL (less)/more		
Discount rate, incorporating default rate	**(0.1)**	**0.1**
House price inflation for the next three years	**0.1**	**(0.1)**
Timing of receipt	**(0.2)**	**0.2**

In the prior year the Directors reassessed the key assumptions due to the market impact of COVID-19 and as a result removed all future house price growth and reduced the anticipated net receipt by 7.5%. This reduced the fair value of the remaining portfolio by £0.5m in the prior year. As disclosed in note 4, the 7.5% reduction in sales prices assumption has been removed in the current year and resulted in an increase in the fair value of the remaining portfolio by £0.5m, which is included within the £0.9m imputed interest in the table above. House price inflation is now modelled at being 3% for the next three years.

The difference between the anticipated future receipt and the initial fair value is charged over the estimated deferred term to financing, with the financial asset increasing to its full expected cash settlement value on the anticipated receipt date. The imputed finance income credited to financing for the year ended 31 October 2021 was £0.9m (2020: finance charge £0.5m).

At initial recognition, the fair values of the assets are calculated using a discount rate, appropriate to the class of assets, which reflects market conditions at the date of entering into the transaction. The Directors consider at the end of each reporting period whether the initial market discount rate still reflects up-to-date market conditions. If a revision is required, the fair values of the assets are remeasured at the present value of the revised future cash flows using this revised discount rate. The difference between these values and the carrying values of the assets is recorded against the carrying value of the assets and recognised directly in the consolidated income statement.

16 DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets	Inventories fair value £m	Share-based payments £m	Pension deficit £m	Other temporary differences £m	Total £m
At 1 November 2019 – originally reported	**3.6**	**0.2**	**1.1**	**1.5**	**6.4**
Change in accounting policy[1]	**-**	**-**	**-**	**1.4**	**1.4**
At 1 November 2019 – restated	**3.6**	**0.2**	**1.1**	**2.9**	**7.8**
Consolidated income statement movements	**(0.6)**	**(0.1)**	**(1.2)**	**1.2**	**(0.7)**
Equity movements	**-**	**-**	**2.7**	**-**	**2.7**
At 31 October 2020 – restated	**3.0**	**0.1**	**2.6**	**4.1**	**9.8**
At 1 November 2020 – originally reported	**3.0**	**0.1**	**2.6**	**2.7**	**8.4**
Change in accounting policy[1]	**-**	**-**	**-**	**1.4**	**1.4**
At 1 November 2020 – restated	**3.0**	**0.1**	**2.6**	**4.1**	**9.8**
Consolidated income statement movements	**(1.5)**	**0.2**	**(1.9)**	**(1.2)**	**(4.4)**
Equity movements	**-**	**0.1**	**(0.7)**	**-**	**(0.6)**
At 31 October 2021	**1.5**	**0.4**	**-**	**2.9**	**4.8**

[1] Restated to reflect the change in accounting policy on land options. See note 29.

Deferred tax liabilities	Pension surplus £m	Total £m
At 1 November 2019 and 31 October 2020	**-**	**-**
Equity movements	**(4.1)**	**(4.1)**
At 31 October 2021	**(4.1)**	**(4.1)**

Total deferred tax charged to equity in the year is £4.7m (2020: credited to equity £2.7m). Deferred tax assets expected to be recovered in less than 12 months is £0.7m (2020: £3.7m), and in more than 12 months is £4.1m (2020: £4.7m). Deferred tax liabilities are expected to be settled in more than 12 months.

At the consolidated statement of financial position date the substantively enacted future corporation tax rate up to 31 March 2023 is 19.0% and from 1 April 2023 is 25.0%. Deferred tax assets and liabilities have been evaluated using the applicable tax rates when the asset is forecast to be realised and the liability is forecast to be settled. The Group has no material unrecognised deferred tax assets.

The RPDT tax rate of 4.0% has been confirmed which will be effective from 1 April 2022, and be applicable to the Group. As this change was not substantively enacted by the consolidated statement of financial position date, the impact, which would not be material, is not reflected in the deferred tax balances.

Inventories fair value represents temporary differences on the carrying value of inventory fair valued on the acquisition of Castle Bidco Limited in 2009. These temporary differences are expected to be recoverable in full as it is considered probable that taxable profits will be available against which the deductible temporary differences can be utilised, and are therefore recognised as deferred tax assets in the above amounts.

17 EMPLOYEE BENEFITS

(a) **Retirement benefit obligations**

Defined contribution scheme

The Group operates a defined contribution scheme for new employees. The assets of the scheme are held separately from those of the Group in an independently administered fund. The contributions to this scheme for the year were £2.0m (2020: £2.7m). At the consolidated statement of financial position date there were no outstanding or prepaid contributions (2020: £nil).

Defined benefit scheme

The Company sponsors the Crest Nicholson Group Pension and Life Assurance Scheme (the Scheme), a funded defined benefit pension scheme in the UK. The Scheme is administered within a trust that is legally separate from the Company. Trustees are appointed by both the Company and the Scheme's members and act in the interest of the Scheme and all relevant stakeholders, including the members and the Company. The Trustees are also responsible for the investment of the Scheme's assets.

The Scheme closed to future accrual from 30 April 2010. Accrued pensions in relation to deferred members are revalued at statutory revaluation in the period before retirement. Benefits also increase either at a fixed rate or in line with inflation while in payment. The Scheme provides pensions to members on retirement and to their dependants on death.

The Company pays contributions to improve the Scheme's funding position as determined by regular actuarial valuations. The Trustees are required to use prudent assumptions to value the liabilities and costs of the Scheme whereas the accounting assumptions must be best estimates.

Responsibility for meeting any deficit within the Scheme lies with the Company and this introduces a number of risks for the Company. The major risks are: interest rate risk, inflation risk, investment risk and longevity risk. The Company and Trustees are aware of these risks and manage them through appropriate investment and funding strategies.

The Scheme is subject to regular actuarial valuations, which are usually carried out every three years. The last actuarial valuation was carried out with an effective date of 31 January 2018 and the actuarial valuation as at 31 January 2021 is currently being finalised. These actuarial valuations are carried out in accordance with the requirements of the Pensions Act 2004 and so includes deliberate margins for prudence. This contrasts with these accounting disclosures, which are determined using best estimate assumptions.

The preliminary results of the actuarial valuation as at 31 January 2021 have been projected to 31 October 2021 by a qualified independent actuary. The figures in the following disclosure were measured using the Projected Unit Method.

The investment strategy in place for the Scheme is to invest in a mix of return seeking, index linked and fixed interest investments. At 31 October 2021, the allocation of the Scheme’s invested assets was 44% in return seeking investments, 17% in corporate bonds, 37% in liability-driven investing and 2% in cash. Details of the investment strategy can be found in the Scheme’s Statement of Investment Principles, which the Trustees update as their policy evolves.

It should also be noted that liabilities relating to insured members of the Scheme have been included as both an asset and a liability.

Following the High Court judgement in the Lloyds case, overall pension benefits now need to be equalised to eliminate inequalities between males and females in Guaranteed Minimum Pensions (GMP). The Company has always allowed for this in its accounts by adding a 2% reserve reflecting an approximate estimate of the additional liability. Although this does not explicitly allow for the judgement in the prior year on allowing for GMP equalisation for past transfer values as it is too early to quantify, it is likely that the current allowance would be sufficient to cover this as well. The real cost will be known once the relevant calculations have been carried out, which is expected to be during 2022. Once the true cost is known, any difference from the estimated 2% is expected to flow through total comprehensive income.

	2021 £m	2020 £m	2019 £m
The amounts recognised in the consolidated statement of financial position are as follows:			
Present value of scheme liabilities	**(225.2)**	**(228.3)**	**(216.5)**
Fair value of scheme assets	**241.9**	**214.5**	**210.3**
Net surplus/(deficit) amount recognised at year end	**16.7**	**(13.8)**	**(6.2)**
Deferred tax asset recognised at year end within non-current assets	**-**	**2.6**	**1.1**
Deferred tax liability recognised at year end within non-current liabilities	**(4.1)**	**-**	**-**

The retirement benefit surplus/(deficit) recognised in the consolidated statement of financial position represents the surplus/(deficit) of the fair value of the Scheme’s assets over the present value of Scheme liabilities. There has been a material improvement in the position going from a deficit of £13.8m at 31 October 2020 to a surplus of £16.7m at 31 October 2021. This was mainly driven by improved asset returns, the contributions paid by the Company to improve the Scheme’s funding position and changes in financial assumptions which have reduced the value placed on the liabilities.

The rules of the Scheme provide the Group with an unconditional right to a refund of surplus assets on the gradual settlement of the Scheme’s liabilities. In the ordinary course of business the Scheme trustees have no unilateral right to wind the Scheme up. Based on these rights and in accordance with IFRIC 14, the Group has made the judgement that the net surplus in the Scheme is recognised in full.

At the consolidated statement of financial position date the substantively enacted future corporation tax rate up to 31 March 2023 is 19.0% and from 1 April 2023 is 25.0%. The deferred tax liability on the retirement benefit surplus has been evaluated applying a 25.0% tax rate.

Amounts recognised in comprehensive income:

The current and past service costs, settlements and curtailments, together with the net interest expense for the year are included in the consolidated statement of comprehensive income. Remeasurements of the net defined benefit asset/(liability) are included in the consolidated statement of comprehensive income.

	2021 £m	2020 £m
Service cost		
Administrative expenses	(0.8)	(0.4)
Net interest expense	(0.1)	(0.1)
Expense recognised in the consolidated income statement	(0.9)	(0.5)

	2021 £m	2020 £m
Remeasurements of the net liability		
Return on Scheme assets	19.5	1.3
Loss arising from changes in financial assumptions	(2.8)	(13.8)
Loss arising from changes in demographic assumptions	(0.5)	(3.7)
Experience gain	4.0	2.4
Actuarial gain/(loss) recorded in the consolidated statement of comprehensive income	20.2	(13.8)
Total defined benefit scheme gain/(loss)	19.3	(14.3)

The principal actuarial assumptions used were:	2021 %	2020 %
Liability discount rate	1.70	1.50
Inflation assumption - RPI	3.50	3.05
Inflation assumption - CPI	2.80	2.25
Revaluation of deferred pensions	2.80	2.25
Increases for pensions in payment		
Benefits accrued in respect of GMP	3.00	3.00
Benefits accrued in excess of GMP pre-1997	3.00	3.00
Benefits accrued post-1997	3.30	2.95
Proportion of employees opting for early retirement	0.00	0.00
Proportion of employees commuting pension for cash	100.00	100.00
Mortality assumption - pre-retirement	AC00	AC00
Mortality assumption - male post-retirement	SAPS S3 PMA _LCMI_2020 core model with initial addition of 0.3% and 2020 weighting of 0.0% ltr 1.25%	SAPS S2 PMA _LCMI_2019 with initial addition of 0.5% p.a. ltr 1.25%
Mortality assumption - female post-retirement	SAPS S3 PFA _LCMI_2020 core model with initial addition of 0.3% and 2020 weighting of 0.0% ltr 1.25%	SAPS S2 PFA_L CMI_2019 with initial addition of 0.5% p.a. ltr 1.25%

	2021 Years	2020 Years
Future expected lifetime of current pensioner at age 65		
Male aged 65 at year end	23.4	23.3
Female aged 65 at year end	24.9	24.4
Future expected lifetime of future pensioner at age 65		
Male aged 45 at year end	24.6	24.6
Female aged 45 at year end	26.3	25.9

Changes in the present value of assets over the year

	2021 £m	2020 £m
Fair value of assets at beginning of the year	214.5	210.3
Interest income	3.3	4.1
Return on assets (excluding amount included in net interest expense)	19.5	1.3
Contributions from the employer	11.2	6.7
Benefits paid	(5.8)	(7.5)
Administrative expenses	(0.8)	(0.4)
Fair value of assets at end of the year	241.9	214.5
Actual return on assets over the year	22.8	3.3

Changes in the present value of liabilities over the year

	2021 £m	2020 £m
Liabilities at beginning of the year	(228.3)	(216.5)
Interest cost	(3.4)	(4.2)
Remeasurement (losses)/gains		
Loss arising from changes in financial assumptions	(2.8)	(13.8)
Loss arising from changes in demographic assumptions	(0.5)	(3.7)
Experience gain	4.0	2.4
Benefits paid	5.8	7.5
Liabilities at end of the year	(225.2)	(228.3)

Split of the Scheme's liabilities by category of membership	2021 £m	2020 £m
Deferred pensioners	(115.7)	(135.4)
Pensions in payment	(109.5)	(92.9)
	(225.2)	(228.3)

	2021 Years	2020 Years
Average duration of the Scheme's liabilities at end of the year	17.0	17.0
This can be subdivided as follows:		
Deferred pensioners	21.0	21.0
Pensions in payment	12.0	12.0

Major categories of scheme assets

	2021 £m	2020 £m
Return seeking		
Overseas equities	19.6	14.5
Absolute return funds	58.8	54.1
Multi-strategy funds	15.0	26.7
Other (secured income, structured product)	9.9	19.8
	103.3	115.1
Debt instruments		
Corporates	41.2	38.8
Index linked	-	48.2
Liability-driven investing	86.1	-
	127.3	87.0
Other		
Cash	4.9	5.1
Insured annuities	6.4	7.3
	11.3	12.4
Total market value of assets	241.9	214.5

£17.8m (2020: £111.5m) of Scheme assets have a quoted market price in active markets, £137.4m (2020: £63.2m) of Scheme assets have valuation inputs other than quoted market prices, including quoted market prices for similar assets in active markets, £75.4m (2020: £27.4m) of Scheme assets are instruments that are valued based on quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect the differences between the instruments, and £11.3m (2020: £12.4m) of Scheme assets are cash and insured pension annuities.

The Scheme has no investments in the Group or in property occupied by the Group.

The Group's statutory funding obligation was met as at 31 January 2018 with the Scheme achieving a 101% funding level on a technical provisions basis. The Company will fund the Scheme with contributions of £0.75m per month (payable in arrears), until the earlier of 30 June 2022 or the Scheme meeting its funding objective on a self-sufficiency basis, with a further £0.25m being due with the 30 June 2022 payment. The Group expects to contribute £7.0m to scheme funding in the year ending 31 October 2022.

Sensitivity of the liability value to changes in the principal assumptions

If the discount rate was 0.25% higher/(lower), the Scheme liabilities would decrease by £9.1m (increase by £9.7m) if all the other assumptions remained unchanged.

If the inflation assumption was 0.25% higher/(lower), the Scheme liabilities would increase by £5.5m (decrease by £5.2m) if all the other assumptions remained unchanged.

If life expectancies were to increase by one year, the scheme liabilities would increase by £11.5m if all the other assumptions remained unchanged.

(b) Share-based payments

The Group operates a Long-Term Incentive Plan (LTIP), save as you earn (SAYE) and a deferred bonus plan. Expected volatility for all plans/schemes for the current and previous year (where applicable) is based on the historical share price movements of Crest Nicholson Holdings plc since the Company listed in February 2013.

Long-Term Incentive Plan

The Group's LTIP is open to the Executive Directors and senior management with awards being made at the discretion of the Remuneration Committee. Options granted under the plan are exercisable between three and 10 years after the date of grant. Awards may be satisfied by shares held in the employee benefit trust (EBT), the issue of new shares (directly or to the EBT) or the acquisition of shares in the market. Awards made in prior periods vest over three years and are subject to three years' service, and return on capital and profit performance conditions.

Awards issued in the current year are subject to three years' service and assessed against return on capital, profit performance conditions and relative total shareholder returns (TSR). The non-market based return on capital and profit performance conditions applies to 60% of the award and values the options using a binomial option valuation model. The market based TSR performance conditions applies to 40% of the award and values the options using the Monte Carlo valuation model. The TSR based performance conditions are split one-third FTSE 250 excluding investment funds and two-thirds sector peer group. The fair value at measurement date of the different valuation elements are £2.25 TSR (FTSE 250), £1.85 TSR (peer group), and £2.84 for the non-market based return on capital and profit performance conditions. The correlation of FTSE 250 and peer group calculated for each individual comparator company relative to the Group is 30% and 67% respectively. The average fair value at measurement date is £2.50 per option.

Date of grant	26 Feb 2016	28 Feb 2017	28 Feb 2018	16 Apr 2019	21 Jun 2019	20 Feb 2020	04 Aug 2020	08 Feb 2021
Options granted	1,075,943	1,266,364	1,112,762	1,140,962	278,558	1,125,531	7,298	1,328,192
Fair value at measurement date	£5.07	£4.67	£3.89	£3.15	£3.15	£4.28	£1.53	£2.50
Share price on date of grant	£5.62	£5.41	£4.76	£4.00	£3.55	£5.16	£1.85	£3.23
Exercise price	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
Vesting period	3 years	3 years	3 years	3 years	3 years	3 years	3 years	3 years
Expected dividend yield	3.50%	5.09%	6.93%	8.20%	8.20%	6.40%	6.40%	4.30%
Expected volatility	30.00%	45.00%	35.00%	35.00%	35.00%	30.00%	30.00%	40.00%
Risk free interest rate	0.43%	0.14%	0.84%	0.81%	0.81%	0.45%	0.45%	0.03%
Valuation model	Binomial	Binomial	Binomial	Binomial	Binomial	Binomial	Binomial	Binomial/ Monte Carlo
Contractual life from	26.02.16	28.02.17	28.02.18	16.04.19	21.06.19	20.02.20	04.08.20	08.02.21
Contractual life to	25.02.26	27.02.27	27.02.28	15.04.29	20.06.29	19.02.30	03.08.30	07.02.31

	Number of options	Number of options	Number of options	Number of options	Number of options	Number of options	Number of options	Number of options	Total number of options
Movements in the year									
Outstanding at 1 November 2019	1,518	719,847	756,965	1,061,249	278,558	-	-	-	2,818,137
Granted during the year	-	-	-	-	-	1,125,531	7,298	-	1,132,829
Lapsed during the year	-	(719,847)	(154,112)	(242,773)	-	(62,613)	-	-	(1,179,345)
Outstanding at 31 October 2020	1,518	-	602,853	818,476	278,558	1,062,918	7,298	-	2,771,621
Granted during the year	-	-	-	-	-	-	-	1,328,192	1,328,192
Lapsed during the year	-	-	(602,853)	(125,542)	-	(108,787)	-	(51,755)	(888,937)
Outstanding at 31 October 2021	1,518	-	-	692,934	278,558	954,131	7,298	1,276,437	3,210,876
Exercisable at 31 October 2021	1,518	-	-	-	-	-	-	-	1,518
Exercisable at 31 October 2020	1,518	-	-	-	-	-	-	-	1,518
	£m	£m	£m	£m	£m	£m	£m	£m	Total £m
Charge to income for the current year	-	-	-	-	-	0.6	-	0.7	1.3
Charge to income for the prior year	-	-	-	-	-	-	-	-	-

The weighted average exercise price of LTIP options was £nil (2020: £nil).

Save As You Earn

Executive Directors and eligible employees are invited to make regular monthly contributions to a Sharesave scheme administered by Equiniti. On completion of the three-year contract period employees are able to purchase ordinary shares in the Company based on the market price at the date of invitation less a 20% discount. There are no performance conditions.

Date of grant	01 Aug 2016	03 Aug 2017	26 Jul 2018	30 Jul 2019	07 Aug 2020	03 Aug 2021
Options granted	1,208,742	453,663	712,944	935,208	1,624,259	256,132
Fair value at measurement date	£1.11	£1.06	£0.52	£0.54	£0.36	£1.15
Share price on date of grant	£3.56	£5.41	£3.77	£3.68	£1.94	£4.14
Exercise price	£2.86	£4.20	£3.15	£2.86	£1.70	£3.42
Vesting period	3 years	3 years	3 years	3 years	3 years	3 years
Expected dividend yield	4.80%	5.10%	8.76%	8.96%	5.20%	1.98%
Expected volatility	45.00%	35.00%	35.00%	35.00%	40.00%	45.30%
Risk free interest rate	0.19%	0.30%	0.85%	0.38%	-0.08%	0.14%
Valuation model	Binomial	Binomial	Binomial	Binomial	Binomial	Binomial
Contractual life from	01.09.16	01.09.17	01.09.18	01.09.19	01.09.20	01.09.21
Contractual life to	01.03.20	01.03.21	01.03.22	01.03.23	01.03.24	01.03.25

Movements in the year	Number of options	Number of options	Number of options	Number of options	Number of options	Number of options	Total number of options	Weighted average exercise price
Outstanding at 1 November 2019	110,933	147,582	451,381	905,320	-	-	1,615,216	£3.06
Granted during the year	-	-	-	-	1,624,259	-	1,624,259	£1.70
Exercised during the year	(107,158)	(3,985)	(9,707)	(1,134)	-	-	(121,984)	£2.93
Lapsed during the year	(3,775)	(50,019)	(315,921)	(606,550)	(85,589)	-	(1,061,854)	£2.92
Outstanding at 31 October 2020	-	93,578	125,753	297,636	1,538,670	-	2,055,637	£2.07
Granted during the year	-	-	-	-	-	256,132	256,132	£3.42
Exercised during the year	-	-	(37,133)	(4,491)	(3,528)	-	(45,152)	£3.01
Lapsed during the year	-	(93,578)	(47,778)	(145,788)	(411,054)	(11,838)	(710,036)	£2.39
Outstanding at 31 October 2021	-	-	40,842	147,357	1,124,088	244,294	1,556,581	£2.12
Exercisable at 31 October 2021	-	-	40,842	-	-	-	40,842	
Exercisable at 31 October 2020	-	93,578	-	-	-	-	93,578	

	£m	£m	£m	£m	£m	£m	Total £m
Charge to income for the current year	-	-	-	-	0.1	-	0.1
Credit to income for the prior year	-	-	(0.1)	-	-	-	(0.1)

Deferred bonus plan

Under the terms of certain bonus schemes, some parts of bonus payments must be deferred into share options. The options carry no performance criteria and vest over one or three years. Options granted under the plan are exercisable between one and 10 years after the date of grant. Deferred bonus plan option numbers are based on the share price on the date of grant.

Date of grant	28 Feb 2017	28 Feb 2018	28 Feb 2019	28 Feb 2020	28 Feb 2020	28 Feb 2020	26 Feb 2021	1 Mar 2021
Options granted	133,761	188,122	50,676	20,669	2,976	20,956	34,800	22,264
Fair value at measurement date	£5.41	£4.89	£3.95	£4.52	£4.52	£4.52	£3.28	£3.89
Share price on date of grant	£5.41	£4.89	£3.95	£4.52	£4.52	£4.52	£3.28	£3.42
Exercise price	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
Vesting period	3 years	3 years	1 year	3 years	1 year	1 / 3 years	1 year	N/A
Expected dividend yield and volatility	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Risk free interest rate	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Valuation model	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contractual life from	28.02.17	28.02.18	28.02.19	28.02.20	28.02.20	28.02.20	26.02.21	01.03.21
Contractual life to	27.02.27	27.02.28	27.02.29	27.02.30	27.02.30	27.02.30	25.02.31	27.02.28

Movements in the year	Number of options	Number of options	Number of options	Number of options	Number of options	Number of options	Number of options	Number of options	Total number of options
Outstanding at 1 November 2019	84,104	135,822	31,860	-	-	-	-	-	251,786
Granted during the year	-	-	-	20,669	2,976	20,956	-	-	44,601
Exercised during the year	(73,705)	-	(31,860)	(20,669)	(2,976)	-	-	-	(129,210)
Lapsed during the year	(10,399)	-	-	-	-	-	-	-	(10,399)
Outstanding at 31 October 2020	-	135,822	-	-	-	20,956	-	-	156,778
Granted during the year	-	-	-	-	-	-	34,800	22,264	57,064
Exercised during the year	-	(123,941)	-	-	-	(4,128)	-	(22,264)	(150,333)
Lapsed during the year	-	(11,881)	-	-	-	(14,568)	-	-	(26,449)
Outstanding at 31 October 2021	-	-	-	-	-	2,260	34,800	-	37,060
Exercisable at 31 October 2021	-	-	-	-	-	-	-	-	-
Exercisable at 31 October 2020	-	-	-	-	-	-	-	-	-

	£m	£m	£m	£m	£m	£m	£m	£m	Total £m
Charge to income for the current year	-	-	-	-	-	-	0.3	0.1	0.4
Charge to income for the prior year	-	0.1	-	0.1	-	0.1	-	-	0.3

The weighted average exercise price of deferred bonus plan share options was £nil (2020: £nil).

Total share incentive schemes	**2021**	**2020**
	Number of	**Number**
Movements in the year	**options**	**of options**
Outstanding at beginning of the year	**4,984,036**	**4,685,139**
Granted during the year	**1,641,388**	**2,801,689**
Exercised during the year	**(195,485)**	**(251,194)**
Lapsed during the year	**(1,625,422)**	**(2,251,598)**
Outstanding at end of the year	**4,804,517**	**4,984,036**
Exercisable at end of the year	**42,360**	**95,096**
	£m	**£m**
Charge to income for share incentive schemes	**1.8**	**0.2**
Chief Executive buy-out arrangement[1]	**-**	**0.3**
Charge to income for the year	**1.8**	**0.5**

[1]In 2019 as part of his terms of appointment, the Group made a commitment to Peter Truscott to buy-out certain share-based awards from his previous employment consisting of 143,713 shares in Crest Nicholson Holdings plc. During the prior year, the commitment was satisfied in full resulting in a charge to income for that year of £0.3m.

The weighted average share price at the date of exercise of share options exercised during the year was £3.59 (2020: £4.76). The options outstanding had a range of exercise prices of £nil to £3.42 (2020: £nil to £4.20) and a weighted average remaining contractual life of 6.4 years (2020: 6.2 years). The gain on shares exercised during the year was £0.6m (2020: £1.5m).

18 TRADE AND OTHER RECEIVABLES

	Trade and other receivables before expected credit loss	**Expected credit loss**	**Trade and other receivables after expected credit loss**	**Trade and other receivables before expected credit loss**	**Expected credit loss**	**Trade and other receivables after expected credit loss**
	2021	**2021**	**2021**	**2020**	**2020**	**2020**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Non-current						
Trade receivables	**2.1**	**-**	**2.1**	**5.5**	**-**	**5.5**
Due from joint ventures	**54.3**	**(11.9)**	**42.4**	**61.0**	**(10.9)**	**50.1**
	56.4	**(11.9)**	**44.5**	**66.5**	**(10.9)**	**55.6**
Current						
Trade receivables	**25.2**	**(0.1)**	**25.1**	**27.3**	**(0.1)**	**27.2**
Contract assets	**56.7**	**(0.3)**	**56.4**	**53.9**	**(0.3)**	**53.6**
Due from joint ventures	**13.6**	**-**	**13.6**	**4.4**	**-**	**4.4**
Other receivables	**6.0**	**-**	**6.0**	**7.9**	**-**	**7.9**
Prepayments and accrued income	**1.3**	**-**	**1.3**	**2.1**	**-**	**2.1**
	102.8	**(0.4)**	**102.4**	**95.6**	**(0.4)**	**95.2**
Non-current and Current	**159.2**	**(12.3)**	**146.9**	**162.1**	**(11.3)**	**150.8**

Trade and other receivables mainly comprise contractual amounts due from housing associations, bulk sale purchasers and land sales to other housebuilders. Current trade receivables of £11.6m have been collected as of 1 January 2022 (2020: £10.7m have been collected as of 1 January 2021). The remaining balance is due according to contractual terms, and no material amounts are past due. At the consolidated statement of financial position date the difference between the fair value of amounts due from joint ventures and nominal value is £19.4m (2020: £17.9m).

Amounts due from joint ventures comprises funding provided on four (2020: four) joint venture developments which are being project managed by the Group and are repayable according to contractual arrangements. Amounts due from joint ventures are stated net of losses of £7.4m (2020: £7.0m). See note 14 for additional details on the Group's interests in joint ventures.

Amounts due from joint ventures are stated after a loss allowance of £11.9m (2020: £10.9m) in respect of expected credit losses. This estimate is based on a discounted cash flow analysis of the relevant joint ventures using available cash flow projections for the remainder of the project. £1.0m (2020: £7.7m) provision was made during the year, £nil (2020: £nil) was utilised and £nil (2020: £nil) provision was released during the year. The actual result depends on achieved sales values and delivery of the build to forecast.

Current trade receivables and contract assets are stated after a loss allowance of £0.4m (2020: £0.4m) in respect of expected credit losses, assessed on an estimate of default rates. £nil (2020: £0.2m) provision was made during the year, £nil (2020: £nil) was utilised and £nil (2020: £nil) provision was released during the year.

Movements in total loss allowance for expected credit losses

	2021	2020
	£m	£m
At beginning of the year	11.3	3.4
Movement in the year on joint venture balances	1.0	7.7
Movement in the year on other receivables	-	0.2
At end of the year	12.3	11.3

The total loss allowance for the Bonner Road LLP expected credit loss is £11.8m (2020: £10.8m) which represents management's best estimate based on current project forecasts. In the prior year a £7.6m impairment loss was recognised within exceptional items (see note 4).

Maturity of non-current receivables:

	2021	2020
	£m	£m
Due between one and two years	5.6	9.9
Due between two and five years	20.7	32.8
Due after five years	18.2	12.9
	44.5	55.6

19 INVENTORIES

	2021	Restated[1] 2020
	£m	£m
Work-in-progress	965.7	889.8
Completed buildings including show homes	57.7	107.0
Part exchange inventories	14.1	20.9
	1,037.5	1,017.7

[1] Restated to reflect the change in accounting policy on land options. See note 29.

Included within inventories is a fair value adjustment of £2.5m (2020: £11.3m) which arose on the acquisition of Castle Bidco Limited in 2009 and will continue to unwind to cost of sales in future years as the units against which the original fair value provision was recognised are sold or otherwise divested. The amount of fair value provision unwound in cost of sales in the year was £8.8m (2020: £5.2m). Total inventories of £603.5m (2020: £535.7m) were recognised as cost of sales in the year.

During the year and as detailed in note 4, the remaining unutilised residential 7.5% sales price provision has been released creating an exceptional inventory impairment credit of £8.0m (2020: £33.9m exceptional charge).

Total inventories are stated net of a net realisable value provision of £20.7m (2020: £37.1m), mainly relating to the impairments as disclosed in note 4.

Of the £20.7m remaining NRV provision, it is currently forecast that over three-quarters will be used in the next financial year.

Movements in the NRV provision in the current and prior year are shown below:

	2021	2020
	£m	£m
At beginning of the year	37.1	7.8
Pre-exceptional NRV charged in the year	0.8	2.9
Pre-exceptional NRV used in the year	(5.2)	(2.1)
Exceptional NRV (credited)/charged in the year (note 4)	(8.0)	33.9
Exceptional NRV used in the year	(4.0)	(5.4)
Total movement in NRV in the year	(16.4)	29.3
At end of the year	20.7	37.1

During the prior year the Group wrote off as an exceptional item £9.3m of work-in-progress and other associated costs on a project where the scheme is no longer profitable and therefore aborted. The combination of this and the exceptional NRV provided in the prior year of £33.9m is £43.2m, representing the total exceptional inventory impairment charge per note 4 for that year.

20 MOVEMENT IN NET CASH

	2021 £m	Movement £m	2020 £m
Cash and cash equivalents	**350.7**	**111.3**	**239.4**
Bank loans and senior loan notes	**(97.9)**	**(0.7)**	**(97.2)**
Net cash	**252.8**	**110.6**	**142.2**

21 INTEREST-BEARING LOANS AND BORROWINGS

	2021 £m	2020 £m
Non-current		
Senior loan notes	**100.0**	**100.0**
Revolving credit and senior loan notes issue costs	**(2.1)**	**(2.8)**
	97.9	**97.2**

There were undrawn amounts of £250.0m (2020: £250.0m) under the revolving credit facility at the consolidated statement of financial position date. The Group was undrawn throughout the financial year (2020: repaid £35.0m) under the revolving credit facility. See note 25 for additional disclosures.

22 TRADE AND OTHER PAYABLES

	2021 £m	2020 £m
Non-current		
Land payables on contractual terms	**93.7**	**130.1**
Other payables	**3.4**	**4.0**
Accruals and deferred income	**10.5**	**17.6**
	107.6	**151.7**
Current		
Land payables on contractual terms	**129.2**	**75.6**
Other trade payables	**32.0**	**36.2**
Contract liabilities	**25.0**	**32.8**
Due to joint ventures	**0.1**	**0.1**
Taxes and social security costs	**1.8**	**2.4**
Other payables	**7.8**	**4.6**
Accruals and deferred income	**253.6**	**205.3**
	449.5	**357.0**

Land payables are recognised from the date of unconditional exchange of contracts, and represent amounts due to land vendors for development sites acquired. All land payables are due according to contractual terms. Where land is purchased on deferred settlement terms then the land and the land payable are discounted to their fair value using the effective interest method in accordance with IFRS 9. The difference between the fair value and the nominal value is amortised over the deferment period, with the financing element being charged as an interest expense through the consolidated income statement. At 31 October 2021 the difference between the fair value and nominal value of non-current land payables is £3.5m (2020: £4.6m).

Contract liabilities represent payments on account, received from customers, in excess of billable work-in-progress on affordable and other sales in bulk on contracts in which revenue is recognised over time. Based on historical trends, the Directors expect a significant proportion of the contract liabilities total to be recognised as revenue in the next reporting period.

Amounts due to joint ventures are interest free and repayable on demand. See note 14 for additional details on the Group's interests in joint ventures.

Other trade payables mainly comprise amounts due to suppliers and subcontractor retentions. Suppliers are settled according to agreed payment terms and subcontractor retentions are released once the retention condition has been satisfied.

Accruals are mainly work-in-progress related where work has been performed but not yet invoiced.

23 PROVISIONS

	Combustible materials 2021 £m	Commercial properties 2021 £m	Total 2021 £m	Combustible materials 2020 £m	Commercial properties 2020 £m	Other provisions 2020 £m	Total 2020 £m
At beginning of the year	**14.8**	**0.4**	**15.2**	14.6	0.8	0.8	16.2
Provided in the year	**31.2**	**0.1**	**31.3**	2.6	-	-	2.6
Utilised in the year	**(3.4)**	**-**	**(3.4)**	(2.4)	-	(0.4)	(2.8)
Released in the year	**-**	**-**	**-**	-	(0.4)	(0.4)	(0.8)
At end of the year	**42.6**	**0.5**	**43.1**	14.8	0.4	-	15.2
Of which:							
Non-current	**28.4**	**-**	**28.4**	3.4	-	-	3.4
Current	**14.2**	**0.5**	**14.7**	11.4	0.4	-	11.8
	42.6	**0.5**	**43.1**	14.8	0.4	-	15.2

Combustible materials
Following the Grenfell Tower tragedy in 2017 the Government commenced a review of fire-related building regulations, notably those relating to external walls, and issued new guidance for building owners which it continues to revise.

On joining the Group in 2019, the new Executive Leadership Team quickly established a dedicated internal team to oversee and govern the Group's response to this changing regulatory backdrop as the interpretation of this guidance often varies between professional advisors who are engaged to oversee the identification and implementation of any remedies.

This team meets regularly and is chaired by the Chief Executive with attendance from the Group Finance Director, Group Production Director and Special Projects Director responsible for this area. In 2019 the team conducted a full review into all legacy schemes it believed may be at risk from guidance at that time, any relevant regulations and considered any notification of claims. Accordingly, the Group created a combustible materials provision. In 2020 and 2021 this provision was subsequently increased to reflect any changes to the Government guidance and how it may be interpreted over the Group's legacy portfolio, along with any new notifications received if it was considered that they represent a liability.

In addition, as time has passed the Group has also been able to apply the benefit of learned experience to develop a more accurate assessment and forecast of its potential liability. As such the Group now has a detailed risk register of all legacy buildings in scope which it regularly reviews. The team considers the application of the latest guidelines against each affected building, advice from its technical or legal advisors along with relevant updates or notifications from a variety of stakeholders. Such sources can include residents, management companies, freeholders, subcontractors, architects, mortgage lenders, building control bodies and independent fire engineers.

The review team consider the progress of any identified remediation works and adjusts the provision to reflect the Group's best estimate of any future remediation works. As such the financial statements are prepared on the Group's current best estimate of these future costs and this may evolve in the future based on the result of ongoing inspections, further advice, the progress and cost to complete of in-flight remediation works and whether Government legislation and regulation becomes more or less stringent in this area. See note 26 for disclosures relating to further potential liabilities and recoveries relating to the combustible materials provision.

In this year's assessment of whether any further remedial works are required to be performed on legacy buildings, the Directors have carefully considered whether the Group has a legal or constructive obligation at the consolidated statement of financial position date. A legal obligation exists where the Group owns the freehold of the building or is the Responsible Person under The Regulatory Reform (Fire Safety) Order and taking into account the impact of other advice notes issued by the Government since December 2018, or, where the Group no longer owns the freehold and it is made aware of buildings with defects or non-compliance with safety related building regulations at the time.

A constructive obligation is present if the Group has communicated to the involved parties (such as residents and building owners) that it will undertake the remedial works. If the Group has identified that it has a legal or constructive obligation then a provision has been recognised for the latest estimated cost of the remedial works. The calculation of any charge is complex, considering many different inputs including the height and square footage of the impacted buildings, costs of interrogation, estimated costs of replacement materials and labour, the extent of the works to be complete and potential disruption to customers.

Accordingly, the Group recorded a further net combustible materials charge of £31.2m in the year ended 31 October 2021. This charge comprises workmanship related defects £12.5m, design related defects £17.7m and other costs £1.0m. The further charge is in addition to the £18.4m combustible materials charge made in 2019 and the £0.6m net combustible materials charge made in 2020. The main driver for the further charge in 2021 is the increase in claims that have been made since the September 2021 deadline for freeholders and managing agents to apply for the Government's Building Safety Fund.

During the year the Group has received new claims predominantly where it is no longer the freeholder of the building and following the results of intrusive surveys where fire related defects have been identified. Approximately a third of this increase is due to revisions of forecasts on previously assessed buildings arising as a result of a change in scope from intrusive surveys, and two thirds on newly identified buildings requiring fire-related remedial works. These newly identified buildings could not have been provided for previously as no claims had been made that required the recognition of a liability. The outflow of cash or other economic benefit was therefore not previously considered as probable.

The Group spent £3.4m in the year across several buildings requiring further investigative costs, including balcony and cladding related works.

The provision of £42.6m represents the Group's best estimate of costs at 31 October 2021. The Group will continue to assess the magnitude and utilisation of this provision in future financial reporting periods. The Group recognises that Government guidance in this area is evolving over time and that assumptions may require revising. In addition, required remediation works could be subject to further inflationary pressures and cash outflows on currently unprovided sites may also become probable in the future.
The Group expects to have completed any required remedies within a five-year period, using £14.2m of the remaining provision within one year, and the balance within two to five years.

The Group is continuing to review the recoverability of costs incurred from third parties where it has a contractual right of recourse. In the year £2.4m was recovered from third parties, which has been recorded as an exceptional credit in the consolidated income statement. See note 4 for income statement disclosure.

Commercial properties
Commercial properties are dilapidation provisions on commercial properties where the Group previously held the head lease. All leases are now expired and the provision represents forecast costs to be incurred in bringing the buildings back to their original condition.

24 SHARE CAPITAL

	Shares issued Number	Nominal value Pence	Share capital £	Share premium account £
Ordinary shares as at 1 November 2019, 31 October 2020 and 31 October 2021	**256,920,539**	**5**	**12,846,027**	**74,227,216**

Ordinary shares are issued and fully paid. Authorised ordinary shares of five pence each are 342,560,719 (2020: 342,560,719).

For details of outstanding share options at 31 October 2021 see note 17.

Own shares held
The Group and Company holds shares within the Crest Nicholson Employee Share Ownership Trust (Trust) for participants of certain share-based payment schemes. These are held within retained earnings. During the year 400,000 shares were purchased by the Trust for £1.6m (2020: 435,500 shares were purchased by the Trust for £1.8m) and the Trust transferred 195,485 (2020: 394,913) shares to employees and Directors to satisfy options as detailed in note 17. The number of shares held within the Trust (Treasury shares), and on which dividends have been waived, at 31 October 2021 was 389,512 (2020: 184,997). These shares are held within the financial statements in equity at a cost of £1.5m (2020: £0.5m). The market value of these shares at 31 October 2021 was £1.4m (2020: £0.4m).

25 FINANCIAL RISK MANAGEMENT

The Group's financial instruments comprise cash, bank loans, senior loan notes, trade and other receivables, financial assets at fair value through profit and loss and trade payables. The main objective of the Group's policy towards financial instruments is to maximise returns on the Group's cash balances, manage the Group's working capital requirements and finance the Group's ongoing operations.

Capital management
The Group's policies seek to match long-term assets with long-term finance and ensure that there is sufficient working capital to meet the Group's commitments as they fall due, comply with the loan covenants and continue to sustain trading.

The Group's capital comprises shareholders' funds and net borrowings. A five-year summary of this can be found in the unaudited historical summary on page 74, in addition to its return on average capital employed.

The Group seeks to manage its capital through control of expenditure, dividend payments and through its banking facilities. The revolving credit facility and senior loan notes impose certain minimum capital requirements on the Group. These requirements are integrated into the Group's internal forecasting process and are regularly reviewed. The Group has, and is forecasting, to operate within these capital requirements.

There were undrawn amounts of £250.0m (2020: £250.0m) under the revolving credit facility at the consolidated statement of financial position date. The revolving credit facility carries interest at three-month LIBOR plus 1.85% and ends in 2024.

On 15 November 2021 the Group signed an amendment to the revolving credit facility to change the interest rate calculation from LIBOR to SONIA. This was necessary due to the cessation of LIBOR rate calculations. The amendment was done on a no gain/loss basis to either the lender or borrower. All other key terms and conditions remain unchanged.

Financial risk
As virtually all of the operations of the Group are in sterling, there is no direct currency risk, and thus the Group's main financial risks are credit risk, liquidity risk and market interest rate risk. The Board is responsible for managing these risks and the policies adopted are as set out below:

Credit risk
Credit risk is the risk of financial loss to the Group if a customer or other counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's cash deposits, as most receivables are secured on land and buildings.

The Group has cash deposits of £350.7m (2020: £239.4m) which are held by the providers of its banking facilities. These are primarily provided by HSBC Bank Plc, Barclays Bank Plc, Lloyds Bank Plc and Natwest Group Plc, being four of the UK's leading financial institutions. The security and suitability of these banks is monitored by the treasury function on a regular basis. The Group has bank facilities of £250.0m expiring in June 2024, with £250.0m remaining available for drawdown under such facilities at 31 October 2021.

Financial assets at fair value through profit and loss, as described in note 15, of £5.3m (2020: £5.4m) are receivables on extended terms granted as part of a sales transaction and are secured by way of a legal charge on the relevant property and therefore credit risk is considered low.

The carrying value of trade and other receivables is mainly amounts due from housing association sales, land sales and commercial sales and equates to the Group's exposure to credit risk which is set out in note 18. Amounts due from joint ventures of £56.0m (2020: £54.5m) is funding provided on four (2020: four) joint venture developments which are being project managed by the Group and are subject to contractual arrangements. The Group has assessed the expected credit loss impact on the carrying value of trade and other receivables as set out in note 18. Within trade receivables the other largest single amount outstanding at the year end is £3.8m (2020: £5.5m) which is within agreed terms.

The Group considers the credit quality of financial assets that are neither past due nor impaired as good. In managing risk the Group assesses the credit risk of its counterparties before entering into a transaction. No credit limits were exceeded during the reporting year, and the Directors do not expect any material losses from non-performance of any counterparties, including in respect of receivables not yet due. No material financial assets are past due, or are considered to be impaired as at the consolidated statement of financial position date (2020: none).

Liquidity risk
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

Cash flow forecasts are produced to monitor the expected cash flow requirements of the Group against the available facilities. The principal risks within these cash flows relate to achieving the level of sales volume and prices in line with current forecasts.

The following are the contractual maturities of the financial liabilities of the Group at 31 October 2021:

2021	**Carrying value £m**	**Contractual cash flows £m**	**Within 1 year £m**	**1-2 years £m**	**2-3 years £m**	**More than 3 years £m**
Senior loan notes	**100.0**	**119.6**	**3.5**	**3.5**	**15.8**	**96.8**
Financial liabilities carrying interest	**65.0**	**66.1**	**36.0**	**30.1**	**-**	**-**
Financial liabilities carrying no interest	**469.9**	**473.6**	**392.5**	**58.6**	**17.6**	**4.9**
At 31 October 2021	**634.9**	**659.3**	**432.0**	**92.2**	**33.4**	**101.7**

2020	**Carrying value £m**	**Contractual cash flows £m**	**Within 1 year £m**	**1-2 years £m**	**2-3 years £m**	**More than 3 years £m**
Senior loan notes	**100.0**	**123.1**	**3.5**	**3.5**	**3.5**	**112.6**
Financial liabilities carrying interest	**101.9**	**104.5**	**38.2**	**36.1**	**30.2**	**-**
Financial liabilities carrying no interest	**378.6**	**383.6**	**290.3**	**41.0**	**29.5**	**22.8**
At 31 October 2020	**580.5**	**611.2**	**332.0**	**80.6**	**63.2**	**135.4**

Other financial liabilities carrying interest are land acquisitions using promissory notes. The timing and amount of future cash flows given in the table above is based on the Directors' best estimate of the likely outcome.

Market interest rate risk
Market interest rate risk reflects the Group's exposure to fluctuations to interest rates in the market. The risk arises because the Group's revolving credit facility is subject to floating interest rates based on LIBOR up until 15 November 2021 and then SONIA thereafter. The Group accepts a degree of interest rate risk, and monitors rate changes to ensure they are within acceptable limits and in line with banking covenants. The Group has partially mitigated this risk by placing £100m of senior loan notes which are at fixed interest rates. For the year ended 31 October 2021 it is estimated that an increase of 1% in interest rates applying for the full year would decrease the Group's profit before tax by £nil (2020: £0.8m).

At 31 October 2021, the interest rate profile of the financial liabilities of the Group was:

	2021 £m	2020 £m
Sterling bank borrowings, loan notes and long-term creditors		
Financial liabilities carrying interest	**165.0**	**201.9**
Financial liabilities carrying no interest	**469.9**	**378.6**
	634.9	**580.5**

For financial liabilities that have no interest payable but for which imputed interest is charged, consisting of land payables, the weighted average period to maturity is 24 months (2020: 35 months).

	2021 £m	2020 £m
The maturity of the financial liabilities is:		
Repayable within one year	**424.8**	**324.1**
Repayable between one and two years	**87.7**	**74.4**
Repayable between two and five years	**56.2**	**115.4**
Repayable after five years	**66.2**	**66.6**
	634.9	**580.5**

Fair values

<u>Financial assets</u>
The Group's financial assets comprise cash and cash equivalents, financial assets at fair value through profit and loss, trade and other receivables and contract assets. The carrying value of cash and cash equivalents, trade and other receivables and contract assets is a reasonable approximation of fair value which would be measured under a level 3 hierarchy. At 31 October 2021 financial assets consisted of sterling cash deposits of £350.7m (2020: £239.4m), both with solicitors and on current account, £5.3m (2020: £5.4m) of financial assets at fair value through profit and loss, £33.2m (2020: £40.6m) of trade and other receivables, and £56.0m (2020: £54.5m) of amounts due from joint ventures. Financial assets at fair value through profit and loss are carried at fair value and categorised as level 3 (inputs not based on observable market data) within the hierarchical classification of IFRS 13: Revised.

<u>Financial liabilities</u>
The Group's financial liabilities comprise the revolving credit facility, loan notes, trade payables, loans from joint ventures, lease liabilities and accruals, the carrying amounts of which are deemed to be a reasonable approximation to their fair value. The fair values of the revolving credit facility, other loans and loan notes are calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the consolidated statement of financial position date.

The fair values of the facilities determined on this basis are:

2021	Nominal interest rate	Face value £m	Carrying value £m	Fair value £m	Maturity
Senior loan notes	**3.15% - 3.87%**	**100.0**	**100.0**	**100.0**	**2024-2029**
Total non-current interest-bearing loans		**100.0**	**100.0**	**100.0**	

2020	Nominal interest rate	Face value £m	Carrying value £m	Fair value £m	Maturity
Senior loan notes	**3.15% - 3.87%**	**100.0**	**100.0**	**100.0**	**2024-2029**
Total non-current interest-bearing loans		**100.0**	**100.0**	**100.0**	

Financial assets and liabilities by category

	2021	2020
Financial assets	**£m**	**£m**
Sterling cash deposits	**350.7**	**239.4**
Trade receivables	**27.2**	**32.7**
Amounts due from joint ventures	**56.0**	**54.5**
Other receivables	**6.0**	**7.9**
Total financial assets at amortised cost	**439.9**	**334.5**
Financial assets at fair value through profit and loss	**5.3**	**5.4**
Total financial assets	**445.2**	**339.9**

	2021	2020
Financial liabilities	**£m**	**£m**
Senior loan notes	**100.0**	**100.0**
Land payables on contractual terms carrying interest	**65.0**	**101.9**
Land payables on contractual terms carrying no interest	**157.9**	**103.8**
Amounts due to joint ventures	**0.1**	**0.1**
Lease liabilities	**4.6**	**7.0**
Other trade payables	**32.0**	**36.2**
Other payables	**11.2**	**8.6**
Accruals	**264.1**	**222.9**
Total financial liabilities at amortised cost	**634.9**	**580.5**

26 CONTINGENCIES AND COMMITMENTS

There are performance bonds and other engagements, including those in respect of joint venture partners, undertaken in the ordinary course of business. It is impractical to quantify the financial effect of performance bonds and other arrangements. The Directors consider the possibility of a cash outflow in settlement of performance bonds and other arrangements to be remote and therefore this does not represent a contingent liability for the Group.

In the ordinary course of business the Group enters into certain land purchase contracts with vendors on a conditional exchange basis. The conditions must be satisfied for the Group to recognise the land asset and corresponding provisions within the consolidated statement of financial position. No land payable in respect of conditional land acquisitions has been recognised.

The Group provides for all known material legal actions, where having taken appropriate legal advice as to the likelihood of success of the actions, it is considered probable that an outflow of economic resource will be required, and the amount can be reliably measured. No material contingent liability in respect of such claims has been recognised since there are no known claims of this nature.

In 2019, the Group created a combustible materials provision, which was subsequently increased in 2020 and 2021, see note 23 for further information. This provision is subject to the Directors' estimates on costs and timing, and the identification of legacy developments where the Group may have an obligation to remediate or upgrade to meet new Government guidance where it is responsible to do so. The Group recognises that the retrospective review of building materials continues to evolve and as such the financial statements have been prepared based on currently available information. The provision reflects the current best estimate of future costs of work required based on the reviews and physical inspections undertaken. However, the provision may be updated as further inspections are completed, the outcome of which may result in the outflow of economic benefit becoming probable or if Government legislation and regulation becomes more or less stringent in this area. It is particularly difficult to reliably estimate expected future costs where the Group is no longer the freehold owner. As such the Group has not disclosed a range of expected future costs.

In July 2021, the Government proposed that the Building Safety Bill will extend the current 6-year limitation period under The Defective Premises Act to a 15-year limitation period, during which legal claims can be brought against developers and that this will be applied retrospectively when the Bill becomes law, which is expected in 2022. The provision recognised reflects the Group's review of buildings within all currently applicable liability periods, which in some circumstances exceeds the six-year limitation period. However, the extension to 15 years may result in additional liabilities for the Group which currently cannot be quantified as the buildings are not homogenous and reliable estimates are impracticable without an intrusive survey being performed

In July 2021, the Government announced that External Wall Survey (EWS) certificates should not be required by mortgagors on buildings below 18 metres. If this is accepted by the relevant stakeholders, being banks, leaseholders and surveyors, it would potentially reduce the scope of remediation works that are required to the EWS on lower-rise buildings. This guidance is yet to be finalised and therefore any potential reduction to the provision cannot be currently quantified.

On 10 January 2022, the Secretary of State communicated the Government's latest policy position with respect to building safety concerns arising from cladding and combustible materials. The Group is carefully considering the impacts of this update, however, the guidance is yet to be finalised therefore any potential impact on the combustible materials provision cannot currently be quantified.

The Group is reviewing the recoverability of costs incurred from third parties where it has a contractual right of recourse. As reflected in the prior year financial statements the Group has a track record of successfully obtaining such recoveries, however no contingent assets have been recognised in this year's financial statements for such items.

27 NET CASH AND LAND CREDITORS

	2021 £m	2020 £m
Cash and cash equivalents	**350.7**	**239.4**
Non-current interest-bearing loans and borrowings	**(97.9)**	**(97.2)**
Net cash	**252.8**	**142.2**
Land payables on contractual terms carrying interest	**(65.0)**	**(101.9)**
Land payables on contractual terms carrying no interest	**(157.9)**	**(103.8)**
Net cash and land creditors	**29.9**	**(63.5)**

28 RELATED PARTY TRANSACTIONS

Transactions between fellow subsidiaries, which are related parties, are eliminated on consolidation, as well as transactions between the Company and its subsidiaries during the current and prior year.

Transactions between the Group and key management personnel mainly comprise remuneration which is given in note 6. Detailed disclosure for Board members is given within the Directors' Remuneration Report. There were no other transactions between the Group and key management personnel in the year.

The Company's Directors and Non-Executive Directors have associations other than with the Company. From time to time the Group may buy products or services from organisations with which a Director or Non-Executive Director has an association. Where this occurs, it is on normal commercial terms and without the direct involvement of the Director or Non-Executive Director.

The Group had the following transactions with its joint ventures in the year:

	2021 £m	2020 £m
Interest income on joint venture funding	**2.8**	**2.7**
Project management fees received	**1.5**	**1.4**
Amounts due from joint ventures, net of expected credit losses	**56.0**	**54.5**
Amounts due to joint ventures	**0.1**	**0.1**
Funding to joint ventures	**(13.0)**	**(15.6)**
Repayment of funding from joint ventures	**11.5**	**10.1**

29 CHANGE IN ACCOUNTING POLICIES

Inventories

In previous financial statements options purchased in respect of land were initially recognised as a prepayment within inventories at cost and subject to annual impairment reviews, with provisions made to reflect loss of value. When a land contract was subsequently secured from an option subject to impairment, the previously impaired costs were written back to the income statement and capitalised within work-in-progress. Upon development of the land, this capitalised cost is charged to cost of sales as housing units are sold.

The Group has changed this policy to be more in line with common industry practice and to provide more reliable and relevant information, which it believes improves the understanding of the performance of the business. Land options are now written down on a straight-line basis over the life of the option, with no subsequent write back to the consolidated income statement when a land contract is secured. The updated policy is disclosed within note 1.

This change in policy will result in the derecognition of £7.3m of land options previously written back to the income statement, and create an associated deferred tax asset of £1.4m. The previous income statement write backs did not occur in the periods ended 31 October 2019 or 31 October 2020, thus the consolidated income statement for these periods does not require restatement. The impact on previously reported consolidated statement of financial position is presented overleaf.

	As at 1 November 2019 £m	As at 31 October 2020 £m
Deferred tax assets		
As previously reported	6.4	8.4
Change in accounting policy	1.4	1.4
As reported	7.8	9.8
Inventories		
As previously reported	1,151.1	1,025.0
Change in accounting policy	(7.3)	(7.3)
As reported	1,143.8	1,017.7
Total assets		
As previously reported	1,576.2	1,473.1
Change in accounting policy	(5.9)	(5.9)
As reported	1,570.3	1,467.2
Net assets		
As previously reported	853.9	831.2
Change in accounting policy	(5.9)	(5.9)
As reported	848.0	825.3
Retained earnings		
As previously reported	766.9	744.2
Change in accounting policy	(5.9)	(5.9)
As reported	761.0	738.3
Total equity		
As previously reported	853.9	831.2
Change in accounting policy	(5.9)	(5.9)
As reported	848.0	825.3

30 GROUP UNDERTAKINGS

In accordance with s409 Companies Act 2006, the following is a list of all the Group's undertakings at 31 October 2021.

Subsidiary undertakings
At 31 October 2021 the Group had an interest in the below subsidiary undertakings, which are included in the consolidated financial statements. All subsidiaries were incorporated in England and Wales.

Entity name	Registered office	Active / dormant	Year end date	Voting rights and shareholding (direct or indirect)
Bartley Wood Management Services No.2 Limited	1	8	31 March	100%
Bath Riverside Estate Management Company Limited	2	9	31 October	100%
Bath Riverside Liberty Management Company Limited	2	9	31 October	100%
Castle Bidco Home Loans Limited	1	8	31 October	100%
Brightwells Residential 1 Company Limited	1	9	31 October	100%
Bristol Parkway North Limited	1	9	31 October	100%
Building 7 Harbourside Management Company Limited	2	8	31 December	58.33%
Buildings 3A, 3B & 4 Harbourside Management Company Limited	2	9	31 December	83.33%
Castle Bidco plc*	1	8	31 October	100%
Clevedon Developments Limited	1	9	31 October	100%
Clevedon Investment Limited	1	8	31 October	100%
CN Nominees Limited	1	9	31 October	100%
CN Properties Limited	1	9	31 October	100%
CN Secretarial Limited	1	9	31 October	100%
CN Shelf 1 LLP	1	9	30 June	100%
CN Shelf 2 LLP	1	9	30 June	100%
CN Shelf 3 LLP	1	9	30 June	100%
Crest (Claybury) Limited	1	9	31 October	100%
Crest Developments Limited	1	9	31 October	100%
Crest Estates Limited	1	9	31 October	100%
Crest Homes (Eastern) Limited	1	9	31 October	100%
Crest Homes (Midlands) Limited	1	9	31 October	100%
Crest Homes (Nominees) Limited	1	9	31 October	100%
Crest Homes (Nominees No. 2) Limited	1	8	31 October	100%
Crest Homes (Northern) Limited	1	9	31 October	100%
Crest Homes (South East) Limited	1	9	31 October	100%
Crest Homes (South West) Limited	1	9	31 October	100%
Crest Homes (South) Limited	1	9	31 October	100%
Crest Homes (Wessex) Limited	1	9	31 October	100%
Crest Homes (Westerham) Limited	1	9	31 October	100%
Crest Homes Limited	1	9	31 October	100%
Crest Manhattan Limited	1	9	31 October	100%
Crest Nicholson (Bath) Holdings Limited	1	9	31 October	100%
Crest Nicholson (Chiltern) Limited	1	9	31 October	100%
Crest Nicholson (Eastern) Limited	1	9	31 October	100%
Crest Nicholson (Epsom) Limited	1	9	31 October	100%
Crest Nicholson (Henley-on-Thames) Limited	1	8	31 October	100%
Crest Nicholson (Highlands Farm) Limited	1	9	31 October	100%
Crest Nicholson (Londinium) Limited	1	9	31 October	100%
Crest Nicholson (Midlands) Limited	1	9	31 October	100%
Crest Nicholson (Peckham) Limited	1	8	31 October	100%
Crest Nicholson (South East) Limited	1	9	31 October	100%
Crest Nicholson (South West) Limited	1	9	31 October	100%
Crest Nicholson (South) Limited	1	9	31 October	100%
Crest Nicholson (Stotfold) Limited	1	8	31 October	100%

*Castle Bidco plc is the only direct holding of Crest Nicholson Holdings plc.

Entity name	Registered office	Active / dormant	Year end date	Voting rights and shareholding (direct or indirect)
Crest Nicholson Developments (Chertsey) Limited	1	8	31 October	100%
Crest Nicholson Operations Limited	1	8	31 October	100%
Crest Nicholson Pension Trustee Limited	1	9	31 January	100%
Crest Nicholson plc	1	8	31 October	100%
Crest Nicholson Projects Limited	1	9	31 October	100%
Crest Nicholson Properties Limited	1	9	31 October	100%
Crest Nicholson Regeneration Limited	1	9	31 October	100%
Crest Nicholson Residential (London) Limited	1	9	31 October	100%
Crest Nicholson Residential (Midlands) Limited	1	9	31 October	100%
Crest Nicholson Residential (South East) Limited	1	9	31 October	100%
Crest Nicholson Residential (South) Limited	1	9	31 October	100%
Crest Nicholson Residential Limited	1	9	31 October	100%
Crest Partnership Homes Limited	1	9	31 October	100%
Crest Strategic Projects Limited	1	9	31 October	100%
Eastern Perspective Management Company Limited	1	9	31 October	100%
Essex Brewery (Walthamstow) LLP	1	9	31 October	100%
Harbourside Leisure Management Company Limited	1	8	30 December	71.43%
Landscape Estates Limited	1	9	31 October	100%
Mertonplace Limited	1	9	31 October	100%
Nicholson Estates (Century House) Limited	1	9	31 October	100%
Park Central Management (Central Plaza) Limited	1	9	31 October	100%
Ellis Mews (Park Central) Management Limited	1	8	31 October	100%
Park Central Management (Zone 11) Limited	1	9	31 October	100%
Park Central Management (Zone 12) Limited	1	9	31 October	100%
Park Central Management (Zone 1A North) Limited	1	9	31 October	100%
Park Central Management (Zone 1A South) Limited	1	9	31 October	100%
Park Central Management (Zone 1B) Limited	1	9	31 October	100%
Park Central Management (Zone 3/1) Limited	1	9	31 October	100%
Park Central Management (Zone 3/2) Limited	1	9	31 October	100%
Park Central Management (Zone 3/3) Limited	1	9	31 October	100%
Park Central Management (Zone 3/4) Limited	1	9	31 October	100%
Park Central Management (Zone 4/41 & 42) Limited	1	9	31 October	100%
Park Central Management (Zone 4/43/44) Limited	1	9	31 October	100%
Park Central Management (Zone 5/53) Limited	1	9	31 October	100%
Park Central Management (Zone 5/54) Limited	1	9	31 October	100%
Park Central Management (Zone 5/55) Limited	1	9	31 October	100%
Park Central Management (Zone 6/61-64) Limited	1	9	31 October	100%
Park Central Management (Zone 7/9) Limited	1	9	31 October	100%
Park Central Management (Zone 8) Limited	1	8	31 October	100%
Park Central Management (Zone 9/91) Limited	1	9	31 January	100%
Park West Management Services Limited	1	8	31 March	62.00%

Subsidiary audit exemption
The following subsidiaries have taken advantage of an exemption from audit under section 479A of the Companies Act 2006. The parent of the subsidiaries, Crest Nicholson plc, has provided a statutory guarantee for any outstanding liabilities of these subsidiaries. All subsidiary undertakings have been included in the consolidated financial statements of Crest Nicholson Holdings plc as at 31 October 2021.

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

Joint venture undertakings
At 31 October 2021 the Group had an interest in the following joint venture undertakings which are equity accounted within the consolidated financial statements. The principal activity of all undertakings is that of residential development. All joint ventures were incorporated in England and Wales.

Entity name	Registered office	Active / dormant	Year end date	Voting rights and shareholding (direct or indirect)
Material joint ventures				
Bonner Road LLP	6	8	31 March	50%
Crest A2D (Walton Court) LLP	1	8	31 March	50%
Crest Sovereign (Brooklands) LLP	5	8	31 October	50%
Elmsbrook (Crest A2D) LLP	7	8	31 March	50%
Other joint ventures not material to the Group				
Brentford Lock Limited	3	8	31 December	50%
Crest/Vistry (Epsom) LLP	1	8	31 October	50%
Crest Nicholson Bioregional Quintain LLP	1	8	31 October	50%
English Land Banking Company Limited	1	8	31 October	50%
Haydon Development Company Limited	4	8	30 April	21.36%
North Swindon Development Company Limited	4	8	31 December	32.64%

Registered office	Active / dormant
1 Crest House, Pyrcroft Road, Chertsey, Surrey KT16 9GN.	8 active
2 Unit 2 & 3 Beech Court, Wokingham Road, Hurst, Reading RG10 0RU.	9 dormant
3 Persimmon House, Fulford, York YO19 4FE.	
4 6 Drakes Meadow, Penny Lane, Swindon, Wiltshire SN3 3LL.	
5 Sovereign House, Basing View, Basingstoke RG21 4FA.	
6 Level 6, 6 More London Place, Tooley Street, London SE1 2DA.	
7 The Point, 37 North Wharf Road, London W2 1BD.	

Joint operations
The Group is party to a joint unincorporated arrangement with Linden Homes Limited, the purpose of which was to acquire, and develop, a site in Hemel Hempstead, Hertfordshire. The two parties are jointly responsible for the control and management of the site's development, with each party funding 50% of the cost of the land acquisition and development of the site, in return for 50% of the returns. As such this arrangement was designated as a joint operation.

The Group is party to a joint unincorporated arrangement with CGNU Life Assurance Limited the purpose of which is to acquire, and develop, a site in Chertsey, Surrey. The two parties are jointly responsible for the control and management of the site's development, with each party funding 50% of the cost of the land acquisition and development of the site, in return for 50% of the returns. As such this arrangement has been designated as a joint operation.

The Group is party to a joint arrangement with Passion Property Group Limited, the purpose of which was to develop a site in London. The development was completed in 2014 and there are no material balances in the Group financial statements relating to this joint arrangement as at 31 October 2021. The two parties were jointly responsible for the control and management of the site's development, with each party having prescribed funding obligations and returns. As such this arrangement has been designated as a joint operation.

In line with the Group's accounting policies, the Group has recognised its share of the jointly controlled assets and liabilities, and income and expenditure, in relation to these joint arrangements on a line-by-line basis in the consolidated statement of financial position and consolidated income statement as there is no legal entity in place and the arrangements as structured such that the Group has a direct interest in the underlying assets and liabilities of each arrangement.

Crest Nicholson Employee Share Ownership Trust
The Group operates The Crest Nicholson Employee Share Ownership Trust, which is used to satisfy awards granted under the Group's share incentive schemes, shares are allotted to the Trust or the Trust is funded to acquire shares in the open market. The Crest Nicholson Employee Share Ownership Trust falls within the scope of IFRS 10 Consolidated statements, and is consolidated within the Group financial statements, as the Group is considered to have control over the Trust.

CREST NICHOLSON HOLDINGS PLC
COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 October 2021

	Note	2021 £m	2020 £m
ASSETS			
Non-current assets			
Investments	**4**	**1.6**	**0.6**
Current assets			
Trade and other receivables	**5**	**251.5**	**252.1**
TOTAL ASSETS		**253.1**	**252.7**
NET ASSETS		**253.1**	**252.7**
SHAREHOLDERS' EQUITY			
Share capital	**6**	**12.8**	**12.8**
Share premium account	**6**	**74.2**	**74.2**
Retained earnings:			
At 1 November		**165.7**	**155.9**
Profit for the year		**11.3**	**11.2**
Other changes in retained earnings		**(10.9)**	**(1.4)**
At 31 October		**166.1**	**165.7**
TOTAL SHAREHOLDERS' EQUITY		**253.1**	**252.7**

The Company recorded a profit for the financial year of £11.3m (2020: £11.2m).
The notes on pages 69 to 71 form part of these financial statements.
The financial statements on pages 68 to 71 were approved by the Board of Directors on 19 January 2022.

On behalf of the Board

PETER TRUSCOTT
Director

DUNCAN COOPER
Director

CREST NICHOLSON HOLDINGS PLC
COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 October 2021

	Note	Share capital £m	Share premium account £m	Retained earnings £m	Total equity £m
Balance at 1 November 2019		**12.8**	**74.2**	**155.9**	**242.9**
Profit for the financial year and total comprehensive income		**-**	**-**	**11.2**	**11.2**
Transactions with shareholders					
Exercise of share options through employee benefit trust	**3**	**-**	**-**	**(1.8)**	**(1.8)**
Net proceeds from the issue of shares and exercise of share options		**-**	**-**	**0.4**	**0.4**
Balance at 31 October 2020		**12.8**	**74.2**	**165.7**	**252.7**
Profit for the financial year and total comprehensive income		**-**	**-**	**11.3**	**11.3**
Transactions with shareholders					
Dividends paid		**-**	**-**	**(10.5)**	**(10.5)**
Exercise of share options through employee benefit trust		**-**	**-**	**(0.6)**	**(0.6)**
Net proceeds from the issue of shares and exercise of share options		**-**	**-**	**0.2**	**0.2**
Balance at 31 October 2021		**12.8**	**74.2**	**166.1**	**253.1**

1 ACCOUNTING POLICIES

Basis of preparation
Crest Nicholson Holdings plc (the Company) is a public company limited by shares, incorporated, listed and domiciled in England and Wales. The address of the registered office is Crest House, Pyrcroft Road, Chertsey, Surrey KT16 9GN. The Company financial statements have been prepared and approved by the Directors in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101), in accordance with the Companies Act 2006 as applicable to companies using FRS 101, and have been prepared on the historical cost basis. The preparation of financial statements in conformity with FRS 101 requires the Directors to make assumptions and judgements that affect the application of policies and reported amounts within the financial statements. Assumptions and judgements are based on experience and other factors that the Directors consider reasonable under the circumstances. Actual results may differ from these estimates.

The financial statements are presented in pounds sterling and amounts stated are denominated in millions (£m). The accounting policies have been applied consistently in dealing with items which are considered material.

These financial statements present information about the Company as an individual undertaking and not about its group. Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

As outlined in FRS 101 paragraph 8(a) the Company is exempt from the requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based Payments. This exemption has been taken in the preparation of these financial statements.

As outlined in FRS 101 paragraph 8(d-e) the Company is exempt from the requirements of IFRS 7 Financial Instruments: Disclosures, and from the requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement. These exemptions have been taken in the preparation of these financial statements.

As outlined in FRS 101 paragraph 8(h) the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements. This exemption has been taken in the preparation of these financial statements.

As outlined in FRS 101 paragraph 8(i) the Company is exempt from the requirement to provide information about the impact of IFRSs that have been issued but are not yet effective. This exemption has been taken in the preparation of these financial statements.

Under FRS 101 paragraph 8(j) the Company is exempt from the requirement to disclose related party transactions with its subsidiary undertakings on the grounds that they are wholly owned subsidiary undertakings of Crest Nicholson Holdings plc. This exemption has been taken in the preparation of these financial statements.

Going concern
The Directors reviewed detailed cashflows and financial forecasts for the next year and summary cashflows and financial forecasts for the following two years. Throughout this review period the Company is forecast to be able to meet its liabilities as they fall due. Therefore, having assessed the principal risks and all other relevant matters, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements of the Company. The Group's going concern assessment can be found in note 1 of the consolidated financial statements.

Adoption of new and revised standards
There were no new standards, amendments or interpretations that were adopted by the Company and effective for the first time for the financial year beginning 1 November 2020 that had a material impact on the Company.

The principal accounting policies set out below have, unless otherwise stated, been applied consistently to all years presented in these financial statements.

Share-based payments
The Company issues equity-settled share-based payments to certain employees of its subsidiaries. Equity-settled share-based payments are measured at fair value at the grant date, and charged to the income statement on a straight-line basis over the vesting period, based on the estimate of shares that will vest. The cost of equity-settled share-based payments granted to employees of subsidiary companies is borne by the employing company.

Taxation
Income tax comprises current tax and deferred tax. Income tax is recognised in the Company's income statement except to the extent that it relates to items recognised in other comprehensive income, in which case it is also recognised in other comprehensive income.

Current tax is the expected tax payable on taxable profit for the year and any adjustment to tax payable in respect of previous years. Taxable profit is profit before tax per the Company's income statement after adjusting for income and expenditure that is not subject to tax, and for items that are subject to tax in other accounting periods. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date. Where uncertain tax liabilities exist, the liability recognised is assessed as the amount that is probable to be payable.

Deferred tax is provided in full on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is calculated using tax rates that have been substantively enacted by the statement of financial position date.

Dividends
Final and interim dividend distributions to the Company's shareholders are recorded in the Company's financial statements in the earlier of the period in which they are approved by the Company's shareholders, or paid.

Investments
Investments relate to Company contributions to the Crest Nicholson Employee Share Ownership Trust (the Trust or ESOP). The Trust will use the contribution to acquire Company ordinary shares in the market in order to satisfy share options under the Company's share incentive schemes.

Financial assets
Financial assets are initially recognised at fair value and subsequently classified into one of the following measurement categories:

- measured at amortised cost
- measured subsequently at fair value through profit or loss (FVTPL)
- measured subsequently at fair value through other comprehensive income (FVOCI)

The classification of financial assets depends on the Company's business model for managing the asset and the contractual terms of the cash flows. Assets that are held for the collection of contractual cash flows that represent solely payments of principal and interest are measured at amortised cost, with any interest income recognised in the income statement using the effective interest rate method. Financial assets that do not meet the criteria to be measured at amortised cost are classified by the Company as measured at FVTPL. Fair value gains and losses on financial assets measured at FVTPL are recognised in the income statement and presented within administrative expenses. The Company currently has no financial assets measured at FVOCI.

Trade and other receivables
Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established based on an expected credit loss model applying the simplified approach, which uses a lifetime expected loss allowance for all trade receivables. The amount of the loss is recognised in the income statement.

Financial liabilities
Financial liabilities are initially recognised at fair value and subsequently classified into one of the following measurement categories:

- measured at amortised cost
- measured subsequently at FVTPL

Non-derivative financial liabilities are measured at FVTPL when they are considered held for trading or designated as such on initial recognition. The Company has no non-derivative financial liabilities measured at FVTPL.

Own shares held by ESOP
Transactions of the Company sponsored ESOP are included in both the Group financial statements and the Company's own financial statements. The purchase of shares in the Company by the Trust are charged directly to equity.

Audit fee
Auditor's remuneration for audit of these financial statements of £25,000 (2020: £18,000) was met by Crest Nicholson plc. No disclosure of other non-audit services has been made as this is included within note 5 of the consolidated financial statements.

Critical accounting estimates and judgements
The preparation of the Company financial statements under FRS 101 requires the Directors to make estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses and related disclosures.

In applying the Company's accounting policies, the Directors have made no individual judgements that have a significant impact on the financial statements.

Estimates and associated assumptions affecting the financial statements are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The estimates and underlying assumptions are reviewed on an ongoing basis. Changes in accounting estimates may be necessary if there are changes in the circumstances on which the estimate was based or as a result of new information. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years. The Directors do not consider there are any significant sources of estimation uncertainty that have a risk of causing a material adjustment to the carrying value of assets and liabilities of the Company.

2 DIRECTORS AND EMPLOYEES

The Company had no employees during either year. Details of Directors' emoluments, which were paid by another Group company, are set out in the Directors' Remuneration Report on pages 104 to 125 of the Annual Integrated Report 2021.

3 DIVIDENDS

Details of the dividends recognised as distributions to equity shareholders in the year and those proposed after the statement of financial position date are shown in note 9 of the consolidated financial statements.

4 INVESTMENTS

	2021 £m	2020 £m
Investments in shares of subsidiary undertaking at cost at beginning of the year	**0.6**	**0.6**
Additions	**1.6**	**1.8**
Disposals	**(0.6)**	**(1.8)**
Investments in shares of subsidiary undertaking at cost at end of the year	**1.6**	**0.6**

Additions and disposals in the year relate to company contributions/utilisation to/from the Trust.

The Directors believe that the carrying value of the investments is supported by their underlying assets.

5 TRADE AND OTHER RECEIVABLES

	2021 £m	2020 £m
Amounts due from Group undertakings	**251.5**	**252.1**

Amounts due from Group undertakings are unsecured, repayable on demand and carry an interest rate of 5.0% (2020: 5.0%).

Amounts due from Group undertakings are stated after an allowance of £nil has been made (2020: £nil) in respect of expected credit losses. £nil (2020: £nil) provision was made during the year, £nil (2020: £nil) was utilised, and £nil (2020: £nil) provision was released during the year.

6 SHARE CAPITAL

The Company share capital is disclosed in note 24 of the consolidated financial statements.

7 CONTINGENCIES AND COMMITMENTS

There are performance bonds and other arrangements, including those in respect of joint venture partners, undertaken in the ordinary course of business. It is impractical to quantify the financial effect of performance bonds and other arrangements. The Directors consider the possibility of a cash outflow in settlement of performance bonds and other arrangements to be remote and therefore this does not represent a contingent liability for the Company.

In addition, the Company is required from time to time to act as guarantor for the performance by subsidiary undertakings of contracts entered into in the normal course of their business and typically provide that the Company will ensure that the obligations of the subsidiary are carried out or met in the unlikely event that any subsidiary default occurs. The Company considers the likelihood of an outflow of cash under these arrangements to be remote and therefore this does not represent a contingent liability for the Company.

8 GROUP UNDERTAKINGS

A list of all the Group's undertakings at 31 October 2021 is given in note 30 of the consolidated financial statements.

CREST NICHOLSON HOLDINGS PLC
ALTERNATIVE PERFORMANCE MEASURES (UNAUDITED)

The Group uses a number of alternative performance measures (APM) which are not defined within IFRS. The Directors use the APMs, along with IFRS measures, to assess the operational performance of the Group as detailed in the Strategic Report on pages 1 to 69 of the Annual Integrated Report 2021, and above. Definitions and reconciliations of the financial APMs used compared to IFRS measures, are included below:

Sales
The Group uses sales as a core management measure to reflect the full extent of its business operations and responsibilities. Sales is a combination of statutory revenue as per the consolidated income statement and the Group's share of revenue earned by joint ventures, as detailed in the below table:

	2021 £m	2020 £m
Revenue	786.6	677.9
Group's share of joint venture revenue (note 14)	27.0	15.2
Sales	813.6	693.1

Return on capital employed (ROCE)
The Group uses ROCE as a core management measure to reflect the profitability and efficiency with which capital is employed. ROCE is calculated as adjusted operating profit before joint ventures divided by average capital employed (capital employed = equity plus net borrowing or less net cash), as presented below. The Group has long-term performance measures linked to ROCE. ROCE achieved by the Group in the year increased to 17.2% (2020: decreased to 7.6%).

		2021	2020
Adjusted operating profit	£m	114.6	57.1
Average of opening and closing capital employed	£m	665.9	746.9
ROCE	%	17.2	7.6

Capital employed		2021	2020	2019
Equity shareholders' funds – restated[1]	£m	901.6	825.3	848.0
Net cash (note 20)	£m	(252.8)	(142.2)	(37.2)
Closing capital employed	£m	648.8	683.1	810.8

[1] 2020 and 2019 restated to reflect the change in accounting policy on land options. See note 29 of the consolidated financial statements.

Adjusted performance metrics
Adjusted performance metrics as shown below comprise statutory metrics adjusted for the exceptional items as presented in note 4 of the consolidated financial statements. The exceptional items have a material impact to reported performance and arise from recent, unforeseen events. As such, the Directors consider these adjusted performance metrics reflect a more accurate view of its core operations and underlying business performance. EBIT margin for share award performance conditions is equivalent to operating profit margin. Administrative expenses/overhead efficiency is administrative expenses as a percentage of revenue.

Year ended 31 October 2021		Statutory	Exceptional items	Adjusted
Gross profit	£m	145.9	20.8	166.7
Gross profit margin	%	18.5	2.7	21.2
Administrative expenses	£m	(51.1)	-	(51.1)
Administrative expenses/overhead efficiency	%	6.5	-	6.5
Operating profit	£m	93.8	20.8	114.6
Operating profit margin	%	11.9	2.7	14.6
Net finance expense	£m	(8.6)	(0.5)	(9.1)
Profit before tax	£m	86.9	20.3	107.2
Income tax expense	£m	(16.0)	(3.9)	(19.9)
Profit after tax	£m	70.9	16.4	87.3
Basic earnings per share	Pence	27.6	6.4	34.0
Diluted earnings per share	Pence	27.5	6.4	33.9

CREST NICHOLSON HOLDINGS PLC
ALTERNATIVE PERFORMANCE MEASURES (UNAUDITED) (continued)

Year ended 31 October 2020		**Statutory**	**Exceptional items**	**Adjusted**
Gross profit	**£m**	**63.9**	**43.8**	**107.7**
Gross profit margin	**%**	**9.4**	**6.5**	**15.9**
Administrative expenses	**£m**	**(57.8)**	**7.5**	**(50.3)**
Administrative expenses/overhead efficiency	**%**	**8.5**	**(1.1)**	**7.4**
Net impairment losses on financial assets	**£m**	**(7.9)**	**7.6**	**(0.3)**
Operating (loss)/profit	**£m**	**(1.8)**	**58.9**	**57.1**
Operating (loss)/profit margin	**%**	**(0.3)**	**8.7**	**8.4**
Net finance expense	**£m**	**(11.2)**	**0.5**	**(10.7)**
(Loss)/profit before tax	**£m**	**(13.5)**	**59.4**	**45.9**
Income tax credit/(expense)	**£m**	**2.8**	**(11.3)**	**(8.5)**
(Loss)/profit after tax	**£m**	**(10.7)**	**48.1**	**37.4**
Basic (loss)/earnings per share	**Pence**	**(4.2)**	**18.8**	**14.6**
Diluted (loss)/earnings per share	**Pence**	**(4.2)**	**18.7**	**14.5**

Gearing including land creditors
Gearing including land creditors is net cash and land creditors divided by equity shareholders' funds less net cash add land creditors.

		2021	**2020**
Total net cash and land creditors (note 27)	**£m**	**29.9**	**(63.5)**
Equity shareholders' funds – restated[1]	**£m**	**(901.6)**	**(825.3)**
Total net cash and land creditors	**£m**	**29.9**	**(63.5)**
	£m	**(871.7)**	**(888.8)**
Gearing including land creditors	**%**	**(3.4)**	**7.1**

[1] 2020 restated to reflect the change in accounting policy on land options. See note 29 of the consolidated financial statements.

CREST NICHOLSON HOLDINGS PLC
HISTORICAL SUMMARY (UNAUDITED)
For the year ended/as at 31 October 2021

	Note		2021[1]	2020[1]	2019[2]	2018[3]	2017[4]
Consolidated income statement							
Revenue		£m	786.6	677.9	1,086.4	1,121.0	1,043.2
Gross profit		£m	166.7	107.7	201.9	246.9	274.9
Gross profit margin		%	21.2	15.9	18.6	22.0	26.4
Administrative expenses		£m	(51.1)	(50.3)	(65.5)	(64.9)	(63.3)
Net impairment losses on financial assets		£m	(1.0)	(0.3)	(3.4)	-	-
Operating profit before joint ventures		£m	114.6	57.1	133.0	182.0	211.6
Operating profit before joint ventures margin		%	14.6	8.4	12.2	16.2	20.3
Share of post-tax profit/(loss) of joint ventures		£m	1.7	(0.5)	(0.9)	(1.3)	3.7
Operating profit after joint ventures		£m	116.3	56.6	132.1	180.7	215.3
Operating profit after joint ventures margin		%	14.8	8.3	12.2	16.1	20.6
Net finance expense		£m	(9.1)	(10.7)	(11.0)	(12.0)	(8.3)
Profit before taxation		£m	107.2	45.9	121.1	168.7	207.0
Income tax expense		£m	(19.9)	(8.5)	(23.7)	(32.1)	(38.4)
Profit after taxation attributable to equity shareholders		£m	87.3	37.4	97.4	136.6	168.6
Basic earnings per share		Pence	34.0	14.6	38.0	53.3	66.1
Consolidated statement of financial position							
Equity shareholders' funds	1	£m	901.6	825.3	854.4	872.7	817.8
Net cash	2	£m	(252.8)	(142.2)	(37.2)	(14.1)	(33.2)
Capital employed closing		£m	648.8	683.1	817.2	858.6	784.6
Gearing	3	%	(39.0)	(20.8)	(4.6)	(1.6)	(4.1)
Land creditors		£m	222.9	205.7	216.5	209.7	215.6
Net (cash)/debt and land creditors	4	£m	(29.9)	63.5	179.3	195.6	182.4
Return on average capital employed	5	%	17.2	7.6	15.9	22.2	29.7
Return on average equity	6	%	10.1	4.5	11.3	16.6	21.9
Housing							
Home completions	7	Units	2,407	2,247	2,912	3,048	2,935
Average selling price - open market	8	£000	359	336	388	396	388
Short-term land	9	Units	14,677	14,991	16,960	19,507	16,260
Strategic land	10	Units	22,308	22,724	20,169	16,837	18,174
Total short-term and strategic land		Units	36,985	37,715	37,129	36,344	34,434
Land pipeline gross development value	11	£m	11,834	11,360	12,137	12,166	11,736

[1] Consolidated income statement statistics, return on average capital employed and return on average equity is presented before exceptional items as presented in note 4 of the consolidated financial statements. 2020 equity shareholders' funds, capital employed closing, gearing and return on average equity have been restated to reflect the change in accounting policy on land options, see note 29 of the consolidated financial statements.
[2] Consolidated income statement statistics, return on average capital employed and return on average equity are presented before £18.4m exceptional item relating to combustible materials provision. Not restated to reflect the change in accounting policy on land options from 1 November 2020.
[3] Restated to reflect the adoption of IFRS 15 with effect from 1 November 2018. Not restated to reflect the change in accounting policy on land options from 1 November 2020.
[4] Historic figures, not restated to reflect the adoption of IFRS 15 in 2019 or the change in accounting policy on land options from 1 November 2020.

Note
1 Equity shareholders' funds = Group total equity (share capital plus share premium plus retained earnings).
2 Net (cash)/borrowings = Cash and cash equivalents plus non-current and current interest-bearing loans and borrowings.
3 Gearing = Net (cash)/borrowings divided by capital employed closing.
4 Net (cash)/debt and land creditors = land creditors less net cash or add net borrowings
5 Return on capital employed = adjusted operating profit before joint ventures divided by average capital employed (capital employed = equity shareholders' funds plus net borrowing or less net cash).
6 Return on average equity = adjusted profit after taxation attributable to equity shareholders divided by average equity shareholders' funds.
7 Units completed = Open market and housing association homes recognised in the year. In 2021 units completed includes joint ventures units at full unit count and is stated on an equivalent unit basis. This equivalent unit basis allocates a proportion of the unit count for a deal to the land sale element where the deal contains a land sale. 2017 to 2020 units completed includes the Group's share of joint venture units and no equivalent unit allocation to land sale elements.
8 Average selling price – open market = Revenue recognised in the year on open market homes (including the Group's share of revenue recognised in the year on open market homes by joint ventures), divided by open market home completions (adjusted to reflect the Group's share of joint venture units).
9 Short-term land = Land controlled by the Group with a minimum resolution to grant planning permission.
10 Strategic land = Longer-term land controlled by the Group without planning permission.
11 Land pipeline gross development value = Forecast development revenue of the land pipeline.