CREST NICHOLSON

Ready for growth

Annual Integrated Report 2021

IN THIS REPORT

Cautionary statement
The Annual Integrated Report for the financial year ended 31 October 2021 as contained in this document (Annual Integrated Report), contains information which readers might consider to be forward looking statements relating to or in respect of the financial condition, results, operations or businesses of Crest Nicholson Holdings plc (Company). Any such statements involve risk and uncertainty because they relate to future events and circumstances. There are many factors that could cause actual results or developments to differ materially from those expressed or implied by any such forward looking statements. Nothing in this Annual Integrated Report should be construed as a profit forecast.

Approval
The Strategic Report for the financial year ended 31 October 2021 as presented on pages 1 to 69 was approved by the Board of Directors on 19 January 2022 and signed on its behalf by:

Kevin Maguire
Company Secretary

OUR YEAR IN REVIEW

Building great places for our customers, communities and the environment

Sales[1]
£813.6m
2020: £693.1m

Revenue
£786.6m
2020: £677.9m

Adjusted profit before tax[1]
£107.2m
2020: £45.9m

Profit before tax
£86.9m
2020 loss before tax: £13.5m

The Calvert Family at Morton Park. Read more on pages 32–33

Adjusted operating profit margin[1]
14.6%
2020: 8.4%

Operating profit margin
11.9%
2020: -0.3%

Net cash
£252.8m
2020: £142.2m

Adjusted basic earnings per share[1]
34.0p
2020: 14.6p

Basic earnings per share
27.6p
2020: Basic loss per share 4.2p

Employees' engagement score
75%
2020: 70%

Return on capital employed[1]
17.2%
2020: 7.6%

Dividend per share
13.6p
2020: Nil

Customer satisfaction
5 star
2020: 5 star

Read more in our Financial Review on pages 48–51

Read more in our Business Model on pages 20–21

"We are proud of the progress we have made this year with our turnaround now complete. The Board considered the future strategic direction of the Group and concluded that a growth strategy is the best way to maximise value for shareholders."

Peter Truscott
Chief Executive

Read more in our Chief Executive's Statement on pages 14–17

Progress on our strategy

Another year of strong progress implementing our strategy. We have a more efficient operating platform and a financial position that supports our growth ambitions.

Read more about Our Strategy on pages 12–13

1 Sales, adjusted profit before tax, adjusted basic earnings, adjusted operating profit margin and return on capital employed are non statutory alternative performance measures (APMs) used by the Directors to manage the business which they believe should be shared for a greater understanding of the performance of the Group. The definitions of these APMs and the reconciliation to the statutory numbers are included on pages 191–192.

We are...

...focused on our purpose

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

We strive to improve the quality of life for individuals and communities by building attractive homes in desirable surroundings.

Our focus on placemaking means we create sustainable communities where people and nature can thrive.

Our purpose in action

We take a holistic approach to the design of our developments, considering both the homes and their surroundings, with the aim of creating an environment our customers will enjoy living in. While building is ongoing, we think carefully about where to place work compounds to account for noise and disruption and we invest in mature planting to help new developments feel established. Wherever possible, green open spaces are incorporated into developments, supporting healthy lifestyles with foot and cycle paths ideal for exercising and dog walking. We build local amenities such as sports facilities and schools, community buildings and transport links which provide practical infrastructure and help to foster a sense of community through opportunities for leisure and socialising.

Read more about our approach on pages 32–33

...defined by our values

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

Our values set out the principles we expect everyone in the Group to follow. Together, these values create the framework for building on our positive culture to enhance colleague productivity, motivation and retention.

Our values

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

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

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

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

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

Read more about Our Values on pages 36–37

...proud of our culture

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

Working with integrity is fundamental to our Group strategy. It enables us to build and maintain trust with our customers and other stakeholders and to hold long-term mutually beneficial relationships with suppliers and contractors. Making thoughtful decisions and delivering on our promises also ensures we enhance our reputation as a business partner of choice based on our strong track record of working with partners to acquire land to be developed jointly.

Culture highlights

From our recent employee engagement survey:

The percentage of employees who say they are proud of the work they do

84%

The percentage of employees who say that working at Crest Nicholson makes them want to do the best work they can

82%

The percentage of employees who say people in their immediate team work well together

85%

We have an ambitious sustainability agenda to create a positive legacy and have a strong focus on our people to support a diverse and inclusive culture where talented people can thrive.

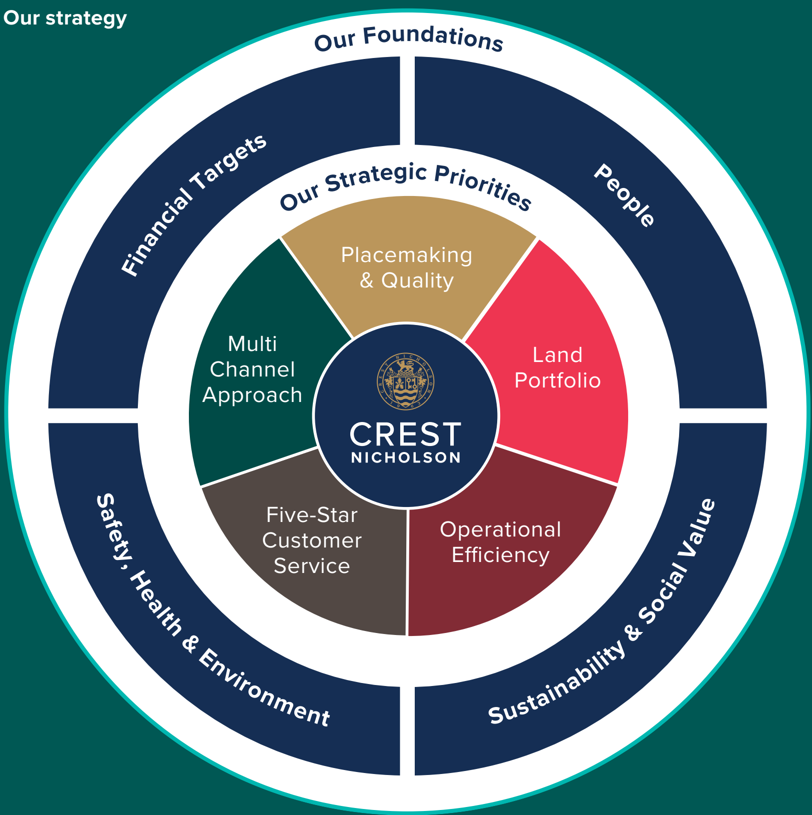
Read more about People and Culture on pages 54–58

...progressing our strategy

We launched an updated strategy in January 2020 to restore the Group to being one of the UK's leading housebuilders.

We remain focused on delivering against our strategic priorities. Some necessary adaptations were made to our approach during the pandemic to address and mitigate challenges presented at the time. We took decisive action to maintain progress against our strategy and we are now more robust as a result. In the past 24 months, we have delivered a turnaround of the Group's financial and operational performance, making us more resilient and creating a solid scalable operating platform with an experienced leadership team, enabling us to now move into a period of growth.

Our strategy



Our strategy seeks to build on our strengths and address the challenges we face. The strategy consists of five Strategic Priorities and four Foundations.

Read more about Our Strategy on pages 12–13

...committed to integrating sustainability in all we do

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

Our sustainability strategy in action

Protect the environment
The natural environment is under threat and we recognise the responsibility we have as a Group to tackle the areas where we have the greatest impact. This includes reducing our carbon emissions and adapting our homes and developments in the fight against climate change, protecting and enhancing biodiversity in and around our sites, and managing our resources efficiently to reduce waste and resource consumption.

Make a positive impact on communities
We are committed to delivering a positive impact for our communities and partners through active engagement and partnerships, providing attractive and high quality new homes and investing in initiatives and infrastructure that bring a lasting beneficial impact.

Operate our business responsibly
Our people and supply chain partners are key to the successful delivery of our long-term performance.
We are committed to respecting and safeguarding the human rights of all our colleagues and those who are associated with our operations. Safety, Health & Environment (SHE) performance is our number one priority. We aim to provide a safe working environment, invest in skills, provide opportunities for our people to grow within the business and foster a diverse and inclusive culture.

Read more about sustainability on pages 22–31

What makes us Crest Nicholson

We are...

...launching new skills and development programmes

...committed to placemaking and build quality

26.7%

Our operational efficiency programme has made us more competitive, allowing us to buy land at stronger margins and with lower risk. We approved 4,332 plots in the year at an average forecast gross margin of 26.7%.

We now have an efficient operating platform in place to support future growth. Our new house type range is adaptable to other geographies in the UK and we have an experienced leadership team to help guide this expansion.

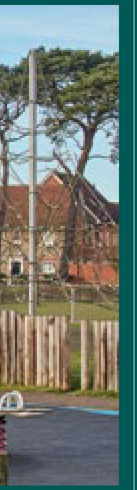
...in a strong financial position

£252.8m

The Group has successfully completed a turnaround of its financial and operational performance, closing the year with £252.8m of net cash. A strong focus on operational efficiency, cash flow generation and a disciplined approach to capital allocation has transformed the balance sheet.

...enhancing our customer experience

We have refreshed the Crest Nicholson branding and introduced new sales and marketing materials. We can now communicate with customers in a more targeted way following the introduction of a new Customer Relationship Management system.



...on track with our new house types rollout

30%

Our new house types are efficient to build, easier to plot and offer flexibility in their external finish and appearance. Customers are also benefitting from an enhanced specification. During the year 30% of our private open market house completions came from the new range.

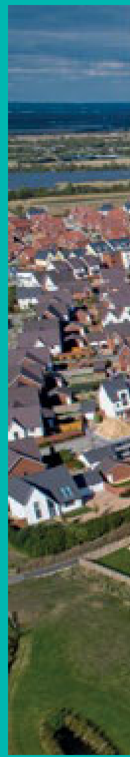
...simplifying our processes and driving productivity

We have introduced a standardised set of processes and controls across the Group. Divisional performance is benchmarked and improved through functional forums which seek to deliver continuous improvements.

resilient, efficient and in great shape

What makes us Crest Nicholson

We are...



...building on our reputation for quality

We build high quality homes in desirable locations. Our commitment to placemaking and creating attractive communities means we leave a lasting legacy. We want to give our customers a great experience and know they will recommend us to others.

...well placed to succeed in this market context

The UK housing market remains an attractive one. Demand continues to outstrip supply as the challenge to build more homes only grows. Our strategy positions us to perform strongly against this backdrop and to deliver value for all our stakeholders.

...building on our success in customer service

5 STAR HOME BUILDER
CUSTOMER SATISFACTION
HBF 2021
HOME BUILDERS FEDERATION

...generating value from our strong land portfolio

36,985

We have 36,985 plots in our total land portfolio, mainly in Southern England, where land availability is scarce. Our strategic land portfolio is predominantly held under option and represents excellent capital efficiency. We are expanding into other regions of the UK where we expect more land to be released for development.

Kilnwood Vale, West Sussex


Tadpole Garden Village, Swindon

…familiar with the regions where we want to expand

3 regions

We now have the financial resources and the operating platform to grow the Group's footprint in the UK. Yorkshire and East Anglia have been identified as the first regions where we will look to expand and we will begin this process in FY22. We will also identify another region ensuring we have three new divisions operational by FY24.

…building a strong multi channel capability

22–25% ROCE

We can deliver an enhanced return on capital employed through our Partnerships and Strategic Land division. Pre-selling some of our schemes at small discounts to open market prices contributes to our medium-term blended ROCE target of 22–25%.

…growing our capacity and output

4,200

Our growth ambitions will be delivered in two phases. Profitability will continue to improve as we continue to deplete our poorer legacy schemes and grow our existing divisions to full capacity. Thereafter the opening of new geographical divisions will deliver volume growth and we are targeting the delivery of over 4,200 units by FY26.

ready for growth

An opportunity to deliver strong growth and attractive returns for shareholders

What makes us Crest Nicholson

We are...

...working with our suppliers to deliver our ESG plans

37

Number of our Group suppliers that are members of the Supply Chain Sustainability School, collaborating with us to improve ESG performance.

...using biodiesel across 13 developments

454

Carbon emissions (tCO_2e) avoided as a result of using biodiesel. This is equivalent to almost 1.4m miles travelled in a medium-size diesel car.

Walton Court Gardens, Surrey

...making good progress against our 2025 sustainability targets

21%

We reduced our carbon intensity across scopes 1 and 2 by 21% compared to our FY19 base year emissions.

...committed to being

net zero

We are developing science-based targets to guide our journey to net zero carbon emissions across our entire value chain by no later than 2050.

Arborfield Green, Berkshire

...engaging with our employees

88%

Our employees are invested in the success of our business. 88% said they care about the future of Crest Nicholson in this year's employee engagement survey.

...investing in infrastructure and amenities

£25.4m

We are committed to supporting the communities in which we build and are investing in infrastructure. We committed £25.4m to creating useful local amenities and enhancing surroundings for local residents.

creating a positive legacy

CHAIRMAN'S STATEMENT

We are... excited about our plans for the future

Overview

I am very pleased to present a significantly enhanced set of results for Crest Nicholson. In just two years, the management team has made significant progress in transforming the business and we have delivered a strong operational and financial performance despite the pandemic.

From an organisational perspective we have completed our restructuring and now have five trading divisions, supported by a Partnerships and Strategic Land division. We quickly reviewed our poorer legacy sites and where possible made decisions to exit these for sensible economic returns. We have also successfully divested our Longcross Film Studio, a non-core asset in our portfolio, for £46.0m cash consideration. We have successfully implemented our operational efficiency programme with the introduction of the new house type range, which is being deployed across our developments, complemented by a high quality and consistent specification. Overheads and selling costs have been reduced significantly and are now at the appropriate level for our size.

The aggregation of these actions has delivered strong levels of cash generation and had a transformational effect on our balance sheet. This in turn has allowed us to resume land buying, after last year's pandemic pause, at strong gross margins and in line with our hurdle rates. These acquisitions will serve us well for future years as we continue to rebuild the profitability of the Group.

We now have a strong and experienced leadership team running our operations, supported by those in functional director roles. Everyone is committed to implementing our strategy and restoring Crest Nicholson to be one of the UK's leading housebuilders. Most importantly our customers are also recognising the improvements we are making, and we were delighted to be awarded five-star status again by the Home Builders Federation.

Economic uncertainty continues but the housing market outlook remains robust

The UK economy has made a good recovery since the relaxation of all COVID-19-related restrictions in the summer of 2021. Some uncertainty remains as to whether the vaccine programme and other mitigations will be enough to ensure such restrictions are not needed again in the future. Attention is now mainly turned to the aftermath of the pandemic. The cessation of the furlough scheme, Brexit-related trade friction, rising levels of inflation and interest rate rises all present risks to the ongoing recovery.

So far during the pandemic the housing market has performed strongly. The Government's decision to suspend stamp duty and to allow the sector to remain open during periods of COVID-19 restrictions has supported confidence and supply levels. Pent-up demand created by the lockdowns, coupled with changing working patterns and lifestyle choices, has underpinned demand for new homes.

We are confident that the outlook for UK housing remains positive. The current Government has prioritised the construction of new homes and has sought to act decisively during the pandemic to maintain confidence levels in valuations. Although mortgage availability has remained unaffected during this period, lending criteria remains tighter than during the period before the Global Financial Crisis, and affordability, especially in Southern England, remains challenging for buyers with low levels of equity. Rising interest rates will only compound this issue.

In September we launched Deposit Unlock, a new purchasing scheme across our developments. This is a new low deposit mortgage solution developed by the housebuilding industry as an alternative to the current Government Help to Buy. It allows customers to access 95% loan-to-value mortgages. Newcastle Building Society and Nationwide Building Society are the first national lenders to participate in the scheme. The majority of our housebuilding peers are also operating the scheme.

Changes in planning

The Government is seeking to streamline the planning process and ensure local authorities have a clear local plan. We are waiting for further clarity and guidance with respect to the next step.

Regulatory changes

The industry is facing an unprecedented level of change over the coming years. In October 2021, the Government created the Department for Levelling Up, Housing and Communities (DLUHC), formerly the Ministry of Housing, Communities and Local Government.

Combustible materials

The Board 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.

The Group is working with a wide range of stakeholders to implement any identified and agreed remediation works as swiftly as possible. In the October 2021 Budget, the Government announced the rate of the Residential Property Developer Tax (RPDT) would be 4% from April 2022. This is intended to raise circa £200m per year for combustible materials remediation works on legacy buildings and Crest Nicholson will shortly be subject to this levy.

Going further with climate change action

As a Board we recognise the responsibility our business has in reducing the impact our operations have on the climate and our planet. Last year we set new sustainability targets to 2025 and we have made excellent progress against these already. You can read more detail on page 24.

We have continued to review our Sustainability strategy and at our recent Capital Markets Day in October 2021, we went further and highlighted our commitment by joining the United Nations-backed Race to Zero and the Business Ambition for 1.5°C, which will see us set our future ambitions through the Science Based Targets initiative. These targets will be aligned with the latest climate science and have the aim of limiting the global temperature rise to 1.5°C above pre-industrial levels.

Culture and people

The strength of our culture throughout the Group has been shown through the speed, scale and the quality of our recovery. The Board regularly discusses ways of developing and improving the positive culture of our business.

We believe in honest and transparent communication with our people to keep them informed and involved with Group activities. We use a number of channels to communicate and engage, including: regular senior management face-to-face or virtual meetings; all-employee emails; the intranet; annual employee surveys; and the Board's Employee Engagement Programme.

Board activity

On 30 June 2021 Sharon Flood stepped down from the Board after completing six years of service. I would like to thank Sharon for her contribution to Crest Nicholson during her tenure, in particular, her dedicated Chairmanship of the Audit and Risk Committee.

As announced on 27 July 2021, David Arnold was appointed as a Non-Executive Director to the Board with effect from 1 September 2021. David is chairing the Audit and Risk Committee and has joined as a member of the Nomination Committee and Remuneration Committee. I am delighted that David has joined the Crest Nicholson Board. He is an established listed company director, and his extensive finance, property and commercial experience will both complement and strengthen the existing Board.

Board engagement

Stakeholder engagement is a key part of the Board's agenda. During the year we were fortunate enough to have been on several site visits which provided a good opportunity to see the developments and to meet the different divisions within the Group. The Board has also stayed in touch with employees through updates from the designated Non-Executive Director for Employee Engagement, Louise Hardy. Louise has hosted several breakfast briefings over the past year, and this is a great way to keep in touch with our employees and for them to have contact with a member of the Board. They are encouraged to discuss any matters they feel are relevant and it provides Louise an opportunity to share insights on the Board's role and responsibilities.

Engagement programme

The Chair of Remuneration Committee, Head of Investor Relations and myself consulted and met virtually, with major shareholders during the year. During these meetings we discussed our approach to the continued COVID-19 restrictions and how we are progressing our Environmental, Social and Governance agenda. This is in addition to the regular investor relations programme.

Board evaluation

This year we introduced the Independent Board Effectiveness Review, and this was facilitated by Gould Consulting, an external consultancy. I believe it is important to continue to review our Board performance and composition to ensure it has the skills, knowledge and experience that are aligned with our strategy as we move forward.

Future Homes

The UK's plans to decarbonise the economy is going to change the specification and technical designs of what we build.

An interim update to Part L of the Building Regulations will come into force from June 2022, with transitional arrangements applying for one year. The interim update acts as a stepping stone to the Future Homes Standard (FHS) and will require new homes to achieve a 31% reduction in carbon emissions compared to current standards. From 2025 the FHS will require a reduction in emissions of at least 75% and will prohibit the use of fossil fuel-based heating. We have a research and development programme in place to improve fabric efficiency and to identify new heating technologies. As the dominant technologies and solutions become clearer, we will start to pilot these on our developments. We have made appropriate allowances for the costs arising from the FHS in our site appraisals and future business plan.

Dividend reinstated

The Board established a new dividend policy based on an ordinary dividend with a 2.5 times dividend cover in 2020 and was pleased to resume dividend payments with the declaration of an interim dividend of 4.1 pence per share, paid on 14 October 2021. Accordingly, the Board has declared a final dividend of 9.5 pence, and subject to shareholder approval, this will be paid on 8 April 2022, which will make the total dividend 13.6 pence per share for the year.

Summary and outlook

I am delighted the Group has successfully completed its turnaround plan. This would not have been possible without the hard work and dedication from all Crest Nicholson employees over the past two years, and I would like to convey my warmest thanks to all of them.

The Group outlined the next phase of its growth strategy at the Capital Markets Day in October 2021, which focuses on further margin improvements and geographic expansion. The growth strategy is supported by new medium-term targets and guidance on number of completions, sources of revenue, operating profit margin, return on capital employed and land creditors. More detail on these targets can be found in the Financial Review on page 48.

We will continue to anticipate and respond to changes in this trading environment and our stakeholders can draw confidence that the operational improvements we have made, coupled with a transformed balance sheet, give us the resilience and resources to execute our exciting growth plans.

Iain Ferguson CBE
Chairman

"With the turnaround of Crest Nicholson now complete, we are implementing a growth strategy which will create value for all stakeholders."

OUR STRATEGY

We have made strong progress on all five strategic priorities this year, resulting in a significantly enhanced financial performance. We continue to be guided by our four foundations, outlined new financial targets and have made new sustainability and social value commitments.

1

Placemaking & Quality

Our placemaking expertise and quality houses are synonymous with the Crest Nicholson brand. Creating attractive and vibrant communities with a focus on sustainability is what we do well. We create homes that are right for our customers and their lifestyle choices, with a reputation for great design and build quality. We are continually striving to improve the energy efficiency and sustainability of our homes. Our new house type range has enabled us to adapt our designs in response to the Future Homes Standard and to help ourselves and our customers mitigate and adapt to the impacts of climate change.

We will continue to focus our investments on desirable locations that meet our criteria for placemaking and attractive design. We aim to leave a legacy of sustainable and thriving communities.

2

Land Portfolio

We have a well-located land portfolio with a weighting in Southern England, where demand is high for good quality land, and supply is more constrained. We have approximately five years of short-term land which we believe is the ideal size for our forecasted needs.

We continuously seek to optimise the value of our land portfolio, by having an efficient operating platform, lean overhead structures and by driving additional value through re-plotting of our new and existing schemes.

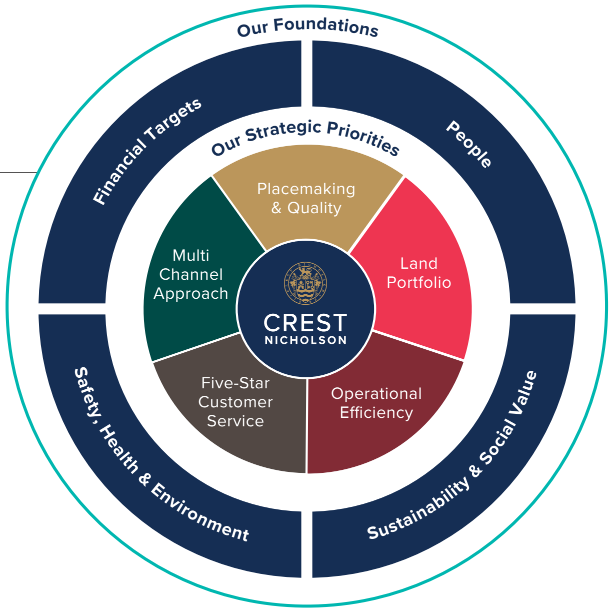
Our operational efficiency programme has lowered our build costs and enabled us to be more competitive in the land market. This has supported the Group's increased land acquisition in the year and will contribute to the expansion of future operating margins. The Group can confidently look to acquire land in new geographies because of this stronger operational platform and the local market knowledge of the leadership team.

3

Operational Efficiency

The rollout of our new house types is on track, with 74% of open market housing in the short-term land portfolio now forecast to use this range. These homes will benefit from our enhanced specification which we source through greater strategic alliances with our suppliers. The combination of the new house types and specification has simplified our build processes and reduced build times. This helps us to deliver more homes to customers on time.

The Group continues to maintain a disciplined approach to central overheads and further savings were identified and embedded across all central functions. As the Group prepares for geographical expansion, we will see some central overhead investment as we recruit the new divisional teams and incur some establishment costs. This incremental cost will be closely monitored and controlled. Over time, as the new divisions start to mature, will see further efficiencies of scale being delivered.



Strong progress delivering our strategy

Our Group strategy builds on our existing strengths by delivering greater operational efficiency and setting out our plans for future growth.

Read more on pages 32–35

4

Five-Star Customer Service

We have a 'right first-time' culture and are focused on the smooth delivery of homes to customers and providing a high quality after sales service. During the year we have established comprehensive brand guidelines, benchmarking and best practice to ensure high customer service is maintained and consistent across all developments. We have implemented an enhanced Customer Relationship Management system and customer website which has boosted our lead management effectiveness. Our digital marketing strategy is evolving to reflect the changing ways our customers are choosing to interact with our brand.

We were delighted to be awarded five-star status for customer satisfaction again by the Home Builders Federation (HBF).

5

Multi Channel Approach

Crest Nicholson Partnerships and Strategic Land (CNPSL) is responsible for both sourcing land and developing partnership arrangements. It ensures future schemes are designed and planned in line with our placemaking principles. The strategic land team in this division are experienced in managing and promoting our strategic land portfolio to bring these sites through for development. The division develops relationships with public sector bodies, the Private Rented Sector and Registered Providers. The division then also manages these ongoing longer-term relationships and strategic partnerships.

In FY21 CNPSL agreed multiple transactions on increasingly stronger terms and lower discounts to open market sales prices. Our reputation for being a trusted partner in this rapidly expanding part of the market continues to grow. We were also able to divest some of our poorer legacy schemes through this channel which will allow the Group to recycle capital into more accretive investments in the future.

Our foundations

Our strategic priorities are underpinned by four foundations:

Safety, Health & Environment

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

Sustainability & Social Value

We recognise the importance placed on environmental, social and governance issues by our stakeholders. We aim to integrate sustainability into all aspects of the business in order to deliver a positive contribution, both environmentally and socially, through our operations and the creation of new homes and communities.

People

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

Financial Targets

At the outset of the COVID-19 pandemic the Board suspended all forward financial guidance. In October 2021 at our Capital Markets Day, the Group communicated new financial targets for FY24 through to FY26. These can be seen in the Financial Review on page 49.

CHIEF EXECUTIVE'S STATEMENT

We are... building for the future

...delivering an efficient operating platform

6,800 new house type units

Successful roll out of new house types with over 6,800 now plotted. We expect 80% of our private open market house completions will be delivered using this range in FY22.

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.

Key highlights of the year

- Successful turnaround of financial and operational performance
- Efficient operating platform and experienced leadership team now in place
- Balance sheet transformed giving us the necessary resources to grow
- Ambitious growth strategy to expand the Group into new geographies.

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.

...setting home completion targets

>4,200

We are aiming to deliver in excess of 4,200 units by FY26 from eight trading divisions.

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.

CHIEF EXECUTIVE'S STATEMENT CONTINUED

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 48.

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.

…adding to our land portfolio

4,332 plots

In FY21 we approved 4,332 plots for purchase. We have a well-located land portfolio with approximately five years of short-term land to support volume growth.

…focused on achieving industry normal operating profit margins

18–20% operating profit margin target FY24–26

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

MARKET OVERVIEW

UK economy

The UK economy has made a good recovery since the gradual relaxation of COVID-19-related restrictions during the year. Despite ongoing disruption to global supply chains, GDP is now close to reaching its pre-pandemic levels and HM Treasury forecast this will occur in 2022.

However, the rapid reopening of economies around the world has seen inflation starting to rise. The Bank of England (BoE) remains cautious in the short term but expects the upward pressure on inflation to dissipate over time as supply chain disruption eases, global demand rebalances, and energy prices stop rising. Against this backdrop it is unsurprising that the capital markets are speculating on further interest rate rises as the BoE seeks to manage inflation back to its long-run desirable target of 2%.

In addition to concerns surrounding inflation, economic uncertainty is also arising from the end of the furlough scheme, Brexit-related trading friction, and whether the reimposition of restrictions will be necessary to protect the public from COVID-19.

Our action

The Group has successfully completed its turnaround plan. Overheads have been significantly reduced and efficiencies have been delivered through the introduction of a new house type range. The balance sheet has been transformed with strong levels of liquidity to be invested in geographical expansion. The Group is well placed to flourish in all economic scenarios.

Key stakeholder concerns

Housing market fundamentals

During the pandemic the housing market has performed strongly. The Government's decision to suspend stamp duty and to allow the sector to remain open during periods of COVID-19 restrictions has supported confidence and supply levels.

Demand for new homes continues to confront a long-term structural challenge of years of under supply. The new build sector continues to deliver circa 200,000 new homes in a normal year and there is an opportunity to accelerate new home construction to the Government's annual target of 300,000.

This target to put home ownership within reach for more people across the country is a key Conservative party manifesto pledge. The Department of Levelling Up, Housing and Communities (DLUHC) has been created to put the responsibility for economic regeneration, employment creation and connectivity along with housebuilding under a single minister's oversight.

The backdrop for housing demand remains positive. UK Government forecasts predict property transactions are set to reach their highest level since before the global financial crisis. New homes will likely account for between 15%–20% of total completions in the year. Pent up demand created by the lockdowns, coupled with changing working patterns and lifestyle choices, has underpinned demand. It also reflects renewed confidence levels following the extended period of uncertainty prior to the UK's exit from the EU.

Our action

The Group's strategy recognises this market backdrop. We have a strong land portfolio in Southern England where we expect future supply to be limited. Our proposed geographical expansion into Yorkshire and East Anglia takes us into regions where we see strong demand and future growth.

Key stakeholder concerns

Affordability and lending environment

The lending environment for homebuyers continues to be positive with a greater range of products available for the higher loan-to-value products and interest rates remaining at historically low levels, notwithstanding the increase of Bank Rate by 0.15%, to 0.25% in December 2021. A potential further rise in interest rates and any tightening of lending criteria could present a challenge for those buyers with lower levels of equity.

Access to a sizeable deposit is one of the key barriers to property transactions, especially for first time buyers. For many, the pandemic has acted as a catalyst for increased levels of household savings. In a recent BoE survey it was revealed that over one in ten are planning to use such funds as a property deposit, which would represent circa. 8%–10% of housing transactions. Help to Buy: Equity Loan (HtB) continues to help first time buyers into the housing market but will end in April 2023. Several schemes are being trialled in the market, such as Deposit Unlock, to act as alternative ways to bridge the affordability gap for first time buyers.

Our action

In September 2021 the Group launched Deposit Unlock, a new purchasing scheme across our developments. This is a new low deposit mortgage solution developed by the Home Builders Federation (HBF) alongside the current HtB scheme. It allows customers to access competitively priced 95% loan-to-value mortgages. Nationwide Building Society and Newcastle Building Society are participating in the scheme.

Key stakeholder concerns

Link to our stakeholders

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

Land and planning

To achieve the current new build target, the Government will need to significantly increase land supply in Southern England, where demand is high. Alternatively, it will need to create the appropriate conditions for economic growth and employment in other parts of the UK, to stimulate demand in these regions, where land supply and opportunities for regeneration are more plentiful. The creation of DLUHC which puts the housing and levelling-up agenda together suggests the latter route is a more likely direction of future Government strategy.

In October 2021 the DLUHC announced that thousands of new homes will be built on underused and derelict land to regenerate local areas and help people onto the property ladder.

The Government is also reviewing the planning system, with the aim of streamlining decision making and processes and ensuring each local planning authority has a local plan. There has been some delay to short-term planning decisions due to the transition from virtual planning meetings to physical as the country emerged from lockdown.

Our action

Our existing short-term land portfolio provides a strong pipeline of locations in Southern England, where demand is greatest. We also have an attractive strategic land portfolio in this part of the UK and a strong track record at converting it to development. Our efficient operating platform is now enabling us to be increasingly competitive in the land market and will deliver improving returns over time. We will be expanding the Group's footprint into new regions in the UK where we expect investment and demand to grow strongly in the near future.

Key stakeholder concerns

Government legislation – fire and building safety

The review of building materials that could present fire risks continues to evolve with changes to building regulations and fire safety regulations. The Building Safety Bill seeks to give residents more power to challenge developers on build quality and building safety concerns and will retrospectively extend the current period during which claims can be brought against developers. 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, which includes an amendment to the Building Safety Bill to retrospectively extend the legal rights of building owners and leaseholders for safety defects from 15 to 30 years.

As announced in the October 2021 Budget, the Residential Property Development Tax will apply from 1 April 2022 to profits arising from residential property development recognised on or after that date. Profits more then £25m will be taxed at a rate of 4%.

Our action

The Board is carefully considering the impact of the 10 January 2022 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 continues to conduct detailed and regular reviews of all ongoing remediation works including the assessment of costs to complete. As the year has progressed, within this changing and complex environment, we have reassessed the estimates of costs and likely duration of works. This has resulted in a net exceptional charge to the income statement for the year. For more information please see the Financial Review and note 4 to the financial statements.

Key stakeholder concerns

Climate change regulations

The Government is setting an ambitious agenda to decarbonise the UK economy and is looking for business to lead the way. It has set a target to become net zero by 2050 and the housebuilding sector will be affected in several ways.

The Environment Act 2021, which has now been approved, includes a requirement to achieve a minimum biodiversity net gain of 10% across new developments.

Updates to Part L of the Building Regulations will require a 31% reduction in carbon emissions over current regulations. Acting as a stepping stone to the Future Homes Standard (FHS) it will come into force from June 2022, with a one-year transition period.

From 2025 the FHS will require at least a 75% reduction in carbon emissions compared to current standards, together with the prohibition of fossil fuel heating including gas boilers.

Our action

Our new house type range was designed to be adaptable to the FHS requirements. The Group has made good progress, in collaboration with its supply chain partners, in developing appropriate fabric and technological solutions.

In FY20 we set out medium-term 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 by 2025.

In FY21 we also joined the United Nations-backed Race to Zero and Business Ambition for 1.5°C, committing to net zero emissions by 2050 at the latest and the setting of interim science-based targets covering scope 1, 2 and 3 emissions.

Key stakeholder concerns

BUSINESS MODEL

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

Creating value

Our resources and relationships

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

Natural and manufactured resources
- High quality building materials
- Commitment to reducing water use and carbon emissions throughout our value chain.

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

Customers
- Commitment to delivering five-star customer service
- Focus on customers' needs to ensure first class service is provided at every stage of the buying process.

Design and innovation
- Attractive and flexible design of the new house type range to improve quality and operational efficiency
- Investment in innovative sales and marketing tools
- Modern technology to support safety, quality and service.

Financial resources
- Supportive shareholders
- Robust capital structure and a prudent approach to risk.

Read more in our Chief Executive's Statement on pages 14–17

What makes us different

1 Masterplanning and technical skills help us optimise layouts and legacy

2 Multi Channel Approach led by dedicated Partnerships and Strategic Land division

3 Understanding what buying a new home means for our customers

4 A sustainable business that is committed to the environment and communities in which we operate

Read more in our Investment Case on pages 42–43

through our activities

What we do

Focused divisional businesses
- Regional housebuilding operations focused on local expertise and relationships enabling effective and efficient delivery of new homes
- A dedicated Partnerships and Strategic Land division developing long-term relationships to support a multi channel approach and diversity of tenure.

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

Land
- Targeted land acquisition supporting placemaking and increased hurdle rates. Land held under option provides us the opportunity to convert into high margin developments
- Partnerships developed with local authorities and communities to secure planning permission in a timely manner.

Construction
- Championing best practice in build, choice of materials and waste management, with functional forums embedding and sharing best practice including on safety, quality and energy efficiency.

Selling our homes
- Highly trained, passionate sales executives delivering high quality service, supported by focused marketing channels to reach customers in the most targeted way
- Our Partnerships and Strategic Land division bring forward a range of ownership tenures including affordable, shared ownership, private rented sector and large-scale sales.

Quality and customer service
- Aiming to provide the best possible customer experience throughout the home-buying process, with a 'right first time' approach to the quality of homes, sales support and after care.

Read more in our Chief Executive's Statement on pages 14–17

for our stakeholders

Investors	Compelling investment proposition setting out how we realise value from our strong portfolio of assets.	Net cash £252.8m 2020: £142.2m	Meetings with investors 88 2020: 78
Customers	First class customer experience with quality products in desirable locations.	Customer satisfaction rating 5 star 2020: 5 star	Home visit from a site manager after moving in 14 days 2020: 14 days
Our people	Investing in people to develop a reputation as an employer of choice.	Employees at year end 700 2020: 657	Proportion of female employees 38% 2020: 36%
Suppliers	Being a long-term and trusted partner to suppliers and subcontractors.	Average time taken to pay invoices 37 days 2020: 41 days	Annual Injury Incidence Rate 385 2020: 369
Communities and the environment	Strong community relationships to create a positive legacy.	Social infrastructure contributions £25.4m 2020: £48.5m	Developments with access to sustainable transport initiatives 41% 2020: 40%
Government and other regulatory bodies	Regular engagement with Government to understand their agenda and to share our expertise and support effective regulation.	Affordable homes 483 2020: 506	Total home completions 2,407 2020: 2,247

Read more in Stakeholder Relations on pages 44–47

and society

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

INTEGRATING SUSTAINABILITY
ENVIRONMENTAL AND SOCIAL OUTCOMES

David Marchant
Group Production Director

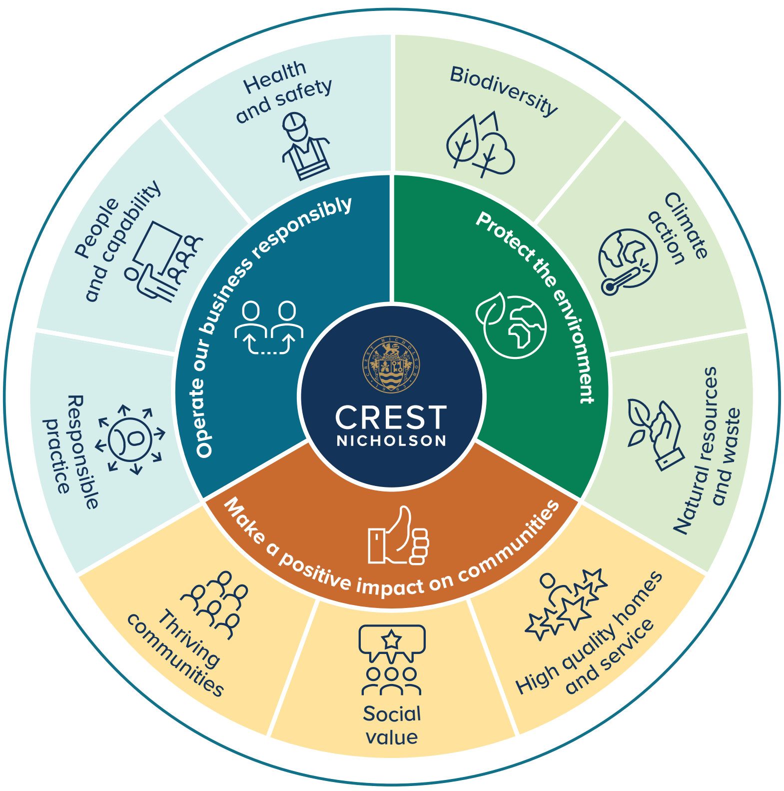
As one of the leading housebuilders in the UK, we recognise that we have a responsibility and an ability to make a significant positive impact in addressing some of the long-term challenges society faces. We place great importance in tackling these challenges, which is why Sustainability & Social Value is a foundation of our strategy.

Our sustainability strategy is informed by frameworks such as the Natural, Social and Human Capital Protocols and the UN Sustainable Development Goals (SDGs). Our priorities are three-fold, protecting the environment, making a positive impact on communities and operating our business responsibly. We will continue to evolve our strategy to ensure we are effectively managing the most important environmental and social matters relevant to us and our stakeholders.

We are proud that we have performed well against the stretching short-term targets we set last year to reduce our carbon and waste intensity. Taking these steps now, while simultaneously developing our longer-term science-based targets, means we get a head start and build early momentum in taking action to reduce our impact on the environment. We have become a signatory of the Business Ambition for 1.5°C and joined the United Nations-backed Race to Zero campaign and will establish our longer-term commitments and strategies this year.

Sustainability and Environmental, Social and Governance (ESG) considerations are fully integrated into our strategy and decision making and it does not stand alone. We believe this is the most effective way to ensure actions deliver a positive impact.

We are also committed to creating social value, delivering a positive change through our relationships with customers, the communities in which we operate, suppliers and our people. We have performed well in investor benchmarks and indices, including the CDP and FTSE4Good. We are proud to be identified as a Climate Change Leader by the Financial Times.



Protect the environment

Associated SDGs

11 Sustainable cities and communities; 12 Responsible consumption and production; 13 Climate action; 15 Life on land

Biodiversity
Climate action
Natural resources and waste

Make a positive impact on communities

Associated SDGs

9 Industry, innovation and infrastructure; 11 Sustainable cities and communities; 12 Responsible consumption and production; 13 Climate action; 15 Life on land

Thriving communities
Social value
High quality homes and service

Operate our business responsibly

Associated SDGs

3 Good health and well-being; 5 Gender equality; 8 Decent work and economic growth

Responsible practice
People and capability
Health and safety

21%
21% reduction in our scope 1 and 2 greenhouse gas emissions intensity compared to FY19 (target 25% reduction by 2025)

62%
2020: 56%

62% of electricity procured from renewable tariffs (target 100% by 2025)

4%
4% reduction in waste intensity compared to FY19 (target 15% reduction by 2025)

105L
2020: 105L

Homes designed to consume 105 litres per person per day of water, 16% lower than current regulations require

99%
2020: 97%

99% of timber procured from direct suppliers is FSC or PEFC certified

96%
2020: 96%

96% of waste diverted from landfill (target at least 95%)

10%
Developing our strategy to achieve a net biodiversity gain of at least 10% across our developments

1.5°C
Signatory of the Business Ambition for 1.5°C and committed to submit targets for validation by the Science Based Targets initiative in spring 2022, the targets will cover scopes 1, 2 and 3 emissions

£25.4m
2020: £48.5m

£25.4m agreed spend on social infrastructure (combined s106 and Community Infrastructure Levy (CIL) payments) in FY21

483
2020: 506

483 affordable homes delivered

51%
2020: 45%

Outdoor children's play areas incorporated on 51% of developments

5 star
2020: 5 star

Committed to developing high quality, sustainable communities that enable our customers to lead healthy lifestyles. Five star customer satisfaction rating achieved and target to maintain this level

88%
2020: 88%

88% of developments within 1km of a public transport link

7%
2020: 5%

7% of our people are in 'earn and learn' positions, including trainees, graduates or apprentices. 46 trainees were taken on in FY21

38%
2020: 50%

Commitment to foster a diverse and inclusive culture. 38% of our Board are female (target 33%)

385
2020: 369

Annual Injury Incidence Rate of 385 in FY21. A slight increase compared to FY20

84%
2020: 84%

The percentage of employees who say they are proud of the work they do

13
2020: 6

13 trained mental health first aiders within the business (target four people in each division)

87%
2020: 85%

SHE compliance score across the Group in FY21

78
2020: 36

Commitment to develop our people. 78 people promoted in FY21

OUR SUSTAINABILITY REVIEW

Our strategy has a clear focus on reducing our contribution to climate change and our impact on the environment. We have made significant progress against the sustainability targets we set last year.

Protecting our environment

The natural environment is under threat and we recognise the responsibility and opportunity we have to tackle the areas where we have the greatest impact. This includes reducing our carbon emissions and adapting our homes and developments in the fight against climate change. We protect and enhance biodiversity in and around our sites and manage our resources efficiently to reduce waste and resource consumption.

Climate action

Climate change and protecting the environment is a defining challenge of our time. Our industry has an important role to play in helping the UK achieve its climate change goals. We are committed to mitigating and adapting to the impacts of climate change, minimising our impact on natural resources and protecting and enhancing biodiversity.

We are implementing measures to reduce carbon emissions in our operations and have made strong progress against our targets. In FY21 our scope 1 and 2 emissions intensity was 2.52 tCO_2e per 100 sq. m of completed floor area. This is a 21% reduction compared to our FY19 base year.

"We are delighted to support Crest Nicholson in reducing its carbon emissions. While new electric and hydrogen powered machines are in development, the use of HVO biodiesel provides an opportunity to significantly reduce emissions in the immediate timeframe."

Mike DeRome
Head of Fuel, Speedy Hire Plc

In FY21, our scope 1 and 2 emissions intensity reduced by 21% (targeting 25% reduction by 2025)

21%

In FY21, renewable electricity accounted for 62% of our total electricity procured (targeting 100% by 2025)

62%

Biodiesel accounted for 17% of our site diesel consumption in FY21

17%

As of 31 October 2021, 27% of our Group operated fleet was hybrid or electric

27%

Action taken to reduce emissions

Plant and equipment on site

Diesel consumption on site has reduced by means of earlier connection to the energy grid, thereby reducing our reliance on generators. Where generators are necessary, they are continually reviewed to ensure they are correctly sized (see example overleaf). We also have one of the newest and most efficient telehandler fleets in the industry, with the majority being Tier 5 Euro engines and under two years old. Diesel consumption on our sites has fallen by 41% since FY19 on an absolute basis, and by 27% per 100 sq. m of completed floor area.

Biodiesel

We are piloting the use of biodiesel on 13 sites. The fuel used is hydrotreated vegetable oil (HVO), which emits around 90% less carbon emissions than standard diesel. HVO now represents 17% of our total site diesel consumption and has helped to avoid approximately 454 tCO_2e, equal to almost 1.4m miles in an average medium size diesel car. While the priority is to reduce consumption and replace plant and equipment with zero emission technology, HVO provides an interim solution to reduce emissions immediately.

Business travel

Business travel emissions have remained lower than pre-pandemic levels in 2019. Our Agile Working Policy provides greater flexibility on where our employees work and virtual meetings continue to be used widely. We also encourage the use of lower-emission vehicles through our low carbon vehicle incentive. As of 31 October 2021, 27% of our Group operated fleet was hybrid or electric (2020: 24%).

Communication

Our colleagues receive regular updates on our climate action via a range of employee communications. Reports are also provided to our project teams to help identify fuel and energy reduction opportunities.

Renewable energy

We are making positive progress against our target to procure 100% renewable electricity by 2025. In FY21 renewable electricity accounted for 62% of our total electricity procured (FY20: 56%). All homes with meters installed from 1 January 2021 are on renewable electricity tariffs.

In recognition of our progress on reducing carbon emissions, we were proud to be named as one of the Financial Times' Europe Climate Leaders this year.

Plant efficiency drives fuel reductions

We continue to work closely with our supply chain to drive site efficiencies. Our partnership with plant specialist Morris Leslie has contributed towards a reduction in fuel consumption, driven by efficient engines and telematic reporting. Through direct engagement with JCB and Morris Leslie, we are the first major housebuilder to utilise JCB's Livelink portal, which provides instant access to our telehandlers' safety, environmental, and utilisation metrics.

In addition, new reporting capabilities from our generator partners provide us with valuable data including the maximum power drawn from each machine. This allows us to challenge machine sizing and has resulted in a reduction in the size of our most frequently used generator from 60kVA in FY19 to 20kVA in FY21.

"We are proud to partner with Crest Nicholson to provide one of the most modern telehandler fleets in the country and support with rolling out the JCB Livelink portal. Over 65% of telehandlers on hire at the end of the year were fitted with the most efficient Tier 5 engines, with a commitment to achieve over 95% by mid-2022."

Andrew Spencer
Sales Director, Morris Leslie Plant Hire Ltd

OUR PRIORITIES IN 2022

— Submit targets for validation by the Science Based Targets initiative. The targets will cover scope 1, 2 and 3 emissions
— Develop our pathway to achieving science-based net zero by 2050 at the latest, in line with limiting global temperature rise to 1.5°C
— Continue to reduce operational emissions through improving site and office practices and increase the proportion of biodiesel and renewable electricity
— Engage with our supply chain to reduce embodied carbon emissions associated with our materials
— Conduct further research into changes in building fabric and technology to help decarbonise the in-use phase of our sold homes.

We work in close partnership with our supply chain to reduce waste, protect natural resources and deliver positive social impacts.

Sustainability governance

During FY20 we established a Sustainability Committee, chaired by our Chief Executive. The Committee has oversight of sustainability throughout our operations and is responsible for overseeing the development and delivery of strategic aims and initiatives to improve ESG performance. During the year the Committee met three times and key areas of focus included:

— Regulatory and performance updates, including our work to prepare for the Future Homes Standard
— Climate-related risks and opportunities, including joining the Race to Zero and Business Ambition for 1.5°C and committing to set ambitious science-based targets
— Supply chain engagement and agreement to join the Supply Chain Sustainability School as a partner.

Protecting resources and reducing waste in our operations

The construction sector is one of the largest consumers of materials and together with demolition and excavation, is responsible for more than 60% of the UK's waste. In FY21 our construction waste (tonnes) increased by 23% compared to FY20. However, waste remains 23% lower than in FY19, which is more representative of our typical waste profile pre-pandemic. We continue to make progress against our target to reduce waste intensity by 15% by 2025. In FY21 our waste intensity was 9.25 tonnes/100 sq. m of completed floor area compared to 9.64 in our base year FY19, a reduction of 4%. We diverted 96% of waste generated from landfill, exceeding our target of 95%.

The rollout of our new house type range continues at pace, and this is having a positive impact on both resource use and material wastage. Its efficient design, with home dimensions aligned with typical material lengths, together with site teams and subcontractors becoming accustomed to the new designs, are contributing factors to a reduction in waste.

We continue to collaborate with our supply chain, implementing actions to reduce waste and following circular economy principles where possible. In FY21 11,581 pallets were returned via our pallet return scheme (FY20: 12,593), with 5,827 being returned for reuse in the supply chain. We aim to reverse the decline in pallets collected through continued engagement with build teams. We also launched a trial return scheme for material used to protect kitchens, bathrooms and flooring. The used material is returned to our supplier, where it is reprocessed and used again as feedstock into their manufacturing process.

Transparency and disclosure

We comply with the Streamlined Energy and Carbon Reporting (SECR) requirements. Our energy and carbon data is reported in our Greenhouse Gas Emissions Report (page 128) and Our Value Chain Emissions and Path to Net Zero on page 30. Information on how we are reducing energy consumption and associated carbon emissions is detailed on pages 24–25.

We support the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD). Details on how we are progressing against the recommendations are provided on page 60 and in our response to the CDP assessment, which is available on our website.

Partnering with our supply chain

Ten years of partnership

This year marked ten years of partnership between Crest Nicholson and Community Wood Recycling (CWR). During this time, over 8,500 tonnes of timber has been collected and turned into new products, sold for DIY, donated to the local community or recycled into woodchip.

CWR is a network of social enterprises that collect and reuse waste timber while creating jobs and training opportunities. In FY21 our partnership supported eight training places, five jobs and diverted 428 tonnes from landfill. Since first partnering with CWR, we have supported 86 jobs and 208 training places.

OUR PRIORITIES IN 2022

- Rollout updated Waste Policy to standardise our waste management areas on site
- Implement pre-qualification process for group supply tenders
- Engage with supply chain to research and implement further circular economy solutions.

Sustainable procurement

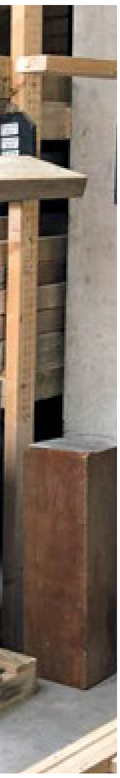
Effective collaboration with our supply chain partners is critical in tackling the environmental and social challenges we face. During the year we became a partner of the Supply Chain Sustainability School (SCSS). The SCSS is an industry-wide collaborative sharing platform to help enable a sustainable built environment. It allows us, our peers and our supply chain to come together to discuss a range of topics, projects and case studies.

To drive engagement further and reduce risk within our supply chain, we developed an enhanced pre-qualification process (PQP) which is to be used initially on all group supply tenders with a view to expanding this to divisional suppliers and subcontractors. The PQP covers a range of areas, including net zero targets, diversity and inclusion, modern slavery, manufacturing methods and material sourcing. It gives us greater insight into the products we procure, allowing us to better manage potential risks and understand how our supply chain can support us with our sustainability priorities.

We procure and use a substantial amount of timber and our Sustainable Timber Procurement Policy commits us to utilise sustainably sourced timber – either FSC (Forest Stewardship Council) or PEFC (Programme for the Endorsement of Forest Certification) certified. In FY21 99% of our timber procured from suppliers was FSC or PEFC certified and 1% was from other legal sources.

Where possible, we work with local suppliers to support the local economy and reduce transport emissions and we have a comprehensive Supply Chain Code of Conduct, with supporting policies for human rights and preventing modern slavery. Further detail on human rights and anti-slavery can be found in our People and Culture section on page 57.

SUPPLY CHAIN SUSTAINABILITY SCHOOL PARTNER



"We are very grateful to have had the support of Crest Nicholson over the last ten years in our work to save resources and build a circular economy. As well as helping the environment, this partnership has enabled our network of social enterprises to create positive impact in local communities all over the country."

Richard Mehmed
Community Wood Recycling
Managing Director

Community Impact

CWR member Roots Timber Reuse (Roots) has been collecting wood from our Lyewood development in Kent since 2019. Supporting local organisations by donating timber plays a significant part in the work of Roots.

Wood from Lyewood has been donated to the City of Rochester School for use by pupils in their woodwork classes. The school provides specialist education for children and young people with Autistic Spectrum Disorder aged five to 18. Woodwork is part of the Design and Technology curriculum, and helps children's personal development in terms of creativity, independence, judgement and self-reflection. Roots was commissioned to make two large woodwork benches for the school to fit out the carpentry workshop and donated reclaimed timber to make attractive new picket fencing around the children's play area.

Roots also regularly give timber from Lyewood to the local animal sanctuary, Second Chance Animal Rescue. The wood they supply goes to make shelters and enclosures and to build fencing to keep the animals secure.

Placemaking is one of our key strengths and we deliver attractive, diverse and well-connected developments where people and nature can thrive.

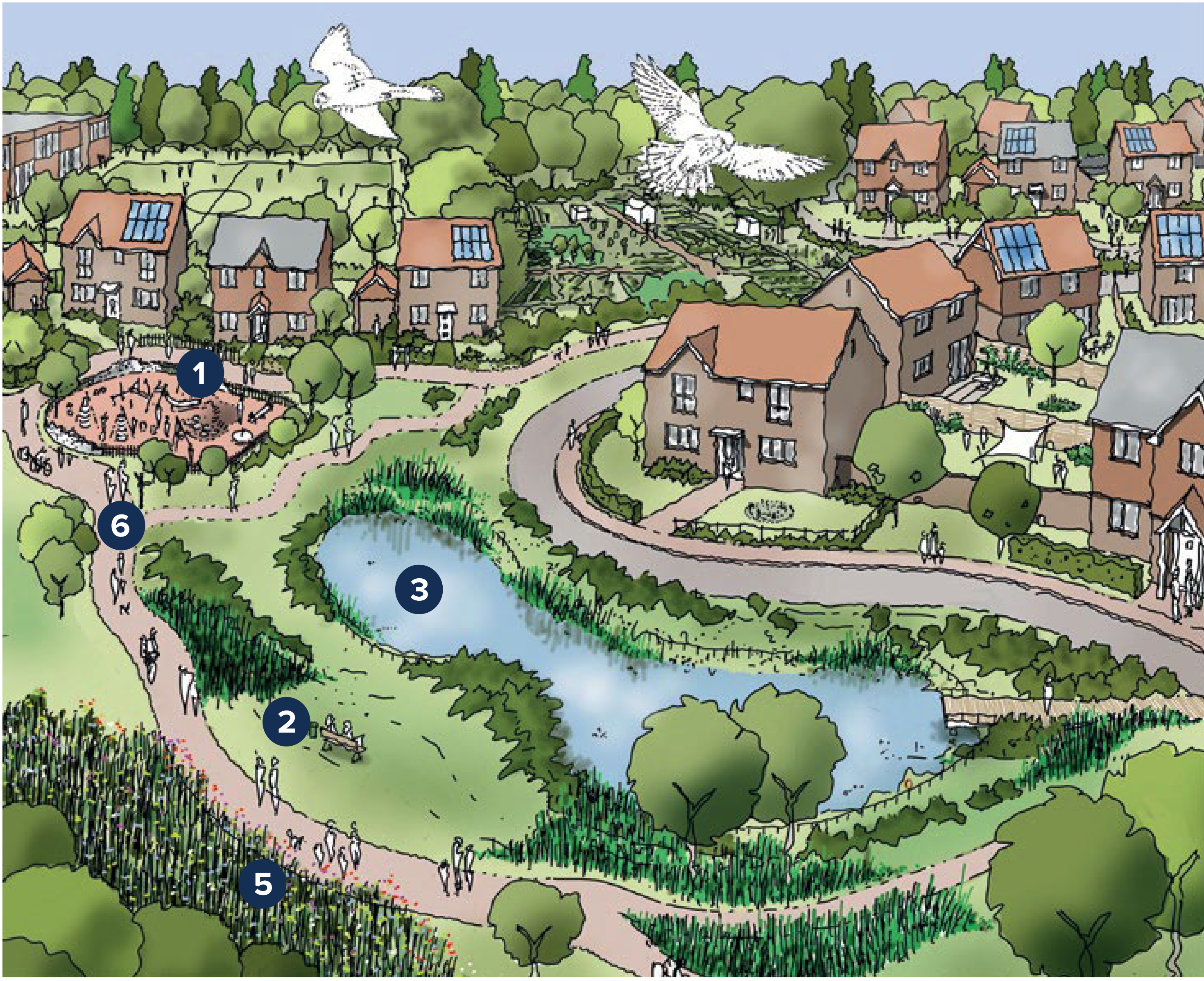
Social value

People's relationship with nature is a critical factor in supporting health and wellbeing. Where possible we prioritise the inclusion of accessible green spaces for our communities and incorporate cycle paths and walkways to link with our homes and local amenities.

Social value is also generated through the provision of sports and educational facilities, play areas, allotments, public art, community buildings, transport improvements and environmental protection and enhancement measures.

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

Delivering social value for our communities and the environment

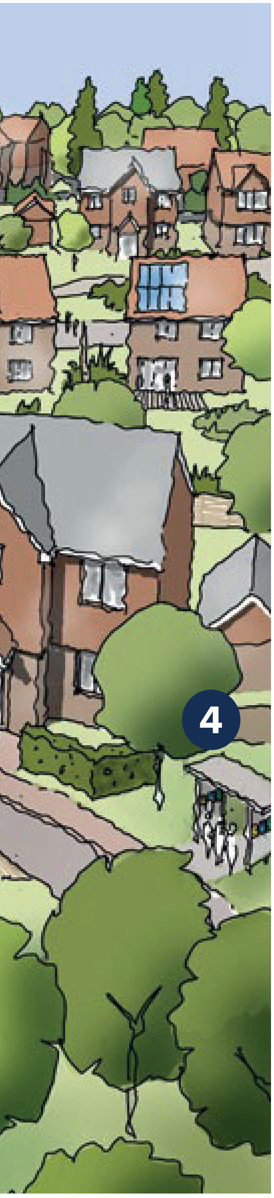


Climate adaptation

Our homes and developments are designed to be future-proof against a changing climate. This includes consideration for overheating risk in our new house types and incorporating sustainable drainage systems (SuDS) across many of our sites. SuDS reduce water runoff rates by incorporating natural features such as swales and attenuation ponds that have the added benefit of improving water quality and enhancing the amenity and biodiversity value of the environment.

Biodiversity

Biodiversity loss is another global challenge. The recently approved Environment Act 2021 mandates a biodiversity net gain of 10% across all new developments, which will apply from 2023. Some local authorities are already requesting net gain and we continue to develop our approach to achieving this in collaboration with our planning teams and ecologists. Our Montague Road development in Warwick, Warwickshire has demonstrated that net gain can be achieved through a range of on site measures as well as collaborating with a local land owner to deliver offsite biodiversity enhancements.



Providing a space for outdoor play

Outdoor play areas provide many benefits. A fun way for children to spend time outdoors, improve health and fitness, develop co-ordination and engage with friends. Play areas were incorporated on 51% of our developments.

Accessible green space

Access to green space provides opportunities to relax, connect with nature, exercise and meet friends.

Reducing flood risk through sustainable drainage systems (SuDS)

A natural way to manage drainage and minimise flood risk, while also providing attractive, biodiverse green space for people and nature to enjoy. SuDS were incorporated on 86% of our sites in FY21.

Providing sustainable travel options

Access to public transport and other sustainable travel initiatives contribute to a lower carbon footprint. In FY21, 88% of developments were within 1km of a public transport link.

Creating a home for nature

Protecting nature and providing wildlife habitats through measures such as wildflower planting, bird and bat boxes, and hedgehog highways.

Dedicated walking and cycling routes

Walking and cycling routes are incorporated into developments where possible, connecting new homes with the outdoors, local amenities and the existing community.

OUR VALUE CHAIN EMISSIONS AND PATH TO NET ZERO

The majority of our carbon footprint comes from material sourcing and our customers' use of homes. We are developing science-based targets across all emission scopes to accelerate decarbonisation throughout the Group's value chain.

Decarbonising our value chain

Our current carbon emission targets are focused on our own operations and relate to our scope 1 and 2 emissions. These are the areas where we have the greatest ability to effect change. We have implemented several energy and fuel reduction initiatives as detailed on pages 24–25. We will continue to make further improvements, including increasing the proportion of biodiesel used, increasing our procurement of renewable electricity, increasing the number of electric vehicles in our fleet and continuing to drive efficiencies throughout our operations.

While positive progress has been made on our scope 1 and 2 emissions, we understand that our upstream and downstream scope 3 emissions (associated with our supply chain and the use of sold homes) account for most of our carbon footprint.

We know we need to go further, and we are proud to have signed up to the Business Ambition for 1.5°C and joined the United Nations-backed Race to Zero. This commits us to reaching science-based net zero by 2050 at the very latest. We will also set interim targets across scopes 1, 2 and 3, which we will submit to the Science Based Targets initiative for validation in 2022. The targets will be aligned with the latest climate science with the aim of limiting global temperature rise to 1.5°C above pre-industrial levels.

As a first step, we have assessed our value chain emissions across scopes 1, 2 and 3 and we are prioritising the areas where the greatest impact can be made. The chart below provides an overview of our carbon footprint throughout our value chain.

31% of our carbon footprint is associated with our supply chain, including the materials used to build our homes. We are engaging with expert consultants and our supply chain to achieve reductions.

Around 67% of our total emissions are associated with the 'in-use' phase of the home after they are sold. This relates to the energy used within the home to provide heat and hot water and to power lighting and appliances.

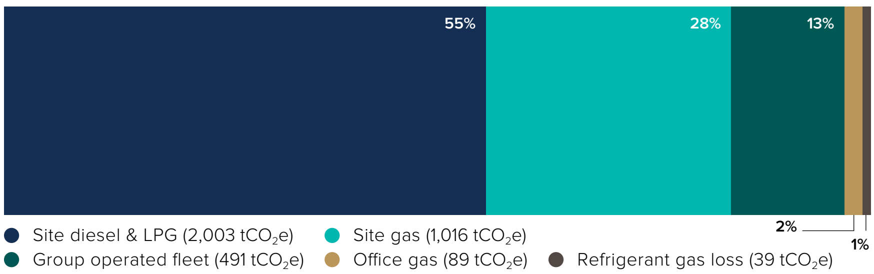
Updates to Building Regulations in 2022 and the Future Homes Standard from 2025 will drive significant reductions in emissions associated with our homes, helping to reduce the carbon footprint of our customers. Page 31 illustrates these regulatory changes and how they can be achieved.

The composition of our value chain emissions in FY21

Scope 1 emissions

3,638 tCO_2e

Scope 1: Direct emissions from sources in our control



Scope 2 emissions

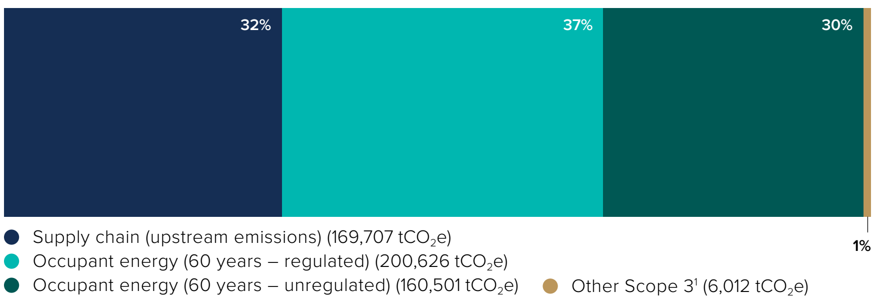
1,718 tCO_2e

Scope 2 (location-based): Indirect emissions from the generation of purchased electricity

Scope 3 emissions

536,846 tCO_2e

Scope 3: Other indirect emissions from sources outside our direct control, including upstream and downstream activities



1 Other Scope 3 emissions include waste from operations, business travel, employee commuting, end of life treatment of materials, well-to-tank emissions and transmission and distribution losses from electricity.

Future homes

Homes accounted for 21% of UK carbon emissions in 2020[1]. We recognise the important role our industry will play in helping to deliver the Government's target of net zero emissions by 2050.

In June 2022 changes to Building Regulations Part L will require new homes to achieve a 31% reduction in carbon emissions compared to current standards. From 2025, the Future Homes Standard will require that new homes move away from fossil fuel heating and be future proofed with high levels of energy efficiency. Homes will be designed to achieve at least 75% lower carbon emissions than current Building Regulations.

We are active participants in the industry's Future Homes Hub, which is supporting our sector in delivering the Future Homes Standard. The Hub is also engaging with Government and industry to deliver emissions reduction across the value chain, maximise resource efficiency and deliver biodiversity net gain.

We are researching new technologies to further enhance the energy, carbon and water efficiency of our homes. The infographic below highlights the forthcoming regulatory changes and illustrates what is likely to be included in a future home. We already install energy and water efficient appliances, LED lighting, good levels of insulation and PV panels.

Future Homes Hub

The Group is a committed supporter of the framework for a sustainable home building industry developed by the Future Homes Task Force, through the Future Homes Hub. We are investing in research and development to deliver the two initial phases of change in 2022/23 and 2025 when the changes will include switching away from fossil fuels.

FUTURE HOMES HUB

Future homes by numbers

Future Homes Standard (FHS) introduced in

2025

FHS requires new homes to emit at least 75% less carbon compared to current standards

75%

Interim update to Part L of the Building Regulations requires new homes to reduce carbon emissions by 31% from June 2022

31%

New homes will be 'zero carbon ready' from 2025

✓

1. Greater levels of insulation in walls, floor and roof
2. Low energy, LED lighting
3. Double or triple glazed windows
4. Electric vehicle charge points
5. PV panels
6. Thermally broken lintels
7. Heat recovery systems (e.g. waste water heat recovery)
8. Water efficient appliances
9. Energy efficient appliances
10. Low carbon heating (e.g. air source heat pump)

1 2020 UK greenhouse gas emissions, provisional figures. Published by the Department for Business, Energy & Industrial Strategy, March 2021.

Aligning to our strategic priorities

Placemaking & Quality

Operational Efficiency

Five-Star Customer Service

The new house type range is a key element of our highly efficient operating platform. Working to a shared set of house designs has reduced complexity in our operations, and enabled more consistent delivery of high quality homes. The toolkit provides the ability to vary the product making it versatile, appealing to our customers and enabling us to deliver attractive street scenes.

Aligning our strategy to the Sustainable Development Goals

OUR STRATEGY IN ACTION

We have...

a vision for thriving communities

Creating attractive and vibrant communities with a focus on sustainability is what we do well. We continue to invest in placemaking, delivering amenities, infrastructure, leisure facilities and open spaces. Our new house types provide appealing designs our customers are proud to call home.

...built homes that exceed expectations

5 star

Morton Park Customer Satisfaction Survey score 96%[1]

Medwin and Lucinda Calvert moved to a four bedroom home at Morton Park in October 2021. Medwin says:

Case study

Morton Park, Milton Keynes

"We were looking for a new build property as we didn't want to renovate. We knew we'd feel at home here straight away. Our house has a well thought-out, family oriented floor plan. We knew it would perfectly suit our needs.

We love being immersed in nature. There are tree-lined streets around the development and we have our own slice of greenery in our back garden. We are planning on installing a barbecue in our garden so we can make the most of the British summer next year."

A total of 249 homes, including 61 affordable homes, a park and children's playground will be built at Morton Park by its completion in 2023.

All these homes will be from the new house type range.

The development's proximity to Milton Keynes provides residents with access to a wide range of amenities including entertainment and excellent transport links.

1 NHBC surveys for home completions from 1 October 2020 to 30 September 2021 as at 14 January 2022 with two surveys outstanding.

...placed emphasis on the benefits of natural green space

5.5 acres

The acreage of public open green space at Morton Park

The site team were awarded an NHBC Seal of Excellence, which recognises exceptional build quality. It celebrates good site practices such as effective material management.

Waste timber is collected and recycled, and a pallet collection scheme is in place. Biodiesel has been used in the telehandlers at Morton Park since February 2021. This has avoided almost 34 tCO_2e compared against the equivalent use of red diesel.

Read more online at www.crestnicholson.com/sustainability/customers-and-community

...reduced our total average build cost per square foot by over

9%

We are on track to achieve our stated goal that by FY22, 80% of private open market house completions will be from the new house type range.

> **"Our new house types improve thermal efficiency, minimise waste and speed up construction, allowing us to reduce our impact on the environment while helping homeowners lead more sustainable lives."**

Nick Hall
Site Manager, Morton Park

Aligning to our strategic priorities

Land Portfolio

We have a well-located, flexible land portfolio supplying our forecasted business needs. Combining quality land acquisitions, specialist planning expertise and a versatile new house type range, we continually seek to optimise the value in our land portfolio.

Multi Channel Approach

We build homes for sale on the open market, in partnership with housing associations for social housing and to the intermediate sector, working with Private Rented Sector (PRS) and supported tenures such as shared ownership. We have developed multi-tenure expertise and clearly understand our partners' drivers and requirements.

Aligning our strategy to the Sustainable Development Goals

1 NO POVERTY

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

OUR STRATEGY IN ACTION

We... continually optimise the value from our developments

We are always reviewing ways to enhance the realised value of our high quality land portfolio. Our new house type range delivers greater coverage and enhanced margins. Through collaboration with partners we can deliver a range of tenures, often at a significantly improved capital efficiency.

...turn strategic land into operational developments

Case study

Westwood Park, Coventry

This 60-acre site was obtained as a result of promoting strategic land through the local planning process. Our Partnerships and Strategic Land division's (CNPSL) comprehensive understanding of the planning process enabled them to effectively manage policy challenges as the land was released from the Warwick Local Plan's green belt. The team secured a hybrid planning permission with outline consent for 425 homes in total, including 129 homes with full planning permission. The site was purchased through a land option agreement in FY21, and site work commenced in autumn 2021.

The Midlands division's expertise in optimising the mix and type of homes to be built on site then ensured that full planning permission on the remaining units was secured and the development moved swiftly to implementation.

...are increasing coverage and margin with our new house type range

Case study

Highlands Park, Henley-On-Thames

In 2017 consent was secured for the site in Oxfordshire with a mix of homes ranging from two-bedroom apartments to five-bedroom family homes and an average selling price in excess of £800,000. The high average price of the homes limited the size of the target market and resulted in a slow sales rate after the development's launch in February 2018. Following a review, the land was re-planned to introduce the new house type range and add a further 28 homes. This increased coverage, and created a product mix more appealing to a broader family market with an average selling price just over £600,000. Launched in February 2021 the development's sales rate increased five-fold from the early 2018 performance and generated improvements in gross margins.

…pride ourselves on being a trusted partner of choice when acquiring land to be developed jointly

Case study

Towergate, Milton Keynes

This site was acquired through the Homes England public procurement tender process, and we entered a building lease with Homes England in May 2021, to deliver 150 new homes in a major growth area of Milton Keynes. 45 s106 affordable homes were sold to Paradigm Housing and 55 PRS homes sold to Man Global Private Markets (Man GPM) at a 9% discount to market value. 50 homes will also be sold on the open market, demonstrating a multi channel approach on this development as we collaborate with a housing association and an investment fund to agree the transactions at Towergate.

The Chiltern division secured the reserved matters consent in 19 March 2021 and have added further value to the scheme by successfully optimising the mix of homes, increasing profitability. Construction commenced on site in June 2021, and completion is forecast for November 2023.

Case study

Campbell Wharf, Milton Keynes

We were successful in the Homes England procurement process for Campbell Wharf, entering into a building lease with Homes England in March 2018. The site was purchased with the benefit of outline planning permission to deliver 383 homes, including 30% affordable housing, with Reserved Matters consent obtained in November 2017.

Overlooking the Grand Union Canal, this 20-acre site comprises a mix of affordable housing and PRS homes. We will deliver 189 open market homes, and have agreed forward sales of 115 s106 affordable homes to BPHA Limited and 79 apartments to Man GPM which will be offered at discounted rent and with a focus on key and essential workers, providing access to high quality housing within easy reach of their workplaces.

L–R: Shamez Alibha and Kieran Daya

"Through our partnership with Crest Nicholson we are increasing the overall allocation of key worker housing at Campbell Wharf. Our investment will support households who are unable to get on the property ladder to live securely in high quality homes."

Shamez Alibha
Managing Director and Head of Community Housing, Man GPM

…have multi tenure expertise

383

homes will be delivered across a range of tenures at Campbell Wharf

OUR VALUES

We have five values which underpin how we implement our strategy and define who we are and how we do business.

Work as one Crest

We work towards a common goal and see the bigger picture

A strategic priority for us is to be a highly efficient builder of quality homes. We have established a sector leading operating platform to enable us to achieve this goal. Central to this is our new house type range which has seen our business move away from designing and building bespoke schemes to adopt a shared set of 20 core house designs, with 12 toolkit variations. In FY21 30% of private open market house completions were from this range. In FY22 this proportion will increase to 80%. With all divisions building the same product range, we are benefitting from a standardisation of the core engineering, which has reduced complexity in our operations, enhanced competitiveness, improved quality and made us a housebuilder of choice for our subcontractors. Our build time, build cost and technical fees have reduced while the ability to vary the product to suit market dynamics, customer aspiration and local design guidelines provides homes with desirable features for our customers.


Applying different elevations to our homes creates variety of appearance while using just one core design. Pictured: The Keswick with four elevational treatments


Investing in our people

We empower our people to deliver our success

Having people who are talented, motivated and feel engaged in their roles is essential for us to successfully deliver our strategy. This is why People is recognised as one of our core Foundations. This year we have recruited 46 new trainees and interns, including eight employees from the Government Kickstart scheme, bringing new perspectives to our business and fuelling the pipeline of talent in starter roles. We have launched the Crest Nicholson Academy, which will foster skills and capabilities for existing colleagues in their core disciplines, elevating performance across the business. The Academy will also underpin our succession planning scheme, which ensures we support and develop individuals highlighted for future promotion. We support colleagues moving up through their core disciplines, and across the Group using transferable skills and knowledge. James Candler was promoted to Assistant Site Manager this year, successfully moving from customer services into a management role on site.

Our values in action

James Candler (right)
Assistant Site Manager

"When I first joined Crest Nicholson, I was keen to develop my career and to progress and move into management, either within customer service or as an Assistant Site Manager. I took it upon myself to seek out the necessary training to enable me to prepare for the role I have been given today. Crest Nicholson supported my transition from customer service into the build side and saw value in the skills I could transfer between the roles, and my ability to learn and adapt. I feel that it has been a smooth transition from Customer Service Technician to the Trainee Assistant Site Manager role at Harborne Manor and I really feel at home here. I have a strong desire to push myself and succeed with Crest, over the years to come."

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

This aims to ensure that while striving to deliver business goals, decisions are made in a considered and thoughtful manner. This involves assessing options, balancing the needs of stakeholders, and thinking about the future impact of our actions. At Longcross, a review of the assets there highlighted the potential for capital to be realised by disposing of Crest Nicholson's 50% interest in the film studio.

The Longcross Film Studio is widely regarded as one of the UK's premier production facilities and sentiment from the local community was in support of it continuing to operate. Disposing of this non-core asset resulted in us recognising £16.0m more profit in the year, delivering £46.0m of further cash to the Group's already strong balance sheet. This has enabled us to focus on developing the remaining 195 acres of Longcross Garden Village, with up to 1,700 homes to be delivered in a joint operation.

Alex Vicary (left)
Technical Director

Kieran Daya (right)
Managing Director, Partnerships and Strategic Land

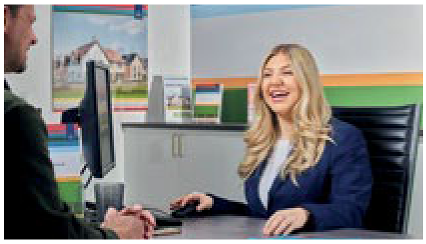
Committed to success — We strive to be the best and deliver on our promises

Our Group strategy provides clear direction and goals for all colleagues across the business. This cascades to each team and individual via objectives which are reviewed at annual Performance Development Reviews, and ongoing feedback from line management.

Development based Sales Executives work to monthly and quarterly targets which provide sales-based objectives and ensures alignment between the sales rate with the build programme.

Achieving sales targets is a key metric which is measured and rewarded. However, importantly, the way in which colleagues operate is also discussed and reviewed, to shape behaviours in line with our values and culture. Excellent performance is celebrated with divisional awards each quarter.

Sofia Isaacs is a previous winner of such an award for her performance at Fernham Green in the Eastern division. As an ambassador for the new house type range, Sofia talked passionately to customers about the features and benefits of each house type, selling through the final phase of the development four months prior to completion. Sofia maintained close and productive relationships with the build team providing a smooth journey for customers, which is reflected in the NHBC Customer Satisfaction Scores[1] for the development where 97% of customers say they would recommend Crest Nicholson to a friend.



Sofia Isaacs
Sales Executive

1 NHBC surveys for home completions from 1 October 2020 to 30 September 2021.

A positive legacy — We deliver high quality, sustainable communities

We aim to create distinctive new communities which will be great to live in now and in the future. Our developments incorporate green spaces and accommodate many existing features such as trees, hedgerows and woodland. By delivering new civic, social, education and leisure facilities, we can enhance the lifestyles of new and existing residents and develop a sense of community. We are committed to mitigating and managing climate risks, reducing carbon emissions and waste and protecting wildlife and enhancing biodiversity. Through this considered approach, we are seeking to create a positive long-term legacy for our customers, communities and the environment. Our site managers are the driving force for our operations on each development, guiding the construction teams to deliver each master plan. As such, the quality of delivery is a testament to our talented site managers, along with the excellent teams and subcontractors who all play an essential role in creating new Crest Nicholson communities.

Our values in action

Jerome Peterson
Site Manager

Jerome has successfully managed a challenging build programme at Walton Court Gardens and has achieved 95% customer satisfaction survey scores[2]. A good standard of health and safety was consistently maintained on this complicated non-standard construction, with Reportable Items (RIs) kept low at 0.16.

In addition to these excellent results, Jerome was given well-deserved external recognition and was awarded an NHBC Pride in the Job Quality Award, which is particularly impressive as this is his first Site Manager role.

2 NHBC surveys for home completions from 1 October 2020 to 30 September 2021 as at 14 January 2022 with one survey outstanding.

KEY PERFORMANCE INDICATORS BY OUR FOUNDATIONS

We use 19 key performance indicators to monitor our progress against our strategic objectives.

We monitor our Group performance using a range of key performance indicators (KPIs). This enables our people to understand what drives value for our stakeholders.

Our KPIs are designed to ensure that we remain focused on delivering sustainable growth in volumes while delivering shareholder returns within the framework of a robust balance sheet. We also ensure that the pace of growth does not compromise build quality, customer satisfaction or the safety of those working on our sites.

We use these KPIs to improve the quality of our business and ensure that we deliver value to all our stakeholders. To align the focus of management with the interests of shareholders, some KPIs are reflected in our senior management incentive schemes.

Further information on remuneration can be found on pages 104–125.

Key to symbols

KPI used in the annual bonus scheme

KPI used in the Long-Term Incentive Plan

For more information see pages 104–125

The numbers below relate to our principal risks

1 2 3 4 5 6
7 8 9 10 11

Read more about our Principal Risks and Uncertainties on pages 62–68

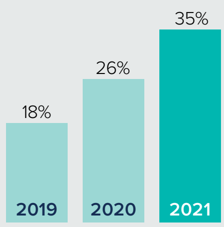
1 Voluntary employee turnover in FY20 and FY19 includes those left within probation.
2 ROCE, gearing including land creditors and EBIT margin are alternative performance measures. See pages 192–193 for further details.

People

Voluntary employee turnover[1]

2 8

35%



The percentage of leavers during the year by reason of resignation or retirement as a proportion of total employees at the end of the year. See page 54 for further details.

Movement during year
Voluntary employee turnover increased during the year at 35%.

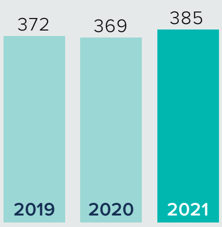
Why we measure
The quality of our people and the decisions they make are fundamental to the successful implementation of our strategy. Low employee turnover supports greater depth of experience, continuity and development of skills within our teams.

Safety, Health & Environment

Annual Injury Incidence Rate (AIIR)

1 3 5

385



AIIR represents the number of accidents in the year normalised per 100,000 people at risk on-site. See pages 52–53 for further details.

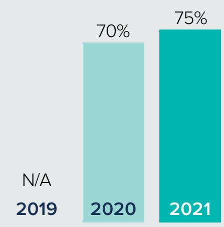
Movement during year
4% increase in AIIR to 385 in FY21, up from 369 in FY20.

Why we measure
Health and safety is one of our top priorities. As well as ensuring safety on site, accidents and injuries can have a negative impact on the business through higher costs, delays and/or reputational damage.

Employee engagement survey

3 4 5 8

75%



Overall engagement of employees based on our most recent engagement survey. There was no survey carried out in FY19. See page 56 for further details.

Movement during year
Employee engagement improved in the year to 75%, increasing from 70% in 2020. 58.6% of employees participated in the survey.

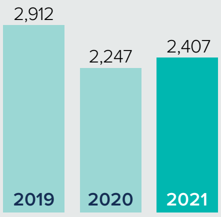
Why we measure
To gain an insight of and provide a forum for employees' views. To retain and invest in the best people and focus on their development and success.

Financial Targets

Unit completions

2 4 9

2,407



Sales of homes recognised in the year including 100% of those held in joint ventures and on an equivalent unit basis. FY20 and FY19 sales of homes recognised in the year including our proportion of those held in joint ventures and not on an equivalent unit basis.

Movement during year
7.1% increase in homes to 2,407 from 2,247 in FY20.

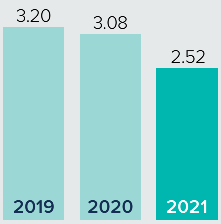
Why we measure
Reflects activity and growth. Method by which business capacity is monitored.

Sustainability & Social Value

Greenhouse gas (GHG) emissions intensity

4 5 6 10 11

2.52



The GHG emissions intensity reflects our scope 1 and 2 emissions (tCO_2e) per 100 sq. m of completed floor area. It includes business travel via company cars, fuel and energy used on sites and in offices. See pages 22–31 for further details.

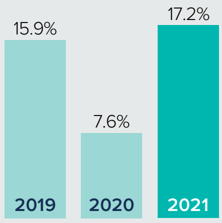
Movement during year
GHG emissions intensity reduced by 18% compared to FY20 and by 21% compared to our FY19 base year.

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

Return on capital employed (ROCE)[2]

2 6 9

17.2%



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

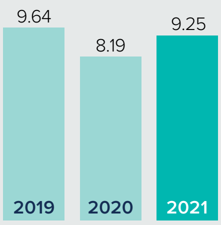
Movement during year
ROCE has improved to 17.2% from 7.6% in FY20. Adjusted operating profit has improved in the year, benefitting from a lower proportion of lower margin legacy sites, cost efficiencies through replanning and overhead cost control, while maintaining a stable capital employed base.

Why we measure
Ensures efficient and effective use of capital. Key metric for assessing performance for Executive Directors' remuneration.

Waste intensity

4 5 6 10 11

9.25



Waste intensity reflects tonnes of construction waste per 100 sq. m of completed floor area. See page 26 for further details.

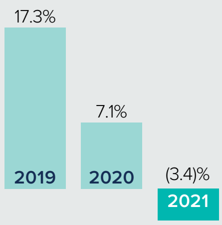
Movement during year
Construction waste intensity increased during the year, but remains lower than our FY19 base year.

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

Gearing including land creditors[2]

2 9

(3.4)%



Net cash and land creditors divided by equity shareholders' funds less net cash add land creditors.

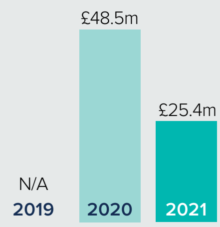
Movement during year
Gearing including land creditors has improved to (3.4)% from 7.1% in FY20. The Group has improved closing net cash to £252.8m from £142.2m in FY20, while land creditors have remained stable at £222.9m from £205.7m in FY20.

Why we measure
Shows the Group's liquidity. Helps assess our ability to fund our ongoing operational commitments.

Social infrastructure contributions

2 5 10

£25.4m



Social infrastructure contributions through s106 and Community Infrastructure Levy payments that were committed to in FY21. This is the second year we have included this KPI. See page 57 for further details.

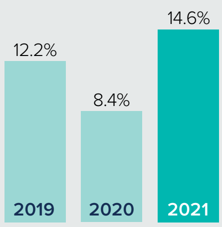
Movement during year
A reduction in the value of new commitments compared to FY20.

Why we measure
Demonstrates the amount we have committed to invest in social infrastructure within the communities in which we operate.

Earnings before interest and tax (EBIT) margin[2]

2 6 9

14.6%

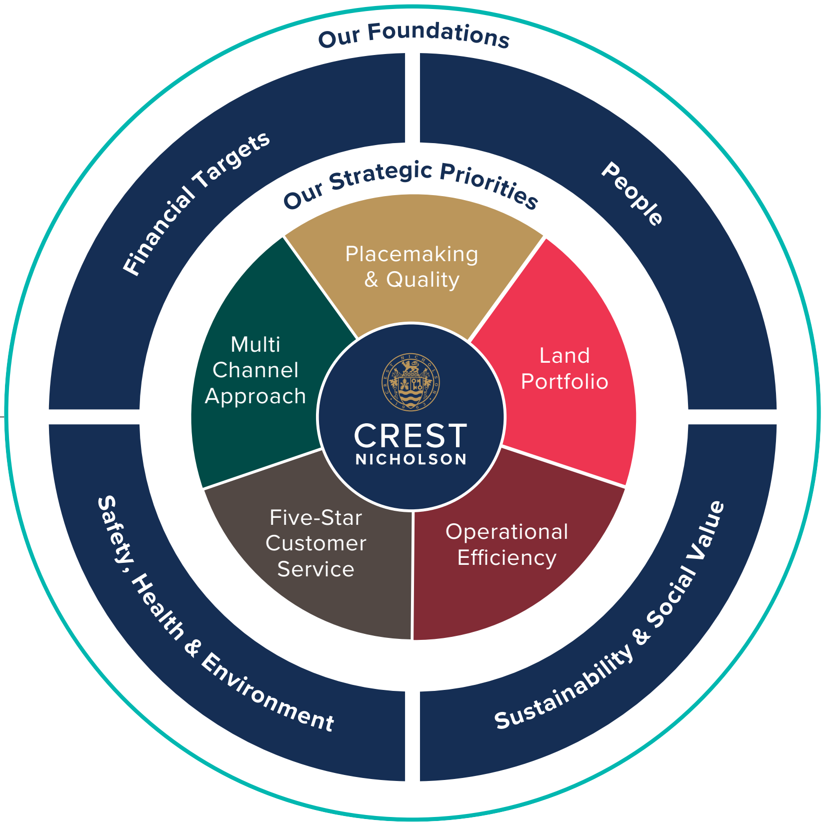


EBIT margin (operating profit margin) reflects the adjusted profits before interest, joint ventures and tax achieved by the business.

Movement during year
Adjusted operating profit margin has improved to 14.6% from 8.4% in FY20.

Why we measure
Demonstrates profitability before finance costs, share of profits from joint ventures and associates and tax. Assesses the efficiency of our operations.

KEY PERFORMANCE INDICATORS BY STRATEGIC PRIORITY



The Group announced an updated strategy in January 2020 which consisted of five strategic priorities and four foundations. This strategy is designed to restore Crest Nicholson to being one of the UK's leading housebuilders. During the year the Group made good progress against all parts of the strategy and the Board are confident it remains the right one to deliver value for all stakeholders over the medium term.

Read more about Our Strategy on pages 12–13

The numbers below relate to our principal risks

1 2 3 4 5 6
7 8 9 10 11

Read more about our Principal Risks and Uncertainties on pages 62–68

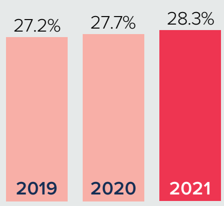
1 Adjusted overhead efficiency is an alternative performance measure. See pages 192–193 for further details.

Land Portfolio

Short-term land additions gross margin

2 9

28.3%



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

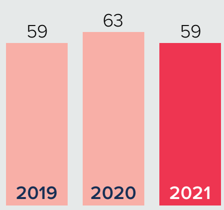
Movement during year
Short-term land additions gross margin has improved to 28.3% from 27.7% in FY20.

Why we measure
The forecast margin on sites added to our portfolio is a key driver of future profitability.

Outlets

2

59



The average number of active selling outlets during the year.

Movement during year
Average active outlets at 59 is down four outlets on FY20.

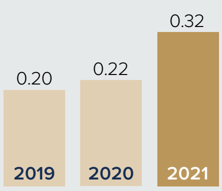
Why we measure
Delivering new homes to our customers across a range of outlets helps support volume growth and reduces the risk of changing local market conditions.

Placemaking & Quality

National House Building Council (NHBC) reportable items

3 4 5 6

0.32



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

Movement during year
NHBC reportable items increased by 45% compared to FY20.

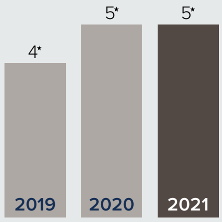
Why we measure
Keeping defects identified and rectified during the construction process to a minimum reduces delay in build and cost of remedial work and ultimately helps us deliver consistently high quality homes for our customers.

Five-Star Customer Service

Customer satisfaction

4 5 8

5 star



The HBF star rating based on our NHBC customer satisfaction score. See page 13 for more details.

Movement during year
The Group has maintained its five-star customer satisfaction score.

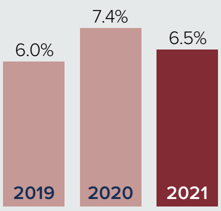
Why we measure
Customer satisfaction is a strategic priority and fundamental to our business. It is a key metric for assessing performance for Executive Directors' remuneration (see page 115 for further details).

Operational Efficiency

Adjusted overhead efficiency[1]

2 4 6 8

6.5%



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

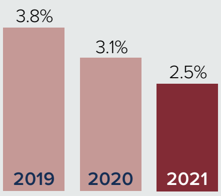
Movement during year
Overhead efficiency improved in the year to 6.5% from 7.4% in FY20. Robust cost control has been maintained in the year and revenue growth has supported an increasing adjusted overhead efficiency.

Why we measure
Operational efficiency through tight cost control is one of our strategic priorities.

Sales and marketing costs

2 5 6

2.5%



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

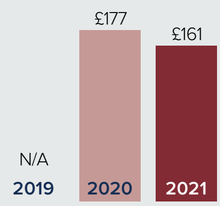
Movement during year
Sales and marketing costs as a proportion of open market sales has improved to 2.5% from 3.1% in FY20.

Why we measure
Operational efficiency through tight cost control is one of our strategic priorities.

Build cost

5 6

£161



Operational portfolio average residential build cost per sq. ft. This is the second year we have included this KPI.

Movement during year
Build costs per sq. ft. have reduced in the year to £161 from £177 in FY20.

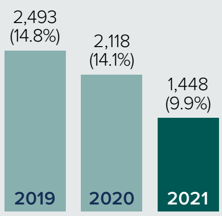
Why we measure
Operational efficiency through tight cost control is one of our strategic priorities.

Multi Channel Approach

Percentage of units in our portfolio under partnership

2 8 10

9.9%



Percentage of units in our short-term housing portfolio to be delivered under partnership arrangements.

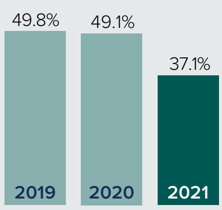
Movement during year
Home completions in the year have caused the percentage to fall 4.2% in FY21.

Why we measure
Land acquired under partnership arrangements gives us access to a wider range of potential land acquisitions. This diversification allows us to mitigate risk in the land market.

PRS/Affordable unit completions

2 8 10

37.1%



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

Movement during year
Strong rebound in open market sales, coupled with the delay in completion on two PRS deals, has caused a 12.0% fall in this metric.

Why we measure
A Multi Channel Approach is one of our five strategic priorities. The Multi Channel Approach offers greater order book security and near-term cash flow benefits.

INVESTMENT CASE

We have made good progress with our strategy and we are in a strong position for the future.

1 Strong long-term structural support for UK housing market

Highlights

- Market demand underpinned by growing population, smaller household size and limited housing supply
- Government continues to take action to support housing supply and demand
- Supportive lending environment with long-term low interest rates and good mortgage product availability.

300,000

Government target of new housing to be built by mid-2020s

2 Extensive high quality land portfolio

Highlights

- Well-located land portfolio offering good capital efficiency
- Land portfolio being transformed with legacy sites identified and remedied. Operational efficiencies have increased competitiveness in securing new land
- Strategic land portfolio is mostly held under option ensuring good supply of higher margin developments for the future.

c.5 years

Number of years of supply in our short-term portfolio

3 Leading housebuilder synonymous with quality and good placemaking

Highlights

- Established brand dedicated to excellence in placemaking and for creating quality, attractive communities
- Consistent delivery of Home Builders Federation (HBF) five-star customer satisfaction
- Industry-leading management team with proven track record of delivery.

5 star

Customer satisfaction rated by the HBF

4 Growing Multi Channel capability

Highlights

- Providing resilience and diversified income streams by having more than one route to market
- Experienced team with strong relationships with Registered Providers (RPs) and Private Rented Sector (PRS) partners
- Partnership platform complementary to the open market business through increased ROCE, narrower margin discount and reduced execution risk.

6–9%

Medium-term target discount gap to open market value

How we see capital allocation

The Group has a disciplined capital allocation policy which seeks to allocate capital that drives long-term growth as well as providing sustainable returns for shareholders.

5 Strong and disciplined financial framework with continued focus on operational efficiency

Highlights

- Financial discipline across all operations including work-in-progress
- Robust balance sheet with FY21 net cash of £252.8m with an aim to run on net cash basis throughout
- Sustainable dividend policy providing the right balance for returns and growth
- Well capitalised to pursue organic growth and acquisition opportunities.

£252.8m

FY21 net cash position

6 Commitment to the environment and communities in which we operate

Highlights

- Committed to reducing emissions and joined the United Nations-backed Race to Zero campaign
- Developing ambitious interim science-based targets, validated by the Science Based Targets initiative
- Good progress in preparing for the Task Force on Climate-related Financial Disclosures (TCFD) and Future Homes Standard, new house types complementary to requirements of future homes being built.

1.5°C

Aligning science-based targets with limiting global temperature rise to 1.5°C above pre-industrial levels

STAKEHOLDER RELATIONS

We recognise our responsibilities to all stakeholders in the decisions we take and the impact they have.

Stakeholder

How we have engaged in 2021

Investors
Both individual and institutional investors

What matters to investors

- Long-term sustainable returns
- Clear understanding of the Group's strategy and progress
- Regular engagement and communications
- Robust Environmental, Social and Governance (ESG) targets and priorities

Director involvement

- The Chief Executive, Group Finance Director and Head of Investor Relations follow a comprehensive programme of investors' meetings, including attending two virtual conferences and roadshows during FY21 and meeting with over 30 investors
- The Chairman and Chair of the Remuneration Committee consulted, and virtually met, with major shareholders on the remuneration outcomes and Annual General Meeting matters.

Group engagement

- Virtual meetings with shareholders to provide insight on our response to the impacts of climate change, our ESG targets, progress and future focus
- Relaunched our website in May 2021 providing easier access to shareholder information
- Publishing information to shareholders including interim and preliminary results and responding to shareholders' questions
- Responses to voting agencies, including IVIS, ISS, Glass Lewis and PIRC.

Customers
The people who purchase our homes

What matters to customers

- Quality homes delivered on time offering good value for money
- Excellent service and after care
- Amenities, infrastructure and green space
- Support to enable sustainable lifestyles
- Strong social and environmental legacy

Director involvement

- Five-Star Customer Service is one of our strategic priorities with regular reports and presentations to the Board on customer service
- Remuneration Committee has set customer service bonus targets
- Leading the Group's response to combustible materials and engagement with affected homeowners.

Group engagement

- Participate in the Home Builders Federation's (HBF) customer satisfaction survey and aim to consistently achieve a five-star performance
- Site teams responsible for after care with direct responsibility for quality
- New customer friendly website and an update of the Home Owner guide
- Closely monitor build schedules to enable customers to be updated on progress of their new home, with delays promptly communicated.

Our People
Those directly employed by us

What matters to our people

- A safe and healthy working environment
- Supportive, diverse and inclusive culture
- Fair benefits and reward
- Professional development and career opportunities
- Challenging and rewarding work
- Flexible and agile working arrangements

Director involvement

- Regular all employee email communications from the Chief Executive
- Louise Hardy, our Non-Executive Director for employee engagement attends the Employee Voice and other employee forums
- Non-Executive Director site visits across the business
- Diversity and Inclusion Forum is chaired by the Executive Leadership Team
- Regular updates to the Board and its Committees in relation to employee matters.

Group engagement

- Ongoing consideration of high employee turnover in the Group, and actions to reduce this
- Focused regular engagement opportunities including pulse surveys and team building activities
- Providing opportunities for entry-level employees to start their career
- Intranet updates on news within the Group and wider industry
- Health and wellbeing training and regular communications on mental health
- Continue to operate Sharesave for employees, to save and purchase shares in the Company.

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

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

(b) the interests of the Company's employees

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

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

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

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

For more details please see The Section 172 Statement on page 80

Outcomes

Shareholders are kept informed of the performance of the Group

Enhanced understanding of ESG issues which are an increasing investor focus

A constituent member of the FTSE4Good and achieved a B rating in the CDP climate change disclosure

Opportunity to engage with prospective investors and develop their understanding of our strategy

FTSE4Good

Link to KPIs

- Greenhouse gas emissions intensity
- Waste intensity
- Social infrastructure contributions
- Unit completions
- Return on capital employed
- Gearing including land creditors
- Earnings before interest and tax (EBIT) margin.

We have embedded a 'right first-time' culture, supported by our divisional customer service teams

Listened to changing customer needs and reflected in our plans. For example, more space for working at home and access to green space

The HBF awarded us five-star housebuilder status again during the year and we are pleased to again be one of the UK's best performing housebuilders

Our new house type range provides operational and procurement benefits and helps improve quality for our customers

5 STAR HOME BUILDER CUSTOMER SATISFACTION HBF 2021 HOME BUILDERS FEDERATION

- National House Building Council (NHBC) reportable items
- Outlets
- Customer satisfaction
- PRS/Affordable unit completions.

Sharesave launch in FY21 with 49% of our people participating across all schemes

Diversity & Inclusion Forum focused on embedding their ideas to provide ongoing opportunities for all

Employees were keen to respond to our employee surveys and share their views

Launched three development programmes for key talent within the Group

CREST NICHOLSON ACADEMY

- Voluntary employee turnover
- Employee engagement survey.

Read more about our KPIs on pages 38–41

STAKEHOLDER RELATIONS CONTINUED

Stakeholder

How we have engaged in 2021

Suppliers
Including both our suppliers and subcontractors

What matters to suppliers
- Mutually beneficial working relationships
- Sharing risk and reward
- Operational efficiency
- Projects delivered safely and on time, in line with financial targets
- Strong financial performance
- Timely payment

Director involvement
- Regular updates provided to the Board on supply chain strategy, approach and simplification
- Focus on payment practices to suppliers
- Regular updates provided to the Board on disruption in both the provision of materials and the availability of labour
- The Executive Leadership Team maintains relationships with directors of the Group's key suppliers with a focus on Safety, Health and Environment matters.

Group engagement
- Feedback on supplier performance shared at divisional board meetings
- Account review meetings held with key suppliers on a regular basis
- Divisions frequently meet with key subcontractors
- Greater focus on sourcing from Group-approved suppliers
- Regular communications on our Supply Chain Code of Conduct including anti-slavery and human trafficking policies
- Joined the Supply Chain Sustainability School as a partner.

Communities and environment
The communities and environment local to our developments

What matters to communities and environment
- Well-designed, quality homes with character
- Competitively-priced homes
- Advanced investment in infrastructure
- School and health facilities
- Engagement and two-way communication
- Protecting the environment, reducing emissions and waste and helping support sustainable lifestyles

Director involvement
- Site visits to Wycke Place, Maldon, Essex and Highlands Park, Henley-on-Thames, Oxfordshire to see the design specification and meet the divisional leadership teams
- Regular updates from the Chief Executive on key matters, including focus on ESG topics.

Group engagement
- New house type range, which emphasises build and design quality
- Partnerships and Strategic Land division focused on investing in placemaking and design both directly and with trusted partners
- Engagement with communities through public meetings, consultations and publicly available documentation, seeking to meet local needs
- Providing green space and the provision of sports and educational facilities, play areas, allotments, public art, community buildings, transport improvements and environmental protection and enhancement measures.

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

What matters to the Government and other bodies
- Increasing our delivery of new homes
- Support for small and medium-sized enterprises
- High quality homes that are designed to meet climate and environmental targets
- Cost effective homes
- Developments that support biodiversity and climate change priorities

Director involvement
- Updates from the Chief Executive on industry developments, including the Future Homes Standard, changes to stamp duty tax relief, changes to Help to Buy; Equity Loan, and the labour market
- Industry body memberships and events, including HBF and National House-Building Council (NHBC).

Group engagement
- Divisional attendance at HBF and NHBC events
- Divisional local planning meetings and engagement with Homes England and Housing Associations
- Participation in the Future Homes Taskforce and a member of the Future Homes Delivery Hub
- Regular engagement with local authorities, the Environment Agency and local water authorities.

Outcomes

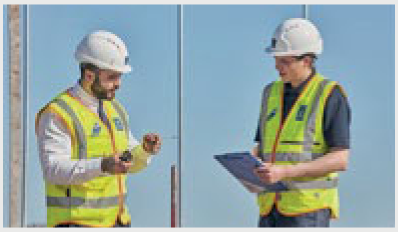
Link to KPIs

Reviewed specifications, simplifying product lists and enhancing relations with key suppliers

Reinforcing the focus of anti-slavery in our supply chain

Use of our tablet-based Field View system to support and provide feedback to subcontractors

Developing relations with our supply chain partners to explore and implement efficiency opportunities



- Annual Injury Incidence Rate (AIIR)
- Unit completions
- NHBC reportable items.

Delivering attractive developments that are valued by our customers and communities

Receipt of the Armed Forces Covenant Employer Recognition Scheme

We took part in The Housebuilders' Challenge raising £40,719 for the Youth Adventure Trust

We launched new Sustainability targets and joined the United Nations-backed Race to Zero initiative

- Greenhouse gas emissions intensity
- Waste intensity
- Social infrastructure contributions.

Engagement with the Government enables us to understand their priorities for housing

Awards received from NHBC and the HBF to our people

We have a better understanding of what our partners expect from us

Progress with our partners made across a multitude of our strategic land projects

- Greenhouse gas emissions intensity
- Waste intensity
- Social infrastructure contributions
- Unit completions
- PRS/Affordable unit completions.

Read more about our KPIs on pages 38–41

FINANCIAL REVIEW

We are... in a strong financial position

Financial highlights

- Revenue up to £786.6m, reflecting good strategic progress and market conditions
- Adjusted profit before tax at £107.2m including £16.0m from Longcross Film Studio sale
- Profit before tax at £86.9m, after recording exceptional items of £20.3m
- Adjusted operating profit margin increased to 14.6%
- Operating profit margin increased to 11.9%
- Net cash at £252.8m, and maintained a net cash position throughout FY21
- Return on capital employed up strongly to 17.2%
- 4,332 plots approved for purchase at a forecast gross margin of 26.7% (after sales and marketing costs)
- Final dividend of 9.5 pence per share payable on 8 April 2022
- Exciting growth plans announced at 20 October 2021 Capital Markets Day.

...making good progress with our updated strategy and have exciting growth plans

More detail on this announcement can be found in the Chief Executive's statement.

...in a strong financial position

£252.8m

FY21 closing net cash of £252.8m positions the Group strongly to deliver its future growth plans. Financial targets to FY24 and FY26 were presented at our Capital Markets Day in October 2021.

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 191 to 192.

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.

Capital Markets Day – 20 October 2021

On 20 October 2021 the Group updated the capital markets with the progress it has made since announcing its updated strategy in January 2020 and its plans to grow in the future. More detail on this announcement can be found in the Chief Executive's Statement on page 17.

At this event the Group outlined new medium-term financial targets as follows:

	FY21	FY24	FY26
Home completions (units)	2,407	>3,000	>4,200
Trading divisions	5	5+	8
Revenue composition		60% Private 20–25% Affordable 15–20% PRS/bulk	
Operating profit margin[1]	14.6%	18–20%	
Return on capital employed[1]	17.2%	22–25%	
Land creditors (% of net assets)	24.7%	<30%	
Dividend policy (cover)	2.5x	2.5x	

1 FY21 Operating profit margin and return on capital employed are presented before exceptional items as disclosed in note 4.

FINANCIAL REVIEW
CONTINUED

"The Group has delivered a strong rebound in financial performance."

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 49.

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 The 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.

Duncan Cooper
Group Finance Director

	2021 Units[1]	2021 GDV[2] – £m	2020 Units[1]	2020 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.

SAFETY, HEALTH & ENVIRONMENT

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

We want our employees and others affected by the work we do to be healthy and go home safely to their family and friends every day. We have a culture built on individual responsibility, where everyone expects all work to be carried out safely and without harm to people or the environment.

Highlights

SHE audit compliance

86.9%

2020: 85.3%

Director Tours

152

2020: 152

AIIR

385

2020: 369

SHE training days

278

2020: 196

SHE compliance inspections

810

2020: 469

Compliance and leadership

Following the successful introduction of a new compliance and audit programme with supporting software in FY20, we have:

— Seen further improvements in site compliance from 85.3% in 2020 to 86.9% this year
— Built a comprehensive dataset to help improve visibility of performance and shape improvement initiatives in the future
— Enhanced the leadership oversight programme by introducing new Build Manager Safety, Health & Environment (SHE) inspection protocols. Build Managers now undertake focused monthly SHE inspections of the sites under their control
— Developed updated protocols for the review of risk and safety for our Customer Service Technicians, including line manager reviews by divisional Heads of Customer Service.

Continuous improvement

During FY21 we implemented the following initiatives in our drive for continuous improvement:

— Added more structure and SHE Advisor input into early construction planning decisions
— Supply chain engagement initiatives; collaboration with our supply chain became increasingly important given post COVID-19 supply chain pressures and the upcoming regulatory and product changes driven by the Future Homes agenda
— Simplification and standardisation of our processes through the increased use of our new house type range.

Our AIIR has been stable for the last three years, but remains higher than we would like it to be. We review every incident that occurs to understand the cause and have an open dialogue with our supply chain.

Reducing safety risks

Our programme of standardisation is designed to deliver safety benefits as well as reducing cost and increasing efficiency. Our standard house designs utilise standard temporary works arrangements such as scaffolding and this repetition and simplification improves the management of one of the most important risk areas in housebuilding – preventing falls from height.

Governance

The Board considers SHE performance to be our number one priority.

Executive oversight is provided by the SHE Committee, chaired by the Group Production Director and attended by the Chief Executive, Chief Operating Officer, General Counsel and Company Secretary, Group HR Director and Group Head of SHE.

The SHE Committee provides general leadership and oversight including:

- Monitoring performance against the Group's SHE strategy
- Setting associated policies, procedures and initiatives
- Overseeing the management of the Group's SHE risks.

The SHE Committee met six times during FY21 and approved the following:

- New processes to consider early planning for safety
- Phased alteration to COVID-19 protocols
- Introduction of new line management inspection regimes for Build Managers and Customer Service Managers.

SHE performance is also covered in detail at divisional board meetings.

Operational implementation of our strategies is provided through our bi-monthly Operations Management Meeting, consisting of the Group Production Director, Chief Operating Officer and our divisional Managing Directors. Detailed implementation proposals are developed by our divisional Build Directors and Group Head of SHE at the SHE and Build Functional Forum.

Clear leadership oversight

Strong leadership at all levels is essential in driving improvements in performance. This year we introduced a new regime of regular line management SHE inspections undertaken by our Build Managers and Heads of Customer Service to support and reinforce this leadership responsibility.

"The new customer service safety inspection regime gives me a really good structure to discuss risks with my team to help ensure we always have their safety and the safety of our customers in mind. It helps me clearly set out our expectations and develop a shared sense of responsibility and ownership of safety as our top priority."

Helen Morley
Head of Customer Service

PEOPLE AND CULTURE

Crest Nicholson encourages diversity, promotes equality and respect throughout our organisation and business relationships.

Our values define our culture and guide our ways of working. A strong culture leads to strong performance and enables us to retain, attract and engage talented and diverse colleagues.

Attracting talent

Our continued success and growth are achieved through the hard work and dedication of our employees. We aim to attract and retain the best people by engaging with our employees, promoting their wellbeing, investing in their development and recognising their dedication.

We have made further investments this year to our careers website and social media platforms. Through these platforms, we have directly employed 315 people during the financial year. Improvements in our recruitment process have also ensured a targeted approach in how we engage with a more diverse range of people and those currently underrepresented in the Group.

The housebuilding industry continues to face a skills shortage which is driving competition for talent. This means that the Group must, more so than ever, continue to foster and develop an environment where all our employees feel valued, respected and part of our exciting future.

We recognise our employee turnover is higher than we would like it to be. We continue to focus closely on this critical area, implementing measures to reduce turnover and the corresponding impact on the Group.

The Kickstart Scheme, which was introduced by the Government during the COVID-19 pandemic, provides funding to create new jobs for 16–24 year olds on Universal Credit who are at risk of long-term unemployment. However, with the Scheme due to end in the last quarter of 2021, we launched our own continuation of the initiative, committing to recruit at least 25 more trainees to join us in our Future Talent Programme. The roles do not require specific sector experience and a broad range of channels were used to encourage applications from underrepresented groups.

The Kickstart Scheme at Crest Nicholson provided trainees the opportunity to work in a specific business area for a six-month period, including Finance, Technical, Commercial, and Human Resources. Similarly, our Future Talent Programme will provide structure and rotation for individuals to learn about the Group. It will provide us with a pipeline of talented individuals to support succession plans and offer opportunities for more senior roles in the future.

We have also sought to acquire a diversity of skills and have actively been recruiting from other sectors. As a result we have seen an increase in new joiners who have come from different industries actively seeking a career change.

Simran Bains
Strategic Land and Planning Trainee

Starting a graduate job as a Strategic Land and Planning Trainee at Crest Nicholson has not disappointed at all. Right from the get-go I have been given invaluable training to help to build my knowledge of Crest Nicholson's internal targets and business model, as well as the wider housebuilding sector as a whole.

My colleagues have been extremely supportive in helping me to settle into the business and have made me feel more than comfortable to ask anything, constantly assuring me that there are no stupid questions!

The business has adapted extremely well to the threat of the COVID-19 pandemic, with good support for employees working from home. I would highly recommend Crest Nicholson to anyone who is looking to learn from the very best within an inclusive environment where no two days are the same!

"Crest Nicholson has provided me with great learning and development tools so that I can succeed in my role and beyond."

Simran Bains
Strategic Land and Planning Trainee

Morton Park trainee day

A total of 46 trainees were recruited during the year. These represent 7% of our employees. A trainee event at our site in Morton Park, Wavendon, Bucks, took place in August 2021, giving the trainees an opportunity to meet sales and site teams and understand and explore the different build stages of the production process.

Percentage of the workforce who are trainees

7%

Number of trainees recruited through the year

46

"Before joining the Kickstart Scheme, I had finished university but was struggling to find a job during the pandemic. The scheme has given me a platform to gain experience and I'm building some valuable and transferable skills. When the scheme is over, I will be joining the HR team at Crest permanently."

Harry Delaney, HR Trainee
began the Kickstart Scheme with Crest Nicholson in April 2021

PEOPLE AND CULTURE CONTINUED

Investing in our people

Having a strong talent pipeline is an important element to our success. A regular review of our succession plans took place in the year and identified those with potential to move into more senior roles in the future. Considerable investment into three development programmes has recently been made: Future Leaders, Emerging Talent and Future Talent.

At various times in the year, the Chief Operating Officer invites our Emerging Talent to attend and present at divisional board meetings with members of the Executive Leadership Team in attendance.

We were delighted to see 78 people in our workforce being promoted during the year, reflecting the time and investment we are making in developing our people.

Total delivered training hours (e-learning)

1,306hrs

Internal promotions

78

Talent Development at Crest Nicholson

Future Leaders

Focus: Securing the Managing Director and divisional director level pipeline

Emerging Talent

Focus: Creating and developing inspiring leaders at all levels

Future Talent

Focus: Trainee role readiness, retaining a strong pipeline and future talent identification

CREST NICHOLSON ACADEMY

These programmes sit within the Crest Academy. Through the course of 2022, individual pathways will be developed. This supports our philosophy of investing in building talent so that everyone can perform to the best of their potential.

Employee engagement

During the year a significant amount of employee engagement and communication has taken place through a wide range of formats:

- Chief Executive led divisional webinars
- Employee Voice meetings with Louise Hardy, our Non-Executive Director responsible for employee engagement
- Divisional conferences
- Email and intranet updates from our Executive Leadership Team
- The Group's newsletter 'The Exchange' and regular communications via 'Shout Out'.

We measure employee engagement to gain insights and provide a confidential forum for employees' views. These insights enable us to form actions that will hopefully drive improvements in engagement levels and future scores. During the year we ran two pulse surveys with the larger annual survey launched in September 2021. We were pleased that the overall engagement score has increased to 75% (2020: 70%). The survey was completed by 58.6% of employees (2020: 66.2%).

Divisional employee engagement action plans are in place to drive improvement for our employees, taking their views and feedback into consideration.

Louise Hardy, Non-Executive Director responsible for employee engagement, met with representatives from each division in the year to get their honest and open feedback. Following these meetings, immediate action took place in relation to increasing headcount in certain departments to support employees with workloads. The internal resourcing team doubled to enable the filling of vacancies at a quicker speed.

'Employee Voice' meetings, the first of which took place in May 2021, will run on a regular basis with Louise Hardy chairing these meetings.

Overall engagement score in 2021 from 58.6% response rate

75%

Overall engagement score has increased by 5% in FY21

+5%

Voluntary employee turnover in FY21

35%

Wellbeing

Safeguarding and supporting the health and wellbeing of our employees is a core part of our HR strategy. We provide benefits, services, and support mechanisms to maintain and improve physical and psychological wellbeing.

Further initiatives have been launched during the year including the training of mental health first aiders to provide several qualified individuals in each division to support our employees. At maturity, we expect at least four trained mental health first aiders per division.

Home health care test kits with virtual health coaching was also launched as well as encouraging greater physical activity through our GymFlex scheme.

In the year we identified our preferred mental fitness platform which will be launched in 2022 and will provide our employees with coaching tools to support mental health resilience.

"It is important to have mental health at the forefront of our minds and being physically healthy is equally important. Training as a Mental Health First Aider has given me valuable skills to spot the early signs someone needs help."

Danikka Matusalem
Executive Assistant

Housebuilder Challenge

In July 2021, 42 Crest Nicholson colleagues including the Executive Leadership Team, alongside teams from other housebuilders, took part in the Housebuilder Challenge arranged by the Youth Adventure Trust. The course was a tough 34-kilometre hike over ten peaks in the Brecon Beacons with a total ascent of around 1700m.

The fastest Crest Nicholson team was "Scrambled Legs" from Crest Nicholson Eastern, with an impressive time of 10 hours, 9 minutes, and 33 seconds.

Crest Nicholson raised £40,719 for the Youth Adventure Trust.

Team Peaky Climbers from our Partnerships and Strategic Land division

Respecting human rights

We are committed to respecting and safeguarding the human rights of our colleagues and those who are associated with our operations. This includes our supply chain, customers and the communities in which we work. Our human rights policy is guided by internationally recognised standards, including those set out in the United Nations Guiding Principles on Business and Human Rights and the Universal Declaration of Human Rights.

We want to provide work that people enjoy, where they can develop their skills and grow, and where they are safe and can maintain their health and wellbeing. Salaries are reviewed on an annual basis to ensure that all our employees are paid the voluntary real living wage[1].

We engage with our supply chain, communicating our expectations and driving responsible and ethical standards. Our Supply Chain Code of Conduct sets out our requirements relating to environmental and social matters. This includes safe working practices, treating people with respect and minimising environmental impact.

Our Anti-Slavery and Human Trafficking Statement outlines the steps we are taking internally and within our supply chain to reduce the risk of slavery and human trafficking. Our Supply Chain Code of Conduct and Anti-slavery and Human Trafficking Statement are available on our website www.crestnicholson.com/supply-chain.

During the year there were no substantiated grievances relating to human rights and no reported cases of modern slavery.

Communities

We aim to deliver a lasting and positive impact on the communities in which we operate. We engage with local communities as we strive to deliver homes, infrastructure and spaces that respond to local needs.

In FY21 we committed to spend £25.4m on social infrastructure through s106 agreements and the Community Infrastructure Levy (CIL). This benefits local communities through the provision of sports and educational facilities, public art, community buildings, transport improvements and environmental protection and enhancement.

Our business activity creates other socio-economic benefits through employment opportunities for local contractors, apprentices and graduates, as well as supporting employment within our supply chain.

In FY21 we donated £35,146 to charities, including Variety, the Children's Charity. In addition, we raised £40,719 for the Youth Adventure Trust. We also launched a payroll giving scheme through the Charities Trust, meaning employees can make tax free donations to any UK registered charity, directly through their pay.

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

PEOPLE AND CULTURE CONTINUED

Diversity and inclusion

We are a respectful employer that encourages diversity and promotes equality, tolerance and teamwork. It is important to us that we create an inclusive workplace in which our people can bring their whole selves to work, feel valued and be able to make an impact.

The Diversity and Inclusion Forum took place five times during the year and was chaired on a rotational basis by members of the Executive Leadership Team. Ongoing activities to improve diversity and inclusion, equal opportunities and reduce discrimination include:

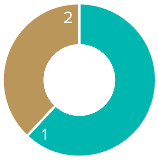
- Review of our policies relating to diversity and inclusion
- Agile working policies
- Mandatory unconscious bias training for all employees
- Review of our family focused policies
- Diverse shortlists for all recruitment
- A calendar of initiatives to acknowledge notable dates and religious festivals.

Equal opportunities

We aim to create an atmosphere that provides equal opportunities for all. Selection for employment and promotion is based on merit, following an objective assessment of ability and experience. We are also committed to ensuring that our workplaces are free from discrimination and that everyone is treated fairly and with dignity and respect.

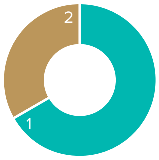
Our people

Gender split – October 2021



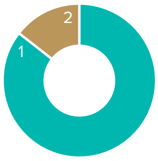
All employees

1	Male	433
2	Female	267



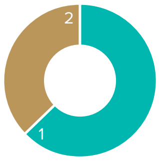
Board

1	Male	5
2	Female	3



Executive Leadership Team

1	Male	6
2	Female	1



Executive Leadership Team and direct reports[1]

1	Male	28
2	Female	14

1 Based on the standard definition of leadership (senior management) by FTSE Women Leaders.

Mean hourly pay gap between men and women 2020[1]

21%

2019: 21%

1 Gender pay gap 2021 due to be published April 2022.

Median hourly pay gap between men and women 2020[1]

19%

2019: 20%

Employment policy

Our equality and diversity policy ensures all employees and job applicants are accorded equal opportunities for recruitment, remuneration, access to benefits and training and promotion. We are committed to ensuring that our workplaces are free from discrimination. We select and promote employees based on their aptitudes and abilities, not their gender, sexual orientation, marital status, race, nationality, ethnic or national origin, age or disability.

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

Ethnicity breakdown – October 2021

1	White British	78.86%
2	White Other	5.42%
3	Undisclosed	7.29%
4	Non White British	6.57%
5	Non White Other	1.86%

Age breakdown – October 2021

1	20 years or less	5
2	21 to 30 years	179
3	31 to 40 years	173
4	41 to 50 years	153
5	51 to 60 years	151
6	Over 60 years	39

NON-FINANCIAL INFORMATION STATEMENT

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

Reporting requirement	Description of policies and standards[1]	Related principal risks	Relevant information to understand our impact, policy, due diligence and outcomes	Page
Environmental matters	— Sustainability policy — Climate change policy — Sustainable procurement policy — Sustainable timber policy — Supply Chain Code of Conduct. Our policies are designed to help us pursue activities that protect and enhance the natural environment.	3 Safety, Health & Environment (SHE) 10 Laws, policies and regulations 11 Climate change	— Sustainability	22–31
			— Carbon emissions	24–25
			— Waste	26–27
			— Responsible procurement	27
			— Task Force on Climate-related Financial Disclosures	60–61
			— Risk	62–68
Employees	— Corporate health and safety policy — Whistleblowing policy — Equality and diversity policy. Our policies set out our commitment to developing our employees and to providing a safe and diverse working environment.	3 Safety, Health & Environment (SHE) 8 Attracting and retaining our skilled people	— Stakeholder relations	44–47
			— People	54–58
			— Risk	62–68
			— Board diversity	93
			— Gender pay gap	58
Human rights	— Anti-slavery and human trafficking statement — Whistleblowing policy — Supply Chain Code of Conduct. Our policies set out our commitment to human rights and the steps taken to reduce risk.	3 Safety, Health & Environment (SHE) 4 Access to site labour and materials 8 Attracting and retaining our skilled people	— Stakeholder relations	44–47
			— Responsible procurement	27
			— Anti-slavery and human trafficking	57
			— Whistleblowing	103
Social matters	— Sustainability policy — Supply Chain Code of Conduct. Our policies set out our commitment to high social standards and the requirements for our supply chain.	3 Safety, Health & Environment (SHE) 5 Customer service and quality	— Sustainability	22–31
			— People	54–58
			— Risk	62–68
Anti-bribery and corruption	— Anti-bribery and corruption policy — Whistleblowing policy — Supply Chain Code of Conduct. Our policies detail the expected conduct of our employees and supply chain.	10 Laws, policies and regulations	— Anti-fraud and anti-bribery	103
			— Whistleblowing	103
Business model			— How we create value for our stakeholders	20–21
Non-financial KPIs			— Key Performance Indicators	38–41
			— Sustainability	22–31
			— Safety, Health & Environment (SHE)	52–53
			— People	54–58

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

Other ways we respond to material non-financial matters

Customer Charter

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

Privacy policy

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

TCFD STATEMENT

We are committed to mitigating our impact on climate change and support the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Climate-related risk

Climate change is one of the greatest challenges that society has faced. The Intergovernmental Panel on Climate Change (IPCC) this year warned that the climate is changing at a faster rate than previous estimates. It sets out the significant impacts of climate change and highlights the importance of limiting warming to 1.5°C above pre-industrial levels. The report also emphasises that some of the worst effects can be mitigated if immediate action is taken to reduce emissions to net zero by no later than 2050. In response to the developing climate science, and the potential transitional and physical risks associated with climate change, we have disclosed climate change as a principal risk for the first time.

Progress against the TCFD recommendations

We support the recommendations of the TCFD and are committed to assessing and managing climate-related risks and opportunities across our operations. The Group has assessed both physical risks and transitional risks as we move towards a low carbon economy. We are required to comply with the recommendations of the TCFD in our Annual Integrated Report for the year ending 31 October 2022. Our progress against the TCFD recommendations is summarised below and we are working towards incorporating the recommendations in full in 2022. More detail can be found in our CDP Climate Change disclosure available on our website www.crestnicholson.com/investors/results-centre.

Governance

Our Chief Executive has ultimate responsibility for sustainability, including climate change. He chairs the Sustainability Committee, which met three times during FY21. The Committee is delegated authority from the Executive Committee to ensure environmental, social and governance (ESG) matters are integrated within the business.

Regular updates on climate change are provided to the Board and Executive Committee. Any major strategic and expenditure decisions will be taken to the Board for approval. An example this year was the decision to become a signatory of the Business Ambition for 1.5°C and joining the United Nations-backed Race to Zero. Carbon emission targets also form part of our Executive Leadership Team (ELT) bonus plan.

The Group Production Director, who also sits on the Committee, manages policies and procedures that govern the delivery of outputs from the Committee through a small, dedicated team. This team is empowered to engage with the relevant people across the business, including Board members and the ELT.

Climate-related risks and opportunities are reviewed annually and this feeds into the Group-wide risk management and assessment framework.

Strategy

Climate-related risks to the business are considered using short (0–3 years), medium (4–10 years) and long-term (10+ years) time horizons. Both physical and transitional risks and opportunities are considered by the business and have influenced our strategy relating to our operations, products and services, supply chain and our investment in research and development. During the climate risk review process, external reports such as the Independent Assessment of UK Climate Risk (CCRA3) are reviewed to better understand the potential impacts of climate change.

A summary of our risks and opportunities is provided on the opposite page.

Risk management

Climate-related risks and opportunities are identified on an ongoing basis by the Sustainability Committee and Group Production Team. The climate-related risks feed into an annual ESG risk assessment, which forms part of our integrated risk management process. In FY21, the risks were presented to and reviewed by the ELT and it was deemed appropriate to include climate change as a principal risk to the business. Further detail on our risk management process and our principal risks is provided on pages 62–68.

Metrics and targets

Greenhouse gas emissions are reported in our Annual Integrated Report and on our corporate website. We acknowledge that scope 3 emissions associated with our supply chain and use of homes form a significant part of our carbon footprint. For the first time this year, we have disclosed our total scope 3 emissions. For further detail on our emissions, and what we are doing to reduce them, see pages 24–25 and 30–31.

We have a target to reduce location-based scope 1 and 2 greenhouse gas emissions intensity by 25% by 2025 compared to the FY19 equivalent. In FY21 our emissions intensity was 2.52 tCO_2e/100 sq. m of completed floor area, which is a reduction of 21% compared to FY19. In addition we have a target to procure 100% renewable electricity by 2025. Currently 62% of our electricity is from renewable sources. Finally, we have also become a signatory of the Business Ambition for 1.5°C and will be submitting targets covering all scopes to the Science Based Targets initiative (SBTi) for validation in 2022.

Planned next steps

We recognise that our scope 3 emissions associated with our supply chain and the 'in-use' phase of our homes forms the greatest proportion of our carbon footprint. We will establish new targets covering all three scopes and submit these to the SBTi for validation. This will ensure the targets are in line with the latest climate science. We will also develop our pathway to achieving net zero emissions by 2050 at the very latest. Two key areas of focus for our scope 3 emissions include supply chain engagement to identify opportunities to reduce embodied carbon emissions and wider climate risk, and refining our approach to the Future Homes Standard.

Climate science and the associated impact of a warming planet is developing rapidly. We continue to assess climate-related risk and will conduct scenario analysis of our resilience to both physical and transitional impacts in FY22.

A summary of our climate-related risks and opportunities is provided below.

Transitional climate risks

Risk driver	Risk impact	Response
Emerging legislation	Increasing Government legislation in the transition to a net zero economy. An example of this is the Future Homes Standard, which will increase build costs through changes to building fabric and the prohibition of fossil-fuel heating used within the home. Time horizon: Medium term	— Regulatory updates reviewed by the Group Production Team and regular updates provided to the ELT — Collaborating across the industry to prepare for the implementation of the Future Homes Standard and other key areas to improve environmental performance. Our Group Production Director is a member of the Future Homes Delivery Hub — Anticipated additional build cost is included in new project acquisition appraisals. See page 146 for further information — Good progress against current sustainability targets — Signatory of the Business Ambition for 1.5°C and committed to setting science-based targets in 2022.
Transitioning to lower emissions technology	New technologies used within our homes may require additional subcontractor resource and potential maintenance costs. There is also a risk that the technology does not perform as designed and customers may be unfamiliar with how to use it. This could mean that the benefits of the new technology are not realised or lead to customer dissatisfaction. Time horizon: Medium term	
Emerging regulation leading to changes in energy and fuel prices	Carbon pricing mechanisms and taxes to reduce carbon emissions and stimulate innovation. An example is the scrapping of the red diesel tax allowance from April 2022, leading to an increased cost of approximately £0.47 per litre. Fossil fuel and related energy prices are likely to continue increasing in the medium-term. Time horizon: Short to medium term	
Reputation and changing stakeholder preferences	Increasing expectations from our stakeholders, including lenders and investors. Failure to align with their sustainability objectives could increase risk of being unable to obtain finance, borrowing or result in capital outflow. Time horizon: Short to medium term	

Physical climate risks

Risk driver	Risk impact	Response
Increased severity and frequency of extreme weather events	Increasing occurrences of severe weather, such as high wind, heavy rainfall events and flooding can lead to production delays, damage to material and supply chain disruption. Time horizon: Long term	— Risk management measures relating to storm events and extreme temperatures are incorporated within our health, safety and environmental management procedures and standards — Engaging with our supply chain to highlight the importance of climate action and to understand how they are managing associated risks — Designing developments to future proof against flood risk and overheating. Our new house types will be subject to further overheating analysis in 2022.
Rising mean temperatures	Global temperatures are rising and there is an increasing likelihood of heatwave conditions during UK summers. This increases the potential risk of overheating in homes causing discomfort and impacting air quality. Time horizon: Long term	

Opportunities

Opportunity driver	Opportunity impact	Response
Resource efficiency	Using resources more efficiently through choice of technology and behavioural changes leading to reduced waste, material use, fuel, energy and associated costs. Time horizon: Short to medium term	— Collaboration with supply chain to ensure that the specification and use of equipment is optimised and improving reporting capabilities to drive efficient ways of working — Researching and implementing waste reduction and circular economy opportunities — Designing developments that support a more sustainable lifestyle. Future Homes Standard will deliver progressive reductions in carbon emissions of new homes.
Changing consumer preferences	Potential to increase demand for homes that meet or exceed shifting consumer preferences towards companies and products that are working to mitigate against, and adapt to climate-related risks. Financial incentives such as green mortgages could lead to increased demand for these homes. Aligning with or exceeding the expectations of our lenders and investors could result in lower finance costs and increased capital inflow. Time horizon: Medium term	

PRINCIPAL RISKS AND UNCERTAINTIES

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

The Group's financial and operational performance and reputation is subject to several potential risks and uncertainties. These risks could, either separately or in combination, have a material impact on the Group's performance, customers, employees, communities, the environment and shareholder returns.

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

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

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

Risk culture

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

Risk governance framework

Top down

Assessment and mitigation of risks at a Group level

Bottom up

Assessment and mitigation of risk across divisional and functional areas

The Board

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

The Audit and Risk Committee

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

The Executive Leadership Team

Oversees how we are managing the principal risks and the divisional risks. The Executive Leadership Team, with support from functional representatives, considers the Group's principal risks, relevant developments and risk management. It also oversees the divisional risk review process.

The divisional boards

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

Environmental, social and governance risk

An environmental, social and governance (ESG) risk assessment, which includes climate-related risks, is completed on an annual basis by the Sustainability Committee. The most material ESG risks to the business are incorporated within our Group-wide risk management framework and assessment, which is reviewed as part of the Executive Leadership Team's risk reviews. During the year we included climate change as a principal risk, which has short, medium and long-term implications for the business.

Key updates and briefings on ESG matters, including regulatory developments and climate-related risks, are provided on a regular basis to the Board.

Our Task Force on Climate-related Financial Disclosures (TCFD) Statement is available on pages 60–61 which we have voluntary complied with this year.

Risk appetite

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

Our appetite for risk is assessed using our strategy, guidance from management or advisors and analysis of market context and is reviewed throughout the year.

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

We seek to balance our risk position between:

- Maintaining a strong focus on health, safety and regulatory compliance matters
- Generating profit and cash through our operations
- Having a balanced portfolio through our Multi Channel Approach, and being selective in land acquisitions
- Being disciplined in our operational efficiency and Group growth.

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 Our Principal Risks, overleaf.

Board assessment

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

Overall, the Group has operated within its risk appetite. Actions are in place over the long term to address specific risks where necessary, reducing the level of residual risk.

OUR 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.

Developments 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.

Link to strategic priority

Residual – Medium

Appetite – Medium

Link to foundation

1 2 3 4

Link to stakeholders

Movement in year

No change

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.

Link to strategic priority

Residual – Medium

Appetite – Medium

Link to foundation

3 4

Link to stakeholders

Movement in year

No change

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

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

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

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.

Link to strategic priority
3

Residual – Medium
Appetite – Low

Link to foundation
1 2 3

Link to stakeholders

Movement in year
No change

4. Access to site labour and materials

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

The industry is struggling to attract the next generation of talent into skilled trade professions.

There is also a potential 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.

Link to strategic priority
1 3 5

Residual – Medium
Appetite – Medium/Low

Link to foundation
1 3

Link to stakeholders

Movement in year
Increasing

OUR PRINCIPAL RISKS CONTINUED

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).

Link to strategic priority

Residual – Medium

Appetite – Low

Link to foundation

1 2 3

Link to stakeholders

Movement in year

No change

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.

Link to strategic priority

Residual – Medium

Appetite – Medium/ Low

Link to foundation

2 3 4

Link to stakeholders

Movement in year

No change

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.

Link to strategic priority

Residual – Medium

Appetite – Low

Link to foundation

3 4

Link to stakeholders

Movement in year

No change

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

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

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

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.

Link to strategic priority
4 3

Residual – High
Appetite – Medium

Link to foundation
1 2 3

Link to stakeholders
Our people

Movement in year
Increasing

9. Solvency and liquidity

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

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

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

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

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.

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.

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.

Link to strategic priority
2 3

Residual – Low
Appetite – Low

Link to foundation
4

Link to stakeholders
Investors, Our people

Movement in year
Decreasing

OUR PRINCIPAL RISKS CONTINUED

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

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

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

10. Laws, policies and regulations

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.

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.

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 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.

Link to strategic priority
1 4 3

Residual – Medium
Appetite – Low

Link to foundation
1 2 4

Link to stakeholders
Investors, Customers, Government and other bodies

Movement in year
Increasing

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 the FHS.

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 on Climate-related Financial Disclosures (TCFD) recommendations and achieved a CDP rating of B.

Link to strategic priority
1 4 3

Residual – Medium
Appetite – Medium

Link to foundation
1 2 3 4

Link to stakeholders
Investors, Customers, Supply chain, Communities and environment

Movement in year
New risk

VIABILITY STATEMENT

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

The following statement is made in accordance with the UK Corporate Governance Code. Despite the increased levels of uncertainty in the macroeconomic environment caused by COVID-19, the Board has concluded that a three-year period continues to remain an appropriate timeframe for this assessment.

How we assess our viability

While the nature of the material issues, opportunities and risks faced by the Group limits the Directors' ability to reliably predict the longer term, detailed trading and cash flow forecasts are maintained and regularly scrutinised over the three-year period. The Group owns or controls a high proportion of the land required to meet unit forecasts during this time and is therefore able to forecast future cash-out flows with a reasonable degree of confidence. The Group also benefits from a strong forward order book of sales which provides confidence in near-term revenue delivery. These inputs allow the Group to maintain a rolling three-year forecast for the income statement, balance sheet and key financial ratios for every periodic reporting date. These forecasts are considered to be the 'base case' for performance assessment and in assessing the Group's viability for this year, the Directors noted that the Group is forecast to comfortably comply with all its Revolving Credit Facility (RCF) and senior loan note debt covenants. The Directors have also concluded that there is adequate financial headroom to deliver the Group's growth ambitions.

Stress testing viability through simulated scenarios

While the Group's base case forecast provides assurance that its financial performance and position remains strong for the foreseeable future, the Directors have then applied stress tests to this forecast, to satisfy themselves that this will remain true in more challenging market conditions. The identification of these plausible adverse trading conditions has been derived from the Group's principal risks and uncertainties set out on pages 64–68, and their impact on the solvency and liquidity of the Group.

The most likely source of this challenge still lies with COVID-19. The pandemic has placed restrictions of varying severity and duration on society and housebuilders have not been exempt from these. While the Government has largely sought to ensure construction-related activity can remain open during any restrictions, there remains a risk that further restrictions could hinder the Group's ability to source materials and labour, complete projects on time or sell completed units when planned. As such a volume stress test has been applied to the base case forecast.

The economic impacts of COVID-19, and decisions taken to mitigate them, have also left a damaging legacy. Government borrowing has reached record levels and in consequence there will be a significant collective taxation burden. Inflation has started to increase following the rapid reopening of supply chains around the world, reflecting a scarcity of supply of some materials and commodities. This is likely to lead to a rise in interest rates. Finally, financial institutions responsible for lending to both businesses and individuals are considering their risk exposure carefully. All these factors, in isolation or aggregate, have the capacity to weaken consumer confidence and reduce household disposable income levels in the future. The cost of mortgage lending is also expected to rise. Accordingly, a house price stress test has been applied to the base case forecast.

Finally, the rapid reopening of economic activity after COVID-19, coupled with ongoing trading friction with the EU following Brexit, has led to a material increase in the cost of some building materials and labour. Therefore, a build cost inflation stress test has also been applied to the base case forecast.

In addition to applying the impact of each of these stress tests to the base case, the Directors have also considered the impact of all three scenarios applying together – a 'plausible but severe' downside case. In all scenarios, individually and in aggregate, the Group continues to remain compliant with its debt covenants without the need to implement any other mitigating activities to achieve this.

Finally, the Directors have then also exaggerated each of the three stress tests referred to above to find the point at which any of these stress tests would cause a covenant failure.

More details of the assumptions used to model these stress tests, and their calculated impacts, are set out in note 1 to the consolidated financial statements.

Conclusion

Based on the results of this assessment, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment to 31 October 2024.

We are…

In this section

We are committed to providing leadership and oversight where strong governance goes hand-in-hand with build quality and the development of attractive, sustainable communities.

focused on a strong governance framework

GOVERNANCE OVERVIEW

Board Leadership and Company Purpose

Outlines the governance framework of the Group, the main Board activities and how the Board has considered its responsibilities to its stakeholders.

For more information:
Chairman's Introduction – pages 72–73
Board of Directors – pages 74–75
The Executive Leadership Team – page 76
Purpose, Values and Culture – page 77
Shareholder and Stakeholder Engagement – page 78
Our Stakeholders – page 79
Section 172 Statement – page 80
Governance Framework – page 81
Employee Engagement – pages 82–83
Board Site Visits – pages 84–85
Board Activity – pages 86–87

Division of Responsibilities

Overview of the composition of the Board, roles of each Director, Board balance and delegation and Non-Executive Director independence.

For more information:
Board Composition – page 88
Roles and Responsibilities – pages 88–89

Composition, Succession and Evaluation

Overview of the Board's external evaluation process and outcomes, succession, and the report of the work of the Nomination Committee for the year.

For more information:
Board Evaluation – pages 90–91
Nomination Committee Report – pages 92–95

Audit, Risk and Internal Control

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

For more information:
Audit and Risk Committee Report – pages 96–103

Remuneration

Provides an overview of the remuneration arrangements for the Directors, pay made during the year, the Remuneration Policy and alignment with employee pay.

For more information:
Letter from the Remuneration Committee Chair – pages 104–105
Alignment to Strategy – page 106
Remuneration at a Glance – page 107
Directors' Remuneration Policy – pages 108–113
Annual Report on Remuneration – pages 114–125

Compliance with the UK Corporate Governance Code

The Group complied in full with the UK Corporate Governance Code 2018 (Code) for the financial year ended 31 October 2021, other than provision 38 in respect of Peter Truscott's pension contribution which is 10% of salary, and above that of the majority of eligible employees, which is currently 6% of salary. Peter Truscott's pension provision will be reduced to 6% of salary on 31 December 2022.

This report, together with the reports from the Nomination Committee, Audit and Risk Committee and Remuneration Committee provides detail of how the Group has applied the principles of the Code.

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

BOARD LEADERSHIP AND COMPANY PURPOSE
CHAIRMAN'S INTRODUCTION

"Each Director has demonstrated commitment, expertise, challenge and resilience in determining the best actions to take for the Group."

Iain Ferguson CBE
Chairman

I am pleased to present the Corporate Governance report for the year ended 31 October 2021. This report sets out the Board's approach to governance and our ways of working. It also highlights our key areas of focus during the year, including the significant achievements and challenges.

With the Government guidance on working from home, the Board continued to hold the majority of its meetings in a virtual format at the beginning of the year, remaining focused on our formal programme of business for all Board and Committee meetings.

As the year progressed, and these restrictions eased we had the opportunity to return to meetings in person, and I have valued seeing my Board colleagues and the benefits these personal interactions provide.

The Board also attended two site visits during the year at Wycke Place, Maldon and Highlands Park, Henley-on-Thames, which gave us the opportunity to engage with our divisional teams and enabled us to see the construction of the new house type range. I was impressed by the commitment to provide high quality homes and customer service, demonstrated by those I met on these visits.

UK Corporate Governance Code

The Board is committed to high standards of corporate governance and integrity. Our statement of compliance with the Code can be found on page 71.

Board leadership and effectiveness

This year, the Board undertook an external effectiveness evaluation, facilitated by Gould Consulting. The output of the evaluation was positive and concluded that the Board was operating effectively. Further detail on the process and findings of the Board evaluation can be found on pages 90–91.

All Directors will stand for election or re-election at the forthcoming Annual General Meeting (AGM).

Stakeholder engagement

We recognise that constructive stakeholder relations are critical for delivering our strategy and long-term success. We consciously consider our responsibilities and duties to stakeholders under section 172 of the Companies Act 2006 and further detail can be found on page 80.

Louise Hardy, our Non-Executive Director responsible for employee engagement, has been working closely with Jane Cookson, our Group HR Director, and I appreciate their input to the Board providing insight on employee matters. Further detail can be found on pages 82–83.

Nomination Committee activity

The Nomination Committee has focused on strengthening succession planning across the divisions, to enable us to develop our most talented people who are central to our strategy.

The Committee has also provided oversight to the Group's diversity initiatives throughout the year.

In June 2021 Sharon Flood stepped down as a Non-Executive Director and Chair of the Audit and Risk Committee.

The Nomination Committee was tasked with finding a suitable replacement and recommended to the Board the appointment of David Arnold as Non-Executive Director and Chair of the Audit and Risk Committee.

Further detail on the work of the Nomination Committee can be found on pages 92–95.

Audit and Risk Committee activity

The Committee is focused on maintaining and developing constructive relationships between the Committee, Group Finance and the internal and external auditors.

During the year the Group also appointed a Head of Internal Audit to oversee and work in partnership with Deloitte LLP, who carry out the role of reviewing the Group's internal processes and controls. Further detail on the work of the Audit and Risk Committee can also be found on pages 96–103.

Remuneration Committee activity

The Committee has developed this year's annual bonus scheme and Long-Term Incentive Plan targets to align to the Group's latest strategy update that was presented at the Capital Markets Day in October 2021. Further detail on the work of the Remuneration Committee can be found on pages 104–125.

Annual General Meeting

I was disappointed that over the last two years the Board have not been able to meet shareholders at our AGMs due to COVID-19 restrictions.

The Board continues to monitor the latest government guidelines relating to COVID-19. While it is currently anticipated that there will be no restrictions on social contact or meeting format at the time of the AGM, Shareholders should carefully consider whether or not it is appropriate to attend the AGM. Shareholders are strongly encouraged to exercise their voting rights by completing and submitting a Form of Proxy in advance of the meeting and to ask questions in advance, which will be answered on our website.

Any changes to the AGM arrangements will be communicated to shareholders through our website www.crestnicholson.com/investors/shareholder-centre and, where appropriate, by regulatory announcement.

Iain Ferguson CBE
Chairman

Further detail on the work of the Nomination Committee can be found on pages 92–95

Further detail on the work of the Audit and Risk Committee can also be found on pages 96–103

Further detail on the work of the Remuneration Committee can be found on pages 104–125

Our statement of compliance with the Code can be found on page 71

BOARD OF DIRECTORS

Iain Ferguson CBE

Chairman
Appointed: September 2019
Age: 66

Experience: Iain was Chief Executive Officer of Tate & Lyle plc, later chairing Berendsen plc and Stobart Group Ltd. He was also Senior Independent Director of Balfour Beatty plc and Non-Executive Director at Greggs plc. Iain is currently Chairman of Genus plc and externally managed investment trust, Personal Assets Trust plc. In addition, Iain was Lead Independent Director at the Department for Environment, Food and Rural Affairs (DEFRA), Chair of Wilton Park (Agency of the Foreign and Commonwealth Office) and a Member of the PricewaterhouseCoopers LLP UK Advisory Board. In 2003 Iain became a Commander of the British Empire for his services to the food industry.

What Iain brings to the Board: Iain is a highly experienced public company Chairman, Non-Executive Director and former FTSE 100 CEO. He has extensive and diverse leadership experience and a sound and practical understanding of corporate governance. Iain has a deep appreciation of capital markets and investor sentiment which he brings to Board deliberations, in addition to financial expertise and construction experience.

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

Peter Truscott

Chief Executive
Appointed: September 2019
Age: 59

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

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

External appointments: Non-Executive Director, Anchor Housing Group

Duncan Cooper

Group Finance Director
Appointed: June 2019
Age: 42

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

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

External appointments: None

Tom Nicholson

Chief Operating Officer
Appointed: January 2020
Age: 56

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

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

External appointments: None

Octavia Morley

Senior Independent Director
Appointed: May 2017
Age: 53

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

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

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

Key to Committee membership

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

David Arnold

Non-Executive Director
Appointed: September 2021
Age: 56

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

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

External appointments: Chief Financial Officer of Grafton Group plc

Louise Hardy

Non-Executive Director
Appointed: January 2018
Age: 55

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

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

External appointments: Non-Executive Director of Genuit Group plc, Severfield plc and Renew Holdings plc

Lucinda Bell

Non-Executive Director
Appointed: May 2018
Age: 57

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

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

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

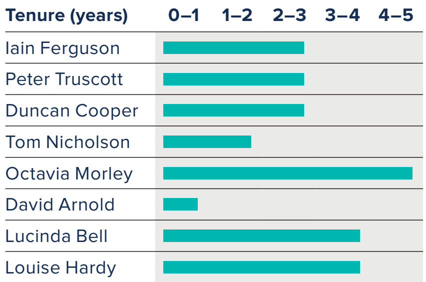
Departures during the year

Sharon Flood

Non-Executive Director
Stepped down from the Board on 30 June 2021.

Board tenure

as at 31 October 2021



Board composition

One Chairman independent on appointment

Three Executive Directors

Four independent Non-Executive Directors

THE EXECUTIVE LEADERSHIP TEAM

Peter Truscott
Chief Executive
See biography on page 74

Duncan Cooper
Group Finance Director
See biography on page 74

Jane Cookson
Group HR Director
Joined: January 2021
Age: 49

Experience: Jane joined Crest Nicholson in June 2002 as an HR Manager and became HR Director in January 2013. Jane has a deep understanding of the industry, the Group and its people. Jane has responsibility for all areas of HR including recruitment, talent and performance management. Jane is MCIPD qualified and has been in the housebuilding industry for 20 years. She has also worked in a range of other industries within the HR function.

Kieran Daya
Managing Director, Crest Nicholson Partnerships and Strategic Land
Joined: January 2021
Age: 40

Experience: Kieran is a qualified solicitor who has worked with some of the country's largest developers and has a passion for the built environment. Kieran joined Crest Nicholson in January 2020 to set up the Crest Nicholson Partnerships and Strategic Land Division to develop further the multi channel and multi tenure capability which provides additional production and points of sale. Kieran has experience in significant land acquisitions, having taken a lead on some of the larger transactions in the housebuilding industry within the past five years.

Tom Nicholson
Chief Operating Officer
See biography on page 74

Kevin Maguire
General Counsel and Company Secretary
Joined: January 2009
Age: 37

Experience: Kevin joined the Group in March 2008 and became Group Company Secretary in January 2009. Since joining Crest Nicholson, he has been involved in a range of significant corporate transactions including the initial public offering of the Group. With a legal background Kevin has a comprehensive understanding of the legal, compliance, governance and risk considerations relevant to the Group, and the regulatory environment in which it operates. His responsibilities include providing Board support and advice on corporate governance and UK listing obligations. Kevin is a fellow of the Chartered Governance Institute and previously held roles in retail, pensions and technology.

David Marchant
Group Production Director
Joined: March 2019
Age: 57

Experience: David has over 35 years' construction and housebuilding industry experience in design and leadership roles. He was previously a Group Director of Bellway plc where he was responsible for Group design, technical, R&D, procurement, commercial and quality strategies. Prior to that David spent 25 years in engineering design practice as a structural engineer and at National House Building Council (NHBC). At NHBC he was a Director of their Approved Inspector business. David is a structural engineer and chartered builder.

PURPOSE, VALUES AND CULTURE

Bringing it to life

Our purpose is 'Building great places for our customers, communities and the environment'.

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

Our values underpin how we implement our Group strategy, defining who we are and how we do business. We aspire to have an open and honest culture, creating a positive, effective and collaborative environment, where all colleagues are empowered to deliver our success.

Read more about our purpose, values and culture on pages 2–3

How the Board monitors culture

The Board is responsible for setting the Group's purpose and values and leading by example in creating an open and honest culture.

Customer satisfaction

This is assessed using customer care survey responses and recommendation scores are regularly reported to the Board.

Rated five-star by the Home Builders Federation (HBF) customer satisfaction survey

5 star

Business conduct

Reviewing business conduct including employee training, whistleblowing, Safety, Health & Environment (SHE) incidents and Internal Audit reviews to identify and address any improvement areas.

Supplier activity

The Board reviews how to support and manage subcontractor and supply chain shortages and the Group's payment practices.

Safety, Health & Environment

The Board wants all colleagues and others affected by the Group's activities to be healthy and go home safely to their families every day. The Board is updated regularly on SHE matters and on any new or ongoing investigations and their outcomes.

Employee engagement survey

An annual survey is conducted to assess how the Group is meeting the expectations of its employees. It contains several culture-related questions, to monitor and assess how colleagues are feeling in respect to culture. The results of the survey are reviewed by the Executive Committee and divisional boards with key findings reported to the Board.

Overall employee engagement in FY21

75%

Non-Executive Director responsible for employee engagement

The Board continues to create opportunities for the Non-Executive Directors to meet employees. Louise Hardy, the Non-Executive Director responsible for employee engagement, attends Employee Voice and other forums to engage with employees. More details can be found on pages 82–83.

Employee policies

The Board and its Committees review key employee policies to ensure they appropriately capture and reflect the Group's values and culture.

Employee retention

Demand for resources and post-pandemic disruption are driving high levels of voluntary employee turnover. The Board regularly discusses strategies to mitigate this impact.

SHAREHOLDER AND STAKEHOLDER ENGAGEMENT

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

Shareholder engagement

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

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

AGM

The AGM ordinarily enables the Directors to meet with some of the Group's individual shareholders. In light of the Government's prevailing COVID-19 restrictions, the 2021 AGM was held as a closed meeting at the Company's registered office with a minimum quorum in attendance. Shareholders were provided a conference call number to enable them to listen to the AGM proceedings. Shareholders were also encouraged to submit questions in advance to the Board via email, and responses were replied to, and published on the Group's website. All resolutions were passed by shareholders.

While it is currently expected that there will be no restrictions on social contact or meeting format at the time of the 2022 AGM, the Board continues to monitor the latest Government guidelines relating to COVID-19.

Any changes to the AGM arrangements will be communicated to shareholders through our website www.crestnicholson.com/investors/shareholder-centre and, where appropriate, by regulatory announcement.

Engagement with lenders

We kept our lenders updated throughout the COVID-19 pandemic on the financial health and operational progress of the Group, as well as on environmental, social and governance (ESG) matters, post-results announcements, providing details of results as well as market feedback.

Investor relations' timetable

Event	Date
FY20 results announcement	**26 January 2021**
FY20 investor roadshow	**26 January 2021 – 2 February 2021**
AGM	**23 March 2021**
HY21 results announcement	**24 June 2021**
HY21 investor roadshow	**24 June 2021 – 6 July 2021**
FY21 year end	**31 October 2021**

Stakeholder engagement

Engagement with the Group's other stakeholders and consideration of their respective interests in the Group's strategy and decision making took place during the year as described, overleaf and on pages 44–47.

Investor relations

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

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

They follow a comprehensive programme of investor meetings and calls, particularly following the release of annual and half-year results and other trading updates.

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

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

- Held a Capital Markets Day in October 2021 for sell-side analysts and major shareholders. Further detail outlined on page 87.
- The Chief Executive or Group Finance Director attended 88 investor meetings (74 one-to-one meetings and 14 group meetings), engaging with over half of current shareholders (by shareholding value).
- Key themes discussed included the Group's strategy and the progress against its priorities, the housebuilding sector, capital allocation, dividend policy and other matters relevant to individual parties.
- Investor roadshows were organised virtually either by audio conference calls or video calls, with investors primarily based in the UK.
- Utilised the Group's investor website, which was upgraded during the year, with analyst consensus forecasts published in Vuma, a specialist web-based system.
- Additional information was provided in results announcements and trading updates on the Group's updated strategy.

OUR STAKEHOLDERS

Investors

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

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

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

Customers

The Board recognises the importance of delivering excellent customer satisfaction and high quality homes. The Board was therefore delighted that, due to the hard work of its employees, the Group achieved another five-star rating from the Home Builders Federation during the year.

The Board and the Executive Leadership Team regularly review performance in relation to customer satisfaction and scoring by the independent NHBC.

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

Our people

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

During the year the Executive Leadership Team engaged with employees, providing them with strategic and trading updates and feedback from the results of employee surveys.

Louise Hardy is the Non-Executive Director responsible for employee engagement. Further detail on the employee engagement undertaken by Louise and the Board can be found on pages 82–83.

Employees are encouraged to participate in the Group's Sharesave scheme, further details of which can be found on page 121.

The Board attended two site visits during the year. Further detail can be found on pages 84–85.

Suppliers

The Board continuously recognises the Group's responsibility to its suppliers and subcontractors and its impact on the local housebuilding and construction industry.

Regular updates are provided to the Board on the Group's supply chain strategy, approach and simplification, including payment practices, the prevention of modern slavery and recent industry disruption.

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

Communities and environment

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

This feeds into Board discussion of future development plans, including the Group's planned land purchases.

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

Governments and other bodies

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

During the year regular updates were provided to the Board on industry developments including the Future Homes Standard, the Department for Business, Energy & Industry Strategy (BEIS) consultation on 'Restoring trust in audit and corporate governance', market trends, stamp duty changes, and disruption to the supply chain and the labour market.

Read more about our Stakeholder Relations on pages 44–47

THE SECTION 172 STATEMENT

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

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

(b) the interests of the Company's employees

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

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

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

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

Stakeholders

The Board reflects on its key stakeholders when considering the development of its strategy and with respect to its decision making and risk management. By direct engagement, and via the Executive Leadership Team, the Board is fully appraised of the matters of importance to stakeholders. On pages 44–47 we have outlined how both Directors and the Group have engaged with key stakeholders.

Methods used by the Board

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

— An annual strategy and budget review which assesses the long-term sustainable success of the Group and its impact on key stakeholders

— Key sub-committees led by the Executive Leadership Team focused on SHE and Sustainability, reporting to the Board

— The Board receives regular shareholder updates from the Head of Investor Relations (see page 78)

— The Board's risk management procedures identify the potential consequences of decisions in the short, medium and long term so that mitigation plans can be put in place to prevent, reduce or eliminate risks to the Group and its stakeholders (see pages 62–68)

— The Board oversees the Group's purpose, values and culture and ensures it is aligned with our strategy (see page 77)

— External assurance is received through audits and reports from brokers and advisors.

Principal activities and decisions

The principal activities and decisions taken by the Board in the year are detailed on pages 86–87.

Decisions made by the Board which have a significant impact to the Group's long-term sustainable success included:

— The Group's strategy update as communicated at the Group's Capital Markets Day in October 2021

— The reinstatement of a dividend policy of 2.5 times cover, with an FY21 interim dividend of 4.1 pence per share paid on 14 October 2021, and a final dividend proposed of 9.5 pence per share declared for FY21

— The Group's risks and opportunities posed by climate change and deciding to make a commitment to the United Nations-backed Race to Zero and the Business Ambition for 1.5°C

— The Group's approach to employee engagement including, talent management, approach to diversity and inclusion and response to employee shortages.

s172 factor	Relevant disclosures	Strategic priorities	Link to foundations
The long term	p2–9 We are Crest Nicholson p12–13 Our Strategy p20–21 Business Model p38–41 Key Performance Indicators p48–51 Financial review	1 2 3 4 5	1 2 3 4
Employees	p54–58 People and culture p92–95 Nomination Committee Report	3 4	3
Business relationships with suppliers and customers	p24–29 Our Sustainability Review p32–35 Our Strategy in Action p52–53 Safety, Health & Environment	2 3 4 5	1 2
Community and environment	p24–29 Our Sustainability Review p60–61 TCFD statement	1 5	2
Business conduct	p2–9 We are Crest Nicholson p103 Ethical behaviours and safeguarding	4	2 3
Shareholders	p42–43 Investment Case p44–47 Stakeholder Relations	1 2 3 5	2 4

Link to strategic priorities

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

Link to foundations

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

GOVERNANCE FRAMEWORK

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

The Board has a schedule of matters reserved for its decision. This schedule is aligned with delegation of authority policies across the Group and its divisions.

The Board

- Generates and preserves long-term value, setting Group strategy with governance and risk appetite frameworks to support this
- Promotes the long-term sustainable success of the Group through setting strategy which generates long-term value for stakeholders and contributes to wider society
- Delivers Group strategic direction and leadership within a framework of strong governance, risk management and effective controls
- Monitors the Group's purpose, values and culture
- Oversees the performance and progress by the Executive Leadership Team against business plans, utilising KPIs to support it in its assessment
- Sets profit expectations and dividend policy and approves major acquisitions, capital expenditure and financing.

Executive Committee

- Provides executive leadership to deliver the Group's strategy
- Manages the operations of the Group on a day-to-day basis
- Monitors SHE compliance and responses to incidents and near misses
- Develops initiatives to improve sustainability and quality
- Considers business ethics and corporate culture and how this operates within the Group
- Oversees the People strategy including talent management, diversity and inclusion initiatives and employee engagement.

Board Committees

Audit and Risk Committee

- Oversees external financial reporting and disclosures
- Monitors internal controls and risk management
- Monitors the effectiveness and independence of the external and internal auditors.

Nomination Committee

- Reviews the balance, diversity, independence and effectiveness of the Board
- Oversees the selection and appointment of new Directors to the Board
- Monitors succession planning for the Board and the Executive Leadership Team, alongside talent management.

Remuneration Committee

- Sets the remuneration policy for the Board and Executive Leadership Team
- Aligns remuneration with the enhancement of shareholder value and delivery of the Group strategy
- Considers employee pay, and when setting remuneration for the Executive Directors.

Divisional boards

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

- Consider the operational matters and key risks of the division
- Monitor and control costs at a divisional level
- Deliver high levels of customer service, quality and SHE performance.

Safety, Health & Environment Committee

- Monitors performance against the Group's SHE strategy
- Sets associated policies, procedures and initiatives
- Oversees the management of the Group's SHE risks.

Sustainability Committee

- Monitors performance against the Group's sustainability strategy
- Recommends associated targets, policies and initiatives to the Board
- Oversees the management of the Group's sustainability risks.

Land acquisition process

There is clear delegated authority with processes throughout the land acquisition process. There are three key stages:

- Assessment and feasibility stage
- Securing the site
- Pre-exchange process.

A Land Executive Group exists to provide the relevant authority prior to exchange.

The land acquisition process enables the Group to act quickly while ensuring an appropriate level of diligence is applied to significant capital allocation decisions.

EMPLOYEE ENGAGEMENT

Positive employee engagement is part of our culture. The Board seeks to regularly engage with employees to listen to their views and understand any concerns.

Louise Hardy
Non-Executive Director responsible for employee engagement

"I have found the workforce engagement that we have undertaken this year to be open, productive and valuable."

Shout Out

Ensuring employees feel valued and connected to their colleagues is an important part of employee engagement. This year the Group launched a new communication channel celebrating colleagues striving to be the best in their role or at a given task, who demonstrate the Group's values and go the extra mile in their day-to-day roles or by fundraising and volunteering in their communities. Employees are encouraged to nominate members of their team, their peers and colleagues for a job well done and give them a well-deserved 'Shout Out'.

Surveys

During the year employees were asked to let us know their thoughts by way of confidential short pulse surveys and our longer annual employee survey. These surveys provide important insights into what employees are thinking and help identify areas where the Group needs to work harder to make the employee experience more positive.

"I care about the future of Crest Nicholson"

88%

"I am treated with respect and dignity by my colleagues"

84%

For more about People and Culture see pages 54–58

Employee Voice

The Employee Voice, chaired by Louise Hardy, is made up of several volunteers from each division who meet on a regular basis. The objectives of the forum are to:

- Facilitate meaningful, regular dialogue between the Board and employees from across the Group
- Provide the Board and colleagues with an opportunity to understand each other's views on any given topic
- Enable employees to take part in discussions on items that could change the way they work
- Allow employees to contribute to decisions or put forward ideas that support the Group in being a great place to work.

The first meetings took place during May 2021. These were held as breakfast meetings to enable employees to talk informally and openly about their experiences of working through the pandemic including the changes the Group strategy were having on their areas of the business.

Feedback on the strategic direction was generally positive, with confidence that there is a clear plan in place to create a stronger, more efficient business which employees were optimistic about. However, it was emphasised that workloads had been high over the last year, due in part to an industry-wide skills shortage.

Acknowledging the feedback, the following initiatives have been launched:

- Increased resource in divisions to work through legacy items
- A commitment to recruit further trainees
- Increased investment in the recruitment team
- The creation of new development programmes to support and retain talent within the Group
- Development of new e-learning materials to enhance skills and experience for employees
- Increased provision of mental health support.

The Board and Executive Leadership Team found the output of these meetings valuable, and future meetings have been scheduled.

"The Employee Voice was a great opportunity to give my opinion to Louise Hardy in a relaxed setting. I felt listened to and that my comments were taken on board. It was a very worthwhile discussion and I was glad to be a part of it."

Rachel Crew
Senior Management Accountant, South West

Employee engagement
A view from Peter Truscott

We want every employee to feel that they are an integral part of our success by listening to them and recognising their achievements.

After our half year and full year results announcements, the Executive Leadership Team spend time with each division to thank employees for their hard work, discuss how we are progressing against our targets and outline our plans for the future. All employees are encouraged to ask questions in the sessions, or submit them anonymously in advance. I respond to all questions received, no matter how difficult they are, and I also encourage employees to contact me outside of these sessions if they wish.

I know we are getting employee engagement right when an employee contacts me directly on an issue they care deeply about.

I was also pleased that Louise Hardy was able to join us at some of the employee briefings and Diversity and Inclusion Forum meetings this year, providing her with insights that can be considered by the Board.

This year we launched a new employee communication to share updates and achievements from across the Group and we will also continue to develop other communication methods to improve how and when we engage with employees.

Karen Gibbs
JV Accountant, Crest Nicholson Chiltern

Board site visits

Face-to-face engagement gives Board members greater insight on what is important to employees. During the year the Chairman and Non-Executive Directors visited sites individually and as a group, interacting with employees on a collective and one-to-one basis. A key part of David Arnold's induction has been spending time with employees from across different disciplines and divisions to gain insight into the Group and its culture.

Read more about our Board site visits on page 84–85

Diversity and Inclusion Forum

Having people who bring a diverse range of talents and perspectives and feel engaged in their roles is vital to our success.

The Diversity and Inclusion Forum comprises of employees from across the Group. This forum explores the barriers people face within underrepresented groups and finds practical solutions to overcome them. Meetings are chaired by the Chief Executive every other meeting, with other members of the Executive Leadership Team rotating as chair.

"It's brilliant to have leaders who are champions of diversity and inclusiveness."

Finlay McPherson
Member of the Diversity and Inclusion Forum and Strategic Land and Planning Assistant, Partnerships and Strategic Land

Read more online at www.crestnicholson.com/careers/our-culture

BOARD SITE VISITS

During the year the Board attended site visits at Wycke Place in Maldon, Essex and Highlands Park in Henley-on-Thames, Oxfordshire.

Wycke Place
Maldon

Wycke Place is situated in Maldon which sits next to the River Chelmer, and boasts plenty of green space for our customers to enjoy. Maldon has high quality local amenities, with the schools being awarded a good or outstanding Ofsted rating.

Wycke Place offers three and four bedroom private and affordable housing and was one of the first developments built with the Group's new house type range.

The Board met with the Eastern divisional team and received presentations on their current trading and future plans.

Alex Stark
Managing Director, Eastern Division

Discussions were held on stakeholder engagement, in particular:

— Subcontractor and supply chain shortages
— Local community issues including transport, planning amendments, natural wildlife and protection of species
— Divisional workforce challenges.

The Board were provided tours of:

— The construction site, looking at various stages of build activity
— The sales suite and the Keswick and Romsey show homes.

The division highlighted how the homes at Wycke Place had been well received, and customer feedback had emphasised the good use of space, as well as quality of construction.

Highlands Park
Henley-on-Thames

Highlands Park is situated in Henley-on-Thames which is an attractive market town, benefitting from good transport links and high quality schooling. It is a popular location for many families.

Highlands Park is a development offering three to five bedroom houses and low-rise apartments, for both private and affordable purchase.

The initial homes in Highlands Park were built using the division's former house type range but the site has since been replanned to introduce the Group's new house type range.

The Board spent the day with the Chiltern division and met with some of its emerging talent. The morning was spent understanding Chiltern's strategy, opportunities and challenges as well as the division's future plans and opportunities at the Highlands Park development.

Over an informal lunch, the Board had the opportunity to spend time with Chiltern management, along with the sales and site team from Highlands Park.

The Board enjoyed tours of:

— The construction site, where the affordable housing range was being built
— The sales suite and Keswick show home.

BOARD ACTIVITY

Meetings of the Board

This section provides detail of the Board's strategic discussions and activities, and the outcomes from them.

The Board held six scheduled meetings during the year. At each scheduled meeting, the Board receives updates on:

- External market and operating environment
- SHE, sustainability, quality and customer service performance
- Group and divisional performance
- Partnership and strategic land opportunities
- Financial performance of the Group
- People matters including employee engagement
- Corporate governance and legal matters.

During COVID-19 the Board introduced regular Board update calls. Following positive feedback from both the Executive Directors and Non-Executive Directors, monthly update calls have continued to take place.

The Board also holds an annual strategy session, focusing on the strategic direction and goals of the Group and its divisions.

Finalisation of meeting content is a collaborative process involving the Chairman, Chief Executive, General Counsel and Company Secretary, who ensure adequate time is allocated to support effective and constructive discussion.

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

Attendance at scheduled Board meetings

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

1 David Arnold joined the Board on 1 September 2021. During the year David Arnold was unable to attend a Board meeting and Remuneration Committee meeting due to existing commitments made prior to his appointment.

2 Sharon Flood stepped down from the Board on 30 June 2021.

Strategy, operations and finance

- Reviewed progress against the Group's strategy, including the update that was presented at the Capital Markets Day in October 2021
- Monitored trading performance throughout the year, including management's response to the Government's COVID-19 guidance
- Reviewed SHE performance and initiatives
- Monitored and received regular updates on sector, market and regulatory landscape
- Considered sustainability targets and committed to the United Nations-backed Race to Zero and the Business Ambition for 1.5°C
- Approved the annual budget, business plan and KPIs
- Received regular updates from management on customer service and marketing including an in depth review of the Group's branding initiatives
- Reviewed and approved the Group's FY20 and HY21 financial statements
- Approved the Group's FY20 Annual Integrated Report, including a fair, balanced and understandable assessment
- Approved a new dividend policy of 2.5x cover and approved an FY21 interim dividend of 4.1 pence per share payable on 14 October 2021
- Approved the Group's financial targets and communication to the market.

Governance and legal

- Regular updates on major legal matters relating to the Group
- Received a legal and governance update including upcoming developments and legal and regulatory issues
- Considered the Group's response to combustible materials matters, including the distress caused to affected homeowners, prevailing Government guidance and the steps being taken to implement identified and agreed remediation works
- Discussed developments around the sustainability strategy
- Approved the Group's anti-slavery and human trafficking statement for publication
- Received reports on engagement with investors and other stakeholders throughout the year
- Reviewed progress against the Board evaluation action plan
- Carried out an externally-facilitated Board evaluation covering the Board's effectiveness, processes and ways of working with insights then presented to the Board
- Received regular updates from the Chairs of the Audit and Risk Committee, Nomination Committee, Remuneration Committee, SHE Committee and Sustainability Committee
- Considered the impact on stakeholders in the Board's decision making.

Leadership and people

- Continued to focus on the composition, balance and effectiveness of the Board
- Approved the appointment of David Arnold, Non-Executive Director and Chair of the Audit and Risk Committee on the recommendation of the Nomination Committee
- Received regular updates in relation to people and engagement activities
- Carefully considered the Group's values when making decisions.

Internal control and risk management

- Debated significant and emerging risks
- Reviewed the Group's risk management framework, principal risks and uncertainties including the addition of a new principal risk: 'climate change'
- Considered and approved the Group's risk management framework
- Confirmed the Group's viability statement and considered going concern status
- Reviewed updates on the cyber security control environment and IT system projects.

Capital Markets Day

The Company held a Capital Markets Day on 20 October 2021 at its development Wycke Place, Maldon, Essex, with sell-side analysts and major shareholders in attendance. Other stakeholders were able to view the proceedings online shortly after the event.

The day included a presentation from members of the Executive Leadership Team, highlighting the progress that had been made on the Group's turnaround and outlining an ambitious growth strategy including geographical expansion. Other presentations included an insight into the work performed by Partnerships and Strategic Land, new sustainability commitments and the changes that will need to be made to construction methods and materials in response to the Future Homes Standard (FHS).

Attendees were able to interact directly with all members of the Group's Executive Leadership Team and the divisional Managing Directors. The day concluded with a tour of the site, showcasing the new house type range.

DIVISION OF RESPONSIBILITIES
BOARD COMPOSITION

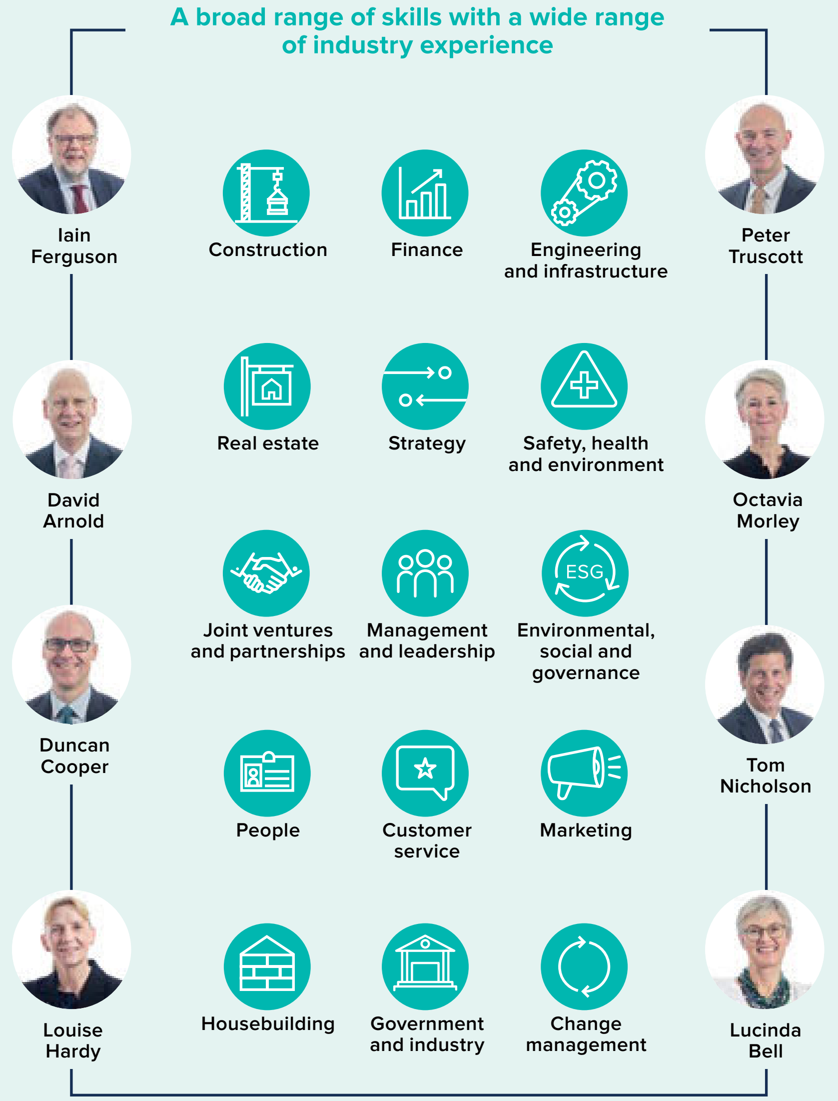
There is a clear and effective division of responsibilities between Board members. The Chairman leads the Board and is responsible for its overall effectiveness in directing the Group, demonstrating objective judgement and promoting a culture of openness and debate. In addition, the Chairman facilitates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

The Board includes an appropriate combination of Executive Directors and Non-Executive Directors, with half the Board considered independent. No one individual or small group of individuals dominates the Board's decision making.

The Non-Executive Directors provide constructive challenge, strategic guidance and specialist advice and hold management to account. The Chairman, supported by the General Counsel and Company Secretary, ensures that the Board has the policies, processes, information, time and resources it needs to function effectively and efficiently.

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

Board experience



ROLES AND RESPONSIBILITIES

The Directors contribute their skills and expertise and provide the framework for management's decision making. Directors are sought with functional skills and experience from the housebuilding industry or other relevant backgrounds.

Iain Ferguson CBE

Chairman

— Leads Board, governance, major shareholder and other stakeholder engagement
— Supports and advises the Chief Executive on the day-to-day management of the business
— Applies independent and objective judgement
— Sets agendas that enable appropriate coverage of all areas material to the Board and which support effective and balanced decision making
— Facilitates an environment for effective relationships between all Directors
— Drives a culture that supports constructive discussion, challenge, debate and decision making
— Ensures the views of all stakeholders are understood and considered appropriately in Board discussions
— Responsible for the effectiveness of the Board and its governance.

Peter Truscott

Chief Executive

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

The Board plays an active role in shaping the Group's strategic direction.

Duncan Cooper

Group Finance Director

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

Tom Nicholson

Chief Operating Officer

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

Octavia Morley

Senior Independent Director

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

David Arnold, Lucinda Bell, Louise Hardy and Octavia Morley

Independent Non-Executive Directors

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

Kevin Maguire

General Counsel and Company Secretary

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

The Audit and Risk Committee, Nomination Committee and Remuneration Committee's terms of reference can be found online at: www.crestnicholson.com/investors/corporate-governance

Conflicts of interest

The Board has adopted a policy to identify and manage Directors' conflicts or potential conflicts of interest. Directors' interests and those of their close family, are reviewed by the Board at each meeting. New conflicts arising between meetings are dealt with at the time between the Chairman and the General Counsel and Company Secretary. The Board confirms that there are no appointments or interests held by the Directors that are current conflicts of interest, or that the Board considers will be conflicts in the future. Should conflicts of interest arise in future, measures will be put in place accordingly.

External appointments

The Board carefully considers each of its Directors' existing commitments and time required to fulfil their obligations to the Group including with respect to any changes to external appointments from time-to-time.

Iain Ferguson holds two Chair mandates in FTSE 250 listed entities (Crest Nicholson Holdings plc and Genus plc) and a further Chair mandate at externally managed investment trust Personal Assets Trust plc. Taking into account the externally managed nature of the trust and the corresponding reduction in time commitment required compared to FTSE 250 appointments, the Board is satisfied that the third appointment represents half the commitment of a FTSE 250 Chair appointment.

The Board remains satisfied that these appointments do not result in overboarding and do not count as conflicts of interest.

Professional development, support and training

During the year the Board received updates from management on land acquisition strategy, brand, purpose and culture, sustainability and the likely impacts of the FHS. Time was also spent considering how section 172 of the Companies Act impacted the Board's deliberations.

Two Board site visits were held during the year to Wycke Place, Maldon, Essex and Highlands Park, Henley-on-Thames, Oxfordshire. The Chairman and a number of the Non-Executive Directors attended one-to-one site visits with the Executive Leadership Team to Morton Park and Campbell Wharf in Milton Keynes, Buckinghamshire and Mirum Park, Lydney and Brooklands Park, Stoke Gifford both in Gloucestershire.

COMPOSITION, SUCCESSION AND EVALUATION
BOARD EVALUATION

Board evaluation process

During the year, an external evaluation of the Board was conducted by Gould Consulting (who have no connection with the Company). This followed two years of internally facilitated evaluations in FY19 and FY20 led by the then Deputy Chairman and Chairman respectively.

The FY21 review process took place from August to October 2021 and was conducted in the format outlined below.

Evaluation of Chairman's performance

Iain Ferguson's performance as Chairman was reviewed by Gould Consulting as part of the FY21 Board Evaluation. The findings of the review were considered by Octavia Morley and the Non-Executive Directors. It was agreed that Iain provides a significant contribution to the Board, effectively leading Board meetings and encouraging engagement between the Executive and Non-Executive Directors.

Board evaluation cycle

FY18	Externally facilitated evaluation carried out by Lintstock
FY19	Internally facilitated evaluation led by the Deputy Chairman
FY20	Internally facilitated evaluation led by the Chairman
FY21	Externally facilitated evaluation carried out by Gould Consulting

FY21 Board evaluation

Stage 1

The Board agreed this year's evaluation to be facilitated by an external provider, as an external Board evaluation had not been held since FY18.

The Nomination Committee, considered proposals from four providers, recommending to the Board the appointment of Gould Consulting as the external evaluation provider.

The Board approved the appointment of Gould Consulting to support it with its Board evaluation.

Stage 2

Gould Consulting conducted the Board Evaluation as follows:

- Directors and members of the Executive Leadership Team completed a confidential survey
- One-to-one meetings were held between each of the Directors and Gould Consulting
- Gould Consulting held a Group meeting with Executive Leadership Team members who are not Directors.

Stage 3

Gould Consulting presented their report and conclusions of the evaluation at a Board meeting.

A draft Board Improvement plan was produced from the output of the evaluation.

Gould Consulting provided optional feedback sessions with individual Directors and members of the Executive Leadership Team.

The review concluded that the Board continued to operate effectively. The Chairman, alongside the General Counsel and Company Secretary, will support the implementation of agreed actions during FY22.

FY21 areas of focus in response to the FY20 evaluation

Strategy development

During the year strategy remained a key focus for the Board as the Group focuses on future growth. A range of specific Board updates and discussions were held with internal and external participants including:

- The external perception of the Group within the financial markets
- Speed and format of future growth
- The impact of the FHS on the Group's product and risk profile
- Climate change and future targets
- Capital efficiency and balance sheet
- Employee Voice feedback via Louise Hardy, Non-Executive Director responsible for employee engagement.

These together with wider Board deliberations underpinned the Group's five-year plan outlined at the Capital Markets Day held in October 2021.

Investment case

During the year the Board and Executive Leadership Team spent considerable time consolidating and evolving the Group's investor proposition which included:

- Continuing to meet or exceed financial expectations
- Reintroducing a sustainable dividend policy and paying an interim dividend
- Introducing total shareholder return to the Long-Term Incentive Plan
- Further aligning KPIs to the Group's strategy, to aid shareholder tracking of performance
- Holding a successful Capital Markets Day where the Group's five-year plan was set out, including the detail of how the targets will be achieved.

Succession planning and talent development

The Board together with the Nomination Committee continued to sponsor the Group's succession planning initiatives, its approach to talent development and diversity and inclusion. With these frameworks firmly established, the Board will continue to focus on these areas in FY22.

Board cohesion and trust

The relaxation of COVID-19 restrictions during FY21 allowed the Board to increase the amount of face-to-face contact time, as well as less formal opportunities to spend time considering topics outside Board meetings.

Output of FY21 Board evaluation of performance

The process concluded that the Board works effectively and was highly aligned on future strategy.

The evaluation highlighted a range of positive areas such as the trust that exists between the Board and management, including the Board's confidence in the Executive Leadership Team. It was clear that the initiatives to improve Board cohesion and trust had been successful.

This was similarly seen in the improvement to Board dynamics and greater opportunities for the Board to meet outside of main meetings.

Significant development and progress had been made with respect to strategy, culminating in a successful Capital Markets Day.

While efforts had been made during the year to improve the format of information flow to the Board, there remained scope to improve this further, with greater input from all Board members in relation to the range of focus topics, and the desired outcomes from such presentations.

This will help focus debate and challenge at the Board.

The process also highlighted that the reporting from Committee Chairs and the Chairman in relation to activities outside of Board meetings could be developed further.

The FY21 Board evaluation process was seen positively by all Board members and gave a platform for continuous development in FY22.

FY22 areas of focus

Board meeting priorities

The Board intends to develop its approach to meeting format and agenda setting to maximise opportunity for strategic debate at its principal meetings including:

- Wider consultation identifying special topics and focus areas leading to better targeted presentations as preparation for Board discussions
- Adapting interim virtual meetings to consider specific focus areas
- Enhancing the feedback from Committee Chairs, and the Chairman in relation to activities outside Board meetings.

Sector developments and meeting material

In support of developing the Board's agenda and debate, a number of process changes will be made, such as:

- A more formalised library of sector and Company news to provide greater context ahead of meetings
- A greater focus on pre-reading materials before Board presentations, to focus meeting time on debating key issues in even greater detail
- Clearer identification of desired outcomes from focus sessions, at the time of scheduling.

Board cohesion

Building on achievements in FY21, further time will be scheduled outside of meetings for informal opportunities to meet and discuss emerging themes, and build relationships. This will also include regular and appropriate time for the Non-Executive Directors to meet without the Executive Directors present.

Succession planning

This will continue to be an area of priority for the Board during FY22, with a further focus on Board succession planning as well as succession planning and talent development throughout the Group.

NOMINATION COMMITTEE REPORT

Committee overview

Committee members

Iain Ferguson CBE
Chair

David Arnold
From 1 September 2021

Lucinda Bell

Louise Hardy

Octavia Morley

Sharon Flood
Until 30 June 2021

Committee snapshot

— Iain Ferguson has chaired the Committee since September 2019
— All other members of the Committee are independent Non-Executive Directors. Attendance at Committee meetings is set out on page 86
— Other regular attendees at meetings at the invitation of the Committee include the Chief Executive, the Group HR Director and the General Counsel and Company Secretary
— The Committee is authorised to seek outside legal or other independent professional advice as it sees fit but has not done so during the year.

I am pleased to present this year's Nomination Committee report. It is the Committee's role to achieve an effective and high functioning leadership, with the right balance of skills, experience and diversity on the Board and within the Executive Leadership Team.

With the first part of our turnaround strategy now complete, I am confident that we have the right team in place to achieve continued high levels of operational and financial performance.

As our strategy continues to evolve, the Committee remains focused on strengthening our divisional boards and functional leadership. In response to this we have strengthened our succession planning processes and launched a high quality leadership training programme to provide opportunities to grow and develop our existing talent.

In June 2021 we saw the departure of Sharon Flood as Non-Executive Director and Chair of the Audit and Risk Committee, with the Committee recommending the appointment of David Arnold as a Non-Executive Director and new Chair of the Audit and Risk Committee. The Board is grateful for Sharon's dedicated service and commitment over the last six years. We look forward to working with David, who brings significant financial and commercial experience to the Board.

The Committee remains focused on recruiting high quality colleagues who can develop within the Group, encouraging diversity and inclusion as part of this process.

You can read more about the Committee's activities this year further in this report.

Iain Ferguson CBE
Nomination Committee Chair

Main responsibilities of the Committee

Recruitment

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

Succession planning

— Considering the succession plans for the Executive Directors, Executive Leadership Team and divisional boards.

Board evaluation

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

Diversity and inclusion

— Reviewing the Board's approach to diversity and the Group's progress in implementing its initiatives.

Election and re-election of Directors

Following review, the Committee concludes that each of the Directors continued to make an effective contribution to the Board. The Committee considered the tenure, independence, time commitments and any other significant appointments of each of the Non-Executive Directors, including the Chairman, and concluded that each Director continues to contribute effectively and provides sufficient time to the Company.

In accordance with the Code, each of the Directors will submit themselves for election or re-election at the 2022 AGM. Further detail on the Board evaluation process is outlined on pages 90–91 and the Directors' biographies are detailed on pages 74–75.

Recruitment

During the year Sharon Flood stepped down as Non-Executive Director and Chair of the Audit and Risk Committee, and David Arnold was appointed to this position. The recruitment process is detailed on page 95.

Succession planning

The Committee plays a vital role in ensuring the effectiveness of the Board and its ability to deliver the long-term success for the business. This includes continually reviewing the balance of skills, experience, independence and knowledge to ensure the right individuals are in place to support the effective planning and implementation of the Group's strategy.

Along with considering Board succession regularly, the Committee also reviews the capability of the Executive Leadership Team and senior management team, to ensure there is a talented and diverse pipeline of future leaders.

In FY20 the Group rolled out an enhanced succession planning framework for Executive Leadership Team members and divisional board members. This was complemented by a refreshed performance and development review (PDR) process.

To strengthen this process, the Group has partnered with 3GHR, to develop training and coaching programmes for the Group's nominated talent.

Through a structured approach to development opportunities, the Group is committed to focusing on retaining and developing its high potential individuals and emerging talent.

The Committee also considered the Emergency Succession Plan for the Executive Leadership Team. This is a high level contingency plan to respond to an immediate and unexpected lack of availability of the Chief Executive, another member of the Executive Leadership Team, or a divisional managing director, where such absence would be reasonably expected to be more than two weeks.

Committee evaluation

During the year the Committee's performance was reviewed by external Board evaluator, Gould Consulting, as part of the overall Board evaluation. The review explored the composition of the Committee, the management of its meetings, the Committee's scope, processes and the support it receives and areas where improvements could be made.

Following the review the Board agreed that the Committee continues to operate effectively.

Board diversity

The Group's approach to diversity and inclusion is set out in the Board's diversity and inclusion policy which is reviewed annually by the Committee and applies in a similar way to senior management.

The Board diversity and inclusion policy was recently updated, incorporating a specific target for appointing a Director from an ethnic minority background.

The policy on Board diversity reflects:

- A recognition that a diverse Board improves operational performance
- Target for at least:
  - 33% of the Board to be female
  - One Director to be appointed to the Board from an ethnic minority background by 2024 (in line with the Parker Review)
- A recruitment approach that aims to attract and encourage candidates from diverse backgrounds
- A requirement for all search firms appointed to work for the Group to commit to broadening their research processes and ensuring that short lists reflect a clear range of ethnicity, gender and social characteristics.

The Committee will also consider closely any potential Board appointment which would cause the Board not to meet the objective of the Parker Review, to be completely satisfied that the most appropriate candidate could not be recruited from an ethnic minority background.

The Committee is updated at each of its meetings on actions being undertaken by the Group to develop female talent and from other underrepresented groups.

To support the Board and Committee, the Diversity and Inclusion Forum generates ideas and initiatives to drive this agenda forward. Members from a range of underrepresented groups volunteered to be part of this forum. The Diversity and Inclusion Forum is chaired by the Chief Executive for every other meeting, with other members of the Executive Leadership Team rotating as Chair. This aims to strengthen the Executive Leadership Team's understanding of diversity and inclusion challenges, coupled with creating different dynamics at each of its meetings to generate effective debate.

During the year Louise Hardy attended the Diversity and Inclusion Forum and provided feedback to the Committee on her experience.

Further information on our approach to diversity across the Group can be found on page 58.

Gender diversity

38%
Female

62%
Male

NOMINATION COMMITTEE REPORT CONTINUED

Activities key

- Strategy, operations and finance
- Governance and legal
- Leadership and people
- Internal control and risk management

Activity during the year

Items of business considered by the Committee during the year are set out in the table below.

Activity during the year	Outcomes
Recruitment	
Acknowledged the resignation of Sharon Flood as Non-Executive Director and Chair of the Audit and Risk Committee.	Following consideration, recommended to the Board the search for a Non-Executive Director and Chair of the Audit and Risk Committee. Recommended to the Board the appointment of David Arnold as Non-Executive Director and Chair of the Audit and Risk Committee Further details overleaf.
Reflected on the composition of the Board and Executive Leadership Team.	Following extensive changes in the prior year, the Committee agreed that the composition of the Board and Executive Leadership Team is appropriate. During FY21 Jane Cookson, Group HR Director, and Kieran Daya, Managing Director, Partnerships and Strategic Land were appointed to the Executive Leadership Team, this was outlined in the FY20 Annual Integrated Report.
Considered the performance and effectiveness of individual Directors, and their contribution to the Board.	Recommended to shareholders the re-appointment of all Directors standing for re-election at its 2021 AGM.
Diversity and inclusion	
Received updates from management on the Group's ongoing initiatives in respect to diversity and inclusion.	Supported and endorsed the Group's diversity initiatives.
Received the Board diversity and inclusion policy and target.	Approved the Board diversity and inclusion policy and targets.
Succession planning	
Considered succession planning arrangements presented by management.	Agreed and made recommendations for strengthening succession planning.
Reviewed current initiatives in respect of talent management across the Group at entry level, mid-tier and wider management.	Agreed and made recommendations for strengthening talent management.
Board evaluation	
Considered the approach and output of the 2021 external Board evaluation process.	Recommended to the Board the approach, for the external evaluation, including recommending the appointment of Gould Consulting as external Board evaluator. Further details on the Board evaluation and output can be found on pages 90–91.
Reviewed the Board Committee composition.	Following the appointment of David Arnold to the Board, it was agreed that in addition to him chairing the Audit and Risk Committee, he would replace Sharon Flood as a member of the Remuneration and Nomination Committees. No further changes were recommended to the Board, and the Committee considered the Board Committee composition remains appropriate.
Governance	
Reviewed the Committee's terms of reference.	Agreed terms of reference were in line with best practice and Code compliant.

APPOINTMENT OF DAVID ARNOLD

David Arnold was appointed to the Board in September 2021.

Process

Following Sharon Flood's notification that she would be stepping down from the Board and Chair of the Audit and Risk Committee, the Committee specifically considered the skills and experience required for that role. The Committee was also mindful of both operational needs and compliance with the Code.

The search for a Non-Executive Director and Chair of the Audit and Risk Committee process commenced in May 2021 in conjunction with Russell Reynolds Associates. Russell Reynolds are signatories to The Standard Voluntary Code of Conduct for Executive Search Firms and have no connection with the Company.

Russell Reynolds were tasked to provide suitable candidates for interview. The Committee prioritised the Board's Diversity and Inclusion Policy and the Parker Review recommendations during the process.

After interviewing a range of strong and diverse candidates that were presented, David Arnold was selected to be taken forward to the final stage of the process. This included meeting with other members of the Committee, the Chief Executive and Group Finance Director.

Following consideration of the feedback, the Committee went on to recommend the appointment of David as Non-Executive Director and Chair of the Audit and Risk Committee due to his:

— Recent and relevant financial experience, currently being Chief Financial Officer at Grafton Group plc
— Range of listed and relevant sector experience, having previously been Group Finance Director at Redrow plc
— Enthusiasm about the Group and industry, and the Group's future plans.

> **"I am delighted to have met a variety of colleagues during my induction to Crest Nicholson."**

David Arnold
Non-Executive Director

Induction

David's induction plan, included meeting important internal and external stakeholders. Non-Executive Directors were invited to attend any sessions and site visits to refresh and enhance their knowledge.

We are Crest Nicholson

Welcome meeting from the Chief Executive on the Group's strategy and progress against it.

Site visits with the Executive Leadership Team and divisional boards.

Specific focus sessions with the Group Production Director and Group Finance Director on:
— Safety, Health & Environment
— Land acquisition process
— Combustible materials
— Cyber security.

Governance and culture

Welcome meeting from the Chairman on Board operations and current areas of focus.

Welcome meeting with the Non-Executive Directors.

Meeting with the Group HR Director on People matters including diversity and inclusion, succession planning and employee engagement.

Briefing from the General Counsel and Company Secretary on Board remuneration for Executive Directors and management, alongside the Group and the pension funding strategy.

Financial and internal control

Welcome meeting with the Group Finance team providing an overview of the Group Finance function and their areas of focus.

Internal Audit group meeting with Head of Internal Audit and Deloitte on the Internal Audit Plan for remainder of FY21 and FY22.

External audit group meeting with PwC focused on:
— FY21 External Plan
— Audit quality and assessment including audit quality indicators.

AUDIT, RISK AND INTERNAL CONTROL
AUDIT AND RISK COMMITTEE REPORT

Committee overview

Committee members

David Arnold
Chair, since 1 September 2021

Lucinda Bell

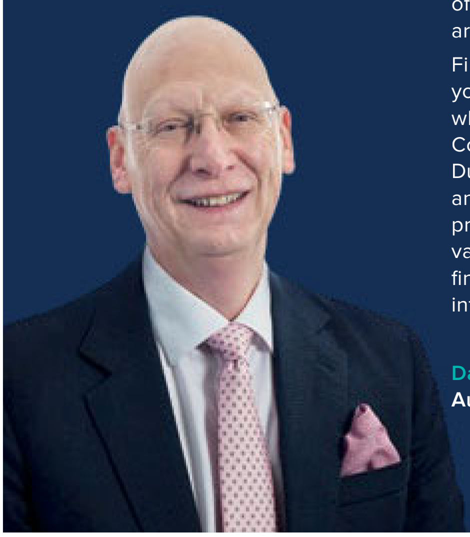
Louise Hardy

Octavia Morley

Sharon Flood
Former Chair, until 30 June 2021

Committee snapshot

- David Arnold was appointed Chair of the Audit and Risk Committee in September 2021, after Sharon Flood stepped down as Chair in June 2021. Octavia Morley acted as Chair in the interim but no meetings were held in this period
- David Arnold and Lucinda Bell have recent and relevant financial experience. Further details can be found in the Directors' biographies on pages 74–75
- The Board is satisfied that the Committee as a whole has competence relevant to the sector
- Attendance at Committee meetings is set out on page 86
- Other regular attendees, at the invitation of the Committee, include the Chairman, the Chief Executive, the Group Finance Director, the General Counsel and Company Secretary, the Group Financial Controller, the Head of Internal Audit and representatives from both the external auditor, PwC, and the internal audit team from Deloitte
- As is required, the Committee is authorised to seek outside legal or other professional advice but has not done so during the year.



I am pleased to present my first Crest Nicholson Audit and Risk Committee report which provides an insight into the work and focus of the Committee during the year.

The Committee supports the Board in fulfilling its responsibilities in respect of monitoring the integrity of financial reporting, the effectiveness of risk management and internal control processes, and governance and compliance matters.

During the year, the Group appointed Simon Rose, as Head of Internal Audit to complement the services undertaken by Deloitte LLP who provide an outsourced Internal Audit function. Simon's experience and oversight will enhance the Group's approach to risk management and strengthen the divisional control environment.

PricewaterhouseCoopers LLP (PwC) remain our external auditor. I have held introductory meetings with Darryl Phillips, the audit partner, to discuss the audit processes and engaged with him, alongside Duncan Cooper, throughout the FY21 audit. Both Darryl and Duncan kept me and my fellow Committee members abreast of matters arising throughout the audit process, in particular the provisioning in respect to combustible materials. More detail is available on page 99.

I am pleased to confirm the Committee continues to meet the FRC's Guidance on Audit Committees, issued in April 2016. We are committed to ensuring that the accountability principles set out within the Code are applied and that the interests of shareholders and other stakeholders are properly protected in these areas.

Finally, I would like to extend a thank you to my fellow Committee members who have welcomed me to both the Committee and the Board, and to Duncan Cooper and the Group Finance and Internal Audit teams who have provided me with a thorough and valuable induction on the Group's financial reporting, key risks and internal control framework.

David Arnold
Audit and Risk Committee Chair

Main responsibilities of the Committee

Risk management and control environment

- Reviewing the effectiveness of the Group's internal controls and risk management
- Reviewing the Group's procedures for detecting fraud, its systems and controls for the prevention of bribery and the adequacy and effectiveness of the Group's anti-money laundering systems and controls.

Internal Audit

- Monitoring and reviewing the independence, objectivity and effectiveness of the Internal Audit function
- Evaluating and agreeing the Group's Internal Audit plan
- Reviewing the Internal Audit reports and associated findings
- Reviewing the scope, competency and resources of the function.

Financial reporting

- Monitoring the integrity of the Group's financial statements and any formal announcements relating to its financial performance
- Reviewing significant financial reporting judgements contained in the financial statements and announcements.

External audit

- Considering the scope of the statutory audit of the annual consolidated financial statements and the half-year review, including monitoring and reviewing the effectiveness of the audit process
- Advising on the appointment and re-appointment of the external auditor, their fees and reviewing and monitoring the auditor's independence and objectivity, including the extent of any non-audit services provided by the external auditor.

Activity during the year

The Committee has an extensive agenda of items of business, focusing on financial reporting, external and internal audit, internal control and risk management.

Committee's evaluation

During the year, the Committee's performance was reviewed by external Board evaluator, Gould Consulting, as part of the overall Board evaluation.

The review explored the composition of the Committee, the management of its meetings, the Committee's scope, processes and the support it receives, and areas where improvements could be made.

Following review, the Board agreed that the Committee continues to operate effectively.

Activities key

- Strategy, operations and finance
- Leadership and people
- Governance and legal
- Internal control and risk management

Activity during the year	Outcomes
Financial reporting	
Considered and reviewed the reports from the Group Finance team on the financial statements, considered management's significant accounting judgements and the policies applied for both the half-year and full-year results.	Recommendations were made to the Board, supporting the approval of the half-year and full-year results, associated presentation and the FY20 Annual Integrated Report.
Reviewed the basis of preparation of the financial statements as a going concern as set out in the accounting policies.	Recommendation made to the Board to support the going concern statement.
Reviewed the long-term viability statement proposed by management, with focus on the judgements and estimates and testing.	Recommendation made to the Board to support the long-term viability statement.
Reviewed whether the FY20 Annual Integrated Report was a fair, balanced and understandable assessment of the Company's position and prospects.	Recommendation made to the Board that the FY20 Annual Integrated Report was a fair, balanced and understandable assessment of the Company's position and prospects.
Received an update on the Financial Conduct Authority's (FCA) disclosure rules to meet the Task Force on Climate-related Financial Disclosures (TCFD) framework.	Noted the Group's obligations under the TCFDs, further detail can be found in the TCFD Statement on pages 60–61.
Considered the change in accounting estimates for margin equalisation and change in accounting policy for land options.	Approved the change in accounting estimates and change in accounting policy.
External audit	
Assessed the effectiveness of the FY20 external audit.	The Committee concluded that the audit was effective, and a recommendation was made to the Board on the re-appointment of PwC as the external auditor for the 2021 AGM.
Considered PwC's Group audit plan for the FY21 financial results.	Noted and endorsed PwC's Group audit plan.
Received PwC's findings from the FY20 external audit and the HY21 interim review.	Carefully considered PwC's findings from the FY20 external audit and the HY21 interim review.
Considered management's letter of representations to PwC in respect to the half-year and full-year results.	Recommendation made to the Board to approve the letter of representations to PwC in respect to the half-year and full-year results.
Reviewed the non-audit related fees provided by the external auditor for the financial year, alongside the supporting policy.	Approved the fee for non-audit related services provided by PwC for the financial year, agreed that the policy for the provision of non-audit services by the external auditor remained appropriate.
Negotiated and agreed the statutory audit fee for the financial year.	The statutory audit fee to be paid as agreed by the Committee.

AUDIT AND RISK COMMITTEE REPORT CONTINUED

Activity during the year	Outcomes
Risk management and control environment	
Considered the emerging and principal risks.	Recommended to the Board the emerging and principal risks for inclusion in the half-year and full-year results, including changes to these risks. Further detail can be found in the Principal Risks and Uncertainties on pages 62–68.
Reviewed the effectiveness of the risk management activities and the Group's internal controls.	Recommendation made to the Board that the risk management activities and internal controls were effective.
Received focused reviews on the replacement of the Group's ERP system and the risk of fraud.	Noted the key risks, mitigations and specific risk actions as presented by management.
Internal audit	
Reviewed the proposed Group's Internal Audit Charter.	Approved the Group's Internal Audit Charter.
Considered the proposed Internal Audit plan for FY22.	Agreed that the proposed topics were relevant and appropriate in the light of the Group's principal risks.
Considered the Internal Audit reports, findings and agreed actions brought to the Committee's attention by the Internal Audit function.	The Committee was satisfied that management had resolved, or were in the process of resolving, any outstanding issues or concerns in relation to matters scrutinised by the Internal Audit function.
Reviewed the scope, quality and effectiveness of Internal Audit.	Concluded that the Internal Audit function was effective and have implemented plans to evolve the Internal Audit function, moving from a fully outsourced model to a combination of in-house and external expertise.
Governance	
Reviewed the Committee's terms of reference.	Terms of reference were considered and remained in line with best practice and compliance with the Code.
Initial consideration given to the BEIS consultation on 'Restoring Trust in Audit and Corporate Governance'.	Working with the Board, a formal response has been submitted on the BEIS consultation 'Restoring Trust in Audit and Corporate Governance' and the proposals to strengthen the UK's corporate governance framework.
Monitored employee training in respect to data privacy, anti-money laundering, bribery and corruption, whistleblowing reports and investigations and other compliance matters.	Supported management's initiatives and received updates as appropriate.

Key financial and internal control matters

During FY21 the Committee considered the following key financial and internal control matters in relation to the Group's financial statements and disclosures with input from management and the external auditor.

Key financial and internal control matters	How the Committee has addressed these matters
Valuation of inventory	Inventory is the most significant balance on the consolidated statement of financial position and is held at the lower of cost and net realisable value (NRV). A forecast is maintained for the NRV of each development and this contains several key assumptions. Due to the influence of external factors and the cyclical nature of the housing market, there is a risk that the calculation of the developments' NRV may be subject to estimation error, leading to inventory being held at an incorrect value when an impairment charge to reduce its value would be appropriate. Management regularly review the selling prices and build costs of all the Group's housing stock, including the impact on future forecasts for developments not yet under construction, considering latest market valuations. In the year, due to the previously forecast 7.5% housing sales price reduction no longer being considered appropriate, as the Group has not experienced the sales price reductions previously forecast, the Group reassessed the remaining NRV without the housing sales price deterioration, producing an exceptional NRV release to cost of sales of £8.0m. The Committee reviewed and challenged the release of the unrequired residential sales price provision and associated exceptional NRV presented by management, taking into account current trading experiences and forward market commentary. Due to the size and nature of the exceptional items, the Committee has agreed with management's opinion to treat the NRV release as an exceptional item, which mirrors the treatment of the initial recognition of the NRV which was treated as an exceptional charge in FY20. The Committee considers the NRV provision released in the year, and the assumptions behind the release, as appropriate given the current trading experiences and forward market commentary. The Committee agreed that the unreleased NRV element was still appropriate and noted the majority of it would be utilised in the next 12 months.
Margin forecasting and inventory	The Group's margin recognition framework is based on the margin forecast for each phase of development. These margins, which drive the recognition of costs as revenue is taken, reflect estimated selling prices and costs for each development. This methodology then guides the allocation of total forecast costs, representing both land and build costs of a development, to each component of revenue. There is a risk that the margin forecast for the site and the margin subsequently recognised on revenue is not appropriate and reflective of the actual final profit that will be recognised on a development. Sales prices and build costs are inherently uncertain as they are influenced by changes in external market factors, such as the availability and affordability of mortgages, changes in customer demand due to market uncertainty and availability of labour and materials. The Committee reviews management's control processes, the main areas of estimation and challenges management where appropriate. The Committee is satisfied that there is strong oversight of control and that the margins are appropriately recognised in the Group's financial statements.
Combustible materials provision	The Group has recognised an additional exceptional charge, net of recoveries, of £28.8m in the year relating to the combustible materials provision which was originally recognised in FY19. The year end provision balance is £42.6m. The charges relate to forecast costs associated with remedial works to be performed on legacy buildings that may be at risk of fire due to combustible materials and where the Group has a legal or constructive obligation to remediate. In the current year 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. As a result, the Group received new claims during the year, 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 and the Group has a liability to remediate. This is a highly complex area with judgements in respect of the extent of those properties within the scope of the Group's combustible materials guidance and the provision could be extended as the interpretation of Government guidance continues to evolve or due to cost estimation changes. By contrast, the Group expects to recover costs from architects and subcontractors involved in the construction of these schemes but does not recognise these benefits until they are received. The Committee reviewed and challenged the appropriateness, quantum, adequacy and completeness of the provision taking into account Government guidance in this area, experience gained since 2019 and potential exposure over the population of legacy developments. The Committee agreed that there was no certainty over the potential quantum of the contingent liability associated with sites not yet identified or provided for. Due to the size and nature of the item, the Committee has agreed with management's opinion to continue to treat the combustible materials charge, and associated recoveries, as an exceptional item.

AUDIT AND RISK COMMITTEE REPORT
CONTINUED

Viability and going concern

The Committee reviewed management's consideration in relation to the prospects of the Group, as set out in key audit matters on the prior page. It also satisfied itself that the going concern basis of preparation continues to be appropriate and made recommendations to the Board in this regard.

The Company's Viability Statement can be found on page 69. Further information on the Group's going concern assessment can be found in note 1 to the consolidated financial statements.

Fair, balanced and understandable

At the request of the Board, the Committee has considered whether, in its opinion, the FY21 Annual Integrated Report is fair, balanced and understandable, and whether it provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy.

The Fair, Balanced and Understandable process was led by the Group Finance Director supported by members of Group Finance, the Company Secretariat, Investor Relations, Sustainability, HR and Marketing functions (AIR Group).

This AIR Group was responsible for regularly reviewing work and ensuring balanced reporting with appropriate links between key messages and sections of the Annual Integrated Report. A recommendation was made from the AIR Group to the Committee confirming that they considered the Annual Integrated Report was fair, balanced and understandable. In particular, the Committee considered whether the report was:

Fair	Balanced	Understandable
Provided a comprehensive review of the Group's activities and its strategy, which was communicated clearly and was consistent throughout	Provided a balanced view with emphasis on both the key positive and negative points, emphasising successful turnaround of financial and operational performance of the Group and progress of the Group's strategy, alongside uncertain trading conditions, supply chain disruption and increased combustible materials provisioning	Provided an understandable framework to the Annual Integrated Report with key messages appropriately outlined throughout
Accurately described current operational performance, including market trends surrounding the impact of industry supply and skills shortages, the COVID-19 pandemic and the principal risks including regulatory change faced by the Group and the actions taken to mitigate this	Clearly outlined the key accounting judgements in the Committee's report, consistent with those outlined in the financial statements, and how these reflected the external auditor's key accounting risks	Clearly and concisely presented the information through a combination of appropriate performance measures and KPIs
Highlighted key messages in the narrative report that were aligned with the financial results	Reflected appropriate events over the year and acknowledged the material issues faced by the Group	Provided clear linkages and signposting throughout the report

Following review, the Committee is satisfied that, taken as a whole, the Annual Integrated Report is fair, balanced and understandable.

External audit

External auditor

PwC was appointed as external auditor for the year ended 31 October 2015 following a tender process carried out in 2014. Darryl Phillips, the Group's lead audit partner, has held the position for one year.

There are currently no plans to carry out a re-tender exercise but in accordance with the EU Audit Regulation and Directive (as it forms part of UK law) the Group will put the external audit contract out to tender by 2024.

The Group has complied with the Competition and Market's Authority Order on statutory audit services for FY21 with respect to both the approach to the tender of the external audit and the provision of non-audit services.

The external audit process

The Committee, on behalf of the Board, is responsible for the relationship with the external auditor.

PwC present the strategy and scope of the audit for the forthcoming financial year highlighting any areas which would be given special consideration. PwC report against this audit scope at subsequent Committee meetings, providing an opportunity for the Committee to monitor progress and raise any questions.

The Committee meetings allow time for the Committee and the external auditor to meet without management being present. PwC also meet with the Group Finance Director and the Group Finance team at regular intervals during the annual audit process.

External auditor effectiveness

The Committee is responsible for overseeing the relationship with the external auditor and the effectiveness of the external audit process. An annual review of audit effectiveness is undertaken at the conclusion of the year end audit.

This uses a questionnaire-based approach to seek insight and feedback from management on key areas of the audit process, including the audit approach, the team, communications with the Committee and how the external auditor brings challenge and provides insight.

The review concluded that the audit process and the audit team continue to perform well.

The Committee also considered PwC's performance in respect to the FRC's Audit Quality Review (AQR) results for the year.

Independence and non-audit services

The Committee keeps the independence of the external auditor under regular review. It considers PwC's independence at least once a year, receiving reports from PwC on its internal quality controls and independence.

In assessing the independence of the auditor from the Company, the Committee considers the information and assurances provided by the auditor confirming that all its partners and employees involved with the audit are independent of any links to the Group.

PwC confirmed that all its partners and employees complied with their ethics and independence policies and procedures, which are fully consistent with the FRC's Ethical Standard, including that none of its employees working on the Group's audit hold any shares in Crest Nicholson.

The Committee carefully considers the non-audit services provided by PwC. Where non-audit services are to be provided by PwC, both the Group and PwC have robust processes in place to prevent auditor independence being compromised.

The Group operates a policy for the provision of non-audit services that is reviewed annually and is consistent with the regulatory framework for statutory audit. The policy sets out the types of non-audit service for which use of the external auditor is prohibited (including accounting and valuation services) and provides a list of activities that are 'Permitted Non-Audit Services' that require the specific pre-approval of the Committee.

Non-audit fees

The Committee has pre-approved certain permitted non-audit services below a threshold as set out in the policy. The current threshold is £50,000 per year.

Non-audit services were provided during the year in respect of the independent review of the half-year results. Fees payable were £90,000 (2020: £153,000).

PwC also provides audit services to the Group's defined benefit pension scheme and the associated fees are met by the scheme. For further information please see note 5 to the consolidated financial statements.

	2021	2020
Audit fees (£'000)	790	885
Non-audit fees (£'000)	90	153
Ratio of non-audit fees to audit fees	0.11:1	0.17:1

External auditor re-appointment

The Committee is of the view that PwC was objective and independent throughout FY21 and is proposing that PwC be re-appointed as external auditor to the Company at the 2022 AGM. There are no contractual obligations that restrict the Committee's choice of auditor and the recommendation is free from third-party influence.

AUDIT AND RISK COMMITTEE REPORT CONTINUED

Risk management and control environment

The Committee recognises that effective risk management is key to the long-term sustainable success of the Group and for achieving the Group's strategic priorities.

The Group's emerging and principal risks and uncertainties are considered by the Board. The Committee regularly reviews the effectiveness of the risk management process on behalf of the Board. Both the Board and the Audit and Risk Committee undertook dedicated risk review sessions on the Group's principal and emerging risks during FY21 and was satisfied that risk management and the control environment remains robust for the financial year.

Risk management approach

Risk review sessions are held at divisional board level and reviewed and consolidated into the Executive Committee's Group risk review. This then feeds into the information and assurance processes of the Committee and into the Board's assessment of risk exposures and the strategies to manage these risks.

The Board (with input from the Committee) has carried out an assessment of the emerging and principal risks facing the Group and how those risks affect the prospects of the Group, alongside the mitigations in place.

During the year the Board, with support from the Committee, defined its risk appetite, which was themed around market, operational and governance matters. By the Board regularly reviewing its risk appetite, the Executive Leadership Team and divisional boards are better placed in their decision making.

More information about our approach to risk and our principal risks is found on pages 62–68.

To support the Board, the Committee reviews the Group's control environment alongside the principal risks.

The Group Finance Director has executive responsibility for risk management and the control environment. He is supported in this role by the Head of Internal Audit and General Counsel and Company Secretary.

The Group's internal controls are designed to manage, rather than eliminate, the risk of not achieving corporate objectives. As such, it can only provide reasonable, and not absolute, assurance against material misstatement or loss.

Effectiveness of risk management and internal controls

During the year the Committee received reports from management and the Internal Audit function on the operation and effectiveness of internal controls and risk management protocols.

The Board with input from the Committee is satisfied that the principal risks that could prevent the Group from achieving its corporate objectives have been identified, key controls have been identified and evaluated to manage those principal risks, and mechanisms are in place to obtain assurance over the effectiveness of those key controls. In drawing its conclusions, the Committee considered the fundamental risk management and internal control principles that are applied throughout the Group. No significant failings or weaknesses have been found.

Internal Audit

The Committee's role is to monitor and provide oversight on the effectiveness of internal controls and risk management. It carries out this role in support of the Board's formal review of significant risks and material controls.

During the year the Group appointed a Head of Internal Audit to develop in house internal audit capabilities. This team will complement the existing services and co-sourced arrangements provided to the Group by Deloitte who have been engaged by the Group since 2016.

The Internal Audit function is a key element of the Group's corporate governance framework. Its role is to provide independent and objective assurance, advice and insight on governance, risk management and internal control to the Committee, the Board and the Executive Committee.

The Internal Audit function reviews the effectiveness and efficiency of internal controls in place, providing assurance that internal controls remain fit for purpose and are applied consistently throughout the Group. In addition to reviewing the effectiveness of these areas and reporting on aspects of the Group's compliance with them, the Internal Audit function agrees actions with management to address any key issues and improve processes.

Once any actions are agreed with management, Internal Audit monitor their implementation and report regularly to the Committee on progress made.

Internal Audit plan

The Group's Internal Audit plan is approved by the Committee, including the scope of individual audits which are aligned to the principal risks faced by the Group. The plan is continually assessed against progress and any emerging risks, reflecting any amendments to the plan where necessary. The Committee considers the internal control recommendations raised by the external auditor during the external audit and incorporates these recommendations into the Internal Audit plan as appropriate.

The Committee receives regular reports from the Internal Audit function on audit activities. Internal Audit identifies key risks and assesses the relevant internal controls to ensure they are appropriately designed and operating as intended together with, where necessary, recommendations on actions for improvement.

Internal Audits undertaken during the year included a review of the land acquisition process, a climate change maturity assessment, a review of our combustible materials remediation governance and processes, design and operating effectiveness audits of divisional key controls and a review of cash flow reporting.

The Executive Leadership Team and management responsible for the area reviewed consider the reports on a regular basis. They are responsible for ensuring actions are implemented as agreed. Follow up and escalation processes are in place to ensure recommendations are implemented and fully embedded in a timely manner.

Internal Audit effectiveness

The Committee continually reviews the Internal Audit's effectiveness considering the quality, objectivity, and expertise of the Internal Audit function. To support the Committee in evaluating the effectiveness of the Internal Audit function, feedback is received by key stakeholders involved in the Internal Audit programme, including divisional and functional management and the Executive Leadership Team. Following an evaluation of the services provided in respect of Internal Audit, the Committee confirms that both the process for determining the Internal Audit programme and the programme itself are appropriate and effective.

Internal Audit independence

The Committee continually reviews the independence of the Internal Audit function. Through reporting lines to the Chair of the Committee, the Head of Internal Audit can report any impairment to objectivity or independence. The Internal Audit function also liaise with PwC, the external auditor, discussing relevant aspects of their respective activities which ultimately supports the assurance provided to the Committee and the Board.

Ethical behaviours and safeguarding

The Board and Committee are committed to the highest standards of ethical behaviour, honesty and integrity in the Group's business practices. Employees and supply chain partners are made aware of the Group's strategy and how their behaviours impact delivery and they are encouraged to work in line with the Group's values.

Anti-fraud and anti-bribery

The Committee has a zero tolerance of bribery, corruption or fraud. In the first instance of an incident being reported, a summary of the allegations is passed to the Group HR Director and the General Counsel and Company Secretary to decide on the appropriate course of action and investigation.

The Group has an anti-bribery and corruption policy which all employees must follow. Supporting processes exist to monitor compliance and prevent bribery being committed on the Group's behalf. As part of this, employees are required to comply with the Group's gifts and entertainment policy which only permits employees to accept or give proportionate and reasonable hospitality for legitimate business purposes.

The Group operates and maintains several policies and procedures which set out what is expected of employees and supply chain partners to protect themselves as well as the Group's reputation and assets.

These policies and procedures are supported by online training which employees are required to complete on a regular basis. Supply chain partners are required to agree to the Group's Supply Chain Code of Conduct. The Committee oversees the implementation of these policies and reviews the related procedures and training.

Whistleblowing

The Committee is responsible for the Group's arrangements with regards to whistleblowing and receives updates on any matters raised at each of its meetings.

In FY21 the Committee considered and approved a new whistleblowing policy to be made more accessible to employees and subcontractors.

Clear and written procedures are in place to allow employees and supply chain partners to raise concerns, in confidence, about possible wrongdoing in financial reporting, breaches of Group policies or other matters.

The Group encourages employees and supply chain partners to report any concerns of malpractice in an open and honest way and provides access to a free and independent helpline that can be used to report concerns. There are clear communication lines and escalation processes to enable the investigation of such matters and appropriate follow up actions.

REMUNERATION
DIRECTORS' REMUNERATION REPORT

Committee overview

Committee members

Octavia Morley
Chair

Iain Ferguson CBE

David Arnold
Committee member
From 1 September 2021

Lucinda Bell

Louise Hardy

Sharon Flood
Committee member
Until 30 June 2021

Committee snapshot

- Octavia Morley has chaired the Committee since October 2017
- Members of the Committee are independent Non-Executive Directors and Iain Ferguson (Chair of the Board) was independent on appointment
- Attendance at Committee meetings is set out on page 86 and the relevant Directors' biographies can be found on pages 74–75
- Other regular attendees at meetings at the invitation of the Committee include the Chief Executive, the Group HR Director and the General Counsel and Company Secretary.

I am pleased to introduce this Directors' Remuneration Report for the year ending 31 October 2021 which consists of our Remuneration Policy (Policy) and our Annual Report on Remuneration. The Report sets out how the Committee has considered the performance of the Group and its market conditions in determining remuneration outcomes, and in setting targets for FY22.

Our accompanying Strategic Report sets out the positive performance that the Group has enjoyed during FY21 including financial performance ahead of expectations. This has meant that incentive schemes throughout the Group have qualified for payments, rewarding many of our employees as well as Executive Directors for the year's achievements.

I would like to thank Sharon Flood for her service to the Committee, and welcome David Arnold who joined the Committee in September 2021.

FY21 remuneration outcomes

During the year the Group repaid the funds received under the COVID-19 Job Retention Scheme (£2.5m) and reinstated its dividend policy, with an interim dividend of 4.1 pence per share, paid in October 2021.

Bonus scheme
FY21 saw strong performance in profit, cash generation, cost savings, Environmental, Social and Governance (ESG) and Safety, Health and Environment (SHE) leadership. These were accompanied by weaker performance in relation to some non-financial measures; customer service continued to be above 90% but not as far as stretch performance, and although the level of employee engagement increased during the year, employee turnover performance declined as did the quality indicator, NHBC Reportable Incidents (RIs) with neither measure reaching threshold. This has led to an FY21 bonus performance of 84.1% of total bonus which the Committee considers is appropriate in the context of the Group's overall performance, and employee bonuses across the Group.

Octavia Morley
Remuneration Committee Chair

Long-Term Incentive Plan (LTIP)
The 2019 LTIP performance measured over three years to 31 October 2021 was as follows:

	Target range	Performance	Vesting
EPS	58p–71p	34.0p	Nil
ROCE	21%–26%	13.6%	Nil
EBIT%	17%–20%	14.6%	Nil

Accordingly, the 2019 LTIP will lapse. The Committee is satisfied that this outcome is commensurate with performance during the period.

Policy considerations
During the year the Committee did not exercise discretion in relation to Executive Directors' remuneration.

Taking into account the overall pay outcomes, the Committee is satisfied that the Policy operated as intended during the year and no changes to the Policy are proposed for the coming year.

FY22 remuneration

The Committee has agreed to increase salaries for the Executive Directors by 3% in line with the average increase given to all our employees. The same increase was also agreed for the Company's Chairman and Non-Executive Directors.

Bonus scheme measures for FY22 (including changes to measures compared to FY21) are set out on page 124. These continue to align with the strategic priorities of the business as well as meeting the Committee's priority for simplicity and transparency.

In considering the LTIP measures and targets for FY22, the Committee has agreed to retain the same structure as in FY21.

This means that the FY22 awards will consist of a total shareholder return measure (TSR) against the FTSE 250 (one-third) and a selection of sector peers (two-thirds); return on capital employed (ROCE) and earnings before interest and tax (EBIT) margin. Together these measures focus on longer-term shareholder value, operating efficiency and profitability. Stretching targets have been set and these are set out on page 124 and reflect the growth ambitions of the business.

Employee pay

During FY21 we have continued our focus on our employee pay structures, as well as engaging with colleagues through employee engagement workshops held during the year. The Committee is satisfied that the pay and reward framework applies to employees in a similar way to the Executive Directors. This is important to incentivise and reward our colleagues. Further information is found on page 121.

In addition, the pension rate of the Chief Executive of 10% will align to the rate applicable to the majority of employees (currently 6%) on 31 December 2022.

Gender pay gap

Our gender pay gap performance is set out on page 58.

Compared to 2019, our 2020 median hourly pay gap has narrowed by a further 1% against the prior year continuing to reduce, albeit slowly. Our mean hourly pay gap remained the same at 21%. The Committee continues to review this in conjunction with other employee initiatives to provide a more flexible and agile working environment to attract and develop new talent into the sector. Diversity and inclusion remain a continued focus for the Group.

Committee composition, effectiveness and engagement

We undertook engagement activity with our institutional shareholders in FY21 with respect to remuneration matters.

We received no negative feedback about current pay outcomes or our plans for FY22.

I continue to remain available to shareholders to discuss remuneration matters. During FY22, the Committee will be reviewing the Remuneration Policy ahead of its triennial approval at our 2023 AGM, and will consult with major shareholders with respect to any changes.

As part of the annual Board evaluation which was facilitated by an external provider Gould Consultancy, the Committee's performance was considered and it was concluded that the Committee continues to work effectively.

Details of how we have applied the relevant requirements of the Code can be found throughout this Remuneration Report.

Alignment of remuneration philosophy to Group strategy in FY21

Our remuneration philosophy is to:

- Promote the long-term success of the Group
- Reward performance
- Be simple and transparent.

Using this philosophy, the Committee has designed the annual bonus and LTIP so that they align with our strategic priorities and foundations of Placemaking & Quality, Land Portfolio, Operational Efficiency, Five-Star Customer Service, and Multi Channel Approach.

The performance of key variable pay metrics and their link to our strategy is set out overleaf.

Concluding remarks

I would like to thank our shareholders for their support and engagement this year. We believe that the decisions taken with respect to FY21 pay outcomes and the pay structures for FY22 are aligned with the Group's strategy, reflect the market environment and are in the best interests of shareholders.

We hope that you will support the advisory vote in relation to the Directors' Remuneration Report.

Octavia Morley
Remuneration Committee Chair

Activity during the year

- Review of employee pay and benefits
- Considered LTIP measures and targets for FY22
- Considered bonus scheme outcomes and final awards
- Reviewed the pay of Executive Directors and Company Chairman
- Engaged with shareholders via governance meetings and proxy agencies
- Determined the bonus scheme for FY22
- Reviewed 2021 AGM outcomes and feedback from shareholders
- Considered the application of the UK Corporate Governance Code 2018.

Looking ahead

- Continue consideration of employee pay
- Review Directors' Remuneration Policy, to be considered at the 2023 AGM
- Consult with shareholders in relation to the 2023 Directors' Remuneration Policy
- Engage with employees as part of setting the 2023 Directors' Remuneration Policy
- Monitor performance of in-flight awards during the year, and consider FY22 outcomes
- Consider annual bonus and LTIP measures and targets for FY23.

Alignment to strategy – FY21 performance

Adjusted profit before tax
(Links to: Annual Bonus)

3 5 9

£107.2m

Net cash
(Links to: Annual Bonus)

2 3 5 9

£252.8m

Carbon reduction
(Links to: Annual Bonus)

7

2.52[1]

Link to strategic priorities and foundations

1 Placemaking & Quality
2 Land Portfolio
3 Operational Efficiency
4 Five-Star Customer Service
5 Multi Channel Approach
6 People
7 Sustainability & Social Value
8 Safety, Health & Environment (SHE)
9 Financial Targets

Customer service and quality
(Links to: Annual Bonus)

1 4 6

91.4%

Voluntary employee turnover
(Links to: Annual Bonus)

6

35.5%

Employee engagement
(Links to: Annual Bonus)

6

75%

1 tCO_2e /100 sq. m of completed floor area.

ROCE
(Links to: LTIP)

2 3 5 9

17.2%

Adjusted EPS
(Links to: LTIP)

3 5 9

34.0p

Adjusted EBIT margin
(Links to: LTIP)

3 5 9

14.6%

SHE leadership
(Links to: Annual Bonus)

8

✓

UK Corporate Governance Code 2018

Clarity Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	— Remuneration structures for the year ahead are set out clearly in each Remuneration Report — Performance targets are fully disclosed (retrospectively, where commercially sensitive) — Remuneration structures link to strategy through appropriate performance measures, aligning executive pay to wider shareholder interests, and in turn to those of wider stakeholders and the workforce.
Simplicity Remuneration structures should avoid complexity and their rationale and operation should be easy to understand.	— Simple methodology for annual bonus and LTIP — Clearly articulated measures, targets and narrative in each Remuneration Report.
Risk Remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.	— Committee retains discretion over variable pay outcomes, to ensure these are supported by Group and personal performance — Withholding and recovery terms apply to variable pay — Post vesting holding period applies to LTIP.
Predictability The range of possible values of rewards to individual directors and any other limits or discretions should be identified and explained at the time of approving the policy.	— Award limits set out in each Policy and Remuneration Report — Illustration of the application of the Policy for the following year reported annually — Changing metrics as occasionally as possible assists shareholders with predicting outcomes.
Proportionality The link between individual awards, the delivery of strategy and the long-term performance of the company should be clear. Outcomes should not reward poor performance.	— Link to strategy set out against performance measures in the Remuneration Report — Strategic KPIs used throughout incentive schemes, reducing any reward for poor performance — Committee discretion to override outcomes.
Alignment with culture Incentive schemes should drive behaviours consistent with company purpose, values and strategy.	— Strategic KPIs used throughout incentive schemes, linking reward to strategy and aligning with stakeholders and our employees — People, SHE and ESG reflected in incentive schemes, ensuring non-financial priorities — Alignment of bonus scheme framework and measures throughout employee schemes.

REMUNERATION AT A GLANCE

	Peter Truscott	Duncan Cooper	Tom Nicholson
Single figure totals Details on page 114	1. Fixed £739,185 2. Variable £683,345 3. Total pay £1,422,530	1. Fixed £409,265 2. Variable £383,725 3. Total pay £792,990	1. Fixed £417,485 2. Variable £393,186 3. Total pay £810,672
Salaries Details on page 123	2022 £669,500 2021 £650,000	2022 £375,950 2021 £365,000	2022 £385,220 2021 £374,000
Shareholding Details on page 117	164% 36% ● Progress towards holding requirement ● Balance of 200% holding requirement	10% 190% ● Progress towards holding requirement ● Balance of 200% holding requirement	37% 163% ● Progress towards holding requirement ● Balance of 200% holding requirement
2021 LTIP Details on page 116	Awarded 150% salary TSR ROCE EBIT Margin	Awarded 150% salary TSR ROCE EBIT Margin	Awarded 150% salary TSR ROCE EBIT Margin
2022 LTIP Details on page 124	Award of 150% salary TSR ROCE EBIT Margin	Award of 150% salary TSR ROCE EBIT Margin	Award of 150% salary TSR ROCE EBIT Margin

FY21 annual bonus

Details on page 115

Peter Truscott 105.1% of salary

Duncan Cooper 105.1% of salary

Tom Nicholson 105.1% of salary

Financial

Adjusted profit before tax **£107.2m**

Net Cash **£252.8m**

Cost Savings **£161.60 psf**

Non-Financial

Customer Service and Quality **91.4%**

Environmental, Social and Governance **2.52**

Personal and strategic objectives:

Voluntary Employee Turnover ***35.5%***

Employee Engagement ***75.0%***

NHBC Reportable Items ***0.32***

SHE Leadership

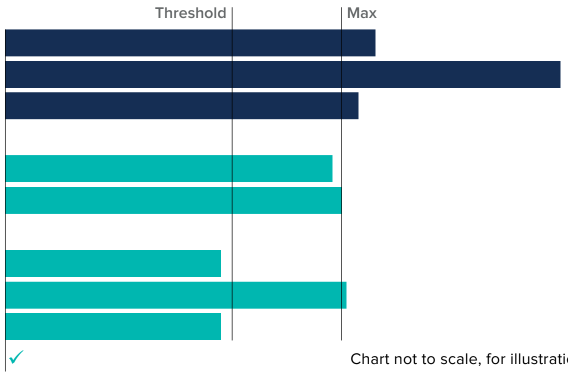


Chart not to scale, for illustration only

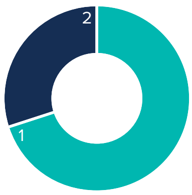
FY22 annual bonus

Details on pages 123–124

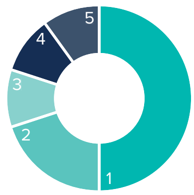
Peter Truscott Maximum 125% salary

Duncan Cooper Maximum 125% salary

Tom Nicholson Maximum 125% salary



1.	Financial	70%
2.	Non-Financial	30%



Financial	
1. Adjusted profit before tax	50%
2. Net cash	20%
Non-Financial	
3. Customer service and quality	10%
4. Environmental, Social and Governance	10%
5. Personal and strategic objectives	
– Voluntary employee turnover	5%
– Employee engagement	5%
6. SHE leadership	-10%

Our employees

Details on page 121

Sharesave participation across all plans

49%

Average monthly savings

£287

Mean hourly gender pay gap 2020[1] (2019: 21%)

21%

Median hourly gender pay gap 2020[1] (2019: 20%)

19%

% of employees in a bonus plan (2020: 97.5%)

97.5%

1 Gender pay gap report for 2021 due to be published April 2022.

DIRECTORS' REMUNERATION POLICY

This section sets out the Directors' Remuneration Policy (Policy) approved by shareholders at the Company's AGM on 24 March 2020. This can also be found at www.crestnicholson.com/investors/results-centre.

The Policy is reviewed annually by the Committee to ensure it continues to support the Group's strategy, and if changes are necessary, the Committee will seek approval from shareholders prior to the triennial shareholder vote. When the Committee determines that changes are required it will formulate proposals to consult with shareholders. Shareholder feedback is taken into consideration in finalising the Policy changes, prior to any shareholder vote. The Committee has not made any changes to the Policy during the year but will be reviewing the Policy during FY22 ahead of the triennial shareholder vote at its 2023 AGM, and will consult with major shareholders in relation to any changes.

Remuneration Policy table

Element and link to strategy	Operation (including maximum opportunity)
Base salary for Executive Directors Recognises individual experience, responsibility and performance. Provides an appropriate level of fixed pay without over-reliance on variable pay. Essential to recruit, motivate and retain the best people in the market to execute the Group's strategy.	Salaries are normally reviewed annually taking into account: — Personal and Group performance — Salary increase received by employees generally — Inflation and earnings forecasts — External marketplace comparisons. Base salary is set with reference to similar roles in a group of UK housebuilders and other listed companies more widely. The exact positioning of salary depends on a variety of factors including: the specific nature of the role and responsibility (particularly where this is not directly comparable to roles outside the Group); individual experience and performance; cost of living increases; inflation; Group performance; relativities to other Group employees; and market practice among other UK housebuilders. A new Director may be appointed at a salary less than the prevailing market rate but which may increase over a period to the desired positioning subject to satisfactory performance. While the Committee is guided by increases applied to employees in general, it retains discretion to apply an above-workforce increase to a Director's salary. This may occur, for example, should there be a change in: the scope of an individual's role, the complexity of the business or market or the size/value of the business that the Committee believes justifies a further adjustment of salary. **Performance framework** The Committee considers and sets appropriate individual Director salary levels annually having regard to the factors noted in this element of the Policy. Salary is not linked to specific financial or non-financial performance measures.
Fees for Non-Executive Directors Remunerates appropriately based on individual experience, time commitment and responsibilities.	Non-Executive Directors' fees are paid in cash and are not performance related. Fees are reviewed annually and set taking into consideration the time commitment and responsibilities of the role, the sector and market practice. Fees are determined and approved by the Board upon a recommendation from the Executive Directors. The Chairman's fee is set by the Committee. No Director is involved in setting his or her own fee. Additional fees may be payable in relation to extra responsibilities or time commitments undertaken, for example chairing a Board Committee and/or holding the position of Senior Independent Director. Reasonable travelling and other expenses for costs incurred in the course of the Chairman and Non-Executive Directors undertaking their duties are reimbursed (including personal tax that may be due on those expenses).

<table>
<tr><th>Element and link to strategy</th><th>Operation (including maximum opportunity)</th></tr>
<tr><td>Benefits
Provides a competitive level of benefits and encourages the wellbeing and engagement of our people which are one of the four foundations of our strategy.</td><td>A range of benefits are provided, including but not limited to:
— Family private medical insurance
— Company car or car allowance
— Income protection
— Personal accident insurance
— Life assurance
— Annual health check
— Holiday and sick pay.
The cost of these benefits varies over time depending on their cost in the market and individual circumstances.
Directors who are required to move for a business reason may, where appropriate, be provided with relocation assistance.
Where the Group offers a flexible benefits approach to employees generally (where the value of one benefit may be exchanged for another), a Director would have the option to participate. Other benefits in line with those received by employees generally may be offered at the discretion of the Committee, such as long service awards or recognition of life events.
The Group may also operate all-employee share incentive plans including Sharesave (SAYE), Share Incentive Plan (SIP) and other HMRC tax-approved all-employee schemes. Directors may participate in these on the same terms as other employees.
As a general principle, benefits are not provided to Non-Executive Directors. However, there may be exceptional circumstances under which the Group provides a benefit, for example private medical cover, either with or without their meeting the cost (at the Group's negotiated rate).</td></tr>
<tr><td>Pension
Provides retirement planning and protection to employees and their family during their working life.</td><td>Executive Directors may participate in the Crest Nicholson defined contribution pension scheme or, where deemed appropriate, receive cash in lieu of all or some of such benefit.
For current Directors, a contribution in line with the rate applying to the majority of employees (currently 6% of salary) may be paid as pension contribution, cash or part cash, other than for the current Chief Executive whose pension contribution may be up to 10% of base salary. The Committee has committed to aligning the pension contribution of the Chief Executive to the rate applying to the majority of employees by 31 December 2022.
For new Executive Directors, the pension contribution level will be in line with the rate applying to the majority of employees (currently 6% of salary).</td></tr>
<tr><td>Annual bonus
Motivates and rewards individuals for executing the Group's strategy and achieving Committee-approved corporate objectives linked to the strategic priorities and foundations.
Compulsory deferral provides alignment with shareholders.</td><td>The maximum bonus opportunity is capped at 125% of salary for Executive Directors with on-target performance receiving 50% of maximum and up to 25% of the maximum payable for threshold performance.
Two-thirds of the bonus is paid in cash (non-pensionable), with the remaining one-third deferred under the Deferred Bonus Plan for three years.
Performance framework
At least half of the bonus will be linked to one or more financial metrics with the remainder linked to non-financial metrics. Non-financial metrics will be based on relevant operational, business or personal objectives. The specific performance targets are set with the aim of setting stretching targets which incentivise and reward improved performance.
The Committee may, in exceptional circumstances, use its discretion to amend the bonus outcome if it believes that it does not properly reflect overall underlying business performance, an individual's contribution or some other factor.
The bonus (cash and deferred element) is subject to recovery provisions for three years from the date of payment in the event of serious misconduct, corporate failure, material misstatement of financial statements, material failure of risk management, material breach of health and safety or environmental regulations, serious reputational damage arising from misconduct, error in calculation, or events that are similar in nature or outcome to those above.
Repayments may be made through a reduction in future bonus or share awards on vesting, or by direct repayment.</td></tr>
<tr><td>Deferred Bonus Plan (DBP)
Deferred element encourages longer-term shareholding and links part of annual bonus payments to the further success of the Group and shareholders' interests.</td><td>One-third of annual bonus is deferred in the form of conditional share awards or nil-cost options (the Deferred Share Awards) that vest or first become exercisable three years from grant and is normally subject to continued employment. Amounts equivalent to any dividends or shareholder distributions made during the vesting period may be awarded in respect of vested or exercisable Deferred Share Awards.
Performance framework
Deferred bonuses are based on the value of the bonus for any particular year. Vesting is not based on any future performance criteria and the value of deferred bonus awards on vesting are based on the share price at vesting.
Deferred Share Awards are subject to withholding (adjustment downwards) at the Committee's discretion for the same recovery situations as set out above for the cash element of bonus.</td></tr>
</table>

DIRECTORS' REMUNERATION POLICY CONTINUED

Remuneration Policy table continued

Element and link to strategy	Operation (including maximum opportunity)
Long-Term Incentive Plan (LTIP) Incentivises long-term shareholder value creation and execution of the strategy over the longer term. Drives and rewards achievement of key long-term Group objectives aligned with the strategy and with shareholder interests. Contributes to building a meaningful shareholding by aligning interests with wider shareholders.	LTIP awards will take the form of nil-cost options or conditional share awards. LTIP awards vest on the third anniversary of grant subject to achievement of performance measures and (other than in good leaver situations) provided the Director remains in office with the Company. In normal circumstances, award levels will be at a maximum of 150% of salary. However, the Committee retains the flexibility to make awards up to 200% of salary in exceptional circumstances including, for example, recruitment. Amounts equivalent to any dividends or shareholder distributions made during the vesting period may be awarded in respect of vested or exercisable LTIP awards, normally in the form of shares. A two-year post-vesting holding period will apply to all vested LTIP awards. **Performance framework** Awards will be subject to challenging performance conditions in line with the Group's KPIs and will be measured over a three-year period. A maximum of 25% of each element vests for achieving the threshold performance target with 100% of the awards being earned for maximum performance. From FY21 the Committee uses TSR for 40% of the measure, ROCE for 30% of the measure and EBIT Margin for the remaining 30% for new awards. The Committee reviews the measures, their relative weightings and targets prior to each award and makes changes as is deemed appropriate (which may include the introduction of new measures in conjunction with, or in replacement of, TSR, ROCE and EBIT Margin). The use and split of TSR, ROCE and EBIT Margin are considered to be appropriate measures to incentivise operating discipline and returns for shareholders. The specific performance targets are set with the aim of setting stretching targets which incentivise and reward improved performance. The Committee may, in exceptional circumstances, use its discretion to adjust downwards the level of vesting of LTIP awards if it believes it does not properly reflect overall underlying business performance, shareholders' experience, an individual's contribution or any combination thereof. LTIP awards are subject to withholding (downward adjustment) at the Committee's discretion in the event of material misstatement of financial statements, material failure of risk management, corporate failure, material breach of health and safety or environmental regulations, serious reputational damage arising from misconduct, serious misconduct, error in calculation, or events that are similar in nature or outcome to those set out above. Recovery (clawback) applies if such an event occurs within three years of an award vesting or, in the case of an option, when it first becomes exercisable. Repayments may be made through a reduction in future bonus or share awards on vesting, or by direct repayment.
Minimum shareholding requirement Encourages long-term commitment and alignment with shareholder interests.	Executive Directors are expected to build up and retain a significant shareholding equivalent to at least 200% of their base salary. Executive Directors are required to retain 50% of vested deferred bonus and LTIP awards after sale of shares for tax, national insurance or other statutory deductions until the requirement is met. **Post-service requirement** An Executive Director shall continue to hold shares equivalent to the 200% of their base salary for a period of two years following termination of their employment. If an Executive Director holds less than 200% of their base salary at the date of cessation, they must continue to hold that lower level for the same period of two years. Shares purchased by an Executive Director from their own funds will not be required to be held. The Committee may, in exceptional circumstances, exercise its discretion to adjust the holding requirement.

How the Committee will use its discretion

Incentive plans will be operated in line with the rules of each plan, together with relevant laws and regulations. However, it is important that the Committee retains appropriate discretion (as is customary) over the administration and operation of incentive plans.

Discretion includes, but is not limited to, the following in relation to incentive schemes:

— Changes or adjustments required in certain circumstances (e.g. change of control, rights issues, special corporate or dividend events, or change in business strategy)
— Determination of vesting (or payment) and the treatment of leavers and vesting for leavers
— As permitted by HMRC and other regulations, in respect of SAYE, SIP or any other all-employee schemes.

In relation to incentive schemes including annual bonus and LTIP, the Committee may adjust performance targets and/or measures where these have ceased to be appropriate. Such adjusted targets or measures will not be materially less difficult to satisfy. Any use of this discretion would, where relevant, be explained in future Directors' Remuneration Reports and may be subject to consultation with major shareholders where appropriate.

Remuneration policy for other employees

The Policy described in the previous table applies specifically to the Company's Executive and Non-Executive Directors.

The Committee believes that it is appropriate that the reward of the Group's senior management be linked to Group performance and aligned with the growth of shareholder value.

The same remuneration and benefits framework is operated across the Group:

Area	Policy and operation
Salary	The policy applied to Executive Directors is applied in the same way to employees generally.
Benefits	The policy applied to Executive Directors is applied in the same way to employees generally. Certain benefits apply at higher levels based on seniority, relate to specific roles or have shorter or no waiting periods.
Annual bonus	Annual bonus schemes operate throughout the Group at all levels of seniority. Performance targets and the amount which can be earned are based on seniority and the nature of the role and responsibilities.
Long-Term Incentive Plan	The LTIP for Executive Directors also applies to Crest Nicholson's senior management at a reduced opportunity level commensurate with the seniority and level of responsibility of participants.
SAYE	All employees are eligible to participate in the Crest Nicholson Sharesave scheme or any other all-employee scheme operated by the Company.

Approach to recruitment remuneration

The table below sets out the components that would be considered for inclusion in the remuneration package of an Executive Director on appointment, and the approach the Committee will adopt in respect of each element.

Area	Policy and operation
Overall	For an external appointment, the Committee will take account of an individual's remuneration package in their prior role, the market positioning of the package and their skills and experience. The Committee will not pay more than necessary to facilitate the recruitment of an individual. For an internal appointment, the Committee may initially position remuneration below market level and increase overall pay levels over a period of time to achieve alignment with market levels for the role, subject to Group and individual performance.
Base salary	Salary level will be set taking into account the skills and experience of the individual, responsibilities of the role and salaries paid for similar roles in comparable organisations. The direct comparability or otherwise of those other roles will be a material factor.
Pension and benefits	Directors will be eligible to participate in Crest Nicholson's benefit plans and the Crest Nicholson Pension Plan or salary supplement scheme in accordance with the policy set out in the Remuneration Policy table.
Annual bonus	Directors will be eligible to participate in the discretionary annual bonus scheme as set out in the Policy table. The maximum opportunity will be 125% of salary, consistent with this Policy. Depending on the timing of the appointment, the Committee may deem it appropriate to set different annual bonus performance conditions to the current Executive Directors in the first performance year of appointment.
Long-Term Incentive Plan	An Executive Director will be eligible to participate in the LTIP set out in the Policy table. The opportunity levels will be consistent with what is disclosed in the Policy table and, in exceptional circumstances, the Committee is able to make an award of up to 200% of salary. An LTIP award can be made shortly following an appointment.
Replacement awards	The Committee may grant an Executive Director replacement awards to compensate for forfeited remuneration (including bonus and long-term incentive awards) from previous employment. Should replacement awards be made, the awards granted would be no more generous in terms of quantum or vesting period than the awards due to be forfeited. In determining the quantum and structure of these commitments, the Committee will seek to replicate the fair value of the award and, as far as is practical, the timing and performance of the remuneration foregone. For an internal appointment, any variable pay element awarded in respect of the prior role may be allowed to pay out according to its terms, adjusted to take account of the appointment if this is appropriate.
Other	The Committee may agree that the Group will meet certain relocation or other transitional expenses deemed appropriate.

DIRECTORS' REMUNERATION POLICY CONTINUED

Service contracts and policy on payment for loss of office

For Executive Directors, nine months' notice of termination is required from either party and this will be the approach for all new appointments.

The table below sets out the Committee's policy on termination arrangements for Executive Directors. References to good or bad leavers below are examples of how the Policy would work and are not definitive:

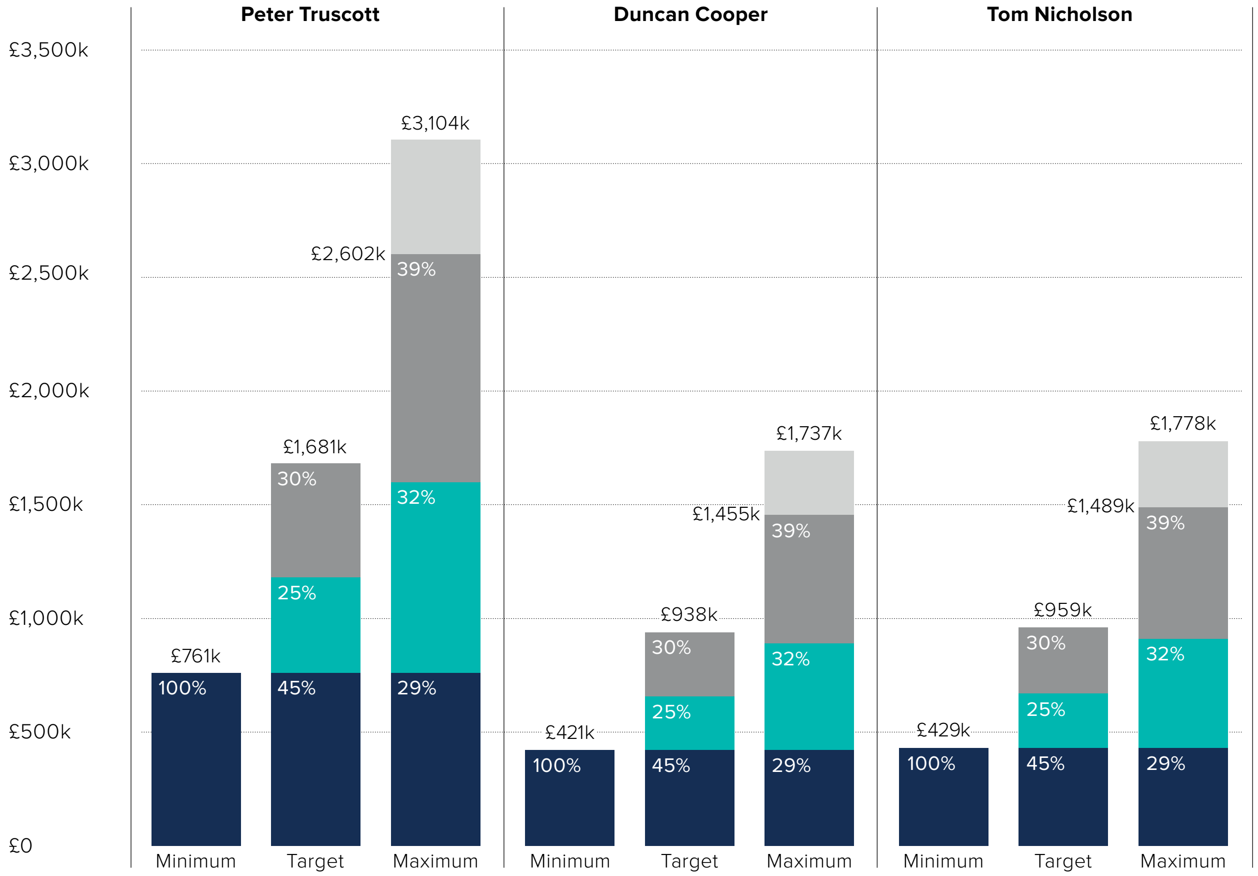
Area	Policy and operation
Overall	Because terminations do not always fit neatly into defined categories, when considering the suitable treatment of a termination, the Committee will have regard to all relevant facts and circumstances available at the time including the reason, contractual obligations and incentive plan rules. The Committee is firmly against rewarding failure. The Committee retains discretion for payments to be made in good faith in relation to very specific legal circumstances, such as the discharge of an existing legal obligation in respect of salary, benefits and other contractual entitlements, damages for breach of obligation and a settlement or compromise of any claim or potential claim arising with the termination of a person's office or employment. In any event the Committee will only make such payments where it considers it to be in the best interests of the Group and its shareholders, with full disclosure of any such payments in the following year's Remuneration Report.
Contractual payments	Crest Nicholson may terminate service contracts immediately by making a payment in lieu of notice consisting of base salary, pension and any contractual benefits for the unexpired period of notice. This payment may be made as either a lump sum or as instalments over the period. If Crest Nicholson elects to make this payment by instalments, the Executive Director normally has a duty to seek alternative employment and, where practical, any remuneration received from a new role will be offset against the payment.
Annual bonus	In the event of termination for a reason other than resignation or gross misconduct for material performance or conduct concerns, a Director may be entitled, at the discretion of the Committee, to a bonus in respect of the year in which their employment terminates. Payment would be reduced on a pro rata basis to reflect the portion of the bonus year worked, be paid at the usual time and be subject to an assessment of performance over the period. In relation to Deferred Bonus awards, individuals would be defined as good or bad leavers, with good leavers being those leaving under pre-determined circumstances such as retirement (proved to the satisfaction of the Board), redundancy, ill-health, death or disability (proved to the satisfaction of the Board), or those deemed by the Board in its absolute discretion to be good leavers given the circumstances surrounding termination. All other leavers would be bad leavers. If an individual is categorised as a good leaver then, other than in exceptional circumstances, they will continue to hold the deferred share award, which will vest on the normal vesting date. If an individual is considered by the Committee to be a bad leaver, their awards will lapse in full.
Long-term incentives	Individuals would be defined as good or bad leavers, with good leavers being those leaving under pre-determined circumstances such as retirement (proved to the satisfaction of the Board), redundancy, ill-health, death or disability (proved to the satisfaction of the Board), or those deemed by the Board in its absolute discretion to be good leavers given the circumstances surrounding termination. All other leavers would be bad leavers. If an individual is categorised as a good leaver then, other than in exceptional circumstances, the award will vest on the normal vesting date reflecting the extent to which performance targets have been met and the number of shares would normally reflect the reduced service period, pro rata. The post-vesting holding period would also apply, other than in exceptional circumstances. If an individual is determined to be a bad leaver, their awards will lapse in full.
Shareholding requirements	The Committee would enforce the post cessation of employment shareholding requirements, as described in the Policy.
Other	The Committee may provide for outplacement services where it considers that this is reasonable.

Performance conditions and target setting

Operation of the Policy is considered annually for the year ahead, including metrics for incentives, weightings and targets. The Committee reviews operation for the prior year and considers whether in light of the strategy, market practice or the remuneration policy for the wider workforce, changes are required for the year ahead. Targets for the annual bonus and LTIP awards are also reviewed and consideration is given as to whether these remain appropriate or need to be recalibrated. Shareholders' views will be sought depending on the changes proposed.

Illustration of application of Policy in FY22

The composition and structure of the remuneration package for Executive Directors in three performance scenarios is set out in the charts below.



Key and assumptions

Minimum: fixed remuneration consisting of current annualised salary, pension (plan contribution or cash supplement) and benefits.

Target: fixed remuneration as detailed above, plus 50% of maximum as target bonus opportunity, and vesting of 50% of the maximum LTIP award.

Maximum: fixed remuneration together with the maximum annual bonus opportunity of 125% and vesting of 100% of LTIP award representing 150% of salary. The graph also shows what would happen should Crest Nicholson's share price increase by 50%, increasing the value of LTIP awards.

Other than illustrating 50% share price growth, share price movement and dividend accrual are excluded.

ANNUAL REPORT ON REMUNERATION

The information in this Report is audited where this is indicated, and otherwise unaudited.

The table below sets out FY21 remuneration for Executive Directors and Non-Executive Directors.

FY21 remuneration payable to Directors (audited)

		Salary[1] £000	Benefits[2] £000	Bonus £000	LTIPs £000	Retirement benefits[3] £000	Total Pay £000	Total fixed pay £000	Total Variable pay £000
Peter Truscott	2021	650	24	683	–	65	1,422	739	683
	2020	650	24	–	–	65	739	739	–
Duncan Cooper	2021	365	22	384	–	22	793	409	384
	2020	360	21	–	–	24	405	405	–
Tom Nicholson	2021	374	21	393	–	22	810	417	393
	2020[4]	312	17	–	–	19	348	348	–

1 **Salary:** where salaries are adjusted for benefits which are provided via salary exchange, such salaries are quoted as the gross figure disregarding the effect of salary exchange.
2 **Benefits:** the figure shown includes the value of car benefit, private medical insurance, Group income protection, personal accident, life assurance and an annual health check.
3 **Retirement benefits:** salary supplement of 10% (employee maximum) in respect of Peter Truscott; 6% (employee majority rate) in respect of Tom Nicholson and Duncan Cooper. No Directors have a prospective interest in a defined benefit scheme.
4 **Tom Nicholson:** remuneration from joining the Board on 1 January 2020.

The table below shows the remuneration for the Non-Executive Directors who served during FY21.

	2021 Fee £000	2020 Fee £000
Iain Ferguson	200	200
David Arnold[1]	10	–
Lucinda Bell	52	52
Louise Hardy[2]	56	52
Octavia Morley[3]	68	65
Former Director		
Sharon Flood[4]	40	60

1 **David Arnold:** joined Board as Non-Executive Director and Chair of the Audit and Risk Committee from 1 September 2021.
2 **Louise Hardy:** Non-Executive Director responsible for employee engagement from 1 November 2020.
3 **Octavia Morley:** Senior Independent Director from 24 March 2020.
4 **Sharon Flood:** Sharon Flood left the Board on 30 June 2021. The fee shown is pro rata for the period of service during the year.

Pay for performance in FY21 (audited)

Annual bonus targets and outcomes

The performance measures set for FY21 were a combination of financial elements (worth 70% of the bonus maximum) and non-financial elements (worth 30% of the bonus maximum) aligned to our Strategic Priorities and Foundations. The maximum bonus potential for Peter Truscott, Duncan Cooper and Tom Nicholson was 125% of salary.

As set out in the Financial Review on pages 48–51, the Group delivered a strong performance improvement in FY21 and made significant progress against its Strategic Priorities despite the impact of the COVID-19 pandemic. Although the market remained strong, some disruption was felt in our supply chains. Despite this and as set out in more detail in the Strategic Report on pages 1–69, the Group delivered strong performance against its financial targets and wider strategic objectives.

The bonus scheme built on prior year schemes, specifically to reflect the operational position of the Group, its turnaround and the Group's strategy. This included the use of:

— A cost savings measure to ensure that the standard house type range and specifications were properly embedded
— The addition of employee turnover and engagement measures
— A carbon reduction target, and
— Supplementing existing customer service and quality measures with a measure of NHBC RIs.

Appropriately stretching targets were set based on forecasts and the financial and market outlook at the end of 2020.

The Committee reviewed the formulaic performance outcome against overall Group performance, the experience of shareholders, employees and other stakeholders and determined that discretion was not needed to ensure a proportionate outcome.

During the year, the Job Retention Scheme grant was repaid (£2.5m), and a dividend policy reinstated paying the first (interim) dividend of 4.1 pence per share in October 2021. The performance and outcomes of employee bonus schemes were reviewed noting that these were generally consistent with the Executive Directors' scheme. The Committee carefully considered the Group's exceptional charge with respect to combustible materials and the circumstances surrounding this, noting that all affected buildings were constructed and sold prior to the Executive Directors joining the Group in 2019.

The Committee also considered the performance ahead of stretch with respect to net cash and adjusted PBT, reviewing the underlying reasons for these in the context of how the target was set. The Committee is satisfied that the original target was suitably stretching at the time it was set in the context of market risk (late 2020), and the Group's overall performance in the year. The Committee reviewed the impact of the one-off disposal of the Longcross Film Studio and noted that stretch performance with respect to net cash and adjusted PBT were still met.

In considering measures that did not reach threshold, the Committee noted that employee engagement remains high despite significant voluntary turnover in a very competitive labour market and that customer service and quality remain five-star, despite the RI measure threshold not being met. In these cases, the bonus element not earned represented the appropriate outcome.

The Committee considers the outcome to be appropriate and reflects overall performance of the Group during the year, and no discretion was exercised in relation to the bonus outcomes.

The following results were achieved for each element of the annual bonus incentive:

Measure	Weighting (% of maximum)	Threshold (0% of maximum)[1]	On-target (50% of maximum)	Stretch and maximum (100% of maximum)	Actual	% of maximum bonus achieved	% of salary
Financial measures[2]							
Adjusted profit before tax	30%	£67.5m	£75.0m	£90.0m	£107.2m	30	37.50
Net cash	25%	£91.1m	£95.9m	£105.5m	£252.8m	25	31.25
Cost savings (£ per sq ft)	15%	£177.0	£172.6	£168.2	£161.6	15	18.75
Non-financial measures[2]							
Customer service and quality	10%	90%	92%	94%	91.4%	4.10	5.13
Environmental, Social and Governance[3]	5%	3.10	3.04	2.98	2.52	5	6.25
Personal and strategic objectives							
Voluntary employee turnover	5%	25.6%	20.3%	15.0%	35.5%	0	0
Employee Engagement	5%	70.0%	72.0%	74.0%	75.0%	5	6.25
NHBC Reportable items	5%	0.30	0.26	0.22	0.32	0	0
SHE leadership	Less up to 10% adjustment				✓	N/A	N/A
Total bonus						84.10	105.13

1 With respect to the Environment, Social and Governance, and Customer service and quality measures the Threshold earned 20% of maximum.
2 Financial measures and non-financial measures are as defined in the table below.
3 CO_2 intensity – tCO_2e per 100 sq. m of completed floor area.

FY21 Bonus Metrics

The maximum target for each element were set to stretch and further challenge the Executive Directors. Achievement was calculated on a straight-line basis between threshold and target and target and stretch.

Bonus Target	Description	Link to strategic priorities and foundations
Adjusted profit before tax	Adjusted profit before tax as defined on page 192.	3 5 9
Net cash	Cash and cash equivalents plus non-current and current interest-bearing loans and borrowings as at 31 October 2021.	2 3 5 9
Cost savings	Improvement at October 2021 against October 2020 of the build cost of residential operational sites excluding strategic sites and joint ventures.	3 9
Customer service and quality	The average rolling 12-month NHBC 'recommend your housebuilder' scores at 31 December 2021.	1 4 6
Environmental, Social and Governance	Reduction in Scope 1 and Scope 2 carbon emissions during FY21 (tCO_2e/100 sq. m of completed floor area) compared to FY19 (FY20 omitted due to COVID-19 disruption). See page 128 for further information about the Group's greenhouse gas emissions.	7
Personal and strategic objectives		
Voluntary employee turnover	Resignation or retirements during the year as a proportion of total employees, compared to the position at October 2020.	6
Employee engagement	Employee engagement performance score from employee survey carried out during October 2021.	6
NHBC Reportable items	Average RI during the financial year. The Average RI is the number of all of the RIs received within the period divided by the number of inspections carried out on all sites registered with the NHBC. An RI is any contravention of the NHBC technical standards or building regulations recorded at any key build stage or frequency visit.	6
SHE leadership	A downwards adjustment of up to 10% of the bonus achieved should SHE leadership fall below the standard expected by the Group.	8

1 Placemaking & Quality
2 Land Portfolio
3 Operational Efficiency
4 Five-Star Customer Service
5 Multi Channel Approach
6 People
7 Sustainability & Social Value
8 Safety, Health & Environment
9 Financial Targets

ANNUAL REPORT ON REMUNERATION CONTINUED

FY21 Bonus payments and deferral

One-third of the annual bonus is deferred into a share award which will ordinarily become exercisable after three years from the date of grant. Other than in certain good leaver situations, the awards are subject to being in service when the awards become exercisable and are subject to certain withholding and recovery conditions, exercisable at the Committee's discretion.

A full breakdown of the bonus payments and shares award deferral is set out below:

	Bonus total	Paid in cash		Deferred into shares	
	£	£	% bonus	£	% bonus
Peter Truscott	683,345	457,841	67	225,504	33
Duncan Cooper	383,725	257,095	67	126,629	33
Tom Nicholson	393,186	263,435	67	129,751	33

LTIP targets and outcomes (audited)

The FY19 LTIP award, granted (generally) on 16 April 2019, was based on performance over the three years ended 31 October 2021 and would have become exercisable from 16 April 2022 (subject to the Director still being in employment or otherwise having been a good leaver) had the performance targets been reached. Duncan Cooper and Tom Nicholson were granted an LTIP award based on the same targets, measures and performance period on 21 June 2019, shortly after joining the Group. The table below sets out details of the performance targets and measures.

Measure	Weighting	Performance period	Threshold (25%)	Maximum (100%)	Actual performance	% of award achieved
Adjusted EPS[1] in FY21	40%	3 years ending 31/10/21	58 pence	70.7 pence	34 pence	0
Adjusted EBIT Margin[2] in FY21	20%	3 years ending 31/10/21	17%	26%	14.6%	0
ROCE average over 3 years	40%	3 years ending 31/10/21	21%	26%	13.6%	0

1 Adjusted earnings per share as defined on page 192.

2 Adjusted EBIT Margin as defined on page 192.

During the performance period 2019 to 2021, the Group's performance declined significantly with EPS, EBIT Margin and ROCE below the threshold level for these measures. As such, no shares will vest, and the awards will lapse in full in April or June 2022 (as applicable) at the conclusion of the respective Service Period.

Scheme interests awarded during the financial year (audited)

On 8 February 2021 in accordance with the Policy, an LTIP award of 150% of salary was made to Peter Truscott, Duncan Cooper and Tom Nicholson.

The following table sets out the FY21 awards granted to Executive Directors under the Group's LTIP for the performance period 1 November 2020 to 31 October 2023:

	Award[1]	Type	Date of Grant	Number of shares	Face value of award[2] £000	% of salary	% of award receivable at threshold
Peter Truscott	Performance	Nil-cost options	08.02.21	297,364	975	150	25
Duncan Cooper	Performance	Nil-cost options	08.02.21	166,981	548	150	25
Tom Nicholson	Performance	Nil-cost options	08.02.21	171,099	561	150	25

1 Performance conditions in each case measured in FY23: 40% relative TSR (threshold median to maximum upper quartile), 30% average ROCE (threshold 17% to maximum 20%), 30% Adjusted EBIT margin (threshold 14.5% to maximum 16.5%).

2 Face value calculated based on 327.9 pence, the average of the closing middle market share price for the five preceding dealing days of the grant date.

No awards were made under the deferred bonus plan in 2021 because bonuses were waived by the Directors in light of the impact of COVID-19.

Directors' shareholdings at the end of the financial year (audited)

The table below sets out the number of shares and share awards held by Directors (including any connected persons) as at 31 October 2021. There have been no changes to Directors' interests between 31 October 2021 and 19 January 2022.

	Shares held, including connected persons at 31 October 2021	Outstanding share awards[1] at 31 October 2021 with performance conditions	Outstanding share awards[1] at 31 October 2021 without performance conditions	Total share interests at 31 October 2021	Shareholding[2] as a percentage of salary and share price of 356.0 pence at 31 October 2021
Iain Ferguson	100,000	N/A	N/A	100,000	N/A
Peter Truscott	300,171	550,380	240	850,791	164%
Duncan Cooper	10,000	414,928	320	425,248	10%
Tom Nicholson	33,485	417,454	10,944	461,883	37%
David Arnold	–	N/A	N/A	–	N/A
Lucinda Bell	11,650	N/A	N/A	11,650	N/A
Louise Hardy	–	N/A	N/A	–	N/A
Octavia Morley	5,600	N/A	N/A	5,600	N/A
Former Directors					
Sharon Flood[3]	22,878	N/A	N/A	22,878	N/A

1 Share awards take the form of nil-cost options other than Sharesave awards which are fixed price options. There are no conditional or restricted share awards. There were no vested but unexercised share awards at 31 October 2021.

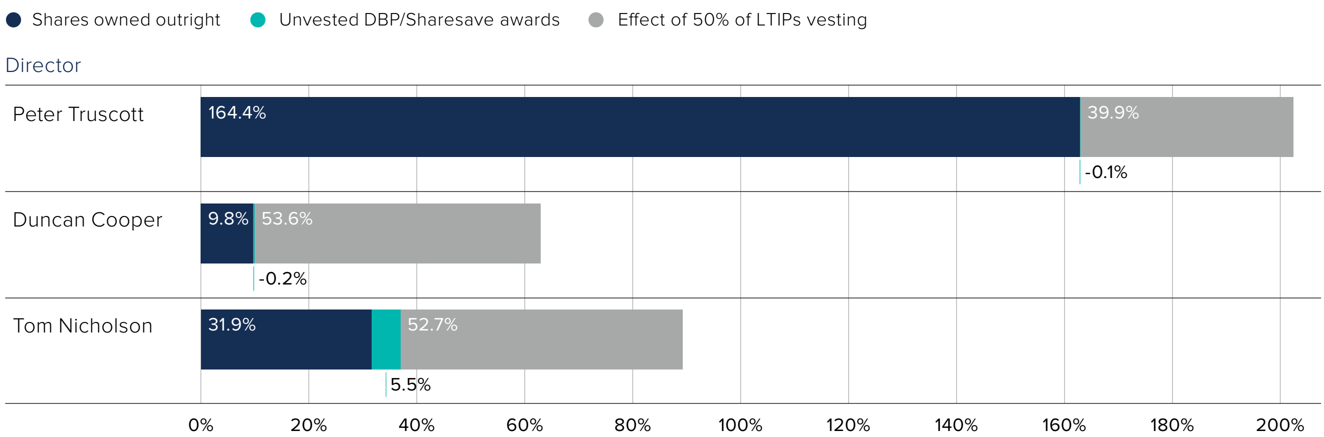
2 Shareholding includes shares held including connected persons, outstanding share awards without performance conditions (e.g. Deferred Bonus Plan (DBP) and Sharesave) net of tax and excludes outstanding share awards with performance conditions (e.g. LTIP).

3 Shareholding as at date of leaving: 30 June 2021.

Directors' shareholdings and share interests

Share ownership plays a key role in aligning Executive Directors' interests with the interests of shareholders and helps to maintain commitment over the long term. The Policy requires Executive Directors to build up and maintain a significant shareholding in the Company of 200% of salary and, following cessation of employment, to continue to hold the lower of their shareholding requirement or their shareholding at the date of leaving for a period of two years. Under the Policy shares owned outright and deferred shares (because they no longer have performance conditions attached) count towards the shareholding requirement. Peter Truscott, Duncan Cooper and Tom Nicholson will build up their shareholding over time.

The chart below shows the Executive Directors' current shareholdings together with unvested DBP/Sharesave awards and the illustrative effect if 50% of outstanding LTIP awards vested in the future. Shares which are not owned outright are shown net of tax (i.e. excluding that proportion of those shares expected to be sold on vesting to settle the associated tax liability).



Executive Directors' alignment to share price

The table below contains the value of shares currently held by the Executive Directors, those awarded under the DBP but not yet released (on a post-tax basis) and Sharesave and shows that the Executive Directors are aligned to share price movement through their ordinary shareholdings.

	Shares owned outright	Unvested DBP shares (post-tax)	Unvested Sharesave shares	Total shares	Indicative value[1] on 31 October 2021 (£)	Consequence of a +/- £1 share price change (£)
Peter Truscott	300,171	127	–	300,298	1,069,062	300,298
Duncan Cooper	10,000	170	–	10,170	36,204	10,170
Tom Nicholson	33,485	189	10,588	44,262	157,572	44,462

1 Value calculated using the share price as at 31 October 2021 (356.0 pence).

ANNUAL REPORT ON REMUNERATION
CONTINUED

Executive Directors' scheme interests at the end of the financial year (audited)

The tables below set out the Executive Directors' outstanding share awards under the LTIP, DBP and Sharesave (SAYE) as at 31 October 2021 including any dividend equivalents awarded in the year. The DBP and SAYE awards do not have any performance criteria attached to them. The LTIP awards have performance criteria attached to them in accordance with the Policy.

	Outstanding share options/ awards at 31 October 2020	Date of grant	Granted	Exercised	Lapsed	Vested but not exercised	Outstanding share options/ awards at 31 October 2021	Market price on award £	Exercise price £	Market price at exercise/ vesting £	Gain receivable £	Date exercisable or capable of vesting	Expiry date
Peter Truscott													
LTIP													
2020	253,016	20.02.2020	–	–	–	–	253,016	5.14	Nil	–	–	20.02.2023	19.02.2030
2021	–	08.02.2021	297,364	–	–	–	297,364	3.28	Nil	–	–	08.02.2024	07.02.2031
DBP													
2020	240	28.02.2020	–	–	–	–	240	4.53	Nil	–	–	28.02.2023	27.02.2030
Duncan Cooper													
LTIP													
2019	141,389	21.06.2019	–	–	–	–	141,389	3.55	Nil	–	–	21.06.2022	20.06.2029
2020	106,558	20.02.2020	–	–	–	–	106,558	5.14	Nil	–	–	20.02.2023	19.02.2030
2021	–	08.02.2021	166,981	–	–	–	166,981	3.28	Nil	–	–	08.02.2024	07.02.2031
DBP													
2020	320	28.02.2020	–	–	–	–	320	4.53	Nil	–	–	28.02.2023	27.02.2030
Tom Nicholson													
LTIP													
2019	137,169	21.06.2019	–	–	–	–	137,169	3.55	Nil	–	–	21.06.2022	20.06.2029
2020	109,186	20.02.2020	–	–	–	–	109,186	5.14	Nil	–	–	20.02.2023	19.02.2030
2021	–	08.02.2021	171,099	–	–	–	191,099	3.28	Nil	–	–	08.02.2024	07.02.2031
DBP													
2020	356	28.02.2020	–	–	–	–	356	4.53	Nil	–	–	28.02.2023	27.02.2030
SAYE													
2020	10,588	07.08.2020	–	–	–	–	10,588	2.12	1.70	–	–	01.09.2023	28.02.2024

Loss of office payments (audited)

There were no payments for loss of office made during the year.

Payments to past Directors (audited)

There were no payments to past Directors made during the year.

External directorships

Subject to Board approval, Executive Directors are able to hold one non-executive position outside of the Group that complements and enhances their current role. Any fees may be retained by the Director.

During the year, Peter Truscott served as a Non-Executive Director of Anchor Housing Group (appointed September 2020), for which he receives and retains an annual fee of £30,000.

Directors' service contracts and letters of appointment

In line with our Policy, Executive Directors have contracts of employment providing for a maximum of nine months' notice from either party. Non-Executive Directors have letters of appointment for an initial three-year term and generally serve two to three terms. The required notice is three months' from either party.

	Date of appointment	Notice period	Unexpired term remaining 31 October 2021
Peter Truscott	9 September 2019	Nine months	Terminable on nine months' notice
Duncan Cooper	17 June 2019	Nine months	Terminable on nine months' notice
Tom Nicholson	1 January 2020	Nine months	Terminable on nine months' notice
Iain Ferguson	16 September 2019	Three months	Terminable on three months' notice
David Arnold	1 September 2021	Three months	Terminable on three months' notice
Lucinda Bell	25 May 2018	Three months	Terminable on three months' notice
Louise Hardy	24 January 2018	Three months	Terminable on three months' notice
Octavia Morley	1 May 2017	Three months	Terminable on three months' notice

The Group has the right to terminate the contracts of Executive Directors by making a payment in lieu of notice. Any such payment will typically reflect the individual's salary, benefits in kind and pension entitlements. Further information is found on page 112.

Stakeholders

Statement of consideration of shareholder views

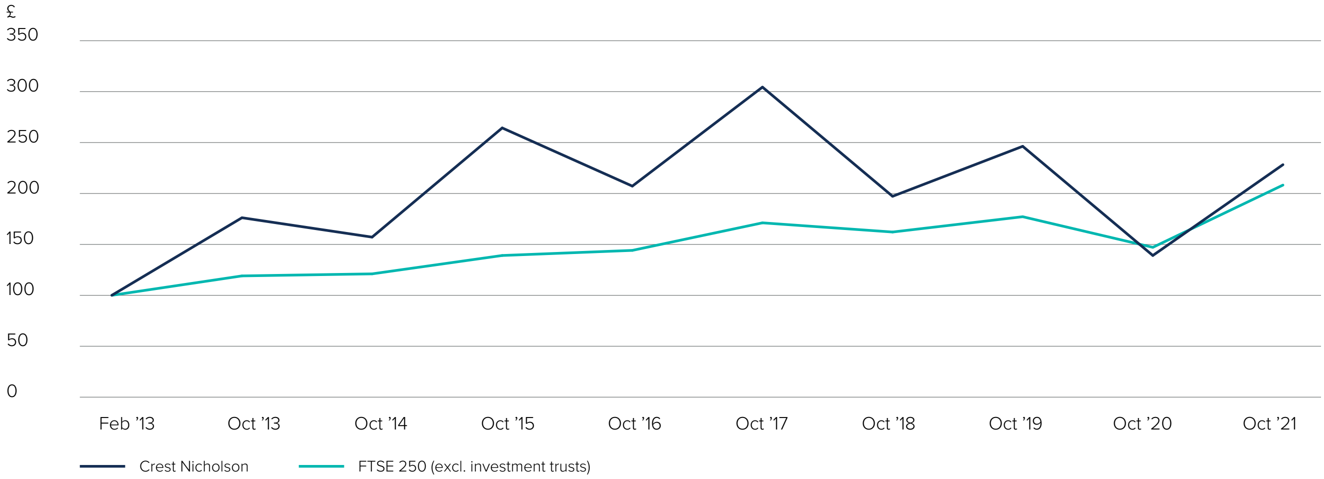
In considering the operation of the Policy, the Committee takes into account the published remuneration guidelines and specific views of shareholders and proxy voting agencies. The Committee consults with the Company's major shareholders, where considered appropriate, regarding changes to the operation of the Policy and when the Policy is being reviewed and brought to shareholders for approval. The Committee considers specific concerns or matters raised at any time by shareholders. In addition, the Chair of the Committee regularly participates in governance meetings with the Company Chairman, offered to larger institutional shareholders on an annual basis including in late 2020, and late 2021.

The current Policy that was approved at the 2020 AGM was the subject of a consultation process with major shareholders in autumn 2019. The Policy will be presented to shareholders for approval again at the AGM in 2023 and the Committee will be developing the Policy and consulting with major shareholders during 2022.

ANNUAL REPORT ON REMUNERATION
CONTINUED

Performance graph and table

The graph below illustrates the Company's total shareholder return performance relative to the constituents of the FTSE 250 Index (excluding investment trusts) from the start of conditional share dealing. As a member of the FTSE 250 (since joining the index on 24 June 2013), the Committee considers this to be an appropriate comparator.



The graph above shows the performance of a hypothetical £100 invested over that period.

Historical Chief Executive remuneration

The table below sets out total Chief Executive remuneration for FY21 and prior years, together with the percentage of maximum annual bonus outcome in that year and the percentage of maximum LTIP vested in that year.

£000	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Chief Executive total remuneration	1,043	14,110[1]	1,313	4,127	2,345	2,150	714[3]	1,495[4]	739	1,422
Annual bonus % of maximum	80	100	100	82	82	84	0	3.5	0	84
Incentive plan award % of maximum	N/A	100	N/A[2]	100	100	100	25	0	0	0

1 The total Chief Executive salary and benefits remuneration in FY13 was £1,274,507 before inclusion of incentive plan shares and options included in the 2013 figure above.
2 No incentive plans vested or had a performance period ending in FY14.
3 Based pro rata, on salaries and total remuneration of Stephen Stone to 21 March 2018 and Patrick Bergin from 22 March 2018 to 31 October 2018.
4 Based pro rata, on salaries and total remuneration of Patrick Bergin to 26 March 2019, Chris Tinker from 26 March 2019 to 8 September 2019 and Peter Truscott from 9 September 2019. It also includes the cost of buy out arrangements for Peter Truscott.

Relative importance of spend on pay

This includes data for all employees, including those who were promoted, had salary changes, were new starters or received incentive-based remuneration, as well as pay in respect of individuals who left during the year but had some service. Distributions to shareholders for FY20 and FY21 are made up of cash paid to shareholders in each respective year.

While head count grew slightly over the year, total spend on pay in FY20 included a previously higher head count as well as the cost of redundancies arising from organisational changes implemented during 2019 and 2020. With these changes complete, total spend on pay in FY21 was significantly lower than FY20. The level of distributions to shareholders increased following the reinstatement of a dividend policy after its suspension in FY20 as a result of the COVID-19 pandemic. An interim dividend paid was in October 2021.

The measures shown below are those specified by the applicable disclosure requirements and total spend on pay reflects actual expenditure in the year.

The table below shows how employee remuneration costs compare to distributions made to shareholders in FY20 and FY21.

Total spend on pay

		£ Change	% Change
2021	£39.9m	£-13.3m	-25.0%
2020	£53.2m		

Distributions to shareholders by way of dividend and share buyback

		£ Change	% Change
2021	£10.5m	£10.5m	100%
2020	£0.0m		

Our employees

Statement of consideration of employment conditions elsewhere in the Group

During the year the Committee reviewed the remuneration framework applicable to all employees. The Policy framework applies in a very similar way across the Group in terms of types of benefits and variable pay relative to role grades and disciplines. This ensures alignment across the Group and encourages shared goals and objectives.

The Committee also considered the following employee matters during the year:

Matter	How our employees are treated
Annual bonus	Where performance targets have been met, payments under employee schemes will be made. These are consistent with performance of the Executive Directors' scheme.
Annual salary increase	After consideration of Group performance and wider economic factors such as inflation it was considered appropriate to award an average annual salary increase across the Group of 3%. Including promotions or other pay changes, the average increase in salary from 1 January 2022 is 3.1%.
Benefits	The Committee considered management's review of the Group's benefits programme, noting a number of positive changes as a result of the review. The Committee also reviewed the Group's pension contribution framework and considered that this was appropriate.
Sharesave	The Committee approved the launch of the 2021 Sharesave scheme to all employees which had 24.3% participation this year.

When making remuneration decisions for Executive Directors, the Committee considers the wider economic environment and conditions within the Group. In particular, the Committee is sensitive to pay and employment conditions across the employee workforce and carefully considers the broader employee salary increase budget when making reward decisions for Directors. The Committee considers industry benchmarking material in the context of monitoring its overall position on Director and employee pay.

	Executive Directors[1]	Senior management[2]	Management[3]	Wider employee workforce[4]
Base Salary	Base Salary is set with reference to the specific nature of the role and responsibility, individual experience and performance, relative to other Group employees and market practice among other UK housebuilders. This is normally reviewed and increased with reference to cost of living, inflation and Group performance. Other than where other wage rates apply such as apprentices, all employees are paid at or above the voluntary real living wage.			
Benefits	The Group's benefit programme applies to all employees in a similar way including access to healthcare coverage and life assurance. Certain benefits have a service requirement or have enhanced cover for management roles and above. Employees have access to a real-time total reward statement via our MyReward platform which also allows them to access and manage their benefits.			
Pension	All employees are initially auto-enrolled into the Group pension plan with a 6% employer contribution or have the ability to opt in. Employees can opt to increase or decrease their contribution amounts. The maximum employer contribution is 10% depending on employee contribution level and service. The majority of employees receive an employer contribution of 6%. More than 90% of our employees are members of our Group pension plan.			
Annual bonus	Yes	Yes	Yes	Yes
LTIP	Yes	Yes	No	No

1 **Executive Directors:** Executive Directors of the Company.
2 **Senior management:** Executive Leadership Team (other than Executive Directors) and other senior roles.
3 **Management:** management roles below senior management.
4 **Wider employee workforce:** other roles not included in (1) to (3).

Employee engagement

The Group carries out periodic employee engagement surveys that give employees the opportunity to share their views on employment related matters, including remuneration. 58.6% of our employees took part in our most recent survey in September 2021, and the survey reported a 75% overall engagement score.

Around one-third of those who participated disagreed or strongly disagreed that the pay they receive compares favourably with other employers in our industry, and around 5% felt the same about the benefits package. The Group's HR team regularly reviews base pay across the Group and compares this to market analysis and will continue to do so in FY22. The Committee will continue to review employee pay structures and levels during the forthcoming year.

In addition, the Chief Executive hosts employee update webinars throughout the year.

The Committee was pleased that 24.3% of eligible employees joined the 2021 Sharesave scheme and that employee participation across all share schemes increased to 49%. The Committee consider Sharesave to be a valuable mechanism that provides employees with a path to share ownership.

The level of voluntary employee turnover remains a challenge for the Group and the wider sector. The Committee has carefully considered this in the context of annual bonus scheme targets, noted elsewhere in this report. More information about the initiatives we are undertaking to retain our employees can be found in the Strategic Report on pages 54–58.

Engagement on Executive Director Remuneration

During the year, a number of employee webinars were held with the Chief Executive and Non-Executive Director responsible for employee engagement. These were open to all employees and a range of questions were submitted in advance and at each event including in relation to pay policies, pay increases and bonus matters giving an opportunity for members of the Board to respond directly to employees on these important topics. Specific engagement is planned for FY22 as the Group's Remuneration Policy is reviewed ahead of the AGM in 2023.

ANNUAL REPORT ON REMUNERATION CONTINUED

Percentage change in Directors' remuneration

The table below sets out the percentage change between FY19 and FY20 and FY20 and FY21 for salary, benefits and annual bonus of the Directors compared with a selected cohort of employees. The parent company, Crest Nicholson Holdings plc, does not have any direct employees. However, we disclose on a voluntary basis the comparison of the pay decisions taken by the Committee for our Directors against the experience of the wider workforce using a comparator group of employees.

To provide the best like-for-like comparison, this group of employees have similar employment terms to the Executive Directors and have not joined or left employment during the latest comparison period. The average increase in salary of 7.1% for the cohort employees during FY21 is due to role changes, promotions and market rate adjustments during the year.

	Percentage change FY21 compared to FY20			Percentage change FY20 compared to FY19		
	Salary/Fees	Benefits	Bonus[9]	Salary/Fees	Benefits	Bonus
Peter Truscott[1]	0.0%	-0.3%	100%	35.2%	-6.1%	-100%
Duncan Cooper[2]	1.4%	4.6%	100%	7.6%	18.4%	-100%
Tom Nicholson[3]	2.2%	1.4%	100%	14.8%	6.3%	-100%
Iain Ferguson[4]	0.0%	–	–	-26.4%	–	–
David Arnold[5]	0.0%	–	–	–	–	–
Octavia Morley[6]	5.5%	–	–	8.3%	–	–
Lucinda Bell	0.0%	–	–	0.0%	–	–
Louise Hardy[7]	9.7%	–	–	0.0%	–	–
Sharon Flood[8]	0.0%	–	–	0.0%	–	–
Average change for cohort employee	7.1%	11.2%	244.0%	2.8%	13.8%	-35.0%

1 The figures used for FY19 are the blended salaries for Patrick Bergin, Chris Tinker (who acted as Interim Chief Executive) and Peter Truscott, in respect of their time serving as Chief Executive. They do not include buy out awards in respect of Peter Truscott.
2 For FY19 we have used annualised amounts in respect of Duncan Cooper.
3 For FY19 we have used annualised amounts in respect of Tom Nicholson, and for FY20 included remuneration prior to joining the Board.
4 The figure used for FY19 is the salary for Stephen Stone who was Chairman during this period.
5 The figure used for FY20 is the fee for Sharon Flood who served in the same role during this period.
6 The increase for Ms Morley reflects her extra responsibilities as Senior Independent Director.
7 The increase for Ms Hardy reflects her extra responsibilities as Non-Executive Director responsible for employee engagement.
8 Sharon Flood left the Board on 30 June 2021. An annualised fee has been used for this comparison.
9 An element of employee bonus schemes is based on customer satisfaction scores on 31 January 2022, which falls after publication of this report. These figures for the cohort group are therefore calculated using the customer satisfaction score on 31 December 2021.

Chief Executive to employees' pay ratio

The table below reports the pay ratio for FY21 and has been calculated using Option A, as the Committee considers this to be the most appropriate and robust way to calculate the ratio. This is our second year publishing a Chief Executive pay ratio and FY20 is below for comparison. We will build this up over time to show a rolling ten-year period.

Year	Method		25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
31 October 2020	Option A	**Ratio**	25:1	17:1	11:1
31 October 2021	Option A	**Ratio**	46:1	32:1	21:1
		Employees' total pay	£31,051	£44,930	£68,928
		Employees' salary	£30,000	£36,050	£52,342

Under Option A we calculated the total remuneration for all employees in FY21 on the same basis as the Chief Executive single total figure of remuneration (see page 114) and then identified three employees that represent the lower quartile, median and upper quartile based on pay and benefits. Earnings for those who are part time, joined or left during the year have been annualised on a full time equivalent basis as at 31 October 2021. Employee pay includes such items as overtime, commission, annual bonus[1] and any long-term incentives. Benefits include company car or car allowance, private medical and employer pension contributions.

Other than any annual bonus, all other payments are included on a cash basis. The annual bonus element for the Chief Executive and all other employees is the bonus earned during FY21 which is due to be paid in February 2022. The Company considers the median pay ratio is consistent with the Group's wider policies on employee pay, reward and progression. The ratio has increased this year because an annual bonus was made to the Chief Executive in respect of FY21 whereas the Executive Directors waived their bonus entitlement in the year prior (FY20). The ratio is likely to increase in future years if LTIP awards vest.

1 An element of employee bonus schemes are based on customer satisfaction scores on 31 January 2022, which falls after publication of this report. These figures for the cohort group are therefore calculated using the customer satisfaction score on 31 December 2021.

Gender pay gap reporting

Median hourly gender pay gap for the year to April 2020[1] is 19% (2019: 20%), compared with a national average of 15.5%. The Group's mean level hourly pay gap between men and women across all roles is 21% (2019: 21%). During the year the Company has continued to focus on diversity and inclusion initiatives and more details can be found on pages 54–58. Details of the gender breakdown for senior management roles is set out in more detail on page 58. The Committee continues to take into account its gender pay gap when making pay decisions and works in conjunction with the Nomination Committee to improve the diversity of employees.

1 Gender pay gap 2021 will be published in April 2022.

Statement of implementation of Remuneration Policy in the following financial year

In FY22 the Committee intends to implement the Executive Director and Non-Executive Director remuneration policies as set out below.

Executive Directors

Director		Fee (annual)		Change
Peter Truscott	An increase of 3%, in line with the employee average award	2022	£666,950	3%
		2021	£650,000	
Duncan Cooper	An increase of 3%, in line with the employee average award	2022	£375,950	3%
		2021	£365,000	
Tom Nicholson	An increase of 3%, in line with the employee average award	2022	£385,220	3%
		2021	£374,000	

The average salary increase across the employee workforce from 1 January 2022 was 3.1% of salary.

Non-Executive Directors

Director	Role	2021 fee (annual)	2022 fee (annual)	Change
Iain Ferguson	Chairman	£200,000	£206,000	3.00%
David Arnold	Non-Executive Director	£60,000[1]	£61,800[1]	3.00%
Lucinda Bell	Non-Executive Director	£51,500	£53,045	3.00%
Louise Hardy	Non-Executive Director	£56,500[2]	£58,195	3.00%
Octavia Morley	Senior Independent Director	£68,500[3]	£70,555[2]	3.00%

1 Includes an additional fee for role as Chair of the Audit and Risk Committee. This fee (on an annual basis) was £8,500 in 2021 and will be £8,755 in 2022. David Arnold joined the Board on 1 September 2021.
2 Includes and additional for role as Non-Executive Director responsible for employee engagement. This fee (on an annual basis) was £5,000 in 2021 and will be £5,150 in 2022.
3 Includes an additional fee for role as Chair of the Remuneration Committee, and an additional for role as Senior Independent Director. Both such fees (on an annual basis) were £8,500 in 2021 and will be £8,755 in 2022.

Pension and benefits

	Pension or cash equivalent	Annual bonus	LTIP
Peter Truscott	10%[1]	125%	150%
Duncan Cooper	6%[2]	125%	150%
Tom Nicholson	6%[2]	125%	150%

1 Peter Truscott's pension benefit was negotiated in early 2019. The benefit will align to the rate applicable to the majority of employees (currently 6%) on 31 December 2022. 10% represents the maximum level available to employees.
2 6% is the rate applicable to the majority of the employee workforce.

All Executive Directors can elect whether to contribute some of the benefit directly into the Group's defined contribution pension plan and receive any balance (or all the benefit) as cash.

Annual bonus

The annual bonus opportunity will remain at 125% of salary for FY22.

For financial targets and non-financial targets, the threshold payment will be 10% (20% for non-financial targets) giving a reward for meeting threshold, 50% for meeting target and 100% for stretch significant performance.

The targets are considered to be commercially sensitive and will be disclosed in the FY22 Directors' Remuneration Report to the extent that they do not remain commercially sensitive. The Committee will review performance under the annual bonus in the context of wider stakeholder experience over the performance period when determining bonus payments.

One-third of any bonus earned will be deferred in shares for three years.

The Committee has reviewed the mix of measures in line with the Group's strategy and, accordingly, the following measures and weightings have been agreed for the FY22 annual bonus, and are set out overleaf. The Committee considered that the use of a cost savings measure had been appropriate for the business during FY21 and had achieved the objective of embedding the new house type range and new specification; as such, other areas would be the subject of focus for FY22. In addition, in seeking to increase the bonus element for ESG, the Committee has removed the NHBC RI measure to allow for this noting that customer service and quality continue to be represented by the customer satisfaction survey score. This has facilitated an increase from 5% to 10% for the ESG measure which will encourage further focus on the reduction of carbon emissions.

The Committee is also satisfied that the bonus scheme framework is applied in a similar way to employees across the Group, tailored to roles and functions.

ANNUAL REPORT ON REMUNERATION
CONTINUED

Performance measure	Measure detail	Strategic priority and foundation	Weighting (% of total bonus opportunity)
Financial			
Adjusted profit before tax	PBT performance measured between a threshold and maximum	3 5 9	50%
Net cash	Net cash performance measured between a threshold and maximum	2 3 5 9	20%
Non-financial			
Personal and strategic objectives	Objectives to reduce voluntary employee turnover and increase employee engagement	6	10%
Customer service and quality	NHBC Customer Satisfaction Survey score measured between threshold and maximum	1 4 6	10%
Environment, Social and Governance	Reduction in Scope 1 and 2 combined emissions intensity (tCO_2e/100 sq. m) during the year between threshold and maximum, compared to FY21 equivalent	7	10%
SHE Leadership	Assessment of SHE leadership during the year	8	less up to 10% downward adjuster

LTIP

Peter Truscott, Duncan Cooper and Tom Nicholson will be granted an LTIP award with a face value of 150% of base salary.

Following careful consideration of the structure of its LTIP in FY22, and taking account of the Group's future strategy, the Committee has retained the same LTIP framework used in FY21, retaining total shareholder return (TSR) measured against the FTSE 250 and certain sector peers, ROCE and EBIT Margin which it believes promote the long-term success of the Group:

Measure	% of award	Threshold (25% of element)	Maximum (100% of element)	Link to strategy
TSR (FTSE 250 and sector peers)	40%	Median	Upper Quartile	1 2 3 5 7 9
ROCE FY24	30%	19%	22%	2 3 5 9
EBIT margin FY24	30%	16%	18%	3 5 9

1 Placemaking & Quality
2 Land Portfolio
3 Operational Efficiency
4 Five-Star Customer Service
5 Multi Channel Approach
6 People
7 Sustainability & Social Value
8 Safety, Health & Environment
9 Financial Targets

TSR is measured using the companies comprising the FTSE 250 index (excluding investment trusts) as at 1 November 2021 (one-third) and a selection of sector peers (two-thirds). The FY22 peer group comprises Barratt Developments plc, Bellway plc, Countryside Properties plc, Persimmon plc, Redrow plc, Taylor Wimpey plc and Vistry Group plc. The Committee does not consider that The Berkeley Group plc reflects the geographic or product focus of the Group and has therefore not been included.

For both TSR elements, performance will be measured on a straight-line basis between a threshold of median TSR (earning 25% of the element) and a maximum at upper quartile TSR (earning 100% of the element).

TSR was introduced to provide focus on the Company's relative TSR performance against the sector and the stock market generally, following the Company's under performance in recent years as well as providing a renewed focus on sustained growth in profitability and dividend distribution. ROCE and EBIT margin, both financial KPIs, make up 60% of the award rewarding strong operational efficiency and margin accretion. Both of these measures will be adjusted measures as defined on page 193. Vested awards will be subject to a two-year holding period which, together with the three-year performance period during which withholding applies, provides five-years' control of performance outcome.

At its Capital Markets Day in October 2021, the Group announced a range of five-year financial targets including in relation to ROCE (FY24–FY26: 22%–25% ROCE range) and Operating Profit Margin (EBIT margin) (FY24–FY26: 18%–20% range). The Committee has carefully considered these external targets as well as the Group's internal plan in setting FY24 targets and has set the FY24 (stretch) maximum targets at the start of the FY24–FY26 range. The Committee believes this incentivises management to deliver the first part of its ambitious growth plan where risk is weighted more toward earlier years as new operating divisions are initially established.

The target range for both ROCE and EBIT margin are higher than the range set for the prior year award and in line with market expectation. In both cases, the targets are considered stretching in light of the strategy, three-year business plan and market outlook and the Committee recognises that as the five year plan progresses, it would expect to set targets within the forecast ranges for FY25 and FY26.

The Committee intends to grant awards at the normal policy level of 150% of base salary. The final vesting value of any awards will be considered carefully by the Committee at that time to ensure the value delivered to participants remains appropriate relative to the performance of the Group, shareholder experience, and employee workforce impact over the performance period. In particular the Committee will ensure that no undue windfall gains are made as a result of share price movements and there will be full disclosure of this determination in the Directors' Remuneration Report.

Advisors to the Committee

The Chief Executive and Group HR Director provide input to the Committee on matters concerning remuneration and the General Counsel and Company Secretary acts as Secretary to the Committee.

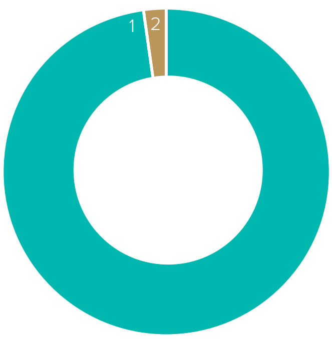
The Committee received external advice in the year from Korn Ferry (total fees £21,196). Korn Ferry was appointed by the Committee following a competitive selection process in FY18. Korn Ferry is a founder member of the Remuneration Consultants' Group, which operates a code of conduct. No other services are provided by Korn Ferry. Fees paid to external remuneration advisors are typically charged on an hourly basis with costs for work agreed in advance where possible.

The Committee manages conflicts of interest by ensuring the relevant member of management or the Committee are not present when their own remuneration is determined or discussed. In addition, the Committee is satisfied that the advice received by Korn Ferry in relation to executive remuneration matters was objective and independent. During the year the Committee's performance was evaluated as part of the overall Board evaluation. The review explored how the Committee operates, its scope of work and areas for development. The evaluation concluded that the Committee continues to work effectively.

Statement of voting at Annual General Meeting

The tables below set out the votes received for the 2020 Directors' Remuneration Report at the 2021 AGM and Remuneration Policy at the 2020 AGM, respectively.

Directors' Remuneration Report



1	Shares voted in favour	193,645,902	98.05%
2	Shares voted against	3,858,618	1.95%

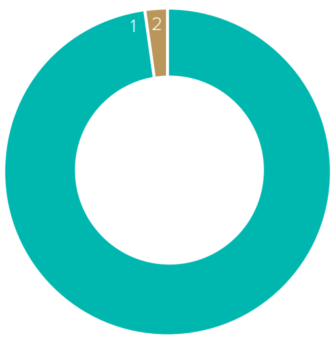
Total votes cast (76.87% of issued share capital)

197,504,520

Votes withheld (abstentions)

19,865

Directors' Remuneration Policy



1	Shares voted in favour	194,484,347	98.04%
2	Shares voted against	3,881,502	1.96%

Total votes cast (77.21% of issued share capital)

198,365,849

Votes withheld (abstentions)

54,755

The Committee has maintained a regular dialogue with leading shareholders on a range of matters, including remuneration. This year, the Committee engaged with the Company's major shareholders regarding the pay outcomes for FY21. The Committee welcomes feedback and encourages shareholders to contact the Remuneration Committee Chair via the General Counsel and Company Secretary to provide their views and feedback.

Approval

This report and Policy were approved by the Board of Directors on 19 January 2022 and signed on its behalf by

Octavia Morley
Remuneration Committee Chair

DIRECTORS' REPORT
COMPLIANCE AND OTHER DISCLOSURES

The Directors' Report for the year ended 31 October 2021 comprises pages 70–130 together with other sections of the report as referenced below. In accordance with the UK Financial Conduct Authority's Listing Rules LR 9.8.4c, the information to be included within the Annual Integrated Report, where applicable, is set out in the Directors' Report.

Articles of association (Articles)
The Articles regulate the internal affairs of the Company and are available on the Company's website. The Articles were not amended during the year.

Going concern and viability statement
Having assessed the principal risks and all other relevant matters, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements of the Company. Further details can be found on pages 144–145 and 188. The Company's viability statement can be found on page 69.

Directors
The current Directors and their biographical details are detailed on pages 74–75.

Powers of Directors
The Directors' powers are conferred on them by UK legislation and by the Company's Articles.

Election and re-election of Directors
The Board may appoint any person to be a Director (so long as the total number of Directors does not exceed the limit prescribed in the Company's Articles). Any such Director shall hold office until the next AGM and shall then be eligible for election. All current Directors will submit themselves for election or re-election at the 2022 AGM. The Board confirms that it has the appropriate balance of skills, experience, independence and knowledge, and shareholders should support the re-election of the Directors.

Directors' and officers' liability insurance
The Company maintains Directors' and officers' liability insurance for the Directors and the General Counsel and Company Secretary. The Company has granted indemnities to the extent permitted by law to the Directors and to the Directors of Crest Nicholson Pension Trustee Limited, which acts as trustee to the Company's defined benefit pension scheme.

Share capital
As at 31 October 2021 the Company had issued share capital of 256,920,539 ordinary shares of 5 pence. No ordinary shares have been issued during the financial year.

Rights attached to shares and restrictions on transfers
Subject to the provisions of relevant statutes, and without prejudice to any rights attached to any existing shares or class of shares:

- Any share may be issued with such rights or restrictions as the Company may by ordinary resolution determine or, subject to and in default of such determination, as the Board shall determine
- In any general meeting, on a show of hands, every member who is present in person shall have one vote, and on a poll every member present in person or by proxy shall have one vote for every share of which they are the holder
- There are no specific restrictions on transfer of shares, other than where these are imposed by law or regulations.

The Company is not aware of any arrangements between shareholders that may result in restrictions on the transfer of securities or voting rights.

Power to issue or buy back own shares
At the AGM in March 2021 the Company's shareholders delegated the following powers in relation to the issue or market purchase by the Company of its shares:

- Authority to allot shares in the Company up to an aggregate nominal amount of £4,282,008 (equivalent to one-third of the Company's issued share capital)
- Authority to disapply pre-emption rights up to an aggregate nominal amount of £642,301 (equivalent to five per cent of the Company's issued share capital)
- Authority to make market purchases of its own shares up to a maximum aggregate number of 25,692,053 (equivalent to ten per cent of the Company's issued shares).

These standard authorities will expire on 30 April 2022 or at the conclusion of the next AGM, whichever is earlier.

The Directors will seek similar authorities at this year, alongside further authorities (which are in line with market practice) to:

- Allot a further one-third of the Group's issued share capital in connection with a pre-emptive offer by way of a rights issue
- Disapply pre-emption rights for an additional five per cent for transactions which the Board determines to be an acquisition or other capital investment as defined by the Pre-Emption Group's revised Statement of Principles.

For details of the resolutions and explanatory notes, please refer to the Company's Notice of AGM which will be posted to shareholders and available at www.crestnicholson.com/investors/shareholder-centre.

At 31 October 2021, the Group's Employee Benefit Trust (EBT) held 389,512 ordinary shares in the Company for the purposes of satisfying awards under the Company's share and incentive plans. The EBT has waived rights to a dividend now and in the future.

Policies and procedures

Policies and procedures, including operating and financial controls, are detailed in the Group's policies and procedures manuals. There are approval processes in relation to the acquisition of land and the commencement of development projects. All sites go through a rigorous approval and assessment process at Group level.

The Group operates a range of compliance, ethical and equal treatment policies, including the equality and diversity policy and the anti-bribery and corruption policy. The Group also operates a whistleblowing policy whereby employees and supply chain partners can report concerns via an independent, free and confidential helpline. The policy details the appropriate lines of communication and an escalation procedure enables any reports to be dealt with effectively and efficiently.

Central functions

Strong central functions support the Board, Executive Committee and divisional businesses. These functions include, among others: Legal and Company Secretarial; Group Finance; IT; Human Resources; Internal Audit; Marketing; Procurement; Safety, Health and Environment (SHE); Sustainability and Technical. Each central function contributes in its area of expertise to improve compliance, oversight, support and education with the relevant legal and regulatory requirements. In addition, principal treasury-related risks, decisions and control processes are managed by the Group Finance function.

Significant contracts

The Group does not have any contracts that are considered alone to be essential to the business of the Group. The Group does, on occasion, make significant purchases of goods and services from a sole supplier where this is deemed necessary for efficiency, practicality or value. However, it does so only after a tender or appropriate selection process and in the context of the level of risk such sole supply might bring.

Change of control

The Group has in place several agreements with its lending banks, private placement note holders, joint venture partners, Government authorities (such as Homes England), private investors and customers, which contain certain termination rights that would have an effect on a change of control. The Directors believe these agreements to be commercially sensitive and consider that their disclosure would be seriously prejudicial to the Group. Accordingly, they do not intend to disclose specific details of these. In addition, all the Group's share schemes contain provisions that, in the event of a change of control, this would result in outstanding options and awards becoming exercisable, subject to the rules of the relevant schemes. There are no agreements between the Group and its Directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid.

Financial risk management

Note 25 to the financial statements on pages 176–179 set out the Company's approach to financial risk management including financial credit and liquidity risk.

Political donations

The Group made no political donations during the year (2020: nil).

Events after the balance sheet date

There were no significant events after the balance sheet date.

Branches

The Group has no branches outside the United Kingdom.

Substantial shareholdings

Set out below are the percentage interests in ordinary share capital of the Company, disclosable under the Disclosure Guidance and Transparency Rules, that were notified to the Company as at 31 October 2021 and 19 January 2022.

	As at 31 October 2021		As at 19 January 2022	
Shareholder	Number of voting rights held	% of voting rights held	Number of voting rights held	% of voting rights held
Standard Life Aberdeen plc	19,689,885	7.66	19,689,885	7.66
Norges Bank	10,079,020	3.92	10,079,020	3.92
Liontrust Asset Management Plc	13,024,964	5.07	13,024,964	5.07

GREENHOUSE GAS EMISSIONS REPORT

Global greenhouse gas (GHG) emissions data	2021 1 November 2020 to 31 October 2021 Location-based	2021 1 November 2020 to 31 October 2021 Market-based	2020 1 November 2019 to 31 October 2020 Location-based	2020 1 November 2019 to 31 October 2020 Market-based
Scope 1 emissions (tCO_2e) – Direct emissions from	3,638	3,638	4,232	4,232
Scope 2 emissions (tCO_2e)	1,718	263	1,771	500
Total scope 1 and 2 emissions	5,356	3,901	5,904	4,632
Scope 1 and 2 combined emissions intensity[1] (tCO_2e/100 sq. m)	2.52	1.84	3.08	2.43
Group wide energy use (kWh)[2]	25,331,829	25,331,829	26,370,982	26,370,982

1 Intensity metric is the floor area (sq. m) of our completed floor area in the financial year.
2 Group-wide energy use includes site and office electricity, gas, diesel and Liquid Petroleum Gas (LPG) and business travel associated with company-owned vehicles.

Methodology

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

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

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

For operational joint ventures we have included GHG emissions from our own site compounds for the parts of the sites we are developing, and the homes delivered by ourselves.

We use the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (revised edition) and emission factors from UK Government's GHG Conversion Factors for Company Reporting 2021.

Information on our scope 3 emissions is available on our website and on page 30 of this report.

Streamlined Energy and Carbon Reporting (SECR) disclosure

Our SECR disclosure includes carbon emission data in line with our methodology above. Our annual energy consumption data includes our site and office electricity, gas, diesel and LPG used on our sites and business travel associated with our Group operated fleet. All figures relate to emissions and energy consumed in the UK. Our strategic report provides detail on the energy efficiency measures carried out during the year (see pages 24–25).

Verification statement by Verco Advisory Services

Verco Advisory Services Ltd has reviewed Crest Nicholson's GHG calculations using the World Resources Institute (WRI) and World Business Council for Sustainable Development (WBCSD) Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard. Verco has also provided limited assurance against ISO14064. Verco has also provided independent verification of operational energy consumption data.

Based on its review of Crest Nicholson's GHG emissions inventory for 1 November 2020 to 31 October 2021, Verco has determined that there is no evidence that the GHG assertion is not materially correct.

Furthermore, Verco finds no evidence that Crest Nicholson's assertion is not a fair and accurate representation of Crest Nicholson's actual emissions.

Verco finds that the information submitted by Crest Nicholson is consistent with the WRI/WBCSD.

Directors' Report approval

Disclosure of information to the auditor

The Directors who held office at the date of approval of the Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditor is unaware. Each Director has taken all the steps they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Appointment of auditor

PricewaterhouseCoopers LLP (PwC) was re-appointed at the 2021 Annual General Meeting (AGM) and is willing to seek re-appointment this year.

Resolutions to re-appoint PwC will be proposed at the 2022 AGM.

Approval

The Directors' Report was approved by the Board of Directors on 19 January 2022 and signed on its behalf.

Kevin Maguire
Company Secretary

We are... delivering a stronger financial performance

In this section

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group 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 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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CREST NICHOLSON HOLDINGS PLC

Report on the audit of the financial statements

Opinion

In our opinion:

— Crest Nicholson Holdings plc's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 October 2021 and of the group's profit and the group's cash flows for the year then ended;

— the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;

— the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and

— the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Integrated Report (the "Annual Report"), which comprise: the Consolidated and Company Statements of Financial Position as at 31 October 2021; the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Cash Flow Statement and the Consolidated and Company Statements of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit and Risk Committee.

Separate opinion in relation to international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union

As explained in note 1 to the financial statements, the group, in addition to applying international accounting standards in conformity with the requirements of the Companies Act 2006, has also applied international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In our opinion, the group financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in note 5 of the financial statements, we have provided no non-audit services to the company or its controlled undertakings in the period under audit.

INDEPENDENT AUDITORS' REPORT CONTINUED

Our audit approach

Context

Crest Nicholson Holdings plc is a residential housebuilder listed on the London Stock Exchange. The Group is wholly UK based, operating primarily across the Midlands and the Southern half of England. The Group is susceptible to external macro-economic factors such as government regulation, mortgage availability and changes in the wider building sector such as customer demand, supply chain availability and build cost inflation. This is particularly relevant for our work in the areas of margin forecasting and the valuation of inventory.

During the year ended 31 October 2021, the Group has recovered from the impact of the COVID-19 pandemic and both revenue and profit levels have increased year on year, resulting in the partial release of the exceptional net realisable value provision ("NRV") recorded in the prior year. The Group has also recorded an additional exceptional charge in relation to the combustible materials provision, in the face of expected additional costs identified in response to government guidelines over fire safety. Our audit procedures, as set out below in the related key audit matters, focused on the appropriateness of the significant accounting estimates made by management. These accounting estimates also include the known impacts of climate change on the Group where relevant.

Overview

Audit scope

— We conducted an audit of the complete financial information of each of the five geographically-based housebuilding Divisions, which form the majority of the Group. Specific balances and financial statement line items were audited within additional reporting units based on their size. Revenue, the carrying value of inventory, pensions and the combustible materials provision were tested at the Group level.

Key audit matters

— Valuation of inventory at the lower of cost and net realisable value ("NRV") (Group)
— Margin forecasting and recognition (Group)
— Accounting for the combustible materials provision (Group)
— Valuation and classification of intercompany receivables (Company)

Materiality

— Overall group materiality: £6,000,000 (2020: £5,400,000) based on consideration of a number of acceptable benchmarks, and equivalent to approximately 6% of current year profit before tax and exceptional items (2020: Approximately 5% of a three-year average of profit before tax and exceptional items).
— Overall company materiality: £2,500,000 (2020: £2,400,000) based on approximately 1% of total assets.
— Performance materiality: £4,500,000 (2020: £4,000,000) (group) and £1,800,000 (2020: £1,800,000) (company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Accounting for the combustible materials provision and valuation and classification of the parent company intercompany receivables are new key audit matters this year. Going concern, exceptional items and COVID-19, which were key audit matters last year, are no longer included because of the recovery of the Group in the current year and the lower level of risk associated with these items, or their inclusion in other key audit matters. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Valuation of inventory at the lower of cost and net realisable value ('NRV') (Group) Refer to Note 1 (Accounting policies) Note 4 (Exceptional items) and Note 19 (Inventories) of the Group financial statements, and page 99 (Key financial and internal control matters). Inventory is the most significant balance on the consolidated statement of financial position and is held at the lower of cost and net realisable value ("NRV"). While the cost is relatively straightforward to determine, the NRV of each development is judgemental, based on forecasts of costs and sales prices. During the year, the directors determined that £8.0m of NRV provision should be released as an exceptional credit to the consolidated income statement (note 4), reflecting the current and expected performance of house prices in the UK. The Group continues to recognise £20.7m of NRV, with the majority expected to be utilised in the next financial year. Due to the size of the balances and the judgemental nature of the forecasts we determined that the valuation of this financial statement line item is a significant risk for the audit and therefore a focus of our work.	Our audit procedures included: — Confirming and updating our understanding of management's process for preparing a forecast for each development, consistent with the risk associated with the margin forecasting and recognition process (see below); — Consistent with the risk associated with the margin forecasting and recognition, we tested management's controls over the approval of the initial forecasts and the monitoring of updates required to the forecasts over the course of the development's life, including attendance at Build Cost control meetings at all Divisions; — Testing the appropriateness and accuracy of the inputs into the development forecasts, for example by comparing sales prices and costs to market research, quotes or purchase orders. As part of our audit procedures, we also had discussions with site surveyors and other individuals outside the finance function; — We understood the composition of the inventory balance, specifically the level and ageing of completed but unreserved units, to confirm if completed units are held at the appropriate value. We assessed the level of post year end reservations and compared forecast sales prices to actual sales prices achieved or to external market data to determine if there are any valuation issues at the period end; — We evaluated the margins recognised on sites where we identified potential valuation issues, being those sites with low margins or high levels of completed and unreserved units at the year end date; — We evaluated the carrying value of part exchange stock by verifying sales values to external evidence and testing to post-year end reservations; — We assessed the appropriateness of the release of the 7.5% sales price decline previously recorded in 2020 given current independent market forecasts available at the year end date; and — We tested management's NRV model to confirm the mathematical accuracy of the workings. Based upon the procedures performed we did not identify any sites where we determined that further material impairments were required. We are satisfied that the Group's provisions were not materially misstated.

INDEPENDENT AUDITORS' REPORT CONTINUED

Key audit matter	How our audit addressed the key audit matter
Margin forecasting and recognition (Group) Refer to Note 1 (Accounting policies) of the Group financial statements and page 99 (Key financial and internal control matters). The Group's margin is recognised on a plot by plot basis by reference to the margin forecast across the related development site. The margin per site reflects the best estimates of sales prices and costs. There is a risk that the margin forecast for the site and consequently the margin recognised on each unit sale is incorrect and not reflective of the final margin recognised on a development. As a result excess profit margins could be recognised earlier to the detriment of reduced margins at the end of the development. The risk is due to the high level of management estimation involved in ensuring the accuracy and completeness of an individual site forecast, and the monitoring of these estimates over time. Sales prices and build costs are inherently uncertain as they are influenced by changes in external market factors, such as the availability and affordability of mortgages, changes in customer demand due to market uncertainty or build cost inflation. There is higher uncertainty when a development is scheduled to be completed over a long timeframe. Management have implemented internal controls and forecasting to assess land acquisition prior to build commencement and assist the initial financial appraisal process, and further controls to monitor the ongoing costs and sales prices within these forecasts. We consider the accuracy and completeness of forecasting and margin recognition across the life of the site to be a significant financial reporting risk for the Group.	Our audit procedures included: — Testing management's forecasting and monitoring controls for the developments (including attendance at a selection of management's internal control meetings designed to monitor cost movements) and testing over the data used in these meetings; — Attending Build Cost control meetings at all Divisions. Through our control testing procedures, we noted that management's forecasts are generally materially accurate and are prepared, monitored and updated in accordance with the stated controls. Where necessary we followed up the controls testing with additional substantive procedures to obtain the required evidence. — For a sample of sites where we noted variances in forecast build costs compared to the prior year (lower levels than in prior years), we substantively tested a sample of the inputs at a high level of assurance to confirm these were appropriate and appeared complete; — Confirmation, through sampling of additions to inventory, that costs were being allocated to appropriate developments and therefore impacting the correct margin; — Assessing management's overall historic accuracy of the forecasts by analysing the changes to margins in the year and adjustments made to margins through cost of sales, with no significant changes noted on any one site. We also assessed how margins had moved across divisions over the last two years and changed from operational commencement for a sample of sites to consider whether there were any systemic trends that might impact revenue recognition. No material items were noted; — Checking, by recalculating the margins, that the system correctly calculates the margin following each cost or sales price amendment made by management, noting no exceptions; — Confirming the consistent application of the margin recognition framework through analysing the margins recognised on specific sites compared to the developments' forecast margin; and — Auditing any material manual adjustments to margins to ensure these were appropriate by agreeing these costs/income to third party support. Based on the procedures performed, we did not identify any sites where we considered the actual margin recognised or forecast margin to be materially misstated.

Key audit matter	How our audit addressed the key audit matter
Accounting for the combustible materials provision (Group) Refer to Note 1 (Accounting policies), Note 4 (Exceptional items), Note 23 (Provisions) of the Group financial statements and page 99 (Key financial and internal control matters). The Group first recognised the combustible materials provision in 2019. The provision reflects management's best estimate of the forecast costs to remediate legacy sites which are identified to have defective or non-compliant fire or other build safety related issues, and where the Group has a legal or constructive obligation to perform this remediation. During the year management have increased the provision by £31.2m, which primarily reflects new claims in the year from previously unidentified non-freehold buildings as well as movements on existing provisions. The calculation behind the provision is judgemental, in particular given defective work cost estimates are provisional until detailed intrusive works can be performed, and that defective works cannot always be identified and assessed until a claim has been received or intrusive works performed. The provision is identified as a critical accounting estimate as there remain several factors which could drive further changes to the level of provision required in future periods, in particular government guidance and intervention and new claims. Given the material change in the provision during the year, and the related estimation uncertainty, we identified the valuation and completeness of the combustible materials provision as a significant risk for the audit.	Our audit procedures included: — Enquiries with management, including the Executive Leadership Team, which includes the Group Production Director and Group Legal Counsel, to understand the rationale behind the changes in the provision and whether the approach taken is consistent with accounting standards; — Recalculating and checking the integrity of management's manual model to confirm the accuracy of the outputs; — Testing the accuracy of additional charges recorded in the year. Examples of audit evidence included external wall assessments or intrusive survey reports to determine if a legal or constructive obligation exists as a result of defective works, and third party evidence such as subcontractor quotes, rate cards and site blueprints to corroborate the inputs into the provision calculation. This testing also included assessing whether the charges were recognised in the correct period; — Reading and understanding recent government guidelines to confirm management's assumptions and interpretations are correct and determine completeness of known issues; — Assessing the technical capabilities and expertise of the Group's employees and consultants involved in assessing the provision; — Testing the completeness of the provision for freehold buildings by considering whether buildings where there is no provision is reasonable by inspecting to supporting information including the results from any surveys undertaken; — Testing the completeness of the buildings no longer owned by Crest by assessing the risk register and challenging management to understand why provisions were not required for similar buildings, such as those on the same site, and were comfortable that this was appropriate; and — Reviewing the disclosures made in the financial statements and consider these both in the context of IAS 37 and expected disclosures around exceptional items, and challenging management to enhance the rationale behind their internal processes and the distinction between contingent liabilities and provisions. Overall, we concluded management's assessment was reasonable given the level of judgement involved subject to an audit adjustment which was communicated to the audit committee which they considered not material. The disclosures are in line with the requirements of IAS 37 'Provisions, contingent liabilities and contingent assets'.

INDEPENDENT AUDITORS' REPORT CONTINUED

Key audit matter	How our audit addressed the key audit matter
Valuation and classification of intercompany receivables (Company) Refer to Note 5 (Trade and other receivables) of the Company financial statements. Intercompany receivables of £251.5m are the largest financial statement line item in the company financial statements and are repayable on demand. The recoverability, and any expected credit losses, of these balances from other Group companies depends on the ability of the Group as a whole to generate cash flows to enable future repayment. The timing of those cash flows in addition to management's intention to seek recovery of these receivable balances could also impact their classification of the receivables balance as current.	Our audit procedures included: — Testing the outcomes of the Group's going concern model, in particular the cash flow forecasts, and confirming that there were no liquidity issues in the Group; — Verifying the level of cash held by the subsidiaries of the Group and their ability to repay this, supporting the valuation assertion since sufficient cash reserves are held to repay the debt if required; and — Understanding management's intentions for repayment to confirm whether the classification of the receivable balance as current is appropriate. Based on our procedures performed we did not identify any material issues with regard to valuation of classification of intercompany receivables.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

The Group's financial statements are ultimately a consolidation of 17 reporting units (each of which were deemed to be components) representing the Group's geographically-based housebuilding Divisions, other smaller trading subsidiaries and the centralised functions. The reporting units vary in size, but the bulk of the Group's operations is represented by the five geographically-based housebuilding Divisions. Consequently, we determined each of these five Divisions required an audit of its complete financial information due to its size. These five reporting units were all audited by the Group engagement team.

The reporting units where we performed an audit of the complete financial information, in addition to the audit of consolidation journals and the audit of specific financial statement line items for other reporting units, accounted for 100% of the Group's revenues and 95% of the Group's profit before tax and exceptional items. We audited exceptional items in full. The audit of specific financial statement line items included a further two reporting units, to provide additional coverage over items such as administrative costs and accruals. Our audit work across these reporting units, together with the additional procedures performed at the Group level on revenue, the carrying value of inventory, the consolidation, goodwill, taxation, retirement benefit obligations, payroll expense, finance expense, loans and borrowings, provisions and other financial assets, gave us the evidence we needed for our opinion on the Group financial statements as a whole. The audit of the Company financial statements consisted of the full scope audit of one reporting unit which operates as the holding Company function.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Overall materiality	£6,000,000 (2020: £5,400,000).	£2,500,000 (2020: £2,400,000).
How we determined it	In considering a number of acceptable benchmarks, this level of materiality is equivalent to approximately 6% of current year profit before tax and exceptional items (2020: Approximately 5% of a three-year average of profit before tax and exceptional items).	Approximately 1% of total assets.
Rationale for benchmark applied	We considered a number of acceptable benchmarks, including profit before tax, profit before tax and exceptional items and revenue, in addition to considering both current year results and averages of preceding years. We identified that the chosen level of materiality was within the range of outcomes and reflected an appropriate increase on the prior year materiality level given the improved performance of the Group in the current year.	We believe that total assets is the primary measure used by the shareholders in assessing the performance of the entity, which acts solely as a holding company, and is a generally accepted auditing benchmark.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £1 million and £5 million.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2020: 75%) of overall materiality, amounting to £4,500,000 (2020: £4,000,000) for the group financial statements and £1,800,000 (2020: £1,800,000) for the company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £300,000 (group audit) (2020: £270,000) and £125,000 (company audit) (2020: £120,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

— Evaluating the appropriateness of the going concern assessment performed by the directors, including the accuracy of the underlying model and the approval of cash flow forecasts by the Board; and
— Testing of the key assumptions used in the model, including comparison to third party market information where appropriate and confirmation that the assumptions used in the "severe but plausible" scenario were sufficiently severe to model potential future economic downturn.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and the Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

INDEPENDENT AUDITORS' REPORT CONTINUED

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and the Directors' report for the year ended 31 October 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and the Directors' report.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the group's and company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the group's and company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the group was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the group and company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the group's and company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit and Risk Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to government guidelines on fire safety and other health and safety requirements, employment law, including legislation relating to pensions, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Listing Rules and the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to management bias, in particular in areas of estimation uncertainty as set out in note 1 to the financial statements. Audit procedures performed by the group engagement team included:

- Discussions with the Executive Leadership Team, Divisional management teams and the Audit and Risk Committee, review of internal audit reports and consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluation and testing of the operating effectiveness of management's controls designed to prevent and detect irregularities, in particular their controls around cost and margin forecasting;
- Challenging the assumptions and judgements made by management in determining their significant accounting estimates, in particular in relation to cost forecasting, margin estimation and provisions (see related key audit matters above); and
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations including unusual or unexpected journal postings to the consolidated income statement.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit and Risk Committee, we were appointed by the members on 23 March 2015 to audit the financial statements for the year ended 31 October 2015 and subsequent financial periods. The period of total uninterrupted engagement is seven years, covering the years ended 31 October 2015 to 31 October 2021.

Darryl Phillips
Senior Statutory Auditor
For and on behalf of
PricewaterhouseCoopers LLP

Chartered Accountants and
Statutory Auditors
London

19 January 2022

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 144–185 form part of these financial statements.

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 144–185 form part of these financial statements.

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 144–185 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 October 2021

	Note	2021 £m	Restated[1] 2020 £m
ASSETS			
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 144–185 form part of these financial statements.

These financial statements on pages 140–185 were approved by the Board of Directors on 19 January 2022.

On behalf of the Board

Peter Truscott
Director

Duncan Cooper
Director

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 144–185 form part of these financial statements.

NOTES TO THE CONSOLIDATED 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 186–190.

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 64–68 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
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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

1 Accounting policies continued

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.

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 191–192. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

1 Accounting policies continued

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 as 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.

1 Accounting policies continued

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

Revenue type	2021 £m	2020 £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.

Timing of revenue recognition	2021 £m	2020 £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.

Assets and liabilities related to contracts with customers	2021 £m	2020 £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.

Cost of sales	2021 £m	2020 £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 £m	2020 £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.

Auditors' remuneration	2021 £000	2020 £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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

6 Staff numbers and costs

(a) Average monthly number of persons employed by the Group

	2021 Number	2020 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 £m	2020 £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 £m	2020 £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 £m	2020 £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 104–125.

7 Finance income and expense

	2021 £m	2020 £m
Finance income		
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 loss – 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 £m	2020 £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 £m	2020 £m
Reconciliation of tax (expense)/credit in the year		
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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

9 Dividends

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

	2021 £m	2020 £m
Dividends proposed as distributions to equity shareholders in the year:		
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

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

Goodwill arose on the acquisition of Castle Bidco Limited on 24 March 2009. The goodwill 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 £m	Computer equipment and software £m	Total £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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

14 Investments continued

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 £m	Bonner Road LLP £m	Crest A2D (Walton Court) LLP £m	Elmsbrook (Crest A2D) LLP £m	Other non-material joint ventures £m	Total £m
Summarised statement of financial position						
Current assets						
Cash and cash equivalents	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[1]	15.5[1]	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**

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

1 £18.8m stated after expected credit loss of £10.8m, and £12.0m stated after expected credit loss of £0.1m.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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:

	2021	2020
Assumptions		
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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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 Lloyd's 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)**

	2021 %	2020 %
The principal actuarial assumptions used were:		
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%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

17 Employee benefits continued

(a) Retirement benefit obligations continued

Amounts recognised in comprehensive income continued

	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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

17 Employee benefits continued

(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

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	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)

17 Employee benefits continued

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 Number of options	2020 Number of options
Movements in the year		
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 2021 £m	Expected credit loss 2021 £m	Trade and other receivables after expected credit loss 2021 £m	Trade and other receivables before expected credit loss 2020 £m	Expected credit loss 2020 £m	Trade and other receivables after expected credit loss 2020 £m
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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

18 Trade and other receivables continued

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 £m	2020 £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 £m	2020 £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 £m	Restated[1] 2020 £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 £m	2020 £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, senior loan notes and other loans	(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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 193, 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**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

25 Financial risk management continued

For financial liabilities that have no interest payable but for which imputed interest is charged, consisting of land payables, the weighted average period to maturity is 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

Financial assets

The Group's financial assets comprise cash and cash equivalents, financial assets at fair value through profit and loss, trade and other receivables and contract assets. The carrying value of cash and cash equivalents, trade and other receivables and contract assets is a reasonable approximation of fair value which would be measured under a level 3 hierarchy. At 31 October 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.

Financial liabilities

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 £m	2020 £m
Financial assets		
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 £m	2020 £m
Financial liabilities		
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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

26 Contingencies and commitments continued

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**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

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]	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%

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

Entity name	Registered office	Active/ dormant	Year end date	Voting rights and shareholding (direct or indirect)
Crest Nicholson (Stotfold) Limited	1	8	31 October	100%
Crest Nicholson 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%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

30 Group undertakings continued

Subsidiary audit exemption

The following subsidiaries have taken advantage of an exemption from audit under section 479A of the Companies Act 2006. The parent of the subsidiaries, Crest Nicholson plc, has provided a statutory guarantee for any outstanding liabilities of these subsidiaries.

All subsidiary undertakings have been included in the consolidated financial statements of Crest Nicholson Holdings plc as at 31 October 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

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

* Active/dormant: 8 active/9 dormant.

Joint operations

The Group is party to a joint 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.

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 188–190 form part of these financial statements.

The financial statements on pages 186–190 were approved by the Board of Directors on 19 January 2022.

On behalf of the Board

Peter Truscott
Director

Duncan Cooper
Director

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**

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1 Accounting policies

Basis of preparation

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

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

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

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

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

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

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

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

Going concern

The Directors reviewed detailed cash flows and financial forecasts for the next year and summary cash flows 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.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

1 Accounting policies continued

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 104–125 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.

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 1–69 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.

ALTERNATIVE PERFORMANCE MEASURES (UNAUDITED) CONTINUED

Adjusted performance metrics

Adjusted performance metrics as shown below comprise statutory metrics adjusted for the exceptional items as presented in note 4 of the consolidated financial statements. The exceptional items have a material impact to reported performance and arise from recent, unforeseen events. As such, the Directors consider these adjusted performance metrics reflect a more accurate view of its core operations and 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

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.

HISTORICAL SUMMARY (UNAUDITED)

	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.

SHAREHOLDER SERVICES

Shareholder profile by category as at 31 October 2021

Category	Number of shareholders	Percentage of total shareholders by number	Ordinary shares (millions)	Percentage of issued share capital
Private individuals	545	43.53%	1,755,266	0.68%
Nominee companies	405	32.35%	211,653,918	82.38%
Limited and public limited companies	247	19.73%	36,317,607	14.14%
Other corporate bodies	51	4.07%	7,103,591	2.76%
Pension funds, insurance companies and banks	4	0.32%	90,157	0.04%

Shareholder profile by size as at 31 October 2021

Size of shareholding (shares)	Number of shareholders	Percentage of total shareholders by number	Ordinary shares (millions)	Percentage of issued share capital
1–499	171	13.66%	40,880	0.01%
500–999	150	11.98%	101,510	0.04%
1,000–4,999	438	34.98%	940,824	0.36%
5,000–9,999	113	9.03%	762,043	0.30%
10,000–49,999	151	12.06%	3,486,698	1.36%
50,000–99,999	50	3.99%	3,775,748	1.47%
100,000–499,999	95	7.59%	20,627,380	8.03%
500,000–999,999	30	2.40%	21,448,123	8.35%
1,000,000+	54	4.31%	205,737,333	80.08%

Registrars

Enquiries concerning shares or shareholdings, such as the loss of a share certificate, consolidation of share certificates, amalgamation of holdings or dividend payments, should be made to the Company's registrars:

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

Shareholder helpline: 0371 384 2030

International shareholder helpline:
+44 (0)121 415 7047

Lines are open 8.30 a.m. to 5.30 p.m., Monday to Friday (excluding public holidays in England and Wales).

In any correspondence with the registrars, please refer to Crest Nicholson Holdings plc and state clearly the registered name and address of the shareholder. Please notify the registrars promptly of any change of address.

Electronic communications

Shareholders can elect to receive shareholder documents electronically by registering with Shareview at www.shareview.co.uk.

This will save on printing and distribution costs. When you register, you will be sent an email notification to say when shareholder documents are available on our website and you will be provided with a link to that information. When registering, you will need your shareholder reference number which can be found on your share certificate or proxy form.

Please contact Equiniti if you require any assistance or further information.

Share dealing services

Equiniti provides a share dealing service that enables shares to be bought or sold by UK shareholders by telephone or over the internet.

For telephone share dealing please call 0345 603 7037 between 8.30 a.m. and 4.30 p.m. (lines are open until 6.00 p.m. for enquiries) and for internet share dealing please visit: www.shareview.co.uk/dealing.

Share fraud

Share or investment scams are often run from 'boiler rooms' where fraudsters cold call investors offering them worthless, overpriced or even non-existent shares, or offer to buy their shares in a company at a higher price than the market values. Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount, or offers of free reports about a company. Even seasoned investors have been caught out by such fraudsters. The FCA has some helpful information.

Report a scam

If you are contacted by a cold caller, you should inform the General Counsel and Company Secretary by email at info@crestnicholson.com, as well as the FCA by using their share fraud reporting form at www.fca.org.uk, or by calling their Consumer Helpline on 0800 111 6768. If you have already paid money to a share fraudster you should contact Action Fraud on 0300 123 2040 or www.actionfraud.police.uk.

GROUP DIRECTORY

For our Group directory please visit our website: www.crestnicholson.com/contact

Our head office and registered office is based at:

Crest House
Pyrcroft Road
Chertsey
Surrey
KT16 9GN

Company number: 06800600

General Counsel and Company Secretary: Kevin Maguire

Email: info@crestnicholson.com
Telephone: 01932 580 555

Annual General Meeting

The Notice of Annual General Meeting is included in a separate document and is available on our website:

www.crestnicholson.com/investor-relations/shareholder-centre

Investor relations

For investor relations matters please contact Jenny Matthews, Head of Investor Relations
investor.relations@crestnicholson.com

www.crestnicholson.com/investor-relations

Company secretariat

For shareholding notifications required under the FCA Disclosure Guidance and Transparency Rules please email: dtr-notifications@crestnicholson.com

Auditors

PricewaterhouseCoopers LLP

1 Embankment Place, London WC2N 6RH

Public relations

Financial enquiries

Tulchan

Telephone: 020 7353 4200
crestnicholson@tulchangroup.com

Corporate enquiries

Red Consultancy

Telephone: 020 7025 6607
CrestNicholsonTeam@redconsultancy.com

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This publication is printed on uncoated stock, made from 100% recycled fibre, and some flecks and variations in colour will therefore be visible. It has been manufactured at a mill that has ISO 14001 environmental standard accreditation. The paper is Carbon Balanced with World Land Trust, an international conservation charity, who offset carbon emissions through the purchase and preservation of high conservation value land.

Through protecting standing forests under threat of clearance, carbon is locked-in that would otherwise be released. These protected forests are then able to continue absorbing carbon from the atmosphere, referred to as REDD (Reduced Emissions from Deforestation and forest Degradation).

This is now recognised as one of the most cost-effective and swift ways to arrest the rise in atmospheric CO_2e and global warming effects. Additional to the carbon benefits is the flora and fauna this land preserves, including several species identified at risk of extinction on the IUCN Red List of Threatened Species.

This report is 100% recyclable.

Images featured in this report were either taken prior to the start of the COVID-19 pandemic or with due consideration to prevailing Government restrictions.

Featured on the front cover: Elodie and Roman.

CREST NICHOLSON

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Crest Nicholson Holdings plc
Registered number 6800600