

This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) No. 596/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018.

Crest Nicholson Holdings plc
(the 'Group' or 'Crest Nicholson')

INTENTION TO SIGN THE BUILDING SAFETY PLEDGE

Crest Nicholson Holdings plc today announces the following update in respect of its responsibilities in safeguarding legacy buildings with possible combustible materials risk.

Action taken to date

Since the Grenfell Tragedy in 2017, and the subsequent review of building design and the construction methods and materials used, the Group has acted swiftly to identify and remedy any legacy buildings where it has a constructive or legal obligation to do so. The Group recognises the significant distress caused to residents and as such has always sought to engage constructively with residents, building owners, Government and other affected stakeholders.

Accordingly, the Group has cumulatively recorded £47.8m of net charges in respect of these obligations since the year ended 31 October 2019. In addition, it is contributing to the Residential Property Developer Tax (RPDT), effective from 1 April 2022, to support the remediation programme of all affected buildings taller than 18 metres in the United Kingdom.

Remediating Buildings 11 to 18 metres tall

In January 2022 the Secretary of State for the Department for Levelling Up, Housing and Communities (DLUHC) announced the Government's intention to widen and lengthen the definition of legal obligation on developers to fund the remediation of affected buildings between 11 and 18 metres high. Failing to agree to these new guidelines would carry further consequences, implemented by DLUHC, that would impact the Group's ability to operate and trade normally within the housing market. These restrictions will be enacted in law through proposed amendments to the Building Safety Bill which is currently passing through Parliament.

Since January 2022, the Group has engaged in intensive dialogue with DLUHC, coordinated by the Home Builders Federation (HBF) acting on behalf of its members, to reach a solution that is acceptable to both parties and is in the best interests of all stakeholders. These discussions culminated in DLUHC giving developers a deadline of 5 April 2022 to sign a Building Safety Pledge which commits signatories to these new remediation guidelines.

The Board of Crest Nicholson today announces that it has confirmed to DLUHC its intention to sign the Building Safety Pledge, which it believes is in the best interests of the Group, taking further steps to support those living in affected buildings. . As a result of making these new commitments the Group will need to record a further exceptional charge in its financial statements. This is a complex and judgemental area, and the Group will continue to work at speed to refine its latest estimate of these costs. As such the Board consider that a charge in the range of £80m to £120m currently represents its best estimate of this further liability.

The Group is also considering whether any further regulatory approvals are required in respect of this proposed charge and will provide any update on this and the exact amount to be recognised as soon as it is appropriate to do so.

Resilient Financial Position

In January 2020 Crest Nicholson announced an updated strategy to improve financial performance and strengthen its financial position. This turnaround has been successfully implemented, and at 31 October 2021, the Group had a strong balance sheet with net cash of £252.8m. The cash outflows required to remediate the affected buildings will occur over several years. Given the Group's well capitalised financial position and strong current trading performance, the Board does not consider this to present a risk to current or future operations and looks forward to providing an update on progress against its strategy at the half year results announcement on 14 June 2022.

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

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