Crest Nicholson Holdings plc

ADJUSTED PROFIT BEFORE TAX[1] IN LINE WITH GUIDANCE

GOOD PROGRESS IMPLEMENTING OUR STRATEGY

STRONG BALANCE SHEET FOR RESILIENCE AND FUTURE GROWTH

Crest Nicholson Holdings plc ('Crest Nicholson' or 'Group') today announces its Preliminary Results for the year ended 31 October 2022:

Financial highlights

- Revenue up 16.1% at £913.6m (FY21: £786.6m), reflecting good operating performance and strength of the housing market
- Home completions increased 13.6% to 2,734 (FY21: 2,407), comprising open market completions (including bulk deals) of 2,212 (FY21: 1,924) and affordable completions of 522 (FY21: 483)
- Sales per outlet week (SPOW) of 0.60 (FY21: 0.80) with average outlets at 54 (FY21: 59). Eleven-week SPOW since 1 November 2022 at 0.35
- Forward sales as at 13 January 2023 were 2,018 units and £510.8m Gross Development Value (GDV) (14 January 2022: 2,702 units and £719.0m GDV)
- Adjusted operating profit margin[1] increased by 80bps to 15.4% (FY21: 14.6%), demonstrating continued good progress in our profit margin recovery in a more challenging operating environment
- Adjusted profit before tax[1] at £137.8m (FY21: £107.2m) in line with guidance
- Combustible materials related total exceptional charge in line with HY22 at £105.0m (FY21: £28.8m), predominantly in response to signing the Building Safety Pledge
- Profit after tax at £26.4m (FY21: £70.9m)
- Strong balance sheet provides resilience, flexibility and resources to deliver our growth agenda
  - Net cash[1] at £276.5m (FY21: £252.8m) and average net cash of £102.0m (FY21: £78.4m)
  - New £250m Sustainability Linked Revolving Credit Facility completed in October 2022, replacing existing facility
- Return on capital employed increased to 22.4% (FY21: 17.2%)
- Proposed final dividend of 11.5 pence per share. Total dividend for the year of 17.0 pence per share, in line with dividend policy.

1. Adjusted items represent the FY22 and FY21 statutory figures adjusted for exceptional items as disclosed in note 4. Adjusted performance metrics, return on capital employed and net cash 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 72–73.

Operational highlights

Another year of progress implementing our strategy and positioning the Group for medium-term growth

- Good progress with divisional expansion plans:
  - Yorkshire office is now open in Leeds with several team appointments made. One site acquired with heads of terms agreed at several more high quality sites
  - Appointed business leader in East Anglia who is identifying an appropriate office location and recruiting a small team to commence operations in this region
  - As previously announced, given the current macroeconomic uncertainty the Group has decided to defer the planned opening of a third new division in FY23 until further notice and will adjust the pace of expansion across the Group
- Continued investment in land in a competitive land market with 2,771 plots approved for purchase at a forecast gross margin of 25.5% (after sales and marketing costs). We will continue to be selective and disciplined in our acquisition of new land
- Administrative expenses at £51.1m (FY21: £51.1m) primarily reflecting ongoing discipline in managing costs
  - FY23 administrative expenses expected to increase by over 10.0%, reflecting investment in new divisions, enhanced quality processes and compliance and assumed lower vacancy rate
- Continued optimisation of the Group's land portfolio by disposing of its 50% interest in the joint venture with Clarion Housing Group containing the London Chest Hospital site in East London in May 2022.
  - The transaction will realise £16.0m of consideration and has resulted in a £2.3m net impairment charge in the year
  - The scheme was forecast to be unprofitable for the Group and would have accrued significant work-in-progress during its construction phase
- Increased utilisation of new house type range which delivers operational efficiencies and optimises build rates
- Operational disruption to the supply chain and labour availability issues delayed handover of properties in one division during the year. The Group expects its 2022 customer satisfaction rating to be marginally below the threshold for five-star
  - Five-star action plan being implemented for 2023 including the recruitment of Customer Relationship Managers for each division.

Peter Truscott, Chief Executive, commented:

'We are delighted to report a strong financial performance for the year, in line with our guidance upgraded at the half year. Demand for housing remained resilient for much of the trading period, while we had to navigate operational disruption throughout the year and faced increased economic uncertainty in our final quarter. Despite these headwinds we have delivered revenue growth, adjusted operating margin expansion, an increase in return on capital employed and excellent cash generation throughout the year. I would like to thank all Crest Nicholson colleagues for their efforts in helping to deliver these results.'

Sustainability

Existing sustainability targets

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

Measure	Sustainability target by 2025	Achieved in FY22 v FY19 equivalent
GHG carbon emission intensity reduction (scope 1 and 2)	25%	43%
Waste intensity reduction	15%	10%
% Renewable electricity (absolute basis)	100%	70%

New science-based sustainability targets

We are accelerating our ambitions to reduce the Group's GHG emissions and during the year we set out our new science-based targets. We are committed to reaching net zero by 2045 and are pleased to announce these targets have now been validated by the Science Based Targets initiative. The targets are:

- Reduce absolute scope 1 and 2 GHG emissions by 60% by 2030 from a 2019 base year
- Reduce scope 3 GHG emissions intensity by 55% per square metre completed floor area by 2030 from a 2019 base year
- Reach net zero GHG emissions across the value chain (scopes 1, 2 and 3) by 2045.

£250m Revolving Credit Facility

The Group's existing £250m revolving credit facility was due to expire in June 2024. We are pleased to announce that the Group completed a new Sustainability Linked Revolving Credit Facility on 13 October 2022.

This £250m facility provides the Group with strong levels of liquidity to complement the year end net cash position of £276.5m and expires in October 2026. It is also linked to the Group's sustainability strategy with a lower interest payable to apply if certain targets are achieved. These targets include:

- Reduction in absolute scope 1 & 2 emissions in line with our science-based targets
- Increasing the number of our suppliers engaging with the Supply Chain Sustainability School
- Reduction in carbon emissions associated with the use of our homes
- Increasing the number of our employees in trainee positions and on training programmes.

Building safety

In April 2022 the Group announced that it had signed the Government's Building Safety Pledge (the Pledge). This sets out our commitment to address life-critical fire-safety issues on all buildings of 11 metres and above in England developed by the Group in the 30 years prior to 5 April 2022. In addition, the Group agreed that the Government's Building Safety Fund (the Fund) will not be used to remediate those buildings and to reimburse any amounts already paid by the Fund. Predominantly as a consequence of signing the Building Safety Pledge, the Group has recorded a further £105.0m exceptional charge in the year. More detail on this is provided in the Financial Review below.

The Group hopes this now provides comfort and assurance to affected residents and stakeholders. It also allows the Group to move forward in remediating the affected buildings directly or through another party.

Since signing the Pledge, the Group has worked closely with the Department for Levelling Up, Housing and Communities (DLUHC) to transfer the principles of the Pledge into a longer-form agreement. This interaction has been coordinated by the Home Builders Federation (HBF) on behalf of all major developers and the Group thanks the HBF for its support in this regard. The Group will provide a further update on this when it is appropriate to do so.

The Government is also currently conducting a consultation on its proposed Building Safety Levy to obtain economic redress for ‘orphaned’ buildings that also need remediating. The Group has taken full financial responsibility for the buildings with which it had involvement and maintains its position that it is not reasonable to ask it to contribute to the remediation of buildings for which it has never had any responsibility or involvement in constructing.

Outlook

The UK is clearly facing a challenging macroeconomic outlook in the near term. The Board is cognisant of the uncertainty and headwinds the sector is currently facing, including rising interest rates and the declining mortgage availability. Accordingly, our immediate focus will be to deliver our strong forward order book and maintain a strong financial position.

As we start 2023, there are signs of the resilience that has characterised the housing market through recent years. The cost of borrowing is starting to reduce and availability remains good for those with higher levels of equity. Demand for new homes is still strong as evidenced by our sales indicators and web traffic. Finally, inflation is forecast to have peaked and it is hoped will start to recede during 2023. We remain confident in the long-term fundamentals of the housing market.

Our strong balance sheet equips us to navigate most economic scenarios and we will continue to be disciplined and selective in acquiring land at this point in the cycle. When market conditions improve we will accelerate our growth ambitions as they represent the most effective way to create shareholder value in the longer term.

Key financial metrics

£m (unless otherwise stated)	FY22	FY21	% Change
Key Financial Results			
Home completions	**2,734**	**2,407**	**13.6**
Revenue	**913.6**	**786.6**	**16.1**
Adjusted gross profit[1]	**194.3**	**166.7**	**16.6**
Adjusted gross profit margin[1]	***21.3%***	***21.2%***	***10bps***
Adjusted operating profit[1]	**140.9**	**114.6**	**22.9**
Adjusted operating profit margin[1]	***15.4%***	***14.6%***	***80bps***
Adjusted profit before tax[1]	**137.8**	**107.2**	**28.5**
Adjusted profit after tax[1]	**109.0**	**87.3**	**24.9**
Exceptional items net of income tax	**(82.6)**	**(16.4)**	**(403.7)**
Net cash[1]	**276.5**	**252.8**	**9.4**
Reported Results			
Gross profit	**91.8**	**145.9**	**(37.1)**
Gross profit margin	***10.0%***	***18.5%***	***(850bps)***
Operating profit	**38.4**	**93.8**	**(59.1)**
Operating profit margin	***4.2%***	***11.9%***	***(770bps)***
Profit before tax	**32.8**	**86.9**	**(62.3)**
Profit after tax	**26.4**	**70.9**	**(62.8)**
Adjusted basic earnings per share (p)[1]	**42.5**	**34.0**	**25.0**
Basic earnings per share (p)	**10.3**	**27.6**	**(62.7)**
Dividend per share (p)	**17.0**	**13.6**	**25.0**

[1] Adjusted items represent the FY22 and FY21 statutory figures adjusted for exceptional items as disclosed in note 4. Adjusted performance metrics and net cash 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 72-73.

Analyst and investor conference call and webcast

There will be a meeting for analysts at 9:00 am at Norton Rose Fulbright, 3 More London Riverside, London, SE1 2AQ hosted by Peter Truscott, Chief Executive and Duncan Cooper, Group Finance Director.

A webcast will accompany the meeting starting at 9:00 am To join the webcast presentation, go to the Crest Nicholson website, https://www.crestnicholson.com/investors. There is also a facility to join the presentation and Q&A session via a conference call. Participants should dial **+44 203 936 2999** and use confirmation code **361155**. A playback facility will be available shortly after the presentation has finished. For further information, please contact:

Crest Nicholson

Jenny Matthews, Head of Investor Relations	+44 (0) 7557 842720
Tulchan Communications	+44 (0) 20 7353 4200
James Macey White	

17 January 2023

Cautionary statement regarding forward-looking statements

This release may include statements that are, or may be deemed to be, 'forward-looking statements'. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms 'believes', 'estimates', 'plans', 'projects', 'anticipates', 'expects', 'intends', 'may', 'will' or 'should' or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this release and include, but are not limited to, statements regarding the Group's intentions, beliefs or current expectations concerning, among other things, the Group's results of operations, financial position, liquidity, prospects, growth, strategies and expectations of the industry. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements are not guarantees of future performance and the development of the markets and the industry in which the Group operates may differ materially from those described in, or suggested by, any forward-looking statements contained in this release. In addition, even if the development of the markets and the industry in which the Group operates are consistent with the forward-looking statements contained in this release, those developments may not be indicative of developments in subsequent periods. A number of factors could cause developments to differ materially from those expressed or implied by the forward-looking statements including, without limitation, general economic and business conditions, industry trends, competition, commodity prices, changes in law or regulation, changes in its business strategy, political and economic uncertainty. Save as required by the Listing and Disclosure Guidance and Transparency Rules, the Company is under no obligation to update the information contained in this release. Past performance cannot be relied on as a guide to future performance.

Chief Executive's Review

FY22 performance review

This year has been characterised by significant uncertainty in the external environment. At the start of the year our sector was starting to recover from the operational disruption created by COVID-19. The economic backdrop pointed to rising inflation and increasing interest rates, however the housing market continued to demonstrate its resilience, as it had done throughout the pandemic, and we traded well during this time.

The tragic conflict in Ukraine acted as an accelerant to these pressures, creating energy supply concerns, adding further commodity supply issues, and increasing global geopolitical uncertainty. In housebuilding, cost inflation started to grow with raw material price increases and labour inflation driving up the cost of construction. The housing market has mitigated the impact of these increased costs through comparable levels of house price inflation. Trading conditions started to become tougher over the summer, culminating in significant political and economic turbulence in the UK in early autumn. A year that had started so positively for all housebuilders became increasingly challenging as we closed our year at the end of October.

Despite this uncertainty I am delighted to report another year of improved financial performance as we continue to make good progress implementing our strategy. We have delivered revenue growth, expanded adjusted operating margins, increased return on capital employed and generated strong levels of cash throughout the year. We closed the year with net cash of £276.5m and completed a new £250m Sustainability Linked Revolving Credit Facility. In combination they underline the strength of the Group's balance sheet which provides resilience in tougher market conditions, funds our growth ambitions and covers our legacy combustible materials responsibilities. You can read more detail on both our trading performance and efforts in enhancing our financial position in the Finance Review on pages 9–12.

That we have managed to deliver such a strong performance in the year, set against this backdrop of uncertainty and external pressures, reflects the hard work and efforts of all Crest Nicholson employees. I would like to personally thank each of them for their commitment, tenacity and resilience. Over the past three years we have needed to make some difficult decisions in our ambition to restore Crest Nicholson as one of the UK's leading housebuilders. Our people have dedicated themselves to this goal and can rightly be proud of what we have achieved this year.

Political and economic environment

The UK is facing the same global headwinds on inflation and energy supply as other developed nations. The impact of COVID-19 necessitated significant financial intervention from the Government to protect the economy and jobs. These actions are undoubtedly contributing to some of the current economic fragility.

However, the political uncertainty experienced over the late summer of 2022 was undeniably self-inflicted and avoidable. The short tenure of the Prime Minister and Chancellor of the Exchequer, following the rejection of their Mini Budget in September, created additional volatility. Financial markets became instantly concerned by tax cuts that were not clearly funded. In addition, the overall affordability of the UK's projected national debt led to a rapid drop in the value of the British pound and speculation on the requirement for a succession of steep increases in interest rates into 2023.

Mortgage rates responded in kind with lenders increasing their rates across all products and in many instances withdrawing products for those buyers with the lowest levels of equity. Media speculation at the time inevitably focused on the pressure this would exert on the housing market, pointing to falling volumes and prices as a major correction was underway. Rising mortgage costs were accompanying a general cost of living crisis as increasing energy bills and food prices were being absorbed against a call for wage inflation restraint in the public sector to help curb overall levels of inflation.

The appointment of another Prime Minister and Chancellor in October, complemented by a new Budget in November calmed the financial markets. Focusing on delivering efficiencies in public spending and increasing taxes across a variety of income streams has already started to lower predictions of peak future interest rates. Evidence that inflation is starting to recede is also supporting this narrative.

No one can definitively predict how the housing market will perform in 2023. The UK consumer will undoubtedly be in possession of lower levels of disposable income, however mortgage availability will likely still remain good, albeit more expensively priced than in 2022. This is a key differentiator to the last housing market downturn in 2008, when stress in the banks was the principal cause of the weakness. Ultimately the significant commitment and decision that comes with buying a home is heavily linked down to sentiment and confidence. The UK housing stock remains structurally challenged with demand outstripping supply. We are confident in our ability to operate and trade in whatever economic conditions we face next year.

The political volatility in the UK has also hindered the necessary change and progress we need in how we operate. The land market is highly competitive with multiple bidders for new schemes. The strong sales market of the past two years has seen outlet numbers fall across all major developers and there is not enough new land being released to replenish this capacity and help support the Government's previously stated aspiration to build 300,000 homes a year. The UK's antiquated planning system needs fundamental reform if we are to build the homes we need for our growing population. Given this backdrop, and cognisant of our strong financial position, we have continued to be active in the land market in FY22 and will remain disciplined and selective in doing so in FY23.

Once sites have been identified and secured the process for obtaining planning approvals and satisfying any necessary conditions has also become increasingly inefficient. Planning teams are often under-resourced and trying to catch up after the pandemic disruption. Fresh environmental challenges emerged during the year including ground nutrient levels and water neutrality. While we are wholly committed to operating in harmony with our natural habitat and to ensure we leave a sustainable legacy on all our developments, these challenges again impact our ability to get on site and start building. Although these challenges are significant we have a strong heritage and capability in procuring land and utilising our placemaking experience to navigate the approval process as swiftly as possible.

In 2023 we would like to see the Government tackle the constraints in the UK's planning environment.

Progress on strategy

We set out an update to our strategy at our Capital Markets Day in October 2021. Having completed the first phase of this strategy and delivered a strong financial and operational turnaround, the Board outlined to shareholders why it believed growing Crest Nicholson's footprint in the UK and expanding into new geographies was the best way to create value over the medium term.

We have made a strong start with these ambitions in FY22. In Yorkshire we have opened an office, establishing a small team which has been active in the land market, acquiring its first site and with terms agreed on several others. We have been able to attract high quality talent with expertise in the region and have been pleased by the local reception to the Crest Nicholson brand. In East Anglia we have recruited an experienced leader who has recently joined us and will implement a similar approach in that region.

Given the uncertain economic backdrop and challenges outlined above we have decided to defer the planned opening of a third new division in FY23. We will also remain disciplined and selective in acquiring new sites and incurring incremental overheads across the whole Group and will look to accelerate the growth plan in the new divisions when market conditions stabilise.

Part of rebuilding operating margins in Crest Nicholson in line with sector peers lies in our ability to divest of those legacy schemes held at weaker margins. On 6 May 2022 we sold our 50% share in our joint venture with Clarion Housing Group containing the London Chest Hospital development in East London. We recorded a £2.3m net impairment loss on financial assets because of this disposal but will receive £16.0m in consideration and forego significant working capital utilisation in the development of that scheme in future years.

Delivering excellent customer service is a major focus for all Crest Nicholson employees, reflected by our inclusion of attaining a five-star rating in the Home Builders Federation (HBF) customer satisfaction survey as one of our five strategic priorities. In addition, our industry is undergoing significant change in this area. The New Homes Quality Code (Code) was introduced in October 2022, and we have been preparing to align our business operations and processes to comply with the requirements of the Code. We welcome its objectives which will support the delivery of high standards from housebuilders and see customers being more actively involved during the construction process through to completion.

During the year we have recruited a dedicated Quality Assurance team to support and train our site teams to deliver the new requirements to take photographic evidence throughout the quality assurance process. We have also started to roll out COINS, an enterprise resource planning (ERP) platform specifically designed for the construction industry and specifically its customer service module, which will provide better oversight of the snagging and resolution process.

As outlined above, this year has seen the housebuilding sector impacted by disruption to labour and supply chains through a combination of adjusting to life outside of the European Union, the aftermath of COVID-19 and the conflict in Ukraine. Against this backdrop we have experienced operational challenges and disruption in one of our divisions that has delayed the handover of some properties to customers. This has disproportionately impacted our overall 2022 satisfaction score which is now expected to be marginally below the threshold required to retain five-star when awarded in February 2023. We are naturally disappointed with this outcome as it falls short of the standard we have embedded into one of our strategic priorities. However, we are confident that the actions and investments we have made during the year will return Crest Nicholson to five-star status next year.

Building Safety Pledge

In April 2022 we signed the Government's Building Safety Pledge (Pledge), which we believe is in the best interests of the Group, taking further steps to support those living in affected buildings. The Pledge sets out our commitment to address life-critical fire safety issues on all buildings of 11 metres and above in England developed by the Group in the 30 years prior to 5 April 2022. In addition, the Group agreed that the Government's Building Safety Fund will not be used to remediate those buildings and that it will reimburse any amounts already paid by the Building Safety Fund. There is now greater clarity around the Government's requirements of us and the wider sector concerning historic building safety issues, and the costs related to remediate these.

In FY22 we recorded an exceptional before tax charge of £105.0m in respect of signing the Pledge, which reflects our best estimate of the extent and future cost of work required. The Group, along with the rest of the industry, continues to work with Government to transfer the principles of the Pledge into a longer-form agreement. We will continue to update stakeholders on the progress of these discussions. Our internal team responsible for managing the remediation programme continues to work at pace and we expect this work to be completed in approximately three years.

Sustainability and social value

We recognise our responsibility to mitigate, where possible, the impact that our business operations have on the climate and environment. We are continually striving to improve the energy efficiency and sustainability of our homes and are adapting our home designs in response to Building Regulations and the changes contained within the Future Homes Standard.

During the year we made good progress in reducing scope 1 and 2 greenhouse gas GHG emissions and have exceeded our target to reduce emissions intensity by 25% by 2025 compared to a 2019 base year. We understand that scope 3 emissions account for most of our carbon footprint and having calculated these emissions for the first time in FY21, we are also taking steps to address this area of our footprint.

We signed up to the UN-backed Race to Zero in FY21 and have since established new science-based targets. Our targets include near-term scope 1, 2 and 3 GHG emissions targets and a commitment to achieve net zero emissions across our value chain by 2045. I am pleased to confirm that our targets have been approved by the Science Based Targets initiative. The Sustainability Committee, which I chair, has oversight of matters relating to sustainability throughout the Group and is responsible for overseeing the development and delivery of strategic aims.

Outlook

The outlook for the housing market is clearly uncertain. There are many political and economic factors, some global in nature, which we cannot hope to influence or change. Our focus in times like this must be on those things we can control.

The hard work of the past three years has put the Group in a strong financial position. Our balance sheet is robust and gives us confidence to trade effectively in all market scenarios. We also want to remain active in the land market, recognising the competition for new sites, and ensuring we emerge from any downturn in market conditions in the strongest possible condition. We have an experienced leadership team who have extensive experience of operating in tougher market conditions.

We enter FY23 with a strong forward order book, a portfolio of excellent land assets and an operating platform with multiple channels to market,

We are convinced that the fundamentals of the housing market in the long term remain attractive. The lack of land which can be immediately developed, and the skill and experience required to navigate our planning system, will eventually require reforms if we are to significantly boost our nation's housing supply. Our strategy to grow Crest Nicholson into new geographies remains undiminished. We will remain disciplined and selective in the way we allocate capital and will look to accelerate our growth plans when calmer market conditions return.

Peter Truscott
Chief Executive

Financial Review

Introduction

As in previous years, the Group 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. The exceptional items have a material impact on reported performance and arise from recent, unforeseen events. As such, the Directors consider these adjusted performance metrics reflect a more accurate view of the core operations and business performance. All alternative performance measures are detailed on pages 72–73.

FY22 trading performance

The trading year started strongly with good levels of demand for new homes. Construction activity and operating conditions were beginning to normalise after the supply chain disruption caused by COVID-19. Although labour inflation and rising prices of raw materials were starting to drive increasing levels of build cost inflation, housebuilders were managing to successfully offset this through house prices. As FY22 started to unfold the global geopolitical environment became increasingly uncertain. The conflict in Ukraine led to further supply chain disruption and created significant energy supply insecurity, both of which contributed to an acceleration in build cost inflation. Later in the summer domestic political uncertainty added further economic headwinds, resulting in a backdrop of rising interest rates across the course of the year, an increase in the cost of mortgage borrowing and speculation that this would result in much tougher trading conditions for housebuilders in FY23. Despite this external volatility the Group has traded strongly in the year, delivering an improvement across all key financial metrics.

Sales, including joint ventures, grew 17.5% on prior year at £955.8m (FY21: £813.6m). This comprised £913.6m of statutory revenue (FY21: £786.6m) and £42.2m of the Group's share of revenue through joint ventures (FY21: £27.0m), reflecting a strong trading performance and a growing contribution from existing joint venture schemes reaching maturity.

The Group delivered 2,734 (FY21: 2,407) home completions during the year, up 13.6% on prior year. 2,212 of these were open market completions (including bulk deals) (FY21: 1,924), up 15.0% on prior year, with the balance derived from affordable completions at 522 (FY21: 483), up 8.1% on prior year. Current and prior year comparative values both state joint ventures at full unit count and include an allocation for any land sale element that is present in any relevant completed transaction, referring to this as being on an equivalent unit basis. The Group started to report on this basis at HY21 to align to the methodology commonly adopted by other UK housebuilders.

Open market (including bulk) average selling prices increased to £388,000 (FY21: £359,000) during the year. Since the Group announced an updated strategy in January 2020 it has focused on rolling out its standard house type range across new developments. These houses are typically more efficient to build and are offered to customers at lower price points than the Group's legacy house types. In addition, the Group has experienced a shift in the regional composition of its sales as it has moved away from selling in London and delivers a greater proportion of sales from other, lower priced geographies. These factors continue to support a reduction in average selling prices which has been more than offset by house price inflation in the year.

Adjusted gross profit was £194.3m (FY21: £166.7m), up 16.6% on prior year, principally reflecting the stronger sales performance. Adjusted gross margin was slightly up on prior year at 21.3% (FY21: 21.2%). Gross profit margin progression was expected to be flat this year as the prior year comparative included the contribution from the Longcross Film Studio sale. This was reflected in lower land and commercial sale revenue at £32.0m (FY21: £49.2m). In addition, the Group continued to recognise several zero margin schemes including units at Brightwell's Yard, Farnham and the completion of Old Vinyl Factory, Hayes and Sherborne Wharf, Birmingham. Approximately one-third of the Group's remaining NRV provision is expected to be used in FY23 and predominantly relates to the scheme at Brightwell's Yard, Farnham. Gross profit was £91.8m (FY21: £145.9m), down 37.1% on prior year due to the impact of exceptional items.

Administrative expenses for the year were £51.1m (FY21: £51.1m). The prior year comparative is inflated through the one-off voluntary repayment of the Government's Job Retention Scheme for COVID-19 of £2.5m, which was received in FY20. The Group has continued to maintain a strong discipline on overheads, but the underlying increase reflects the backdrop of rising wage inflation and the competition for talent within the construction sector during the past year. Given the tougher economic outlook, we expect to operate with far fewer vacancies for roles in FY23. In addition, we are investing in the establishment of two new divisions, recruiting new roles focused on quality and customer service and are seeing other regulatory changes which will require more resources. These factors will all contribute to an increase in the Group's headcount in FY23 and accordingly we expect administrative expenses to increase by over 10% compared to FY22.

On 6 May 2022, the Group disposed of its 50% share in the joint venture containing the London Chest Hospital to its joint venture partner for a total consideration of £16.0m. £8.0m of this was received in FY22 with the balance due in FY23. Accordingly, the Group recorded a £2.3m net impairment loss on financial assets for the year (FY21: £1.0m). This site had been the subject of planning objections and delays and is a complex build programme with significant levels of peak capital investment. By disposing of it for a small loss the Group has been able to forego the future recognition of a margin dilutive scheme and realise a strong cash inflow to invest into schemes that are consistent with its current strategy.

Adjusted operating profit (or Earnings Before Interest and Tax – EBIT) increased in the year to £140.9m (FY21: £114.6m) with EBIT rate increasing from 14.6% to 15.4%. Excluding the effect of the London Chest Hospital sale, EBIT rate would have been 15.7% for FY22, reflecting strong progress towards the 18-20% range currently being delivered by other housebuilding peers. The Group has outlined a margin recovery plan to bring margins in line with industry peers by FY24. Finally, adjusted profit before tax (APBT) for the year was £137.8m (FY21: £107.2m), up 28.5% on prior year and profit before tax after exceptional items for the year was £32.8m (FY21: £86.9m), reflecting the impact of the stronger year-on-year operating profit contribution offset by the exceptional charge outlined below. Operating profit was £38.4m (FY21: £93.8m), down 59.1% on prior year due to the impact of exceptional items.

The Group has delivered another year of strong progress implementing its strategy, realising tangible progress in its financial performance. While the market outlook for FY23 has undeniably become more challenging. The Group is now realising the benefits of exiting those previously identified low margin legacy schemes. Opening new divisions in Yorkshire and East Anglia will provide volume growth in the future to accompany the Group's ongoing margin recovery.

Exceptional items

Since the Grenfell Tower tragedy in 2017, the Government and construction sector have been carefully trying to identify any other buildings which may be exposed to potential fire safety risks. At the outset of this review process, the Group sought to identify which buildings needed remediating and if necessary, where temporary risk mitigation solutions were required until this work could be completed. The Group's stated position was that it would work as swiftly as possible to remediate those buildings where it had a legal or constructive obligation to do so.

The first exceptional charge taken in this respect was in FY19 for £18.4m and by the end of FY21 the Group had cumulatively recorded £47.8m of net exceptional charges and had an unutilised balance sheet provision of £42.6m. In January 2022, the Secretary of State for the Department for Levelling Up, Housing and Communities (DLUHC) announced the Government's intention to change the regulatory and legislative framework for fire remediation.

These changes culminated in a request to housebuilders to sign the Government's Building Safety Pledge which the Group did on 19 April 2022. As a consequence of signing the Building Safety Pledge the Group informed the capital markets on 5 April 2022 that it considered a further exceptional charge of £80–120m represented its best estimate of the range of these incremental costs.

At FY22 the Group recorded an exceptional charge of £105.0m (FY21: £20.3m) in respect of its further obligations upon signing the Pledge. Tax credit on exceptional items is £22.4m (FY21: £3.9m). Further detail of these items can be found in note 4.

In January 2023, the Group received a £10.0m cash settlement from a third party relating to buildings included within the combustible materials provision. As this was not contracted in the current financial year, it has not been recognised in the FY22 consolidated financial statements. The receipt will be reflected in the FY23 consolidated financial statements as an exceptional credit.

Finance expense and taxation

Adjusted net finance expense of £7.1m (FY21: £9.1m) is £2.0m lower year on year, and the Group Revolving Credit Facility (RCF) remained undrawn for the duration of the year. Net finance expense was £8.1m (FY21: £8.6m). Income tax charge in the year of £6.4m (FY21: £16.0m) represented an effective tax rate of 19.5% (FY21: 18.4%). This increase is due to the impact of changes in UK tax rates and the introduction of the Residential Property Developer Tax (RPDT). Further detail can be found in note 8.

£250m Revolving Credit Facility

The Group's previous £250m RCF was due to expire in June 2024. During the year we completed a new Sustainability Linked Revolving Credit Facility on 13 October 2022. This £250m facility provides the Group with strong levels of liquidity and headroom to complement the year end net cash position and expires in October 2026. It is also linked to the Group's sustainability strategy with a lower interest payable if certain targets are achieved. These targets include:

Reduction in absolute scope 1 and 2 emissions in line with our science-based targets

Increasing the number of our suppliers engaging with the Supply Chain Sustainability School

Reduction in carbon emissions associated with the use of our homes

Increasing the number of our employees in trainee positions and on training programmes.

The Group will provide an annual progress update against these targets in future issues of its Annual Integrated Report.

Dividend

The Board proposes to pay a final dividend of 11.5 pence per share for the financial year ended 31 October 2022 which, subject to shareholder approval, is expected to be paid on 5 April 2023 to shareholders on the Register of Members on 17 March 2023. This is in addition to the 5.5 pence per share interim dividend that was paid in October 2022.

A strong financial position

The Group had net cash of £276.5m at 31 October 2022 (FY21: £252.8m) and was ungeared (FY21: ungeared). Net cash and land creditors were £77.8m (FY21: £29.9m). Average net cash during the period was £102.0m (FY21: £78.4m).

The Group has made significant progress over the past two years in strengthening the balance sheet through improved working capital management and the disposal of non-core assets. In combination with the renewed RCF this gives the Group ample liquidity to remain resilient in tougher trading conditions, fund its combustible materials obligations and enables it to fund its growth ambitions.

Inventories at 31 October 2022 were £990.1m (FY21: £1,037.5m), down 4.8% year-on-year. Included within this balance is an NRV provision of £12.6m (FY21: £20.7m) which principally relates to the Group's scheme at Brightwell's Yard, Farnham. Completed units at 31 October 2022 were £30.1m (FY21: £57.7m). Approximately one-sixth (FY21: one-sixth) of the stock of completed units were show homes. Further detail on inventory can be found in note 19.

Net cash inflow from operating activities was £51.7m (FY21: £126.5m) and return on capital employed (ROCE) increased strongly for the second successive year to 22.4% (FY21: 17.2%), reflecting the increase in earnings and further progress on strengthening the balance sheet. Net assets at 31 October 2022 were £883.1m (FY21: £901.6m), a decrease of 2.1% on prior year.

Land portfolio

The land market remains highly competitive. Strong sales rates across all major developers over the past two years, coupled with lack of availability of fresh land supply and delays in approving land in the planning process, has seen the number of industry outlets fall. The uncertain market outlook is discouraging some developers from completing planned acquisitions. Given this structural lack of supply, our strong financial position, and the opportunity to participate when others are temporarily withdrawn, the Group intends to remain active in the land market in FY23. We will be selective and disciplined in identifying and acquiring sites. We have increased our hurdle rates and are focused on low-risk schemes in high quality locations. FY22 average outlets were 54 and we expect FY23 average outlets to be slightly lower, reflecting the backdrop outlined above. 2,771 plots have been approved in FY22 for purchase at a gross margin of 25.5% (after sales and marketing costs).

The Group's short-term land portfolio at 31 October 2022 comprised 14,250 (FY21: 14,677) plots, representing approximately five years of supply based approximately on FY22 completion volumes (FY21: five years supply based on FY21 completion volumes). In addition, the Group's strategic land portfolio comprised 22,450 plots (FY21: 22,308), resulting in a total land portfolio at 31 October 2022 of 36,700 (FY21: 36,985) plots with a Gross Development Value (GDV) of £12.1bn (FY21: £11.8bn).

During the year, the Group added 3,094 units to the short-term land portfolio and delivered 2,734 home completions. Additions were made in all divisions including the new Yorkshire division. The Group also added 415 units to the strategic land portfolio.

	FY22		FY21	
	Units[1]	GDV[2] – £m	Units[1]	GDV[2] – £m
Short-term housing	14,250	4,661	14,677	4,482
Short-term commercial	–	41	–	44
Total short term	14,250	4,702	14,667	4,526
Strategic land	22,450	7,409	22,308	7,308
Total land pipeline	36,700	12,111	36,985	11,834

(1) Units based on management estimates of site capacity. Includes joint venture units at full unit count and 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.

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

Duncan Cooper
Group Finance Director

Principal risks

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

Emerging risks

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

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

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

Economic outlook

We continue to monitor the developing uncertainties surrounding the political and economic outlook, rising interest rates and mortgage availability. This is against the backdrop of the rising cost of living and higher energy prices in the UK, all of which are reducing disposable income levels which may significantly impact the housing market.

Regulatory change

This risk has continued to evolve during the year and impacts us in several ways.

We signed the Government’s Building Safety Pledge to address life critical fire safety issues. Amounts have been provided in the financial statements based on best estimates of the work required. However, as work progresses these estimates are clearly subject to variability and could change as Government legislation or regulation develops.

Given the significance of this area, the Board has agreed this should be a principal risk.

The acquisition of land remains very competitive and any proposed changes to the planning and approval process could impact our ability to deliver our growth ambitions.

Corporate governance requirements are evolving following the BEIS consultation on audit reform and corporate governance. Some of the detailed requirements which may impact us are still unknown and developing.

Build costs

Material shortages and labour availability have continued to challenge our industry due to rising input costs, energy prices and supply chain dislocation through the year. This has resulted in inflationary pressures, having an impact on build costs.

We have managed to mitigate the impact of the majority of these risks during the year through our operational efficiency programme and have maintained close working relationships with our supply chain partners through comprehensive trade agreements.

We are enhancing our build cost controls and reporting through the introduction of our new ERP system across the divisions.

Reputational impact

There are many internal and external factors which could impact our reputation. Several legacy matters have impacted the perception of the housebuilding sector. If matters continue to negatively impact the industry’s home buyers and other stakeholders there is a potential that this could create a further principal risk.

ESG and climate change

Assessing the impacts and mitigations of both physical and transitional risks related to climate change are embedded in our risk management process at a Group and divisional level. Climate change continues to be a principal risk and the Group has disclosed its response to the recommendations of the Task Force for Climate-related Financial Disclosures which can be found in our 2022 Annual Integrated Report to be published in February 2023.

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

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:

- Market conditions – increasing trend
- Customer service and quality – increasing trend
- Build cost management – increasing trend
- Attracting and retaining our skilled people – reducing trend
- Solvency and liquidity – reducing trend
- Laws, policies and regulations – reducing trend
- Land availability and planning – new risk
- Combustible materials – new risk.

The Board no longer views the risk associated with a pandemic to be a principal risk although continues to monitor and manage any localised impacts arising from COVID-19.

Please see further details in principal risks below.

Principal risks

1. Market Conditions		
Risk description A decline in macro-economic conditions in the UK, which negatively impacts the UK residential property market and reduces the ability for people to buy homes, either through unemployment or low employment, constraints on mortgage availability, or higher costs of mortgage funding. 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. 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). An over-reliance on HtB, which is being withdrawn, and other Government-backed ownership schemes to boost sales volumes and rates.	**Actions/mitigations** We continually evaluate our strategy which we can flex and adjust as demand profiles change. Regular sales forecasts and cost reviews to manage potential impact on sales volumes. Forward sales, land expenditure and work-in-progress are all carefully monitored to ensure they are aligned to current levels of demand. Our Multi Channel Approach gives us access to a range of tenure options and earnings resilience in changing market conditions. We focus on strategic purchasing of sites, continued development of shared ownership models and provision of a variety of incentive schemes. Actively promoting First Homes and Deposit Unlock as an alternative to HtB. We continually assess whether our organisational structures are appropriate to meet the changing demands within the housebuilding sector.	**Development in the year** Demand for housing has remained strong during the year, however there have been significant economic headwinds and political uncertainty in the latter part of the year which is likely to impact demand for housing in the near future. Rising inflation, interest rates and increasing energy costs are leading to reduced levels of disposable income. The Board and Executive Leadership Team continue to monitor market conditions and are adjusting our strategy and pace of growth to adapt to prevailing market conditions. We continue to build our pipeline of trusted partners and completed several large transactions in the year. The Group renewed its £250m Revolving Credit Facility to 2026. When allied to the strong cash profile exhibited throughout the year, the Group has adequate liquidity to deal with all reasonable downward market scenarios.

2. 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 people affected by our actions, our reputation and ability to secure public contracts and/or, if illegal, prosecution or significant financial losses.	**Actions/mitigations** We have a strong safety leadership culture which is embedded in our operational processes and execution. We have effective SHE management systems in place with increased authority for divisional build managers and Group SHE advisors to undertake incident investigations and implement follow up actions. We use external independent safety auditors to conduct regular site safety reviews as appropriate and without warning. Use of external specialist consultants and/or contractors where specific health and safety requirements demand. We have a network of mental health first aiders and a dedicated Employee Assistance Programme. We have a dedicated central team and strong governance processes to deliver on our safety pledge commitments. SHE performance is a bonus metric target used across the Group, including for Executive Directors. Where appropriate, interim risk mitigation solutions have been deployed in buildings where fire safety concerns have been identified.	**Developments in the year** Safety performance continues to be our number one priority and performance remains stable. Our standard 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 performance is always discussed and challenged in our divisional reviews and we have enhanced and developed our SHE policies and procedures. We have launched new training materials and communications across our build teams and continue to provide safety bulletins and guidance updates. We have expanded our network of mental health first aiders across our divisions. We have also launched the FIKA mental health platform to support employees' wellbeing. Delivering on our commitments contained in the Building Safety Pledge, the Group has continued to identify and risk assess any buildings impacted by possible safety issues.

3. Access to site labour and materials		
Risk description Rising production levels across the industry put pressure on our materials supply chain. The built environment struggles 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. Materials availability can be impacted by changes in demand, rising energy prices and dislocation in supply chains due to external events. 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 have standardised the supply chain to ensure critical supply of materials. 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.	**Developments in the year** Material shortages and labour availability challenges continue to impact the housebuilding industry across various product ranges and there have been continued inflationary pressures in the year. This has been exacerbated by the energy crisis and the Ukraine conflict which has impacted some supply chains. We continue to work with our supply chain partners through detailed demand planning to maximise our use of trade agreements and supply of available labour on key timelines. 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.

4. 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** We continue to focus on enhancing build quality, achieving high customer satisfaction ratings 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 standardised 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.	**Developments in the year** We have continued to enhance our quality processes, training and performance measurement during the year and have recruited additional resources to support the drive to quality improvement. We have developed processes to support new regulatory requirements for the New Homes Quality Code and The Future Homes Standard.

5. 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 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.	**Developments in the year** We have continued to see inflationary pressures during the year on build costs due to higher energy prices, supply shortages and geopolitical impacts due to the war in Ukraine. We have mitigated some of these impacts through our operational efficiency programme. Build cost inflation has been offset by increases in selling prices. The implementation of COINS as our new ERP platform has enhanced the reporting of build costs for the divisions implemented in FY22, and we will continue this roll out across the Group in FY23.

6. Information security and business continuity		
Risk description Cyber security risks such as data breaches, ransomware or phishing attacks 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 systems, and carry out annual security-breach tests. We utilise customer relationship management systems for storing sensitive data to prevent negligent misuse by employees. We operate in a cloud environment with resilient IT providers, reducing centralised and physical risk exposure. 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 • IT Cyber Security and Data Sub-Board Committee, chaired by the Group Finance Director, that meets through the year to address cyber security matters, assess threat levels and to develop appropriate policies and procedures.	**Developments in the year** The threat of external cyber security risk is ever present and remains high. 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. We have passed Cyber Essentials certification and moving forward with Cyber Essentials Plus certification. We have performed audits over our cyber risks and control environment.

7. Attracting and retaining our skilled people		
Risk description An increasing skills gap in the industry at all levels resulting in difficulty with recruiting a qualified 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 inflation. 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 surveys to enable the Board and Executive Leadership Team to understand employee feedback. Continual focus on improving flexible and agile working arrangements to support employees. Programmes of work to develop robust succession plans and improve diversity and inclusion across the business. Providing quality training and professional development opportunities through our Crest Nicholson Academy programmes. We monitor pay structures and market trends to ensure we remain competitive against our competitors. We monitor employee turnover, absence statistics and feedback from exit interviews.	**Developments in the year** We are committed to providing competitive salary packages, reflecting market rates and offer a wide range of career development opportunities. During the year we launched a new people strategy and employee induction programme and have made further improvements to our learning and development training across the Group. We engage with our employees through a variety of communications, forums and surveys. Our engagement scores increased year-on-year. We became Silver Accredited through The 5% Club in respect to our recruitment and development of trainees. We continue to develop our diversity and inclusion policies and initiatives and have launched our Affinity Groups. We have started a programme to implement a new enterprise-wide talent management, recruitment, HR and payroll system next year.

8. Solvency and liquidity		
Risk description Cash generation for the Group is a key part of our 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 prices fall, inability to restructure appropriately and unsustainable levels of work-in-progress. To reflect the cyclical nature of housebuilding and following the GFC, 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 FY22. 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.	**Developments in the year** The Group continues to benefit from a strong balance sheet with diverse sources of funding. The Group operated with net cash throughout the year and signed a new £250m Sustainability Linked RCF which expires in October 2026. We continue to stress test the Group's financial resilience for various scenarios and are satisfied that adequate funding is in place. We have maintained a disciplined focus on capital allocation throughout the year.

9. Laws, policies and regulations		
Risk description This risk has continued to evolve during the year with developing regulations and progressing combustible materials works. Future regulatory changes could impact our ability to make medium and longer-term decisions. Failure to effectively implement new regulations including the Future Homes Standard and the Environment Act 2021, New Homes Quality Code, the Building Safety Act 2022 and the BEIS consultation on audit reform and corporate governance.	**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.	**Development in the year** The pace of regulatory reform has continued to increase. Plans for the requirements arising from the Future Homes Standard and the New Homes Quality Code have significantly advanced. We are developing our operating framework to support developing requirements from the BEIS consultation on audit reform and corporate governance. We undertake close consultation with the Government, through the HBF on evolving and developing regulation.

10. Climate change		
Risk description The Group will need to enhance its sustainable practices and processes as we transition to a carbon 'net zero' business by 2045 and continue to meet evolving Government regulations and growing investor expectations. Climate change could impact our business through transition and physical risks. Transition risks relate to the shift to a low carbon economy and include current and emerging regulations, technological change and shifts in stakeholder preferences. Physical risks are direct impacts from a changing climate, including rising temperatures, changing weather patterns increasing risk of droughts and flooding and more frequent and severe weather events. Failure to manage climate-related risks could lead to additional costs, build programme delays and damage to our reputation.	**Actions/mitigations** Our Sustainability Committee, chaired by our Chief Executive, oversees our sustainability strategy, including our approach to climate change. The Committee monitors performance against our climate targets and keeps abreast of climate-related risks and opportunities. We plan to transition to exclusive use of renewable electricity by 2025. 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 Future Homes Standard. GHG emission reduction targets is a bonus metric used across the Group. Our Executive Directors have GHG emission reduction targets within their Long-Term Incentive Plan.	**Development in the year** We continue to collaborate with our supply chain and consultants to find effective solutions to comply with the Future Homes Standard. We are committed to reducing our GHG emissions and in FY22 developed new science-based targets. Our targets include near-term scope 1, 2 and 3 emissions and a long-term ambition to reach net zero GHG emissions across our value chain by 2045. The targets have been approved by the Science Based Targets initiative. We agreed a new £250m Sustainability Linked RCF, which incorporates targets to reduce GHG emissions associated with our operations and the use of our homes. We established a climate risk working group to review our climate-related risks and opportunities. External consultants facilitated a review of risks and opportunities under a range of climate scenarios. Our divisions have now incorporated a climate risk assessment within their risk register.

11. Land availability and planning		
Risk description There is a risk that we may not be able to source enough suitable strategic and consented land at the right economic terms to support our growth ambitions. There are further risks that acquired land is delayed in the planning process where local authorities and public sector resources are constrained. The regulatory planning and environmental landscape continues to evolve. There are further environmental requirements such as nutrients and water neutrality and increasing biodiversity obligations. This increases the challenge of providing quality and affordable homes in the locations required.	**Actions/mitigations** We have strategic and local market expertise within our Land teams to ensure we acquire sites in the best locations and that allow us to demonstrate our placemaking credentials. We have formal relationships with key land suppliers, landowners and agents and local authorities. Land acquisitions are subject to formal appraisal and viability assessment through our approval process prior to bid submission and exchange of contracts. The planning status of all our sites are formally reviewed at our divisional boards on a monthly basis. We undertake close consultation with the Government on planning reform.	**Developments in the year** Our strategy continues to focus on acquiring new sites and developing long-term strategic land options. Our investment decisions consider the economic outlook and uncertainties as well as the complexities in the planning process. The planning process continues to be highly complex and time consuming with ongoing demands relating to affordable housing, section 106 obligations and the Community Infrastructure Levy. There has been a particular challenge in some of our divisions regarding nutrients and water neutrality which has impacted the speed of planning approvals. These complexities increase the cost of development and the time taken to move land through the planning process, which is also impacted by resource constraints in local authority planning departments.

12. Combustible materials		
Risk description	**Actions/mitigations**	**Developments in the year**
Failure to plan and implement the changes required by the Government in respect of combustible materials and fire safety in a timely manner, which could significantly impact our reputation. 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. Given this, costs can be difficult to estimate and could be subject to considerable variability and Government legislation, or regulation could further change, increasing the scope of legacy buildings and required remedial works.	We have a dedicated specialist team in place with robust controls and processes in respect of combustible materials. There is a regular review process in place which is overseen 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 safety considerations, recent customer or stakeholder correspondence and considers how the Group may choose to respond. In addition, the central team 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.	The Group has continued to review the risk register of legacy buildings in scope, assessing the latest guidelines against each affected building, advice from technical or legal advisors along with relevant notifications from a variety of stakeholders. Management has considered the progress of any remedial works and adjusted the financial provision to reflect the Group's best estimate of any future costs. We continue to review the appropriateness of our combustible materials provision. The Group has maintained an active dialogue with DLUHC, coordinated by the HBF, to ensure the principles of the Building Safety Pledge are transferred into a long-form agreement, and represent the contractual basis for the Group's obligations in this area.

CREST NICHOLSON HOLDINGS PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with UK-adopted international accounting standards and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101'Reduced Disclosure Framework', and applicable law).

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

- Select suitable accounting policies and then apply them consistently
- State whether applicable UK-adopted international accounting standards have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements
- Make judgements and accounting estimates that are reasonable and prudent, and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are 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 financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and Company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed on pages 70-71 of our 2022 Annual Integrated Report to be published in February 2023 confirm that, to the best of their knowledge:

- The Group financial statements, which have been prepared in accordance with UK-adopted international accounting standards, 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 United Kingdom Accounting Standards, comprising FRS 101, 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
17 January 2023

AUDITED FINANCIAL INFORMATION

The consolidated financial statements and notes 1 to 29 for the year ended 31 October 2022 are derived from the Group's annual financial statements which have been audited by PricewaterhouseCoopers LLP. The unmodified audit report is available for inspection at the Group's registered office.

CREST NICHOLSON HOLDINGS PLC
CONSOLIDATED INCOME STATEMENT
For the year ended 31 October 2022

	Note	2022 Pre-exceptional items £m	2022 Exceptional items (note 4) £m	2022 Total £m	2021 Pre-exceptional items £m	2021 Exceptional items (note 4) £m	2021 Total £m
Revenue	3	913.6	-	913.6	786.6	-	786.6
Cost of sales		(719.3)	(102.5)	(821.8)	(619.9)	(20.8)	(640.7)
Gross profit/(loss)		194.3	(102.5)	91.8	166.7	(20.8)	145.9
Administrative expenses		(51.1)	-	(51.1)	(51.1)	-	(51.1)
Net impairment losses on financial assets	18	(2.3)	-	(2.3)	(1.0)	-	(1.0)
Operating profit/(loss)	5	140.9	(102.5)	38.4	114.6	(20.8)	93.8
Finance income	7	3.1	-	3.1	3.4	-	3.4
Finance expense	7	(10.2)	(1.0)	(11.2)	(12.5)	0.5	(12.0)
Net finance expense		(7.1)	(1.0)	(8.1)	(9.1)	0.5	(8.6)
Share of post-tax profits/(losses) of joint ventures using the equity method	14	4.0	(1.5)	2.5	1.7	-	1.7
Profit/(loss) before tax		137.8	(105.0)	32.8	107.2	(20.3)	86.9
Income tax (expense)/credit	8	(28.8)	22.4	(6.4)	(19.9)	3.9	(16.0)
Profit/(loss) for the year attributable to equity shareholders		109.0	(82.6)	26.4	87.3	(16.4)	70.9
Earnings per ordinary share							
Basic	10	42.5p		10.3p	34.0p		27.6p
Diluted	10	42.3p		10.2p	33.9p		27.5p

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

CREST NICHOLSON HOLDINGS PLC
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 October 2022

	Note	2022 £m	2021 £m
Profit for the year attributable to equity shareholders		26.4	70.9
Other comprehensive (expense)/income:			
Items that will not be reclassified to the consolidated income statement:			
Actuarial (losses)/gains of defined benefit schemes	17	(8.4)	20.2
Change in deferred tax on actuarial (losses)/gains of defined benefit schemes	16	1.6	(4.8)
Other comprehensive (expense)/income for the year net of income tax		(6.8)	15.4
Total comprehensive income attributable to equity shareholders		19.6	86.3

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

CREST NICHOLSON HOLDINGS PLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 October 2022

	Note	Share capital £m	Share premium account £m	Retained earnings £m	Total equity £m
Balance at 1 November 2020		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
Profit for the year attributable to equity shareholders		-	-	26.4	26.4
Actuarial losses of defined benefit schemes	17	-	-	(8.4)	(8.4)
Change in deferred tax on actuarial losses of defined benefit schemes	16	-	-	1.6	1.6
Total comprehensive income for the year		-	-	19.6	19.6
Transactions with shareholders:					
Equity-settled share-based payments	17	-	-	1.9	1.9
Deferred tax on equity-settled share-based payments	16	-	-	(0.4)	(0.4)
Purchase of own shares	24	-	-	(1.1)	(1.1)
Dividends paid	9	-	-	(38.5)	(38.5)
Balance at 31 October 2022		12.8	74.2	796.1	883.1

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

CREST NICHOLSON HOLDINGS PLC
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 October 2022

		2022	2021
ASSETS	**Note**	**£m**	**£m**
Non-current assets			
Intangible assets	**11**	**29.0**	**29.0**
Property, plant and equipment	**12**	**0.9**	**1.2**
Right-of-use assets	**13**	**3.7**	**3.7**
Investments in joint ventures	**14**	**9.0**	**6.8**
Financial assets at fair value through profit and loss	**15**	**3.3**	**4.2**
Deferred tax assets	**16**	**4.8**	**4.8**
Retirement benefit surplus	**17**	**11.1**	**16.7**
Trade and other receivables	**18**	**35.0**	**44.5**
		96.8	**110.9**
Current assets			
Inventories	**19**	**990.1**	**1,037.5**
Financial assets at fair value through profit and loss	**15**	**1.3**	**1.1**
Trade and other receivables	**18**	**116.3**	**102.4**
Current income tax receivable		**1.1**	**5.8**
Cash and cash equivalents	**20**	**373.6**	**350.7**
		1,482.4	**1,497.5**
Total assets		**1,579.2**	**1,608.4**
LIABILITIES			
Non-current liabilities			
Interest-bearing loans and borrowings	**21**	**(97.1)**	**(97.9)**
Trade and other payables	**22**	**(41.8)**	**(107.6)**
Lease liabilities	**13**	**(2.3)**	**(2.7)**
Deferred tax liabilities	**16**	**(3.2)**	**(4.1)**
Provisions	**23**	**(70.8)**	**(28.4)**
		(215.2)	**(240.7)**
Current liabilities			
Trade and other payables	**22**	**(407.1)**	**(449.5)**
Lease liabilities	**13**	**(1.6)**	**(1.9)**
Provisions	**23**	**(72.2)**	**(14.7)**
		(480.9)	**(466.1)**
Total liabilities		**(696.1)**	**(706.8)**
Net assets		**883.1**	**901.6**
EQUITY			
Share capital	**24**	**12.8**	**12.8**
Share premium account	**24**	**74.2**	**74.2**
Retained earnings		**796.1**	**814.6**
Total equity		**883.1**	**901.6**

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

These financial statements on pages 22–67 were approved by the Board of Directors on 17 January 2023.

On behalf of the Board

PETER TRUSCOTT
Director

DUNCAN COOPER
Director

Registered no. 6800600

CREST NICHOLSON HOLDINGS PLC
CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 October 2022

	Note	2022 £m	2021 £m
Cash flows from operating activities			
Profit for the year attributable to equity shareholders		**26.4**	**70.9**
Adjustments for:			
Depreciation on property, plant and equipment	**12**	**0.4**	**1.0**
Depreciation on right-of-use assets	**13**	**1.9**	**2.4**
Retirement benefit obligation administrative expenses	**17**	**0.9**	**-**
Net finance expense	**7**	**8.1**	**8.6**
Share-based payment expense	**17**	**1.9**	**1.8**
Share of post-tax profits of joint ventures using the equity method	**14**	**(2.5)**	**(1.7)**
Impairment of inventories movement	**19**	**(8.1)**	**(16.4)**
Net impairment of financial assets	**18**	**2.3**	**1.0**
Income tax expense	**8**	**6.4**	**16.0**
Operating profit before changes in working capital, provisions and contributions to retirement benefit obligations		**37.7**	**83.6**
(Increase)/decrease in trade and other receivables		**(17.0)**	**4.8**
Decrease/(increase) in inventories		**55.5**	**(3.4)**
(Decrease)/increase in trade and other payables and provisions		**(13.4)**	**73.5**
Contribution to retirement benefit obligations	**17**	**(3.4)**	**(11.2)**
Cash generated from operations		**59.4**	**147.3**
Finance expense paid		**(6.3)**	**(6.9)**
Income tax paid		**(1.4)**	**(13.9)**
Net cash inflow from operating activities		**51.7**	**126.5**
Cash flows from investing activities			
Purchases of property, plant and equipment	**12**	**(0.1)**	**(0.2)**
Disposal of financial assets at fair value through profit and loss	**15**	**0.7**	**1.0**
Funding to joint ventures		**(7.5)**	**(13.0)**
Repayment of funding from joint ventures		**18.8**	**11.5**
Dividends received from joint ventures		**2.4**	**-**
Finance income received		**0.1**	**0.1**
Net cash inflow/(outflow) from investing activities		**14.4**	**(0.6)**
Cash flows from financing activities			
Principal elements of lease payments	**13**	**(2.1)**	**(2.7)**
Dividends paid	**9**	**(38.5)**	**(10.5)**
Purchase of own shares	**24**	**(1.1)**	**(1.6)**
Debt arrangement and facility fees		**(1.5)**	**-**
Proceeds from share option transfers		**-**	**0.2**
Net cash outflow from financing activities		**(43.2)**	**(14.6)**
Net increase in cash and cash equivalents		**22.9**	**111.3**
Cash and cash equivalents at the beginning of the year		**350.7**	**239.4**
Cash and cash equivalents at end of the year	**20**	**373.6**	**350.7**

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

1 ACCOUNTING POLICIES

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

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

The Group financial statements have been prepared and approved by the Directors in accordance with UK-adopted international accounting standards, and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. On 31 December 2020, IFRS as adopted by the European Union at that date were brought into UK law and became UK-adopted international accounting standards, with future changes being subject to endorsement by the UK Endorsement Board. The Group's consolidated and Company financial statements have, therefore, been prepared in accordance with UK-adopted international accounting standards and have been prepared on the historical cost basis except for financial assets at fair value through profit and loss, which are as otherwise stated. The parent company financial statements are presented on pages 68–71.

The preparation of financial statements in conformity with UK-adopted international accounting standards 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 a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed below.

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

Assessment of principal risks
The Directors assessed the Group's principal risks as detailed on pages 13–20 and considered three overarching risks when developing the stress testing for this assessment. These risks were selected due to the potential impact over the period assessed for going concern, which is a shorter than the period used for the principal risk assessment.

Risk	Mitigation and other considerations	Link to principal risks
Will the volume of home completions fall? • Will the current economic activity 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 trade effectively in previous downturns in the housing cycle and benefits from a strong balance sheet and forward order book • The UK Government has consistently demonstrated its recent support for the housing market through lowering Stamp Duty and encouraging lenders to maintain good levels of mortgage availability • The Group benefits from strong supplier and subcontractor relationships that help mitigate availability issues.	• Market conditions • Access to site labour and materials
Will UK house prices fall? • Will the current or further decline in macro economic conditions result in lower prices for UK property due to reduced demand through unemployment or mortgage availability? • Will the higher cost of mortgages persist and create an affordability gap?	• 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.	• Market conditions

Risk	Mitigation and other considerations	Link to principal risks
Will build cost inflation remain high and sustained? • Will the availability of materials and labour remain scarce because of the war in Ukraine 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's implementation of COINS as its new ERP platform has enhanced the reporting of build costs for the divisions implemented in FY22, and will continue to be deployed across the rest of the Group in FY23.	• 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 2022. The Group has performed in line with expectations and retains a strong level of working capital and liquidity to execute its strategy. During the year the Group completed a £250.0m Sustainability Linked Revolving Credit Facility (RCF) which expires in October 2026. The Group also benefits from £100.0m of senior loan notes. Both of these sources of financing are subject to three financial covenant tests. The Group does not disclose the terms of these covenants as it considers them to be commercially confidential. The RCF is also subject to sustainability targets which are aligned to the Group's sustainability strategy with a lower interest payable if these are achieved. See page 60 for more information. Given the Group's strong liquidity position the Directors consider the possibility of breaching one of the financial covenants as being the first sign that the Group could be in distress and should be the basis of its going concern assessment 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 FY23 to FY25. The forecasts include the Directors current assessment of the potential impact of the economic uncertainty currently being experienced in the UK. These impacts include sales price and sales volume reductions, but are not disclosed as the Group considers them to be commercially sensitive.

   The Group has already secured a significant proportion of sales for FY23 by way of its strong forward order book. Under this scenario the Group maintains a strong level of liquidity and financial headroom throughout FY23 and beyond and remains compliant with all three covenants with comfortable headroom.

2. 'Severe but plausible downside case'. The Directors have applied the three risks outlined above to the base case scenario without double counting the sales price and volume assumptions implicit in that base case. These risks are considered effective from 1 November 2022 and include a 0.37 SPOW rate (FY22 SPOW was 0.60), a 12.0% reduction in forecast average selling prices and a 10.0% increase in forecast build costs. Build costs include the Group's stated commitment under the Building Safety Pledge to remediate legacy buildings and therefore any assumed increase in build costs also increases the size of this commitment. Each of these risks has been applied individually and the Group remains compliant with all three covenants with comfortable headroom. The Directors have then applied the 12.0% sales price reduction together with the 0.37 SPOW rate, to reflect what they consider to be a 'severe but plausible downside case' outcome and trading environment. The build cost inflation risk was not included in this severe but plausible downside case, as during a downturn as severe as that considered, the Group has historically seen build cost deflation as suppliers and subcontractors swiftly recalibrate their pricing to compete for work in shrinking forward order books. As such, applying all three risks in aggregate was not considered plausible. This combined scenario inevitably places a higher stress than 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 used appropriate mitigations available to enable it to offset the deterioration in financial performance. These mitigations are within the control of the Group and can be enacted in good time, and are outlined below.

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 considered some of the mitigations that could be applied in a deteriorating trading environment. The Group has experience of applying such mitigations in the past, which include but are not limited to:

- 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
- A reduction in sales and marketing costs to reflect a fall in sales volumes.

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 UK-adopted international accounting standards 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 (see note 3), 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 (see note 3), and the recognition of the defined benefit pension scheme surplus (see note 17).

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

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

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

Carrying value of inventories

Inventories of work-in-progress, completed buildings including show homes and part exchange inventories are stated in the consolidated statement of financial position at the lower of cost or net realisable value (NRV). On a monthly basis management update estimates of future revenue and expenditure for each development. Future revenue and expenditure may differ from estimates which could lead to an impairment of inventory if there are adverse changes. Where forecast revenues are lower than forecast total costs an inventory provision is made. This provision may be reversed in subsequent periods if there is evidence of sustained improved revenue or reduced expenditure forecast on a development. If forecast revenue was 10.0% lower on sites within the short-term portfolio as at 31 October 2022, the impact on profit before tax would have been £7.0m lower (2021: £10.9m lower).

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 upfront shared infrastructure costs to have greater estimation uncertainty than sites of shorter duration with less infrastructure requirements. A change in estimated margins on sites, for example due to changes in estimates of build cost inflation or a reduction in house prices, could alter future profitability. If forecast costs were 10.0% higher on sites which contributed to the year ended 31 October 2022 and which are forecast to still be in production beyond the year ending 31 October 2024 (2021: beyond the year ending 31 October 2023), profit before tax in the current year would have been £25.3m lower (2021: £12.8m 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 or the value of goodwill. The longer term costs associated with climate-related risks are considered to be beyond the timescale of the projects the Group is currently contracted to and as such do not impact the carrying value of inventories or their associated project margins. Further information on climate-related risks and opportunities is provided on pages 34–35 of our 2022 Annual Integrated Report to be published in February 2023, and this represents an area of estimation rather than a critical accounting estimate.

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 assumptions 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 assumptions include but are not limited to identification of the properties impacted through the period of construction considered. 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 and to reflect the impact of signing the Government's Building Safety Pledge (the Pledge). As a result of signing the Pledge the Group has committed to funding the remediation of life-critical fire safety issues on buildings over 11 metres in which the Group was involved going back 30 years. The Directors have used Building Safety Fund (BSF) cost information, other external information and internal assessments as a basis for the estimated remedial costs. These estimates are inherently uncertain due to the highly complex and bespoke nature of the buildings, actual costs may differ to the amounts notified by the BSF costed projects, and fire safety reports in progress may require different levels of remediation and associated costs than those currently estimated. If forecast remediation costs on buildings currently provided for are 20.0% higher than provided, the pre-tax exceptional items charge in the consolidated income statement would be £28.2m 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.

Adoption of new and revised standards
During the year, the Group has adopted the following new and revised standards and interpretations that have had no impact on the financial statements:

- Amendments to IFRS 4: Insurance Contracts – deferral of IFRS 9
- Amendments to IFRS 7, IFRS 4, and IFRS 16: Interest rate benchmark reform – Phase 2.

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 2022 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.

Other accounting policies
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 revenue policy relating to recognised over time housing units as detailed below.

The Group reviewed the application of its revenue policy relating to recognised over time housing units. From 1 November 2021 revenue is now recognised on over time units by reference to the stage of completion, via surveys of work performed on contract activity. The Group considers this policy more closely aligns with the benefits transferred to the customer. Previously revenue was recognised on housing units as the build of the related units progressed, using the input method based on costs incurred. This is considered a change in accounting estimate and so has been implemented prospectively.

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

Consolidation

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

(a) Subsidiaries

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

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

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

(b) Joint ventures

A joint venture is a contractual arrangement in which the Group and other parties undertake an economic activity that is subject to joint control and these parties have rights to the net assets of the arrangement. The Group reports its interests in joint ventures using the equity method of accounting. Under this method, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's share of results of the joint venture after tax is included in a single line in the consolidated income statement. Where the share of losses exceeds the Group's interest in the entity and there is no obligation to fund these losses, the carrying amount is reduced to nil and recognition of further losses is discontinued, unless there is a long-term receivable due from the joint venture in which case, if appropriate, the loss is recognised against the receivable. If an obligation to fund losses exists the further losses and a provision are recognised. Unrealised gains on transactions between the Group and its joint ventures are eliminated on consolidation. Accounting policies of joint ventures are 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 and is not amortised. 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 2036. 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 has made a judgement to 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 £48.9m (2021: £48.6m).

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, via surveys of work performed on contract activity. Where freehold legal title is not passed to the customer, revenue is not recognised on any upfront sale of land and the revenue on the housing units and sale of land is recognised at handover of completed units to the customer. The transaction price for all housing units is derived from contractual negotiations and does not include any material variable consideration.

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

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

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

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

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

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

Government grants
Unconditional Government grants are recognised against the line item to which they relate in the consolidated income statement or consolidated statement of financial position. 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 and settlements associated with combustible materials, significant costs associated with acquiring another business and significant inventory impairments. Where appropriate, the Directors consider that items should be considered as categories or classes of items, such as any credits/costs impacting the consolidated income statement which relate to combustible materials, notwithstanding where an item may be individually immaterial. The Directors believe that these items require separate disclosure within the consolidated income statement in order to assist the users of the financial statements to better understand the performance of the Group, which is also 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. The income tax impacts of exceptional items are reflected at the actual tax rate related to these items.

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. Imputed interest expense on deferred land creditors and combustible materials discounting is recognised over the life of associated cash flows.

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 NRV, 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.

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. NRV for inventories is assessed by estimating selling prices and costs, taking into account current market conditions.

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

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

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

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

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

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

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

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

Interest-bearing loans and borrowings
Interest-bearing loans and 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. Provisions are discounted to present value on a discounted cash flow basis using an interest rate appropriate to the class of the provision, where the effect is material.

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) until 27 May 2022, Duncan Cooper (Group Finance Director), David Marchant (Group Operations 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

	2022	2021
Revenue type	**£m**	**£m**
Open market housing including specification upgrades	**803.7**	**654.7**
Affordable housing	**76.9**	**78.7**
Total housing	**880.6**	**733.4**
Land and commercial sales	**32.0**	**49.2**
Freehold reversions	**1.0**	**4.0**
Total revenue	**913.6**	**786.6**

In the prior year 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.

	2022	2021
Timing of revenue recognition	**£m**	**£m**
Revenue recognised at a point in time	**842.6**	**687.7**
Revenue recognised over time	**71.0**	**98.9**
Total revenue	**913.6**	**786.6**

Proceeds received on the disposal of part exchange properties, which is not included in revenue, were £48.9m (2021: £48.6m). These have been included within cost of sales.

	2022	2021
Assets and liabilities related to contracts with customers	**£m**	**£m**
Contract assets (note 18)	**25.1**	**56.4**
Contract liabilities (note 22)	**(19.0)**	**(25.0)**

Contract assets have decreased to £25.1m from £56.4m in 2021, reflecting less unbilled work-in-progress on affordable and other sales in bulk at the year end. This is in line with the trading of the Group and the contractual arrangements in the Group's contracts. Contract liabilities have reduced to £19.0m from £25.0m in 2021, 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 £19.6m (2021: £21.3m) that was included in contract liabilities at the beginning of the year.

During the year £nil (2021: £nil) of revenue was recognised from performance obligations satisfied or partially satisfied in previous years.

At 31 October 2022 there was £322.4m (2021: £358.5m) of transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied on contracts exchanged with customers. We are forecasting to recognise £257.4m (2021: £261.7m) of transaction prices allocated to performance obligations that are unsatisfied on contracts exchanged with customers within one year, £65.0m (2021: £96.8m) within two to five years, and £nil (2021: £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 to better understand the performance of the Group, which is also how the Directors internally manage the business. Where appropriate, the Directors consider that items should be considered as categories or classes of items, such as any credits/costs impacting the consolidated income statement which relate to combustible materials, notwithstanding where an item may be individually immaterial. 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 recognised in previous financial years.

	2022	2021
Cost of sales	**£m**	**£m**
Combustible materials charge	**102.5**	**31.2**
Combustible materials credit	**-**	**(2.4)**
Net combustible materials charge	**102.5**	**28.8**
Inventory impairment credit	**-**	**(8.0)**
Total cost of sales exceptional charge	**102.5**	**20.8**
Net finance expense		
Finance expense credit	**-**	**(0.5)**
Combustible materials imputed interest	**1.0**	**-**
Share of post-tax loss of joint ventures		
Combustible materials charge of joint ventures	**1.5**	**-**
Total exceptional charge	**105.0**	**20.3**
Tax credit on exceptional charge	**(22.4)**	**(3.9)**
Total exceptional charge after tax credit	**82.6**	**16.4**

Combustible materials related charges
Following the fire at Grenfell Tower in 2017, and the subsequent review of building design, construction methods and materials used, the Group has acted swiftly to identify and remediate 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 had cumulatively recorded £47.8m of net charges in respect of these obligations between the year ended 31 October 2019 to 31 October 2021.

On 19 April 2022, the Group signed the Government's Building Safety Pledge, which has a wider parameter of potential buildings and has thus contributed to a further combustible material related total exceptional charge of £105.0m for the year ended 31 October 2022. Due to the material nature of the charge, it has been recognised as an exceptional item. See note 23 for additional information.

The combustible materials charge of joint ventures represents the Group's share of exceptional combustibles materials charge in its joint venture Crest Nicholson Bioregional Quintain LLP. The joint venture completed a development in Brighton in 2011 and recognised a provision following an independent fire engineers report recommending remedial works.

In January 2023, the Group received a £10.0m cash settlement from a third party relating to buildings included within the combustible materials provision. As this was not contracted in the current financial year, it has not been recognised in the FY22 consolidated financial statements. The receipt will be reflected in the FY23 consolidated financial statements as an exceptional credit.

Inventory impairment credit and finance expense credit
In the year ended 31 October 2021 the Group released unused inventory impairment and reversed a finance expense charge which were previously recognised as exceptional, resulting in a credit in those periods. For further details see note 4 within the Group's consolidated financial statements for the year ended 31 October 2021.

Taxation
An exceptional income tax credit of £22.4m (2021: £3.9m) has been recognised in relation to the above exceptional items using the actual tax rate applicable to these items.

5 OPERATING PROFIT

Operating profit of £38.4m (2021: £93.8m) from continuing activities is stated after charging/(crediting):

	Note	2022 £m	2021 £m
Inventories expensed in the year		**705.3**	**603.5**
Inventories impairment movement in the year	19	**(8.1)**	**(16.4)**
Employee costs	6	**58.4**	**53.4**
Depreciation on property, plant and equipment	12	**0.4**	**1.0**
Depreciation on right-of-use assets	13	**1.9**	**2.4**
Joint venture project management fees received	28	**(2.0)**	**(1.5)**
Government grants repaid		**-**	**2.5**

Government grants repaid
During the year ended 31 October 2020 the Group recognised a £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 prior year.

Auditors' remuneration	2022 £000	2021 £000
Audit of these consolidated financial statements	**137**	**125**
Audit of financial statements of subsidiaries pursuant to legislation	**783**	**665**
Other non-audit services	**95**	**90**

The audit fees payable in 2022 included £30,000 in relation to additional costs for the 2021 audit (2021: included £70,000 in relation to additional costs for the 2020 audit).

Fees payable to the Group's auditors for non-audit services included £95,000 (2021: £90,000) 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 £25,400 (2021: £24,000) and are met by the assets of the scheme, and the fees associated with services to Group joint ventures are £22,000 (2021: £28,000).

6 EMPLOYEE NUMBERS AND COSTS

(a) Average monthly number of persons employed by the Group	2022 Number	2021 Number
Development	**727**	**661**

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

(b) Employee costs (including Directors and key management)	2022 £m	2021 £m
Wages and salaries	**48.0**	**43.8**
Social security costs	**6.0**	**5.4**
Other pension costs	**2.5**	**2.4**
Share-based payments (note 17)	**1.9**	**1.8**
	58.4	**53.4**

(c) Key management remuneration	2022 £m	2021 £m
Salaries and short-term employee benefits	**4.0**	**4.3**
Directors' remuneration for loss of office	**0.5**	**-**
Share-based payments	**1.0**	**0.9**
	5.5	**5.2**

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.

6 STAFF NUMBERS AND COST (continued)

(d) Directors' remuneration	2022	2021
	£m	£m
Salaries and short-term employee benefits	2.6	2.9
Directors' remuneration for loss of office	0.5	-
Share-based payments	0.7	0.7
	3.8	3.6

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 100–122 of our 2022 Annual Integrated Report to be published in February 2023.

7 FINANCE INCOME AND EXPENSE

	2022	2021
Finance income	£m	£m
Interest income	0.7	0.2
Interest on amounts due from joint ventures (note 28)	2.1	2.8
Interest on financial assets at fair value through profit and loss (note 15)	-	0.4
Net interest on defined benefit pension scheme (note 17)	0.3	-
	3.1	3.4
Finance expense		
Interest on bank loans	(6.6)	(7.9)
Revolving credit facility issue costs	(0.7)	(0.7)
Imputed interest on deferred land payables	(2.8)	(2.8)
Interest on lease liabilities (note 13)	(0.1)	(0.2)
Interest on financial assets at fair value through profit and loss - exceptional (note 15)	-	0.5
Net interest on defined benefit pension scheme (note 17)	-	(0.9)
Imputed interest on combustible materials provision – exceptional (note 23)	(1.0)	-
	(11.2)	(12.0)
Net finance expense	(8.1)	(8.6)

8 INCOME TAX EXPENSE

	2022	2021
	£m	£m
Current tax		
UK corporation tax expense on profit for the year	(6.1)	(11.4)
Adjustments in respect of prior periods	-	(0.2)
Total current tax expense	(6.1)	(11.6)
Deferred tax		
Origination and reversal of temporary differences in the year	(0.3)	(4.9)
Adjustment in respect of prior periods	-	0.5
Total deferred tax charge (note 16)	(0.3)	(4.4)
Total income tax expense in consolidated income statement	(6.4)	(16.0)

Corporation tax is calculated at 19.0% (2021: 19.0%) of the profit chargeable to tax for the year, and, from 1 April 2022 the Group is subject to the Residential Property Developer Tax (RPDT) at a rate of 4.0%. This results in a weighted statutory rate of corporation tax of 21.3% for the year. The effective tax rate for the year is 19.5% (2021: 18.4%), which is lower than (2021: lower than) the weighted standard rate of UK corporation tax due to the impact of the changes in UK tax rates on deferred tax and the RPDT annual allowance and adjustments. The Group expects the effective tax rate to be more aligned to the standard rate of corporation tax in future years, adjusted for the impact of changes in the rate of tax.

8 INCOME TAX EXPENSE (continued)

Reconciliation of tax expense in the year	**2022 £m**	**2021 £m**
Profit before tax	**32.8**	**86.9**
Tax on profit at 21.3% (inclusive of RPDT) (2021: 19.0%)	**(7.0)**	**(16.5)**
Effects of:		
Expenses not deductible for tax purposes	**(0.7)**	**(0.7)**
Enhanced tax deductions	**0.2**	**0.2**
Adjustments in respect of prior periods	**-**	**0.3**
Effect of change in rate of tax	**0.6**	**0.7**
Impact of RPDT annual allowance and adjustments	**0.5**	**-**
Total income tax expense in consolidated income statement	**(6.4)**	**(16.0)**

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 impact on deferred tax balances in respect of the RPDT tax rate of 4.0% which was effective from 1 April 2022. As a result, the deferred tax balances on the consolidated statement of financial position have been measured using these revised rates.

RPDT was introduced by HM Treasury to obtain a contribution from the UK's largest residential property developers towards the cost of remediating defective cladding in the UK's high-rise housing stock and is expected to remain in force for up to 10 years. RPDT is an additional tax on profits generated from residential property development activity, in excess of an annual threshold and adjusting for interest expense disallowable under RPDT. The impact of RPDT annual allowance and adjustments reflects the net tax benefit of the annual threshold and interest adjustment.

The UK corporation tax rate will increase from 19.0% to 25.0% with effect from 1 April 2023.

9 DIVIDENDS

Dividends recognised as distributions to equity shareholders in the year:	**2022 £m**	**2021 £m**
Current year interim dividend of 5.5 pence per share (2021: 4.1 pence per share)	**14.1**	**10.5**
Prior year final dividend per share of 9.5 pence per share (2021: nil pence per share)	**24.4**	**-**
	38.5	**10.5**

Dividends proposed as distributions to equity shareholders in the year:	**2022 £m**	**2021 £m**
Final dividend for the year ended 31 October 2022 of 11.5 pence per share (2021: 9.5 pence per share)	**29.5**	**24.4**

The proposed final dividend was approved by the Board on 17 January 2023 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 5 April 2023 to all ordinary shareholders on the Register of Members on 17 March 2023.

10 EARNINGS PER ORDINARY SHARE

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

	Earnings £m	Weighted average number of ordinary shares Number	Per share amount Pence
Year ended 31 October 2022			
Basic earnings per share	**26.4**	**256,405,006**	**10.3**
Dilutive effect of share options	**-**	**1,320,375**	
Diluted earnings per share	**26.4**	**257,725,381**	**10.2**
Year ended 31 October 2022 – Pre-exceptional items			
Adjusted basic earnings per share	**109.0**	**256,405,006**	**42.5**
Dilutive effect of share options	**-**	**1,320,375**	
Adjusted diluted earnings per share	**109.0**	**257,725,381**	**42.3**
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**

11 INTANGIBLE ASSETS

Goodwill	2022 £m	2021 £m
Cost at beginning and end of the year	**47.7**	**47.7**
Accumulated impairment	**(18.7)**	**(18.7)**
At beginning and end of the year	**29.0**	**29.0**

Goodwill arose on the acquisition of CN Finance plc (formerly Castle Bidco plc) 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% (2021: 8.5%), covering a further period of 14 years to 2036, and based on current market conditions. The discount rate is based on an externally produced weighted average cost of capital range estimate. For both 2021 and 2022 8.5% falls within the respective range. The Future Homes Standard will not impact the estimated development cash flows as sites in production already incorporate the forecast extra costs, and for those under option the extra costs will be adjusted in the land values payable. 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 by plus or minus 1.0% 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 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**
Additions	**-**	**0.1**	**0.1**
Disposals	**(0.1)**	**(0.4)**	**(0.5)**
At 31 October 2022	**1.7**	**2.9**	**4.6**
Accumulated depreciation			
At 1 November 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**
Charge for the year	**0.2**	**0.2**	**0.4**
Disposals	**(0.1)**	**(0.4)**	**(0.5)**
At 31 October 2022	**1.1**	**2.6**	**3.7**
Net book value			
At 31 October 2022	**0.6**	**0.3**	**0.9**
At 31 October 2021	**0.8**	**0.4**	**1.2**
At 1 November 2020	**1.0**	**1.0**	**2.0**

The Group has contractual commitments for the acquisition of property, plant and equipment of £nil (2021: £nil).

13 RIGHT-OF-USE ASSETS AND LIABILITIES

	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
Additions	-	1.3	-	1.3
Disposals	-	(1.0)	-	(1.0)
At 31 October 2022	13.1	4.5	-	17.6
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
Disposals	(0.2)	(2.6)	(0.6)	(3.4)
At 31 October 2021	10.7	2.9	-	13.6
Charge for the year	1.0	0.9	-	1.9
Disposals	-	(1.0)	-	(1.0)
Reclassification*	(0.6)	-	-	(0.6)
At 31 October 2022	11.1	2.8	-	13.9
Net book value				
At 31 October 2022	2.0	1.7	-	3.7
At 31 October 2021	2.4	1.3	-	3.7
At 1 November 2020	3.8	2.1	0.1	6.0

* Relates to the brought forward balance of dilapidations on Group offices, now presented in provisions (see note 23).

Lease liabilities included in the consolidated statement of financial position

	2022 £m	2021 £m
Non-current	2.3	2.7
Current	1.6	1.9
Total lease liabilities	3.9	4.6

Amounts recognised in the consolidated income statement

	2022 £m	2021 £m
Depreciation on right-of-use assets	1.9	2.4
Interest on lease liabilities	0.1	0.2

Amounts recognised in the consolidated cash flow statement

	2022 £m	2021 £m
Principal element of lease payments	2.1	2.7

Maturity of undiscounted contracted lease cash flows

	2022 £m	2021 £m
Less than one year	1.7	2.1
One to five years	2.4	2.9
More than five years	-	-
Total	4.1	5.0

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.
- 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.

Disposal of joint venture 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. This site has been the subject of planning objections and delays and is a complex build programme with significant levels of peak capital investment. On 6 May 2022 the Group disposed of its 50% interest in Bonner Road LLP to its joint venture partner for consideration of £16.0m, of which £8.0m was received in the year and £8.0m is receivable in the next financial year. The carrying value of the amounts due from the joint venture was further impaired recording a £2.3m net impairment loss on financial assets in the year as presented below and represents the final value to be realised upon the disposal:

	£m
Proceeds from disposal of interest in Bonner Road LLP	16.0
Amounts due from the joint venture at 6 May 2022	(37.6)
Expected credit loss charged to the consolidated income statement to 31 October 2021	11.8
Cumulative loss recognised in the consolidated income statement to 31 October 2021	6.9
Loss recognised in the consolidated income statement from 1 November 2021 to 6 May 2022	0.6
Expected credit loss charged to the consolidated income statement in the year	2.3

Total expected credit loss utilised in the year £14.1m (see note 18).

	2022	2021
Total investments in joint ventures	£m	£m
Crest Sovereign (Brooklands) LLP	2.3	-
Crest A2D (Walton Court) LLP	3.4	2.2
Elmsbrook (Crest A2D) LLP	3.3	4.5
Other non-material joint ventures	-	0.1
Total investments in joint ventures	9.0	6.8

All material 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 29 for further details.

Summarised financial information for joint ventures

The tables below provide financial information for joint ventures that are material to the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant joint ventures, where the Group retains an interest, and not the Group's share of those amounts.

2022	Crest Sovereign (Brooklands) LLP	Bonner Road LLP	Crest A2D (Walton Court) LLP	Elmsbrook (Crest A2D) LLP	Other non-material joint ventures	Total
	£m	£m	£m	£m	£m	£m
Summarised statement of financial position						
Current assets						
Cash and cash equivalents	**0.3**	**-**	**0.1**	**1.6**	**0.2**	**2.2**
Inventories	**28.8**	**-**	**40.4**	**7.8**	**-**	**77.0**
Other current assets	**2.3**	**-**	**0.1**	**0.1**	**0.2**	**2.7**
Current liabilities						
Financial liabilities	**(1.0)**	**-**	**(0.6)**	**-**	**-**	**(1.6)**
Other current liabilities	**(6.9)**	**-**	**(1.4)**	**(3.0)**	**(3.3)**	**(14.6)**
Non-current liabilities						
Financial liabilities	**(18.9)**	**-**	**(31.9)**	**-**	**-**	**(50.8)**
Net assets/(liabilities)	**4.6**	**-**	**6.7**	**6.5**	**(2.9)**	**14.9**
Reconciliation to carrying amounts						
Opening net (liabilities)/assets at 1 November 2021	**(1.0)**	**(13.7)**	**4.3**	**8.9**	**0.2**	**(1.3)**
Profit/(loss) for the year	**5.6**	**(1.2)**	**1.2**	**2.4**	**(3.1)**	**4.9**
Capital contribution reserve	**-**	**-**	**1.2**	**-**	**-**	**1.2**
Dividends paid	**-**	**-**	**-**	**(4.8)**	**-**	**(4.8)**
Disposal in the year	**-**	**14.9***	**-**	**-**	**-**	**14.9**
Closing net assets/(liabilities) at 31 October 2022	**4.6**	**-**	**6.7**	**6.5**	**(2.9)**	**14.9**
Group's share of closing net assets/(liabilities) at 31 October 2022	**2.3**	**-**	**3.4**	**3.3**	**(1.4)**	**7.6**
Losses recognised against receivable from joint venture (note 18)	**-**	**-**	**-**	**-**	**0.2**	**0.2**
Fully provided in the Group financial statements (note 23)	**-**	**-**	**-**	**-**	**1.2**	**1.2**
Group's share in joint venture	**2.3**	**-**	**3.4**	**3.3**	**-**	**9.0**
Amount due to the Group (note 18)	**10.4**	**-**	**15.9****	**0.8**	**-**	**27.1**
Amount due from the Group (note 22)	**-**	**-**	**-**	**-**	**0.1**	**0.1**
Summarised income statement for the twelve months ending 31 October 2022						
Revenue	**47.4**	**-**	**26.0**	**11.0**	**-**	**84.4**
Expenditure	**(39.9)**	**-**	**(23.6)**	**(8.6)**	**(0.1)**	**(72.2)**
Expenditure – exceptional item (note 4)	**-**	**-**	**-**	**-**	**(3.0)**	**(3.0)**
Operating profit/(loss) before finance expense	**7.5**	**-**	**2.4**	**2.4**	**(3.1)**	**9.2**
Finance expense	**(1.9)**	**(1.2)**	**(1.2)**	**-**	**-**	**(4.3)**
Pre-tax and post-tax profit/(loss) for the year	**5.6**	**(1.2)**	**1.2**	**2.4**	**(3.1)**	**4.9**
Group's share in joint venture profit/(loss) for the year	**2.8**	**(0.6)**	**0.6**	**1.2**	**(1.5)**	**2.5**

* Group's share of the net liabilities comprises £7.5m made up of brought forward net liabilities of £6.9m and current year loss of £0.6m.

** £15.9m 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. Funding of this nature is currently expected to be £1.2m (2021: £nil). 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.

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

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

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

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
CN Finance 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 29.

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	2022	2021
	£m	£m
At beginning of the year	5.3	5.4
Disposals	(0.7)	(1.0)
Imputed interest	-	0.9
At end of the year	4.6	5.3
Of which:		
Non-current assets	3.3	4.2
Current assets	1.3	1.1
	4.6	5.3

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, although short-term house prices may fall, 3% is considered to be a fair medium-term assessment:

Assumptions	2022	2021
Discount rate, incorporating default rate	10.5%	10.5%
House price inflation for the next three years	3.0%	3.0%
Timing of receipt from loan issuance	8 to 17 years	8 to 17 years

	2022 Increase assumptions by 1 %/year £m	2022 Decrease assumptions by 1 %/year £m
Sensitivity – effect on value of FVTPL (less)/more		
Discount rate, incorporating default rate	(0.1)	0.1
House price inflation for the next three years	0.1	(0.1)
Timing of receipt	(0.1)	-

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 2022 was £nil (2021: £0.9m).

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 2020	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
Consolidated income statement movements	-	0.5	-	(0.1)	0.4
Equity movements	-	(0.4)	-	-	(0.4)
At 31 October 2022	1.5	0.5	-	2.8	4.8

Deferred tax liabilities	Pension surplus £m	Total £m
At 1 November 2020	-	-
Equity movements	(4.1)	(4.1)
At 31 October 2021	(4.1)	(4.1)
Consolidated income statement movements	(0.7)	(0.7)
Equity movements	1.6	1.6
At 31 October 2022	(3.2)	(3.2)

Total deferred tax credited to equity in the year is £1.2m (2021: charged £4.7m). Deferred tax assets expected to be recovered in less than 12 months is £1.5m (2021: £0.7m), and in more than 12 months is £3.3m (2021: £4.1m). 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%. A new residential property developer tax (RPDT) became effective from 1 April 2022. RPDT is an additional tax at 4.0% of profits generated from residential property development activity, in excess of an annual threshold. 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.

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

17 EMPLOYEE BENEFITS

(a) Retirement benefit obligations

Defined contribution scheme
The Group operates a defined contribution scheme for new employees. The assets of the scheme are held separately from those of the Group in an independently administered fund. The contributions to this scheme for the year were £2.3m (2021: £2.0m). At the consolidated statement of financial position date there were no outstanding or prepaid contributions (2021: £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. A Trustee company (the Trustee) is appointed by the Company and the Company and the Scheme's members appoint Trustee Directors. The Trustee is appointed to act in the interest of the Scheme and all relevant stakeholders, including the members and the Company. The Trustee is 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 Trustee is 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 Trustee 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 2021. These actuarial valuations are carried out in accordance with the requirements of the Pensions Act 2004 and so include deliberate margins for prudence. This contrasts with these accounting disclosures, which are determined using best estimate assumptions.

The results of the actuarial valuation as at 31 January 2021 have been projected to 31 October 2022 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 2022, the allocation of the Scheme's invested assets was 36% in return seeking investments, 45% in liability-driven investing, 16% in cash and 3% in insured annuities. Details of the investment strategy can be found in the Scheme's Statement of Investment Principles, which the Trustee updates as their policy evolves.

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

Following the High Court judgement in the Lloyds case, overall pension benefits now need to be equalised to eliminate inequalities between males and females in Guaranteed Minimum Pensions (GMP). The Company has allowed for this in its accounts by adding a 1.3% (2021: 2.0%) reserve reflecting an approximate estimate of the additional liability. During the year, the impact of GMP on additional liabilities was recalculated to be 1.3% rather than 2.0%, with the 0.7% financial impact reduction being adjusted through total comprehensive income.

	2022 £m	2021 £m	2020 £m
The amounts recognised in the consolidated statement of financial position are as follows:			
Present value of scheme liabilities	**(148.9)**	**(225.2)**	**(228.3)**
Fair value of scheme assets	**160.0**	**241.9**	**214.5**
Net surplus/(deficit) amount recognised at year end	**11.1**	**16.7**	**(13.8)**
Deferred tax asset recognised at year end within non-current assets	**-**	**-**	**2.6**
Deferred tax liability recognised at year end within non-current liabilities	**(3.2)**	**(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 the Scheme's 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 Trustee has 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 29.0% tax rate, made up of the corporation tax rate 25.0% and 4.0% RPDT.

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 are included in the consolidated statement of comprehensive income.

	2022 £m	2021 £m
Service cost		
Administrative expenses	**(0.9)**	**(0.8)**
Interest income/(expense)	**0.3**	**(0.1)**
Recognised in the consolidated income statement	**(0.6)**	**(0.9)**

	2022 £m	2021 £m
Remeasurements of the net liability		
Return on Scheme assets	**(82.6)**	**19.5**
Gains/(losses) arising from changes in financial assumptions	**79.8**	**(2.8)**
Loss arising from changes in demographic assumptions	**(0.1)**	**(0.5)**
Experience (losses)/gains	**(5.5)**	**4.0**
Actuarial (losses)/gains recorded in the consolidated statement of comprehensive income	**(8.4)**	**20.2**
Total defined benefit scheme (losses)/gains	**(9.0)**	**19.3**

The principal actuarial assumptions used were:	2022 %	2021 %
Liability discount rate	**4.80**	**1.70**
Inflation assumption – RPI	**3.20**	**3.50**
Inflation assumption – CPI	**2.60**	**2.80**
Revaluation of deferred pensions	**2.60**	**2.80**
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	**3.00**	**3.30**
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 and female post-retirement	**S3PA light base tables projected in line with CMI_2021 core model with core parameters (Sk = 7.0, an initial addition of 0.25%, w2020 and w2021 set to zero) and with a long-term rate of improvement of 1.25% p.a**	**SAPS S3 PMA _LCMI_2020 core model with initial addition of 0.3% and 2020 weighting of 0.0% ltr 1.25%**

	2022 Years	2021 Years
Future expected lifetime of current pensioner at age 65		
Male aged 65 at year end	**23.4**	**23.4**
Female aged 65 at year end	**25.0**	**24.9**
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**	**26.3**

Changes in the present value of assets over the year

	2022 £m	2021 £m
Fair value of assets at beginning of the year	241.9	214.5
Interest income	4.1	3.3
Return on assets (excluding amount included in net interest expense)	(82.6)	19.5
Contributions from the employer	3.4	11.2
Benefits paid	(5.9)	(5.8)
Administrative expenses	(0.9)	(0.8)
Fair value of assets at end of the year	160.0	241.9
Actual return on assets over the year	(78.5)	22.8

Changes in the present value of liabilities over the year

	2022 £m	2021 £m
Liabilities at beginning of the year	(225.2)	(228.3)
Interest cost	(3.8)	(3.4)
Remeasurement gains/(losses)		
Gains/(losses) arising from changes in financial assumptions	79.8	(2.8)
Losses arising from changes in demographic assumptions	(0.1)	(0.5)
Experience (losses)/gains	(5.5)	4.0
Benefits paid	5.9	5.8
Liabilities at end of the year	(148.9)	(225.2)

Split of the Scheme's liabilities by category of membership	2022 £m	2021 £m
Deferred pensioners	(71.5)	(115.7)
Pensions in payment	(77.4)	(109.5)
	(148.9)	(225.2)

	2022 Years	2021 Years
Average duration of the Scheme's liabilities at end of the year	14.0	17.0
This can be subdivided as follows:		
Deferred pensioners	18.0	21.0
Pensions in payment	10.0	12.0

Major categories of scheme assets

	2022 £m	2021 £m
Return seeking		
Overseas equities	2.3	19.6
Other (hedge funds, multi asset strategy and absolute return funds)	55.9	83.7
	58.2	103.3
Debt instruments		
Corporates	-	41.2
Liability-driven investing	71.6	86.1
	71.6	127.3
Other		
Cash	25.9	4.9
Insured annuities	4.3	6.4
	30.2	11.3
Total market value of assets	160.0	241.9

The Scheme has implemented a liability-driven investment strategy designed to closely align investment returns with movements in the Scheme’s liabilities on a Technical Provisions basis. The Scheme was able to maintain the interest rate and inflation hedge through the recent gilt market volatility.

£nil (2021: £17.8m) of Scheme assets have a quoted market price in active markets, £106.2m (2021: £137.4m) of Scheme assets have valuation inputs other than quoted market prices, including quoted market prices for similar assets in active markets, £42.4m (2021: £75.4m) 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 £11.4m (2021: £11.3m) 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 Scheme had a deficit as at the latest valuation date of 31 January 2021, with a recovery plan agreed between the Group and the Trustee. The Scheme was in surplus on the Technical Provisions basis, and so no further contributions were payable in respect of the shortfall in funding in accordance with the Recovery Plan dated 8 February 2022. In order to continue to move the Scheme towards the Trustee's secondary funding objective, the Trustee and the Group have agreed that the Company will fund the Scheme with contributions of £1.5m per annum, payable monthly until 30 April 2025. When the Scheme is at least 95% funded on the Secondary Funding Basis for a period of three consecutive months then the Group has the option to pay any remaining contributions to an escrow account. The Group expects to contribute £1.5m to scheme funding in the year ending 31 October 2023.

Sensitivity of the liability value to changes in the principal assumptions

The sensitivities included are consistent with those shown in prior years and show the change in the consolidated statement of financial position as at 31 October 2022 as a result of a change to the key assumptions. Please note that financial markets have been volatile over the year to 31 October 2022, in particular the discount rate assumption changed by much more than 0.25% p.a. As the Scheme has implemented a liability driven investment strategy, the changes in bond yields and inflation expectations had less impact on the net consolidated statement of financial position.

If the discount rate was 0.25% higher/(lower), the Scheme liabilities would decrease by £4.4m (increase by £4.3m) if all the other assumptions remained unchanged.

If the inflation assumption was 0.25% higher/(lower), the Scheme liabilities would increase by £2.6m (decrease by £2.9m) if all the other assumptions remained unchanged.

If life expectancies were to increase by one year, the scheme liabilities would increase by £6.4m if all the other assumptions remained unchanged.

(b) Share-based payments

The Group operates a Long-Term Incentive Plan (LTIP), save as you earn (SAYE) and a deferred bonus plan.

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 prior to 31 October 2020 vest over three years and are subject to three years' service, and return on capital and profit performance conditions.

Awards issued in 2021 and 2022 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 value the options using a binomial option valuation model. The market-based TSR performance conditions apply 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. 961,765 of the options awarded in 2022 are subject to an additional post-vesting holding period, where shares cannot be sold for two years after vesting date.

The 2021 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.

The 28 January 2022 grant fair value at measurement date of the different valuation elements of the unrestricted options are £1.68 TSR (FTSE 250), £1.55 TSR (peer group), and £2.62 for the non-market-based return on capital and profit performance conditions. The 2022 fair value at measurement date of the different valuation elements of the restricted options are £1.51 TSR (FTSE 250), £1.40 TSR (peer group), and £2.36 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 31% and 68% respectively. The average fair value at measurement date is £2.10 per option. The average fair value at measurement date of the 25 August 2022 grant is £1.59 per option.

Date of grant	26 Feb 2016	28 Feb 2018	16 Apr 2019	21 Jun 2019	20 Feb 2020	04 Aug 2020	08 Feb 2021	28 Jan 2022	25 Aug 2022
Options granted	1,075,943	1,112,762	1,140,962	278,558	1,125,531	7,298	1,328,192	1,341,918	23,955
Fair value at measurement date	£5.07	£3.89	£3.15	£3.15	£4.28	£1.53	£2.50	£2.10	£1.59
Share price on date of grant	£5.62	£4.76	£4.00	£3.55	£5.16	£1.85	£3.23	£3.07	£2.33
Exercise price	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
Vesting period	3 years	3 years	3 years	3 years	3 years	3 years	3 years	3 years	3 years
Expected dividend yield	3.50%	6.93%	8.20%	8.20%	6.40%	6.40%	4.30%	5.30%	5.30%
Expected volatility	30.00%	35.00%	35.00%	35.00%	30.00%	30.00%	40.00%	40.00%	40.00%
Risk-free interest rate	0.43%	0.84%	0.81%	0.81%	0.45%	0.45%	0.03%	0.97%	0.97%
Valuation model	Binomial	Binomial	Binomial	Binomial	Binomial	Binomial	Binomial/ Monte Carlo	Binomial/ Monte Carlo	Binomial/ Monte Carlo
Contractual life from	26.02.16	28.02.18	16.04.19	21.06.19	20.02.20	04.08.20	08.02.21	28.01.22	25.08.22
Contractual life to	25.02.26	27.02.28	15.04.29	20.06.29	19.02.30	03.08.30	07.02.31	27.02.32	27.02.32

	Number of options	Number of options	Number of options	Number of options	Number of options	Number of options	Number of options	Number of options	Number of options	Total number of options
Movements in the year										
Outstanding at 1 November 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
Granted during the year	-	-	-	-	-	-	-	1,341,918	23,955	1,365,873
Exercised during the year	(1,518)	-	-	-	-	-	-	-	-	(1,518)
Lapsed during the year	-	-	(692,934)	(278,558)	(62,161)	-	(78,761)	(29,443)	-	(1,141,857)
Outstanding at 31 October 2022	-	-	-	-	891,970	7,298	1,197,676	1,312,475	23,955	3,433,374
Exercisable at 31 October 2022	-	-	-	-	-	-	-	-	-	-
Exercisable at 31 October 2021	1,518	-	-	-	-	-	-	-	-	1,518

	£m	£m	£m	- £m	£m	£m	£m	£m	£m	Total £m
Charge to income for the current year	-	-	-	-	1.1	-	(0.1)	0.2	-	1.2
Charge to income for the prior year	-	-	-	-	0.6	-	0.7	-	-	1.3

The weighted average exercise price of LTIP options was £nil (2021: £nil).

Save As You Earn

Executive Directors and eligible employees are invited to make regular monthly contributions to a Sharesave scheme administered by EQ (formally 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	03 Aug 2017	26 Jul 2018	30 Jul 2019	07 Aug 2020	03 Aug 2021	02 Aug 2022
Options granted	453,663	712,944	935,208	1,624,259	256,132	975,549
Fair value at measurement date	£1.06	£0.52	£0.54	£0.36	£1.15	£0.66
Share price on date of grant	£5.41	£3.77	£3.68	£1.94	£4.14	£2.67
Exercise price	£4.20	£3.15	£2.86	£1.70	£3.42	£1.94
Vesting period	3 years	3 years	3 years	3 years	3 years	3 years
Expected dividend yield	5.10%	8.76%	8.96%	5.20%	1.98%	5.63%
Expected volatility	35.00%	35.00%	35.00%	40.00%	45.30%	42.20%
Risk-free interest rate	0.30%	0.85%	0.38%	-0.08%	0.14%	1.62%
Valuation model	Binomial	Binomial	Binomial	Binomial	Binomial	Binomial
Contractual life from	01.09.17	01.09.18	01.09.19	01.09.20	01.09.21	01.09.22
Contractual life to	01.03.21	01.03.22	01.03.23	01.03.24	01.03.25	01.03.26

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 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
Granted during the year	-	-	-	-	-	975,549	975,549	£1.94
Exercised during the year	-	(8,854)	-	(5,764)	-	-	(14,618)	£2.58
Lapsed during the year	-	(31,988)	(50,525)	(210,555)	(160,163)	(62,992)	(516,223)	£2.47
Outstanding at 31 October 2022	-	-	96,832	907,769	84,131	912,557	2,001,289	£1.94
Exercisable at 31 October 2022	-	-	96,832	-	-	-	96,832	
Exercisable at 31 October 2021	-	40,842	-	-	-	-	40,842	

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

Deferred bonus plan

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

Date of grant	28 Feb 2018	28 Feb 2020	26 Feb 2021	01 Mar 2021	01 Mar 2022	28 Jan 2022	09 Feb 2022
Options granted	188,122	20,956	34,800	22,264	251	230,605	58,848
Fair value at measurement date	£4.89	£4.52	£3.28	£3.89	£4.06	£2.76	£2.76
Share price on date of grant	£4.89	£4.52	£3.28	£3.42	£2.70	£3.06	£3.27
Exercise price	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
Vesting period	3 years	3 years	1 year	N/A	N/A	3 years	1 year
Expected dividend yield and volatility	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
Valuation model	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contractual life from	28.02.18	28.02.20	26.02.21	01.03.21	02.03.22	28.01.22	09.02.22
Contractual life to	27.02.28	27.02.30	25.02.31	27.02.28	25.02.31	27.01.25	08.02.23

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	Total number of options
Outstanding at 1 November 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
Granted during the year	-	-	-	-	251	230,605	58,848	289,704
Exercised during the year	-	-	(24,985)	-	(251)	-	-	(25,236)
Lapsed during the year	-	-	(9,815)	-	-	-	-	(9,815)
Outstanding at 31 October 2022	-	2,260	-	-	-	230,605	58,848	291,713
Exercisable at 31 October 2022	-	-	-	-	-	-	-	-
Exercisable at 31 October 2021	-	-	-	-	-	-	-	-

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

The weighted average exercise price of deferred bonus plan share options was £nil (2021: £nil).

Total share incentive schemes	**2022**	**2021**
Movements in the year	**Number of options**	**Number of options**
Outstanding at beginning of the year	**4,804,517**	**4,984,036**
Granted during the year	**2,631,126**	**1,641,388**
Exercised during the year	**(41,372)**	**(195,485)**
Lapsed during the year	**(1,667,895)**	**(1,625,422)**
Outstanding at end of the year	**5,726,376**	**4,804,517**
Exercisable at end of the year	**96,832**	**42,360**
	£m	**£m**
Charge to income for share incentive schemes	**1.9**	**1.8**

The weighted average share price at the date of exercise of share options exercised during the year was £2.77 (2021: £3.59). The options outstanding had a range of exercise prices of £nil to £3.42 (2021: £nil to £3.42) and a weighted average remaining contractual life of 6.2 years (2021: 6.4 years). The gain on shares exercised during the year was £0.1m (2021: £0.6m).

18 TRADE AND OTHER RECEIVABLES

	Trade and other receivables before expected credit loss 2022 £m	**Expected credit loss 2022 £m**	**Trade and other receivables after expected credit loss 2022 £m**	**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**
Non-current						
Trade receivables	**9.7**	**-**	**9.7**	**2.1**	**-**	**2.1**
Due from joint ventures	**25.4**	**(0.1)**	**25.3**	**54.3**	**(11.9)**	**42.4**
	35.1	**(0.1)**	**35.0**	**56.4**	**(11.9)**	**44.5**
Current						
Trade receivables	**49.7**	**(0.3)**	**49.4**	**25.2**	**(0.1)**	**25.1**
Contract assets	**25.2**	**(0.1)**	**25.1**	**56.7**	**(0.3)**	**56.4**
Due from joint ventures	**1.8**	**-**	**1.8**	**13.6**	**-**	**13.6**
Other receivables	**38.1**	**-**	**38.1**	**6.0**	**-**	**6.0**
Prepayments and accrued income	**1.9**	**-**	**1.9**	**1.3**	**-**	**1.3**
	116.7	**(0.4)**	**116.3**	**102.8**	**(0.4)**	**102.4**
Non-current and current	**151.8**	**(0.5)**	**151.3**	**159.2**	**(12.3)**	**146.9**

Trade receivables and contract assets mainly comprise contractual amounts due from housing associations, bulk sale purchasers and land sales to other housebuilders. Other receivables mainly comprise two development agreements where the Group is entitled to recovery of costs incurred under the agreement. In the prior year these agreements were presented in inventories and accruals, with balances of £67.2m and £31.2m respectively. Current trade receivables of £21.2m have been collected as of 1 January 2023 (2021: £11.6m have been collected as of 1 January 2022). 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 £0.4m (2021: £19.4m).

Amounts due from joint ventures comprises funding provided on three (2021: 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 £0.2m (2021: £7.4m). See note 14 for additional details on the Group's interests in joint ventures.

Amounts due from joint ventures are stated after a loss allowance of £0.1m (2021: £11.9m) 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. £2.3m (2021: £1.0m) provision was made during the year, £14.1m (2021: £nil) was utilised and £nil (2021: £nil) provision was released during the year. The actual credit loss depends on achieved sales values and actual build costs.

Current trade receivables and contract assets are stated after a loss allowance of £0.4m (2021: £0.4m) in respect of expected credit losses, assessed on an estimate of default rates. £nil (2021: £nil) provision was made during the year, £nil (2021: £nil) was utilised and £nil (2021: £nil) provision was released during the year.

Movements in total loss allowance for expected credit losses

	2022 £m	2021 £m
At beginning of the year	12.3	11.3
Charged in the year on joint venture balances (note 14)	2.3	1.0
Utilised in the year on joint venture balances (note 14)	(14.1)	-
At end of the year	0.5	12.3

Maturity of non-current receivables:

	2022 £m	2021 £m
Due between one and two years	34.2	5.6
Due between two and five years	0.8	20.7
Due after five years	-	18.2
	35.0	44.5

19 INVENTORIES

	2022 £m	2021 £m
Work-in-progress	942.8	965.7
Completed buildings including show homes	30.1	57.7
Part exchange inventories	17.2	14.1
	990.1	1,037.5

Included within inventories is a fair value adjustment of £2.0m (2021: £2.5m) which arose on the acquisition of CN Finance plc 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 £0.5m (2021: £8.8m). Total inventories of £705.3m (2021: £603.5m) were recognised as cost of sales in the year.

During the year £9.6m additional NRV was charged, mainly on three legacy developments already held at zero margin. Two of the developments were completed in the year.

Total inventories are stated after an NRV provision of £12.6m (2021: £20.7m), which it is currently forecast that over a third will be used in the next financial year.

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

	2022 £m	2021 £m
At beginning of the year	20.7	37.1
Pre-exceptional NRV charged in the year	9.6	0.8
Pre-exceptional NRV used in the year	(7.2)	(5.2)
Exceptional NRV credited in the year (note 4)	-	(8.0)
Exceptional NRV used in the year	(10.5)	(4.0)
Total movement in NRV in the year	(8.1)	(16.4)
At end of the year	12.6	20.7

20 MOVEMENT IN NET CASH

	2022 £m	Movement £m	2021 £m
Cash and cash equivalents	**373.6**	**22.9**	**350.7**
Bank loans and senior loan notes	**(97.1)**	**0.8**	**(97.9)**
Net cash	**276.5**	**23.7**	**252.8**

21 INTEREST-BEARING LOANS AND BORROWINGS

	2022 £m	2021 £m
Non-current		
Senior loan notes	**100.0**	**100.0**
Revolving credit and senior loan notes issue costs	**(2.9)**	**(2.1)**
	97.1	**97.9**

There were undrawn amounts of £250.0m (2021: £250.0m) under the revolving credit facility at the consolidated statement of financial position date. The Group was undrawn throughout the financial year (2021: undrawn) under the revolving credit facility. See note 25 for additional disclosures.

22 TRADE AND OTHER PAYABLES

	2022 £m	2021 £m
Non-current		
Land payables on contractual terms	**32.9**	**93.7**
Other payables	**2.3**	**3.4**
Contract liabilities	**0.3**	**-**
Accruals and deferred income	**6.3**	**10.5**
	41.8	**107.6**
Current		
Land payables on contractual terms	**165.8**	**129.2**
Other trade payables	**41.1**	**32.0**
Contract liabilities	**19.0**	**25.0**
Due to joint ventures	**0.1**	**0.1**
Taxes and social security costs	**1.8**	**1.8**
Other payables	**3.2**	**7.8**
Accruals and deferred income	**176.1**	**253.6**
	407.1	**449.5**

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 2022 the difference between the fair value and nominal value of land payables is £2.4m (2021: £3.5m).

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 £m	Joint ventures £m	Other provisions £m	Total £m
At 1 November 2020	**14.8**	**-**	**0.4**	**15.2**
Provided in the year	**31.2**	**-**	**0.1**	**31.3**
Utilised in the year	**(3.4)**	**-**	**-**	**(3.4)**
At 31 October 2021	**42.6**	**-**	**0.5**	**43.1**
Provided in the year	**102.5**	**-**	**0.3**	**102.8**
Imputed interest	**1.0**	**-**	**-**	**1.0**
Utilised in the year	**(5.3)**	**-**	**-**	**(5.3)**
Released in the year	**-**	**-**	**(0.4)**	**(0.4)**
Funding commitment recognised	**-**	**1.2**	**-**	**1.2**
Reclassification	**-**	**-**	**0.6**	**0.6**
At 31 October 2022	**140.8**	**1.2**	**1.0**	**143.0**
At 31 October 2022				
Non-current	**70.5**	**-**	**0.3**	**70.8**
Current	**70.3**	**1.2**	**0.7**	**72.2**
	140.8	**1.2**	**1.0**	**143.0**
At 31 October 2021				
Non-current	**28.4**	**-**	**-**	**28.4**
Current	**14.2**	**-**	**0.5**	**14.7**
	42.6	**-**	**0.5**	**43.1**

Combustible materials
Following the fire at Grenfell Tower in 2017, the Government announced a public inquiry surrounding the circumstances leading up to and surrounding the fire, including a review of fire-related building regulations, notably those relating to external walls, and issued a new regulatory framework for building owners.

On joining the Group in 2019, the new Executive Leadership Team (ELT) quickly established a dedicated internal team, headed by a Special Projects Director, to implement the Group's response to fire safety matters. Against a changing regulatory backdrop, the Group has found that the interpretation of Government and industry guidance often varies between professional advisors who are engaged to identify and implement remediation required.

In order to oversee and govern the Group's response to fire safety matters, the ELT meets regularly, chaired by the Chief Executive with attendance from the Group Finance Director, Group Operations Director and Special Projects Director. In 2019 the team conducted a full review into all legacy buildings it believed may be at risk based on guidance at that time, any relevant regulations, and considered any notification of claims. Accordingly, the Group recognised a combustible materials provision. With ongoing regulatory changes, this provision was subsequently increased in financial years 2020 and 2021 to reflect the Group's interpretation of the legacy portfolio following those changes to the Government regulatory framework, along with any new notifications received if it was considered that they represented an expected liability.

In addition, as time has passed the Group has also been able to apply the benefit of 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 risk register considers 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 consolidated full year 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-progress 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.

On 19 April 2022 the Group signed the Government's Building Safety Pledge which commits the Group to remediate life critical fire safety issues to PAS9980 standards on buildings over 11 metres in which the Group was involved going back 30 years. As a result of this the number of buildings in scope for which the Group has an obligation to remediate significantly increased. The combustible materials provision reflects the estimated costs to complete the remediation of life-critical fire safety issues on identified buildings. The Directors have used a combination of Buildings Safety Fund (BSF) costed information, other external information and internal assessments as a basis for the provision.

Accordingly, the Group recorded a cost of sales net combustible materials charge of £102.5m in the year. This charge comprises £79.0m specifically for buildings where BSF funding had been applied for, which the Group have now agreed to cover under the Building Safety Pledge, and £23.5m for movements in previous cost estimates, extending the liability period to 30 years, build cost inflation and discounting.

The further charge is in addition to the £18.4m net amount charged in 2019, £0.6m charged in 2020 and £28.8m charged in 2021.

Forecast build cost inflation over the duration of remediation has been allowed for within the charge. The charge is stated after a related discount of £5.1m, which unwinds to the consolidated income statement as finance expense over the life of the cash expenditure.

The provision of £140.8m represents the Group's best estimate of costs at 31 October 2022. The Group will continue to assess the magnitude and utilisation of this provision in future reporting periods. The Group recognises that required remediation works could be subject to further inflationary pressures and cash outflows (sensitivity disclosures in note 1).

The Group spent £5.3m in the year across several buildings requiring further investigative costs, including balcony and cladding related works. The Group expects to have completed any required remediation within a five-year period, using £70.3m of the remaining provision within one year, and the balance within one to five years. The timing of the expenditure is based on the Directors best estimates of the timing of remediating buildings and repaying the BSF incurred costs. Actual timing may differ due to delays in agreeing scope of works, obtaining licences, tendering works contracts and the BSF payment schedule differing to our forecast.

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

Joint ventures
Joint ventures represents the Group's legal or constructive obligation to fund losses on joint ventures. The loss is a result of the combustible materials charge as described in note 4.

Other provisions
Other provisions comprise dilapidation provisions on Group offices and dilapidation provisions on commercial properties where the Group previously held the head lease. In the year the Group reclassified the brought forward balance of dilapidations on Group offices which were previously offset against right of use assets.

24 SHARE CAPITAL

	Shares issued Number	Nominal value Pence	Share capital £	Share premium account £
Ordinary shares as at 1 November 2020, 31 October 2021 and 31 October 2022	**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 (2021: 342,560,719). For details of outstanding share options at 31 October 2022 see note 17.

Own shares held
The Group and Company holds shares within the Crest Nicholson Employee Share Ownership Trust (the Trust) for participants of certain share-based payment schemes. These are held within retained earnings. During the year 440,000 shares were purchased by the Trust for £1.1m (2021: 400,000 shares were purchased by the Trust for £1.6m) and the Trust transferred 41,372 (2021: 195,485) 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 2022 was 788,140 (2021: 389,512). These shares are held within the financial statements in equity at a cost of £2.5m (2021: £1.5m). The market value of these shares at 31 October 2022 was £1.6m (2021: £1.4m).

25 FINANCIAL RISK MANAGEMENT

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

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

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

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

There were undrawn amounts of £250.0m (2021: £250.0m) under the revolving credit facility at the consolidated statement of financial position date. The revolving credit facility carries interest at SONIA plus 1.85% and ends in 2026.

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.

On 12 October 2022 the Group signed an amendment to the revolving credit facility. This amendment extended the facility to run through to October 2026 and changed the facility into a Sustainability Linked Revolving Credit Facility.

Under this amended facility the margin applicable can vary by plus or minus 0.05% depending on the Group's progress against four targets. These targets include:

- Reduction in absolute scope 1 and 2 emissions in line with our science-based targets
- Increasing the number of our suppliers engaging with the Supply Chain Sustainability School
- Reduction in carbon emissions associated with the use of our homes
- Increasing the number of our employees in trainee positions and on training programmes.

Progress against these targets is measured once per year and the resulting margin increase/decrease is applied to the facility until the next measurement date. The first measurement date is on the Group's results for financial year ending 31 October 2023, due January 2024.

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

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

The Group has cash deposits of £373.6m (2021: £350.7m) 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 October 2026, with £250.0m remaining available for drawdown under such facilities at 31 October 2022.

Financial assets at fair value through profit and loss, as described in note 15, of £4.6m (2021: £5.3m) 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 contractual amounts due from housing associations, bulk sale purchasers, land sales to other housebuilders and a development agreement where the Group is entitled to recovery of costs incurred under the agreement, and equates to the Group's exposure to credit risk which is set out in note 18. Amounts due from joint ventures of £27.1m (2021: £56.0m) is funding provided on three (2021: 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 31 October 2022 is £11.5m (2021: £3.8m) 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 (2021: 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 2022:

2022	Carrying value	Contractual cash flows	Within 1 year	1-2 years	2-3 years	More than 3 years
	£m	£m	£m	£m	£m	£m
Senior loan notes	100.0	116.1	3.5	18.5	23.1	71.0
Financial liabilities carrying interest	29.8	30.1	30.1	-	-	-
Financial liabilities carrying no interest	395.2	397.8	357.6	37.5	1.1	1.6
At 31 October 2022	525.0	544.0	391.2	56.0	24.2	72.6

2021	Carrying value	Contractual cash flows	Within 1 year	1-2 years	2-3 years	More than 3 years
	£m	£m	£m	£m	£m	£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

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 was 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 2022 it is estimated that an increase of 1.0% in interest rates applying for the full year would decrease the Group's profit before tax and equity by £nil (2021: £nil). The Group currently does not have any interest carrying liabilities with floating interest rates.

The interest rate profile of the financial liabilities of the Group was:

	2022	2021
	£m	£m
Sterling bank borrowings, loan notes and long-term creditors		
Financial liabilities carrying interest	129.8	165.0
Financial liabilities carrying no interest	395.2	469.9
	525.0	634.9

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 14 months (2021: 24 months).

	2022	2021
	£m	£m
The maturity of the financial liabilities is:		
Repayable within one year	385.2	424.8
Repayable between one and two years	52.1	87.7
Repayable between two and five years	72.1	56.2
Repayable after five years	15.6	66.2
	525.0	634.9

Fair values

Financial assets

The Group's financial assets comprise cash and cash equivalents, financial assets at fair value through profit and loss and trade and other receivables. The carrying value of cash and cash equivalents and trade and other receivables is a reasonable approximation of fair value which would be measured under a level 3 hierarchy. At 31 October 2022 financial assets consisted of sterling cash deposits of £373.6m (2021: £350.7m), both with solicitors and on current account, £4.6m (2021: £5.3m) of financial assets at fair value through profit and loss, £88.7m (2021: £33.2m) of trade and other receivables, and £27.1m (2021: £56.0m) 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:

2022	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**	

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**	

Financial assets and liabilities by category

Financial assets	2022 £m	2021 £m
Sterling cash deposits	**373.6**	**350.7**
Trade receivables	**59.1**	**27.2**
Amounts due from joint ventures	**27.1**	**56.0**
Other receivables	**29.6**	**6.0**
Total financial assets at amortised cost	**489.4**	**439.9**
Financial assets at fair value through profit and loss	**4.6**	**5.3**
Total financial assets	**494.0**	**445.2**

Financial liabilities	2022 £m	2021 £m
Senior loan notes	**100.0**	**100.0**
Land payables on contractual terms carrying interest	**29.8**	**65.0**
Land payables on contractual terms carrying no interest	**168.9**	**157.9**
Amounts due to joint ventures	**0.1**	**0.1**
Lease liabilities	**3.9**	**4.6**
Other trade payables	**41.1**	**32.0**
Other payables	**5.5**	**11.2**
Accruals	**175.7**	**264.1**
Total financial liabilities at amortised cost	**525.0**	**634.9**

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 liabilities 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 financial years 2020 and 2021. 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. This provision has been difficult to reliably estimate due to the changing nature of Government regulation in this area, and where the Group is no longer the freehold owner and has no visibility over remediation requirements. As such the Group has historically not disclosed a range of possible future costs. As a consequence of signing the Government's Building Safety Pledge on 19 April 2022, the Group has now become responsible for the remediation of a larger number of buildings, constructed over a longer historic time period. Accordingly, whilst the Group believes that most significant liabilities will have been identified through the process of building owners assessing buildings and applying for BSF funding, contingent liabilities exist where additional buildings have not yet been identified which require remediation. Due to the enduring challenges of developing a reliable estimate of these possible costs, the Group continues to not disclose an expected range.

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 these consolidated financial statements for such items.

27 NET CASH AND LAND CREDITORS

	2022 £m	2021 £m
Cash and cash equivalents	**373.6**	**350.7**
Non-current interest-bearing loans and borrowings	**(97.1)**	**(97.9)**
Net cash	**276.5**	**252.8**
Land payables on contractual terms carrying interest	**(29.8)**	**(65.0)**
Land payables on contractual terms carrying no interest	**(168.9)**	**(157.9)**
Net cash and land creditors	**77.8**	**29.9**

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 on pages 100–122 of our 2022 Annual Integrated Report to be published in February 2023. There were no other transactions between the Group and key management personnel in the year.

Transactions between the Group and the Crest Nicholson Group Pension and Life Assurance Scheme is given in note 17.

The Company's Directors and Non-Executive Directors have associations other than with the Company. From time to time the Group may trade with 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/balances with its joint ventures in the year/at year end:

	2022 £m	2021 £m
Interest income on joint venture funding	**2.1**	**2.8**
Project management fees received	**2.0**	**1.5**
Amounts due from joint ventures, net of expected credit losses	**27.1**	**56.0**
Amounts due to joint ventures	**0.1**	**0.1**
Funding to joint ventures	**(7.5)**	**(13.0)**
Repayment of funding from joint ventures	**18.8**	**11.5**
Dividends received from joint ventures	**2.4**	**-**

29 GROUP UNDERTAKINGS

In accordance with s409 Companies Act 2006, the following is a list of all the Group's undertakings at 31 October 2022.

Subsidiary undertakings
At 31 October 2022 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[1]	Active / dormant	Year end date	Voting rights and shareholding (direct or indirect)
Bath Riverside Estate Management Company Limited	2	Dormant	31 October	100%
Bath Riverside Liberty Management Company Limited	2	Dormant	31 October	100%
Castle Bidco Home Loans Limited	1	Active	31 October	100%
Brightwells Residential 1 Company Limited	1	Dormant	31 October	100%
Bristol Parkway North Limited	1	Dormant	31 October	100%
Building 7 Harbourside Management Company Limited	2	Active	31 December	58.33%
Buildings 3A, 3B & 4 Harbourside Management Company Limited	2	Dormant	31 December	83.33%
CN Finance plc[2]	1	Active	31 October	100%
Clevedon Developments Limited	1	Dormant	31 October	100%
Clevedon Investment Limited	1	Active	31 October	100%
CN Nominees Limited	1	Dormant	31 October	100%
CN Properties Limited	1	Dormant	31 October	100%
CN Secretarial Limited	1	Dormant	31 October	100%
CN Shelf 1 LLP	1	Dormant	30 June	100%
CN Shelf 2 LLP	1	Dormant	30 June	100%
CN Shelf 3 LLP	1	Dormant	30 June	100%
Crest (Claybury) Limited	1	Dormant	31 October	100%
Crest Developments Limited	1	Dormant	31 October	100%
Crest Estates Limited	1	Dormant	31 October	100%
Crest Homes (Eastern) Limited	1	Dormant	31 October	100%
Crest Homes (Midlands) Limited	1	Dormant	31 October	100%
Crest Homes (Nominees) Limited	1	Dormant	31 October	100%
Crest Homes (Nominees No. 2) Limited	1	Active	31 October	100%
Crest Homes (Northern) Limited	1	Dormant	31 October	100%
Crest Homes (South East) Limited	1	Dormant	31 October	100%
Crest Homes (South West) Limited	1	Dormant	31 October	100%
Crest Homes (South) Limited	1	Dormant	31 October	100%
Crest Homes (Wessex) Limited	1	Dormant	31 October	100%
Crest Homes (Westerham) Limited	1	Dormant	31 October	100%
Crest Homes Limited	1	Dormant	31 October	100%
Crest Manhattan Limited	1	Dormant	31 October	100%
Crest Nicholson (Bath) Holdings Limited	1	Dormant	31 October	100%
Crest Nicholson (Chiltern) Limited	1	Dormant	31 October	100%
Crest Nicholson (Eastern) Limited	1	Dormant	31 October	100%
Crest Nicholson (Epsom) Limited	1	Dormant	31 October	100%
Crest Nicholson (Henley-on-Thames) Limited	1	Active	31 October	100%
Crest Nicholson (Highlands Farm) Limited	1	Dormant	31 October	100%
Crest Nicholson (Londinium) Limited	1	Dormant	31 October	100%
Crest Nicholson (Midlands) Limited	1	Dormant	31 October	100%
Crest Nicholson (Peckham) Limited	1	Active	31 October	100%
Crest Nicholson (South East) Limited	1	Dormant	31 October	100%
Crest Nicholson (South West) Limited	1	Dormant	31 October	100%
Crest Nicholson (South) Limited	1	Dormant	31 October	100%
Crest Nicholson (Stotfold) Limited	1	Active	31 October	100%

[1] 1: Crest House, Pyrcroft Road, Chertsey, Surrey KT16 9GN.
2: Unit 2 & 3 Beech Court, Wokingham Road, Hurst, Reading RG10 0RU.
[2] CN Finance plc (formerly Castle Bidco plc) is the only direct holding of Crest Nicholson Holdings plc.

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

[1] 1: Crest House, Pyrcroft Road, Chertsey, Surrey KT16 9GN.

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 2022.

Clevedon Investment Limited (00454327)
Crest Nicholson (Henley-on-Thames) Limited (03828831)
Crest Nicholson (Stotfold) Limited (08774274)
Crest Nicholson Developments (Chertsey) Limited (04707982)
Crest Homes (Nominees No. 2) Limited (02213319)
Crest Nicholson (Peckham) Limited (07296143)
Crest Nicholson (Bath) Holdings Limited (05235961)

Joint venture undertakings
At 31 October 2022 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[1]	Active / dormant	Year end date	Voting rights and shareholding (direct or indirect)
Material joint ventures				
Crest A2D (Walton Court) LLP	1	Active	31 March	50%
Crest Sovereign (Brooklands) LLP	3	Active	31 October	50%
Elmsbrook (Crest A2D) LLP	4	Active	31 March	50%
Other joint ventures not material to the Group				
Crest/Vistry (Epsom) LLP	1	Active	31 October	50%
Crest Nicholson Bioregional Quintain LLP	1	Active	31 October	50%
English Land Banking Company Limited	1	Active	31 October	50%
Haydon Development Company Limited	2	Active	30 April	21.36%
North Swindon Development Company Limited	2	Active	31 December	32.64%

[1] 1: Crest House, Pyrcroft Road, Chertsey, Surrey KT16 9GN.
2: 6 Drakes Meadow, Penny Lane, Swindon, Wiltshire SN3 3LL.
3: Sovereign House, Basing View, Basingstoke RG21 4FA.
4: The Point, 37 North Wharf Road, London W2 1BD.

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

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

The Group is party to a joint arrangement with Passion Property Group Limited, the purpose of which was to develop a site in London. The development was completed in 2014 and there are no material balances in the Group financial statements relating to this joint arrangement as at 31 October 2022. 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 (the 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 Trust falls within the scope of IFRS 10: Consolidated Financial Statements, and is consolidated within the Group financial statements, as the Group is considered to have control over the Trust.

CREST NICHOLSON HOLDINGS PLC
COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 October 2022

	Note	2022 £m	2021 £m
ASSETS			
Non-current assets			
Investments	4	2.6	1.6
Current assets			
Trade and other receivables	5	222.4	251.5
TOTAL ASSETS		225.0	253.1
NET ASSETS		225.0	253.1
SHAREHOLDERS' EQUITY			
Share capital	6	12.8	12.8
Share premium account	6	74.2	74.2
Retained earnings:			
At 1 November		166.1	165.7
Profit for the year		10.5	11.3
Other changes in retained earnings		(38.6)	(10.9)
At 31 October		138.0	166.1
TOTAL SHAREHOLDERS' EQUITY		225.0	253.1

The Company recorded a profit for the financial year of £10.5m (2021: £11.3m).
The notes on pages 69–71 form part of these financial statements.
The financial statements on pages 68–71 were approved by the Board of Directors on 17 January 2023.

On behalf of the Board

PETER TRUSCOTT
Director

DUNCAN COOPER
Director

CREST NICHOLSON HOLDINGS PLC
COMPANY STATEMENT OF CHANGES IN EQUITY
For the year ended 31 October 2022

	Note	Share capital £m	Share premium account £m	Retained earnings £m	Total equity £m
Balance at 1 November 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	4	-	-	(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
Profit for the financial year and total comprehensive income		-	-	10.5	10.5
Transactions with shareholders					
Dividends paid		-	-	(38.5)	(38.5)
Exercise of share options through employee benefit trust	4	-	-	(0.1)	(0.1)
Balance at 31 October 2022		12.8	74.2	138.0	225.0

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), unless otherwise stated. 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 s408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

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

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

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

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

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

Going concern
The Directors reviewed detailed cashflows and financial forecasts for the next year and summary cashflows and financial forecasts for the following two years. Throughout this review period the Company is forecast to be able to meet its liabilities as they fall due, as a result of the performance of the underlying group. 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 2021 that had a material impact on the Company.

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

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

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

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

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

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

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

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

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

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

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

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

- measured at amortised cost
- measured subsequently at FVTPL.

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

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

Audit fee
Auditor's remuneration for audit of these financial statements of £27,500 (2021: £25,000) 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 100–122 of our 2022 Annual Integrated Report to be published in February 2023.

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

	2022 £m	2021 £m
Investments in shares of subsidiary undertaking at cost at beginning of the year	**1.6**	**0.6**
Additions	**1.1**	**1.6**
Disposals	**(0.1)**	**(0.6)**
Investments in shares of subsidiary undertaking at cost at end of the year	**2.6**	**1.6**

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

	2022 £m	2021 £m
Amounts due from Group undertakings	**222.4**	**251.5**

Amounts due from Group undertakings are unsecured, repayable on demand and carry an interest rate of 5.0% (2021: 5.0%).

Amounts due from Group undertakings are stated after an allowance of £nil has been made (2021: £nil) in respect of expected credit losses. £nil (2021: £nil) provision was made during the year, £nil (2021: £nil) was utilised, and £nil (2021: £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 2022 is given in note 29 of the consolidated financial statements.

CREST NICHOLSON HOLDINGS PLC
ALTERNATIVE PERFORMANCE MEASURES (UNAUDITED)

The Group uses a number of alternative performance measures (APM) which are not defined within IFRS. The Directors use the APMs, along with IFRS measures, to assess the operational performance of the Group as detailed in the Strategic Report on pages 1–65 of our 2022 Annual Integrated Report to be published in February 2023, 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:

	2022 £m	2021 £m
Revenue	**913.6**	**786.6**
Group's share of joint venture revenue (note 14)	**42.2**	**27.0**
Sales	**955.8**	**813.6**

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 22.4% (2021: increased to 17.2%).

		2022	2021
Adjusted operating profit	**£m**	**140.9**	**114.6**
Average of opening and closing capital employed	**£m**	**627.7**	**665.9**
ROCE	**%**	**22.4**	**17.2**

Capital employed		2022	2021	2020
Equity shareholders' funds	**£m**	**883.1**	**901.6**	**825.3**
Net cash (note 20)	**£m**	**(276.5)**	**(252.8)**	**(142.2)**
Closing capital employed	**£m**	**606.6**	**648.8**	**683.1**

Land creditors as a percentage of net assets
The Group uses land creditors as a percentage of net assets as a core management measure to ensure that the Group is maintaining a robust financial position when entering into future land commitments. Land creditors as a percentage of net assets is calculated as land creditors divided by net assets, as presented below. Land creditors as a percentage of net assets has reduced in the year to 22.5% (2021: reduced to 24.7%).

		2022	2021
Land creditors	**£m**	**198.7**	**222.9**
Net assets	**£m**	**883.1**	**901.6**
Land creditors as a percentage of net assets	**%**	**22.5**	**24.7**

Net cash
Net cash is cash and cash-equivalents plus non-current and current interest-bearing loans and borrowings. Net cash Illustrates the Group's overall liquidity position and general financial resilience. Net cash has improved in the year to £276.5m from £252.8m in 2021.

	2022 £m	2021 £m
Cash and cash equivalents	**373.6**	**350.7**
Non-current interest-bearing loans and borrowings	**(97.1)**	**(97.9)**
Net cash	**276.5**	**252.8**

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 business performance. EBIT margin for share award performance conditions is equivalent to operating profit margin.

Year ended 31 October 2022		Statutory	Exceptional items	Adjusted
Gross profit	£m	91.8	102.5	194.3
Gross profit margin	%	10.0	11.3	21.3
Operating profit	£m	38.4	102.5	140.9
Operating profit margin	%	4.2	11.2	15.4
Net finance expense	£m	(8.1)	1.0	(7.1)
Share of post-tax profit/(loss) of joint ventures using the equity method	£m	2.5	1.5	4.0
Profit before tax	£m	32.8	105.0	137.8
Income tax expense	£m	(6.4)	(22.4)	(28.8)
Profit after tax	£m	26.4	82.6	109.0
Basic earnings per share	Pence	10.3	32.2	42.5
Diluted earnings per share	Pence	10.2	32.1	42.3

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
Operating profit	£m	93.8	20.8	114.6
Operating profit margin	%	11.9	2.7	14.6
Net finance expense	£m	(8.6)	(0.5)	(9.1)
Profit before tax	£m	86.9	20.3	107.2
Income tax expense	£m	(16.0)	(3.9)	(19.9)
Profit after tax	£m	70.9	16.4	87.3
Basic earnings per share	Pence	27.6	6.4	34.0
Diluted earnings per share	Pence	27.5	6.4	33.9

CREST NICHOLSON HOLDINGS PLC
HISTORICAL SUMMARY (UNAUDITED)
For the year ended/as at 31 October 2022

	Note		2022[1]	2021[1]	2020[2]	2019[3]	2018[4]
Consolidated income statement							
Revenue		£m	913.6	786.6	677.9	1,086.4	1,121.0
Gross profit		£m	194.3	166.7	107.7	201.9	246.9
Gross profit margin		%	21.3	21.2	15.9	18.6	22.0
Administrative expenses		£m	(51.1)	(51.1)	(50.3)	(65.5)	(64.9)
Net impairment losses on financial assets		£m	(2.3)	(1.0)	(0.3)	(3.4)	-
Operating profit before joint ventures		£m	140.9	114.6	57.1	133.0	182.0
Operating profit before joint ventures margin		%	15.4	14.6	8.4	12.2	16.2
Share of post-tax profit/(loss) of joint ventures		£m	4.0	1.7	(0.5)	(0.9)	(1.3)
Operating profit after joint ventures		£m	144.9	116.3	56.6	132.1	180.7
Operating profit after joint ventures margin		%	15.9	14.8	8.3	12.2	16.1
Net finance expense		£m	(7.1)	(9.1)	(10.7)	(11.0)	(12.0)
Profit before taxation		£m	137.8	107.2	45.9	121.1	168.7
Income tax expense		£m	(28.8)	(19.9)	(8.5)	(23.7)	(32.1)
Profit after taxation attributable to equity shareholders		£m	109.0	87.3	37.4	97.4	136.6
Basic earnings per share		Pence	42.5	34.0	14.6	38.0	53.3
Consolidated statement of financial position							
Equity shareholders' funds	1	£m	883.1	901.6	825.3	854.4	872.7
Net cash	2	£m	(276.5)	(252.8)	(142.2)	(37.2)	(14.1)
Capital employed closing		£m	606.6	648.8	683.1	817.2	858.6
Gearing	3	%	(45.6)	(39.0)	(20.8)	(4.6)	(1.6)
Land creditors		£m	198.7	222.9	205.7	216.5	209.7
Net (cash)/debt and land creditors	4	£m	(77.8)	(29.9)	63.5	179.3	195.6
Return on average capital employed	5	%	22.4	17.2	7.6	15.9	22.2
Return on average equity	6	%	12.2	10.1	4.5	11.3	16.6
Housing							
Home completions	7	Units	2,734	2,407	2,247	2,912	3,048
Average selling price - open market	8	£000	388	359	336	388	396
Short-term land	9	Units	14,250	14,677	14,991	16,960	19,507
Strategic land	10	Units	22,450	22,308	22,724	20,169	16,837
Total short-term and strategic land		Units	36,700	36,985	37,715	37,129	36,344
Land pipeline gross development value	11	£m	12,111	11,834	11,360	12,137	12,166

[1] Consolidated income statement statistics, return on average capital employed and return on average equity are presented before exceptional items as presented in note 4 of the 2022 consolidated financial statements.
[2] Consolidated income statement statistics, return on average capital employed and return on average equity are presented before exceptional items relating to combustible materials provision £0.6m, inventory impairment £43.7m, restructuring costs £7.5m and impairment losses on financial assets £7.6m. 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.
[3] 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.
[4] 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.

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 2022 and 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.