CREST NICHOLSON

Building better futures

Annual Integrated Report 2022

Building better places

We build great places for our customers, communities and the environment. Our focus on placemaking means that we create sustainable communities where people and nature can thrive.

Front cover images
Top: Highlands Park, Henley-on-Thames

Bottom: Nichola Careless, Technical Manager and William Hope, Technical Trainee at Westwood Park, Coventry


Trainees on site at Manor View, Milton Keynes

Better careers

People are the key to our success. We have increased our investment in vocational and leadership training programmes, as well as in schemes promoting employee development, engagement and recognition. During the year we welcomed 46 trainees across all disciplines within the Group.

Learn more online
www.crestnicholson.com/careers


Wycke Place, Maldon

New science-based sustainability targets

We have stepped up our ambition to reduce the Group's carbon footprint by setting out new science-based targets. The targets are designed to achieve net zero by 2045 and have been validated by the Science Based Targets initiative. Our new targets are to reduce absolute scope 1 and 2 greenhouse gas (GHG) emissions 60% by 2030 from a 2019 base year, reduce scope 3 GHG emissions by 55% per sq. m completed floor area within the same timeframe and reach net zero GHG emissions across the value chain (scopes 1, 2 and 3) by 2045.

Read more on pages 26–29


Highlands Park, Henley-on-Thames

More homes in more areas

We continue to operate across a broad spectrum of the market, creating homes for private sale, affordable homes and private rental properties. Our divisions are predominantly based in the South of England, and during the year we have expanded into Yorkshire and East Anglia.

Learn more online
www.crestnicholson.com/investors/strategy

Cautionary statement
The Annual Integrated Report for the financial year ended 31 October 2022 as contained in this document (Annual Integrated Report), contains information which readers might consider to be forward looking statements relating to or in respect of the financial condition, results, operations or businesses of Crest Nicholson Holdings plc (Company). Any such statements involve risk and uncertainty because they relate to future events and circumstances. There are many factors that could cause actual results or developments to differ materially from those expressed or implied by any such forward looking statements. Nothing in this Annual Integrated Report should be construed as a profit forecast.

Approval
The Strategic Report for the financial year ended 31 October 2022 as presented on pages 1–65 was approved by the Board of Directors on 17 January 2023 and signed on its behalf by:

Kevin Maguire
Company Secretary

Our year in review

In this year's report

We have made good progress in delivering the first part of our growth strategy, and continued to deliver strong financial and operational performances in the year.

Sales[1]
£955.8m
FY21: £813.6m

Revenue
£913.6m
FY21: £786.6m

Adjusted profit before tax[1]
£137.8m
FY21: £107.2m

Profit before tax
£32.8m
FY21: £86.9m

Adjusted operating profit margin[1]
15.4%
FY21: 14.6%

Operating profit margin
4.2%
FY21: 11.9%

Return on capital employed[1]
22.4%
FY21: 17.2%

Net cash[1]
£276.5m
FY21: £252.8m

Customer satisfaction
5 star
FY21: 5 star

Employees' engagement score
83%
FY21: 75%

1 Sales, adjusted profit before tax, adjusted operating profit margin, 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 188–189.

We are Crest Nicholson

How we are building better futures.

Led by our purpose

Building great places for our customers, communities and the environment. We invest in placemaking, delivering attractive homes, amenities and open green space to improve the quality of life for customers and communities.


Lyewood, Maidstone

Read more in the Chief Executive's Statement on pages 8–10

Proud of our culture

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

Read more in our People section on pages 44–47

Defined by our values

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

Our values

1. **Working together**
We are one Crest. We value our diverse and inclusive workplace and support each other. We collaborate closely to build fair and rewarding relationships.

2. **Being the best we can be**
We improve and inspire each other to get things done. We have passion for what we do and pride in how we accomplish it.

3. **Doing the right thing**
The safety and wellbeing of our employees, partners and communities is our number one priority. Everything we do is built on a foundation of integrity, quality and care.

4. **Championing our people**
We invest in the wellbeing and development of our people. We provide them with the tools and support to be the best they can be.

5. **Leaving a positive legacy**
We care passionately about the natural environment. We create beautiful homes and places that deliver lasting benefits to our customers and communities.

Read more in our Strategy in action on pages 11–15

Integrating sustainability

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


Morton Park, Milton Keynes

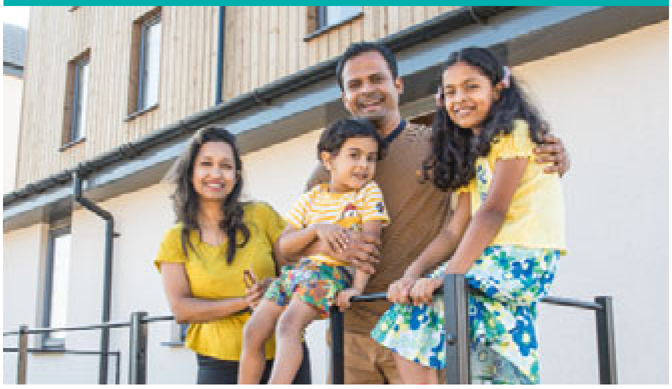
Read more in our Sustainability review on pages 26–43

We have a clear purpose

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

Better customer service

Achieving a five-star customer satisfaction rating is one of our strategic priorities. We are preparing for the introduction of the New Homes Quality Code by investing in new technology and recruiting additional roles to ensure we comply with its requirements. We always want a 'right first time' culture and are focused on the smooth delivery of homes to customers and providing high quality after-sales service.



Better communities

We strive to create distinctive new communities for our customers to live in and enjoy. We place a strong emphasis on placemaking including careful consideration of the local environment, wildlife and biodiversity. Through our activities and operations we are committed to mitigating our impact on the climate, reducing both our waste and our carbon emissions. This approach ensures we create a long-term positive legacy for communities.

Highlands Park, Henley-on-Thames

Better skills and capabilities

In an industry with declining availability of skilled resources, having our own pipeline of future talent is critical to our success. We have established the Crest Academy which oversees three talent programmes. This investment will ensure we can equip the next generation with the skills and capabilities we will need to deliver our strategy and ensure our teams understand the latest regulatory changes.

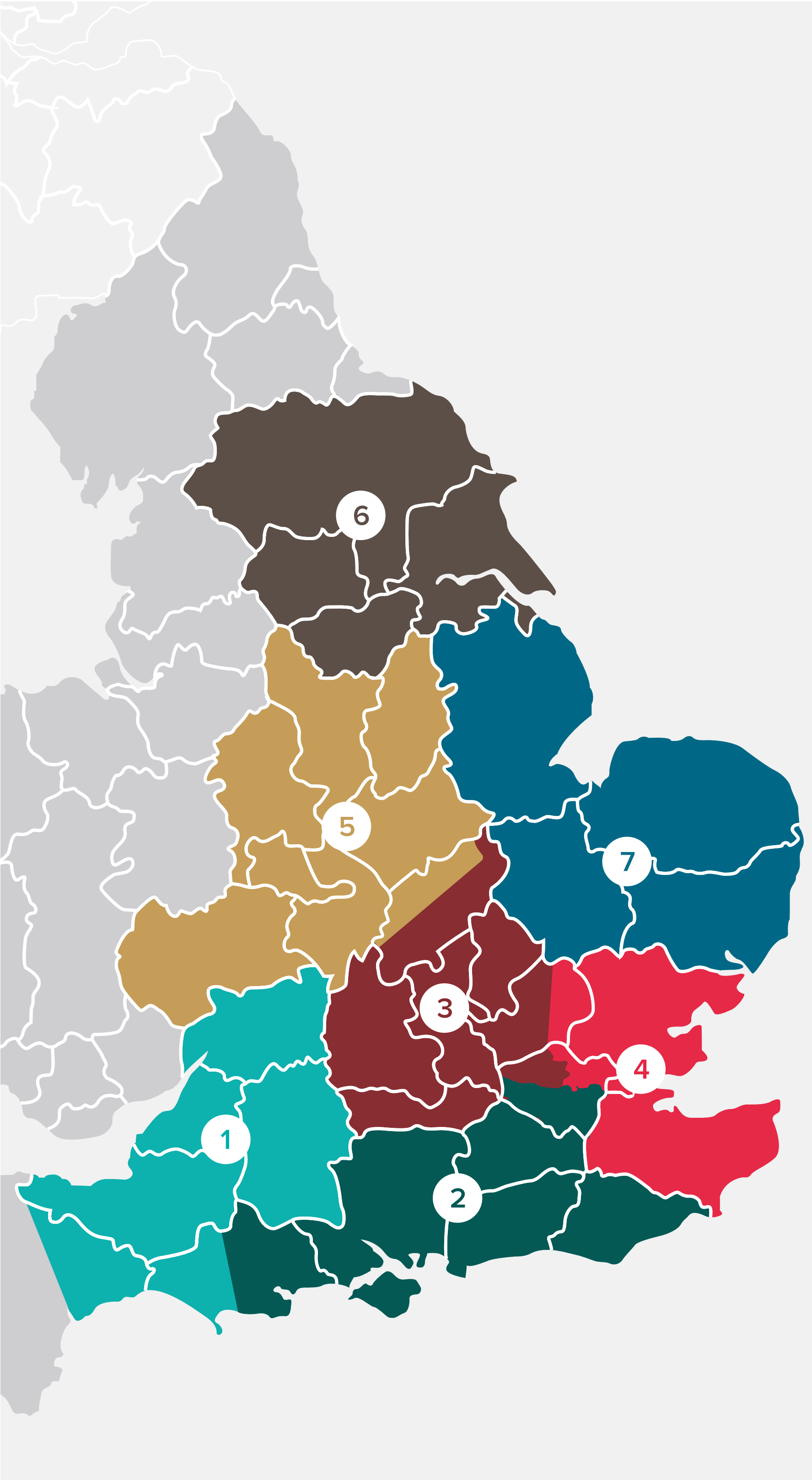
Better homes

We continuously seek to improve and innovate how our homes are designed and built to ensure they meet our customers' requirements and aspirations. The Crest Nicholson brand is synonymous with providing a high quality specification and finish. New Building Regulations are being introduced to improve the energy efficiency of new homes and reduce their impact on the climate and we are incorporating these into our designs.

What makes us Crest Nicholson

We have five established housebuilding divisions and in the year opened a further two in Yorkshire and East Anglia. We also operate a dedicated Partnerships and Strategic Land division which provides expertise in working with our key partners and managing the acquisition of strategic land.

Our divisions



Divisional highlights

1 South West

Case study **Highbrook View**

Highbrook View, Stoke Gifford, is a highly sought-after village on the outskirts of Bristol. The first phase of 144 homes was launched in September 2022. It will be part of the new Harry Stoke Community where we have five phases and will deliver approximately 1,250 homes, commercial and education facilities, and local amenities. It is located just seven miles from Bristol city centre, and is well connected to the main motorways, making travel into key cities and to London more convenient.

2 South

Case study **Curbridge Meadows**

Curbridge Meadows is located in Curbridge village, Hampshire and is part of the wider Whiteley Meadows development. It will provide two, three and four bedroom homes with green open space across half the development. This scheme will benefit from associated new facilities, including two new primary schools which are located on the development, a secondary school and two neighbourhood centres with space for shops and community amenities.

Employees

797

Plots added to our short-term land portfolio

3,094

Divisions

7

3 Chiltern

Case study **Highlands Park**

Highlands Park is located on the edge of Henley-on-Thames, close to local amenities such as shops, cafes, restaurants and schools. It is surrounded by countryside and within an Area of Outstanding Natural Beauty. The location is suited for families and commuters, being well connected to the main motorways and train network to London. The development has 191 homes with a broad mix of homes from two bedroom apartments to five bedroom houses.

5 Midlands

Case study **Monksmoor Park**

Monksmoor Park, Daventry, comprises just over 1,000 thoughtfully designed homes, a primary school and nursery, community building, health facilities, retail and office space, as well as an extensive network of cycle paths. The site has two phases of the development left to sell: Union Place, which has a total of 114 homes with 26% of these being section 106 affordable homes and Central Point, a smaller scheme consisting of 37 homes with 35% of these affordable.

7 East Anglia

Case study **A new division**

Our East Anglia division will operate across Norfolk, Suffolk and Cambridgeshire. We have recruited an experienced leader who is familiar with the region and will now establish a team and start to acquire sites. We remain confident that East Anglia is a highly attractive new geography for us to expand into given its population growth and increasing accessibility to major towns and cities.

4 Eastern

Case study **Henley Gate**

Henley Gate, Ipswich, forms part of the Ipswich Garden Village sustainable urban extension that will deliver a total of 3,500 homes, alongside schools, a local centre and associated infrastructure. The Henley Gate development, which is north of the railway, comprises 1,100 homes and a primary school along with a large country park. The country park will be a key attraction which will enable ecological habitats to thrive along with providing an open space for residents and visitors to enjoy.

6 Yorkshire

Case study **A new division**

Our Yorkshire office opened in Leeds earlier this year. We have recruited a small, experienced leadership team with local expertise to oversee our plans in this region. Areas we are targeting include East Riding, North, South and West Yorkshire. We have acquired a site in Sprotborough, an attractive village near several main towns with access to good schools. We have also approved the purchase of several further sites and these purchases should be completed early in FY23.

Partnerships and Strategic Land

The PSL division have established a strong reputation to work in conjunction with partners to deliver Crest Nicholson homes across a range of tenure types. They aim to maximise value for both parties through scheme design and placemaking principles and demonstrating sector-wide knowledge across all housing, land and planning matters.

Working with the public sector, PRS and Registered Providers, the team have successfully delivered multiple transactions with valued partners for the Group's housebuilding divisions during the year.

Their Strategic Land team have secured land deals on several promising sites in a challenging market. The existing strategic land portfolio continues to be promoted with a number of sites progressing through key planning stages in the year, including new Local Plan allocations and draft allocations in emerging plans. The team has also played a leading role in responding to regional and national planning challenges such as emerging environmental legislation and proposed changes to the planning system.

Chairman's statement

I am pleased to present another year of strong performance and strategic progress. Our robust financial position underpins our ability to deliver our medium-term growth strategy.

Prepared for the future

"I am always impressed by the enthusiasm and commitment of everyone that I meet across the Group."

Iain Ferguson CBE
Chairman

Read more in our Chief Executive's statement on pages 8–10

Performance overview

I am pleased to report that the Group continues to deliver good progress implementing its strategy and has delivered a financial performance in line with its expectations. We have built more homes, increased our adjusted operating margin and maintained a robust balance sheet. Despite the various challenges impacting the housing market over the past year, our strategy has supported us in navigating through these conditions and delivering these outcomes.

Our plans for geographical expansion are progressing well. In Yorkshire we are in the process of acquiring several sites in excellent locations and have established a high-calibre leadership team with regional expertise and knowledge. We have recently recruited a senior business leader in East Anglia and we plan to make a similar start in this region as well.

The Group can look forward with confidence and optimism about its longer-term growth ambitions, while remaining cognisant of the current economic environment. We have made significant progress in the past three years and have both the operating platform, the necessary financial resources and the resilience required to execute these plans. On behalf of the Board I would like to thank all of our colleagues for their dedication and commitment in delivering this year's results.

Political and economic environment

The long-term fundamentals of the UK housing market remain attractive. The shortage of available housing stock and low levels of unemployment will both underpin future demand. In recent years mortgage availability has been good and the cost of borrowing has also been at historically low levels. It was against this backdrop, supported by our excellent financial position, that we announced our plans to expand Crest Nicholson into new regions across the UK at our Capital Markets Day in October 2021.

The economic situation in the UK has undoubtedly deteriorated during 2022. The war in Ukraine and the consequences of decisions taken to deal with COVID-19 have caused higher levels of inflation across all developed economies. We have also had to contend with adjusting to life outside of the European Union and experienced political leadership changes which have added to the general economic and political uncertainty for all businesses.

As a housebuilder, our sector's performance is heavily dependent on confidence and market sentiment. The Bank of England's actions to combat rising inflation, by increasing interest rates and providing forward guidance of more action to come in 2023, have started to have an impact on the availability and cost of mortgage borrowing. The general economic uncertainty also encourages customers to be more cautious and delay house purchasing decisions if they believe prices are about to fall.

We will navigate and adapt our strategy in response to trading conditions. Reassuringly, the Group is equipped with the necessary financial resources and leadership experience to successfully achieve this and remains confident in the long-term prospects of the UK housing market.

Building safety

In April 2022 the Group signed the Government's voluntary Building Safety Pledge committing to remediate life-critical fire-safety issues on all buildings over 11 metres developed by the Group in the last 30 years. We are pleased to have reached an outcome that we hope 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 as soon as possible.

Sustainability and social value

As a Board we recognise our responsibility in ensuring that our business operations limit or reduce their impact on the climate and planet. Sustainability and social value is one of the Group's four foundations upon which our strategy is anchored and we are always looking for ways in which we can operate more sustainably in everything that we do.

We continue to make strong progress against our medium-term targets to reduce greenhouse gas (GHG) emissions intensity by 25%, waste intensity by 15% and increase renewable electricity procurement to 100%. Last year we stepped up our ambitions to reduce the Group's carbon footprint and established new science-based targets. These are designed to achieve net zero by 2045 and I am pleased to announce these targets have been validated by the Science Based Targets initiative, bringing us a step closer in combating climate change.

Board changes

In May 2022, the Board and Tom Nicholson, Chief Operating Officer, agreed that it was the appropriate time for Tom to leave the Group. The Board and I would like to thank Tom for his hard work and dedication in helping develop and oversee the changes that now position Crest Nicholson to deliver its future growth ambitions.

The Executive Leadership Team has been augmented as we welcome the promotion of Alex Stark and David Brown to be Executive Managing Directors. Alex and David both bring significant industry expertise and will have responsibility for both their existing divisions and oversight of another division as we develop our organisation to deliver our growth ambitions.

Engagement with our people

The Board is always keen to understand and respond to our employees' views, concerns, and challenges. Communication and feedback are achieved through a variety of channels, including employee surveys and the Employee Voice programme. The latter is hosted by Louise Hardy, Non-Executive Director responsible for employee engagement. This programme provides an open, independent and inclusive forum for our employees to interact with a Board member. The Board has spent time during the year reflecting on the feedback received.

During the year the Board has visited several of our developments enabling us to meet our colleagues. I am always impressed by the enthusiasm and commitment of everyone that I meet across the Group.

We are very conscious of the challenges that many of our colleagues are facing because of the cost-of-living crisis and we have considered ways of supporting them throughout the year. In July 2022, the Group made a one-off payment as a cost-of-living supplement to all employees below the Executive Leadership Team. We will continue to monitor the economic backdrop and consider any further measures that are deemed appropriate. Further detail about how the Remuneration Committee has considered Director and employee pay can be found on pages 100–122.

Capital allocation and dividend

The Group maintains its dividend policy of two and a half times cover, and the Board is recommending a final dividend of 11.5 pence per share (FY21: 9.5p), and subject to shareholder approval, this will be paid on 5 April 2023, which will make the total dividend 17.0 pence (FY21: 13.6 pence) for FY22.

Summary and outlook

This has been another year of significant progress for Crest Nicholson. The strategy we set out in 2019, coupled with the hard work and efforts of our people across the Group, is translating into improved financial performance. The Board remains convinced that growing the Crest Nicholson footprint in the UK remains the best way of generating value for shareholders. The current economic uncertainty inevitably challenges our original assumptions for how quickly that growth can and should be delivered. Maintaining a robust financial position will always be our key priority in times such as these and we will remain disciplined and selective in relation to future land investment.

I remain confident in the skill and commitment of our people and the Board considers that we have highly experienced leadership, central and divisional teams. The long-term prospects for Crest Nicholson remain attractive and exciting.

Iain Ferguson CBE
Chairman

> **"Maintaining a robust financial position will always be our main priority in times such as these and we will remain disciplined and selective in the acquisition of any new land."**

Chief Executive's statement

I am delighted to report another year of improved financial performance and we continue to make good progress with the implementation of our strategy, despite a challenging economic backdrop.

Building better futures

"The hard work in the past three years has put the Group in a strong financial position, which gives us confidence to trade effectively in all market scenarios."

Peter Truscott
Chief Executive

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 52–56.

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.

Chief Executive's statement continued

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.

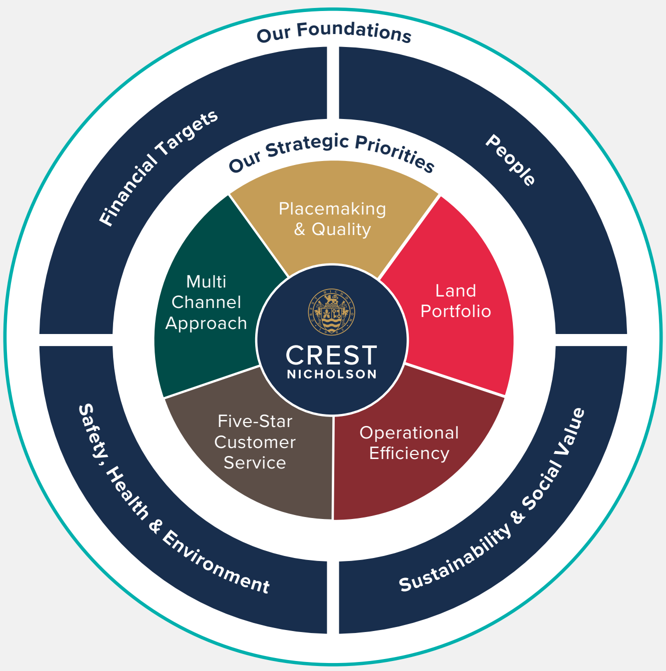
We are convinced that the fundamentals of the housing market in the long term remain attractive. The lack of land which can be immediately developed, and the skill and experience required to navigate our planning system, will eventually require reforms if we are to significantly boost our nation's housing 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

Our strategic priorities and our foundations

Our strategy is well-embedded and delivering operational improvements and stronger financial performance.

Our goal is to deliver sustainable growth for all our stakeholders. Our strategic priorities are underpinned by our four foundations.

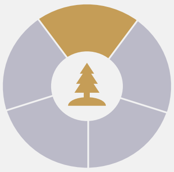


Our Strategic Priorities	Our Foundations
Placemaking & Quality Read more on page 11	**Safety, Health & Environment** Read more on pages 48–49
Land Portfolio Read more on page 12	**Sustainability & Social Value** Read more on pages 26–43
Operational Efficiency Read more on page 13	**People** Read more on pages 44–47
Five-Star Customer Service Read more on page 14	**Financial Targets** Read more on pages 52–56
Multi Channel Approach Read more on page 15	

Our strategy in action

Building better communities

Fernhurst, Surrey



Placemaking & Quality

Our land portfolio will continue to provide opportunities for the Group to demonstrate its master planning and placemaking expertise. We aim to create aspirational developments that we know our customers are proud to call home and deliver high quality, well-specified homes.

We are committed to improving the energy efficiency and sustainability of our homes. We are adapting our homes in response to the Future Homes Standard ensuring that we continue to reduce the impact that the construction and usage of our homes has on the climate.

See page 26 for our Sustainability review

Progress in the year

We want to build developments that people wish to live in and call home. We do this by creating attractive and vibrant communities with a focus on sustainability. An example of this is our development Fernhurst in Camberley, Surrey. Within the development we have provided a wildflower meadow with mown footpaths, an informal wetland basin area and it will also contain equipped play areas. The site has been designed to attract a range of wildlife such as bats, butterflies and distinctive birds surrounded by leafy woodlands.

The site is adjacent to Hawley Park Farm Country Park which provides 15 acres of open meadow with tree and hedgerow planting. The space provides opportunities for dog walking and informal recreation including a play area, picnic area and natural play trail. The site has been created as a Suitable Alternative Natural Greenspace (SANG) which helps to reduce recreational pressure on the nearby Thames Basin heathland habitats.

Future priorities for FY23

Continue to focus our investments on desirable locations that meet our criteria for placemaking

Committed to mitigating and managing climate change risks and increasing biodiversity on our developments

To create a positive legacy for our customers.

Our strategy in action
continued

Building better opportunities


Kinver, Staffordshire

Land Portfolio

We have a well-located land portfolio which provides us with flexibility in how we choose to develop it. Our short-term land portfolio represents approximately five years' worth of supply which we consider to be appropriate for our needs. Most of these sites can be delivered by utilising our standard housetype range and some are well suited to development for partners who we work closely with to realise value for both parties.

Our strategic land portfolio generally offers longer-term opportunities to create value, often at superior margins to short-term land and enables us to utilise our strengths in promotion and placemaking. These sites are predominantly controlled under option, representing good capital efficiency.

Progress in the year

We remain disciplined and selective on the procurement of land and new acquisitions must meet our elevated hurdle rates to reflect the current economic uncertainty.

During the year we have been able to add high quality sites to our land portfolio across the Group. This included the purchase of 143 plots in Kinver, Staffordshire – a high quality location in our Midlands division. Our team's expertise in sourcing land opportunities and managing relationships with landowners was pivotal to securing this scheme.

While the land market remains highly competitive, the Group's standard house type range and efficient operating platform have supported our ability to procure land on compelling economic terms.

Occasionally the Group believes it can best realise value for stakeholders by disposing of land interests. In May 2022 the Group disposed of its 50% share in the joint venture containing the London Chest Hospital site in East London to its joint venture partner receiving £16.0m cash.

Future priorities for FY23

We will be disciplined and selective in our acquisition of new land

We will retain our higher hurdle rates for land approvals in FY23 and ensure that the Group's standard house type range remains competitive

We have sufficient short-term land for FY23. Our land buying focus is now for FY24 and beyond.

Operational Efficiency

Central to every part of our strategy is a desire to do things efficiently and right first time. Using our standard house types and specifications we can build with greater consistency which in turn leads to higher quality. These house types are efficient to plot and use development space effectively. As the Group expands into new regions, we will maintain strong oversight on incremental overheads.

Progress in the year

Our standard house types accounted for the majority of completions in FY22. Our house types have the benefit of contemporary thinking with respect to the requirements of the Future Homes Standard and energy efficiency. They also have flexibility when replanning sites. Plotting efficiency is an ongoing process to maintain flexibility in our product offerings and to optimise the value of the developments. Replans and replotting will continue to bring positive benefits in coverage while also enhancing the returns from our schemes.

During the year we began rolling out a new ERP system. Construction Industry Solutions (COINS) is the most commonly used software system in the construction industry and provides users with a fully integrated experience across commercial, technical and financial activities. The introduction of this system will provide greater control and oversight of our build programmes and generate a richer level of insight down to plot-level data.

Build costs

During the year global inflationary pressures and supply chain constraints, as a result of the war in Ukraine and the aftermath of COVID-19 disruption, both contributed to a steep rise in building material costs. In the labour market, a shortage of skilled workers also led to high wage inflation which added to the cost to construct new homes. While inflation has moderated in both of these areas, for those materials that have a high energy cost to produce such as concrete and steel, pricing has remained dynamic. Our operational efficiency programme has helped to mitigate the impact of these cost increases in FY22.

Future priorities for FY23

Maintain a disciplined approach to central overheads

Continue to focus on plotting efficiency to ensure maximum value from our sites

Continue to regularly tender works to achieve competitive pricing in a tougher market.

Building better operations

Our strategy in action
continued

Five-Star Customer Service

Giving great customer service is at the heart of everything we do. We have a 'right first time' culture and are focused on the smooth delivery of homes to customers and providing a high quality after-sales service.

Building better experiences

We are committed to delivering high quality homes and excellent customer service to our customers. During the year we have made further investment in training, we have recruited a Quality Assurance team to support further our site teams and introduced COINS for customer service, which will provide better oversight on snag resolution process.

Pictured above: Mr Coyles and Mr Pratt who used Deposit Unlock to buy their home at Monksmoor Park, Daventry and credited the process as "speedy and smooth".

Progress in the year

In October 2022 the New Homes Quality Board (NHQB) was established for the purposes of developing a new framework to oversee reforms in the build quality of new homes and the customer service provided by developers. The NHQB introduced the New Homes Quality Code (Code) and the New Homes Ombudsman Service to ensure best practice in the housebuilding sector. We welcome the objectives and purpose of the Code, which covers the period from initial enquiry through to completion, and then two years post-occupation. We are making good progress in preparing for the Code and how we will deliver the high standards of quality and service the Code requires.

Future priorities for FY23

Additional training and controls across the Group to ensure compliance with the Code

New Customer Relations Manager roles to drive consistency and share best practice

Introduce improved processes to track and respond to snags and complaints.

Building better partnerships


Walton Court Gardens, Surrey

Multi Channel Approach

The Partnerships and Strategic Land (PSL) division is responsible for both sourcing land and developing partnership arrangements. Their Strategic Land team are experienced in managing and promoting strategic land to bring these sites through to our short-term land portfolio. The other responsibility of this division is to develop strategic relationships with the public sector, Private Rented Sector (PRS) and Registered Providers.

By working closely with partners to identify which sites and product types align with their business models we can forward sell significant volumes at a relatively small discount to private open market prices and optimise margins. These transactions often benefit from earlier cash receipts which de-risk build programme commitments and can deliver a higher return on capital employed. Our strategy envisages that approximately 20% of total Group revenue each year will come from alternative channels to the private market.

Progress in the year

PSL continues to develop strong strategic relationships with institutional investors and local authorities and has successfully negotiated and delivered significant transactions in FY22.

During the year the Group announced its biggest PRS deal, worth £120m, with funds managed by leading global investment management firm, Oaktree Capital Management, L.P. and CompassRock International. The transaction involves the sale of 403 homes across three key developments in Southern England, offering high quality private rental units to local residents.

The investment encompasses homes located at Brightwells Yard, Farnham, The Tower at Centenary Quay, Southampton, and Walton Court Gardens, Walton-on-Thames.

Future priorities for FY23

Continue to invest in our PSL platform, focusing on mixed tenure delivery, specialist land procurement and key relationships

PRS investors' appetite remains strong and we will continue to focus on building a sales pipeline in this market

Maintain strong relationships with strategic partners, improve contract terms and optimise discounts to open market sales prices.

Market overview

Despite the current economic and political uncertainty, the long-term fundamentals of the UK housing market remain strong.

UK economy

Overview

The UK economy continues to be impacted by a variety of factors and the outlook remains uncertain.

At the start of 2022 COVID-19 restrictions remained a concern and this has further affected global supply chains and increased labour supply challenges. Against this backdrop the UK started to see significant inflation in the economy. In February 2022 Russia invaded Ukraine which created further geopolitical and economic uncertainty, given Russia's contribution to the world's energy resources and Ukraine's provision of raw materials and foodstuffs. In May 2022 the Bank of England increased the base interest rate by 25bps to 1%. Over the summer mounting political pressure resulted in the departure of the Prime Minister. The newly appointed Prime Minister and Chancellor of the Exchequer announced a Mini Budget in September 2022 which proposed significant unfunded tax cuts across a range of areas which caused the pound to rapidly fall in value, reaching a 37-year low against the US dollar.

Forward forecasts for interest rates started to climb even higher as the Bank of England reaffirmed its objective to keeping inflation under control and raised the base interest rate further.

Consumer confidence started to decline, weakening the economic backdrop even further. The economic uncertainty was so acute that it resulted in the Chancellor being replaced, before the Prime Minister herself chose to resign.

The appointment of another new Prime Minister and Chancellor, coupled with the delivery of a more prudent economic plan has provided some stability and confidence. GDP growth is still expected to be negative for the latter part of 2022 and the UK is forecast to be in recession in 2023. The depth and duration of that economic downturn remains unclear and will be subject to the influences of the geopolitical factors outlined above.

Key risks

— Continued volatility in the economic and political backdrop will have negative impact on growth
— Potential increase in the rate of unemployment has implications on customers' confidence and ability to buy homes
— Negative sentiment towards investment.

Our response

— Continue to maintain our robust financial position
— Focus on margin performance ahead of volume growth
— Adjust the pace of planned growth in our new and existing divisions.

Link to principal risks

1 Market conditions
3 Access to site labour and materials
5 Build cost management

Our principal risks pages 58–64


Nine Acres, Tiptree

Housing market fundamentals

Overview

The housing market has demonstrated its relative resilience to recent economic shocks, such as COVID-19, however its performance remains heavily sentiment-driven and mortgage costs have historically remained low for a long time.

The biggest underpin to this robust performance is the imbalance of housing supply to meet buyer demand. This situation has developed over generations as the UK has not built enough homes to keep pace with population growth and changing household sizes. The Government recognises the importance of increasing the number of homes being built and has communicated an annual target of 300,000 new homes per year.

In addition, it has created the Department of Levelling Up, Housing and Communities (DLUHC) with the specific objective of ensuring that investment, regeneration and housing are considered across the whole of the UK.

The number of new homes being constructed in the UK is closer to 200,000 per year and this is expected to reduce in 2023. To reach its target, the Government will have to stimulate the conditions for regeneration and economic investment, including housebuilding.

The pandemic has also triggered a change in housing demand as people re-evaluated their working patterns and housing needs. In particular the growth in demand for single family homes has been strongest where there is provision for home working options and excellent transport links. With energy supply uncertainty, customers are also carefully examining the energy efficiency performance of any new home, and new build properties perform strongly in this respect.

Key risks

— Rising interest rates will have an impact on mortgage pricing and consumer confidence
— The long-term structural imbalance of supply and demand remains unaddressed
— Undersupply of housing continues to underpin house price inflation and affordability challenges for buyers.

Our response

— Strong land portfolio in Southern England with limited supply
— Expansion into Yorkshire and East Anglia where we see long-term strong demand and future growth
— Remain selective and disciplined in the acquisition of new sites.

Link to principal risks

1 Market conditions

Our principal risks pages 58–64

Government legislation – fire and building safety

Overview

In January 2022 the Secretary of State for DLUHC announced the Government's intention to widen and lengthen the definition of legal obligation on developers to fund the remediation of buildings affected by fire safety issues.

As of 9 August 2022, 49 developers, including Crest Nicholson, have signed a pledge committing to remediate life-critical fire-safety works in buildings over 11 metres that they developed or refurbished over the last 30 years in England. Developers making this commitment have also agreed to reimburse any funding granted to building owners from Government remediation programmes.

Each developer will be expected shortly to sign a legally binding contract reflecting these pledges and inform leaseholders in affected buildings how they will be meeting their commitments. The housebuilding sector is working with the Home Builders Federation (HBF) and the DLUHC to agree the necessary legal documentation.

Key risks

— Costs for fire remediation may be difficult to estimate due to the complex nature of the process
— Build cost inflation increases the total amount required for the remediation
— Scope of building safety issues increase, leading to additional cost.

Our response

— Signed the Government's Building Safety Pledge in April 2022
— Recorded an additional £105.0m combustible material related charge. Closing combustible materials provision is £140.8m at 31 October 2022
— The Group is working as swiftly as possible with all stakeholders to complete these works.

Link to principal risks

2 Safety, Health & Environment
9 Laws, policies and regulations
12 Combustible materials

Our principal risks pages 58–64

Market overview continued

Affordability and lending environment

Overview

Housing affordability is becoming more challenging across the UK housing market. The UK house price to earnings ratios reached a peak in Q3 2022 at 7 times, above the 2009 peak at 6.3 times, which preceded the collapse in pricing associated with the Global Financial Crisis (GFC). All economic downturns are different and there are several factors that suggest the next one may not be as severe. Firstly, lending banks are more strongly regulated, stress-tested and capitalised since the GFC. Secondly, employment levels in the UK remain strong and thirdly the Government has demonstrated through its actions during times like COVID-19, that it is committed to maintaining a strong housing market as an underpin to general economic health.

However, rising interest rates have already led to some higher mortgage costs. Recent pricing has been as high as 5.5% (Nationwide two-year fixed rate) with further interest rate impact expected. The increase in mortgage rates sees a prospective first-time buyer's monthly mortgage payment rise from approximately 34% of take-home pay to approximately 45% (based on a 5.5% mortgage rate)*. Mortgage approvals have also started to fall, down 26% year-on-year in FY22, reflecting the increased economic uncertainty**.

The additional burden of increasing mortgage repayments on household finances comes at a time of rising energy bills, food prices and modest wage inflation. The combination of these factors will weigh on housing affordability.

The Government has sought to provide some assistance to home buyers, recently increasing the threshold to pay stamp duty to £425,000 for first-time buyers, and £250,000 otherwise. The Help-to-Buy scheme will end on 31 March 2023. Participation in the scheme continues to reduce with buyers now seeking alternative methods of finance support such as Deposit Unlock and First Homes.

* Source: Nationwide Housing Index.
** Source: Bank of England.

Key risks

- Economic volatility and rising unemployment may force people to sell homes and reduce prices
- Prospective buyers may be unable to finance a house move given the other impacts on their household finances
- Banks become more risk averse and withdraw affordable financing offers to prospective buyers.

Our response

- Actively promoting Deposit Unlock as an alternative to Help to Buy to help our customers with the affordability of a new home
- Adjust the pace of our build programmes and land acquisitions to reflect tougher market conditions
- A strong balance sheet that will enable us to prioritise our returns over volume during any downturn.

Link to principal risks

1 Market conditions
8 Solvency and liquidity
11 Land availability and planning

Our principal risks pages 58–64

Climate change

Overview

The Climate Change Act 2008 commits the UK Government to reducing greenhouse gas emissions by at least 100% of 1990 levels (net zero) by 2050. It is setting an ambitious agenda to decarbonise the UK economy.

Several upcoming climate change regulations and disclosures with which we have to comply include:

The Future Homes Standard (FHS): Updates to Part L of the Building Regulations will require a 31% reduction in carbon emissions over current regulations starting from June 2022. From 2025 the FHS will require at least a 75% reduction in carbon emissions compared to current standards, together with the prohibition of fossil fuel heating, including gas boilers.

Biodiversity net gain: The legislation will require all developments to deliver a biodiversity net gain of 10% which means developments will need to create a 10% measurable improvement in the biodiversity of the site developed relative to the site if development had not occurred.

Task Force for Climate-related Financial Disclosure (TCFD): It is a mandatory requirement for companies to disclose climate-related financial information within the annual report. (See pages 30–38 for more information.)

Key risks

- Emerging regulations to reduce emissions associated with our homes
- Carbon tax and other pricing mechanisms could increase the cost of fuel, energy and materials
- An inability to transition to lower emissions technology.

Our response

- Continue to improve awareness and knowledge of climate change across the Group
- Conduct further embodied carbon analysis to reduce upstream scope 3 emissions, and to trial and monitor technologies to support delivery of the Future Homes Standard
- Established a biodiversity framework to help deliver biodiversity net gains on our developments.

Link to principal risks

9 Laws, policies and regulations
10 Climate change

Our principal risks pages 58–64

Land and planning

Overview

The land market remains highly competitive, driven by a lack of supply and housebuilders' need to replenish their pipelines of new sites following a strong market in recent years. Opportunities are generally more plentiful on larger sites and schemes, but given the economic uncertainty, many developers are now communicating caution in their approach to purchasing new land which may be acquired at the peak of this market cycle.

Acquiring sites is only the first challenge that developers currently face in building new homes. The planning system is currently highly inefficient. Resourcing issues, a lack of political impetus and a backlog of applications received during COVID-19 are leading to delays in obtaining consents and slowing down the speed at which builders can get on site. This backdrop has been present for some time but has deteriorated further in the past year.

In addition, several environmental agenda items have also emerged in the past year, contributing to planning delays. Nutrient issues and water neutrality challenges have been highlighted in several parts of the country by Natural England. The Government has acknowledged that these concerns require clear policy making and guidelines to ensure the planning system can proceed with granting approvals.

The Government has repeatedly communicated its intention to reform the UK's planning system. Central to this message is a desire to 'level up' the UK, by encouraging investment and new home building in areas away from the South East.

Key risks

- More complexity and change created by new legislation and proposed reforms of planning
- Insufficient land in the market for future expected output and for growth
- Competition on pricing and payment terms for land and associated house prices.

Our response

- Approximately five years' worth of short-term land – the right level for the size of our business
- Standard house type range and placemaking capabilities have supported ability to procure land on compelling economic terms
- A strategic land portfolio which will continue to provide a supply of high quality sites at superior margins.

Link to principal risks

9 Laws, policies and regulations
11 Land availability and planning

Our principal risks pages 58–64


Morton Park, Milton Keynes

Business model

Our business model is centred on our purpose to build great places for our customers, communities and the environment. Guided by our strategy, we carefully select resources and partners to create value for all stakeholders by building quality homes in desirable locations.

Creating value through our activities

Our resources and relationships

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

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

Partnerships
- Carefully selected business partners and projects
- Close relationships with regulatory and industry bodies to help shape the future of housing
- Relationships with landowners and engagement throughout the development process.

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

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

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

Value for society

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

Read more in our Sustainability review on pages 26–43

What we do

Focused divisional businesses
- Regional housebuilding operations with local expertise and relationships, enabling effective and efficient delivery of new homes
- A dedicated Partnerships and Strategic Land division developing multiple channels to market and promoting strategic land.

Design, planning and placemaking
- House type range with interior and exterior flexibility, to cater to a range of customers and adaptable to local design policies
- Placemaking expertise to create a strong legacy of vibrant communities with a mixture of homes and tenures.

Land
- Operational efficiency programme and reputation for placemaking supports land acquisition at appropriate margins
- Strategic land capability allows us to promote sites through to approval and earn superior returns
- Partnerships developed with land owners and local authorities to secure planning permission in a timely manner.

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

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

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

Our investment case

We have an ambition to deliver earnings growth through geographical expansion while offering a competitive dividend.

for our stakeholders

The value we create

Investors

— Compelling investment proposition setting out how we realise value from our high quality portfolio of assets.

Customers

— Five-star customer service experience with quality products in desirable locations.

Our people

— Investing in people to develop the skills that we need and enhancing our reputation as an employer of choice.

Suppliers

— Being a long-term and trusted partner to suppliers and subcontractors.

Communities and the environment

— Creating a positive environmental and social legacy through strong community relationships and investment in social infrastructure.

Government and other bodies

— Regular engagement with Government to understand its priorities and to share our expertise to support effective regulation.

Read about how we are creating stakeholder value on pages 22–25

1 Strong fundamentals for UK housing market

— Market demand underpinned by growing population and limited housing supply
— Complex planning system favours experienced housebuilders with broad range of capabilities and knowledge of local market
— The lending environment remains supportive with competitive supply of mortgages.

2 Attractive land portfolio

— High quality and desirable land portfolio, primarily concentrated in Southern England, with new sites being added in new regions of the UK
— Extensive strategic land portfolio is predominantly held under option and represents excellent capital efficiency
— Strong financial position enables us to remain active in acquiring land in competitive environments.

3 Brand synonymous with quality and placemaking

— Established brand name with strong heritage associated with quality and customer service
— Strong reputation for placemaking and for creating attractive, sustainable communities
— Opportunity to offer more customers the chance to own a Crest Nicholson home across the UK.

4 Diversified sources of income

— Our Multi Channel Approach provides resilience by delivering income from a variety of sources and capital
— Private Rented Sector (PRS) is a well-capitalised, growing asset class providing dependable yields
— Dedicated Partnerships and Strategic Land division maintaining strong relationships with Registered Providers and PRS partners.

5 Clear responsibilities to society and the planet

— Committed to net zero emissions by 2045 and established interim science-based targets covering scope 1, 2 and 3 emissions
— Reducing our waste and minimising our impact on natural resources
— Increasing procurement of renewable electricity to 100% by 2025.

6 Robust balance sheet with margin recovery plan on track

— Strong balance sheet with year end net cash position of £276.5m and a renewed £250m revolving credit facility
— Disciplined and selective approach to land acquisition and capital allocation
— Sustainable dividend cover on two and a half times cover basis.

Stakeholder relations

To achieve our strategy, we need to understand our stakeholders. This will help us create long-term value for all our stakeholders.

Section 172(1) Statement

Considering all our stakeholders in key business decisions enables us to make balanced decisions which deliver value over the long term.

Our Board of Directors promote the success of the Company for the benefit of our members as a whole, in accordance with the Companies Act 2006 (Act). The Board is responsible for ensuring that it fulfils its obligations to those impacted by our business, in its stakeholder consideration and engagement.

By direct engagement, and via the Executive Leadership Team, our Board is fully appraised of the matters of importance to our stakeholders. The Board, Executive Leadership Team and senior management actively engage in communication and involvement initiatives.

The following pages comprise our Section 172(1) statement, setting out how the Board has, in performing its duties over the course of the year, had regard to the matters set out in Section 172(1) (a) to (f) of the Act, alongside examples of how each of our key stakeholders have been considered and engaged. Further information can also be found throughout the Strategic Report and in the Governance Report.

Further details on the Board and its decision-making process in relation to stakeholders is included within the Governance report on pages 76–79

Stakeholder engagement

The following pages set out the engagement that has taken place with those stakeholders considered as being key to the Group. The Board has identified each of them as a key stakeholder due to their influence on the success of our business model, strategy and because they represent the key resources and relationships that support the generation and preservation of value in the Group.

Stakeholder engagement and decision making

How we consider stakeholders

Investors

Both individual and institutional investors who invest their capital in Crest Nicholson.

What matters to our investors

Our investors expect an effective relationship with senior management and the Board. They expect a clear and appropriate Group strategy which delivers long-term sustainable returns and is appropriately adapted to the prevailing macro-economic environment. The Group has arrangements in place which enable it to communicate effectively with shareholders in respect of matters such as business strategy, governance and remuneration.

How we have engaged in FY22

Board engagement

— The Chief Executive, Group Finance Director and Head of Investor Relations meet regularly with investors and analysts to convey an understanding of the market and the Group's operations and strategic priorities. These meetings take place throughout the year, but particularly after the annual and interim results announcements. During FY22 they attended 93 meetings through virtual platform or in person. In addition they have attended two industry conferences during the year
— The Chairman and other Non-Executive Directors also have the opportunity to attend meetings with major shareholders. Our Chairman led a shareholder governance engagement programme and our Chair of the Remuneration Committee led a shareholder engagement consultation on the new Remuneration Policy that will be subject to shareholder approval at the 2023 AGM
— The Board receives regular updates in relation to the market, housebuilding sector and investor activities, including feedback from shareholder roadshows
— All Directors attend the AGM and are available to answer shareholder questions.

Group engagement

— Meetings with shareholders to provide insight on our response to the impacts of climate change, progress against our sustainability targets and our Remuneration Policy that will be subject to shareholder vote at the 2023 AGM
— Responses to voting agencies, including IVIS, ISS, Glass Lewis and PIRC.

Key outcomes

— Shareholders are kept informed of the Group's performance
— Enhanced understanding of ESG issues which are an increasing investor focus
— A constituent member of the FTSE4Good and achieved a B rating in the CDP climate change disclosures
— Engagement with prospective investors to develop their understanding of our strategy.

Link to KPIs

— Return on capital employed
— Earnings before interest and tax margin
— Unit completions
— Cash generation
— Land creditors as a % of net assets
— Greenhouse gas emissions intensity
— Waste intensity.

Customers

The people who purchase our homes. These can be individual private purchasers or larger institutions who we work in partnership with.

What matters to our customers

Our customers expect quality homes in beautiful places that are safe, delivered on time, and which offer good value for money. Excellent customer service and after care are a key part of how we understand our customers' needs and how we respond.

How we have engaged in FY22

Board engagement

— During FY22 the UK construction environment has experienced disruption to materials availability which, coupled with the longer-term challenge of skilled labour availability, has sometimes led to delays in completing and handing over homes to our customers. The Board has closely monitored this situation and mitigating actions taken during the year
— At each Board meeting the National Housebuilding Council (NHBC) customer satisfaction survey scores are considered. The Board also receives feedback from the Executive Managing Director, Partnerships and Strategic Land on relationships with our partners
— The Board receives regular feedback on any Group dialogue with the Department for Levelling Up, Housing and Communities (DLUHC) and in April 2022 the Board agreed to sign the Building Safety Pledge (Pledge), taking further steps to support those living in affected buildings
— The Board considers initiatives undertaken by the Group to deliver high levels of customer service, enhance placemaking and create sustainable developments.

Group engagement

— Participation in the Home Builders Federation (HBF) customer satisfaction survey and aim to consistently achieve a five-star performance
— Site teams responsible for after care with direct responsibility for quality
— Partnerships and Strategic Land division focused on promoting placemaking and design both directly and with trusted partners
— Working at pace to implement the New Homes Quality Code
— Closely monitoring build schedules to enable customers to be updated on progress of the delivery of their new home.

Key outcomes

— Responded to supply chain and labour shortages by adjusting timescales as required
— Signed the Pledge and continue to work with affected parties
— Listened to changing customer needs, adapting where necessary our proposed site plans and making them increasingly energy efficient.

Link to KPIs

— Unit completions
— Customer satisfaction
— PRS/Affordable unit completions.

Stakeholder relations continued

Our people

Individuals who are directly employed by us.

What matters to our people

Our employees require a safe and healthy working environment which is complemented by a supportive, diverse and inclusive culture. Our employees value challenging and rewarding work that is supported by professional development and career opportunities. We have responded to employees who increasingly require flexible and agile working environments. Reward and benefits need to be fair and competitive to respond to both increased costs of living and a market where there are shortages of skilled resource.

How we have engaged in FY22

Board engagement

- The Board receives updates on employee matters at each Board meeting and regularly discusses employee turnover, engagement, succession planning and development
- Our Chief Executive has attended different employee forums to provide employees with strategic and trading updates
- Our Non-Executive Director responsible for employee engagement has attended a number of events with our employees. Further details on this activity are outlined on pages 78–79
- Our Chair of the Remuneration Committee and Non-Executive Director responsible for employee engagement held several meetings with employees across our divisions to consult on the revised Remuneration Policy which will be subject to shareholder approval at the 2023 AGM
- Employees are encouraged to participate in the Group's Sharesave scheme
- The Board held two site visits during the year, with further details outlined on page 83.

Group engagement

- While voluntary employee turnover has declined, the Executive Leadership Team regularly considers employee turnover data and insights, and actions to reduce this
- Focused regular engagement activities including pulse surveys, team-building activities and the Group-wide charity challenge hike
- Continued visits and focus from the Executive Leadership Team throughout the business
- Partnering with a third-party provider, to develop opportunities for entry-level and high-potential employees
- Health and wellbeing training and ability for employees to enhance their mental health fitness
- Continue to operate Sharesave schemes to employees, to save and purchase shares in the Company.

Key outcomes

- Reflective of the rising living costs, a one-off payment of £1,000 was made to all employees below the Executive Leadership Team
- We partnered with a third-party provider to conduct our employee engagement surveys, with engagement rated at 83%
- 49% participation rate across all Sharesave schemes
- Over 100 employees participated in the Group-wide charity hike raising over £42,000 for Cancer Research UK.

Link to KPIs

- Voluntary employee turnover
- Annual Injury Incidence Rate (AIIR).

Suppliers

Our suppliers of raw materials, plant and equipment and the wide range of tradespersons who we subcontract our construction activities to.

What matters to our suppliers

Our suppliers expect projects to be delivered safely, on time and in line with their and our financial targets. Mutually beneficial working relationships that share risk and reward alongside operational efficiency are important for effective relationships. Suppliers expect us to maintain a robust financial position and to pay them to agreed timescales.

How we have engaged in FY22

Board engagement

- The Board regularly discusses the Group's responsibility to its suppliers and subcontractors and its impact on the local housebuilding and construction industry
- Regular updates are provided to the Board on the Group's supply chain, including payment practices, the prevention of modern slavery and recent industry disruption
- The Chief Executive and Group Operations Director maintain relationships with Directors of the Group's key suppliers with a focus on Safety, Health & Environment (SHE) matters.

Group engagement

- Feedback on supplier performance shared at divisional Board meetings
- Account review meetings held with key suppliers on a regular basis
- Regular communications on our Supply Chain Code of Conduct including anti-slavery and human trafficking policies
- Distributed an engagement survey to our suppliers, covering areas such as safety, sustainability, supply chain and manufacturing, diversity and inclusion, training, product and materials, quality and service levels
- Member of the Supply Chain Sustainability School as a partner, and encourage our supply chain to engage with them
- Held meetings to discuss climate change and the transition to net zero with suppliers deemed to contribute significantly towards our scope 3 emissions
- Confirmed with our subcontractors our aim to become a Living Wage accredited employer, requesting them to complete relevant questionnaires
- Trialled JCB new all-electric telehandler forklift.

Key outcomes

- Greater focus on sourcing from Group-approved suppliers
- Reinforcing the focus of anti-slavery in our supply chain
- 18% of our Group suppliers are actively engaging with the Supply Chain Sustainability School
- 36 days, being the average time taken to pay suppliers (FY21: 37).

Link to KPIs

- AIIR
- Unit completions
- Greenhouse gas emissions intensity
- Waste intensity.

Communities and environment

The communities and environment local to our developments.

What matters to the communities and environment local to our developments

Our neighbours want engaged two-way communication with us. We seek to provide designed quality homes with character that are competitively priced for local residents. Investment in infrastructure including transport, school and health facilities is important. We also seek to protect the environment, reduce emissions and waste and help support sustainable lifestyles.

How we have engaged in FY22

Board engagement

— The Board reviewed the progress against the sustainability strategy and the Group's proposed science-based targets
— The Board, supported by our Sustainability Committee, considers sustainability and environmental impacts in relation to the development of sites.

Group engagement

— The Group actively seeks the views of local communities in developing a tailored planning and community engagement strategy for each development
— More houses built using our standard house type range, which emphasises build and design quality
— Engagement with communities through public meetings, consultations and publicly available documentation, seeking to meet local needs
— Working with our trusted partners to provide affordable homes to individuals who are supporting local communities
— Providing green space and the provision of sports and educational facilities, play areas, allotments, public art, community buildings, transport improvements and environmental protection and enhancement measures.

Key outcomes

— Delivering attractive developments that are valued by our customers and communities
— The Science Based Targets initiative approved our near-term and net zero targets
— 47% reduction in scope 1 and 2 emissions compared to FY19
— Development of a new charitable giving strategy to support local charities and organisations
— Receipt of the Silver Award for the Armed Forces Covenant Employer Recognition Scheme.

Link to KPIs
— Unit completions
— Greenhouse gas emissions intensity
— Waste intensity
— PRS/Affordable unit completions.

Government and other bodies

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

What matters to the Government and other bodies

The Government is focused on the delivery of high quality, attractive homes and communities which are designed to be energy efficient. Therefore, it is critical that our developments support biodiversity and climate change priorities.

How we have engaged in FY22

Board engagement

— The Board monitors and participates in regulatory and industry bodies that shape the legislative environment and local planning departments
— During the year regular active dialogue and debate was held by the Board on industry developments, including the Future Homes Standard, Consumer Code for New Homes, market trends, stamp duty changes, disruption to the supply chain and the labour market.

Group engagement

— Divisional attendance at HBF and NHBC events
— Divisional local planning meetings and engagement with Homes England and Housing Associations
— Participation in the Future Homes Hub and working to implement the New Homes Quality Code
— Regular engagement with local authorities, the Environment Agency and local water authorities
— Responding to the consultation on biodiversity net gain.

Key outcomes

— Engagement with the DLUHC and dialogue prior to becoming signatories to the Pledge
— Engagement with Government enables us to understand their priorities for housing
— We are continually improving our understanding of what our partners expect from us
— Awards received from the NHBC to our people
— Progress with our partners across a multitude of our strategic projects.

Link to KPIs
— Unit completions
— Greenhouse gas emissions intensity
— Waste intensity
— PRS/Affordable unit completions.

Our sustainability review

As one of the leading housebuilders in the UK, we recognise that we have a responsibility and an ability to make a positive impact in addressing some of the long-term challenges society faces.

Sustainability continues to be of fundamental importance to our Group and stakeholders. The global challenges we face are significant and societal expectations to address the issues of climate change and biodiversity loss are increasing. We aim to integrate responsible practices throughout all aspects of our business, allowing us to contribute positively to society and create long-term value for our stakeholders.

Our strategy is split into three priority areas: protect the environment, make a positive impact on communities and operate our business responsibly.

We continue to take action to reduce our greenhouse gas (GHG) emissions and this year achieved our scope 1 and 2 intensity reduction target ahead of our FY25 target date. Having signed up to the UN-backed Race to Zero in FY21, we developed new science-based targets, which include a commitment to reach net zero across our value chain by 2045. We were proud to see our progress recognised by the Financial Times in their European Climate Leaders list in 2022.

We are also committed to delivering positive social value for our employees, customers, communities, partners and people throughout our supply chain. By creating great homes and developments, respecting human rights and providing a safe, diverse and inclusive workplace we can build a better future for all our stakeholders.

Learn more online
www.crestnicholson.com/sustainability

RCF

In October 2022 the Group announced the completion of a £250m Sustainability Linked Revolving Credit Facility (RCF). Under the terms of the facility, the Group is incentivised to deliver annual performance improvement in four key areas that align with our sustainability priorities. The targets include:

— Reduction in absolute scope 1 & 2 GHG 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 ensure that its performance against all these metrics will be reported in future Annual Integrated Reports.

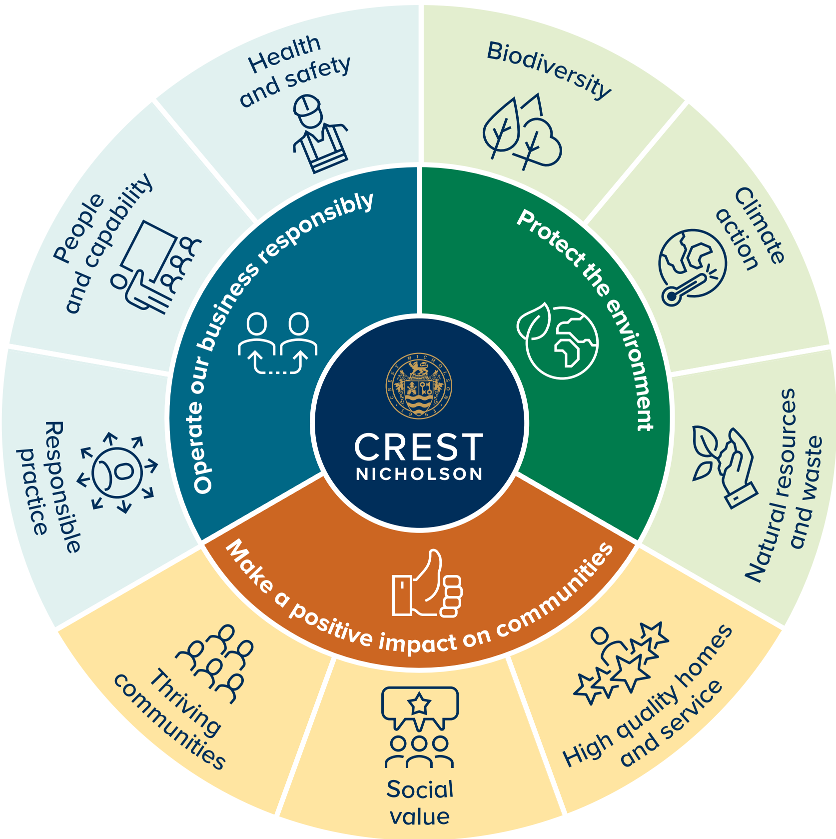
Sustainability strategy

Our sustainability strategy is linked to our purpose (see page 2 for further information) and is integral to our strategic priorities and is one of our strategic foundations.

The strategy's three priority areas guide our commitment to drive positive action across our business and value chain. They also help shape our sustainability objectives and the targets we select to measure success.

The strategy is informed by continuous engagement with our stakeholders (see pages 22–25 for further information) as well as external frameworks such as the UN Sustainable Development Goals (SDGs) and Natural, Social and Human Capital Protocols.

The following pages provide further detail on our sustainability strategy and performance during the year.



Governance

Our commitment to responsible operations starts at the top with Board oversight and ownership of the sustainability strategy and objectives.

Our Sustainability Committee has delegated authority from the Board and Executive Committee to integrate sustainable practices into the business. The Committee met four times in FY22 and is chaired by our Chief Executive. Page 31 has further detail on our governance structure.

To support our strategy, we link sustainability-related targets to our remuneration packages (see pages 100–122 for further information). In FY22 we also finalised a new Sustainability Linked RCF.

Protect the environment

Climate action

Biodiversity

Natural resources and waste

Key highlights

47%

Target 60% reduction by 2030

47% reduction in scope 1 and 2 emissions compared to FY19

70%

Target 100% by 2025

70% of electricity procured from renewable tariffs

Make a positive impact on communities

Thriving communities

Social value

High quality homes and service

Key highlights

88%

FY21: 88%

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

522

FY21: 483

522 affordable homes delivered

Operate our business responsibly

Responsible practice

People and capability

Health and safety

Key highlights

10%

FY21: 7%

10% of our workforce are trainees

18

FY21: 13

18 trained mental health first aiders across our divisions

Supporting the UN Sustainable Development Goals

The UN Sustainable Development Goals (SDGs) are a collection of 17 global goals designed to be a blueprint for achieving a better and more sustainable future for all. We have identified eight of these goals where we can make a positive difference:

3 GOOD HEALTH AND WELL-BEING

— Supporting the health and wellbeing of our people, customers and communities.

5 GENDER EQUALITY

— Promoting an inclusive and diverse workplace and providing equal opportunities.

8 DECENT WORK AND ECONOMIC GROWTH

— Living wage for direct employees
— Supporting mental health and wellbeing
— Investing in training and development for our workforce
— Providing work for local suppliers and subcontractors.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

— Collaborating with the supply chain to review and trial innovative technologies and materials
— Implementing infrastructure to support sustainable developments.

11 SUSTAINABLE CITIES AND COMMUNITIES

— Commitment to placemaking and quality
— Provision of social infrastructure
— Multi channel approach provides range of tenures including affordable housing and shared ownership.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

— Supply chain engagement and partners of the Supply Chain Sustainability School
— Committed to improving resource efficiency.

13 CLIMATE ACTION

— Science-based GHG emissions reduction targets
— Procuring renewable electricity
— Climate adaptation on developments
— Supporting customers to reduce their carbon footprint.

15 LIFE ON LAND

— Supporting biodiversity on site
— Procuring sustainable timber.

We have used the SDG icons throughout the following pages to demonstrate where our strategy aligns with the goals.

External validation

We participate in several sustainability benchmarks and indices:

CDP DISCLOSURE INSIGHT ACTION

In FY22 we received a B score in the CDP climate change disclosure

FTSE4Good

Listed as a constituent of the FTSE4Good Index

MSCI ESG RATINGS
CCC | B | BB | BBB | A | AA | AAA

In FY22 we received an AA rating (on a scale of AAA-CCC) in the MSCI ESG Ratings assessment

MSCI disclaimer: www.crestnicholson.com/pdf/media/reports/sustainability/2022/135-reports-media-item.pdf

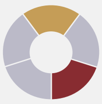
Our sustainability review
continued

Protect the environment

We strive to reduce our impact on the natural environment by reducing our greenhouse gas emissions, using our resources efficiently and protecting and enhancing biodiversity in and around our developments.

SDG alignment:

Link to strategic priorities:



Placemaking & Quality
Operational Efficiency

Link to foundations:

1 2

FY22 highlights

— Science-based targets set[1] to 2030 and net zero by 2045
— Reduced absolute scope 1 and 2 emissions by 47% compared to 2019 base year (43% reduction in emissions intensity)
— Developed a new toolkit to support biodiversity net gain
— Rolled out the Group's new Waste Policy.

Priorities for FY23

— Conduct embodied carbon assessments on a selection of our standard house types
— Continue to engage with our supply chain on key sustainability issues and introduce minimum requirements
— Awareness campaign to embed resource-efficient processes across our sites
— Increase the procurement of renewable electricity tariffs
— Develop guidance and embed biodiversity approach across divisions.

Climate action

We are committed to minimising our impact on climate change and helping our customers to reduce their carbon footprint. We also understand the effects climate change may have on our business and supply chain. Our disclosure against the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) sets out how we are managing climate-related risk (see pages 30–38 for further information).

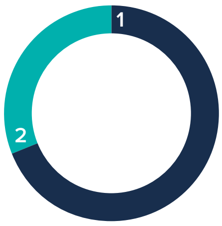
During the year we made good progress in reducing scope 1 and 2 GHG emissions and have exceeded our target to reduce emissions intensity by 25% by 2025, compared to a 2019 base year. Scope 3 emissions account for most of our carbon footprint and we are taking steps to address this area of our footprint. In FY22 we developed new science-based targets that have been approved by the Science Based Targets initiative (SBTi). Our new targets are to reduce absolute scope 1 and 2 GHG emissions by 60% by 2030[2] and scope 3 GHG emissions by 55% per sq. m completed floor area by 2030, both from a 2019 base year. We are also committed to achieving net zero emissions across our value chain by 2045.

The action we are taking to reduce emissions is set out within this section. Further information on our climate-related metrics and compliance with the Streamlined Energy and Carbon Reporting (SECR) requirements is on pages 37–38.

Scope 1 and 2 emissions

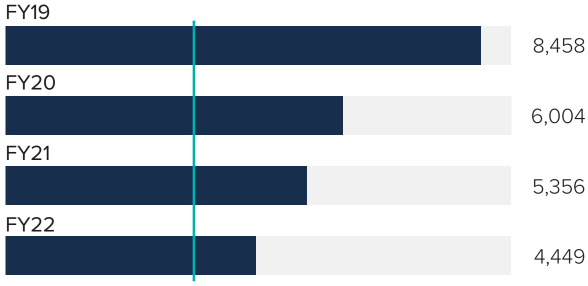
Our scope 1 and 2 emissions arise predominantly from fuel used in plant and equipment on site, electricity and gas for our offices and sites and our Group-operated vehicle fleet. In FY22 our absolute scope 1 and 2 emissions were 4,449 tCO_2e, a 47% reduction compared to the FY19 equivalent. On an intensity basis, this represents a reduction of 43% compared to FY19 (FY22: 1.82 tCO_2e/100 sq. m, FY19: 3.20 tCO_2e/100 sq. m).

FY22 Scope 1 and 2 emissions breakdown



1	Scope 1	69%
2	Scope 2	31%

Scope 1 and 2 GHG emissions performance

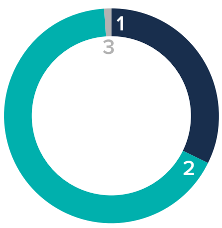


Scope 1 and 2 emissions tCO_2e — FY30 target (3,383)

Scope 3 emissions

Scope 3 emissions account for 99% of our total carbon footprint and predominantly comprise emissions relating to our supply chain (upstream) and the use of our homes (downstream). Our scope 3 emissions intensity in FY22 was 2.42 tCO_2e/sq. m, a decrease of 4% compared to the FY21 equivalent and a reduction of 6% against our 2019 base year.

FY22 Scope 3 emissions breakdown



1	Supply chain*	32%
2	Use of sold product**	66%
3	Other scope 3	1%

*Upstream emissions.
**Regulated and unregulated energy.

Scope 3 GHG emissions performance

Scope 3 emissions intensity tCO_2e/sq.m — FY30 target (1.16)

***No calculation in FY20.

1 Approved by the SBTi in December 2022.
2 The target boundary includes biogenic land-related emissions and removals from bioenergy feedstocks.

Value chain emissions

UPSTREAM SCOPE 3 EMISSIONS → OPERATIONAL SCOPE 1 AND 2 EMISSIONS → DOWNSTREAM SCOPE 3 EMISSIONS

PREDOMINANTLY COMPRISES OF:

UPSTREAM SCOPE 3 EMISSIONS	OPERATIONAL SCOPE 1 AND 2 EMISSIONS	DOWNSTREAM SCOPE 3 EMISSIONS
Emissions associated with raw materials and wider supply chain.	Fuel used in plant and equipment on site, electricity and gas for our offices and sites and our Group-operated vehicle fleet.	Emissions associated with the use of our sold homes.

Action taken to reduce scope 1 and 2 emissions

Site fuel

Site fuel consumption increased by 41% in FY22, partly as a result of business growth. Overall scope 1 GHG emissions associated with site fuel are 13% lower and our use of hydrotreated vegetable oil (HVO) as a substitute for white diesel is a significant factor in driving this reduction. In FY22 HVO accounted for 49% of our site diesel, an increase from 17% in FY21.

Efficient plant and equipment

We have successfully introduced a number of new technologies and initiatives to reduce emissions from plant and equipment. We prioritise early connection to the grid to avoid the use of generators. Where generators are required, they are correctly sized and HVO compatible.

98% of our telehandler fleet now have the most efficient Tier 5 engines[3] and we continue to utilise telemetry reports to identify potential fuel savings.

We continue to consider new and alternative technologies across our sites to reduce fuel consumption. In FY22 we trialled technologies such as hybrid generators and an electric telehandler.

Business travel

To minimise business travel emissions we continue to provide incentives to our employees to choose low emission vehicles and provide a good selection of electric-only and hybrid vehicles at different price points on our Company Car Scheme. As at 31 October 2022 40% of our Group fleet was hybrid or electric.

Our Agile Working Policy also ensures employees have the flexibility to choose where they can work which supports a reduction in unnecessary business mileage.

Renewable electricity

We continue to target 100% renewable electricity usage across the Group by FY25. In FY22 we procured 70% of our electricity from renewable electricity tariffs backed by Renewable Energy Guarantees of Origin certificates (FY21: 62%).

All our homes are handed over benefiting from renewable electricity tariffs.

Action taken to reduce scope 3 emissions

Our materials and supply chain

Achieving net zero emissions throughout our value chain by 2045 will be a significant challenge. Upstream emissions accounted for 32% of our scope 3 emissions in FY22. Substantial emission reductions will require effective collaboration and coordinated action across our supply chain and the wider industry.

During the year we have engaged with key suppliers to understand their decarbonisation objectives and how they can contribute to our net zero target. We are also members of the Future Homes Hub's Embodied and Whole Life Carbon Workgroup, which is developing guidance, tools and an implementation plan to support an industry-wide reduction in whole life carbon.

Our standard house types are being constructed in traditional and timber frame formats. We expect greater use of offsite manufacture to be utilised in future to reduce the embodied carbon associated with our homes and to address the long-term challenge of skilled labour in the industry. We continue to review the design of our homes and evaluate Environmental Product Declarations when assessing products and materials.

"The homebuilding industry is rapidly reducing the in-use carbon emissions of new homes and there is now increasing focus on reducing emissions throughout the home's lifecycle, including embodied carbon. Success depends on full participation from the homebuilding sector, supply chain and other partners and we are grateful for Crest Nicholson's contribution to the Embodied and Whole Life Carbon Workgroup."

Ed Lockhart
CEO, Future Homes Hub

Decarbonising our homes

The Future Homes Standard (FHS) will play a crucial role in reducing the emissions of our homes in use. The regulation will require a 75% reduction in carbon emissions while traditional gas heating systems will be prohibited from 2025 and replaced with electric alternatives. Electric heating solutions, such as air source heat pumps (ASHPs), will mean that homes are effectively zero carbon ready as the UK has committed to decarbonising the electricity grid by 2035[4].

While the environmental benefits are clear, it is essential to consider the running cost implications for homeowners. We will pilot electric heating solutions, including installing ASHPs on certain developments in FY23. We will engage and gather feedback from our customers and suppliers to help refine the designs and technologies used as we strive to ensure our homes are comfortable, easy to use and affordable to run.

3 Tier 5 engines in plant are the final stage of a gradual engine efficiency improvement plan introduced across the UK, EU, and EEA states. This has improved the efficiency of these machines by reducing fuel use, GHG emissions and particulates from the exhaust of machinery. At the time of publication, 100% of our telehandlers are Tier 5.

4 Plans unveiled to decarbonise UK power system by 2035 – GOV.UK (www.gov.uk).

Our sustainability review continued

Task Force on Climate-related Financial Disclosures

We are focused on reducing our emissions while adapting our homes and developments to the impacts of climate change.

This section details our disclosures against the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), building on the voluntary disclosure in our FY21 Annual Integrated Report.

In accordance with Listing Rule 9.8.6R, we set out our consistency with the 11 TCFD recommendations in the table below. The table also sets out the page numbers where further information can be found.

For strategy disclosure (b and c) we carried out climate scenario analysis for the first time in FY22. We plan to evolve our climate scenario analysis in FY23 to further support our risk and opportunity assessment and quantification of the potential impacts. For metrics disclosure (a) we have noted the links to our risks and opportunities identified on page 37. We will continue to assess further metrics for inclusion in our climate-related disclosures in FY23.

In assessing consistency, we considered on a voluntary basis the document titled 'Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures' published in October 2021 by the TCFD.

We will continue to adapt our response to climate change as the scientific and economic understanding of the impacts grow and the methodologies and tools to assess and manage risk evolve. The box to the right details the progress we have made during the year to improve our management of climate risk and sets out the action we will take in FY23 to enhance our approach.

Further information on the TCFD is available on the Financial Stability Board's website **fsb-tcfd.org**

The table below provides the location for content related to the TCFD recommendations:

TCFD pillar	Recommended disclosure		Page(s)
Governance Disclose the organisation's governance around climate-related risks and opportunities.	a) Board oversight	●	31
	b) Management's role	●	31
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.	a) Risks and opportunities	●	32–35
	b) Impact on organisation	◐	32–35
	c) Resilience of strategy considering climate scenario analysis	◐	32–35
Risk management Disclose how the organisation identifies, assesses and manages climate-related risks.	a) Risk identification and assessment process	●	36
	b) Risk management processes	●	36
	c) Integration into overall risk management	●	36
Metrics and targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	a) Climate-related metrics	◐	37–38
	b) Scope 1, 2, 3 GHG emissions	●	37–38
	c) Climate-related targets	●	37–38

Consistency with TCFD recommendations:

○ Not consistent ◐ Partially consistent ● Consistent

FY22 progress

Brackets indicate the TCFD pillar relevant to the action. G = Governance, S = Strategy, R = Risk management and M = Metrics and targets.

- Developed science-based targets that have been approved by the SBTi (M)
- Established Climate Risk Working Group to review climate-related risks and opportunities (G, S, R)
- Completed first stage of climate scenario analysis (S, R)
- Agreed new Sustainability Linked Revolving Credit Facility (RCF), including carbon emission reduction target (G)
- Included carbon emission reduction target in Executive Director's Long Term Incentive Plan (LTIP) (G)
- Integrated climate-related risk and opportunity assessment into divisional processes (R).

FY23 areas of focus

- Implement opportunities to improve awareness of climate change across the business (G)
- Evolve our climate scenario analysis and quantification of potential risks and opportunities (S, R)
- Continued engagement with our supply chain to:
  - Continuously improve our understanding of climate-related risks and opportunities for key suppliers and materials
  - Share knowledge and help upskill the industry (S, R)
- Conduct further embodied carbon analysis on our homes to reduce our upstream scope 3 emissions (S, R)
- Trial technologies to support delivery of the Future Homes Standard (S, R).

Governance around climate-related risks and opportunities

Board oversight

The Board has overall responsibility for risk management, including climate-related risks and opportunities, reviewing this twice a year and updating the Group's principal risks. Climate change is one of the Group's principal risks and is governed in line with our Risk Management Framework detailed on page 58.

The Sustainability Committee has delegated responsibility from the Board and Executive Committee to oversee the development and delivery of strategic aims and initiatives to improve sustainability performance. Chaired by our Chief Executive, it met four times during FY22 and provides regular updates to the Board and Executive Committee.

During the year the Board agreed the science-based GHG emission reduction targets, which were subsequently approved by the SBTi. Further detail on our science-based targets is on page 28. The Board also approved the new RCF which includes climate-related targets. Further detail on the RCF targets is on pages 26 and 76.

We have linked GHG emissions performance to the Executive Directors' LTIP. Further detail on these targets is on page 121.

The Nomination Committee remains mindful of the importance of broadening diversity and experience within the Board. As part of its succession planning processes the Nomination Committee considers a broad range of skills and experiences the Board will need and climate change is considered as part of this process. Detail of the Board's skills and experience can be found on pages 71 and 91.

Management's role

Our Group Operations Director has executive responsibility for sustainability and climate-related risk and sits on both the Executive Committee and Sustainability Committee. The Group Operations Director manages the Group disciplines that support the delivery of climate-related outputs and ensures that climate-related risks and opportunities are assessed and managed, and business opportunities are realised.

A Group Operations report is provided monthly to the Board and Executive Committee, which includes an update on performance against our climate-related targets and outlines any upcoming regulatory changes.

The Group Operations function has in-depth knowledge of climate-related matters including current and emerging policy. Members of the team sit on external working groups, including the Future Homes Hub and Supply Chain Sustainability School, to develop knowledge and engage with the wider industry.

Our divisions are responsible for considering how climate-related risks and opportunities may impact their developments. The divisions report climate-related risks and opportunities within their divisional risk registers, which are reviewed and updated twice a year, as part of the Group's risk management framework.

Divisions also consider climate-related matters at a project level such as flood risk assessments when reviewing site selection.

The diagram below provides an overview of our governance framework and how climate-related issues are considered throughout the Group.

Governance framework and climate touch points

Board and management oversight

The Board
Oversight of the Group's sustainability strategy and its performance.
Overall responsibility for risk management, including climate-related risks and opportunities.

Audit and Risk Committee
- Met four times in FY22
- Monitors risk management processes, including climate-related risks.

Remuneration Committee
- Met five times in FY22
- Responsible for including climate-related targets within executive remuneration package.

Nomination Committee
- Met three times in FY22
- Oversees the selection and appointment of new Directors to the Board and reviews the balance, skills, diversity and effectiveness of the Board.

Executive Committee
Oversees the principal and divisional risks. The Executive Committee, with support from functional representatives, considers the Group's principal risks and oversees the divisional risk process.

Sustainability Committee
- Met four times in FY22
- Oversees the development and delivery of strategic aims and initiatives to improve sustainability performance.

SHE Committee
- Met five times in FY22
- Oversees the management of the Group's SHE risks and SHE strategy, including environmental risk management on site.

Divisional boards
- Meet monthly and responsible for key risks, including climate change, within the division. Review and update the divisional risk register twice a year.

Management oversight

Climate Risk Working Group
Responsible for assessing climate-related risks and opportunities. Team composition includes representatives from the Finance, Procurement, Sustainability, Technical and Internal Audit teams.

Group Operations Team
Subject matter experts on sustainability and climate change. Responsible for developing the Group's sustainability strategy and supports the divisions in driving its implementation.

Functional Forums
Meet quarterly and are responsible for delivering initiatives, achieving targets and embedding procedures within the Group. Functional Forums include SHE & Build, Technical, Commercial, Sales & Marketing, Land & Planning and Customer Service.

Our sustainability review continued
Task Force on Climate-related Financial Disclosures

Strategy

In FY21 we signed up to the UN-backed Race to Zero and in FY22 we developed science-based targets that have been approved by the SBTi. Pages 28–29 provide further information on the steps we are taking to reduce emissions, including using low carbon fuels across our developments, increasing renewable electricity usage, and evolving our homes to be more energy efficient and lower in carbon.

While we are taking action to reduce GHG emissions across our value chain, climate change presents a range of risks and opportunities to our business. The extent and severity of risks will vary depending on the actions taken at both a UK and international level. Climate-related risks are classified into transition and physical risks.

Transition risks: transitioning to a low carbon economy to avoid the worst physical impacts of climate change. Examples of transition risks include regulatory changes, carbon taxation, new technology and shifting stakeholder expectations.

Physical risks: physical risks resulting from a changing climate are broken down by acute risk (event-driven, including increased severity of storms and floods) and chronic risk (longer-term shifts in climate patterns, including higher temperatures, rising sea levels, chronic heatwaves and droughts).

The risk management section on page 36 details our processes for identifying climate-related risks and opportunities. The table on pages 34–35 describes the primary climate-related risks and opportunities we have identified and sets out our management response to each one.

Time horizons

In accordance with the TCFD recommendations, we assess climate-related risks and opportunities over three time horizons:

— Short term (0–3 years),
— Medium term (3–10 years)
— Long term (10 years plus).

The time horizons have been selected to allow the Group to consider multiple risks and opportunities, including instances where physical and transition risks are more dominant. The table below provides further detail on why these time horizons were selected.

Scenario analysis

Scenario analysis supports the Group's understanding of potential climate change impacts on our business. Climate scenarios are hypothetical future states and are not intended to be forecasts. They are designed to be plausible, improving our understanding of possible climate outcomes and their potential impact on our business. This in turn informs our strategy and business planning to increase our resilience to climate change.

We engaged with external consultants (Verco Advisory Services) to identify three climate scenarios to test the resilience of the Group against a range of climate-related risks and opportunities.

Orderly Transition: Well-coordinated early action to achieve a net zero economy by 2050 with limited warming of 1.5°C.

Disorderly Transition: Late and disruptive action to limit warming to below 2°C.

Hot House Earth: Late action leads to a warming of around 4°C by 2100 bringing increased exposure to physical risks.

The scenarios provide a combination of future climate states with a wide range of transition and physical impacts. An overview of each scenario together with how they impact our business is detailed in the table on the next page.

Moving forward, we will continue to refine our approach to scenario analysis to include more quantitative data, particularly for physical risks. This will further support the Group to test the resilience of our business model. We will also continue to engage with our supply chain and wider industry on climate risk.

Time horizon	Time period	Description
Short term	0–3 years	This covers the current operating climate and aligns with our business planning cycle. Existing legislation is likely to be in place for most of this time horizon.
Medium term	3–10 years	This covers the period where legislation currently under consideration is more likely to take effect and have an impact on the business. It also aligns with the time period for our 2030 science-based targets.
Long term	10 years plus	This period is challenging to predict. While it is clear the climate has already changed, and this is going to continue, the physical risks relating to climate change are likely to have a more significant impact in the long term. Considering risks out to 2050 prompted exploratory discussions on the likelihood and impact of a range of risks and opportunities that are different or more severe than those experienced today.

Climate scenarios summary

	Scenario 1: Orderly Transition	Scenario 2: Disorderly Transition	Scenario 3: Hot House Earth
Scenario source[1]	SSP1/RCP1.9-2.6	SSP1/2/RCP2.6	SSP5/RCP8.5
Scenario description	Well-coordinated and effective global response to climate change. Rapid progress in the 2020s limits warming to around 1.5°C by 2050. The worst physical impacts of climate change are avoided but there are milder winters and hotter, drier summers. Higher temperatures increase the likelihood of overheating in buildings and storm events increase in intensity.	The global response to climate change is disorderly and annual emissions do not decrease until 2030. The pace of regulatory change is more manageable in the short term but it results in faster, stronger changes to limit warming to below 2°C. Supply constraints on technologies to reduce and remove carbon lead to significant increases in carbon prices.	The global response to climate change is poorly coordinated and ineffective, resulting in warming of over 4°C by 2100. Physical risks are high. More frequent droughts and heatwaves in the UK increase water supply stress and lead to a significant risk of overheating. Flood risk increases and storm intensity and frequency become routinely disruptive. Transition risks materialise later in response to the physical impacts.
Estimated warming compared to pre-industrial era:			
2040–2060	1.6°C	1.7°C	2.4°C
2081–2100	1.4°C	1.8°C	4.4°C
Transition impact	Low/moderate	High	Low
Physical impact	Low	Low/moderate	High
Business impact	**Products and services:** Climate-related risks and opportunities influence the development of our products. Scenarios 1 and 2 will likely see greater regulatory requirements to reduce emissions associated with the construction and use of our homes. We have already observed this with the introduction of the Future Homes Standard. Fewer regulatory requirements likely under scenario 3 in the short to medium term.		
	Supply chain: Our supply chain accounts for around a third of our carbon footprint. The transition to net zero is likely to see an increase in carbon taxes and other pricing mechanisms. Scenarios 1 and 2 will likely witness greater carbon prices resulting in higher material costs. A disorderly transition may see a steeper and higher rise in carbon prices. While all three scenarios will encounter physical impacts within the supply chain, scenario 3 will see the most severe impacts. The supply chain will be more susceptible to acute events such as storms closing manufacturing plants or disrupting transport. Chronic changes may mean suppliers are forced to relocate due to rising sea levels, reductions in productivity due to adverse working conditions and some materials such as timber may be prone to disease or wildfires.		
	Operations: Energy and fuel costs are likely to increase under scenarios 1 and 2. Carbon prices are likely to rise and a greater demand for lower carbon energy and fuel may result in price increases. Scenario 3 will likely see greater disruption on our sites due to an increased risk of severe events including heatwaves and more frequent and severe storms. Flood risk will increase and may reduce the land available to develop.		
	Access to capital: Under scenarios 1 and 2 in particular, it could become more challenging to access affordable capital without demonstrating how we are effectively managing climate risk.		
	Customers and markets: There could be greater demand for lower carbon products under scenarios 1 and 2, and we are responding to this by reducing the emissions associated with our homes. With the addition of new technologies, high levels of customer engagement will be required to successfully transition to new low carbon homes. Customers are more likely to be affected by the physical impacts of climate change under scenario 3. For example, overheating is more likely, impacting comfort and requiring modifications to homes.		

1 Shared Socioeconomic Pathways (SSPs) describe possible socioeconomic futures in the absence of climate policy intervention, providing a basis for possible emission scenarios. Representative Concentration Pathways (RCPs) are trajectories of greenhouse gas concentrations that provide a broad range of climate outcomes. The combination of SSP scenarios and RCP climate projections provides a framework to consider potential future climate impacts.

Business resilience

We have considered the potential for the financial statements to be impacted by climate change. Our assessment indicates that there is no material financial risk to our business in the short term. Our strategy, which includes research and development of lower carbon homes, remains relevant considering changing climate risks.

Physical risks associated with climate change will increase, particularly under the high carbon Hot House Earth scenario. While physical risks such as flooding, overheating and disruption to site and supply chain activities are expected to increase over time, they are more likely to have a greater impact in the longer term.

There is also significant uncertainty as to the extent and impact these risks will have on the business and we will continue to assess the risk.

We believe that transition risks represent the largest threat in the medium term, most notably the potential for an increasing price of carbon. Carbon taxes are likely to increase under scenarios 1 and 2 and we are engaging with our suppliers to gain further insight in this area. We acknowledge that we are exposed to some climate-related risks in the short term, most notably transition risks including emerging regulation, however the impact is not considered material based on the mitigations the Group has in place.

The anticipated costs relating to the delivery of the Future Homes Standard are included in new project acquisition appraisals. Further information on our climate-related risks and opportunities is provided overleaf.

There has been no material impact on the financial reporting judgements and estimates applied in the preparation of the FY22 Annual Report and Accounts. Please see further information in our accounting policies on pages 142–148. We will continue to evolve our assessment and quantification of climate-related risks and opportunities over time, including undertaking more quantitative modelling of risks in the next year.

Our sustainability review continued
Task Force on Climate-related Financial Disclosures

Risks

Risk category	**Transition**	**Transition**	**Transition**	**Physical**
Risk type	Policy and legal	Policy and legal	Technology	Chronic
Driver	Carbon pricing mechanisms	Emerging regulations	Transitioning to lower emissions technology	Rising mean temperatures
Description	Carbon taxes or other pricing mechanisms provide a policy tool to limit carbon emissions. As governments intervene to limit climate change, increasing carbon prices could impact the cost of our direct fuel and energy and those associated with our supply chain.	Emerging regulations to reduce emissions could impact our home specification, such as the Future Homes Standard. Further regulations could come into force, for example reporting and reducing embodied carbon. Reporting requirements are also likely to increase.	Lower carbon technologies will increasingly be used within our homes, which may be unfamiliar to our customers. There is a risk that increasing demand could lead to constraints on supply and a lack of skilled labour to install and maintain.	Higher temperatures could increase the risk of overheating within our homes. Greater mitigation requirements may impact the specification of our homes.
Financial driver	Increased cost of sales.	Increased cost of sales to deliver against new regulations.	Increased cost of sales.	Increased cost of sales to model overheating risk and implement solutions to mitigate.
Time horizon	Medium to long term	Medium term	Medium term	Medium to long term
Likelihood	Likely	Likely	About as likely as not	About as likely as not
Scenario with highest impact	Scenario 2	Scenario 1	Scenario 1	Scenario 3
Management response	We are committed to reducing our GHG emissions across all scopes in line with our 2030 science-based targets. We are engaging with supply chain partners to reduce upstream scope 3 emissions, reducing the impact of potential carbon taxes and other pricing mechanisms.	Potential regulatory changes and consultations are reviewed closely by the Group Operations team. We engage with Government and are members of the Home Builders' Federation (HBF) and Future Homes Hub to support our understanding and delivery of potential future policy. We also partner with planning authorities and expert consultants to achieve consensual cost-effective outcomes. Anticipated costs relating to the FHS are included in new project acquisition appraisals.	We engage with our supply chain to review low carbon technologies for our homes and will be testing low carbon heating solutions in FY23 and FY24 prior to the implementation of the FHS. We also have an internal workstream focused on the customer aspect of delivering the FHS.	All homes are subject to an overheating risk assessment at the design stage. The assessment identifies the level of risk and the potential mitigation measures. Undertaking the assessment early in the development process allows cost effective solutions to be implemented.

		Opportunities	
Physical	**Physical**	**Opportunity**	**Opportunity**
Chronic	Chronic and acute	Products and services	Markets
Changing precipitation patterns	More frequent and severe weather	Greater demand for sustainable homes	Green financing and partnership opportunities
Changing precipitation patterns leading to more frequent droughts and flooding. This could impact planning requirements and lead to greater flood mitigation and water efficiency requirements.	Severe weather events causing disruption to our sites, supplier facilities and transportation. This could disrupt material availability and build programmes.	Recent analysis highlights a growing demand for energy efficient and lower carbon homes. Together with the availability of green home mortgages, this may lead to a greater demand for lower carbon homes.	Greater ability to attract green finance, such as sustainability linked loans as investors and lenders increasingly consider climate-related risks, opportunities and progress in reducing emissions when reviewing portfolios.
Increased cost of sales to deliver mitigation requirements.	Increased cost of sales.	Increased revenue through demand for lower emissions products.	Increased access to finance at lower cost.
Medium to long term	Medium to long term	Short to long term	Short to long term
About as likely as not	About as likely as not	About as likely as not	Likely
Scenario 3	Scenario 3	Scenario 1	Scenario 1
Flood risk assessments are completed on all developments during the land acquisition process ensuring the Group understands what action is necessary to mitigate flood risk on any given project. To mitigate the risk of water stress and impacts from planning, our homes are designed to use less than 105 litres per person per day, less than Building Regulations require. Our Land teams work closely with our Group Technical team to assess planning requirements and ensure projects are deliverable.	Our SHE team monitor forecasts for severe weather and issue advisory notes across the Group to reduce the risks involved in these events. In the past year these have included strong wind and high temperature events. We engage regularly with our supply chain partners to mitigate risks relating to material availability and to assess their management of climate risk and wider sustainability performance.	We are progressively reducing the emissions associated with the operational use of our homes while increasing energy efficiency. Green mortgages that offer lower interest rates are available for energy efficient homes.	We maintain open and transparent communication with investors, informing them about our strategy and performance. In FY22 we successfully agreed a £250m Sustainability Linked RCF, which links sustainability commitments with our finance strategy.

Our sustainability review continued
Task Force on Climate-related Financial Disclosures

Risk management

Climate change is identified as one of the Group's principal risks. The risks relating to climate change are identified, assessed, managed and monitored in line with our Group-wide Risk Management Framework. Our Board, Executive Committee and divisional boards formally assess risk twice a year.

The principal risks are considered by management in connection with the viability assessment of the business, informing the viability statement on page 65. Further detail on our principal risks is provided on pages 58–64.

In FY22 we established a Climate Risk Working Group (Working Group) to review our existing list of climate-related risks and opportunities in greater detail and support our disclosure against the TCFD recommendations. The Working Group includes colleagues from disciplines across the business, including Finance, Production, Procurement, Technical, Sustainability and Internal Audit.

The Working Group developed an extensive list of risks and opportunities based on a peer review, internal expertise and external consultant support. The likelihood, potential impact to the Group and the timeframe for each risk was reviewed.

The assessment included a review of current and emerging regulation, trends in consumer preferences, reports on physical climate change impacts and current and potential future carbon pricing mechanisms. Following this exercise, a short list of risks and opportunities was developed (see table on pages 34–35) and information gathered to quantify potential financial impacts.

Climate scenario analysis was conducted to gain an understanding of potential future impacts and test business resilience. We will continue to evolve our assessment and quantification of climate-related risks and opportunities.

At a project level, risks and opportunities are identified and assessed throughout the project lifecycle and feature regularly in project review and build cost meetings. Risks such as flooding, overheating and local authority requirements are reviewed with our consultants, and mitigation measures are implemented.

FY22 Group climate risk review

Step 1	Step 2	Step 3	Step 4
Identified climate-related risks	**Assessed materiality of climate-related risks**	**Identified and defined climate scenarios**	**Evaluated business impacts**
Identified climate-related risks and opportunities based on internal stakeholders' working experience and knowledge, peer review and external consultant support.	Assessed climate-related risks and opportunities based on likelihood and impact. Carried out quantification exercise to understand potential financial impacts.	Developed climate scenarios. Reviewed short-listed risks and opportunities against the scenarios.	Evaluated the potential impacts on our strategy and financial position. Reviewed management methods to mitigate risk.
Outcome Developed a long list of climate-related risks and opportunities, broken down by: — Transition risk — Physical risk — Opportunities.	**Outcome** Developed a prioritised short list of climate-related risks and opportunities. Developed understanding of potential financial implications and where data gaps are missing.	**Outcome** Developed understanding of how climate scenarios can impact our strategy and financial planning.	**Outcome** Improved understanding of how we are managing climate-related risks and opportunities and identified areas for improvement.

More information about our climate change risk can be found in the Principal risks section on page 63

Metrics and targets

We monitor and disclose a range of metrics and targets to help us assess and manage our climate-related risks and opportunities. The metrics have been chosen because they address our climate-related risks and opportunities identified on pages 34–35.

Target/metric	Performance	Link to climate-related risks and opportunities
Climate action		
GHG emissions		
Reduce absolute scope 1 and 2 GHG emissions by 60% by 2030[1] (FY19 base year)	47% reduction in absolute scope 1 and 2 GHG emissions compared to FY19.	— Carbon pricing mechanisms — Emerging regulations — Greater demand for sustainable homes — Green financing and partnership opportunities.
Reduce scope 3 GHG emissions intensity by 55% by 2030 (FY19 base year)	6% reduction in scope 3 GHG emissions per sq. m completed floor area compared to FY19.	
Achieve net zero across the value chain by 2045	Reduction in GHG emissions as detailed above. Continued supply chain engagement and investigating further carbon reduction opportunities.	
Energy		
Procure 100% renewable electricity by 2025	70% of scope 2 electricity is procured from renewable tariffs.	— Carbon pricing mechanisms — Greater demand for sustainable homes — Green financing and partnership opportunities.
Natural resources and waste		
Waste		
Reduce waste intensity (t/100 sq. m) by 15% by 2025 (FY19 base year)	10% reduction in waste intensity compared to FY19.	— Carbon pricing mechanisms — Greater demand for sustainable homes — Green financing and partnership opportunities.
Divert at least 95% of waste from landfill	Diverted 96% of waste from landfill.	
Water		
Homes designed to use 105 litres per person per day (lpppd)	Standard house type specification is 105 lpppd.	— Changing precipitation patterns — Greater demand for sustainable homes.

1 Target linked to RCF and Executive Director's LTIP.

Our sustainability review continued
Task Force on Climate-related Financial Disclosures

Metrics and targets

Greenhouse gas emissions and energy consumption statement

GHG scope 1 and 2 emissions data	FY22 Location based	FY22 Market based	FY21 Location based	FY21 Market based
Scope 1 (tCO_2e)	3,070	3,070	3,638	3,638
Scope 2 (tCO_2e)	1,379	234	1,718	263
Total scope 1 and 2 (tCO_2e)	4,449	3,304	5,356	3,901
Scope 1 and 2 intensity (tCO_2e/100 sq. m)	1.82	1.35	2.52	1.84

GHG scope 3 emissions data	FY22 Location based	FY21 Location based
Scope 3 (tCO_2e)	593,055	536,846
Purchased goods and services and capital goods	185,898	169,707
Use of sold products	393,328	361,127
Other scope 3[1]	13,829	6,012
Scope 3 intensity (tCO_2e/sq. m)	2.42	2.53

Energy consumption data	FY22	FY21
Scope 1 and 2 Group-wide energy use (kWh)	26,162,348	25,331,829
Scope 1 and 2 energy use intensity (kWh/100 sq. m)	10,683	11,927

Greenhouse gas emissions calculation methodology

We have reported on the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. These sources fall within our operational control. GHG emissions are also referred to as carbon emissions within the report.

In accordance with the GHG Protocol's Corporate Standard, we have reported both location and market-based scope 2 emissions. Location-based emissions are calculated using the UK Government's GHG Conversion Factors for company reporting. Market-based emissions are calculated using tariff specific factors from our energy suppliers, which may be more or less carbon intensive than the location-based factor.

All electricity and gas data from sites and offices under our control is supplied by our utilities management partner. For non-plot supplies, they visit sites on a quarterly basis to obtain meter readings. Plot data is obtained at the point of handover to the customer. Shared office data is obtained from the relevant management company responsible for the office utilities and is apportioned based on the floor area we occupy. Site diesel and LPG data is obtained directly from suppliers. Business travel data is obtained from both fuel-card data and our expense claim system.

Scope 3 emissions are reviewed in accordance with the GHG protocol and include nine categories relevant to our business operations. The most significant categories are category 1 'purchased goods and services', category 2 'capital goods' and category 11 'use of sold products'. Category 1 includes emissions associated with our supply chain that are not accounted for in our standard house type material bill of quantities. They are calculated using a spend-based approach. Category 2 includes all material included in our bill of quantities and emissions are calculated using the OneClick LCA tool. Category 11 includes emissions related to regulated and unregulated energy. Emissions from regulated energy are calculated using the dwelling emission rate, which is calculated in line with Building Regulations. Emissions from unregulated energy are based on guidance given by the RICS professional statement for whole life carbon assessment for the built environment and adapted to estimate for residential energy consumption in the absence of primary data.

For operational joint ventures we have included GHG emissions from our own site compounds for the parts of the sites we are developing, and the homes delivered by ourselves. We use the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) and emission factors from UK Government's GHG Conversion Factors for Company Reporting 2022.

Streamlined Energy and Carbon Reporting (SECR) disclosure

Our SECR disclosure includes greenhouse gas emissions data in line with our methodology above. Our annual energy consumption data covers scope 1 and 2 components and includes our site and office electricity, gas, diesel and LPG used on our sites and business travel with our Group-operated fleet. All figures relate to emissions and energy consumed in the UK. Information on energy efficiency measures carried out during the year is provided on pages 28–29.

Verification statement by Verco Advisory Services

Verco Advisory Services Ltd has reviewed Crest Nicholson's GHG calculations using the World Resources Institute (WRI) and World Business Council for Sustainable Development (WBCSD) GHG Protocol: A Corporate Accounting and Reporting Standard. Verco has provided limited assurance for all emission scopes and operational energy consumption data against ISO 14064. Based on its review of Crest Nicholson's GHG emissions inventory for 1 November 2021 to 31 October 2022, Verco has determined that there is no evidence that the GHG assertion is not materially correct. Furthermore, Verco finds no evidence that Crest Nicholson's assertion is not a fair and accurate representation of Crest Nicholson's actual emissions. Verco finds that the information submitted by Crest Nicholson is consistent with the WRI/WBCSD GHG Protocol's methodology and reporting guidance, and conforms to generally accepted GHG accounting standards.

1 Other scope 3 emissions are relatively small and have been grouped together within the table. The categories included are: 3. Fuel and energy related activities; 4. Upstream transportation and distribution; 5. Waste generated in operations; 6. Business travel; 7. Employee commuting; 12. End of life treatment of sold products.

Protect the environment

We care passionately about our habitat and plan our developments to minimise our impact on the environment and natural resources.

8.72

Waste intensity (tonnes/100 sq. m)
(FY21: 9.25)

96%

Waste diverted from landfill
(FY21: 96%)

>15,000

Pallets returned through our pallet return scheme

Natural resources and waste

Reducing natural resource consumption, waste and the risk of pollution incidents is a key area of our sustainability strategy and central to our operational efficiency strategic priority.

Reducing and recycling construction waste

In FY22 our construction waste intensity reduced to 8.72 tonnes/100 sq. m compared to FY21 (9.25 tonnes/100 sq. m). This represents a reduction of 10% against our 2019 base year and 6% against the prior year.

We increased the proportion of standard house types delivered in FY22, which we expect to reduce material consumption and waste over time. The standard house type designs were carefully considered, with dimensions aligned with typical material sizes and fewer steps and staggers to reduce offcuts and improve thermal efficiency. As our site teams and subcontractors become increasingly familiar with our designs, we expect to deliver considerable efficiency, quality and environmental benefits.

We continue to reuse and recycle timber through our pallet return scheme and partnership with Community Wood Recycling (CWR). CWR are a social enterprise that collects timber for reuse and recycling while also providing training and job opportunities for disadvantaged people. During FY22 our work with CWR created seven jobs and eight training places.

We implemented a new Waste Policy across the Group in FY22. The policy aims to drive consistent waste management practices across our sites, including waste segregation and effective use of supplier take-back schemes. We completed a waste audit that detailed how effectively the policy has been implemented. The audit identified several actions for FY23, including improvements to waste reporting, greater engagement between our site teams and waste providers, and a drive to increase the take-up of our supplier return schemes.

FY22 has been a challenging year for material procurement due to the geopolitical and macro-economic environment.
To safeguard material availability, we have stored greater volumes of material on site, which increases the risk of damage and therefore waste. FY23 will be a key year for us to intensify our waste reduction efforts against this challenging backdrop.

Case study

Closing the loop with Returnable Packaging Services (RPS)

FY22 saw the highest number of pallets returned since the launch of our pallet return scheme. In FY22 15,052 pallets were collected by our repatriation partner RPS, representing a 30% increase compared to the prior year (FY21: 11,581 pallets).

"RPS Pallets are extremely proud to partner with Crest Nicholson to manage their pallet return scheme. Applying circular economy principles, we returned 7,276 pallets for reuse in the supply chain while the remaining 7,776 pallets were recycled. We look forward to strengthening our partnership in the future."

Tom Hudson
Commercial Director, RPS

Our sustainability review continued
Protect the environment

We continue to segregate waste on site to reduce the amount sent to landfill. In FY22 our landfill diversion rate was 96% (FY21: 96%), exceeding our target of 95%. Diverting waste from landfill prevents pollution, reduces GHG emissions, keeps the materials in use to preserve natural resources and supports jobs in the reuse and recycling sector.

Water efficiency

Several areas of the UK are already at high risk from water supply stress. With the population growing and climate change increasing the likelihood of droughts, water efficiency in the home is becoming increasingly important. While household water use will vary depending on household habits, our homes are designed to use a maximum of 105 litres per person per day, which is 16% lower than Building Regulations require. To reduce water consumption and improve resilience to water scarcity, we install aerated taps and showers, dual flush toilet cisterns and water-efficient appliances.

Biodiversity

Biodiversity, which describes the variety of living species on our planet, is declining at an unprecedented rate. Since 1970 populations of UK priority species have declined by 60%.

We are committed to achieving a biodiversity net gain (BNG) of at least 10% on developments submitted for planning from November 2023, in line with the timeline and threshold set in the Environment Act 2021.

We engage with ecologists across all developments at an early stage to consider effective protection and enhancement measures. In FY23 we will rollout a biodiversity toolkit for our Land teams to support their assessment of the biodiversity value of new projects.

By considering at the outset how our developments can enhance biodiversity, the need to provide new homes and improve social infrastructure can be balanced with environmental concerns, ensuring both people and nature can thrive.

Case study

Monksmoor Park

Monksmoor Park is a thriving community surrounded by sensitive ecological habitats. Our Midlands division worked in partnership with landscape architects and ecologists to expand and integrate Daventry Country Park into the development through a series of lakes, native tree and shrubbery planting and the addition of open spaces and play areas.

Highlights include the creation of an otter island within the country park extension, allowing a safe space for local wildlife to flourish. The link to the Daventry Reservoir Country Park to the south of the development, and the Grand Union Canal to the north, has allowed the wider community to enjoy the space. Furthermore, bee and bug hotels have been installed throughout the development to attract and support wildlife.

A series of allotments were provided in FY22, giving residents the opportunity to grow fruit and vegetables. Walkways and cycleways, including a walking route through the 25 acres of open green space and mature trees, have been established to provide attractive amenity space and connect the community with the surrounding landscapes.

Our biodiversity aims are shown in the table below:

Aim	Detail	Key objectives
1. Protect and enhance biodiversity	Protect and enhance biodiversity to support healthy ecosystems and priority species.	— Achieve a 10% BNG on new developments submitted for planning from November 2023 — Protect and provide habitats for priority species.
2. Integrate nature-based climate solutions	Mitigate and adapt to the effects of climate change by integrating nature-based solutions to support carbon sequestration and reduce heat, drought and flood risk.	— Utilise nature-based climate solutions where possible. For example, sustainable drainage systems and climate-resilient planting.
3. Connect people and nature	Connect our communities with the natural world to promote awareness and understanding of biodiversity while maximising the wellbeing benefits that nature provides.	— Consider accessibility to nature in development designs — Improve engagement with customers and the local community on biodiversity in the area — Collaborate with wildlife organisations to support action that benefits nature — Increase environmental awareness among our employees.

Make a positive impact on communities

We are committed to providing attractive and high quality new homes and investing in initiatives and infrastructure that bring lasting benefits to communities.

SDG alignment:

Link to strategic priorities:

- Placemaking & Quality
- Five-Star Customer Service
- Multi Channel Approach

Link to foundations:

2

FY22 highlights:

— 522 affordable homes delivered
— 88% of developments within 1km of a public transport link
— Over £42,000 raised for Cancer Research UK in charity event
— Significant increase in customer and quality roles.

Priorities for FY23

— Implement and embed the New Homes Quality Code
— Embed new Quality Assurance processes
— Implement new photographic evidence process for Part L of the Building Regulations
— Establish new customer service processes.

Thriving communities and social value

Creating thriving communities and delivering social value is at the heart of our Group's purpose. The homes and developments we build today will shape our landscape and communities for generations to come. Through a considered approach to placemaking, collaborative planning and stakeholder engagement, we strive to deliver high quality homes with good access to local amenities. We also aim to promote the relationship our customers have with nature by providing accessible green space wherever possible.

Placemaking goes hand in hand with delivering social value to the local community. Infrastructure such as public transport links, community centres, education facilities and play areas contribute to social value across our developments. In addition, socio-economic benefits are delivered through employment opportunities for local contractors, apprentices and trainees. We also support employment in our supply chain through material and labour procurement.

Charitable giving and supporting the local community

In FY22 we donated £76,470 to charities, including Variety, the Children's Charity, and Cancer Research UK. The Group also offers a payroll giving scheme allowing employees to make tax-free donations to their chosen charities directly from their salary. We continue to support local charities and organisations through donations and sponsorship, helping to deliver a positive impact in the communities in which we operate. The Group will confirm a new charity partner in early FY23.
See our 'People' section on pages 44–47 for more information on charitable giving.

Case study

Supporting health and wellbeing at More Park School

The Group sponsored the installation of outdoor exercise equipment at More Park Catholic Primary School in West Malling for the students to use and enjoy.

The new additions included cardio and resistance apparatus accessible to children aged five to 12 years old. The equipment will be used in PE lessons to support the students' understanding of health and fitness and will also be available to use at break and lunch times. The equipment is designed in a horseshoe configuration so that a whole class can use the space for an outdoor fitness lesson. The equipment will also be used in activities for children with a variety of needs, meaning all students across the school can make the most of the new installations.

"This donation has allowed us to not only purchase new apparatus, but choose equipment that will both excite and inspire children for many years to come on their sports and health journey."

Paul Greenwood
PE Lead at More Park School

Our sustainability review continued
Make a positive impact on communities

High quality homes and customer service

We are committed to delivering high quality homes and excellent customer service to our customers. Achieving a five-star rating for customer satisfaction from the HBF has been one of our five strategic priorities since the Group updated its overall strategy in early 2020. We have made a strong start in this ambition and have proudly been awarded five-star status for the past two years. This has been delivered by ensuring:

- We build and handover a high quality product that is well designed and finished
- We provide professional and responsive customer service and promptly address any concerns or complaints our customers have
- We provide our customers with an accurate forecast of when we will handover their home so they can manage their purchase process efficiently.

During FY22, the housebuilding sector was 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 the Group has experienced operational challenges and disruption in one of its divisions that has delayed the handover of some of its properties. 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.

Given the importance of providing five-star customer service, and in advance of further industry-level changes that will soon be introduced to protect customers buying a new home, the Group is already implementing an action plan to improve its performance next year. The box to the right details the actions.

Customer service management

We have started to recruit a team of Customer Relations Managers that will provide additional focus and expertise to support customers prior to moving in and during the early weeks of occupation.

Quality assurance

We have recruited a Quality Assurance team to support and train our site teams to deliver improved quality. Our homes are individually built by tradespeople and this team will provide an extra layer of assurance that we consistently deliver high quality. In 2023 this team will also support the introduction of the new Part L Building Regulations requirement to take photographic evidence throughout the quality assurance process. Photographic evidence will be required to demonstrate that new homes are built to high thermal standards and give the additional peace of mind that customers will be receiving a highly energy efficient new home.

New Homes Quality Code

The New Homes Quality Code is a new code of practice for home builders designed to achieve high levels of quality and strengthen protections for customers. We have enhanced our processes to meet the requirements of this new Code and we are strongly committed to its principles and the elevated levels of consumer protection it provides. We will formally implement our new processes and be bound by the Code in February 2023.

We are confident that these actions and additional resources will enhance the experience for a customer buying a Crest Nicholson home.

Case study

Moving into Hygge Park

When Saeed Mazinani and Ameneh Bahrami decided to start a family, they knew they would need a bigger home to accommodate their soon-to-be growing household. Not only was a larger home a priority but having a sustainable and energy-efficient property was equally as important. Following recommendations from friends who had bought with Crest Nicholson, the first-time buyers decided to purchase a three bedroom ‘Hatfield’ at Crest Nicholson’s Hygge Park development.

“We previously lived in a small two bedroom flat in Bath for four and a half years, so we knew having more space was essential for when our little one came along. We now have plenty of indoor living space downstairs as well as an extra bedroom upstairs, so the floorplan gives us all the space and flexibility we need as a growing family.

Having an energy efficient and eco-friendly home was really important to me, and something we were specifically looking out for during our house hunt.

We noticed some notable differences with our energy bills in our new build in a short space of time. In our flat, we were paying around £110 a month, which has nearly halved in our new home to around £67. Things like the double-glazed windows and the design of the house have made a real difference in retaining heat. Because of these enhancements, we can really see our house being our home for the long run.”

Saeed Mazinani and Ameneh Bahrami
Customers at Hygge Park, Keynsham

Operate our business responsibly

Our people and supply chain partners are key to the successful delivery of our strategy and overall performance.

SDG alignment:

Link to strategic priorities:

Operational Efficiency

Link to foundations:

1 2 3

FY22 highlights:

- Increased engagement with our supply chain on sustainability-related issues
- Achieved The 5% Club Silver Award for our commitment to recruiting trainees, apprentices and graduates
- 10% of our employees were trainees in FY22
- Employee engagement increased to 83%
- SHE compliance increased to 88%.

Priorities for FY23

- Achieve the Living Wage Foundation accreditation
- Increase the number of our suppliers actively engaging with the Supply Chain Sustainability School
- Strengthen diversity and inclusion initiatives
- Enhanced focus on material management and site maintenance.

Responsible practice

We are committed to operating our business in a responsible manner, creating a supportive and inclusive workplace for our people, and engaging with our supply chain to deliver positive outcomes for our stakeholders.

Sustainable supply chain

Our supply chain partners play a pivotal role in supporting our business to effectively manage our strategy and sustainability performance. Our Sustainable Procurement Policy sets out our commitment to responsible procurement and is available on our website.

Supply chain collaboration is critical in tackling major environmental and social issues. In FY22 we met several material suppliers that have a high carbon footprint, including brick, block and plasterboard manufacturers to understand their efforts to reduce emissions. Our supply chain is responsible for around a third of our carbon footprint and actions they take to decarbonise will be critical to achieving our net zero target.

Supplier meetings covered a range of other sustainability topics including modern slavery, social value and risk management. In addition, we issued a questionnaire to all Group suppliers that focused on material sustainability issues. The responses will improve our understanding of supplier actions taken to mitigate risk and how our supply chain can support us to deliver a sustainable future.

We continue to partner with the Supply Chain Sustainability School (School). The School is a collaborative learning environment designed to upskill those working within, or aspiring to work within, the built environment sector. Membership is free for our supply chain and provides access to thousands of learning resources and CPD-accredited content including webinars, e-learning modules and guidance documents.

In FY22 we promoted the School to our supply chain partners to encourage learning and improve knowledge. We also established a new target to increase the number of our suppliers with Group Supply Agreements (GSA) actively engaging with the School. In FY22 18% of our suppliers with a GSA were at bronze, silver or gold status within the School (target: 90% by FY26).

SUPPLY CHAIN SUSTAINABILITY SCHOOL

Sustainable timber

Our Sustainable Timber Policy commits us to procure sustainable certified timber – either FSC (Forest Stewardship Council) or PEFC (Programme for the Endorsement of Forest Certification) certified. Our last reported timber audit confirmed 100% of our timber procured from suppliers was FSC or PEFC certified. Purchasing FSC and PEFC accredited timber promotes sustainable forest management and helps reduce the risk of illegal deforestation.

Human rights and modern slavery

The Group takes a zero-tolerance approach to any form of modern slavery, including forced labour and child labour. Our Supply Chain Code of Conduct sets out our expectations relating to environmental and social matters within our supply chain. All supply chain partners are contractually required to abide by our Supply Chain Code of Conduct.

All direct employees are paid at or above the voluntary Real Living Wage[1] and we aim to achieve Living Wage Foundation accreditation in FY23. Our Human Rights Policy is available on our website. We support the principles set out in the UN Guiding Principles on Business and Human Rights, the Universal Declaration of Human Rights and the International Labour Organization's (ILO) Fundamental Conventions.

In FY22 we updated our modern slavery escalation process and delivered training to relevant teams. Our modern slavery e-learning module is compulsory on induction for relevant new employees and is renewed annually. In FY22 97% of targeted colleagues completed the training module. We also communicate updates on modern slavery to our employees via our intranet. Our Anti-slavery and human trafficking statement is updated annually and published on our website.

We have a whistleblowing helpline managed by a third party that allows our colleagues, subcontractors, suppliers and the local community to report concerns. Our whistleblowing policy Speaking Up provides further information and is available on our website. During FY22 there were zero substantiated grievances relating to human rights and zero reported cases of modern slavery.

1 Apprentices are subject to a different pay scale in line with regulatory requirements.

People

Our people are at the core of our business. We continue to focus on promoting diversity and inclusion. We recognise the importance of our people's wellbeing and nurturing and developing people to fulfil their ambitions and potential.

Attracting and developing talent

People are one of our strategic foundations. The quality of our people and the decisions they make are fundamental to the successful implementation of our strategy.

We aspire to be an employer of choice that attracts, develops and retains high quality talent and expertise. We collaborate and work inclusively, focusing on shared goals, welcoming new ideas and fostering a culture of continuous improvement.

We want to ensure we have the availability of talent in every part of our organisation and at all levels. Our workforce should be appropriately diverse, embracing a full range of views, experiences and backgrounds and benefiting from the enhanced performance that we know this brings. We have reflected this aspiration in our approach to recruitment and are seeing an increasingly diverse range of candidates for all vacancies.

During the year we have focused on enhancing our talent pool by expanding our Trainee Programme.

Following several open days across our division we have recruited 46 trainees for roles across the Group, exceeding our initial target of 25. Candidates represented a range of backgrounds and age groups and were able to demonstrate their individual skills and capabilities, while learning to work as part of a team. This initiative has also been open to existing employees seeking a career change. We have 76 trainees in total, which includes our new intake, those moving into their second year and existing employees transitioning onto the Trainee Programme.

In September we held our annual trainee event. Attendees who took part across two days, gained valuable insight into key areas of our business via a series of educational talks and practical sessions.

Finally this year we applied for and received Silver Award for The 5% Club. The 5% Club is a movement of employers we have joined who are committed to have 5% of their workforce in earn and learn positions. We want to promote ourselves as an employer who aims to address the lack of opportunities for people to start a career or develop themselves in their current career.

Case study

Trainees

9.6%
Workforce who are trainees

46
Trainees recruited in the year

76
Total number of trainees

Our Trainee Programme

Georgina joined Crest Nicholson in 2021 as a Trainee Land Buyer, as part of our Trainee Programme. The programme has enabled her to rotate around different departments within her division to learn about how her role fits into the bigger picture. Georgina is also part of our Future Talent Programme, which focuses on personal and professional development for trainees and allows trainees from all areas of the business and divisions to come together to learn and network.

"I have completed rotations in the Technical, Commercial, Build, Sales, and Finance teams. I really enjoyed getting the chance to work with different teams in the Company to learn about what each department does and how they each contribute to the overall housebuilding process.

In my current role, I assist with the initial review of a site, looking into factors such as planning status, site constraints, design requirements and sales values. I have also accompanied the team on site visits, and more recently have got involved with project management of current sites.

I have thoroughly enjoyed my first year at Crest Nicholson working within the Land team, and I am looking forward to building my career and the future opportunities that the Company has to offer."

ACADEMY

Throughout FY22 the following development programmes were launched so that our talent can realise its full potential.

Future Talent

Focus: Equipping trainees with new skills and identifying future leaders

Emerging Talent

Focus: Creating and developing inspiring leaders at all levels

Future Leaders

Focus: Identifying and developing individuals with aspirations to perform senior leadership roles

Talent development at Crest Nicholson

Investing in our people

Following our launch of our Talent Programmes in FY21, we have continued to invest in these programmes:

— Future Talent
— Emerging Talent
— Future Leaders.

We nominated 116 people for our Talent Programmes and 38 employees have been promoted in their job role during the year:

— 13 Future Talent
— 18 Emerging Talent
— 7 Future Leaders.

The programmes have provided us with valuable insight and feedback from the current participants and those developing the course content. This will allow us to refine and enhance the offering to future attendees as we continue to evolve our approach to developing our talent.

Talented people are often aware of their own value and are understandably targets of interest from competitors. We want to ensure that our best people feel valued and recognised and that we articulate a clear case for why their development and career progression is best served with Crest Nicholson. We do this in a variety of ways:

— We aim to create a culture at work they wish to be part of and can be proud of
— We offer our employees competitive reward packages for the contribution they make
— We have a comprehensive personal development review and planning process where employees receive feedback and set their future objectives and development activities
— We run a Group-wide talent review and succession planning process which aims to match our talent to the right role for now and in the future, ensuring each individual identified has a personalised development plan.

Wellbeing

Our people are at their best when they feel happy and settled at work. As a major employer we have a responsibility for the wellbeing of our workforce and we invest in activities that support their mental and physical health.

We have 18 trained mental health first aiders across our divisions. The mental health first aiders are now equipped to identify, understand and help support a person at work who may need it. They will support employees when mental health issues arise. This is particularly important in our industry where employees do not always feel able to be open about their mental health.

During this year we have launched Fika, a mental fitness platform. Fika supports our employees by training them to deal with the big and small challenges we all experience every day and help them build personal resilience.

Exercise plays a significant part in physical and mental wellbeing. Our GymFlex scheme provides us with an opportunity to engage with employees and encourage them to be active and healthy. In January 2022 we promoted #WellnessWednesday. Whether they are already very active or just starting out, #WellnessWednesday is a flexible programme that our employees can get involved in, regardless of time, place and choice of exercise.

We provide benefits, services and support to all our employees and these are promoted through a variety of sources with several providers being open 24/7. This enables our employees to access these services when they most need it.

We will continue to deliver further enhancements to our wellbeing strategy in FY23.

Case study

Emerging Talent Programme

Sam describes the Emerging Talent Programme as being hugely valuable, having helped develop his skills, enabling him to be ready for the next step in his career and leading him to secure a recent promotion. Meeting up with colleagues from across the business while on training days has also been very useful for enhancing his network and seeing how his role affects the wider Company.

"From the moment I started with Crest Nicholson as a Trainee Site Manager I have never looked back. I have worked with some fantastic colleagues and completed some invaluable training schemes, from gaining my MCIOB status to being enrolled and completing the Emerging Talent Programme. It is great to be part of a Company who take pride in developing employees, along with having the faith in them to promote from within, and I am grateful to be part of that process."

Sam Chilvers
Build Manager, Eastern

People continued

Employee engagement

Employee voice forums took place in the year with Louise Hardy (Non-Executive Director for employee engagement) chairing these meetings. Representatives from each division can give their honest and open feedback to Louise. Louise ensures as appropriate, that this feedback is discussed and actioned at the Board. For further information please see pages 78–79.

During the year we conducted a shorter form (pulse) survey comprising eight questions and a longer form (full) survey of 60 questions. The pulse survey gave us a snapshot of employee engagement prior to the full survey, with an engagement score of 70%. The full survey that was completed in September 2022 showed an overall engagement score of 83%, an 8% increase from our FY21 score of 75%.

Our next objective is to work with our people to ensure action plans are embedded as a result of insights derived from the surveys. We will also be issuing further surveys to follow up on specific areas of focus.

At half year and full year our Executive Leadership Team visits all divisions to discuss our results, targets, future plans and strategy. Employees submit questions in advance, anonymously if they wish, with all questions being answered by the Chief Executive on the day.

The roadshows are a great opportunity for the Executive Leadership Team to meet with employees across the divisions and to thank them all for their hard work throughout the year. These roadshows are made accessible to everyone whether at the office or by virtual attendance at the meeting.

We have utilised a variety of employee communication channels in FY22. These include regular Exchange (internal magazine) updates, ad hoc Shoutouts (recognition) as well as using SnapComms for instant updates. We have also upgraded our intranet to ensure employees can easily keep track of these news items.

Employee turnover has been significantly elevated in the past two years with our industry being particularly affected. Strong construction output coupled with a long-term reduction in skilled people, as well as adapting to life outside of the European Union, has meant qualified people are in significant demand and in short supply. This has driven high levels of labour turnover and wage inflation. We have been mitigating this impact by:

— Recruiting in advance of vacancies arising
— Focusing on retaining and attracting the best people
— Launching the Induction Hub on our intranet
— Running a comprehensive talent development programme that links to our succession planning
— Making 103 internal promotions and associated salary reviews throughout the year
— Giving employees a one-off payment of £1,000 in response to the increasing cost of living.

Trained mental health first aiders

18

Across the Group

Pulse Survey

70%

Engagement score

Full Survey

83%

Engagement score with 72% participation

Employee turnover

27%

Voluntary employee turnover (excluding those who left during probation)

Case study

Crest Nicholson Charity Challenge

In September 2022 over 100 Crest Nicholson colleagues, including the Executive Leadership Team, took part in the Crest Nicholson Charity Challenge.

The challenge consisted of three separate walking routes:

— The Classic – 13.0km, taking around three hours
— The Advanced – 26.6km, taking around six hours
— The Expert – 35.5km, taking around eight hours.

We set a fundraising target of £12,000 and surpassed this by raising over £42,000. All money raised went to Cancer Research UK.

>100

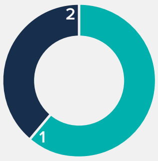
Crest Nicholson colleagues

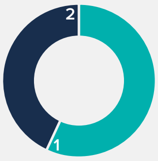
£42K

Raised for Cancer Research UK

Our people

Gender split
October 2022



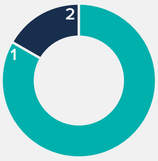


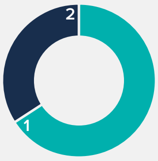
All employees

1	Male	489	61%
2	Female	308	39%

Board

1	Male	4	57%
2	Female	3	43%





Executive Leadership Team

1	Male	5	83%
2	Female	1	17%

Executive Leadership Team and direct reports[1]

1	Male	27	66%
2	Female	14	34%

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

Mean hourly pay gap between men and women FY22

20%

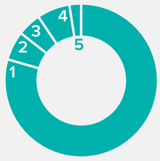
FY21: 27%

Median hourly pay gap between men and women FY22

13%

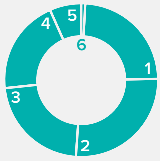
FY21: 22%

Ethnicity breakdown
October 2022



1	White British	635	79.7%
2	White Other	47	5.9%
3	Undisclosed	41	5.1%
4	Non-White British	54	6.8%
5	Non-White Other	20	2.5%

Age breakdown
October 2022



1	20 years or less	8	1.0%
2	21 to 30 years	191	24.0%
3	31 to 40 years	210	26.3%
4	41 to 50 years	176	22.1%
5	51 to 60 years	161	20.2%
6	Over 60 years	51	6.4%

Diversity and inclusion

We encourage diversity and promote equality and respect throughout the organisation. This supports our goal to be an inclusive employer, where employees are empowered regardless of their background, identity, age, gender, ethnicity or disability.

We continue to review and develop our policies that support diversity, inclusion and equality within the business to ensure there are no barriers to recruitment, performance and career development.

We also continue to celebrate our calendar of initiatives to acknowledge notable dates and religious festivals to raise awareness and respect for all faiths and important causes.

Further to the launch of our Company vision and values in 2020, we announced our new People Vision in March 2022, which has been developed through the Diversity and Inclusion Forum (D&I Forum).

Our values underpin how we implement our Group strategy, defining who we are and how we do business. Our values set out the principles we expect everyone in the Group to follow. Together, these values strongly inform our culture and outline the type of organisation we aspire to be.

We aim to create an inclusive environment where all colleagues are valued, included and empowered to succeed. We launched new affinity groups which will play a vital role in helping us to achieve this goal. Employees were encouraged to volunteer their participation within these groups, which will then develops ideas to feed into the D&I Forum. These groups will then assess how to best implement those ideas and initiatives that the D&I Forum wants to take forward.

Equal opportunities

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

Employment policy

Our equality and diversity policy ensures all employees and job applicants are accorded equal opportunities for recruitment, remuneration, access to benefits and training and promotion. We are committed to ensuring that our workplaces are free from discrimination. We select and promote employees based on their aptitudes and abilities, not their gender, sexual orientation, marital status, race, nationality, ethnic or national origin, age or disability. Where an employee has, or develops, long-term health issues or a disability, the Group works with them to adapt their role, skills and development opportunities to remain suitable and appropriate for their circumstances so that they can continue, and progress, in their employment with the Group.

"We have a strong focus in supporting a diverse and inclusive culture so that we are seen as an employer of choice.

Our inclusive working environment enables us to attract talented people to pursue a career within Crest Nicholson. We operate on a flexible and adaptive basis so that people find the right personal balance for them, that also benefits the business.

Our leadership sponsors the Group's initiatives in succession planning, talent development and diversity and inclusion."

Jane Cookson
Group HR Director

Our values

1 Working together
We are one Crest. We value our diverse and inclusive workplace and support each other. We collaborate closely to build fair and rewarding relationships.

2 Being the best we can be
We improve and inspire each other to get things done. We have passion for what we do and pride in how we accomplish it.

3 Doing the right thing
The safety and wellbeing of our employees, partners and communities is our number one priority. Everything we do is built on a foundation of integrity, quality and care.

4 Championing our people
We invest in the wellbeing and development of our people. We provide them with the tools and support to be the best they can be.

5 Leaving a positive legacy
We care passionately about the natural environment. We create beautiful homes and places that deliver lasting benefits to our customers and communities.

Safety, Health & Environment

The safety, health and welfare of everyone who comes into contact with our operations is our number one priority.

FY22 highlights

- Internal SHE compliance audit programme now fully embedded, driving improved performance
- Introduced new incident and claim investigation processes
- Enhanced reporting tools, generating insights from new audit programmes and incident investigation processes
- Environmental and waste processes reviewed and updated
- Additional pre-construction design and management protocols introduced, supported by appropriate training.

SHE audit compliance

87.9%

FY21: 86.9%

Annual Injury Incidence Rate (AIIR)

468

FY21: 385

SHE training days

366

FY21: 278

Senior management safety tours

144

FY21: 152

SHE compliance inspections

685

FY21: 810

It is important that employees and others affected by the work that we do remain healthy and go home safely to their family and friends every day. We can only achieve this by establishing a relentless focus for those working on site, and those who support our operations away from it, on identifying those risks attached to how we work and taking responsibility to mitigate these through proactive decision making and compliance.

Compliance and leadership

Following the introduction of a new compliance and audit programme with supporting software in 2020, our performance continues to improve. Compliance has increased to 87.9% in FY22 (FY21: 86.9%). Measuring compliance this way gives us a forward indicator of performance and enables us to focus our attention where we can make the biggest difference before accidents or incidents occur.

We strive to continually improve the way we work and while the Construction Design and Management (CDM) Regulations are well established, we undertook a review of our procedures in FY22. As a result of this, we have added more opportunities for early consideration of safety issues in our processes and provided additional training to key disciplines.

In February 2022 we introduced new standards and protocols for environmental protection and waste management. We augmented this with an audit in the summer to review how well they had been adopted and to assess the effectiveness of their impact. We will continue to apply these learnings throughout FY23.

Wycke Place, Maldon

Our Annual Injury Incidence Rate (AIIR) has increased in FY22 and is higher than we would like it to be. During the year there were 17 injury incidents that we reported to the Health and Safety Executive (HSE). We critically review every incident, whether RIDDOR reportable or not, to consider how it could have been avoided. In April 2022 we introduced a revised process for the management, investigation and reporting of incidents which is now providing greater insights on the causes of incidents.

Using the more structured and comprehensive data set from our new compliance audit and incident investigation processes, we have improved a number of our on-site processes that will help make the working environments safer for all next year.

Examples of these improvements are:

- Following a fire in a nearly complete plot, we introduced new fire prevention protocols to control the turning on of the electrical supply by unauthorised trades
- A contributory cause to incidents can be the quality of subcontractors' risk assessments and method statements. In May 2022 we rolled out new processes for the checking of this documentation and a process to escalate this review for higher risk activities
- We have reviewed and adapted our processes for risk assessing sites with potential radon exposure.

"Our new environmental and waste management protocols are a great step forward. There is such a strong link between safe working practices and protecting the environment and this has provided us with a clear focus on this issue."

Chris Epps
Group Head of SHE

Governance

The Board considers SHE performance critical to our effective operations. Executive oversight is delegated to the SHE Committee, which is chaired by the Group Operations Director and attended by the Chief Executive, General Counsel and Company Secretary, Group HR Director and Group Head of SHE.

The SHE Committee provides general leadership and oversight including:

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

The Committee is advised on operational issues by the Group's SHE function as well as the Build Functional Forum – a regular meeting focused on the Group's build processes including health and safety, which is chaired by a Divisional Managing Director and attended by all divisional Build Directors and relevant heads of Group functions.

During the year the SHE Committee met six times and approved the following:

- Phased alteration of COVID protocols
- New incident reporting processes
- Recommendations from incident investigations
- Proposals for Environmental & Waste Management Audit
- New policies for avoiding service strikes.

To complement our own governance structures, we continued to work closely with colleagues from the wider housebuilding industry to support industry initiatives aimed at elevating health and safety standards across all developments.

FY23 focus areas

As well as further embedding the new procedures and initiatives from FY22, we will introduce new procedures and campaigns to drive performance improvements in these areas:

- Following examples of implemented strikes of buried cables during FY22, new procedures will be implemented to enhance the pre-planning of this activity and to require a supervisor to be present throughout the dig. Additional precautions are being introduced to ensure that any hand tools and road pins used in the ground are insulated
- Maintaining a clean and tidy working environment helps minimise the risk of slips, trips and falls. It also sets the right culture and mindset for all those working on that site as well-organised sites are generally safer ones. Data from our insight reports indicates this is one of the areas in which we can improve. In FY23 we will place an enhanced focus on good housekeeping and site maintenance to reduce the incidence of reportable and non-reportable events.

Key performance indicators

We use 12 key performance indicators to monitor our progress against our strategic objectives. These are the key metrics that we use to measure the performance and health of the business.

Strategic foundations and priorities

1 Placemaking & Quality
2 Land Portfolio
3 Operational Efficiency
4 Five-Star Customer Service
5 Multi Channel Approach
6 People
7 Sustainability & Social Value
8 Safety, Health & Environment (SHE)
9 Financial Targets

The numbers below relate to our principal risks

1 2 3 4 5 6
7 8 9 10 11 12

See pages 60–64 for our principal risks

Financial

KPI used in the annual bonus scheme

KPI used in the Long-Term Incentive Plan

Return on capital employed (ROCE)[1] 22.4%

FY22	22.4%
FY21	17.2%
FY20	7.6%

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

Why we measure
Illustrates how effective the Group's capital allocation is in delivering returns.

1 3 5 9

Earnings before interest and tax (EBIT) margin[1] 15.4%

FY22	15.4%
FY21	14.6%
FY20	8.4%

Definition
EBIT margin (operating profit margin) reflects the adjusted profit before interest, joint ventures and tax achieved by the Group, divided by revenue.

Why we measure
Assesses the financial efficiency of our business operations before any one-off cost.

1 3 5 1 9

Unit completions 2,734

FY22	2,734
FY21	2,407
FY20	2,247

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

Why we measure
Reflects overall business activity and output and enables the Group to forecast future capacity requirements.

1 3 5 9

Land creditors as a % of net assets[1] 22.5%

FY22	22.5%
FY21	24.7%
FY20	24.9%

Definition
Land creditors divided by net assets.

Why we measure
Ensures that the Group is maintaining a robust financial position when entering into future land commitments.

1 3 5 2 9

Net cash[1] £276.5m

FY22	£276.5m
FY21	£252.8m
FY20	£142.2m

Definition
Cash and cash-equivalents plus non-current and current interest-bearing loans and borrowings.

Why we measure
Illustrates the Group's overall liquidity position and general financial resilience.

1 3 5 3

Land portfolio gross margin 25.0%

FY22	25.0%
FY21	23.4%
FY20	16.0%

Definition
The expected gross margin after sales and marketing costs of land we hold in our short-term land portfolio.

Why we measure
Indicates the earnings potential of current and future land development and the sale of associated homes.

1 3 5 2

Our KPIs were revised during the year to improve alignment between the measures we use to run the Group on a daily basis with the interests of all stakeholders and our remuneration targets.

We strive to deliver sustainable growth in volumes while delivering shareholder returns within a framework of a robust balance sheet. It is essential that financial performance does not compromise the build quality, customer satisfaction or safety of those working on our sites.

To align the focus of the Board and Executive Leadership Team with the interests of stakeholders, some KPIs are reflected in our senior management incentive schemes. Further information on remuneration can be found on pages 100–122.

Non-financial targets

Greenhouse gas (GHG) emissions intensity 1.82

FY22	1.82
FY21	2.52
FY20	3.08

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

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

L 9 10 7

Waste intensity 8.72

FY22	8.72
FY21	9.25
FY20	8.19

Definition
Waste intensity reflects tonnes of construction waste per 100 sq. m of completed floor area.

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

A 9 7

Voluntary employee turnover 27%

FY22	27%
FY21	35%
FY20	26%

Definition
The percentage of leavers during the year by reason of resignation or retirement as a proportion of total employees at the end of the year.

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

A 3 7 6

Customer satisfaction 5 star

FY22	5*
FY21	5*
FY20	5*

Definition
The annual Home Builders Federation's customer satisfaction rating based on the National House Building Council survey which new home buyers receive.

Why we measure
Providing an excellent customer experience is one of the Group's five strategic priorities.

A 4 1 4

Annual Injury Incidence Rate (AIIR) 468

FY22	468
FY21	385
FY20	369

Definition
AIIR represents the number of accidents in the year normalised per 100,000 people working on site.

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

1 3 5 8

PRS/Affordable unit completions 35.1%

FY22	35.1%
FY21	37.1%
FY20	49.1%

Definition
Proportion of unit sales of homes recognised in the year to the Private Rented Sector (PRS) or affordable.

Why we measure
Selling homes through a range of partnerships and tenures is one of the Group's five strategic priorities.

1 5 9

1 ROCE, EBIT margin, net cash and land creditors as a percentage of net assets are alternative performance measures. See pages 188–189 for further details.

Financial review

Adopting a standard housetype range and moving away from more complex schemes has simplified our operating model and delivered the efficiencies we needed to rebuild margins.

Revenue

£913.6m

(FY21: £786.6m)

Net cash

£276.5m

(FY21: £252.8m)

A strong financial performance in the year

"The Group has made further good progress implementing its strategy which is reflected in our enhanced financial performance for the year. Increases in revenue, operating margin and return on capital employed demonstrate the underlying health of our operations. The balance sheet remains robust and will provide resilience in tougher market conditions and fuel our growth ambitions when more stable conditions return."

Duncan Cooper
Group Finance Director

Read more about our KPIs on pages 50–51

Financial highlights

- Revenue up to £913.6m, reflecting strong trading in uncertain macro environment
- Adjusted profit before tax at £137.8m, in line with our expectations
- Profit before tax at £32.8m, after recording exceptional items of £105.0m
- Adjusted operating profit margin up to 15.4%, on track back to industry average level
- Net cash at £276.5m, and ran on average net cash basis throughout FY22
- Return on capital employed increased to 22.4%
- £250m Sustainability Linked Revolving Credit Facility completed in year
- Final proposed dividend of 11.5 pence per share.

Adjusted profit before tax

£137.8m

(FY21: £107.2m)

Return on capital employed

22.4%

(FY21: 17.2%)

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 188–189.

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.

"The Group has outlined a margin recovery plan to bring margins in line with industry peers by FY24."

Duncan Cooper
Group Finance Director

Financial review continued

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.

"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."

Duncan Cooper
Group Finance Director

FY22 total dividend
17.0p
(FY21: 13.6p)

Adjusted operating margin
15.4%
(FY21: 14.6%)

Adjusted basic EPS
42.5p
(FY21: 34.0p)

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.

Financial review continued

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.

Duncan Cooper
Group Finance Director

	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.

Non-financial information statement

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

Reporting requirement	Description of policies and standards[1]	Related principal risks	Relevant information to understand our impact, policy, due diligence and outcomes	Page
Environmental matters	— Sustainability policy — Climate change policy — Sustainable procurement policy — Sustainable timber policy — Supply Chain Code of Conduct. Our policies are designed to help us pursue activities that protect and enhance the natural environment.	2 Safety, Health & Environment (SHE) 9 Laws, policies and regulations 10 Climate change	— Sustainability	26–43
			— Carbon emissions	28–29, 38
			— Waste	39–40
			— Responsible procurement	43
			— Task Force on Climate-related Financial Disclosures	30–38
			— Risk	34–36, 60–64
Employees	— Corporate health and safety policy — Whistleblowing policy — Equality and diversity policy. Our policies set out our commitment to developing our employees and to providing a safe and diverse working environment.	2 Safety, Health & Environment (SHE) 7 Attracting and retaining our skilled people	— Stakeholder relations	22–25, 76–79
			— People	44–47
			— Risk	60–64
			— Board diversity	90–91
			— Gender pay gap	47, 120
Human rights	— Anti-slavery and human trafficking statement — Whistleblowing policy — Supply Chain Code of Conduct. Our policies set out our commitment to human rights and the steps taken to reduce risk.	2 Safety, Health & Environment (SHE) 3 Access to site labour and materials 7 Attracting and retaining our skilled people	— Stakeholder relations	22–25, 76–79
			— Responsible procurement	43
			— Anti-slavery and human trafficking	43
			— Whistleblowing	43, 99
Social matters	— Sustainability policy — Supply Chain Code of Conduct. Our policies set out our commitment to high social standards and the requirements for our supply chain.	2 Safety, Health & Environment (SHE) 4 Customer service and quality 12 Combustible materials	— Sustainability	26–43
			— People	44–47
			— Risk	60–64
Anti-bribery and corruption	— Anti-bribery and corruption policy — Whistleblowing policy — Supply Chain Code of Conduct. Our policies detail the expected conduct of our employees and supply chain.	9 Laws, policies and regulations	— Anti-fraud and anti-bribery	99
			— Whistleblowing	43, 99
Business model			— How we create value for our stakeholders	22–25, 76–79
Non-financial KPIs			— Key Performance Indicators	50–51
			— Sustainability	26–43
			— Safety, Health & Environment (SHE)	48–49
			— People	44–47

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

Other ways we respond to material non-financial matters

Customer Charter

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

Privacy policy

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

Principal risks and uncertainties

Effective risk management underpins the successful delivery of our strategy and the longer-term performance of the business. Our risk culture is embedded in our decision making and central to our values.

Risk appetite

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

Our appetite for risk is based on our analysis of market context, our strategy and input from management and advisors, and is reviewed throughout the year.

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

We seek to balance our risk position between:

— Maintaining a strong focus on health, safety and regulatory compliance matters
— Ensuring financial strength by generating profits and cash through our operations
— Having a balanced portfolio through our Multi Channel Approach, and being selective in land acquisitions. This allows us to adapt to cyclical markets and be flexible in our investment decisions
— Being disciplined in our operational efficiency and Group growth
— Maintaining the right culture and shared values.

The Group's financial, operational and strategic performance is subject to potential risks and uncertainties in the pursuit of its objectives.

These risks could, either separately or in combination, have a material impact on the Group's performance, customers, employees, communities, the environment and shareholder returns.

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

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

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

Risk culture

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

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.

Risk governance framework

Top down

Assessment and mitigation of risks at a Group level

Bottom up

Assessment and mitigation of risk across divisional and functional areas

The Board

— Has overall responsibility for strategy, risk management and internal control
— Reviews the Group's emerging and principal risks
— Sets the Group's appetite for risk and strategy
— Delegates risk oversight to the Audit and Risk Committee and to the Executive Committee and divisions.

The Audit and Risk Committee

— Responsible for monitoring our risk management processes and approving relevant disclosures
— Monitoring financial reporting and internal and external audit activities
— Providing assurance to the Board in relation to financial, operational and compliance controls.

The Executive Committee

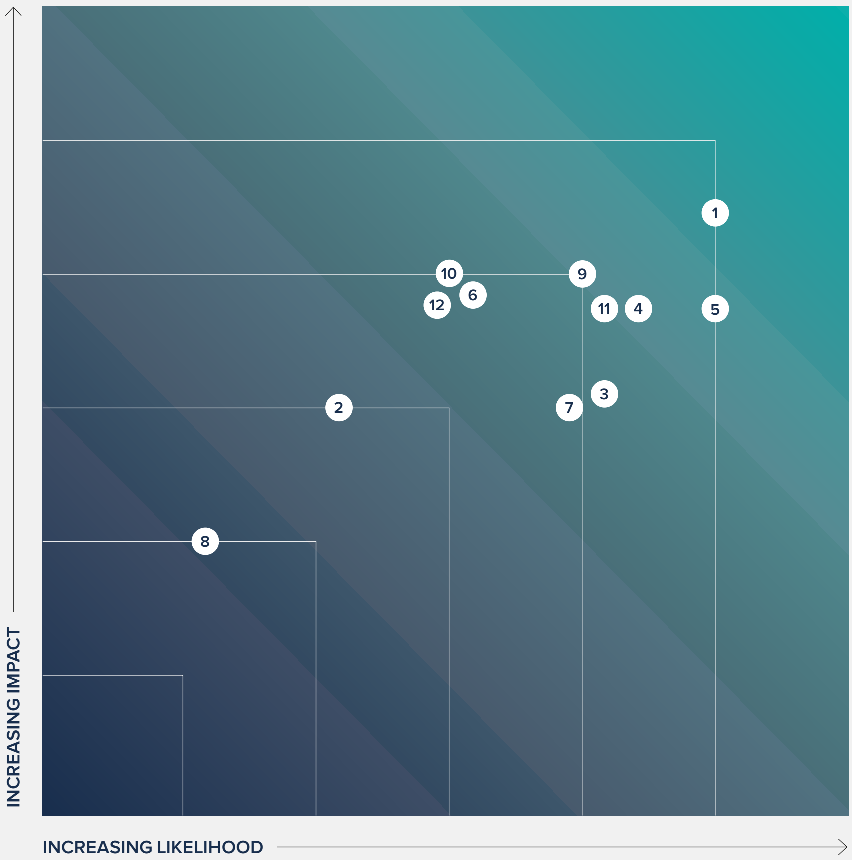
— Oversees how we are managing the principal, emerging, and the divisional risks within the Group's risk appetite
— Ensures risk management is embedded in the Group
— Monitors divisional performances and development risks.

Divisional board and site management

— Responsible for control and risk management with the division or function
— Monitors and assesses the divisional and operational risks
— Maintains an effective system of control and risk management at a site level, including Safety, Health & Environment (SHE) and supply chain risks.

Risk heat map

The Board has identified 12 principal risks that it considers material to the Group's performance which have been mapped on a residual risk basis considering likelihood and impact.



1. Market conditions
2. Safety, Health & Environment
3. Access to site labour and materials
4. Customer service and quality
5. Build cost management
6. Information security and business continuity
7. Attracting and retaining our skilled people
8. Solvency and liquidity
9. Laws, policies and regulations
10. Climate change
11. Land availability and planning
12. Combustible materials

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 on pages 30–38.

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 about Principal risks overleaf

Board assessment

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

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

Our 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.

Link to strategic priority
5 2 3

Link to foundation
3 4

Link to our stakeholders

Residual
High

Appetite
Medium

Movement in year
Increasing

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.

Link to strategic priority
3

Link to foundation
1 2 3

Link to our stakeholders

Residual
Medium

Appetite
Low

Movement in year
No change

Link to strategic priorities

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

Link to foundations

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

Link to our stakeholders

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

3. 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.

Link to strategic priority

1 3 4 5

Link to foundation

1 3

Link to our stakeholders

Residual
Medium

Appetite
Medium/Low

Movement in year
No change

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.

Link to strategic priority

1 3 4

Link to foundation

1 2 3

Link to our stakeholders

Residual
High

Appetite
Low

Movement in year
Increasing

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.

Link to strategic priority

3

Link to foundation

2 3 4

Link to our stakeholders

Residual
High

Appetite
Medium/Low

Movement in year
Increasing

Our principal risks continued

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.

Link to strategic priority

3

Link to foundation

3 4

Link to our stakeholders

Residual
Medium

Appetite
Low

Movement in year
No change

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.

Link to strategic priority

4 3

Link to foundation

1 2 3

Link to our stakeholders

Residual
High/Medium

Appetite
Medium

Movement in year
Reducing

Link to strategic priorities

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

Link to foundations

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

Link to our stakeholders

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

8. 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.

Link to strategic priority
2 3

Link to foundation
4

Link to our stakeholders

Residual
Low

Appetite
Low

Movement in year
No change

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.

Link to strategic priority
1 4 3

Link to foundation
1 2 4

Link to our stakeholders

Residual
High

Appetite
Medium

Movement in year
Reducing

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.

Link to strategic priority
1 4 3

Link to foundation
1 2 3 4

Link to our stakeholders

Residual
Medium

Appetite
Medium

Movement in year
No change

Our principal risks continued

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.

Link to strategic priority

1 2 3 5

Link to foundation

1 2 4

Link to our stakeholders

Residual
High

Appetite
Medium

Movement in year
Reducing

12. Combustible materials

Risk description
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.

Actions/mitigations
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.

Developments in the year
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.

Link to strategic priority

1 4

Link to foundation

2 4

Link to our stakeholders

Residual
Medium

Appetite
Low

Movement in year
New risk

Link to strategic priorities

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

Link to foundations

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

Link to our stakeholders

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

Viability statement

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

The following statement is made in accordance with the UK Corporate Governance Code. Despite the ongoing uncertainty arising from the current geopolitical and economic instability, the Board has concluded that a three-year period continues to remain an appropriate timeframe for this assessment.

How we assess our viability

While the nature of the material issues, opportunities and risks faced by the Group limits the Directors' ability to reliably predict the longer term, detailed trading and cash flow forecasts are maintained and regularly scrutinised over the three-year period. The Group owns or controls a high proportion of the land required to meet unit forecasts during this time and is therefore able to forecast future cash outflows with a reasonable degree of confidence.

The Group also benefits from a strong forward order book of sales which provides confidence in near-term revenue delivery. These inputs allow the Group to maintain a rolling three-year forecast for the income statement, balance sheet and key financial ratios for every periodic reporting date. These forecasts are considered to be the 'base case' for performance assessment. In recognition of the deteriorating economic backdrop throughout FY22, characterised by high inflation, rising interest rates and reduced levels of disposable income, the Directors have already started to downgrade their expectations for FY23 trading. Accordingly, lower volumes of home completions and achieved selling prices have been forecast into the base case for next year.

During FY22 the Group completed a new Sustainability Linked Revolving Credit Facility (RCF) for £250.0m which expires in October 2026, to replace the previous facility for the same amount. Despite the reductions in financial forecasts factored into the base case, the Group is forecast to comfortably comply with all its RCF and senior loan note debt covenants across the viability period. The Directors have also concluded that there is adequate financial headroom, and appropriate mitigations if needed, to manage through a much tougher market scenario while continuing to meet the Group's combustible materials obligations and deliver the Group's growth ambitions, albeit over a longer timeframe.

Stress testing viability through simulated scenarios

While the Group's base case forecast provides assurance that its financial performance and position remains strong for the foreseeable future, the Directors have then applied stress tests to this forecast (without double counting those already embedded in the base case), to satisfy themselves that this will remain true in more challenging market conditions.

The identification of these plausible adverse trading conditions has been derived from the Group's principal risks set out on pages 60–64, and their impact on the solvency and liquidity of the Group. The most likely source of this challenge lies in the severity and duration of the recession forecast for the UK economy in 2023, and beyond. If inflation cannot be tempered by rising interest rates then confidence in the housing market will continue to weaken. Mortgage lending will become tighter and more expensive, compounding the affordability challenge, particularly for first time buyers or those with low levels of equity.

If consumers believe the housing market is about to undergo a significant correction they postpone their buying intentions until further clarity as to the market's health emerges. For those house sellers who have no choice about the timing of their sale, either because of unaffordable and rising mortgage costs or the impact of life events, they have no option but to cut the price of their property to achieve a sale. This in turn leads to a more widespread lack of confidence in the market as buyers seek bigger discounts and lenders protect themselves through reduced home valuations and increased stress testing of their own. The Directors have therefore modelled stress tests relating to further volume and prices declines than those assumed in the base forecast.

In addition, the construction sector has experienced high levels of build cost inflation throughout FY22. The rapid reopening of supply chains following COVID-19 and the impact of the war in Ukraine, both in the availability of raw materials it produces and the indirect effect of rising energy prices which impacts production of raw materials globally, have contributed to this increase. Although there are signs at the end of FY22 that these effects are starting to abate, it is possible that high levels of build cost inflation are more enduring and therefore the Directors have also modelled a third stress test to reflect this possibility.

In addition to applying the impact of each of these stress tests, the Directors have also considered the impact of a 'plausible but severe' downside case which includes the sales price and sales volume falls detailed above applying together. In all scenarios, individually and in aggregate, the Group continues to remain compliant with its debt covenants without the need to fully implement the effect of all available mitigations to achieve this.

Finally, the Directors have then also exaggerated each of the three stress tests referred to above to find the point at which any of these stress tests would cause a covenant failure. More details of the assumptions used to model these stress tests, and their calculated impacts, are set out in note 1 to the consolidated financial statements.

Conclusion

Based on the results of this assessment, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment to 31 October 2025.

Strong governance for a better future

We are committed to building better futures for our stakeholders through effective leadership and oversight and a strong governance framework.

In this section

Governance overview

Board leadership and company purpose

Outlines the leadership of Crest Nicholson, the main Board activities and how the Board has considered its responsibilities to its stakeholders.

For more information:
Chairman's introduction – pages 68–69
Board of Directors – pages 70–71
The Executive Leadership team – page 72
Purpose, values and culture – pages 73–75
Our stakeholders – page 76
Shareholder and stakeholder engagement – page 77
Employee engagement – pages 78–79
Board activity – pages 80–81

Division of responsibilities

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

For more information:
Board composition – page 82
Board site visits – page 83
Governance framework – pages 84–85

Composition, succession and evaluation

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

For more information:
Board evaluation – pages 86–87
Nomination Committee Report – pages 88–91

Audit, risk and internal control

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

For more information:
Audit and Risk Committee Report – pages 92–99

Remuneration

Provides detail of the proposed Remuneration Policy which will be subject to shareholder approval at the 2023 AGM, an overview of the remuneration arrangements for the Directors, the workforce, and pay during the year.

For more information:
Letter from the Remuneration Committee Chair – pages 100–102
Alignment with strategy – page 102
Remuneration at a glance – page 103
Directors' Remuneration Policy – pages 104–110
Annual Report on Remuneration – pages 111–122

Board leadership and company purpose **Chairman's introduction**

The Board takes seriously its responsibility for the long-term sustainable success of the Company, generating value for our shareholders and contributing more widely to society.

> **" As Chairman of Crest Nicholson, I am pleased to present this Governance Report for FY22. The report sets out the Board's approach to governance and our ways of working. It also highlights our key areas of focus during the year, the significant achievements made and the key challenges we faced."**
>
> **Iain Ferguson CBE**
> Chairman

As restrictions eased in respect of COVID-19, our Board and Committee meetings have returned to being in person. I know the Board have appreciated the return of meeting face-to-face to engage with each other and the Executive Leadership Team (ELT). During the uncertainties of COVID-19 we established monthly Board calls to receive updates from Peter Truscott and the ELT. Given the current political and economic uncertainty we have chosen to retain these virtual Board updates in our calendar. The Board's flexibility and engagement has enabled us to maintain strong governance and make robust decisions so that we have been able to respond to challenges as they arise and provide appropriate support to the ELT.

Board leadership and effectiveness

This year we held an internal Board evaluation review which I led. I find these evaluations valuable as they reveal what is working well and where we can improve our effectiveness as a Board. This year's review concluded that the Board and its Committees continue to operate effectively. Full details of the process and the outcomes are set out on pages 86 and 87.

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

Further detail on the work of the Nomination Committee can be found on pages 88–91

Further detail on the work of the Audit and Risk Committee can also be found on pages 92–99

Further detail on the work of the Remuneration Committee can be found on pages 100–122

Our statement of compliance with the Code can be found on page 69

Stakeholder engagement

We recognise that constructive stakeholder relations are critical for delivering our strategy and long-term success. We also have a responsibility to make a positive contribution to wider society that extends beyond delivering financial returns to shareholders. We carefully consider our responsibilities and duties to stakeholders under section 172 of the Companies Act 2006 and further detail can be found on pages 22–25.

Our continued focus on operating sustainably has seen us commit to new science-based targets aimed at reducing the Group's carbon footprint. Some of these targets have also been incorporated into our new Sustainability Linked Revolving Credit Facility which was completed in October 2022. Delivering more sustainable operations is now not only beneficial to those stakeholders who are directly impacted but also provides the Group with a lower cost of financing. Further information on these topics is set out on pages 26–43.

Louise Hardy, our Non-Executive Director responsible for employee engagement, has continued to work closely with Jane Cookson, our Group HR Director, to continue to develop the Board's understanding of the key issues affecting our people and their welfare at work. Further detail on what we have discussed and what actions we are taking in this area can be found on pages 78–79.

Nomination Committee activity

The Nomination Committee has focused on strengthening the succession planning process to ensure that we have the right balance of skills and experience to lead the Group in the future.

In May 2022 the Board and Tom Nicholson agreed that it was the appropriate time for Tom to leave the Group. Following his departure the Committee agreed to appoint two of our existing Managing Directors, David Brown and Alex Stark, to the ELT as Executive Managing Directors, with effect from 1 November 2022.

In FY23 we will be continuing to focus on developing our diversity and inclusion initiatives as we work in partnership with our people to enable them to reach their full potential. Further detail on the work of the Nomination Committee can be found on pages 88–91.

Audit and Risk Committee activity

With David Arnold having chaired the Audit and Risk Committee for a year, Committee operation, debate and meeting format has continued to develop and this has been welcomed by Committee members. Last year we reported that we had appointed an experienced Head of Internal Audit. During the year we recruited further resources in this area as we moved away from a wholly outsourced model, provided by Deloitte LLP. This change has worked well and we continue to retain Deloitte's capabilities for specialist items of focus in the agreed Internal Audit Plan. Further detail on the work of the Audit and Risk Committee can also be found on pages 92–99.

Remuneration Committee activity

Following shareholder and employee engagement and in line with the three-yearly cycle, the Group's Remuneration Policy will be put forward for shareholder consideration at the 2023 AGM. The full Policy is found in the Directors' Remuneration Report on pages 104–110.

Annual General Meeting

Our AGM will be held on 23 March 2023. We realise that attending the AGM is not practical for many of our shareholders so following positive feedback we will continue to provide a facility to enable shareholders to ask questions in advance, which will be answered via our website.

Iain Ferguson CBE
Chairman

Compliance with the UK Corporate Governance Code

The Group complied in full with the UK Corporate Governance Code 2018 (Code) for the financial year ended 31 October 2022, other than provision 38 in respect of Chief Executive, Peter Truscott's pension contribution which is currently 10% of salary. Peter's pension provision was reduced to 6% of salary on 31 December 2022.

At the time of the application of the new Code, the Company had already signed a contract with Peter that entitled him to a pension equal to 10% of his annual salary. This is higher than the workforce average, which is 6% of salary. Therefore, since the introduction of Provision 38, the Group has been non-compliant with that provision for the above reason.

However, despite the contractual obligations, the Remuneration Committee agreed with Peter to reduce his pension provision to 6% of salary on 31 December 2022 and his pension will be aligned with employees by 1 January 2023.

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

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

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

Board of Directors

The Board is focused on embedding the Group's purpose and values through leading by example.

From left to right

Duncan Cooper	(Group Finance Director)
Louise Hardy	(Non-Executive Director)
Iain Ferguson CBE	(Chairman)
Lucinda Bell	(Non-Executive Director)
Peter Truscott	(Chief Executive)
Octavia Morley	(Senior Independent Director)
Kevin Maguire	(General Counsel and Company Secretary)
David Arnold	(Non-Executive Director)

Iain Ferguson CBE
Chairman
N R

Appointed September 2019
Age 67

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

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

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

Octavia Morley
Senior Independent Director
A N R

Appointed May 2017
Age 54

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

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

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

Peter Truscott
Chief Executive
E

Appointed September 2019
Age 60

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

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

External appointments: Non-Executive Director, Anchor Housing Group

David Arnold
Non-Executive Director
A N R

Appointed September 2021
Age 57

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

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

External appointments: Chief Financial Officer of Grafton Group plc

Louise Hardy
Non-Executive Director
A N R

Appointed January 2018
Age 56

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

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

External appointments: Non-Executive Director of Severfield plc, Balfour Beatty plc and Travis Perkins plc

Duncan Cooper
Group Finance Director
E

Appointed June 2019
Age 43

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

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

External appointments: None

Lucinda Bell
Non-Executive Director
A N R

Appointed May 2018
Age 58

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

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

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

Departures during the year

Tom Nicholson
Chief Operating Officer

Tom stepped down from the Board on 27 May 2022. A period of handover took place until 31 August 2022, and his nine-month notice period is being conducted as garden leave until 26 February 2023.

Key to Committee membership

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

The Executive Leadership Team

From left to right
Duncan Cooper
David Marchant
David Brown
Jane Cookson
Kieran Daya
Peter Truscott
Kevin Maguire
Alex Stark

Peter Truscott
Chief Executive

See biography on page 71

Duncan Cooper
Group Finance Director

See biography on page 71

David Brown
Executive Managing Director – South and Yorkshire

Joined ELT November 2022
Age 43

Experience: David joined Crest Nicholson in January 2020 and has been Managing Director, Chiltern since July 2020. In November 2022 David was promoted to Executive Managing Director, transferring his responsibilities to lead the South division while also overseeing the launch of the new Yorkshire division. David has over 20 years' experience in the housebuilding industry and held operational leadership roles including Land & Planning Director, Technical Director and Managing Director at Taylor Wimpey plc and Berkeley Group Holdings plc prior to joining Crest Nicholson.

Jane Cookson
Group HR Director

Joined ELT January 2021
Age 50

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

Kieran Daya
Executive Managing Director – Partnerships and Strategic Land and South West

Joined ELT January 2021
Age 41

Experience: Kieran leads our Partnerships and Strategic Land (PSL) division as well as providing oversight to our South West division. Kieran is a qualified solicitor who has worked with some of the country's largest developers and has a passion for the built environment. Kieran joined Crest Nicholson in January 2020 to set up the PSL division to develop further the multi channel and multi tenure capability which provide additional sales channels. Kieran has experience in significant land acquisitions, having taken a lead on some of the larger transactions in the housebuilding industry within recent years.

Kevin Maguire
General Counsel and Company Secretary

Joined ELT January 2009
Age 38

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

David Marchant
Group Operations Director

Joined ELT March 2019
Age 58

David has over 36 years' construction and housebuilding industry experience in design and leadership roles. He was previously a Group Director of Bellway plc where he was responsible for group design, technical, R&D, procurement, commercial and quality strategies. Prior to that David spent 25 years in engineering design practice as a structural engineer and at the National House Building Council (NHBC). At the NHBC he was a Director of their Approved Inspector business. David is a structural engineer and chartered builder.

Alex Stark
Executive Managing Director – Eastern and East Anglia

Joined ELT November 2022
Age 39

Experience: Alex joined Crest Nicholson as Managing Director, Eastern in January 2020. He was promoted to Executive Managing Director in November 2022, remaining responsible for the Eastern division while also overseeing the launch of the new East Anglia division. Alex has worked for some of the largest UK developers including as Managing Director at Redrow plc and Sales Director at Barratt Developments plc, and holds over 15 years' extensive experience in the industry. Alex has an in-depth knowledge of sales, selling across a range of channels, including registered providers and the private rented sector.

Purpose, values and culture

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

Our purpose

Building great places for our customers, communities and the environment

The culture of Crest Nicholson is the output of the Group's purpose, behaviours and values. The Board sets the Group's purpose and values and leads by example in creating an honest and open culture. This honest and open culture sets the tone for good governance. High employee turnover and changes within the ELT and senior management has made maintaining a unifying culture challenging.

One of the key focuses for the Board and ELT in FY23 is to embed further the Group's purpose and values to help create a great culture where employees feel empowered to make good decisions that support the Group's long-term success and stakeholders.

Further detail of these initiatives can be found in the People section on pages 44–47

Our values

The Board is focused on embedding the Group's purpose and values through leading by example. This is also shown by actions taken within the Boardroom, as follows:

1 Working together

The Non-Executive Directors bring to the Board their own personal knowledge and experience and support the Executive Directors in finding solutions to support the delivery of the Group's strategy.

2 Being the best we can be

Focus in Board meetings and in particular the Group strategy day is spent on how the Group is performing considering not only financial returns but the impact on the Group's stakeholders.

3 Doing the right thing

With economic and market uncertainty, the Board sometimes needs to make decisions at pace. The Chairman facilitates an open dialogue where all members of the Board have the opportunity to contribute throughout meetings, ad hoc calls and one-to-one dialogue.

4 Championing our people

The Board sponsors a number of initiatives to support the development of the Group's employees including the Crest Academy. Employees presenting at Board meetings always receive a warm welcome and are given time to ask and respond to questions.

5 Leaving a positive legacy

The Board considers financial and non-financial KPIs to assess performance, celebrating successes while expecting high quality results so that the Group is able to deliver its promises to generate long-term sustainable performance.

How the Board monitors culture

The Board monitors the culture of the Group through a range of indicators including:

- **Safety, Health & Environment (SHE):** The Board wants all colleagues and others affected by the Group's activities to be healthy and go home safely to their families every day. The Board is updated regularly on SHE matters and on new or ongoing investigations and their outcomes
- **Employee engagement survey:** An annual engagement survey is conducted to assess how the Group is meeting the expectations of its employees. It includes several questions that monitor and assess how colleagues are feeling about our culture. The results of the survey are reviewed by the ELT and divisional boards with findings reported to the Board
- **Non-Executive Director responsible for employee engagement:** The Board continues to create opportunities for the Non-Executive Directors to meet employees. Louise Hardy, the Non-Executive Director responsible for employee engagement, attends Employee Voice and other forums to engage with employees and regularly shares employees' views throughout Board meetings

  More details can be found on pages 78–79
- **Employee policies:** The Board and its Committees review key employee policies to ensure they appropriately capture and reflect the Group's values and culture
- **Employee retention:** An employee-led recruitment market continues to drive high levels of voluntary employee turnover. The Board regularly discusses strategies to reduce employee turnover
- **Customer satisfaction:** This is assessed using customer care survey responses. Recommendation scores are regularly reported to the Board and discussed
- **Supplier activity:** The Board reviews how to support and manage subcontractor and supply chain shortages and the Group's payment practices
- **Business conduct:** Reviewing business conduct including employee training, whistleblowing, SHE incidents and Internal Audit reviews to identify and address any improvement areas.

Purpose, values and culture continued

A conversation between Adefehintola Ajibola (known as FT), Technical Trainee and Peter Truscott, Chief Executive

One of our trainees, FT spent time with Peter to learn more about the culture of the Group.

FT What do you gain from engaging with employees outside of scheduled meetings?

When you are speaking to employees outside of scheduled meetings, you are able to speak with them more openly. While we encourage open dialogue, some people are often afraid to ask an awkward question or to ask something they think is different, unusual, controversial or risky. In a one-to-one conversation you can talk around the question and understand the finer detail. People are prepared to be a little more challenging when engaging with me directly. I really welcome employees being prepared to stand up and constructively challenge on a topic they believe in, in either a group or private situation.

FT What qualities do you think are most important for future leaders?

There are two important qualities I think are critical for future leaders.

The first one is making effective decisions. There is always a risk you may be wrong and, truthfully, you will be wrong sometimes, but it's about making intelligent decisions. It's thinking about what is actually the problem and coming to a well thought-out, decision.

The second important quality is around people choices. It doesn't matter what industry you're in, we are only as good as the people we employ. Sometimes people choose weaker people as they think they will be easier to influence or won't make them look bad and you couldn't be more wrong. Whatever job you have, if you've got great people surrounding you, you will all succeed.

FT How do you identify future leaders?

Again, two to focus upon, one is about performance, judging our future leaders on output and their achievements. Some people are worried that because they are not brilliant presenters they won't succeed, but it's their output that will be measured.

The second is around personal characteristics, people have got to have the ability to lead and inspire others. You have to step away from the mentality, "I can do it better, I'll just do it myself". Future leaders have the ability to deliver results and inspire those around them.

FT Do you think this is something that comes naturally to individuals, or something that requires training?

It's both. While you need the drive and ambition alongside training to succeed, you also need the ability to self-reflect and review.

I have made the mistake myself in the past of thinking "I can do it better" but it means people in your team do not mature and do not make their own mistakes; you have to let them figure it out.

FT What key areas would you work on as a mentor to someone aspiring to be in your position someday as a Chief Executive?

From personal experience, don't set your goal too high and just take one step at a time. Focus on being really good in your current role before thinking about the next. If you start with "I want to be the CEO", it might happen but that's not where it should start from. If you aim too high, you will miss all the really important intermediate steps.

FT If I wanted to take the next step in my job, how would I go about this?

The good thing for employees in our industry looking to progress is that there is a talent pool shortage so there are lots of opportunities.

What you need to be saying to your line manager is "if that role was to become available, what would stop you giving it to me?" Review the gap analysis and focus on it. Sometimes you think you're not ready for a promotion, but you'll never know if you're good at a job until you do it. If you're looking to progress, there are always opportunities.

FT What do you think the housebuilding industry will look like in five years' time and what do we need to do to meet the challenge?

It's going to be subtly different. Broadly speaking, change doesn't happen as fast in housebuilding as people may think it does.

I think over the next five years, homes will look slightly different but the core processes will be broadly the same as they are now.

The other thing is, I expect the sector to be more consolidated. I think there will be more large housebuilders as the barriers to entry are so high, which is why growth is important for us.

FT There are some worrying headlines in news about the economy. How do you think this will affect me and my team-mates over the coming year?

If you look at it over the medium to longer term, there is a massive shortage of housing in the UK. Housebuilding has always been a cyclical business with highs and lows. We may have a bumpy ride over the next six to 12 months but we have built our cash position significantly in the last few years so that we are in the strongest financial position we could possibly be in going into any downturn.

FT What advice would you give to new joiners like me?

The same advice I had when I joined the housebuilding industry, it is a great industry where something happens! This is where we produce something that will be around for 100 to 200 years, and without us, it wouldn't happen. My advice is to enjoy coming to work, accept that it's going to be frustrating at times, things don't always go according to plan – but if it was easy, they wouldn't need us!

Questions from Peter Truscott Chief Executive to FT, Technical Trainee

PT What do you find most rewarding about your role at Crest Nicholson?

Coming here I had a set of goals and targets, after studying Architecture at university. My line manager supports me and gives me the freedom to succeed. If I didn't have as much accountability as I have now it would have slowed me down, I wouldn't hit my targets and it would be less enjoyable for me. I speak to my line manager about what I want to learn, and I liaise with other departments to get exposure. I have started to really understand how the whole business works and the trainee rotations have helped with this. I am always willing to set myself the next challenge.

PT What do you think we do well at Crest Nicholson?

Crest Nicholson provides high quality training programmes, which is supported with fantastic rotations. I really enjoy the employee roadshows that the ELT do across the Group, the presentations really help my understanding of the wider business and our goals.

PT What could we be doing better?

I'd like to see some further training programmes that are more geared towards communication and people skills. I think this would alleviate stress, particularly around year end.

PT Although you have started in Technical, what other parts of the business interest you?

Definitely Land, I like the aspect of going out and securing deals.

Another one would be Build. I really like being out and about and interacting with new people.

Our stakeholders

Our key stakeholders are an integral part of our business model.

Principal activities and decisions

Principal activities and decisions relating to the Board in the year are detailed on pages 80–81.

Outlined below are two examples of principal decisions undertaken by the Board which have a significant impact on the Group's long-term success.

Our section 172 statement together with additional information about our key stakeholders and why they are important to us are on pages 22–25.

Two decisions made by the Board in the year and impact on stakeholders

£250m Revolving Credit Facility (RCF)

With the Group's existing £250m RCF due to expire in June 2024, careful consideration was given by the Board to its capital requirements and future financing arrangements.

Reflective of this, the Board negotiated and agreed a new £250m Sustainability Linked RCF in October 2022.

This renewed the previous facility of the same size. The facility not only provides the Group with appropriate flexible financing, it is also linked to supporting our stakeholders and the Group's sustainability strategy with a lower interest paid if certain targets are achieved, being:

— 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 Board considers that for the Group's long-term success it needs to have access to certain flexible debt to respond to a cyclical market.

Having a sustainability linked loan is a further step in demonstrating the Group's commitment to a range of sustainability and ESG matters.

This Board decision means that delivering more sustainable operations is now not only beneficial to those stakeholders who are directly impacted but also provides the Group with a lower cost of financing.

Investors	Additional liquidity and financial stability. A reduction in interest carry cost if targets met.
Customers	The benefit of a lower carbon and more energy efficient home.
Our people	In addition to current initiatives, a further commitment to investing in training roles and opportunities to develop.
Suppliers	Access to the Supply Chain Sustainability School and encouragement to embrace the benefits this will provide their own business.
Communities and the environment	Low carbon housing will protect the environment and natural habitats, as well as reducing air pollution.
Government and other bodies	Our focus on Sustainability helps support the UK's plan to be net zero by 2050.

Building Safety Pledge

Since the Grenfell Tragedy in 2017, and the subsequent review of building design and the construction methods and materials used, the Group has acted swiftly to identify and remedy any legacy buildings where it has a constructive or legal obligation to do so.

Alongside this, the Group has always sought to engage constructively with residents, building owners, Government and other affected stakeholders.

In April 2022 the Board agreed to sign the Department for Levelling Up, Housing and Communities (DLUHC) Building Safety Pledge (Pledge).

This Pledge commits to supporting leaseholders by funding or remediating life-critical fire safety works in buildings over 11 metres tall, which the Group has developed over the last 30 years. The amounts that are provided in the financial statements reflect the current best estimate of the extent and future costs of work required. However, these estimates may be updated as work progresses, or as Government legislation or regulations develop. DLUHC made it clear that failing to sign the Pledge would carry further consequences such as limiting our ability to trade.

In making its decision, the Board carefully considered:

— The significant work already underway and that would be required to be completed, relating to a large part of the commitments expected under the Pledge
— The significant distress caused to residents living in affected buildings and the need to take the right approach to fixing the issues
— The impact to the Group's financial position and how agreement to the Pledge would be received by the Company's investors.

With a strong balance sheet and net cash position, the Board agreed that entering into the Pledge was in the best interests of the Group and would help affected residents. By signing the Pledge the Group also has the ability to trade normally within the housing market.

Investors	Investors ultimately pay for the remediation costs. Investors generally prioritise ESG matters and wish the Group to take responsibility for such issues.
Customers	Former customers and current owners of Crest Nicholson homes require the peace of mind that their homes are safe. By working directly with affected freeholders and leaseholder groups, appropriate action can be taken as soon as possible to fix issues we identify.
Government and other bodies	The DLUHC has encouraged house builders to enter into the Pledge.

Shareholder and stakeholder engagement

Shareholder engagement

The Board is committed to engaging proactively and constructively with the Group's shareholders.

The Chairman and Senior Independent Director are available to shareholders to discuss governance and strategic matters. During the year the Chairman and Senior Independent Director consulted with the Group's major investors in respect to governance matters, including the Remuneration Policy that will be proposed to shareholders at the 2023 AGM. The output of this consultation is contained within the Directors' Remuneration Report on pages 104–105.

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

AGM

All Directors, including the Chairs of the Committees, attend the AGM and are available to answer shareholder questions. The notice of each AGM and related information are circulated to all shareholders at least 20 business days before the meeting. Directors are also invited to attend the results presentations following the announcement of full and half-year results.

The AGM ordinarily enables the Directors to meet with some of the Group's individual shareholders. Following a closed AGM in FY21, we were able to hold the FY22 AGM in person. Shareholders who were unable to attend were also encouraged to submit questions in advance to the Board via email, and responses were replied to, and published on the Group's website. All resolutions were passed by shareholders.

Engagement with lenders

We meet with our lenders and keep them updated throughout the year about the financial health and operational progress of the Group. During the year time was spent discussing sustainability and governance matters and providing details of the Group's results as well as market feedback.

Investor relations timetable

Event	Date
FY21 results announcement	19 January 2022
FY21 investor roadshow	19–25 January 2022
AGM	22 March 2022
HY22 results announcement	14 June 2022
HY22 investor roadshow	14–27 June 2022
FY22 year end	31 October 2022

Stakeholder engagement

Engagement with the Group's other stakeholders and consideration of their respective interests in the Group's strategy and decision making took place during the year as described overleaf and on pages 22–25.

Investor relations

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

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

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

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

The Group's Investor Relations Programme

The Chief Executive or Group Finance Director attended 93 investor meetings, engaging with over half of current shareholders (by shareholding value).

Key themes discussed included the Group's strategy and the progress against its priorities, the housebuilding sector, capital allocation, dividend policy and other matters relevant to individual parties.

Investor roadshows were organised in person or virtually, with investors primarily based in the UK.

Utilised the Group's investor website, with analyst consensus forecasts published in Vuma, a specialist web-based system.

Additional information was provided in results announcements and trading updates on the Group's updated strategy.

Employee engagement

Employee engagement is important to the understanding of our culture. By listening to employees' views the Board can address their concerns.

A conversation with Louise Hardy, Non-Executive Director responsible for employee engagement and Seb Skinner, Associate Strategic Land Director

Our engagement forum, The Employee Voice, is chaired by Louise Hardy and made up of several volunteers from each division. One of its members, Seb Skinner, sat down with Louise to discuss employee engagement during the year.

What employee engagement activities did you participate in during the year?

LH Employee Voice Forums have been held twice this year, involving employees from across the Group. There has been a good mix of new and past attendees who have brought with them questions from their colleagues to raise at the Forums. As well as having spoken with colleagues from the Head Office and each division twice this year, there have been other activities, such as divisional site visits, that have provided additional opportunities for us to obtain feedback directly and understand further the issues concerning employees and whether we are resolving them.

How often do you report to the Board on employee engagement?

LH At every Board meeting this year I have raised items that have been discussed at one of the Forums. The benefit of these Forums isn't just providing a regular update to the Board on their activities but adding to dialogue on matters raised within the Board meeting. For example, with the implementation of COINS, the new ERP system, I was able to share with the Board how employees are responding to this change programme. Providing an employee perspective helps the Board shape its response.

As the Non-Executive Director responsible for employee engagement, what benefits do you believe your role has brought to the Board?

LH Our people are our most important and valuable resource. We can't operate without our people, and they have the clearest understanding of what is happening within the business. It is therefore critical that we get their perspective on how the Group is performing. We have such talented people in our organisation, so when they share their perspectives it enables the Board's eyes to be opened to issues that need to be addressed, or things that can be made more efficient and effective.

Has your role impacted any decisions made by the Board?

LH Yes, it has. Two such examples are around remuneration and resourcing. We strive to provide alignment of remuneration to objectives across the organisation. It is therefore very important that we understand how incentives affect each function. The incentives we offer must allow people to work together. These Forums allow us to hear directly how incentives work across functions and we have made necessary adjustments to align them.

The views of our employees have also led us to proactively support the recruitment of additional resource where we know scarcity of suitably qualified people is an issue. We have also taken the opportunity to recruit more trainees.

What are the three main things you have taken away from engaging with employees during FY22?

LH Number one is the war for talent; finding skilled people with the right experience, that we can bring into Crest Nicholson to fill any vacant roles or where we need very specific skills or experience – for example, our team dedicated to remedying legacy buildings with combustible materials.

We also need to consider the current cost-of-living and inflationary pressures. Not just the impact that this has on the business but also how the cost-of-living crisis affects our employees. Personal challenges that individuals are going through day-to-day understandably have the potential to impact their welfare and contribution at work. I was pleased to see that we responded to this feedback during the year by making a one-off payment of £1,000 to our people.

During the engagement sessions we have also had discussions around culture in the business, ways of working across the Group, and the progress we have made on developing our people. While there has been some success, such as the Crest Academy that has resulted with some high quality internal promotions over the last year, we still have work to do in some areas.

Have you found the Employee Voice sessions effective?

LH I am always pleasantly surprised when I meet people in these sessions with how open and honest they are. They are at ease in expressing any problems but also proactive and insightful in thinking about what the solutions could be. I find the discussions very useful and effective in that sense. It is also important to receive a range of inputs from all divisions as there are often common issues which can be seen from different angles. This breadth of feedback undoubtedly enriches the discussions.

How has the Board engaged with, and monitored the Group's approach towards support and inclusivity for colleagues in FY22?

LH We carefully look at the gender pay gap and the composition of our workforce. Following the introduction of a Diversity and Inclusion (D&I) Forum in 2020, some sessions of which I was able to attend, we have decided to go further and have introduced Affinity Groups for a range of identity characteristics. Reporting on this stream of work at Board level has enabled the Board to monitor progress carefully and provide inputs from what we are seeing other organisations do in respect of D&I.

How do you think agile working will continue to affect the workplace for employees?

LH The first thing to say is that not every role in our business can be performed remotely so the design and implementation of any agile working policy needs careful consideration. For those that can work in this way there is no doubt that COVID-19 forced us all to think differently. Some people loved working exclusively remotely and some people desperately wanted to be back in the office all the time. What I have found in speaking to our people is that the 'dust has now settled' and people are now talking positively about how the agile working policy is supporting their work/life balance. They have even suggested it is something that enticed them to come and work for Crest Nicholson because they could achieve the balance they desired. I think we have moved into a completely new era and it's exciting for the future of Crest Nicholson.

How we engaged during FY22

The Exchange

Quarterly

Our newsletter delivers all the latest news and updates from across the business . Regular features include a business update from Peter Truscott, people news and a 'day in the life' of employees.

Board site visits

May and September 2022

During the year the Board visited developments individually and as a group, interacting with employees on a collective and one-to-one basis, giving greater insight on what is important to employees.

Read more on page 83

Diversity and inclusion

Throughout the year

To support the Diversity and Inclusion Forum, affinity groups were launched during the year. These groups will explore the barriers people face within underrepresented groups and find practical solutions to overcome them.

Read more on page 47

Snapcomms

Throughout the year

We use timely, relevant and targeted messaging to communicate important news about benefits, policies, IT updates, employee recognition and other employee initiatives throughout the year using the IT tool Snapcomms.

Employee roadshows

May and September 2022

At key points in the year the ELT spent time with each division to thank employees for their hard work, discuss how we are progressing against our targets and outline our plans for the future. Employees are encouraged to ask questions in the sessions or submit them anonymously in advance.

Employee engagement surveys

July and September 2022

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

Read more on page 46

Employee Voice

November 2021 | May, September and October 2022

The Employee Voice Forum is attended by volunteers from Head Office and the divisions. The Forum facilitates meaningful, regular dialogue between the Board and employees from across the Group.

Board activity

Meetings of the Board

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

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

During COVID-19 the Board introduced regular Board update calls between scheduled meetings. These calls received positive feedback from the Board and have continued to take place. This enables the Board to receive both an update on operational performance within the month and also to consider and respond to any external market developments.

Meeting materials

Finalisation of meeting content is a collaborative process involving the Chairman, Chief Executive, Group Finance Director and General Counsel and Company Secretary who ensure adequate time is allocated to support effective and constructive discussion. Time is also scheduled for the Non-Executive Directors to meet without the Executive Directors present.

Electronic Board packs are available to the Directors ahead of meetings and Directors receive accurate, timely and clear information on the matters to be considered.

Attendance at scheduled Board meetings

Director	Board	Audit and Risk Committee	Nomination Committee	Remuneration Committee
Iain Ferguson	6/6	–	3/3	5/5
Peter Truscott	6/6	–	–	–
Duncan Cooper	6/6	–	–	–
Octavia Morley	6/6	4/4	3/3	5/5
David Arnold	6/6	4/4	3/3	5/5
Lucinda Bell	6/6	4/4	3/3	5/5
Louise Hardy	6/6	4/4	3/3	5/5
Former Directors				
Tom Nicholson[1]	3/3	–	–	–

1 Tom Nicholson stepped down from the Board on 27 May 2022.

Board Strategy Day

Each year the Board spends a dedicated day reflecting on the Group's strategy. It considers whether the strategy remains appropriate for the economic and operating environment and what progress is being made against its targets and goals. It also considers a range of external inputs on how the Group's strategy is being received.

This year the day opened with a detailed internal and external consideration of the macro-economic environment. Richard Donnell, Executive Director from Zoopla, provided an external perspective on what trends and insights Zoopla are seeing in house purchasing and to provide their outlook on the housing market for next year. The Group's corporate brokers Barclays and HSBC also provided their analysis of investor sentiment.

Several regulatory changes impacting the sector were then reflected upon, in particular the New Homes Quality Code and the Future Homes Standard, and the impact this will have on the Group's operations and key stakeholders.

The Board spent time reflecting on the drivers behind the high voluntary employee turnover during the year and to hear updates on how this is being addressed, including in respect to diversity and inclusion, talent management and succession planning.

Another key priority for the day was inviting input from employees below the ELT, providing these individuals with an opportunity to present to the Board.

The following day, the Board reconvened for its scheduled Board meeting and the Directors shared their reflections on the Strategy Day. It was agreed that the presentation materials and delivery were high quality and enabled constructive and open debate.

Strategy, operations and finance

Matters considered

- Continuously reviewed progress against the Group's strategy
- Monitored trading performance throughout the year
- Reviewed SHE performance and initiatives
- Monitored and received regular updates on sector, market and regulatory landscape from the Group's corporate brokers
- Considered the Group's financing arrangements, capital allocation and tax strategy
- Received regular reports from management on customer service and quality including preparations for the Future Homes Standard and the New Homes Quality Code
- Reviewed major land purchases
- Considered operational progress, including with respect to the new Yorkshire and East Anglia divisions
- Considered progress against the Group's sustainability targets.

Outcomes

- Approved the annual budget, business plan and KPIs
- Reviewed and approved the Group's FY21 and HY22 financial statements
- Approved the Group's FY21 Annual Integrated Report, including a fair, balanced and understandable assessment
- Agreed the dividend policy of 2.5x cover remained appropriate and approved an FY21 final dividend and HY22 interim dividend
- Approved the Group's financial targets and communication to the market
- Agreed to defer the planned opening of a third new division in FY23 and adjusted the expected pace of growth across the Group
- Approved the completion of a new Sustainability Linked RCF
- Approved the Group's tax strategy
- Agreed new science-based targets, which are designed to achieve net zero by 2045.

Governance and legal

Matters considered

- Regular updates on major legal matters relating to the Group
- Continual review of the Group's approach and remedial work in relation to building safety and combustible materials matters
- A legal and governance update including upcoming developments in corporate reporting
- Reviewed the anti-slavery and human trafficking statement for publication
- Received reports on engagement with investors and other stakeholders throughout the year
- Reviewed progress against the Board's continuous development plan
- Carried out an internally-facilitated Board evaluation covering the Board's effectiveness, processes and ways of working
- Received regular updates from the Chairs of the Audit and Risk Committee, Nomination Committee, Remuneration Committee, SHE Committee and Sustainability Committee
- Regular feedback from, and discussion with, the Non-Executive Director responsible for employee engagement.

Outcomes

- Considered the impact on stakeholders in the Board's decision making
- Approved the signing of the Building Safety Pledge
- Reviewed compliance with the Code through robust decision making
- Approved and published the anti-slavery and human trafficking statement for FY22
- Progressed a range of agreed actions arising from the FY21 Board evaluation
- Concluded that the Board and its Committees continued to operate effectively during FY22, and set actions for FY23.

Leadership and people

Matters considered

- Received regular updates in relation to people, employee engagement and diversity and inclusion activities
- Regular feedback from Employee Voice meetings
- Regularly reviewed the Group's employee voluntary turnover rate and initiatives to reduce this
- Continued to focus on the composition, balance and effectiveness of the Board
- Considered Group succession planning.

Outcomes

- Carefully considered the Group's values when making decisions
- Agreed with Tom Nicholson, Chief Operating Officer, that it was the appropriate time to leave the Company.

Internal control and risk management

Matters considered

- Debated the risk appetite and significant and emerging risks
- Reviewed the Group's risk management framework, principal risks and uncertainties
- Provided oversight on the Operating Framework Review to be implemented within the Group.

Outcomes

- Considered and approved the Group's risk management framework including the removal of 'epidemic or pandemic from infectious diseases' as a principal risk and added 'land availability and planning' and 'combustible materials'
- Confirmed the Group's viability statement and going concern status.

Division of responsibilities
Board composition

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

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

The Non-Executive Directors provide constructive challenge, strategic guidance and specialist advice and hold management to account.

The Chairman, supported by the General Counsel and Company Secretary, ensures that the Board has the policies, processes, information, time and resources it needs to function effectively and efficiently.

Conflicts of interest

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

External appointments

The Board carefully considers each of its Directors' existing commitments and time required to fulfil their obligations to the Group including with respect to any changes to external appointments from time to time.

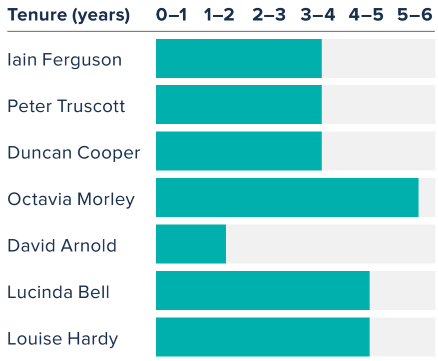
Iain Ferguson holds two Chair mandates in FTSE 250 listed entities (Crest Nicholson Holdings plc and Genus plc) and a further Chair mandate at externally managed investment trust Personal Assets Trust plc. Taking into account the externally managed nature of the trust and the corresponding reduction in time commitment required compared to FTSE 250 appointments, the Board is satisfied that the third appointment represents half the commitment of a FTSE 250 Chair appointment.

The Board remains satisfied that these appointments do not result in overboarding and do not count as conflicts of interest.

Professional development, support and training

During the year the Board received updates from management on the Future Homes Standard, upcoming corporate governance and sustainability reporting requirements and the New Homes Quality Code. Time is always spent considering the matters within Section 172 of the Companies Act 2006 and the impact of the Board's deliberations.

Board tenure
as at 31 October 2022



Board composition

One Chairman independent on appointment

Two Executive Directors

Four independent Non-Executive Directors

Board site visits

During the year the Board attended site visits at Brooklands Park, Stoke Gifford and Henley Gate, Ipswich.

Site visit

Brooklands Park

Brooklands Park offers private and affordable housing with one and two bedroom apartments and three and four bedroom homes. Situated on the outskirts of Bristol with the city centre being just seven miles away.

The Board met with the South West divisional and site team and received presentations on their current trading and future plans. Time was spent with the division understanding local community matters, with Brooklands Park being part of the new Harry Stoke Community which will deliver 1,250 homes.

The Board went on tours of the construction site, looking at various stages of build activity and the sales suite.

The division highlighted how the homes at Brooklands Park had been well received by customers who liked the large areas of green space and good location.

Site visit

Henley Gate

Henley Gate is an exclusive development of two, three, four and five bedroom new build homes in Ipswich with a focus on the garden city principles, with tree-lined streets, a country park, a primary school, local centre and green open space.

The Board spent the day with the Eastern division. The morning was spent understanding Eastern's strategy, operations and challenges and the development at Henley Gate which will deliver 1,100 homes and is part of the Ipswich Garden Village.

The Board enjoyed tours of the construction site and the sales suite including the Seaton and Winkfield show homes. While construction had just started the division were excited about the opportunities at this development.

Division of responsibilities **Board composition** continued

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

Iain Ferguson CBE
Chairman

Peter Truscott
Chief Executive

The Board

The Board sets the Group's strategy to promote the long-term sustainable success of the Group.

The Board provides leadership within a framework of strong governance, risk management and effective controls. It oversees the performance and progress of the Executive Committee against business plans, utilising KPIs to support it in its assessment. The Board is responsible for monitoring the Group's purpose, values and culture.

The Board has a schedule of matters reserved for its own decision which includes setting profit expectations and dividend policy and approving major acquisitions, capital expenditure and financing.

Roles and responsibilities

Iain Ferguson CBE, Chairman

— Leads Board, governance, major shareholder and other stakeholder engagement
— Supports the Chief Executive's management of the business
— Applies independent and objective judgement
— Sets agendas that enable appropriate coverage of all areas material to the Board and which support effective and balanced decision making
— Ensures that the Board receives accurate and timely information to aid decision making
— Facilitates an environment for effective relationships between all Directors
— Drives a culture that supports constructive discussion, challenge, debate and decision making
— Contributes to the Board's succession planning, induction and composition deliberations
— Ensures the views of stakeholders are considered appropriately in Board discussions
— Responsible for the effectiveness of the Board and its governance
— Prioritises the development of the Group's strategy.

Peter Truscott, Chief Executive

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

Board Committees

Audit and Risk Committee

The Audit and Risk Committee oversees external financial reporting and disclosures and monitors internal controls and risk management. The Audit and Risk Committee also reviews the effectiveness and independence of the external and internal auditors.

Executive Committee

Provides executive leadership to deliver the Group's strategy and manages the operations of the Group on a day-to-day basis.

The Executive Committee:
— Monitors SHE compliance and responses to incidents and near misses
— Continually focuses on customer service and quality performance
— Leads operational and financial matters
— Develops and monitors the Group's sustainability strategy
— Considers legal matters, business ethics and culture and how this operates within the Group
— Oversees the People strategy including, talent management, diversity and inclusion initiatives and employee engagement.

Management committees

Divisional boards

Each division is run by a divisional board comprising directors responsible for specific disciplines.

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

Further detail on our divisions can be found on pages 4–5.

Duncan Cooper
Group Finance Director

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

Octavia Morley
Senior Independent Director

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

David Arnold, Lucinda Bell, Louise Hardy and Octavia Morley
Independent Non-Executive Directors

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

Kevin Maguire
General Counsel and Company Secretary

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

Nomination Committee

The Nomination Committee reviews the balance, diversity, independence and effectiveness of the Board. The Nomination Committee oversees the selection and appointment of new Directors to the Board and monitors succession planning for the Board and the ELT, alongside talent management.

Remuneration Committee

The Remuneration Committee sets the remuneration policy for the Board and ELT, with focus on aligning remuneration with the enhancement of shareholder value and delivery of the Group's strategy. The Remuneration Committee also considers employee pay, when setting remuneration for the Executive Directors.

Further detail on the work of the Audit and Risk Committee can be found on pages 92–99

Further detail on the work of the Nomination Committee can be found on pages 88–91

Further detail on the work of the Remuneration Committee can be found on pages 100–122

Safety, Health & Environment Committee

The SHE Committee monitors performance against the Group's SHE strategy and sets associated policies, procedures and initiatives. It also oversees the management of the Group's SHE risks.

Sustainability Committee

The Sustainability Committee monitors performance against the Group's sustainability strategy and recommends associated targets, policies and initiatives to the Board. It also oversees the management of the Group's sustainability risks.

Land acquisition process

There is a clear dedicated approval process for acquiring land.

There are three key stages:

- Assessment and feasibility stage
- Bid stage
- Contract stage.

An Investment Committee exists to provide the relevant authority to acquire land prior to exchange.

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

Composition, succession and evaluation
Board evaluation

Board evaluation process

During the year, an internal evaluation of the Board was conducted by the Chairman. This review followed an external evaluation in FY21 which was conducted by Gould Consulting.

The FY22 review process took place from September to October 2022 and was conducted in the format outlined below.

Evaluation of Chairman's performance

Octavia Morley, Senior Independent Director, led a review of Iain Ferguson's performance as Chairman. The review concluded that the Board was chaired effectively and Iain encouraged constructive dialogue.

Board evaluation cycle

FY20	Internally facilitated evaluation led by the Chairman
FY21	Externally facilitated evaluation carried out by Gould Consulting (who have no connection with the Group or Directors)
FY22	Internally facilitated evaluation led by the Chairman

FY22 Board evaluation

Stage 1

The Nomination Committee agreed that Gould Consulting had provided good quality engagement during their external evaluation in the prior year and agreed that an internal evaluation, with the use of a tailored online questionnaire was appropriate for FY22.

The Board agreed this year's evaluation would be held as an internal evaluation led by the Chairman.

It was agreed that review of the Chairman's performance would be led by Octavia Morley in her capacity as Senior Independent Director.

Stage 2

The evaluation was conducted as follows:

— All Directors completed a tailored online questionnaire, addressing key Board matters in addition to further questions covering each of the Board Committees

— A shorter survey of around six questions was completed by the ELT

— The results were analysed, summarising the comments and identifying key themes, which were shared at a meeting with the Chairman

— One-to-one meetings were held between each of the Directors

— A Non-Executive Director meeting was led by the Senior Independent Director to consider the Chairman's performance.

Stage 3

The Chairman presented the output from the evaluation at a Board meeting.

The Senior Independent Director presented the output of the Chairman's performance from the meeting with the Non-Executive Directors.

The Board considered the key findings and agreed a Board Continuous Improvement Plan.

Findings are outlined overleaf.

The review concluded that the Board continued to operate effectively. The Chairman, alongside the General Counsel and Company Secretary, will support the implementation of agreed actions during FY23.

FY22 areas of focus in response to the FY21 Board evaluation

Board meeting priorities

The Board intends to develop its approach to meeting format and agenda-setting to maximise opportunity for strategic debate at its principal meetings including:

- Wider consultation identifying special topics and focus areas leading to better targeted presentations as preparation for Board discussions
- Adapting interim virtual meetings to consider specific focus areas
- Placing more emphasis on feedback from Committee Chairs and the Chairman in relation to activities outside Board meetings.

Sector developments and meeting material

In support of developing the Board's agenda and debate, a number of process changes will be made, such as:

- More formalised provision of sector and Company news to provide greater context ahead of meetings
- A greater focus on pre-reading materials before Board presentations, to focus meeting time on debating key issues in even greater detail
- Clearer identification of desired outcomes from focus sessions, at the time of scheduling.

Board cohesion

Building on achievements in FY21, further time will be scheduled outside of meetings for informal opportunities to meet and discuss emerging themes, and establish relationships. This will also include regular and appropriate time for the Non-Executive Directors to meet without the Executive Directors present.

Succession planning

This will continue to be an area of priority for the Board during FY22, with a further focus on Board succession planning as well as succession planning and talent development throughout the Group.

Implementing areas of focus in FY22

The Board evaluation, and that of its Committees, concluded that the Board was operating effectively and working well towards its objectives. The outcome of the evaluation highlighted that the Board had made good progress towards a number of areas identified last year, including in respect to stakeholder relations and developing Board relationships.

The evaluation highlighted the strength in employee engagement but that greater focus was required in respect to formalising the reporting of culture and values.

One strength highlighted was the provision of high quality sector news and reading materials throughout the year and not just ahead of Board meetings.

Greater collaboration ahead of the Board's Strategy Day led to high quality focused discussions.

The review emphasised that while significant progress has been made in risk management, in a volatile and uncertain external environment, the Board should continue to consider risk through 'big picture' horizon scanning.

Succession planning continued to be a significant focus in FY22, particularly below Board level. While it was acknowledged that efforts had been made in improving succession planning, further work should continue through FY23 including in respect to compliance with the Parker Review and the Group's diversity targets.

The FY22 Board evaluation process was seen positively by all Board members and gave a platform for continuous development in FY23.

FY23 areas of focus

Culture, values and employees

The Board intends to develop its approach to engagement with senior management and employees in relation to the Group's values and culture:

- More dedicated discussions about culture in Board meetings, to enable Non-Executive Directors to further support senior management in raising awareness and visibility of the Group's values
- Prioritise opportunities for the Non-Executive Directors to meet with members of the ELT outside of formal meetings
- Enhancing the feedback and reporting of employee engagement activities.

Board meetings

Recognising the volatile and uncertain external environment to consider:

- Further reporting about the land market and challenges to provide greater context ahead of meetings and investment decisions
- Additional time to be spent 'horizon scanning' for emerging risks facing the Group
- Continuing the use of update calls between scheduled meetings
- With a larger ELT, ensure the appropriate rotation of attendees at Board meetings.

Succession planning

The Board recognises that executive succession planning will continue to be a key priority in FY23:

- Continued focus on succession planning for Board, ELT and divisional boards
- Implement initiatives throughout the Group to enable individuals to develop their careers
- Action will be taken by the Board and Nomination Committee to meet the Parker Review requirements.

Nomination Committee Report

It is essential that the Board and Executive Leadership Team have the right balance of skills, experience and diversity to effectively lead the Group.

Committee overview

Committee members

Iain Ferguson CBE
Nomination Committee Chair

Octavia Morley
Senior Independent Director

David Arnold
Non-Executive Director

Lucinda Bell
Non-Executive Director

Louise Hardy
Non-Executive Director

Committee role and membership

The Nomination Committee is responsible for reviewing the structure, size and composition of the Board to ensure that it remains effective, balanced and qualified to deliver the Group's strategy.

To achieve this, the Committee is responsible for the nomination, induction and evaluation of Directors. The Committee is also responsible for succession planning for the Executive Directors, Executive Leadership Team (ELT) and senior management.

The Committee leads the Board's approach to diversity and identifies and oversees its initiatives in this area.

Membership

The Committee has been chaired by Iain Ferguson, the Chairman of the Company, since 2019. All other members of the Committee are Non-Executive Directors. Individual meeting attendance is set out on page 80. More information on the skills and experience of all Committee members can be found on pages 70–71.

Peter Truscott, Chief Executive, Jane Cookson, Group HR Director and Kevin Maguire, General Counsel and Company Secretary are invited to attend scheduled Committee meetings, where they may contribute or provide management updates.

External advice

The Committee is authorised to seek external legal or other independent professional advice as it sees fit but has not done so during the year.

I am pleased to present this year's Nomination Committee Report. It is the Committee's role to ensure the Group has effective leadership oversight, with the right balance of skills, experience and diversity on the Board and ELT.

Board changes

At the 2022 Annual General Meeting (AGM), the appointment of David Arnold was approved by shareholders. David is a valuable addition to the Board who has brought significant financial and commercial experience. The Audit and Risk Committee benefits from his listed company and sector experience through his role as Chair.

The year also saw the departure of Tom Nicholson as the Group's Chief Operating Officer. Tom was recruited in 2019 due to his extensive industry experience and record of improving operational efficiency. While Tom was with us he made significant progress in transforming the Group's operations and recruited an experienced senior management team.

With the operational turnaround complete, the Board, Committee and Tom recognised that it was an appropriate time for him to leave the Group. The Committee are grateful for Tom's contribution to the Company.

ELT changes

Following Tom Nicholson's departure, two existing Managing Directors, David Brown and Alex Stark, were appointed to the ELT as Executive Managing Directors, with effect from 1 November 2022. These appointments will strengthen the ELT as both David and Alex bring wide-ranging industry expertise. These internal promotions reflect the recent progress that has been made with the Group's succession planning processes and development programmes. In addition, these appointments will create further leadership opportunities for key talent within the Group.

Diversity and inclusion

We continue to recognise and embrace the benefits of having a diverse Board. People with different perspectives, backgrounds and experiences enhance Board discussion and decision making.

While appointments will be made on merit, we take seriously considerations such as background and experience, age, ethnicity and gender in our reviews of the composition of the Board. Our progress on enhancing Board diversity can be found on pages 90–91.

Developing talent

In 2021 we launched the Crest Academy with three elements to the talent programme: Future Leaders, Emerging Talent and Future Talent. The Committee has received regular reports on the programme's performance which has pleasingly started to generate positive results. Further detail can be found on page 45.

Iain Ferguson CBE
Nomination Committee Chair

Further detail on David Arnold's recruitment and induction process can be found in the Crest Nicholson FY21 Annual Integrated Report

Activity during the year

Items of business considered by the Committee during the year:

Activity during the year	Outcomes
Leadership	
Reflected on the Board, Committees and ELT composition.	With the operational turnaround complete, the Board, Committee and Tom Nicholson recognised that it was an appropriate time for Tom to leave the Group. Following Tom Nicholson's departure, two existing Managing Directors, David Brown and Alex Stark, were appointed to the Executive Leadership Team as Executive Managing Directors, with effect from 1 November 2022.
Considered performance and effectiveness of the individual Directors and their contribution to the Board.	Recommended to shareholders the re-appointment of all Directors for election or re-election at the 2022 AGM.
Diversity and inclusion	
Received updates from management on the Group's ongoing initiatives in respect to diversity and inclusion.	Supported and endorsed the Group's diversity initiatives, including the introduction of Affinity Groups. Further detail is available on page 47.
Reviewed the Board and Leadership Diversity Policy and associated targets.	Approved the Board and Leadership Diversity Policy and associated targets.
Succession planning	
Considered the Group's succession planning outputs.	Agreed and made recommendations to strengthen succession plans, including considering specific development and coaching needs.
Reviewed current initiatives in respect of talent management across the Group at entry level, mid-tier and senior management.	Noted the initiatives and positive feedback from participants, and agreed to develop a talent programme that is specifically targeted at females.
Board evaluation	
Considered the approach of the 2022 Board evaluation process.	Recommended to the Board the approach for the internal Board evaluation. Further details on the Board evaluation and output can be found on pages 86–87.
Reviewed the Committees' composition.	The Committee considered the Committees' compositions, and agreed that they remained appropriate.
Governance	
Reviewed the Committee's terms of reference.	Endorsed updated terms of reference and recommended to the Board their approval, which the Board approved.

Succession planning

The Committee plays a vital role in ensuring the effectiveness of the Board and its ability to deliver the long-term success of the Group. This includes continually reviewing the balance of skills, experience, independence and knowledge to ensure the right individuals are in place to support the effective planning and implementation of the Group's strategy. Along with considering Board succession regularly, the Committee also reviews the capability of the ELT and senior management roles, to ensure there is a talented and diverse pipeline of future leaders.

The Committee considers succession plans for ELT members and divisional board members. These succession plans are complemented by a performance and development review (PDR) process. Over the past year, the Group has partnered with a specialist external advisor, to provide training and coaching programmes for the Group's nominated talent. Through a structured approach to development opportunities, the Group is committed to focusing on retaining and developing its high-potential individuals and emerging talent. The Committee acknowledges the barriers women face when rising to senior management and has agreed to develop a talent programme specifically targeted for females.

Emergency succession planning

The Committee also considered the Emergency Succession Plan for the ELT. This is a high-level contingency plan to respond to an immediate and unexpected lack of availability of the Chief Executive, another member of the ELT, or a divisional Managing Director, where such absence would be reasonably expected to be more than two weeks.

The full terms of reference for the Committee can be found at **www.crestnicholson.com/investors/corporate-governance**

Nomination Committee Report continued

Diversity within leadership

The Directors are committed to having a balanced Board which recognises the benefits of diversity in its broadest sense and the value that this brings to the organisation in terms of skills, knowledge and experience.

Board and Leadership Diversity Policy

The Group's approach to diversity and inclusion is set out in the Board and Leadership Diversity Policy which is reviewed annually by the Committee and applies in a similar way to senior management.

The Board and Leadership Diversity Policy was recently updated, to reflect the recommendations of the FTSE Women Leaders Review.

The Board and Leadership Diversity Policy reflects:

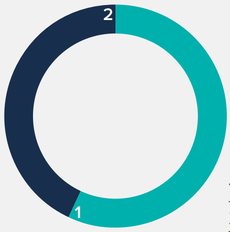
- A recognition that a diverse Board and leadership improves operational performance
- Targets for at least:
  - 40% of the Board to be female
  - At least one of the Senior Board positions (comprised of either Chairman, Chief Executive, Senior Independent Director or Group Finance Director) to be female
  - One Director to be appointed to the Board from an ethnic minority background by end of 2024 (in line with the Parker Review)
  - 40% female representation across senior management over time
- A recruitment approach that aims to attract and encourage candidates from diverse backgrounds
- A requirement that all search firms used for Board recruitment:
  - Are members of the Voluntary Code of Conduct for Executive Search Firms, and
  - Commit to broadening their search and ensuring that short lists reflect a clear range of ethnicity, gender and social characteristics.

The Committee is updated at each of its meetings on actions being undertaken by the Group to develop female talent and from other under-represented groups.

To support the Board and Committee, Affinity Groups were launched during the year where volunteers from across the Group discuss opportunities to raise awareness, develop ideas and feedback concerns related to their area of focus. These Affinity Groups report to the Diversity and Inclusion Forum. Further details of these initiatives can be found on page 47.

Board

Gender diversity



1 Male	4	57%
2 Female	3	43%

At least 40% of the Board are female

Senior Board positions – gender diversity

At least one of the Senior Board positions (comprised of either Chairman, Chief Executive, Senior Independent Director or Group Finance Director) is female.

Ethnic diversity

At least one member of the Board is from a minority ethnic background by end of 2024.

No Director currently appointed.

Crest Nicholson's response to appointing a Board member from an ethnic minority background

The Board and Committee are focused on appointing a Director from an ethnic minority background.

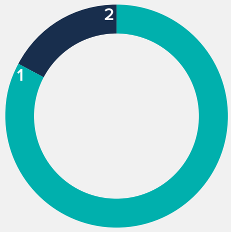
To meet this target it is the Committee's intention to recruit an additional independent Non-Executive Director to meet the Parker Review requirements.

The recruitment for this role will commence during FY23, with the expectation that the individual selected will be appointed to the Board ahead of 31 December 2024 deadline.

Data is at 31 October 2022

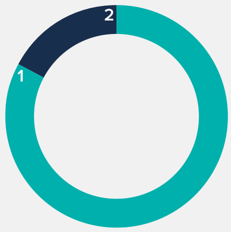
Executive Leadership Team

Gender diversity



1 Male	5	83%
2 Female	1	17%

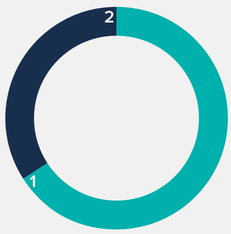
Ethnic diversity



1 White background	5	83%
2 Ethnic minority background	1	17%

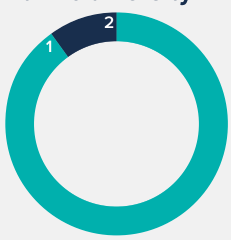
Senior management

Gender diversity



1 Male	27	66%
2 Female	14	34%

Ethnic diversity



1 White background	37	90.2%
2 Ethnic minority background	4	9.8%

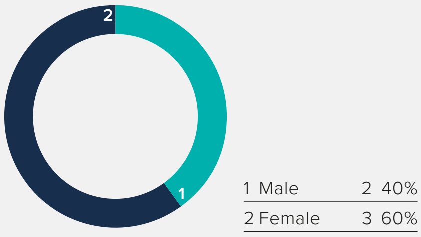
The Board's skills and experience

Skills and experience	Importance	Number of Directors Direct experience	Indirect experience
Industry/sector			
Housebuilding	High	3	4
Construction	High	3	4
Engineering and infrastructure	Medium	2	5
Governance			
UK listed companies	High	7	–
Company chair experience	High	2	–
Remuneration Committee chair experience	High	3	–
Audit and Risk Committee chair experience	High	2	–
Nomination Committee chair experience	High	1	–
Senior Independent Director experience	Medium	2	–
Strategic and operational			
Strategy	High	7	–
Finance	High	3	4
Management and leadership	High	3	4
Joint ventures and partnerships	Medium	7	–
Marketing	Medium	4	3
Stakeholder experience			
Investors	High	7	–
ESG (including climate)	High	7	–
Government and industry	High	3	4
People	High	4	3
Customer service	High	4	3
Supply chain	High	4	3

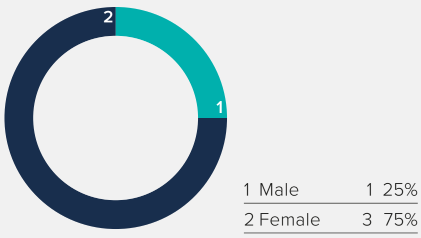
Committees

Gender diversity

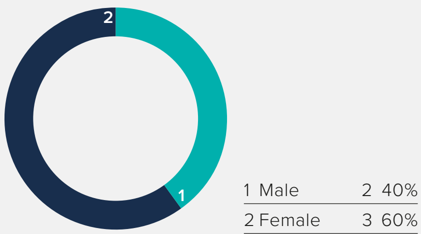
Nomination Committee



Audit and Risk Committee



Remuneration Committee



The Committee remains mindful of the importance of broadening diversity within the Board, ELT and senior management teams. The Committee is aware that gender representation is not the only means by which a Board achieves diversity and each Director's skills and experiences bring different insights and contributions.

The Board skills and experience matrix highlights our Board's diversity in these respects. The matrix was developed this year and will support the Group in its succession planning processes.

Election and re-election of Directors

Following review, the Committee concluded that each of the Directors make an effective contribution to the Board. The Committee considered the time commitments, and any other significant appointments of each of the Non-Executive Directors including the Chairman, and concluded that each Director continues to contribute effectively and provides sufficient time to the Company.

In accordance with the Code, each of the Directors will submit themselves for re-election at the 2023 AGM. Further detail on the Board evaluation process is outlined on pages 86–87 and the Directors' biographies are detailed on pages 70–71.

Appointment process

The Board has an established approach for identifying and evaluating suitable candidates. The Committee is responsible for conducting extensive searches for potential candidates while considering the Group's strategy, purpose, values as well as the skills, experience and diversity. Following the Committee's review, a final recommendation is put forward to the Board for approval.

Upon appointment, each new Director receives a comprehensive and tailored induction. The induction programmes are designed to help establish a broad knowledge and full understanding of the Group's strategy, operations, challenges, objectives and culture. Induction meetings are held with the Directors and other senior management as well as external advisors relevant to that Director's role and any specific Board responsibilities.

Committee evaluation

During the year the Committee's performance was reviewed as part of the Group's internal Board evaluation. The review explored the composition of the Committee, management scope, process and the support it receives and areas where improvements could be made.

Following review, the Board agreed that the Committee continues to operate effectively.

Audit, risk and internal control
Audit and Risk Committee Report

The Committee protects the interests of shareholders and stakeholders by providing comprehensive oversight to financial reporting, risk management and internal control processes.

Committee overview

Committee members

David Arnold
Audit and Risk Committee Chair

Octavia Morley
Senior Independent Director

Lucinda Bell
Non-Executive Director

Louise Hardy
Non-Executive Director

Committee role and membership

The Audit and Risk Committee is responsible for reviewing the effectiveness of the Group's internal controls and risk management including the Group's procedures for detecting fraud, its processes and controls for the prevention of bribery and the effectiveness of the Group's anti-money laundering systems.

A key function of the Committee is to monitor and review the independence, objectivity and effectiveness of Internal Audit. The Committee evaluates and agrees the Group's Internal Audit plans and receives regular update reports on Internal Audit's findings.

The Committee monitors the integrity of the Group's financial statements and any significant announcements relating to its financial performance. This also includes assessing significant financial reporting judgements contained within the financial statements and announcements.

The Committee is responsible for monitoring and reviewing the effectiveness of the external auditor including in respect to the annual consolidated financial statements and the half-year review. The Committee advises on matters related to the external auditor including their appointment and re-appointment, their fees, and reviewing and monitoring their independence and objectivity, which includes the extent of any non-audit services provided.

Membership

The Committee has been chaired by David Arnold, since September 2021.

David Arnold and Lucinda Bell have recent and relevant financial experience. The Board is satisfied that the Committee as a whole has competence relevant to the sector. Further details can be found in the Directors' biographies on pages 70–71.

Other regular attendees, at the invitation of the Committee, include the Chairman, the Chief Executive, the Group Finance Director, the General Counsel and Company Secretary, the Group Financial Controller, the Head of Internal Audit, Group Tax Director and representatives from PwC, the external auditor.

External advice

The Committee is authorised to seek outside legal or other independent professional advice as it sees fit but has not done so during the year.

I am pleased to present this year's Audit and Risk Committee Report. The purpose of this report is to outline how the Committee discharged its responsibilities delegated to it by the Board, predominantly in respect to monitoring the integrity of financial reporting, the effectiveness of risk management and internal control processes, and governance and compliance matters.

This was my first full year in position as Chair of the Committee. While many challenges arising from COVID-19 had dominated the prior year, this year has been characterised by significant economic and geopolitical uncertainty. Alongside this, Tom Nicholson left the Group as Chief Operating Officer leading to changes in the way we deliver operational leadership and oversight. Accordingly, we moved swiftly to adapt our risk management processes and internal controls.

The changes made by the Committee last year to enhance the Internal Audit function including the appointment of Simon Rose, as Head of Internal Audit, and the recruitment of a strong Internal Audit team, have been successfully implemented and the Group is now benefiting from an enhanced level of insight and challenge.

This year we appointed Ryan Lee as Operational Framework Director. Ryan will ensure our Group operating policies and suite of internal controls are reviewed and position us appropriately for the audit and corporate governance reforms proposed by the Department for Business, Energy and Industrial Strategy (BEIS). This project will also support a more comprehensive induction process for new starters.

PricewaterhouseCoopers LLP (PwC) remain our external auditor. During the year, I held meetings with Darryl Phillips, the audit partner, to discuss the audit process.

Following the Board's decision to sign the Government's Building Safety Pledge, time was spent by the Committee on assessing the provision in respect to combustible materials and this will continue until all works have been completed. More detail is available on page 94.

I am pleased to confirm the Committee continues to meet the Financial Reporting Council's (FRC) Guidance on Audit Committees, issued in April 2016. We are committed to ensuring that the accountability principles set out within the UK Corporate Governance Code (Code) are applied and that the interests of shareholders and other stakeholders are properly protected in these areas.

Finally, I would like to extend a thank you to my fellow Committee members who have supported and provided constructive challenge at our meetings this year, and to Duncan Cooper and the Group Finance and Internal Audit teams who have provided valuable input to Committee meetings.

David Arnold
Audit and Risk Committee Chair

Activity during the year

Items of business considered by the Committee during the year:

Activity during the year	Outcomes
Financial reporting	
Considered and reviewed the reports from the Group Finance team on the financial statements, considered management's significant accounting judgements and the policies applied for both the half-year and full-year results.	Recommendations were made to the Board, supporting the approval of the half-year and full-year results, associated announcement and the FY21 Annual Integrated Report.
Reviewed the basis of preparation of the financial statements as a going concern as set out in the accounting policies.	Recommendation made to the Board to support the going concern statement.
Reviewed the long-term viability statement proposed by management, with focus on the judgements, estimates and testing.	Recommendation made to the Board to support the long-term viability statement.
Reviewed whether the FY21 Annual Integrated Report was a fair, balanced and understandable assessment of the Company's position and prospects.	Recommendation made to the Board that the FY21 Annual Integrated Report was a fair, balanced and understandable assessment of the Company's position and prospects.
External audit	
Assessed the effectiveness of the FY21 external audit.	The Committee concluded that the audit was effective, and a recommendation was made to the Board on the re-appointment of PwC as the external auditor at the 2022 AGM.
Considered PwC's Group audit plan for the FY22 financial results and the recommended Audit Quality Indicators (AQIs).	Noted and endorsed PwC's Group audit plan and AQIs.
Received PwC's findings from the FY21 external audit and the HY22 interim review.	Carefully considered PwC's findings from the FY21 external audit and the HY22 interim review.
Considered the letter of representations to PwC in respect to the half-year and full-year results.	Recommendation made to the Board to approve the letter of representations to PwC in respect to the half-year and full-year results.
Reviewed the non-audit related services and fees provided by PwC for the financial year, alongside the supporting policy.	Approved the services and fees for non-audit related services provided by PwC for the financial year. It also agreed that the policy for the provision of non-audit services by the external auditor remained appropriate.
Negotiated and agreed the statutory audit fee for the financial year.	The statutory audit fee to be paid as agreed by the Committee.
Risk management and control environment	
Considered the emerging and principal risks.	Recommended to the Board the emerging and principal risks for inclusion in the half-year and full-year results, including changes to these risks.
Reviewed the effectiveness of the risk management activities and the Group's internal controls.	Recommendation made to the Board that the risk management activities and internal controls were effective. Noted the key risks and associated mitigations.
Received a presentation on the Operating Framework Review to be implemented within the Group.	Agreed with the priorities outlined in the Operating Framework Review, challenging as necessary.
Received focused reviews on the replacement of the Group's ERP system and cyber security updates.	Agreed with the priorities outlined in the presentations, challenging as necessary. Agreed to a cyber security update report to be considered at each Committee meeting.
Internal Audit	
Reviewed the proposed Group's Internal Audit Charter.	Approved the Group's Internal Audit Charter.
Considered the proposed Internal Audit plan for FY23.	Agreed that the risk-based audit plan, and proposed audits were relevant and appropriate in the light of the Group's principal and emerging risks.
Considered the Internal Audit reports, findings and agreed actions.	The Committee was satisfied that management had resolved, or were in the process of resolving, any outstanding issues or concerns in relation to matters scrutinised by the Internal Audit function.
Reviewed the scope, quality and effectiveness of Internal Audit.	Concluded that the Internal Audit function was effective and has implemented plans to evolve the Internal Audit function, moving from a fully outsourced model to a combination of in-house and external expertise. During the year this included recruiting a Senior Internal Audit Manager and a senior internal auditor.
Governance	
Reviewed the Committee's terms of reference.	Terms of reference were considered and remained in line with best practice and compliance with the Code.
Monitored employee training compliance in respect to data privacy, anti-money laundering, bribery and corruption, whistleblowing reports and investigations and other compliance matters.	Supported management's initiatives and received updates as appropriate.

The full terms of reference for the Committee can be found at **www.crestnicholson.com/investors/corporate-governance**

Audit and Risk Committee Report continued

Key financial and internal control matters

During FY22 the Committee considered the following key financial and internal control matters in relation to the Group's financial statements and disclosures with input from management and the external auditor.

Key financial and internal control matters	How the Committee has addressed these matters
Valuation of inventory	Inventory is the most significant balance on the consolidated statement of financial position and is held at the lower of cost and net realisable value (NRV). A forecast is maintained for the NRV of each development and this contains several key assumptions. Due to the influence of external factors and the cyclical nature of the housing market, there is a risk that the calculation of the developments' NRV may be subject to estimation error, leading to inventory being held at an incorrect value when an impairment charge to reduce its value would be appropriate. Management regularly review the selling prices and build costs of all the Group's housing stock, including the impact on future forecasts for developments not yet under construction, considering latest market valuations. Where forecasts determine that a site may no longer generate a margin, NRV is recognised in the consolidated income statement. During FY22 £9.6m of NRV has been charged, mainly on three legacy developments already held at zero margin, and, £17.7m of NRV has been used in the year on housing units sold, resulting in a net movement in the NRV provision of £8.1m in the year. The Committee understands the controls in place concerning NRV, including the minimum hurdle rates management require before projects are approved and how management monitors NRV on an ongoing basis. The Committee is satisfied that the internal controls in place ensure the effective assessment of inventory carrying values. Where any sites have low or negative margins, appropriate and sufficient provisions are made. Where NRV has been recognised during FY22, the Committee challenged management to ensure that appropriate assumptions were in place, in particular around expected levels of sales prices and build costs. The Committee was satisfied that inventory carrying values, and associated NRV, was appropriate.
Margin forecasting and inventory	The Group's margin recognition framework is based on the margin forecast for each phase of development. These margins, which drive the recognition of costs as revenue is taken, reflect estimated selling prices and costs for each development. This methodology then guides the allocation of total forecast costs, matching both land and build costs of a development, to each component of revenue. There is a risk that the margin forecast for the site and the margin subsequently recognised on revenue is not appropriate and reflective of the actual final profit that will be recognised on a development. Sales prices and build costs are inherently uncertain as they are influenced by changes in external market factors, such as the availability and affordability of mortgages, changes in customer demand due to market uncertainty and availability of labour and materials. The Committee continues to review management's internal control processes, the main areas of estimation and challenges management where appropriate. The Committee is satisfied that controls in this area and margins recognised in the Group's financial statements are appropriate.
Combustible materials provision	The Group has recognised an exceptional combustibles materials related charge of £105.0m in the year, in addition to that recognised in prior years. The year end provision balance is £140.8m. The charges relate to forecast costs associated with remedial works to be performed on legacy buildings with potential fire safety issues due to combustible materials and where the Group has a legal or constructive obligation to remediate. During the year, the combustible materials provision has been increased to reflect the most contemporaneous assessment of previous estimates 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 in their development 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, as well as considering the impacts of build cost inflation. These estimates are inherently uncertain due to the highly complex and bespoke nature of the buildings, actual costs differing to the amounts notified by the BSF costed projects, and that fire safety assessments in progress may require different levels of remediation and associated costs than those currently estimated. This is a highly complex area with judgements in respect of the extent of those properties within the scope of the Group's combustible materials guidance and the provision could be extended as the interpretation of Government guidance continues to evolve or due to cost estimation changes. By contrast, the Group expects to recover costs from architects and subcontractors involved in the construction of these schemes but does not recognise these benefits until they are received. The Committee reviewed and challenged the appropriateness, quantum, adequacy and completeness of the provision taking into account Government guidance in this area, experience gained since 2019 and potential exposure over the population of legacy developments. In particular, the Committee focused on the assessment of completeness performed by management given the significant expansion of potential scope of liabilities following the Group signing the Pledge. The Committee agreed that there was no certainty over the potential quantum of the contingent liability associated with sites not yet identified or provided for. The Committee was satisfied that the provision and related disclosures are appropriate. Due to the size and nature of the item, the Committee has agreed with management's opinion to continue to treat the combustible materials charge, and associated recoveries, as an exceptional item.

Viability and going concern

The Committee reviewed management's consideration in relation to the prospects of the Group, as set out in key audit matters on the prior page. It also satisfied itself that the going concern basis of preparation continues to be appropriate and made recommendations to the Board in this regard. The Company's viability statement can be found on page 65. Further information on the Group's going concern assessment can be found in note 1 to the consolidated financial statements.

Fair, balanced and understandable

At the request of the Board, the Committee has considered whether the FY22 Annual Integrated Report is fair, balanced and understandable and whether the information provided is necessary for stakeholders to assess the Group's strategy performance and business model.

The FY22 Annual Integrated Report is focused on the Group's key strategic messages and it is important that an assessment is undertaken to ensure these messages are fairly summarised and provide an accurate description of performance.

The fair, balanced and understandable process was led by the Group Finance Director, supported by members of Group Finance, the Company Secretariat, Investor Relations, Sustainability, HR and Marketing functions (AIR Group). This AIR Group was responsible for regularly reviewing the process and ensuring balanced reporting with appropriate links between key messages and sections of the Annual Integrated Report. A recommendation was made from the AIR Group to the Committee confirming that they considered the Annual Integrated Report was fair, balanced and understandable.

The Committee received a full draft of the Annual Integrated Report and provided feedback on it. The draft feedback was incorporated into the report prior to final Board approval.

In particular, the Committee considered whether the following aspects of the report were fair, balanced and understandable:

Fair	Balanced	Understandable
Provided a comprehensive review of the Group's activities and its strategy, which was communicated clearly and was consistent throughout.	Provided a balanced view with emphasis on both the key positive and negative points.	Provided a clear and structured framework for the Annual Integrated Report with key messages appropriately outlined throughout.
Accurately described current operational performance, including market trends surrounding customer service levels, political uncertainty, employee retention, impact of industry supply and skills shortages and the principal risks including regulatory change faced by the Group and the actions taken to mitigate this.	Clearly outlined the key accounting judgements and estimates in the Committee's report, consistent with those outlined in the financial statements, and how these reflected the external auditor's key audit matters.	Clearly and concisely presented the information, with key performance indicators rationalised to those most relevant to our stakeholders' assessment of the Group's performance.
Highlighted key messages in the narrative report that were aligned with the financial results.	Reflected appropriate events over the year and acknowledged the material issues faced by the Group.	Provided clear linkages and signposting throughout the report.

Following review, the Committee is satisfied that, taken as a whole, the Annual Integrated Report is fair, balanced and understandable.

External audit

External auditor

PwC was appointed as external auditor for the year ended 31 October 2015, following a tender process carried out in 2014. Darryl Phillips, the Group's lead audit partner, is in the third year of his tenure in FY22. The Group is beginning to make preparatory arrangements for carrying out a re-tender exercise in accordance with the EU Audit Regulation and Directive (as it forms part of UK law). The Group will put the external audit contract out to tender by 2024. The Group complies with the requirements of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 with respect to both the approach to the tender of the external audit and the provision of non-audit services.

The external audit process

The Committee, on behalf of the Board, is responsible for the relationship with the external auditor. PwC presented the strategy and scope of the audit for the forthcoming financial year alongside proposed AQIs. These AQIs are designed to assess the quality of the audit and have been developed by PwC alongside management. These AQIs will assist the Committee in measuring both management's and PwC's performance.

The Committee meetings allow time for the Committee and the external auditor to meet without management being present. PwC also meet with the Group Finance Director and the Group Finance team at regular intervals during the annual audit process.

External auditor effectiveness

An annual review of external audit effectiveness is undertaken at the conclusion of the year end audit. This uses a questionnaire-based approach to seek insight and feedback from management on key areas of the audit process, including the audit approach, the team, communications with the Committee and how the external auditor brings challenge and provides insight.

The review concluded that the audit process and the audit team continue to perform well.

The Committee also considered PwC's performance in respect to the FRC's Audit Quality Review (AQR) results for the year.

Independence and non-audit services

The Committee keeps the independence of the external auditor under regular review. It considers PwC's independence at least once a year, receiving reports from PwC on its internal quality controls and independence. In assessing the independence of the auditor from the Company, the Committee considers the information and assurances provided by the auditor confirming that all its partners and employees involved with the audit are independent of any links to the Group.

PwC confirmed that all its partners and employees complied with their ethics and independence policies and procedures, which are fully consistent with the FRC's Ethical Standard, including that none of its employees working on the Group's audit hold any shares in Crest Nicholson Holdings plc.

The Committee carefully considers the non-audit services provided by PwC. Where non-audit services are to be provided by PwC, both the Group and PwC have robust processes in place to prevent auditor independence being compromised.

Audit and Risk Committee Report continued

The Group operates a policy for the provision of non-audit services that is reviewed annually and is consistent with the regulatory framework for statutory audit. The policy sets out the types of non-audit service for which the use of the external auditor is prohibited (including accounting and valuation services) and provides a list of activities that are 'Permitted Non-Audit Services' that require the specific pre-approval of the Committee.

Non-audit fees

The Committee has pre-approved certain permitted non-audit services below a threshold as set out in the policy. The current threshold is £50,000 per year. Non-audit services were provided during the year in respect of the interim review of the half-year results. Fees payable were £95,000 (FY21: £90,000). PwC also provides audit services to the Group's defined benefit pension scheme and the associated fees are met by the scheme. For further information please see note 5 to the consolidated financial statements.

	FY22	FY21
Audit fees (£'000)	890	790
Non-audit fees (£'000)	95	90
Ratio of non-audit fees to audit fees	0.11:1	0.11:1

External auditor re-appointment

The Committee considers that PwC was objective and independent throughout FY22 and is proposing that PwC be re-appointed as external auditor to the Company at the 2023 AGM. There are no contractual obligations that restrict the Committee's choice of auditor and the recommendation is free from third-party influence.

Risk management and control environment

The Committee recognises that effective risk management is key to the long-term sustainable success of the Group and for achieving the Group's strategic priorities.

The Group's emerging and principal risks are considered by the Board. The Committee regularly reviews the effectiveness of the risk management process on behalf of the Board. Both the Board and the Audit and Risk Committee undertook dedicated risk review sessions on the Group's principal and emerging risks during FY22 and were satisfied that risk management and the control environment were robust in the financial year.

Risk management approach

Risk review sessions are held at divisional board level and reviewed and consolidated into the Executive Committee's Group risk review. This then feeds into the information and assurance processes of the Committee and into the Board's assessment of risk exposures and the strategies to manage these risks.

The Board (with input from the Committee) has carried out an assessment of the emerging and principal risks facing the Group and how those risks affect the prospects of the Group, alongside the mitigations in place.

During the year the Board, with support from the Committee, reviewed its risk appetite, which was themed around market, operational and governance matters. By the Board regularly reviewing its risk appetite, the Executive Committee and divisional boards are better placed in their decision making. More information about our approach to risk and our principal risks is found on pages 58–64.

To support the Board, the Committee reviews the Group's control environment alongside the principal risks.

Effectiveness of risk management and internal controls

The Group's internal controls are designed to mitigate risks that may prevent the achievement of the Group's strategy. The Group's internal controls are designed to provide reasonable assurance that potential weaknesses can be identified promptly, and appropriate remedial action taken.

The Group Finance Director has executive responsibility for risk management and the control environment. He is supported in this role by the Head of Internal Audit and General Counsel and Company Secretary. The Group's internal controls are designed to mitigate, rather than eliminate, the risk of not achieving corporate objectives. As such, they can only provide reasonable, and not absolute, assurance against material misstatement or loss. Further detail of our internal control framework and assessment is overleaf.

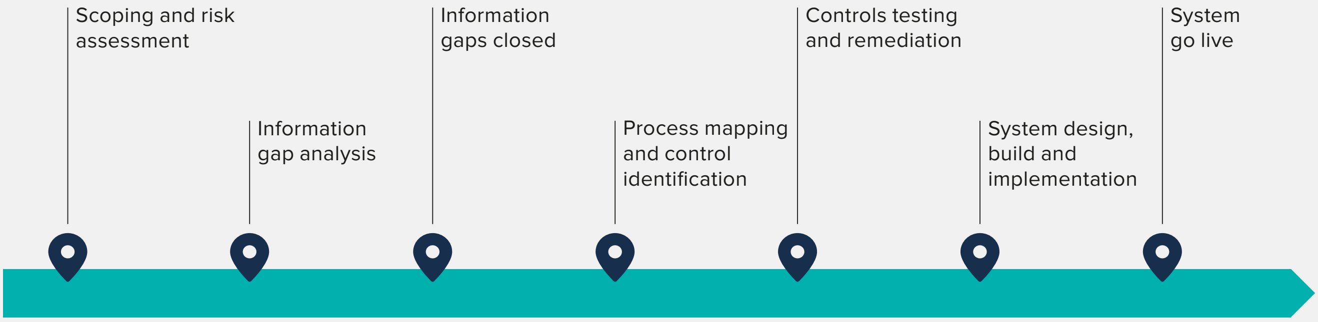
Operational Framework project

During the year the Group commenced a project to review and update its Operational and Key Financial Controls Framework.

The recently appointed Operational Framework Director will be responsible for reviewing existing policies and procedures to ensure that they contain sufficient and consistent governance and operational information, and for developing a more formalised framework to ensure that financial controls across the business are more consistently documented and can be more regularly tested.

Operational Framework summary plan

The summary plan to complete the Operational Framework project is as follows:



Internal control framework

The Group's internal controls are designed to mitigate risks that may prevent the achievement of the Group's strategy. They are designed to provide reasonable assurance that potential weaknesses can be identified promptly, and appropriate remedial action taken.

We have a well-established governance framework which defines roles and responsibilities for managing risks and operating internal controls at all levels of the Group:

- Approval levels and limits are governed by the Group's Delegated Authority Manual and these are built into our financial and operating systems, where necessary
- Group Finance have identified divisional key controls, which every division is required to adhere to
- Monthly management reporting and half-yearly financial reporting processes enable financial performance to be regularly reviewed against budget and forecasts at both divisional and Group levels. These controls have been improved during the year with the implementation of a new finance system and an updated Group Finance policy manual
- We have a Cost and Value Reconciliation (CVR) process ensuring that operational performance is regularly reviewed against budget. The controls over our commercial processes have been improved during the year with the implementation of a new ERP system and associated policy
- A three-year rolling forecast is maintained monthly and a five-year strategic plan is prepared annually. Scenario plans and sensitivity analyses are regularly produced and presented to the Board
- All major financing activities are operated by the Group Treasury function in accordance with treasury policies that are approved by the Board
- Tax compliance is managed by our dedicated internal tax team, with support from external advisors. We maintain a positive and transparent relationship with HMRC and have a 'low risk' tax status
- Employees are aware of the delegated authority limits set by the Board and confirm their understanding of relevant internal policies which are held on the Group's intranet
- Employees have annual performance development reviews with any training requirements identified and agreed
- The Group operates a whistleblowing policy which includes access to an independent helpline for anonymous reporting of concerns
- Carbon emissions data is reviewed internally by the Group before being verified by a third-party assessor
- Waste data is provided by our waste management partners and the data is collated internally and review processes are performed.

The risks identified with respect to financial fraud and error are mitigated through the following key controls:

- The Group's stance on fraud is implemented via several Group policies and procedures, including anti-bribery and corruption, anti-money laundering, gifts and entertainment, whistleblowing, expenses, cyber security, and share dealing
- Financial systems have appropriate segregation of duties following predefined approval limits and the ability to maintain vendors is segregated from purchasing, goods receipts, accounts payable and process disbursements. Changes to supplier bank accounts are verified to independent sources
- Stage-approval processes are in place for invoices and transactions and sufficient support is required by the Group Finance team which is subject to validation before payments are made
- Payroll is prepared by an experienced team with appropriate controls prior to payment being made
- All major balance sheet and income statement accounts are reconciled as part of the monthly management accounting process and reconciling items are identified and resolved in the month with detailed variance analysis to prior periods and budget being performed
- Land for development is only acquired after thorough due diligence of its commercial potential and risks and via appropriate approval limits
- We use certain national supplier agreements and preferred supplier lists to maintain control of our major materials and labour spend
- Work by subcontractors is appropriately tendered and awarded with background vetting being performed
- All sales discounts and incentives are approved in line with approval limits, and amendments to sales prices are restricted to authorised employees in the finance department
- All financial transactions are recorded and, where required, approved utilising finance systems or automated workflows
- Role-based access is in place for all financial solutions, and there are appropriate controls in place.

Key assurance activities

Internal assurance activities

- **Board, Board Committees and management committees:** monitor performance against strategy, recommend policies, procedures and initiatives, and oversee the management of risks and the operation of internal controls
- **Internal Audit:** the Internal Audit Plan covers the specific key risks of the Group and is approved by the Committee annually
- **Functional Forums:** each divisional function of the Group meets on a regular basis to review new and emerging risks, including new regulations. They also review and update policies, procedures, and recommend improvements to internal controls
- **Divisional key control attestation:** the Managing Directors and Finance Directors of each division are required to sign off compliance with the established divisional key controls every year
- **Safety, Health & Environment (SHE) function:** drives continual improvement in SHE performance across all our sites. It engages with the business via SHE inspections, the provision of training, information and advice to all employees, and by reporting to the SHE Committee with the Board considering appropriate SHE-related matters
- **Sustainability function:** drives continual improvement in sustainability performance across the Group and is responsible for driving performance against targets.

External assurance activities

- As part of the annual external audit, PwC tested a number of internal controls
- The carbon emissions data receives third party assurance to ISO 14064-3 standard
- We engage external independent safety auditors to conduct regular and unannounced site safety reviews
- We utilise a Security Operations Centre (SOC) to monitor our networks and have passed Cyber Essentials certification.

The Committee continues to believe that the Group's risk management and internal control systems, including the control and compliance culture within the business, provides a reasonable level of assurance that the financial statements are free from material error and misstatement. The Committee is satisfied that relevant systems and processes have been in place for the duration of the current year and up to the date of approval of the Annual Integrated Report.

Audit and Risk Committee Report continued

Internal Audit

The Committee's role is to monitor and provide oversight on the effectiveness of internal controls and risk management. It carries out this role in support of the Board's formal review of significant risks and material controls.

The Internal Audit team leads the internal audit process. This team is supported by Deloitte LLP who provide specific input on more specialist audits. Deloitte have been engaged by the Group since 2016 to perform this role.

The Internal Audit function is a key element of the Group's corporate governance framework. Its role is to provide independent and objective assurance, advice and insight on governance, risk management and internal control to the Committee, the Board and the Executive Committee.

The Internal Audit function reviews the effectiveness and efficiency of internal controls in place, providing assurance that internal controls remain fit for purpose and are applied consistently throughout the Group. In addition to reviewing the effectiveness of these areas and reporting on aspects of the Group's compliance with them, the Internal Audit function agrees actions with management to address any key issues and improve processes. Once any actions are agreed with management, Internal Audit monitor their implementation and report regularly to the Committee on progress made.

Internal Audit plan

The Group's Internal Audit plan is approved by the Committee, including the scope of individual audits which are aligned to the principal risks faced by the Group. The plan is continually assessed against progress and any emerging risks, reflecting any amendments to the plan where necessary.

The Committee considers the internal control recommendations raised by the external auditor during the external audit and incorporates these recommendations into the Internal Audit plan as appropriate.

During the year the Internal Audit team has continued to build its internal capabilities with the recruitment of two new team members, one with industry experience from the housebuilding sector. An internal audit methodology has been developed against the Institute of Internal Auditors Code of Practice and International Professional Practice Framework (IPPF). This provides a quality benchmark for the performance of internal work.

The Executive Committee and management responsible for the area reviewed, consider the reports on a regular basis. They are responsible for ensuring actions are implemented as agreed. Follow up and escalation processes are in place to ensure recommendations are implemented and fully embedded in a timely manner.

There are also a range of functions and roles which are also an important source of assurance. These include the Company Secretariat, IT, Group Finance, SHE and Quality Assurance. The Committee may request assurance reports from these functions or exploration of specific risks and mitigations. Processes carried out by these functions are also subject to review from Internal Audit.

Internal Audit effectiveness

The Committee continually reviews Internal Audit's effectiveness considering the quality, objectivity and expertise of the Internal Audit function. To support the Committee in evaluating the effectiveness of the Internal Audit function, feedback is received by key stakeholders including from the Board, Committee, divisional and functional management and the Executive Leadership Team. Following an evaluation of the services provided in respect of Internal Audit, the Committee confirms that both the process for determining the Internal Audit plan and the plan itself are appropriate and effective.

Internal Audit independence

The Committee continually reviews the independence of the Internal Audit function. Through reporting lines to the Chair of the Committee, the Head of Internal Audit can report any impairment to objectivity or independence. The Internal Audit function also liaises with PwC, the external auditor, discussing relevant aspects of their respective activities which ultimately supports the assurance provided to the Committee and the Board.

Internal Audit in FY22

A risk-based Internal Audit plan is developed in consultation with the Executive Committee and key stakeholders, assessing key risks and areas of strategic development, any emerging themes from previous audit work and evaluation against external benchmarks. The plan is subject to further review and ultimate approval by the Committee.

The Internal Audit plan in FY22 focused on specific key and emerging risk areas across the Group. Key examples during the year included:

- A review of the Group's talent management strategy, succession and diversity and inclusion processes and conduct policies
- A rolling audit programme assessing the effectiveness of monthly divisional build cost reviews and associated controls
- An audit of the design and operating effectiveness of HR controls covering recruitment, reward and compensation, master data, disciplinary and grievance processes
- A focused review of cyber security controls tested against the National Cyber Security Centre (NCSC) frameworks using external cyber security specialists
- The effectiveness of Group and divisional procurement processes
- Agile programme audits and advisory controls support of the ERP implementation
- Continuous testing of the operational effectiveness of divisional operational and financial key controls
- A review of the effectiveness of fraud controls across the Group
- A review of the design of site close procedures and the effectiveness of the sales process.

Ethical behaviours and safeguarding

The Board and Committee are committed to the highest standards of ethical behaviour, honesty and integrity in the Group's business practices. Employees and supply chain partners are made aware of the Group's strategy and how their behaviours impact delivery and they are expected to work in line with the Group's values.

Anti-fraud and anti-bribery

The Committee has a zero tolerance of bribery, corruption or fraud. In the first instance of an incident being reported, a summary of the allegation is passed to the Group HR Director and the General Counsel and Company Secretary to decide on the appropriate course of action and investigation. The findings of the investigation are reported to the Committee.

The Group has an anti-bribery and corruption policy which all employees must follow and is supported by mandatory online training that employees must complete annually. Supporting policies and processes exist to monitor compliance and prevent bribery being committed on the Group's behalf. As part of this, employees are required to comply with the Group's gifts and entertainment policy which only permits employees to accept or give proportionate and reasonable hospitality for legitimate business purposes. As part of their audit plan, during the year our Internal Audit function reviewed our suite of bribery and corruption polices and procedures. As a result, an opportunity was identified to enhance our gifts and entertainment register process by moving them to a web-based portal which the Group is currently developing.

The Group has in place robust anti-money laundering (AML) policies, processes and oversight, supported by AML guidance and training available to all divisions.

The Group operates and maintains several policies and procedures which set out what is expected of employees and supply chain partners to protect themselves as well as the Group's reputation and assets. These policies and procedures are supported by online training which employees are required to complete on a regular basis. Supply chain partners are required to agree to the Group's Supply Chain Code of Conduct. The Committee oversees the implementation of these policies, reviews any incidents arising and training progress.

Speaking Up – Whistleblowing

The Board is responsible for the Group's arrangements with regard to whistleblowing and receives updates on any matters raised at each of its meetings. The Committee is responsible for reviewing the adequacy and effectiveness of the Group's whistleblowing arrangements.

The Group's Speaking Up (whistleblowing) policy has been written in an accessible language to support employees and subcontractors and is made available at all sites. Employees and supply chain partners are encouraged to report any concerns of malpractice in an open and honest way. The policy not only provides details of a free independent helpline that can be used to report concerns but also confidential support services that individuals could use if they need assistance in making a report.

Remuneration
Directors' Remuneration Report

Providing fair and appropriate remuneration across the Group is an important part of implementing the Group's strategy. Taking into account all stakeholders, the Committee carefully formulates and applies the Remuneration Policy throughout each year.

Committee overview

Committee members

Octavia Morley
Remuneration Committee Chair

Iain Ferguson CBE
Chairman

David Arnold
Non-Executive Director

Lucinda Bell
Non-Executive Director

Louise Hardy
Non-Executive Director

Activity during the year

- Reviewed and consulted with shareholders in relation to the 2023 Directors' Remuneration Policy to be considered at the 2023 AGM
- Engaged with employees as part of setting the 2023 Directors' Remuneration Policy
- Reviewed employee pay and benefits, including pension
- Considered and approved a one-off cost of living payment of £1,000 per employee below the Executive Leadership Team (ELT)
- Considered LTIP measures and targets for FY23
- Considered FY22 bonus scheme outcomes and final vesting of LTIP awards
- Reviewed the pay of Executive Directors and Chairman
- Determined the bonus scheme structure for FY23
- Reviewed 2022 AGM outcomes and feedback from shareholders
- Determined leaver terms for an Executive Director.

Looking ahead

- Ongoing consideration of employee pay including the current cost-of-living challenges
- Monitor performance of in-flight incentive awards during the year and consider FY23 outcomes
- Consider annual bonus and LTIP measures and targets for FY24
- Review ESG measures link to remuneration in context of the Group's strategy.

Committee snapshot

- Octavia Morley has chaired the Committee since October 2017
- Members of the Committee are independent Non-Executive Directors and Iain Ferguson (Chairman) was independent on appointment
- Attendance at Committee meetings is set out on page 80 and the relevant Directors' biographies can be found on page 71
- Other regular attendees at meetings at the invitation of the Committee include the Chief Executive, Group HR Director and General Counsel and Company Secretary.

Introduction

I am pleased to introduce this Directors' Remuneration Report for the year ended 31 October 2022 which consists of the Annual Report on Remuneration and the new Remuneration Policy being proposed at our AGM on 23 March 2023 (2023 Policy).

The Report sets out how the Committee has considered remuneration in the context of the performance of the Group and prevailing market conditions in determining remuneration outcomes, and in setting targets for FY23.

Having considered the overall pay outcomes, the Committee is satisfied that the current Director's Remuneration Policy (2020 Policy) operated as intended during the year and remuneration is appropriate, taking into account incentive outcomes across the Group, the relativities between employees and the Executive Directors and the wider stakeholder experience.

As the 2020 Policy reaches the end of its three-year cycle in FY23 the Committee reviewed the 2020 Policy taking into account (among other things) the Group strategy, corporate governance developments, institutional investor views and market practice. The review concluded that our 2020 Policy is working effectively and as a result, after consultation with stakeholders, we are only proposing minor changes, and these are set out later in the report.

I would like to thank the members of the Committee, major shareholders and employees with whom we have consulted, for their time and support.

FY22 remuneration outcomes

Bonus scheme

In respect of the annual bonus we were pleased that FY22 saw strong performance in our key financial measures of profit growth and cash generation, which accounted for the majority of the bonus opportunity. This was offset by weaker performance in relation to Customer Service and Quality, where we fell below our target of 90%, the level required to achieve five-star in the Home Builders Federation (HBF) Customer Satisfaction Survey.

In addition, FY22 was the first year that we incorporated a specific performance measure to reduce scope 1 and 2 combined emissions intensity. We are particularly pleased that we made strong progress against this new measure in its first year of measurement for remuneration purposes.

This has led to an overall bonus outcome of 80.1% of maximum, for Executive Directors, which the Committee considers is appropriate in view of the performance during the year. Employee bonus schemes across the Group operated with similar measures and opportunity.

LTIP

The 2020 LTIP award measured performance over the three financial years FY20-FY22, as summarised below:

	Target range (to be achieved in FY22)	Performance	Vesting
EPS[1]	48.9–52.3 pence	42.0 pence	0.0% out of 40.0%
ROCE	19.3%–23.3%	22.5%	34.1% out of 40.0%
EBIT[2]	14.2%–15.2%	15.4%	20.0% out of 20.0%
Total			54.1% out of 100.0%

1 Adjusted Earnings per Share (EPS).
2 Adjusted EBIT margin.

The Committee considers that this outturn is an appropriate reflection of performance over the three years and discretion has not been used to adjust the outcome. In addition, it was noted that awards were granted in February 2020 at a higher share price than at vesting, and as such, there is no windfall gain.

Board changes

During the year, the Board and Tom Nicholson agreed that it was the appropriate time for Tom to leave the Group and Tom stepped down from the Board on 27 May 2022. The Board recognises Tom's contribution to the successful delivery of the Group's turnaround and thanks him for his hard work and dedication during this period. The Committee exercised discretion to treat Tom as a good leaver. Details of his remuneration for FY22 and treatment of his outstanding incentive awards are detailed later in this report on page 115.

New Remuneration Policy

Our 2020 Policy reaches the end of its three year cycle at the 2023 AGM and we therefore seek shareholders' approval for the 2023 Policy. The Committee undertook a thorough review, noting that the 2020 Policy has accommodated the significant challenges faced by the Group through the COVID-19 pandemic, as well as management changes over the period. Overall, taking into account that there have been relatively few external drivers for change, we propose that the 2020 Policy, and its operation, only need minor adjustments.

The principal change is to increase Policy headroom for annual bonus from 125% to 150% of salary and LTIP awards from 150% of salary (or 200% in exceptional circumstances) to 200% of salary in all circumstances. While there is currently no intention to increase the current levels of annual bonus and LTIP opportunities beyond 125% and 150% of salary respectively, these are below our assessment of market levels. This additional headroom may be useful in the future, for example, in management succession, where we may wish to have a lower proportion for fixed pay and higher proportion for incentive pay.

We have updated the wording for the 2023 Policy in relation to Executive Director pension provision to reflect the position now where both Executive Directors receive a pension contribution in line with the contribution paid to the majority of the workforce (currently 6% of salary). The Chief Executive's pension reduced from 10% to 6% of base salary from 1 January 2023.

We have also made minor changes in relation to the structure of annual bonus deferral and Committee discretion in relation to the LTIP. Further details can be found in the Policy section of this report on page 105.

FY23 remuneration approach

For FY23 we propose to make minimal changes to the measures, and again ensuring that all variable pay is subject to stretching performance targets linked to the Group strategy and outlook.

Salary

In light of the cost of living challenges being faced by all employees, we have considered wider employee pay through the year. Where appropriate, the Group has supported employees with salary increases. This has led to an annual workforce average increase of 6.4% and, following careful consideration, we have applied a lower increase of 5% to the Executive Directors. This remains below the current rate of inflation and also reflects the increase in responsibilities for both Executive Directors following the departure of Tom Nicholson. In addition, the annual bonus and LTIP opportunities are below our assessment of midmarket levels, which results overall in their packages remaining broadly in line with the market. An increase of 3% has been agreed for the Chairman, and the Board agreed a 3% increase for Non-Executive Directors.

Annual bonus

The annual bonus opportunity will remain unchanged, based again on 50% for profit and 20% for cash flow measures. Customer Service and Quality will remain but increases to a 15% weighting. The ESG measures this year will consist of 7.5% for waste reduction and 7.5% for further targeted reduction in employee turnover.

LTIP

We remain committed to our long term carbon emissions goals (that we discuss more fully on pages 26–29) and such a measure will now be part of our long term incentive for FY23. These combined measures continue to align to the strategy of the Group as well as meeting the Committee's priority for simplicity and transparency.

The Committee has reviewed the LTIP measures as part of the 2020 Policy review and proposes a slight change to the mix of measures such that Total Shareholder Return (TSR) will be increased from 40% to 50% and ROCE will increase from 30% to 35%. We have removed EBIT margin this year, recognising the significant improvement in recent years and the element of crossover with return on capital employed (ROCE). This is replaced by a long term ESG measure (15%) that will incentivise further reductions in scope 1 and 2 emissions by FY25. This directly relates to our sustainability strategy and Science Based Targets, as well as being a measure linked to our Sustainability Linked Revolving Credit Facility.

We intend to grant awards to Executive Director at 150% of salary as in prior years, but the Committee will review this decision in light of the prevailing share price at the date of grant. Alternatively we would consider a potential scale-back at the time of vesting.

Renewal of LTIP and SAYE Schemes

Our existing Long Term Incentive Plan (LTIP) and Save-As-You-Earn (Sharesave) Schemes have a 10 year cycle and expire in February 2023. Accordingly, shareholder approval is being sought to renew these schemes for a further 10 years. In respect of Executive Directors, both schemes will be operated in line with the prevailing Directors' Remuneration Policy.

Employee pay

A significant focus area for the Committee during the year has been the operation of employee pay across the Group and specifically the increased cost of living and the levels of employee turnover.

As part of our response to this, the Committee approved a one-off payment of £1,000 in July 2022 to all employees below the ELT.

In addition, the Group has looked closely at base salary levels through the year and at the annual review to ensure that they remain appropriately benchmarked to our desired market positioning and where required, salary levels were adjusted.

The Group pays salaries above the real Living Wage (other than for apprentices who are covered by other wage rates). In addition, the Group is taking steps to become formally accredited by the real Living Wage Foundation during FY23.

We also reviewed our levels of pension contribution where the workforce average is 6% of salary. We considered whether any employer increase was appropriate but concluded that, at the current time, there should be a concentration of the available budgetary spend toward base salary increases.

The Group has made further salary increases in FY22 across the workforce reflecting changes to market rates.

Directors' Remuneration Report continued

Combustible materials

With respect to the Group's ongoing work to remediate buildings where fire safety concerns have been identified, the Committee has carefully monitored the operation of incentive schemes during the year. Specifically, the Committee focused on ensuring that no measure acted as any incentive not to progress all remedial solutions (as well as incurring associated costs) as quickly as possible.

The Committee was prepared to make adjustments to outcomes should this have been necessary. No such adjustments were required.

Committee effectiveness and engagement

We undertook engagement activity with our institutional shareholders in FY22 with respect to remuneration matters and our proposed 2023 Policy.

We received no negative feedback about pay outcomes for FY22. Shareholders provided feedback with respect to our draft 2023 Policy all of which has been carefully considered, and where appropriate, reflected in the final 2023 Policy.

I continue to remain available to shareholders to discuss remuneration matters.

As part of the annual Board evaluation which was internally facilitated the Committee's performance was considered and it was concluded that the Committee continues to work effectively.

Details of how we have applied the relevant requirements of the UK Corporate Governance Code 2018 (Code) can be found throughout this Remuneration Report.

Concluding remarks

I would like to thank our shareholders for their ongoing support on our approach to remuneration.

We believe that the minor changes proposed to the 2020 Policy provide some flexibility for future operation and are prudent in the circumstances.

We will continue to ensure that our remuneration approach aligns to our strategy and that all measures will be subject to the achievement of stretching targets.

We hope that you will be able to support the resolutions approving the new 2023 Policy, the advisory vote on the Directors' Remuneration Report as well as the resolutions to renew our share schemes.

Octavia Morley
Remuneration Committee Chair

The full terms of reference for the Committee can be found at **www.crestnicholson.com/investors/corporate-governance**

Alignment with strategy – FY22 performance

	Link to strategy	Performance
Annual bonus		
Adjusted profit before tax (50%)	3 5 9	**£137.8m**
Net cash (20%)	2 3 5 9	**£276.5.m**
Carbon reduction (10%)	3 7	**1.82**[1]
Customer service and quality (10%)	1 4	**88.0%**
Voluntary employee turnover (5%)	6	**27.4%**
Employee engagement (5%)	6	**83%**
SHE leadership (-10%)	8	✓
LTIP		
Adjusted EPS (40%)	3 5 9	**42 pence**
ROCE – FY22 (40%)	2 3 5 9	**22.5%**
Adjusted EBIT Margin – FY22 (20%)	3 5 9	**15.4%**

Threshold Stretch

Strategic foundations and priorities

1 Placemaking & Quality
2 Land Portfolio
3 Operational Efficiency
4 Five-Star Customer Service
5 Multi Channel Approach
6 People
7 Sustainability & Social Value
8 Safety, Health & Environment (SHE)
9 Financial Targets

1 tCO_2e/100 sq.m of completed floor area.

Remuneration at a glance

Remuneration in FY22	Peter Truscott	Duncan Cooper
Total pay (single figure) Details on page 111	1. Fixed £757,474 2. Variable £998,621 3. Total pay £1,756,095	1. Fixed £419,026 2. Variable £514,633 3. Total pay £933,659
FY22 outcomes vs performance scenarios Fixed remuneration Bonus and LTIP	**FY22 Performance scenarios**[1] Expected minimum performance £760,635 Expected on-target performance £1,681,198 Expected maximum performance £2,601,760 **FY22 Actual performance** Total pay (Single Figure) FY22 £1,756,095	**FY22 Performance scenarios**[1] Expected minimum performance £420,872 Expected on-target performance £918,294 Expected maximum performance £1,454,735 **FY22 Actual performance** Total pay (Single Figure) FY22 £933,659
2022 LTIP Details on page 113	Awarded 150% salary Subject to the achievement of performance conditions	Awarded 150% salary Subject to the achievement of performance conditions
FY22 annual bonus outcome Details on page 112	£670,036 100.1% salary from a maximum 125% salary	£376,251 100.1% salary from a maximum 125% salary
FY20 LTIP outcome Details on page 113	£328,586 54.1% of the award vested	£138,383 54.1% of the award vested
Shareholding Details on page 114	137.1% / 62.9%	31.9% / 168.1%

1 Each Directors' Remuneration Report contains performance scenario graphs for the following year. The scenario graphs presented here are those previously published on page 113 of the Annual Integrated Report 2021.

Progress towards holding requirement | Balance to achieve 200% shareholding requirement

Remuneration for FY23

2023 LTIP
Details on page 121

Award of 150% salary

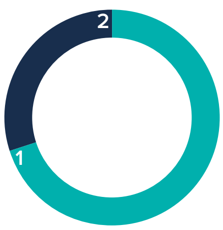
Performance measures

TSR	50%
ROCE	35%
ESG	15%

FY23 annual bonus
Details on page 120

Peter Truscott
Maximum 125% salary

Duncan Cooper
Maximum 125% salary



1 Financial	70%
Adjusted operating profit before tax	50%
Net cash	20%

2 Non-financial	30%
Customer service and quality	15%
Waste reduction	7.5%
Reduction in voluntary employee turnover	7.5%
SHE Leadership	up to -10%

Our employees

Details on page 118

Sharesave participation across all plans

49%

% of employees in a bonus plan

97%

Employee engagement

Louise Hardy, Non-Executive Director responsible for employee engagement, and Committee Chair, Octavia Morley, discussed the proposed 2023 Policy and the application of remuneration across the Group at Employee Voice events during the year. The outcome of these discussions has been considered by the Committee as part of its decisions in the year.

Directors' Remuneration Policy

2023 Policy

The Directors' Remuneration Policy in force from time to time, sets the overall framework for the remuneration of the Directors of the Group and is designed to attract, retain and incentivise our Executive Directors in such a way as to promote the long-term success of Crest Nicholson and be aligned with our shareholders' and other stakeholders' interests. Simplicity and transparency are also key.

Subject to shareholder approval, the 2023 Policy which follows, will apply from the date of the 2023 AGM for a period of three years, unless changes to the 2023 Policy are required earlier. All remuneration payments and payments for loss of office must be consistent with the terms of the Policy in place at that time.

If the Group wishes to make a payment which is not consistent with a policy, it must seek shareholder approval for an amendment to the prevailing policy before the payment can be made.

Decision-making process for determination, review and implementation of the 2023 Policy

The 2023 Policy was developed by the Committee taking into account:

- clear alignment with financial and operational performance as well as the Group's strategy, purpose, values and KPIs
- changes in institutional views and the broader corporate governance environment
- alternative structures such as restricted shares
- the remuneration arrangements, policies and practices for the workforce throughout the Group
- promotion of high levels of Executive Director share ownership to align the interests of shareholders and Executive Directors
- the importance of attracting, retaining and incentivising high-calibre Executives.

The Committee communicated details of the revised 2023 Policy to major shareholders and employees in consultation exercises held during the financial year. The Committee also took into account the views of management and its independent remuneration consultants but no individual was involved in discussions about their own remuneration.

In considering the use of restricted shares, the Committee concluded that the existing LTIP structure with specific performance conditions provided a stronger link to the strategy than alternative structures.

The Committee will continue to consult with shareholders where there is a material change proposed in the way in which we operate our Policy throughout the Policy period to ensure their views are taken into account.

The implementation of the Policy is considered annually by the Committee for the year ahead in light of the strategic priorities while incentive targets are also reviewed to check if they remain appropriate or need to be recalibrated.

Alignment of the proposed 2023 Policy with the UK Corporate Governance Code 2018

Clarity Remuneration arrangements should be transparent and promote effective engagement with shareholders and workforce.	— The Policy is clear and is described in straightforward concise terms.
Simplicity Remuneration structures should avoid complexity and their rationale and operation should be easy to understand.	— Remuneration structures are as simple as possible and market typical, while at the same time structured to ensure a strong alignment to performance, strategy and minimising the risk of rewarding failure.
Risk Remuneration arrangements should minimise reputational and other risks from excessive rewards. Behavioural risks that can arise from target-based incentive plans, are identified and mitigated.	— The Policy has been designed to discourage inappropriate risk taking through: — A weighting of incentive pay towards long-term incentives — The balance between financial and non-financial measures — A significant portion of the annual bonus being paid in shares, the presence of recovery provisions, as well as in-employment and post-employment shareholding requirements.
Predictability The range of possible values of rewards to individual directors and any other limits or discretions should be identified and explained at the time of approving the policy.	— The annual bonus and LTIP awards are subject to caps and plan dilution limits. Examples of how remuneration varies depending on performance are set out in the scenario charts on page 110 — The Committee may exercise its discretion to adjust Executive Directors' remuneration if a formula-driven incentive pay-out is inappropriate in the circumstances — Outcomes will not reward poor performance.
Proportionality The link between individual awards, the delivery of strategy and the long-term performance of the company should be clear. Outcomes should not reward poor performance.	— There is a broadly equal balance between fixed pay and variable pay at a target level of performance.
Alignment with culture Incentive schemes should drive behaviours consistent with company purpose, values and strategy.	— The Committee considers the Group's culture alongside employee policies across the Group when developing and implementing Executive Director remuneration policies. There is a constant focus on the appropriateness and fairness of remuneration structure and outcomes throughout the Group and its workforce.

The changes to the Policy approved in 2020 are set out below:

	Proposed change	Rationale
Variable pay	Limit for annual bonus increased from 125% to 150% of salary. Maximum award for LTIP simplified from 150% of salary, or 200% of salary in exceptional circumstances to 200% of salary in all cases.	This will provide additional flexibility over the 2023 Policy period. There is no current intention to vary the limits for current Directors' annual bonus or LTIP (they will remain at 125% and 150% respectively for FY23). However, the flexibility may be required in the future, for example for management succession where we may wish to have a lower proportion for fixed pay and higher proportion for incentive pay. Any use of higher award limits will be disclosed and explained in the following Directors' Remuneration Report.
Bonus deferral	Currently, one-third of a bonus earned by Executive Directors is deferred as share award under the Deferred Bonus Plan. Each award vests after three years subject to service and shares are delivered at the end of this period. Instead, one third of the total annual bonus net of tax, national insurance and other statutory deductions will be delivered in shares immediately, subject to a holding period of three years (Deferred Shares). Deferred Shares would continue to be subject to the holding period after cessation of employment and clawback and malus provisions will continue to apply in the same way as the existing arrangements. Deferred Shares will receive the dividends paid by the Company from time to time.	Immediate delivery of the shares provides a greater alignment with the interests of shareholders and is a simpler approach. The Group will have in place an appropriate mechanism to ensure that shares subject to the holding period, are under its control.
LTIP vesting	The Committee currently has the flexibility to use its discretion to reduce the value of an LTIP award at the time of vesting. This flexibility will be broadened to allow the Committee to also use discretion to increase or decrease the value of an LTIP award on vesting.	This will bring this aspect of the LTIP in line with market practice and be consistent with the annual bonus plan. Discretion will continue to be used carefully and with full rationale given in the following Directors' Remuneration Report.
Pension	The section covering pensions has been simplified to reflect the position on 1 January 2023 whereby all Executive Director pension contributions are in line with the contribution applying to the majority of the workforce (currently 6% of salary).	Transitional arrangements for the Chief Executive are no longer required and have been removed.
Payment of NED fees in shares	Allow the option to pay some or all of a Non-Executive Director's fees in shares.	Although the Company has no current intention to do so, it is aware that the Government has stated that it wishes to see this reform. The Committee considers it prudent to add this ability to the 2023 Policy to give this flexibility should market practice develop in this way.

Statement of consideration of shareholder views

As part of developing the 2023 Policy, the Committee consulted with its major shareholders and noted that the majority of feedback was positive. The feedback received was taken into account in the formulation of the 2023 Policy and the new Long Term Incentive Plan rules. In particular the individual limit in exceptional circumstances in the LTIP rules was reduced from 300% to 200% of salary, following feedback.

In considering the operation of the Policy, the Committee takes into account the published remuneration guidelines and specific views of shareholders and proxy voting agencies. The Committee consults with the Company's major shareholders, where considered appropriate, regarding changes to the operation of the 2023 Policy and when the 2023 Policy is being reviewed and brought to shareholders for approval. The Committee considers specific concerns or matters raised at any time by shareholders. In addition, the Chair of the Committee regularly participates in governance meetings with the Company Chairman, offered to larger institutional shareholders normally on an annual basis.

Engagement on Executive Director remuneration and the Directors' Remuneration Policy

At the Employee Voice Forum (Forum) led by Louise Hardy, Non-Executive Director responsible for employee engagement during late September and early October 2022, the Chair of the Committee attended and engaged with Forum members on remuneration matters. During the course of the presentation, Octavia Morley covered such matters as the remit of the Committee, the Committee's approach to reward and how it seeks to achieve the right balance in remuneration decisions. A table showing how the reward package cascaded across the Group was shared and a more detailed discussion was held on how the variable reward plans and their measures are developed. As part of this, the draft 2023 Policy was discussed and feedback sought on how culture should be taken into account when setting pay, whether employees understood their bonus schemes or had ideas on other measures that could be used and whether employees had any concerns about the 2023 Policy.

In general, the Forum attendees were supportive of the 2023 Policy and thought it was transparent and fair. However, they agreed more could be done to assist with understanding how their own annual bonus schemes were tracking during the year.

Directors' Remuneration Policy continued

Remuneration Policy table

This section sets out the 2023 Policy that will guide the Remuneration Committee's decision-making process in the area of Executive Director remuneration. This can also be found at **www.crestnicholson.com/investors/results-centre**.

The 2020 Policy was approved at the Company's AGM on 24 March 2020 and has reached the end of its three-year cycle. Subject to receiving shareholder approval at the Company's AGM in March 2023, the new Policy, set out below, will replace the current Policy – effective from the date of the 2023 AGM for a period of up to three years.

Element and link to strategy	Operation (including maximum opportunity)
Base salary for Executive Directors Recognises individual experience, responsibility and performance. Provides an appropriate level of fixed pay without over-reliance on variable pay. Essential to recruit, incentivise and retain the best people in the market to execute the Group's strategy.	Salaries are normally reviewed annually, or when there is a change in position or responsibility, taking into account: — Personal and Group performance — Salary increase received by the wider workforce — Inflation and earnings forecasts — External marketplace comparisons. Base salary is set with reference to similar roles in a group of UK housebuilders and other listed companies more widely. The exact positioning of salary depends on a variety of factors, including: — The specific nature of the role and responsibility (particularly where this is not directly comparable to roles outside the Group) — Individual experience and performance — Cost of living increases and inflation — Group performance — Relativities to other Group employees — Market practice among other UK housebuilders. A new Director may be appointed at a salary less than the prevailing market rate but which may increase over a period to the desired positioning, subject to satisfactory performance. While the Committee is guided by increases applied to employees in general, it retains discretion to apply an above-employee increase to a Director's salary. This may occur, for example, should there be a change in: the scope of an individual's role, the complexity of the business or market, or the size or value of the business that the Committee believes justifies a further adjustment of salary. **Performance framework** The Committee considers and sets appropriate individual Director salary levels annually having regard to the factors noted in this element of the Policy. Salary is not linked to specific financial or non-financial performance measures.
Fees for Non-Executive Directors Remunerates appropriately based on individual experience, time commitment and responsibilities.	Non-Executive Directors' fees are paid in cash and/or shares and are not performance related. Fees are reviewed annually and set taking into consideration the time commitment and responsibilities of the role, the sector and market practice. Fees are determined and approved by the Board upon a recommendation from the Executive Directors. The Chairman's fee is set by the Committee. No Director is involved in setting his or her own fee. Additional fees may be payable in relation to extra responsibilities or time commitments undertaken, for example chairing a Board Committee and/or holding the position of Senior Independent Director. Any reasonable expenses incurred in carrying out duties will be fully reimbursed by the Company including any personal taxation associated with such expenses.
Benefits Provides a competitive level of benefits and encourages the wellbeing and engagement of our people.	A range of benefits are provided, including but not limited to: — Family private medical insurance — Company car or car allowance — Income protection — Personal accident insurance — Life assurance — Annual health check — Holiday and sick pay. The cost of these benefits varies over time depending on their cost in the market and individual circumstances. Directors who are required to move for a business reason may, where appropriate, be provided with relocation assistance. Where the Group offers a flexible benefits approach to employees generally (where the value of one benefit may be exchanged for another), a Director would also have the option to do so. Other benefits in line with those received by employees generally may also be offered at the discretion of the Committee, such as long service awards or recognition of life events. The Group may also operate all-employee share incentive plans including Sharesave (SAYE), Share Incentive Plan (SIP) and other HMRC tax-approved all-employee schemes. Directors may participate in these on the same terms as other employees. As a general principle, benefits are not provided to Non-Executive Directors. However, there may be exceptional circumstances under which the Group provides a benefit, for example private medical cover, either with or without their meeting the cost (at the Group's negotiated rate).

Element and link to strategy	Operation (including maximum opportunity)
Pension Provides retirement planning and protection to employees and their family during their working life.	Executive Directors may participate in the Crest Nicholson defined contribution pension scheme or, where deemed appropriate, receive cash in lieu of all or some of such benefit. A contribution will be payable in line with the pension contribution available to the majority of the workforce, currently 6% of salary.
Annual bonus Incentivises and rewards individuals to execute the Group's strategy and achieve objectives linked to its strategic priorities and foundations. Deferred element encourages longer-term shareholding and links part of annual bonus payment to the further success of the Group and stakeholder and shareholder interests.	The maximum bonus opportunity is capped at 150% of salary for Executive Directors, with on-target performance receiving 50% of maximum and up to 25% of the maximum payable for threshold performance. — Two-thirds of the bonus is paid in cash — One-third of the bonus is paid in shares (post tax, national insurance and other statutory deductions) and subject to a holding period of three years (Deferred Shares). Annual bonus is non-pensionable. Deferred Shares will receive the dividends paid by the Company from time to time. **Performance framework** At least half of the bonus will be linked to one or more financial metrics with the remainder linked to non-financial metrics, normally measured over a period of one financial year. Non-financial metrics will be based on relevant operational, business, ESG or personal objectives. The specific performance targets are set with the aim of setting stretching targets which incentivise and reward improved performance. The Committee may, in exceptional circumstances, use its discretion to amend the bonus outcome if it believes that it does not properly reflect overall underlying business performance, an individual's contribution or some other factor. The bonus (cash and Deferred Shares) is subject to recovery provisions for three years from the date of payment in the event of serious misconduct, corporate failure, material misstatement of financial statements, material failure of risk management, material breach of health and safety or environmental regulations, serious reputational damage arising from misconduct, error in calculation, or events that are similar in nature or outcome to those above. Repayments may be made through a reduction in future bonus or share awards on vesting, or by direct repayment.
Long-Term Incentive Plan (LTIP) Incentivises long-term shareholder value creation and execution of the strategy over the longer term. Drives and rewards achievement of key long-term Group objectives aligned with the strategy and with shareholder interests. Contributes to building a meaningful shareholding by aligning interests with wider shareholders.	LTIP awards will take the form of nil-cost options or conditional share awards. LTIP awards normally vest on the third anniversary of grant subject to achievement of performance measures and (other than in good leaver situations) provided the Director remains in office with the Company. Award levels will be at a maximum of 200% of salary. Amounts equivalent to any dividends or shareholder distributions made during the vesting period may be awarded in respect of vested or exercisable LTIP awards, normally in the form of shares. A two-year post-vesting holding period will apply to all vested LTIP awards. **Performance framework** Awards will be subject to challenging performance conditions in line with the Group's strategy (including ESG measures) and Total Shareholder Return (TSR) and will be measured normally by reference to a three-year performance period. A maximum of 25% of each element vests for achieving the threshold performance target. The Committee intends to use TSR (50%), ROCE (35%) and ESG (15%) for new awards and the range of metrics over the policy period is expected to remain consistent, though the Committee reserves discretion to change these metrics. The Committee will review the measures, their relative weightings and targets prior to each award and may make changes as is deemed appropriate. The Committee reviews the measures, their relative weightings and targets prior to each award and makes changes as are deemed appropriate. The Committee may, in exceptional circumstances, use its discretion to adjust the level of vesting of LTIP awards if it believes it does not properly reflect overall underlying business performance, shareholders' experience, an individual's contribution or any combination thereof. LTIP awards are subject to clawback and malus at the Committee's discretion in the event of material misstatement of financial statements, material failure of risk management, corporate failure, material breach of health and safety or environmental regulations, serious reputational damage arising from misconduct, serious misconduct, error in calculation, or events that are similar in nature or outcome to those set out above. Clawback and malus applies if such an event occurs within three years of an award vesting or, in the case of an option, when it first becomes exercisable. Repayments may be made through a reduction in future bonus or share awards on vesting, or by direct repayment.
Minimum shareholding requirement Encourages long-term commitment and alignment with shareholder interests.	Executive Directors are expected to build up and retain a significant shareholding equivalent to at least 200% of their base salary. Executive Directors are required to retain 50% of vested deferred bonus/shares and LTIP awards after sale of shares for tax, national insurance or other statutory deductions until the requirement is met. **Post-service requirement** An Executive Director shall continue to hold shares equivalent to 200% of their base salary for a period of two years following termination of their employment. If an Executive Director holds less than 200% of their base salary at the date of cessation, they must continue to hold that lower level for the same period of two years. Shares purchased by an Executive Director from their own funds will not be required to be held. The Committee may, in exceptional circumstances, exercise its discretion to adjust the holding requirement.

Directors' Remuneration Policy continued

Remuneration policy for other employees

The 2023 Policy described in the previous table applies specifically to the Company's Executive Directors and Non-Executive Directors.

The Committee believes that it is appropriate that the reward of the Group's senior management be linked to Group performance and aligned with the growth of shareholder value. The same remuneration and benefits framework is operated across the Group:

Area	Policy and operation
Salary	The Policy applied to Executive Directors is applied in the same way to the wider workforce.
Benefits	The Policy applied to Executive Directors is applied in the same way to the wider workforce. Certain benefits apply at higher levels based on seniority, relate to specific roles or have shorter or no waiting periods.
Annual bonus	Annual bonus schemes operate throughout the Group at all levels of seniority. Performance targets and the amount which can be earned are based on seniority and the nature of the role and responsibilities.
Long-Term Incentive Plan	Share-based long-term incentive arrangements also apply to senior management at a reduced opportunity level commensurate with the seniority and level of responsibility of participants.
SAYE	All eligible employees are invited to participate in the Crest Nicholson Sharesave scheme or any other all-employee scheme operated by the Company.

When making remuneration decisions for Executive Directors, the Committee considers the wider economic environment and conditions within the Group. In particular, the Committee is sensitive to pay and employment conditions across the wider workforce and carefully considers the employee salary increase budget when making reward decisions for Directors. The Committee considers industry benchmarking in the context of monitoring its overall position on Director and employee pay.

Approach to recruitment remuneration

The table below sets out the components that would be considered for inclusion in the remuneration package of an Executive Director on appointment, and the approach the Committee will adopt in respect of each element.

Area	Policy and operation
Overall	For an external appointment, the Committee will take account of an individual's remuneration package in their prior role, the market positioning of the package and their skills and experience. The Committee will not pay more than necessary to facilitate the recruitment of an individual. For an internal appointment, the Committee may initially position remuneration below market level and increase overall pay levels over a period of time to achieve alignment with market levels for the role, subject to Group and individual performance.
Base salary	Salary level will be set taking into account the skills and experience of the individual, responsibilities of the role and salaries paid for similar roles in comparable organisations. The direct comparability or otherwise of those other roles will be a material factor.
Pension and benefits	Directors will be eligible to participate in Crest Nicholson's benefit plans and the Crest Nicholson defined contribution pension scheme or salary supplement scheme in accordance with the Policy set out in the Policy table.
Annual bonus	Directors will be eligible to participate in the discretionary annual bonus scheme as set out in the Policy table. Depending on the timing of the appointment, the Committee may deem it appropriate to set different annual bonus performance conditions to the current Executive Directors in the first performance year of appointment.
Long-Term Incentive Plan	An Executive Director will be eligible to participate in the LTIP set out in the Policy table. The opportunity levels will be consistent with what is disclosed in the Policy table. An LTIP award may be made shortly following an appointment.
Replacement awards	The Committee may grant an Executive Director replacement awards to compensate for forfeited remuneration (including bonus and long-term incentive awards) from previous employment. Should replacement awards be made, the awards granted would be no more generous in terms of quantum or vesting period than the awards due to be forfeited. In determining the quantum and structure of these commitments, the Committee will seek to replicate the fair value of the award and, as far as is practical, the timing and performance of the remuneration foregone. For an internal appointment, any variable pay element awarded in respect of their prior role may be permitted to pay out according to its terms.
Other	The Committee may agree that the Group will meet certain relocation or other transitional expenses deemed appropriate.

Service contracts and policy on payment for loss of office

For Executive Directors, nine months' notice of termination is required from either party and this will be the approach for all new appointments.

The table below sets out the Committee's policy on termination arrangements for Executive Directors. References to good or bad leavers below are examples of how the Policy could work and are not definitive:

Area	Policy and operation
Overall	Because terminations do not always fit neatly into defined categories, when considering the suitable treatment of a termination, the Committee will have regard to all relevant facts and circumstances available at the time including the reason, contractual obligations and incentive plan rules. The Committee is firmly set against rewarding failure. The Committee retains discretion for payments to be made in good faith in relation to very specific legal circumstances, such as the discharge of an existing legal obligation in respect of salary, benefits and other contractual entitlements, damages for breach of obligation and a settlement or compromise of any claim or potential claim arising with the termination of a person's office or employment. In any event the Committee will only make such payments where it considers it to be in the best interests of the Group and its shareholders, with full disclosure of any such payments in the following year's Directors' Remuneration Report.
Contractual payments	Crest Nicholson may terminate service contracts immediately by making a payment in lieu of notice consisting of base salary, pension and any contractual benefits for the unexpired period of notice. This payment may be made as either a lump sum or as instalments over the period. If Crest Nicholson elects to make this payment by instalments, the Executive Director normally has a duty to seek alternative employment and, where practical, any remuneration received from a new role will be offset against the payment.
Annual bonus	In the event of termination for a reason other than resignation or gross misconduct for material performance or conduct concerns, a Director may be entitled, at the discretion of the Committee, to a bonus in respect of the year in which their employment terminates. Payment would be reduced on a pro rata basis to reflect the portion of the bonus year worked, be paid at the usual time and be subject to an assessment of performance over the period. For any bonus payable in shares, these shares will normally continue to be subject to the holding period post cessation of employment. In relation to Deferred Bonus Awards made in or prior to 2023, if an individual is categorised as a good leaver then, other than in exceptional circumstances, they will continue to hold the deferred share award, which will vest on the normal vesting date. If an individual is considered by the Committee to be a bad leaver, their deferred share awards will lapse in full. Good leavers are those leaving under pre-determined circumstances such as retirement (proved to the satisfaction of the Board), redundancy, ill-health, death or disability (proved to the satisfaction of the Board), or those deemed by the Board in its absolute discretion to be good leavers given the circumstances surrounding termination. All other leavers would be bad leavers.
Long-term incentives	Individuals would be defined as good or bad leavers, with good leavers being those leaving under pre-determined circumstances such as retirement (proved to the satisfaction of the Board), redundancy, ill-health, death or disability (proved to the satisfaction of the Board), or those deemed by the Board in its absolute discretion to be good leavers given the circumstances surrounding termination. All other leavers would be bad leavers. If an individual is categorised as a good leaver then, other than in exceptional circumstances, the award will vest on the normal vesting date reflecting the extent to which performance targets have been met. The number of shares would normally reflect the reduced service period, pro rata, and any amounts equivalent to any dividends or shareholder distributions made during the vesting period. The post-vesting holding period would also apply, other than in exceptional circumstances. If an individual is determined to be a bad leaver, their awards will lapse in full.
Shareholding requirements	The Committee would enforce the post cessation of employment shareholding requirements, as described in the Policy.
Other	The Committee may provide for outplacement services where it considers that this is reasonable.

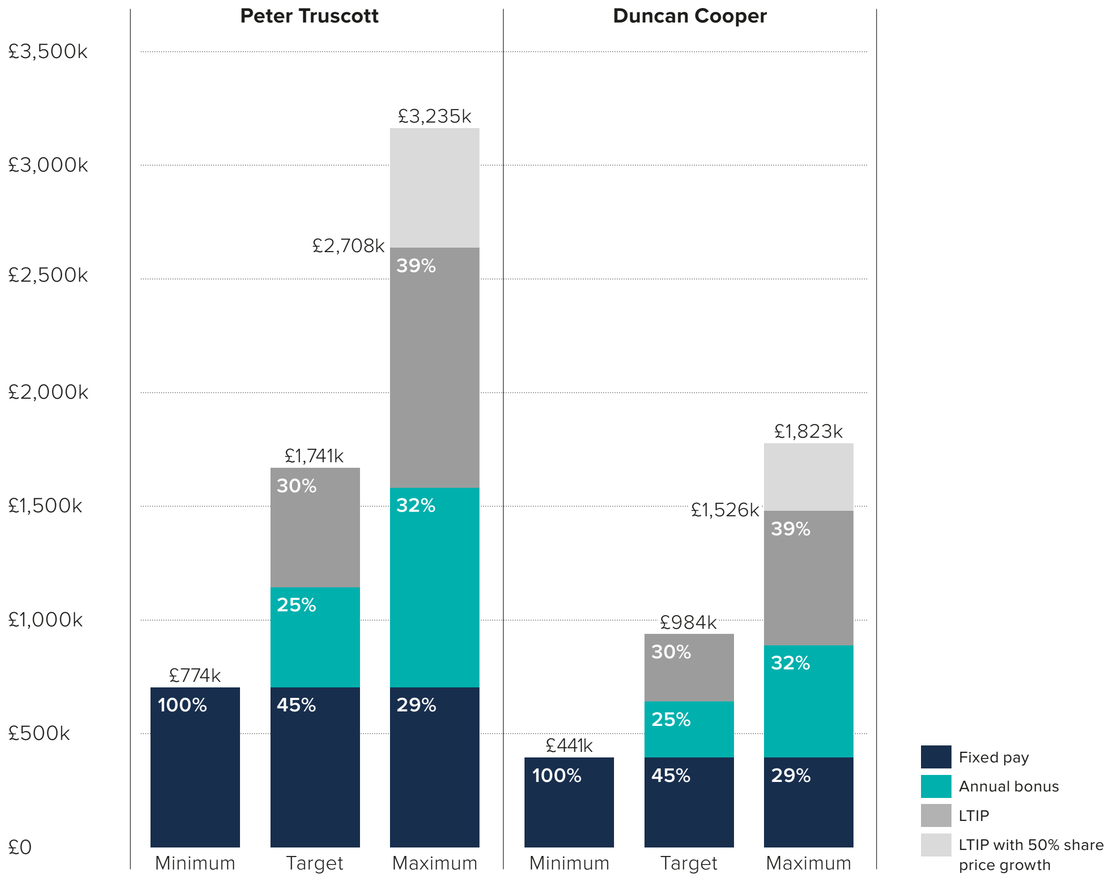
Directors' Remuneration Policy continued

Performance conditions and target setting

Performance metrics for incentives, weightings and targets are considered annually for the year ahead. The Committee considers the application of the prevailing policy in the prior year and whether in light of the strategy, market practice or the remuneration policy for the wider workforce, changes are required for the year ahead. Targets for the annual bonus and LTIP awards are also reviewed and consideration is given as to whether these remain appropriate or need to be recalibrated. The specific performance targets seek to be stretching to incentivise and reward improved performance. Shareholders' views will be sought depending on the changes proposed.

Illustration of application of Policy in FY23

The composition and structure of the remuneration package for Executive Directors in three performance scenarios is set out in the chart below:



Key and assumptions

Minimum: fixed remuneration consisting of current annualised salary, pension (plan contribution or cash supplement) and benefits.

Target: fixed remuneration as detailed above, plus 50% of maximum as target bonus opportunity, and vesting of 50% of the maximum LTIP award.

Maximum: fixed remuneration together with the maximum annual bonus opportunity of 125% and vesting of 100% of LTIP award representing 150% of salary. The graph also shows what would happen should Crest Nicholson's share price increase by 50%, increasing the value of LTIP awards.

Other than illustrating 50% share price growth, share price movement and dividend accrual are excluded.

Legacy arrangements

For the avoidance of doubt, authority is given to the Committee to honour any commitments entered into with current or former Directors under a previous shareholder-approved remuneration policy that has been disclosed to shareholders in previous remuneration reports.

How the Committee will use its discretion

Incentive plans will be operated in line with the rules of each plan, together with relevant laws and regulations. However, it is important that the Committee retains appropriate discretion (as is customary) over the administration and operation of incentive plans.

Discretion includes, but is not limited to, the following in relation to incentive schemes:

- Changes or adjustments required in certain circumstances (e.g. change of control, rights issues, special corporate or dividend events, or change in business strategy)
- Determination of vesting (or payment) and the treatment of leavers and vesting for leavers
- As permitted by HMRC and other regulations, in respect of SAYE, SIP or any other all-employee schemes.

In relation to incentive schemes including annual bonus and LTIP, the Committee may adjust performance targets and/or measures where these have ceased to be appropriate. Such adjusted targets or measures will not be materially less difficult to satisfy. Any use of this discretion would, where relevant, be explained in future Directors' Remuneration Reports and may be subject to consultation with major shareholders where appropriate.

Annual Report on Remuneration

The information in this Report is audited where this is indicated, and otherwise unaudited.

The table below sets out FY22 remuneration for Executive Directors and Non-Executive Directors.

FY22 remuneration payable to Directors (audited)

		Salary[1] £000	Benefits[2] £000	Bonus £000	LTIPs[3] £000	Retirement benefits[4] £000	Total pay £000	Total fixed pay £000	Total variable pay £000
Peter Truscott	2022	666	25	670	329	67	**1,757**	758	999
	2021	650	24	683	–	65	1,422	739	683
Duncan Cooper	2022	374	22	376	138	22	**932**	418	514
	2021	365	22	384	–	22	793	409	384
Former Director									
Tom Nicholson[5]	2022	219	12	220	142	13	**606**	244	362
	2021	374	21	393	–	22	810	417	393

1 **Salary:** Where salaries are adjusted for benefits which are provided via salary exchange, such salaries are quoted as the gross figure disregarding the effect of salary exchange.
2 **Benefits:** The figure shown includes the value of car benefit, private medical insurance, group income protection, personal accident, life assurance and an annual health check.
3 **LTIPs:** This figure includes the value of additional shares awarded in respect of dividend equivalents and has been estimated based on the average share price of 224.2 pence over the three months from 1 August 2022 to 31 October 2022 as these awards are not exercisable until after the date of this report. These estimated figures will be restated for the actual share price on the date they first become exercisable in next year's report.
4 **Retirement benefits:** Salary supplement of 10% (employee maximum) in respect of Peter Truscott; 6% (employee majority rate) in respect of Tom Nicholson and Duncan Cooper. No Directors have a prospective interest in a defined benefit scheme.
5 **Tom Nicholson:** The figures stated in columns Salary, Benefits, Bonus and Retirement benefits are to the date Tom Nicholson stepped down from the Board on 27 May 2022. Column 4 (LTIP) represents the period 1 November 2019 to 31 October 2022 (the end of the Award's performance period) as a result of ongoing garden leave. Further details regarding Tom's leaving arrangements can be found on page 115.

The table below shows the remuneration for the Non-Executive Directors who served during FY22.

	2022 fee £000	2021 fee £000
Iain Ferguson	205	200
David Arnold[1]	62	10
Lucinda Bell	53	52
Louise Hardy	58	56
Octavia Morley	70	68

1 **David Arnold:** joined Board as Non-Executive Director and Chair of the Audit and Risk Committee from 1 September 2021.

Pay for performance in FY22 (audited)

Annual bonus targets and outcomes

The performance measures set for FY22 were a combination of financial elements (70% of the bonus maximum) and non-financial elements (30% of the bonus maximum) aligned to our strategy. The maximum bonus potential for Peter Truscott and Duncan Cooper was 125% of salary. Tom Nicholson was entitled to a bonus of 125% of salary pro rated to 31 August 2022, the end of his handover period.

The following results were achieved for each element of the annual bonus incentive:

Measure	Weighting (% of maximum)	Threshold (10% or 20%[1] of maximum)	On-target (50% of maximum)	Stretch and maximum (100% of maximum)	Actual	% of maximum bonus achieved	% of salary
Financial[2]							
Adjusted profit before tax	50%	£123.5m	£130.0m	£143.0m	£137.8m	40.1	50.1
Net cash	20%	£194.6m	£204.8m	£225.3m	£276.5m	20	25
Non-financial[2]							
Customer service and quality	10%	90%	92%	94%	88.0%	0	0
Environmental, Social and Governance – reduction in carbon emissions[3]	10%	2.496	2.480	2.464	1.82	10	12.5
Personal and strategic objectives							
Voluntary employee turnover	5%	33.25%	31.50%	29.75%	27.39%	5	6.25
Employee engagement	5%	75.00%	76.88%	78.75%	83%	5	6.25
SHE leadership				Less up to 10% adjustment	✓	–	–
Total bonus						80.1	100.1

1 10% for financial measures. 20% for non-financial measures.
2 Financial measures and non-financial measures are as defined in the table overleaf.
3 Scope 1 and 2 emissions intensity – tCO_2e per 100 sq. m of completed floor area.

Annual Report on Remuneration continued

As set out in the Financial Review on pages 52–56, the Group delivered strong financial performance against its key financial measures during FY22 despite some market uncertainty in the second half. The FY22 bonus scheme followed a similar format to previous years with adjusted profit before tax and cash generation (70%) as well as non-financial measures (30%) focusing on customer service and quality, voluntary employee turnover, employee engagement, carbon reduction and SHE leadership. Appropriately stretching targets were set based on forecasts relating to the financial and market outlook at the end of 2021.

During the period, the Group made good progress reducing voluntary employee turnover and increasing employee engagement, but did not perform as strongly with respect to customer service and quality with performance below the 90% threshold[1]. However, strong progress continued to be made in relation to carbon reduction during the year which is a key part of our sustainability strategy as set out on pages 26–29.

The Committee reviewed the formulaic performance outcome against overall Group performance, the experience of shareholders, employees and other stakeholders and determined that discretion was not needed to ensure a proportionate outcome.

During the year the Committee continued to carefully consider the Group's ongoing progress in respect of remediating legacy buildings affected by combustible materials or building safety concerns. Although affected buildings were constructed and sold prior to the Executive Directors joining the Group in 2019, the Committee has carefully monitored the operation of schemes during the year to ensure that no measure acted as any incentive not to progress all remedial solutions and incur associated costs as quickly as possible. The Committee reviewed the circumstances in detail in determining the outcome of the FY22 bonus scheme and was satisfied that the schemes had operated appropriately.

The Committee also considered the performance ahead of stretch with respect to net cash, reviewing the underlying reasons for these in the context of how the target was set. The Committee is satisfied that the original target was suitably stretching at the time it was set in the context of market risk (late 2021), and the Group's overall performance in the year.

1 Further information about our customer service performance can be found on page 14.

FY22 annual bonus metrics

The maximum target for each element was set to stretch and further challenge the Executive Directors. Achievement was calculated on a straight-line basis between threshold and target, and target and maximum/stretch.

Bonus target	Description	Link to strategy
Adjusted profit before tax	Adjusted profit before tax as defined on pages 188–189.	3 5 9
Net cash	Cash and cash equivalents plus non-current and current interest-bearing loans and borrowings as at 31 October 2022.	2 3 5 9
Customer service and quality	The 12-month NHBC 'recommend your housebuilder' score at 31 December 2022.	1 4
Environmental, Social and Governance	Reduction in scope 1 and scope 2 carbon emissions during FY22 (tCO_2e/100 sq. m of completed floor area) compared to FY19 equivalent. See page 38 for further information about the Group's greenhouse gas emissions.	7
Personal and strategic objectives		
Voluntary employee turnover	Resignations or retirements during the year as a proportion of total employees, compared to the position at 31 October 2021.	6
Employee engagement	Employee engagement performance score from the employee survey carried out during September 2022.	6
SHE leadership	A downwards adjustment of up to 10% of the bonus achieved should SHE leadership fall below the standard expected by the Group.	8

1 Placemaking & Quality
2 Land Portfolio
3 Operational Efficiency
4 Five-Star Customer Service
5 Multi Channel Approach
6 People
7 Sustainability & Social Value
8 Safety, Health & Environment
9 Financial Targets

FY22 annual bonus payments and deferral

One-third of the annual bonus is deferred into a share award which will ordinarily become exercisable after three years from the date of grant. Other than in certain good leaver situations, the awards are subject to being in service when the awards become exercisable and are subject to certain withholding and recovery conditions, exercisable at the Committee's discretion.

A full breakdown of the bonus payments and shares award deferral is set out below:

	Bonus total	Bonus paid in cash		Bonus deferred into shares	
	£	£	% bonus	£	% bonus
Peter Truscott	670,036	448,924	67	221,112	33
Duncan Cooper	376,251	252,088	67	124,163	33
Tom Nicholson	219,698[1]	147,198	67	72,500	33

1 Bonus for the period 1 November 2021 to 27 May 2022. See Loss of office payments and payments to past directors on page 115 for details of bonus applicable for the period 28 May 2022 to 31 August 2022 (end of handover period).

LTIP targets and outcomes (audited)

The FY20 LTIP award, granted on 20 February 2020, was based on performance over the three years ended 31 October 2022 and will become exercisable from 20 February 2023 (subject to the Director still being in employment or otherwise having been a good leaver).

The table below sets out details of the measures, performance targets and actual performance which results in 54.1% of the awards vesting.

Measure	Weighting	Performance period	Threshold (25%)	Maximum (100%)	Actual performance	% of award achieved
Adjusted EPS in FY22	40%	3 years ending 31.10.22	48.9 pence	52.3 pence	42.0 pence	0.0%
Adjusted EBIT margin in FY22	20%	3 years ending 31.10.22	14.2%	15.2%	15.4%	100.0%
ROCE in FY22	40%	3 years ending 31.10.22	19.3%	23.3%	22.5%[3]	85.2%
Total	**100%**	**3 years ending 31.10.22**	–	–	–	**54.1%**

1 Adjusted earnings per share as defined on page 189.

2 Adjusted EBIT Margin as defined on page 189.

3 ROCE has been calculated using unrounded numbers. ROCE presented in the financial statements and elsewhere in the Annual Integrated Report has been calculated using numbers rounded to £0.1m.

There was significant disruption during the performance period associated with COVID-19. The Group navigated this uncertainty and continued to implement its strategy over the performance period.

The targets for this award were set prior to the COVID-19 pandemic and were based on the business plan at that time. Nevertheless, the Group has delivered significant improvements in Adjusted EBIT Margin and ROCE during that time resulting in achievement of 100% and 85.2% of those measures, respectively. Although Adjusted EPS has improved significantly, it has not yet returned to levels anticipated when the target was set resulting in no award being achieved for this measure.

The Committee considers that this level of vesting is appropriate reflecting the overall performance over the last three years.

In accordance with the LTIP rules, the vested award will be subject to a two-year post vesting holding period during which the Executive Director cannot sell those shares other than to satisfy related tax liabilities. Dividends paid during the performance period will also be awarded in additional shares. The Group will have in place an appropriate mechanism to ensure that shares subject to the holding period, are under its control.

The resulting vesting will be as follows:

	Original number of share awards in 2020 LTIP	Overall percentage vesting	Number of awards vesting based on performance	Dividend equivalents (number of shares)[1]	Number of awards vesting	Estimate of total values of awards vesting[2] (£)	Value attributable to share price change since award[3] (£)
Peter Truscott	253,016	54.1	136,882	9,669	146,551	328,586	-424,393
Duncan Cooper	106,558	54.1	57,648	4,072	61,719	138,383	-178,732
Tom Nicholson[4]	109,186	54.1	59,070	4,172	63,242	141,796	-183,140

1 In accordance with the LTIP rules, the Committee has discretion to allow LTIP participants to receive the benefit of any dividends arising between the grant date and exercise date of the award in the form of additional shares.

2 This figure has been estimated based on the average share price of 224.21 pence over the three months from 1 August 2022 to 31 October 2022 as these awards are not exercisable until after the date of this report. These estimated figures will be restated for the actual share price on the date they first become exercisable in next year's report.

3 The share price at the date of grant was 513.8 pence. At 31 October 2022 the value of shares that have vested has fallen by 56.4%.

4 Details of leaving arrangements can be found on page 115.

Scheme interests awarded during the financial year (audited)

On 28 January 2022 in accordance with the Policy, an LTIP award of 150% of salary was made to Peter Truscott, Duncan Cooper and Tom Nicholson.

The following table sets out the FY22 awards granted to Executive Directors under the Group's LTIP for the performance period 1 November 2021 to 31 October 2024:

	Award[1]	Type	Date of grant	Number of shares	Face value of award[2] £000	% of salary	% of award receivable at threshold
Peter Truscott	Performance	Nil-cost option	28.01.22	320,764	1,004	150	25
Duncan Cooper	Performance	Nil-cost option	28.01.22	180,121	564	150	25
Tom Nicholson	Performance	Nil-cost option	28.01.22	184,563	578	150	25

1 Performance conditions in each case measured in FY24: 40% relative TSR (threshold median to maximum upper quartile), 30% average ROCE (threshold 19% to maximum 22%), 30% Adjusted EBIT margin (threshold 16% to maximum 18%).

2 Face value calculated based on 313.1 pence, the average of the closing middle market share price for the five preceding dealing days of the grant date.

On 28 January 2022, the following Directors received an award under the deferred bonus plan in respect of the deferred element of their FY21 annual bonus as set out on page 115 of the Annual Integrated Report 2021.

	Award[1]	Type	Date of grant	Number of shares	Face value of award[2] £000	% of bonus payable
Peter Truscott	Service	Nil-cost option	28.01.22	73,597	226	33
Duncan Cooper	Service	Nil-cost option	28.01.22	41,328	127	33
Tom Nicholson	Service	Nil-cost option	28.01.22	42,347	130	33

1 There are no performance conditions attached to the award. The award will accrue dividend equivalents in accordance with the rules of the scheme and the amount of dividend equivalent to be awarded as shares upon vesting will be adjusted according to the number of shares that vest, pro rata.

2 Face value calculated based on 306.4 pence, the closing middle market share price on the preceding dealing day.

Annual Report on Remuneration continued

Directors' shareholdings at the end of the financial year (audited)

The table below sets out the number of shares and share awards held by Directors (including any connected persons) as at 31 October 2022. There have been no changes to Directors' interests between 31 October 2022 and 17 January 2023.

	Shares held, including connected persons at 31 October 2022	Outstanding share awards[1] at 31 October 2022 with performance conditions	Outstanding share awards[1] at 31 October 2022 without performance conditions	Total share interests at 31 October 2022	Shareholding[2] as a percentage of salary and share price of 202.0 pence at 31 October 2022
Iain Ferguson	150,000	N/A	N/A	150,000	N/A
Peter Truscott	415,171	871,144	73,837	1,360,152	137.1%
Duncan Cooper	37,200	453,660	41,648	532,508	31.9%
David Arnold	15,250	N/A	N/A	15,250	N/A
Lucinda Bell	11,650	N/A	N/A	11,650	N/A
Louise Hardy	–	N/A	N/A	–	N/A
Octavia Morley	5,600	N/A	N/A	5,600	N/A
Former Directors					
Tom Nicholson[3]	33,485	464,848	53,291	551,624	32.4%

1 Share awards take the form of nil-cost options other than Sharesave awards which are fixed price options. There are no conditional or restricted share awards. There were no vested but unexercised share awards at 31 October 2022.

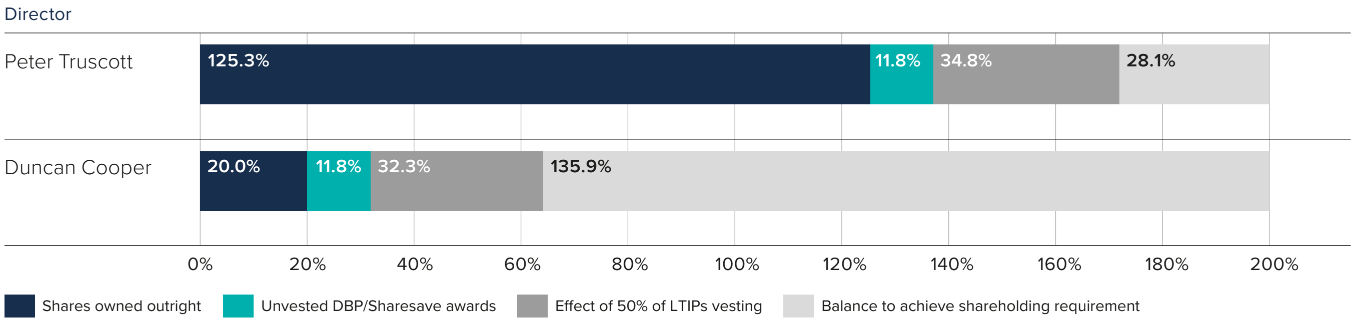
2 Shareholding includes shares held including connected persons, outstanding share awards without performance conditions (e.g. Deferred Bonus Plan (DBP) and Sharesave) net of tax and excludes outstanding share awards with performance conditions (e.g. LTIP).

3 Shareholding as at date of stepping down from the Board: 27 May 2022.

Directors' shareholdings and share interests

Share ownership plays a key role in aligning Executive Directors' interests with the interests of shareholders and over the long term. The Policy requires Executive Directors to build up and maintain a significant shareholding in the Company of 200% of salary and, following cessation of employment, to continue to hold the lower of their shareholding requirement or their shareholding at the date of leaving for a period of two years. Under the Policy, shares owned outright and deferred shares (because they no longer have performance conditions attached) count towards the shareholding requirement. Peter Truscott and Duncan Cooper will build up their shareholding over time.

The chart below shows the Executive Directors' current shareholdings together with unvested DBP/Sharesave awards and the illustrative effect if 50% of outstanding LTIP awards vested in the future. Shares which are not owned outright are shown net of tax (i.e. excluding that proportion of those shares expected to be sold on vesting to settle the associated tax liability).



Executive Directors' alignment to share price

The table below contains the value of shares currently held by the Executive Directors, those awarded under the DBP but not yet released (on a post-tax basis) and Sharesave. It illustrates the Executive Directors' alignment to share price movement through their ordinary shareholdings.

	Shares owned outright	Unvested DBP shares (post-tax)	Unvested Sharesave shares	Total shares	Indicative value[1] on 31 October 2022 (£)	Consequence of a +/- £1 share price change (£)
Peter Truscott	415,171	39,134	–	454,305	917,695	454,305
Duncan Cooper	37,200	22,073	–	59,273	119,732	59,273

1 Value calculated using the share price of 202.0 pence as at 31 October 2022.

Executive Directors' scheme interests at the end of the financial year (audited)

The tables below set out the Executive Directors' outstanding share awards under the LTIP and DBP as at 31 October 2022 including any dividend equivalents awarded in the year. The DBP and SAYE awards do not have any performance criteria attached to them. The LTIP awards have performance criteria attached to them in accordance with the Policy and as set out in the relevant Directors' Remuneration Report.

	Outstanding share options/ awards at 31 October 2021	Date of grant	Granted	Exercised	Lapsed	Vested but not exercised	Outstanding share options/ awards at 31 October 2022	Market price on award £	Exercise price £	Market price at exercise/ vesting £	Gain receivable £	Date exercisable or capable of vesting	Expiry date
Peter Truscott													
LTIP													
2020	253,016	20.02.2020	–	–	–	–	253,016	5.138	Nil	–	–	20.02.2023	19.02.2030
2021	297,364	08.02.2021					297,364	3.279	Nil	–	–	08.02.2024	07.02.2031
2022		28.01.2022	320,764				320,764	3.131	Nil	–	–	08.01.2025	27.01.2032
DBP													
2020	240	28.02.2020	–	–	–	–	240	4.530	Nil	–	–	28.02.2023	27.02.2030
2022		28.01.2022	73,597	–	–	–	73,597	3.064	Nil	–	–	28.01.2025	27.01.2032
Duncan Cooper													
LTIP													
2019	141,389	21.06.2019	–	–	141,389	–	–	3.554	Nil	–	–	21.06.2022	20.06.2029
2020	106,558	20.02.2020	–	–	–	–	106,558	5.138	Nil	–	–	20.02.2023	19.02.2030
2021	166,981	08.02.2021	–	–	–	–	166,981	3.279	Nil	–	–	08.02.2024	07.02.2031
2022	–	28.01.2022	180,121	–	–	–	180,121	3.131	Nil	–	–	28.01.2025	27.01.2032
DBP													
2020	320	28.02.2020	–	–	–	–	320	4.530	Nil	–	–	28.02.2023	27.02.2030
2022	–	28.01.2022	41,328	–	–	–	41,328	3.064	Nil	–	–	28.01.2025	27.01.2032
Tom Nicholson													
LTIP													
2019	137,169	21.06.2019	–	–	137,169	–	–	3.554	Nil	–	–	21.06.2022	20.06.2029
2020	109,186	20.02.2020	–	–	–	–	109,186	5.138	Nil	–	–	20.02.2023	19.02.2030
2021	171,099	08.02.2021	–	–	–	–	171,099	3.279	Nil	–	–	08.02.2024	07.02.2031
2022	–	28.01.2022	184,563	–	–	–	184,563	3.131	Nil	–	–	28.01.2025	27.01.2032
DBP													
2020	356	28.02.2020	–	–	–	–	356	4.530	Nil	–	–	28.02.2023	27.02.2030
2022	–	28.01.2022	42,347	–	–	–	42,347	3.064	Nil	–	–	28.01.2025	27.01.2032
SAYE													
2020	10,588	07.08.2020	–	–	–	–	10,588	2.120	1.700	–	–	01.09.2023	28.02.2024

Loss of office payments and payments to past directors (audited)

Tom Nicholson

Tom Nicholson was served nine months' notice by the Company on 27 May 2022 and stepped down from the Board as Chief Operating Officer with immediate effect. A period of handover took place until 31 August 2022, and the remainder of the nine-month notice period is being taken as garden leave from 1 September 2022 until 26 February 2023 (Termination Date). During this period Tom will continue to receive his salary, pension and benefits, paid monthly. The salary, pension and benefits received for the remainder of FY22 after stepping down from the Board are set out in the table on the following page, alongside the payments to be made in FY23 until the end of his notice period. The Remuneration Committee has used its discretion to determine the following approach to outstanding incentive awards:

- Pro rata FY22 bonus for the period 1 November 2021 to 31 August 2022 (the end of the period of handover) with 33% deferred into shares in accordance with the bonus plan
- Unvested 2019 and 2021 DBP (over 356 shares and 42,347 shares respectively) to vest at the normal time in accordance with the relevant rules (being February 2023 and February 2025 respectively) together with any dividend equivalent payments
- Unvested 2020, 2021 and 2022 LTIP awards (over 109,186, 171,099 and 184,563 shares respectively) to be pro-rated to the Termination Date to vest at the normal time (being February 2023, February 2024 and January 2025 respectively) based on the achievement of the performance conditions together with any dividend equivalent payments. A two-year post-vesting holding period will continue to apply in accordance with the condition of the awards
- Sharesave award over 10,588 shares to be treated in accordance with the Sharesave rules.

Annual Report on Remuneration continued

	Remuneration in respect of FY22 £	Remuneration in respect of FY23 £
Salary	164,651	126,114
FY22 Bonus[1]	101,575	–
Pension	9,879	7,567
Benefits	8,788	6,746
Annual leave – accrued but untaken	17,779	–
Total	**302,672**	**140,427**

1 Represents bonus accrued between end of directorship on 27 May 2022 and end of handover period 31 August 2022. Amounts relating to the period of directorship are disclosed on pages 111 and 112.

Payments to past Directors (audited)

Other than in respect of Tom Nicholson disclosed above under Loss of office payments, there were no payments to past Directors made during the year.

External directorships

Subject to Board approval, Executive Directors are able to hold one non-executive position outside of the Group that complements and enhances their current role. Any fees may be retained by the Director.

During the year, Peter Truscott served as a Non-Executive Director of Anchor Housing Group (appointed September 2020), for which he receives and retains an annual fee of £30,000.

Directors' service contracts and letters of appointment

In line with our Policy, Executive Directors have contracts of employment providing for a maximum of nine months' notice from either party. Non-Executive Directors have letters of appointment for an initial three-year term and generally serve two to three terms. The required notice is three months' from either party.

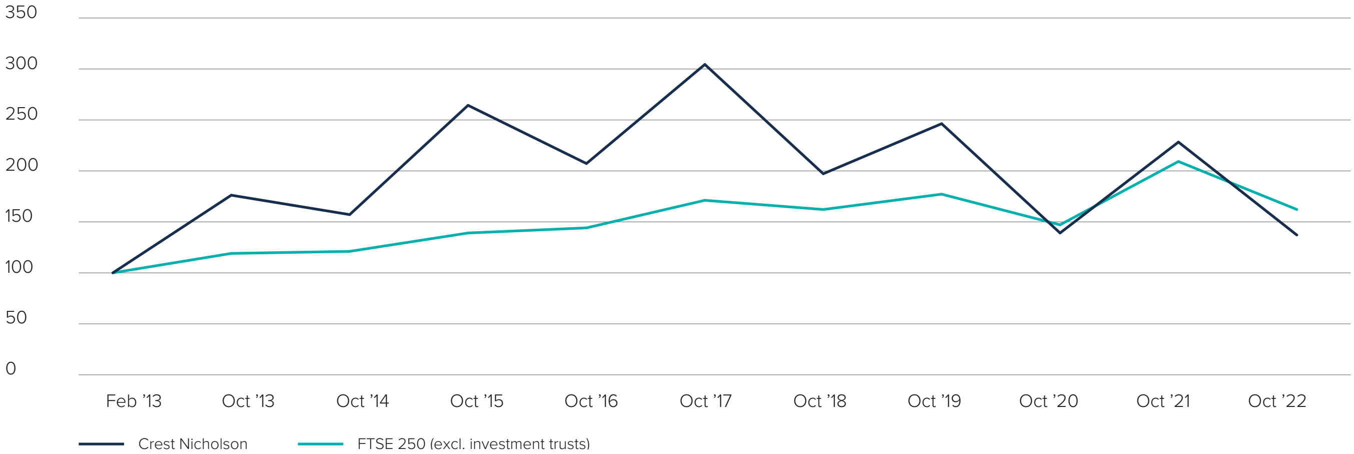
	Date of appointment	Notice period	Unexpired term remaining 31 October 2022
Peter Truscott	9 September 2019	Nine months	Terminable on nine months' notice
Duncan Cooper	17 June 2019	Nine months	Terminable on nine months' notice
Iain Ferguson	16 September 2019	Three months	Terminable on three months' notice
David Arnold	1 September 2021	Three months	Terminable on three months' notice
Lucinda Bell	25 May 2018	Three months	Terminable on three months' notice
Louise Hardy	24 January 2018	Three months	Terminable on three months' notice
Octavia Morley	1 May 2017	Three months	Terminable on three months' notice

The Group has the right to terminate the contracts of Executive Directors by making a payment in lieu of notice. Any such payment will typically reflect the individual's salary, benefits in kind and pension entitlements. Further information is found on page 109.

Performance graph and table

The graph below illustrates the Company's total shareholder return performance relative to the constituents of the FTSE 250 Index (excluding investment trusts) from the start of conditional share dealing. As a member of the FTSE 250 (since joining the index on 24 June 2013), the Committee considers this to be an appropriate comparator.

The graph below shows the performance of a hypothetical £100 invested over that period since the Company's listing in February 2013.



Historical Chief Executive remuneration

The table below sets out total Chief Executive remuneration for FY22 and prior years, together with the percentage of maximum annual bonus outcome in that year and the percentage of maximum LTIP vested in that year.

£000	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Chief Executive total remuneration	14,110[1]	1,313	4,127	2,345	2,150	714[3]	1,495[4]	739	1,422	1,757
Annual bonus % of maximum	100	100	82	82	84	0	3.5	0	84	80
Long-term incentive plan award % of maximum	100	N/A[2]	100	100	100	25	0	0	0	54

1 The total Chief Executive salary and benefits remuneration in FY13 was £1,274,507 before inclusion of incentive plan shares and options included in the 2013 figure above.
2 No long-term incentive plans vested or had a performance period ending in FY14.
3 Based pro rata, on salaries and total remuneration of Stephen Stone to 21 March 2018 and Patrick Bergin from 22 March 2018 to 31 October 2018.
4 Based pro rata, on salaries and total remuneration of Patrick Bergin to 26 March 2019, Chris Tinker from 26 March 2019 to 8 September 2019 and Peter Truscott from 9 September 2019. It also includes the cost of buy out arrangements for Peter Truscott.

Relative importance of spend on pay

This includes data for all employees, including those who were promoted, had salary changes, were new starters or received incentive-based remuneration, as well as pay in respect of individuals who left during the year but had some service. Distributions to shareholders for FY21 and FY22 are made up of cash paid to shareholders in each respective year.

The increase in total spend on pay is reflective of the increase in headcount over the last year including narrowing the time upon which vacancies were open compared to FY21. This also includes a higher number of salary increases awarded during the year including promotions. In addition, the one-off payment of £1,000 to each employee, excluding the ELT, is included as we support our people through the cost-of-living challenges. The increased level of distributions to shareholders reflects the dividend policy's application for a full year, with only the interim dividend made in the prior year following reinstatement of dividend payments.

The measures shown below are those specified by the applicable disclosure requirements and total spend on pay reflects actual expenditure in the year.

The table below shows how employee remuneration costs compare to distributions made to shareholders in FY21 and FY22.

Total spend on pay

£49.0m

Change
£9.1m
23%

Distributions to shareholders by way of dividend and share buyback

£38.4m

Change
£27.9m
265%

Annual Report on Remuneration continued

Our employees

Statement of consideration of employment conditions elsewhere in the Group

During the year the Committee reviewed the remuneration framework applicable to all employees. The Directors' policy framework applies in a very similar way across the Group in terms of types of benefits and variable pay relative to role grades and disciplines. This ensures alignment across the Group and encourages shared goals and objectives.

The Committee also considered the following employee matters during the year:

Matter	How our employees are treated
Annual bonus	Where performance targets have been met, payments under employee schemes will be made. These are consistent with the performance of the Executive Directors' scheme.
Annual salary increase	After consideration of Group performance and wider economic factors such as inflation and role benchmarking, the average annual salary increase across the Group is 6.4%.
Benefits	The Committee considered management's review of the Group's benefits programme, noting no significant changes were considered necessary. The Committee also reviewed the Group's pension contribution framework and considered that budgetary headroom would be more appropriately focused on base salaries.
Sharesave	The Committee approved the launch of the 2022 Sharesave scheme to all employees which had 34% participation this year. Unfortunately, the 2019 Sharesave option price was above the prevailing share price at the end of the option period and employees had the option to return their savings in full.

When making remuneration decisions for Executive Directors, the Committee considers the wider economic environment and conditions within the Group as detailed on page 108.

	Executive Directors[1]	Senior management[2]	Management[3]	Wider employee workforce[4]
Base salary	Base salary is set with reference to the specific nature of the role and responsibility, individual experience and performance, relative to other Group employees and market practice among other UK housebuilders. This is normally reviewed and increased with reference to cost of living, inflation, role benchmarking and Group performance. Other than where other wage rates apply such as apprentices, all employees are paid at or above the voluntary Real Living Wage.			
Benefits	The Group's benefit programme applies to all employees in a similar way including access to healthcare coverage and life assurance. Certain benefits have a service requirement or have enhanced cover for management roles and above. Employees have access to a real-time total reward statement via our MyReward platform which also allows them to access and manage their benefits.			
Pension	All employees are initially auto-enrolled into the Group pension plan with a 6% employer contribution or have the ability to opt in. Employees can opt to increase or decrease their contribution amounts. The maximum employer contribution is 10% depending on employee contribution level and service. The majority of employees receive an employer contribution of 6%. More than 90% of our employees are members of the Group pension plan.			
Annual bonus	Yes	Yes	Yes	Yes
LTIP	Yes	Yes	No	No

1 **Executive Directors:** Executive Directors of the Company.
2 **Senior management:** Executive Leadership Team (other than Executive Directors) and other senior roles.
3 **Management:** Management roles below senior management.
4 **Wider employee workforce:** Other roles not included in (1) to (3).

Chief Executive to employees' pay ratio

The table below reports the pay ratio for FY22 and has been calculated using the method known as Option A as the Committee considers this to be the most appropriate and robust way to calculate the ratio. This is our third year publishing a Chief Executive pay ratio and previous years are below for comparison. We will continue to build this up over time to show a rolling 10-year period.

Year	Method		25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
31 October 2020	Option A	**Ratio**	25:1	17:1	11:1
31 October 2021	Option A	**Ratio**	46:1	32:1	21:1
31 October 2022	Option A	**Ratio**	55:1	37:1	25:1
		Employees' total pay	£32,062	£46,905	£71,167
		Employees' salary	£27,500	£40,380	£65,508

Under Option A we calculated the total remuneration for all employees in FY22 on the same basis as the Chief Executive single total figure of remuneration (see page 111) and then identified three employees that represent the lower quartile, median and upper quartile based on pay and benefits. Earnings for those who are part time, joined or left during the year have been annualised on a full time equivalent basis as at 31 October 2022. Employee pay includes such items as overtime, commission, annual bonus[1] and any long-term incentives. Benefits include company car or car allowance, private medical and employer pension contributions.

Other than any annual bonus, all other payments are included on a cash basis. The annual bonus element for the Chief Executive and all other employees is the bonus earned during FY22 which is due to be paid in February 2023. The Company considers the median pay ratio is consistent with the Group's wider policies on employee pay, reward and progression. The ratio has increased this year because the Chief Executive's FY20 LTIP award vested at 54.1% where no award vested in FY21.

1 An element of employee bonus schemes are based on customer satisfaction scores on 31 January 2023, which falls after publication of this report. These figures for the cohort group are therefore calculated using the customer satisfaction score on 31 December 2022.

Percentage change in Directors' remuneration

The table below sets out the percentage change between FY19 and FY20, FY20 and FY21 and FY21 and FY22 for salary, benefits and annual bonus of the Directors compared with a selected cohort of employees. The parent company, Crest Nicholson Holdings plc, does not have any direct employees. However, we disclose on a voluntary basis the comparison of the pay decisions taken by the Committee for our Directors against the experience of the wider workforce using a comparator group of employees.

To provide the best like-for-like comparison, this group of employees have similar employment terms to the Executive Directors and have not joined or left employment during the latest comparison period. The average increase in salary of 9.4% for the cohort of employees during FY22 is due to role changes, promotions and market rate adjustments during the year. Due to their nature, the average increases for benefits and bonus are affected by these salary and role changes.

	Percentage change FY22 compared to FY21			Percentage change FY21 compared to FY20			Percentage change FY20 compared to FY19		
	Salary/Fees	Benefits	Bonus[8]	Salary/Fees	Benefits	Bonus[8]	Salary/Fees	Benefits	Bonus[8]
Peter Truscott[1]	2.5%	1.7%	-1.9%	0.0%	-0.3%	100%	35.2%	-6.1%	-100%
Duncan Cooper[2]	2.5%	-2.6%	-1.9%	1.4%	4.6%	100%	7.6%	18.4%	-100%
Tom Nicholson[3]	2.5%	-0.3%	-1.9%	2.2%	1.4%	100%	14.8%	6.3%	-100%
Iain Ferguson[4]	2.5%	–	–	0.0%	–	–	-26.4%	–	–
David Arnold[5]	2.5%	–	–	0.0%	–	–	–	–	–
Octavia Morley[6]	2.5%	–	–	5.5%	–	–	8.3%	–	–
Lucinda Bell	2.5%	–	–	0.0%	–	–	0.0%	–	–
Louise Hardy[7]	2.5%	–	–	9.7%	–	–	0.0%	–	–
Average change for cohort employee	9.4%	16.5%	4.7%	7.1%	11.2%	244.0%	2.8%	13.8%	-35.0%

1 The figures used for FY19 are the blended salaries for Patrick Bergin, Chris Tinker (who acted as Interim Chief Executive) and Peter Truscott, in respect of their time serving as Chief Executive. They do not include buy out awards in respect of Peter Truscott.
2 For FY19 we have used annualised amounts in respect of Duncan Cooper.
3 For FY19, FY20 and FY22 we have used annualised amounts in respect of Tom Nicholson, and for FY20 included remuneration prior to joining the Board.
4 The figure used for FY19 is the salary for Stephen Stone who was Chairman during this period.
5 The figure used for FY20 is the fee for Sharon Flood who served in the same role during this period.
6 The FY21 increase for Octavia Morley reflected her extra responsibilities as Senior Independent Director.
7 The FY21 increase for Louise Hardy reflected her extra responsibilities as Non-Executive Director responsible for employee engagement.
8 An element of employee bonus schemes is based on customer satisfaction scores on 31 January each year which falls after publication of this report. These figures for the cohort group are therefore calculated using the customer satisfaction score on 31 December in the respective year.

Employee engagement

At the Employee Voice Forums led by Louise Hardy, Non-Executive Director responsible for employee engagement, during late September and early October 2022, the Chair of the Committee engaged with Forum members on remuneration matters. Further detail can be found on page 105.

In addition, the Chief Executive hosts employee update webinars throughout the year.

The Group also carries out periodic employee engagement surveys. 72% of our employees took part in our most recent survey in September 2022, and the survey reported a 83% overall engagement score.

In relation to pay, around one-third of those who participated disagreed or strongly disagreed that the pay they receive compares favourably with other employers in our industry, and around 7% felt the same about the benefits package.

The Group's HR team regularly reviews base pay across the Group and compares this to market analysis and will continue to do so in FY23.

Recent initiatives include:

— An additional £1,000 one-off payment to employees below ELT
— A range of salary increases in the year reflecting changes to market rates
— Average annual salary increase across the total employee workforce of 6.4% of salary.

The Committee was pleased that 34% of eligible employees joined the 2022 Sharesave scheme and that employee participation across all share schemes remained at 49%. The Committee consider Sharesave to be a valuable mechanism that provides employees with a path to share ownership.

The Committee will continue to review employee pay structures and levels during FY23.

Annual Report on Remuneration continued

Gender pay gap reporting

Our gender pay gap performance for 2021[1] is set out on page 47.

Whilst we saw the gap steadying and gradually reducing in previous years reporting, in 2021 we saw an increase in our mean hourly pay gap to 27% (2020: 21%) and our median hourly pay gap to 22% (2020: 19%). This is as a result of a Group restructure in 2020. Men are still earning more than women, as a result of having more men in senior roles than women. Although we have had an increase in the number of women in the lower quartile of 4.5% compared to the previous year we still have a high proportion of men in the higher salary bandings. We are seeking to address this by increasing female representation at senior levels.

Initiatives supporting this focus include, ensuring that flexible working practices are applied through our Agile Working Policy, continuous monitoring of succession plans and development opportunities and a wider review and development of policies that support diversity, inclusion and equality within the Group. More details can be found on pages 44–47. The Committee continues to take into account its gender pay gap when making pay decisions and works in conjunction with the Nomination Committee to improve the diversity of employees.

1 Gender pay gap 2022 will be published in April 2023.

Statement of implementation of Remuneration Policy in the following financial year

In FY23 the Committee intends to implement the Executive Director and Non-Executive Director remuneration policies as set out below.

Executive Directors

Director		Salary (annual)		Change
Peter Truscott	An increase of 5%, less than the average employee award	2023	£702,975	5%
		2022	£669,500	
Duncan Cooper	An increase of 5%, less than the average employee award	2023	£394,748	5%
		2022	£375,950	

The average annual salary increase across the employee workforce was 6.4% of salary. The Committee considered the level of increase for Executive Directors carefully and took into account the average salary increase across the employee workforce and the additional responsibilities undertaken by both Executive Directors as a result of the Chief Operating Officer leaving the Group. The Committee concluded that an increase of 5%, being below the current level of inflation and below the average workforce salary increase was appropriate in the circumstances effective from 1 January 2023.

Non-Executive Directors

Director	Role	2022 fee (annual)	2023 fee (annual)	Change
Iain Ferguson	Chairman	£206,000	£212,180	3.00%
David Arnold	Non-Executive Director	£61,800[1]	£63,654[1]	3.00%
Lucinda Bell	Non-Executive Director	£53,045	£54,636	3.00%
Louise Hardy	Non-Executive Director	£58,195[2]	£59,941	3.00%
Octavia Morley	Senior Independent Director	£70,555[3]	£72,672[3]	3.00%

1 Includes an additional fee for role as Chair of the Audit and Risk Committee. This fee (on an annual basis) was £8,755 in 2022 and will be £9,018 in 2023.
2 Includes an additional for role as Non-Executive Director responsible for employee engagement. This fee (on an annual basis) was £5,150 in 2022 and will be £5,305 in 2023.
3 Includes additional fees for roles as Chair of the Remuneration Committee and as Senior Independent Director. Both such fees (on an annual basis) were £8,755 in 2022 and will be £9,018 in 2023.

Pension and incentives

	Pension or cash equivalent[1]	Annual bonus	LTIP
Peter Truscott	6% of salary	125% of salary	150% of salary
Duncan Cooper	6% of salary	125% of salary	150% of salary

1 6% is the rate applicable to the majority of the employee workforce.

All Executive Directors can elect whether to contribute some of the benefit directly into the Group's defined contribution pension plan and receive any balance (or all the benefit) as cash.

Annual bonus

The annual bonus opportunity will remain at 125% of salary for FY23.

For financial targets and non-financial targets, the threshold will be 20%, 50% for meeting target and 100% for maximum stretch performance.

The targets are considered to be commercially sensitive and will be disclosed in the FY23 Directors' Remuneration Report. The Committee will review performance under the annual bonus in the context of wider stakeholder experience over the performance period when determining bonus payments.

Subject to approval of the new Remuneration Policy, one-third of any bonus earned will be paid in shares which are subject to a three year holding period.

The Committee has reviewed the mix of measures in line with the Group's strategy and, accordingly, the following measures and weightings have been agreed for the FY23 annual bonus and are set out on the following page. The Committee is also satisfied that the bonus scheme framework is applied in a similar way to employees across the Group, tailored to roles and functions.

Performance measure	Measure detail	Link to strategy	Weighting (% of total bonus opportunity)
Financial			
Adjusted profit before tax	Adjusted PBT performance measured between a threshold and maximum	3 5 9	50
Net cash	Net cash performance measured between a threshold and maximum	2 3 5 9	20
Non-financial			
Customer service and quality	Customer Satisfaction Survey score measured between threshold and maximum (7.5%)	1 4	15
Environment, Social and Governance	Reduction in waste intensity (7.5%) Reduce voluntary employee turnover (7.5%)	3 6 8	15
SHE Leadership	Assessment of SHE leadership during the year	8	less up to 10% downward adjuster

LTIP

Peter Truscott and Duncan Cooper will be granted an LTIP award with a face value of 150% of base salary. Vested awards will be subject to a two-year post vesting holding period which, together with the three-year performance period during which withholding applies, provides a five-year period overall.

Following careful consideration of the structure and weightings of its LTIP for FY23, and taking account of the Group's future strategy, the Committee has removed EBIT Margin. This reflects the significant improvement in EBIT Margin in recent years and the element of crossover with ROCE. The Committee has therefore introduced ESG as the third measure focusing on a reduction in scope 1 and scope 2 carbon emissions. As the Group's sustainability strategy develops which this year included the setting of Science Based Targets, it is appropriate to add this carbon reduction measure. In addition, total shareholder return (TSR) measured against the FTSE 250 and certain sector peers and ROCE is retained. At the same time the Committee has reviewed the relative weightings of the measures. All measures are considered to promote the long-term success of the Group:

Measure	% of award	Threshold (25% of element)	Maximum (100% of element)	Link to strategy
TSR (FTSE 250 and sector peers)	50	Median	Upper Quartile	1 2 3 5 7 9
ROCE FY25	35	17%	23%	2 3 5 9
ESG: Absolute scope 1 and 2 carbon emissions FY25	15	4,300 tCO_2e	3,870 tCO_2e	3 7

1 Placemaking & Quality
2 Land Portfolio
3 Operational Efficiency
4 Five-Star Customer Service
5 Multi Channel Approach
6 People
7 Sustainability & Social Value
8 Safety, Health & Environment
9 Financial Targets

TSR is measured using the companies comprising the FTSE 250 index (excluding investment trusts) as at 1 November 2022 (50%) and a selection of sector peers (50%). This has changed from one-third/two-thirds in FY21 to better align the award with the experience in the wider FTSE 250. The FY23 peer group comprises Barratt Developments plc, Bellway plc, The Berkeley Group plc, MJ Gleeson plc, Persimmon plc, Redrow plc, Taylor Wimpey plc and Vistry Group plc.

For both TSR elements, performance will be measured on a straight-line basis between a threshold of median TSR (earning 25% of the element) and a maximum at upper quartile TSR (earning 100% of the element).

TSR provides a focus on the Company's relative TSR performance against the sector and the stock market generally, following the Company's underperformance in recent years as well as providing a renewed focus on sustained growth in profitability and dividend distribution.

ROCE will reward strong operational efficiency and margin accretion and will be an adjusted measure as defined on pages 188–189. At its Capital Markets Day in October 2021, the Group announced a range of five-year financial targets including in relation to ROCE (FY24–FY26: 22%–25%). Since then, and in response to the significant economic uncertainty, the Group has deferred the opening of its third division. As a result of this and the effects of further uncertainty through 2023, the Committee has widened the ROCE target range for FY25 starting this at 17% but has increased the maximum level to 23% an increase in the maximum used in the prior year award. The Committee believes that this provides appropriate incentivisation to maximise ROCE towards the previously set ambitious range, but reflects the uncertainty present in the early years.

The ESG measure targets an reduction in absolute scope 1 and 2 emissions. Achievement of the maximum target would have the effect of accelerating the path to the Group's 2030 target by approximately three years. In addition, the nature of an absolute emissions target means that even as the Group grows, the carbon emission targets stay the same making them harder to achieve. Taking these into account, the Committee considers the targets to be stretching. The reduction in scope 1 and 2 emissions is also a target under the Group's Sustainability Linked Revolving Credit Facility (see pages 26 and 55 for further information).

Annual Report on Remuneration continued

The Committee intends to grant awards at the normal policy level of 150% of base salary, but will consider the grant level at the time of the award taking into account the share price level at grant. The final vesting value of any awards will be considered carefully by the Committee at that time to ensure the value delivered to participants remains appropriate relative to the performance of the Group, shareholder experience, and employee workforce impact over the performance period. In particular the Committee will ensure that no undue windfall gains are made as a result of share price movements and there will be full disclosure of this determination in the Directors' Remuneration Report.

Advisors to the Committee

The Chief Executive and Group HR Director provide input to the Committee on matters concerning remuneration and the General Counsel and Company Secretary acts as Secretary to the Committee.

The Committee received external advice in the year from Korn Ferry (total fees £53,657). Korn Ferry was appointed by the Committee following a competitive selection process in 2018. Korn Ferry is a founder member of the Remuneration Consultants' Group, which operates a code of conduct. No other services are provided by Korn Ferry. Fees paid to external remuneration advisors are typically charged on an hourly basis with costs for work agreed in advance where possible.

The Committee manages conflicts of interest by ensuring the relevant member of management or the Committee are not present when their own remuneration is determined or discussed. Taking into account their work in the year and their relationship with the Company, the Committee is satisfied that the advice received by Korn Ferry in relation to executive remuneration matters was objective and independent. During the year the Committee's performance was evaluated as part of the overall Board evaluation. The review explored how the Committee operates, its scope of work and areas for development. The evaluation concluded that the Committee continues to work effectively.

Statement of voting at Annual General Meeting

The tables below set out the votes received for the 2021 Directors' Remuneration Report at the 2022 AGM and Remuneration Policy at the 2020 AGM, respectively.

Directors' Remuneration Report (2022 AGM)

1 Shares voted in favour	197,503,370	98.3%
2 Shares voted against	3,465,781	1.7%

Directors' Remuneration Policy (2020 AGM)

1 Shares voted in favour	193,645,902	98.0%
2 Shares voted against	3,858,618	1.9%

The Committee has maintained a regular dialogue with major shareholders on a range of matters, including remuneration. This year, the Committee engaged with the Company's major shareholders regarding the pay outcomes for FY22 along with the new Directors' Remuneration Policy.

The Committee welcomes feedback and encourages shareholders to contact the Remuneration Committee Chair via the General Counsel and Company Secretary to provide their views and feedback.

Approval

This Directors' Remuneration Report and 2023 Policy were approved by the Board of Directors on 17 January 2023 and signed on its behalf by

Octavia Morley
Remuneration Committee Chair

Compliance and other disclosures
Directors' Report

The Directors' Report for the year ended 31 October 2022 comprises pages 66–125 together with other sections of the report as referenced below. In accordance with the UK Financial Conduct Authority's Listing Rules LR 9.8.4c, the information to be included within the Annual Integrated Report, where applicable, is set out as follows:

Articles of Association (Articles)

The Articles regulate the internal affairs of the Company and are available on the Company's website. The Articles were not amended during the year.

Amendments to the Articles may be made in accordance with the provisions of Companies Act 2006 by special resolution of the shareholders.

Going concern and viability statement

Having assessed the principal risks and all other relevant matters, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements of the Company. Further details can be found in note 1 to the consolidated financial statements. The Company's viability statement can be found on page 65.

Directors

The current Directors and their biographical details are detailed on pages 70–71.

Powers of Directors

The Directors' powers are conferred on them by UK legislation and by the Company's Articles.

Election and re-election of Directors

The Board may appoint any person to be a Director (so long as the total number of Directors does not exceed the limit prescribed in the Company's Articles). Any such Director shall hold office until the next AGM and shall then be eligible for election. All current Directors will submit themselves for re-election at the 2023 AGM. The Board confirms that it has the appropriate balance of skills, experience, independence and knowledge, and shareholders should support the re-election of the Directors.

Directors' and officers' liability insurance

The Company maintains Directors' and officers' liability insurance for the Directors and the General Counsel and Company Secretary. The Company has granted indemnities to the extent permitted by law to the Directors and to the Directors of Crest Nicholson Pension Trustee Limited, which acts as trustee to the Company's defined benefit pension scheme.

Share capital

As at 31 October 2022 the Company had issued share capital of 256,920,539 ordinary shares of 5 pence. No ordinary shares have been issued during the financial year.

Rights attached to shares and restrictions on transfers

Subject to the provisions of relevant statutes, and without prejudice to any rights attached to any existing shares or class of shares:

- Any share may be issued with such rights or restrictions as the Company may by ordinary resolution determine or, subject to and in default of such determination, as the Board shall determine
- In any general meeting, on a show of hands, every member who is present in person shall have one vote, and on a poll every member present in person or by proxy shall have one vote for every share of which they are the holder
- There are no specific restrictions on transfer of shares, other than where these are imposed by law or regulations.

The Company is not aware of any arrangements between shareholders that may result in restrictions on the transfer of securities or voting rights.

Power to issue or buy back own shares

At the AGM in March 2022 the Company's shareholders delegated the following powers in relation to the issue or market purchase by the Company of its shares:

- Authority to allot shares in the Company up to an aggregate nominal amount of £4,282,008 (equivalent to one-third of the Company's issued share capital)
- Authority to allot a further one-third of the Group's issued share capital up to an aggregate nominal amount of £4,282,008 (equivalent to one-third of the Company's issued share capital) in connection with a pre-emptive offer by way of a rights issue

Compliance and other disclosures
Directors' Report continued

- Authority to disapply pre-emption rights up to an aggregate nominal amount of £642,301 (equivalent to 5% of the Company's issued share capital)
- Authority to disapply pre-emption rights up to an aggregate nominal amount of £642,301 (equivalent to 5% of the Company's issued share capital) for transactions which the Board determines to be an acquisition or other capital investment as defined by the Pre-Emption Group's revised Statement of Principles
- Authority to make market purchases of its own shares up to a maximum aggregate number of 25,692,053 (equivalent to 10% of the Company's issued shares).

These standard authorities will expire on 30 April 2023 or at the conclusion of the next AGM, whichever is earlier.

The Board currently intends to hold the AGM on 23 March 2023.

At the 2023 AGM, the Company proposes to seek authority to issue non pre-emptively share capital of the Company in accordance with the recently updated Pre-Emption Group's Statement of Principles 2022 on Disapplying Pre-Emption Rights, being no more than 24% in total rather than the previous thresholds of 10% in accordance with the Pre-Emption Group's Statement of Principles published in 2015. Full details will be included in the explanatory notes in the Notice of AGM.

In addition, the Company proposes to seek approval for two new long-term share schemes to ensure the Group has appropriate share schemes in place and that they operate consistently with the proposed Directors' Remuneration Policy. The two new share schemes will replace the existing share schemes that will expire in 2023. Full details will be included in the explanatory notes in the Notice of AGM.

For details on the resolutions and explanatory notes, please refer to the Notice of AGM which will be posted to shareholders and made available at www.crestnicholson.com/investors/shareholder-centre.

Employee benefit trust

As at 31 October 2022, the Group's employee benefit trust (EBT) held 788,140 ordinary shares in the Company for the purposes of satisfying awards under the Company's share and incentive plans. The EBT has waived rights to a dividend now and in the future.

Policies and procedures

Policies and procedures, including operating and financial controls, are detailed in the Group's policies and procedures manuals. There are approval processes in relation to the acquisition of land and the commencement of development projects. All developments go through a rigorous approval and assessment process at Group level.

The Group operates a range of compliance, ethical and equal treatment policies, including the equality and diversity policy and the anti-bribery and corruption policy. The Group also operates 'Speaking Up', our whistleblowing policy whereby employees and supply chain partners can report concerns via an independent, free and confidential helpline. The Speaking Up policy details the appropriate lines of communication and an escalation procedure enables any reports to be dealt with effectively and efficiently.

A copy is available on the Group's website **www.crestnicholson.com/supply-chain**

Substantial shareholdings

Set out below are the percentage interests in ordinary share capital of the Company, disclosable under the Disclosure Guidance and Transparency Rules, that were notified to the Company as at 31 October 2022 and 17 January 2023.

	As at 31 October 2022		As at 17 January 2023	
Shareholder	Number of voting rights held	% of voting rights held	Number of voting rights held	% of voting rights held
abrdn plc	17,908,723	6.97	Below 5%	Below 5%
Boldhaven Management LLP	12,925,160	5.03	12,925,160	5.03
Liontrust Asset Management Plc	12,684,562	4.94	12,684,562	4.94
Norges Bank	10,079,020	3.92	10,079,020	3.92
Standard Life Assurance Limited	Not disclosable	Not disclosable	8,400,308	3.27
Lorsden (Jersey) Limited	Not disclosable	Not disclosable	7,976,420	3.10

Central functions

Strong central functions support the Board, Executive Committee and divisional businesses. These functions include, among others: Legal and Company Secretarial, Group Finance, IT, Human Resources, Internal Audit, Marketing, Procurement, Safety, Health & Environment (SHE), Sustainability and Technical. Each central function contributes in its area of expertise to improve compliance, oversight, support and education with the relevant legal and regulatory requirements. In addition, principal treasury-related risks, decisions and control processes are managed by the Group Finance function.

Significant contracts

The Group does not have any contracts that are considered alone to be essential to the business of the Group. The Group does, on occasion, make significant purchases of goods and services from a sole supplier where this is deemed necessary for efficiency, practicality or value. However, it does so only after a tender or appropriate selection process and in the context of the level of risk such sole supply might bring.

Financial risk management

Note 25 to the consolidated financial statements set out the Company's approach to financial risk management including financial credit and liquidity risk.

Political donations

The Group made no political donations during the year (FY21: nil).

Events after the balance sheet date

There were no significant events after the balance sheet date.

Branches

The Group has no branches outside the United Kingdom.

Change of control

The Group has in place several agreements with its lending banks, private placement note holders, joint venture partners, Government authorities (such as Homes England), private investors and customers, which contain certain termination rights that would have an effect on a change of control. The Directors believe these agreements to be commercially sensitive and consider that their disclosure would be seriously prejudicial to the Group.

Accordingly, they do not intend to disclose specific details of these. In addition, all the Group's share schemes contain provisions that, in the event of a change of control, this would result in outstanding options and awards becoming exercisable, subject to the rules of the relevant schemes.

There are no agreements between the Group and its Directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid.

Directors' Report approval

Disclosure of information to the auditor

The Directors who held office at the date of approval of the Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditor is unaware. Each Director has taken all the steps they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Appointment of auditor

PricewaterhouseCoopers LLP (PwC) was re-appointed at the 2022 Annual General Meeting (AGM) and is willing to seek re-appointment this year.

Resolutions to re-appoint PwC will be proposed at the 2023 AGM.

Approval

The Directors' Report was approved by the Board of Directors on 17 January 2023 and signed on its behalf.

Kevin Maguire
Company Secretary

A strong financial performance in the year

The Group has made further good progress implementing its strategy and we have made good financial performance in the year.

In this section

Statement of Directors' Responsibilities in respect of the financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group 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 page 71 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

Independent Auditors' report to the members of Crest Nicholson Holdings plc

Report on the audit of the financial statements

Opinion

In our opinion:

- Crest Nicholson Holdings plc's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 October 2022 and of the Group's profit and the Group's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Integrated Report (the "Annual Report"), which comprise: the Consolidated and Company Statements of Financial Position as at 31 October 2022; the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Cash Flow Statement and the Consolidated and Company Statements of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit and Risk Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in note 5 of the consolidated financial statements, we have provided no non-audit services to the company or its controlled undertakings in the period under audit.

Independent Auditors' report
continued

Our audit approach

Context

Crest Nicholson Holdings plc is a residential housebuilder listed on the London Stock Exchange. The Group is wholly UK based, operating primarily across the Midlands and the southern half of England. The Group is susceptible to external macro-economic factors such as government regulation, mortgage availability and changes in the wider building sector such as customer demand, supply chain availability and build cost inflation. This is particularly relevant for our work in the areas of margin forecasting and the valuation of inventory.

During the year ended 31 October 2022, the Group has increased its revenue as a result of higher unit sales and higher selling prices. The Group has recorded an additional exceptional charge in relation to the combustible materials provision, as a result of increases in cost estimates and the impact of the extension of scope from the government's Building Safety Pledge. Our audit procedures, as set out below in the related key audit matters, focused on the appropriateness of the significant accounting estimates made by management.

Overview

Audit scope

— We conducted an audit of the complete financial information of each of the five geographically-based housebuilding divisions, which form the majority of the Group. Specific balances and financial statement line items were audited within additional reporting units based on their size. Revenue, the carrying value of inventory, pensions and the combustible materials provision were tested at the Group level.

Key audit matters

— Valuation of inventory at the lower of cost and net realisable value ("NRV") (Group).
— Margin forecasting and recognition (Group).
— Accounting for the combustible materials provision (Group).
— Valuation of intercompany receivables (Company).

Materiality

— Overall Group materiality: £6,400,000 (2021: £6,000,000) based on approximately 5% of current year profit before tax and exceptional items (2021: based on consideration of a number of acceptable benchmarks, this level of materiality is equivalent to approximately 6% of current year profit before tax and exceptional items).
— Overall Company materiality: £2,200,000 (2021: £2,500,000) based on approximately 1% of total assets.
— Performance materiality: £4,800,000 (2021: £4,500,000) (Group) and £1,800,000 (2021: £1,650,000) (Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Valuation of inventory at the lower of cost and net realisable value ("NRV") (Group) Refer to Note 1 (Accounting policies) Note 4 (Exceptional items) and Note 19 (Inventories) of the Group financial statements, and page 94 (Key financial and internal control matters). Inventory is the most significant balance on the consolidated statement of financial position and is held at the lower of cost and net realisable value ("NRV"). While the cost is relatively straightforward to determine, the NRV of each development is judgemental, based on forecasts of costs and sales prices. During the year, a NRV charge of £9.6m was recognised resulting in a total NRV position at year end of £12.6m, with the majority expected to be utilised in the next financial year. Due to the size of the balances and the judgemental nature of the forecasts we determined that the valuation of this financial statement line item is a significant risk for the audit and therefore a focus of our work.	Our audit procedures included: — Confirming and updating our understanding of management's process for preparing a forecast for each development, consistent with the risk associated with the margin forecasting and recognition process (see below); — Testing management's controls over the approval of the initial forecasts and the monitoring of updates required to the forecasts over the course of the development's life, including attendance at build cost control meetings at all divisions; — Testing the appropriateness and accuracy of the inputs into the development forecasts, for example by comparing sales prices and costs to market research, quotes or purchase orders. As part of our audit procedures, we also had discussions with site surveyors and other individuals outside the finance function; — Understanding the composition of the inventory balance, specifically the level and ageing of completed but unreserved units, to confirm if completed units are held at the appropriate value; — Assessing the level of post year end reservations and comparing forecast sales prices to actual sales prices achieved or to external market data to determine if there are any valuation issues at the period end; — Evaluating the margins recognised on sites where we identified potential valuation issues, being those sites with low margins or high levels of completed and unreserved units at the year end date; — Evaluating the carrying value of part exchange stock by verifying sales values to external evidence and testing to post-year end reservations; — Assessing the accuracy of the NRV charge recognised in the period by testing management's latest estimates of costs and sales prices, and confirmed the appropriateness of the NRV utilised during the year; and — Testing management's NRV model to confirm the mathematical accuracy of the workings. Based upon the procedures performed we did not identify any sites where we determined that further material impairments were required. We are satisfied that the Group's provisions were not materially misstated.

Independent Auditors' report
continued

Key audit matter	How our audit addressed the key audit matter
Margin forecasting and recognition (Group) Refer to Note 1 (Accounting policies) of the Group financial statements and page 94 (Key financial and internal control matters). The Group's margin is recognised on a plot by plot basis by reference to the margin forecast across the related development site. The margin per site reflects the best estimates of sales prices and costs. There is a risk that the margin forecast for the site and consequently the margin recognised on each unit sale is incorrect and not reflective of the management's best estimates of the final margin recognised on a development. As a result, profit margins could be manipulated through the high level of management estimation involved in ensuring the accuracy and completeness of an individual site forecast, and the monitoring of these estimates over time. Sales prices and build costs are inherently uncertain as they are influenced by changes in external market factors, such as the availability and affordability of mortgages, changes in customer demand due to market uncertainty or build cost inflation. There is higher uncertainty when a development is scheduled to be completed over a long timeframe. Management have implemented internal controls and forecasting to assess land acquisition prior to build commencement and assist the initial financial appraisal process, and further controls to monitor the ongoing costs and sales prices within these forecasts. We consider the accuracy and completeness of forecasting and margin recognition across the life of the site to be a significant financial reporting risk for the Group.	Our audit procedures included: — Testing management's forecasting and monitoring controls for the developments (including attendance at a selection of management's internal control meetings designed to monitor cost movements) and testing over the data used in these meetings; — Attending build cost control meetings at all divisions. Where necessary we followed up the controls testing with additional substantive procedures to obtain the required evidence; — For a sample of sites where we noted variances in forecast build costs comparing to the prior year, substantively testing a sample of the inputs at a high level of assurance to confirm these were appropriate and appeared complete; — Confirming, through sampling of additions to inventory, that costs were being allocated to appropriate developments and therefore impacting the correct margin; — Assessing management's overall historic accuracy of the forecasts by analysing the changes to margins in the year and adjustments made to margins through cost of sales. We also assessed how margins had moved across divisions to consider whether there were any systemic trends that might impact revenue recognition; — Checking, by recalculating the margins, that the system correctly calculates the margin following each cost or sales price amendment made by management; — Confirming the consistent application of the margin recognition framework through analysing the margins recognised on specific sites compared to the developments' forecast margin; and — Auditing any material manual adjustments to margins to ensure these were appropriate by agreeing these costs/income to third party support. Based on the procedures performed, we did not identify any sites where we considered the actual margin recognised or forecast margin to be materially misstated.

Key audit matter	How our audit addressed the key audit matter
Accounting for the combustible materials provision (Group) Refer to Note 1 (Accounting policies), Note 4 (Exceptional items), Note 23 (Provisions) of the Group financial statements and page 94 (Key financial and internal control matters). The Group first recognised the combustible materials provision in 2019. The provision reflects management's best estimate of the forecast costs to remediate legacy sites which are identified to have defective or non-compliant fire or other build safety related issues, and where the Group has a legal or constructive obligation to perform this remediation. During the year the Group has recorded an exceptional cost of sales charge of £102.5m, increasing the provision, which primarily reflects the extended scope of the Group signing the UK government's Building Safety Pledge, but also reflects changes in cost estimates. The calculation behind the provision is judgemental, in particular given defective work cost estimates are provisional until detailed intrusive works can be performed, and that defective works cannot always be identified and assessed until a claim has been received or intrusive works performed. The provision is identified as a critical accounting estimate as there remain several factors which could drive further changes to the level of provision required in future periods, in particular government guidance and intervention and new claims. Given the related estimation uncertainty, we identified the valuation and completeness of the combustible materials provision as a significant risk for the audit.	Our audit procedures included: — Enquiring with management, including the Executive Leadership Team, which includes the CEO, Group Operations Director and Group Legal Counsel, to understand the impact of signing the Pledge and to understand the movement in the provision in the year and whether the approach taken aligns with accounting standards, as well as assessing completeness; — Recalculating and checking the integrity of management's manual model to confirm its accuracy; — Reading and understanding the requirements of the Pledge document as well as drafts of the long form agreement to confirm management's assumptions and interpretations are reasonable and determine the scope of required remediation; — Testing the valuation of the provision recorded at the year end. For sites where the Building Safety Fund (BSF) have made full or partial awards, this involved agreeing the amounts to correspondence from DLUHC. For the remaining sites where an obligation exists but no award has been made by the BSF, our focus was testing management's internal estimates to understand the extent of remediation required. This testing also included assessing whether the provisions were recognised in the correct period; — Assessing the completeness of the provision through various procedures, including internet searches on unnotified buildings, trend analytics on sites by location and comparison of similar buildings. We also performed external searches for management companies who have notified the Group of remediation issues, resulting in the recognition of a provision, to identify other potential buildings and to assess exposure; — Assessing the technical capabilities and expertise of the Group's employees and consultants involved in assessing the provision; — Reviewing the disclosures made in the financial statements and considering these both in the context of IAS 37 and expected disclosures around contingent liabilities; and — Auditing the long-term and short-term split of the provision based on management's best estimate of the timing of plans for remediation, which is likely to be impacted by the timing of signing the long form agreement. Overall, we concluded management's assessment was reasonable given the level of judgement involved.

Independent Auditors' report
continued

Key audit matter	How our audit addressed the key audit matter
Valuation of intercompany receivables (Company) Refer to Note 5 (Trade and other receivables) of the Company financial statements. Intercompany receivables of £222.4m are the largest financial statement line item in the Company financial statements and are repayable on demand. The recoverability, and any expected credit losses, of these balances from other Group companies depends on the ability of the Group as a whole to generate cash flows to enable future repayment. Whilst this is not a significant risk for the audit, in the context of the audit of the Company it is the area of highest audit effort.	Our audit procedures included: — Testing the outcomes of the Group's going concern model, in particular the cash flow forecasts, and confirming that there were no liquidity issues in the Group; and — Verifying the level of cash held by the subsidiaries of the Group and their ability to repay this if required. Based on our procedures performed we did not identify any material issues with regard to valuation of classification of intercompany receivables.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group's financial statements are ultimately a consolidation of 18 reporting units (each of which were deemed to be components) representing the Group's geographically-based housebuilding divisions, other smaller trading subsidiaries and the centralised functions. The reporting units vary in size, but the bulk of the Group's operations is represented by the five geographically-based housebuilding divisions. Consequently, we determined each of these five divisions required an audit of its complete financial information due to its size. These five reporting units were all audited by the Group engagement team. The reporting units where we performed an audit of the complete financial information, in addition to the audit of consolidation journals and the audit of specific financial statement line items for other reporting units, accounted for 100% of the Group's revenues and 96% of the Group's profit before tax and exceptional items. We audited exceptional items at the Group level. The audit of specific financial statement line items included a further two reporting units, to provide additional coverage over items such as administrative costs and accruals. Our audit work across these reporting units, together with the additional procedures performed at the Group level on revenue, the carrying value of inventory, the consolidation, goodwill, taxation, retirement benefit obligations, payroll expense, finance expense, loans and borrowings, provisions and other financial assets, gave us the evidence we needed for our opinion on the Group financial statements as a whole. The audit of the Company financial statements consisted of the full scope audit of one reporting unit which operates as the holding Company function.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the Group's and Company's financial statements. The risks are primarily transitional and relate to additional regulatory and/or reporting requirements, which may result in further cost to the Group. These costs, for example by applying the Future Homes Standard to new homes from 2025, will impact the whole housebuilding sector and therefore become a feature of house price valuation at that time. The Group will also procure land factoring in these costs to its future margin appraisals, but there is a risk that for some existing parts of the landbank that these costs have to be absorbed by the Group. We have audited management's assessment of this risk and it does not result in any material changes to future margins or to current inventory valuation levels. Our procedures, therefore, did not identify any material impact as a result of climate risk on the Group's and Company's financial statements.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial Statements – Group	Financial Statements – Company
Overall materiality	£6,400,000 (2021: £6,000,000).	£2,200,000 (2021: £2,500,000).
How we determined it	Approximately 5% of current year profit before tax and exceptional items (2021: based on consideration of a number of acceptable benchmarks, this level of materiality is equivalent to approximately 6% of current year profit before tax and exceptional items).	Approximately 1% of total assets.
Rationale for benchmark applied	Profit before tax and exceptional items is one of the key measures used by the shareholders in assessing the performance of the entity and is a generally accepted auditing benchmark.	We believe that total assets is the primary measure used by the shareholders in assessing the performance of the entity, which acts solely as a holding company, and is a generally accepted auditing benchmark.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £1 million and £6 million.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2021: 75%) of overall materiality, amounting to £4,800,000 (2021: £4,500,000) for the Group financial statements and £1,800,000 (2021: £1,650,000) for the Company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £300,000 (Group audit) (2021: £300,000) and £110,000 (Company audit) (2021: £125,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

— Evaluating the appropriateness of the going concern assessment performed by the directors, including the accuracy of the underlying model and the principles applied to determine the cash flows, in particular in the base case model; and
— Testing of the key assumptions used in the model, including comparison to third party market information where appropriate and confirmation that the assumptions used in the "severe but plausible" scenario were sufficiently severe to model potential future economic downturn, above and beyond current market forecasts.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information, which includes reporting based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and the Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Independent Auditors' report
continued

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and the Directors' report for the year ended 31 October 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and the Directors' report.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the Group's and Company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the Group and Company was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and Company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit and Risk Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to government guidelines on fire safety and other health and safety requirements, employment law, including legislation relating to pensions, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Listing Rules and the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to management bias, in particular in areas of estimation uncertainty as set out in note 1 to the consolidated financial statements. Audit procedures performed by the Group engagement team included:

- Discussions with the Executive Leadership Team, divisional management teams and the Audit and Risk Committee, review of internal audit reports and consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluation and testing of the operating effectiveness of management's controls designed to prevent and detect irregularities, in particular their controls around cost and margin forecasting;
- Challenging the assumptions and judgements made by management in determining their significant accounting estimates, in particular in relation to cost forecasting, margin estimation and provisions (see related key audit matters above); and
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations including unusual or unexpected journal postings to the consolidated income statement.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit and Risk Committee, we were appointed by the members on 23 March 2015 to audit the financial statements for the year ended 31 October 2015 and subsequent financial periods. The period of total uninterrupted engagement is eight years, covering the years ended 31 October 2015 to 31 October 2022.

Other matter

In due course, as required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements will form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditors' report provides no assurance over whether the annual financial report will be prepared using the single electronic format specified in the ESEF RTS.

Darryl Phillips
Senior Statutory Auditor
For and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
London

17 January 2023

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 142–182 form part of these financial statements.

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 142–182 form part of these financial statements.

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 142–182 form part of these financial statements.

Consolidated statement of financial position

As at 31 October 2022

	Note	2022 £m	2021 £m
ASSETS			
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 142–182 form part of these financial statements.

These financial statements on pages 138–182 were approved by the Board of Directors on 17 January 2023.

On behalf of the Board

Peter Truscott
Director

Duncan Cooper
Director

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 142–182 form part of these financial statements.

Notes to the consolidated financial statements

1 Accounting policies

Basis of preparation

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

The financial statements are presented in pounds sterling and amounts stated are denominated in millions (£m), 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 183–187.

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 60–64 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
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 174 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 on page 144.

Notes to the consolidated financial statements continued

1 Accounting policies continued

Carrying value of inventories

Inventories of work-in-progress, completed buildings including show homes and part exchange inventories are stated in the consolidated statement of financial position at the lower of cost or net realisable value (NRV). On a monthly basis management update estimates of future revenue and expenditure for each development. Future revenue and expenditure may differ from estimates which could lead to an impairment of inventory if there are adverse changes. Where forecast revenues are lower than forecast 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 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:

— Amendment 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 188–189. 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.

Notes to the consolidated financial statements continued

1 Accounting policies continued

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.

Notes to the consolidated financial statements continued

1 Accounting policies continued

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

Revenue type	2022 £m	2021 £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.

Timing of revenue recognition	2022 £m	2021 £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.

Assets and liabilities related to contracts with customers	2022 £m	2021 £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.

Notes to the consolidated financial statements continued

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 £m	2021 £m
Cost of sales		
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).

Notes to the consolidated financial statements continued

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.

(d) Directors' remuneration

	2022 £m	2021 £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.

7 Finance income and expense

	2022 £m	2021 £m
Finance income		
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 £m	2021 £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.

	2022 £m	2021 £m
Reconciliation of tax expense in the year		
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.

Notes to the consolidated financial statements continued

9 Dividends

	2022 £m	2021 £m
Dividends recognised as distributions to equity shareholders in the year:		
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**

	2022 £m	2021 £m
Dividends proposed as distributions to equity shareholders in the year:		
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

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

Goodwill arose on the acquisition of 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).

Notes to the consolidated financial statements continued

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).

Total investments in joint ventures	2022 £m	2021 £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.

Notes to the consolidated financial statements continued

14 Investments continued

Summarised financial information for joint ventures

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

2022	Crest Sovereign (Brooklands) LLP £m	Bonner Road LLP £m	Crest A2D (Walton Court) LLP £m	Elmsbrook (Crest A2D) LLP £m	Other non-material joint ventures £m	Total £m
Summarised statement of financial position						
Current assets						
Cash and cash equivalents	0.3	–	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[1]	–	–	–	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[2]	0.8	–	27.1
Amount due from the Group (note 22)	–	–	–	–	0.1	0.1
Summarised income statement for the 12 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**

1 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.
2 £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 £m	Bonner Road LLP £m	Crest A2D (Walton Court) LLP £m	Elmsbrook (Crest A2D) LLP £m	Other non-material joint ventures £m	Total £m
Summarised statement of financial position						
Current assets						
Cash and cash equivalents	0.8	0.1	–	6.6	0.2	7.7
Inventories	42.8	59.9	45.8	7.2	–	155.7
Other current assets	4.8	–	0.6	0.6	0.2	6.2
Current liabilities						
Financial liabilities	(22.4)	–	(7.8)	(2.2)	–	(32.4)
Other current liabilities	(6.2)	(0.2)	(3.7)	(3.3)	(0.2)	(13.6)
Non-current liabilities						
Financial liabilities	(20.8)	(73.5)	(30.6)	–	–	(124.9)
Net (liabilities)/assets	**(1.0)**	**(13.7)**	**4.3**	**8.9**	**0.2**	**(1.3)**
Reconciliation to carrying amounts						
Opening net (liabilities)/assets at 1 November 2020	(2.4)	(11.5)	2.0	5.2	0.2	(6.5)
Profit/(loss) for the year	1.4	(2.2)	0.7	3.7	–	3.6
Capital contribution reserve	–	–	1.6	–	–	1.6
Closing net (liabilities)/assets at 31 October 2021	**(1.0)**	**(13.7)**	**4.3**	**8.9**	**0.2**	**(1.3)**
Group's share 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[1]	15.5[1]	1.1	–	56.0
Amount due from the Group (note 22)	–	–	–	–	0.1	0.1
Summarised income statement for the 12 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**

1 £18.2m stated after expected credit loss of £11.8m, and £15.5m stated after expected credit loss of £0.1m.

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

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.

Notes to the consolidated financial statements continued

15 Financial assets at fair value through profit and loss

	2022 £m	2021 £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:

	2022	2021
Assumptions		
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.

Notes to the consolidated financial statements continued

17 Employee benefits

(a) Retirement benefit obligations

Defined contribution scheme

The Group operates a defined contribution scheme for new employees. The assets of the scheme are held separately from those of the Group in an independently administered fund. The contributions to this scheme for the year were £2.3m (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%

Notes to the consolidated financial statements continued

17 Employee benefits continued

(a) Retirement benefit obligations continued

Amounts recognised in comprehensive income continued

	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 Trustees 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.

Notes to the consolidated financial statements continued

17 Employee benefits continued

(b) Share-based payments

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

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 values the options using a binomial option valuation model. The market-based TSR performance conditions apply to 40% of the award and value 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

Movements in the year	Number of options	Number of options	Number of options	Number of options	Number of options	Number of options	Number of options	Number of options	Number of options	Total number of options
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

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	
Movements in the year	£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

Notes to the consolidated financial statements continued

17 Employee benefits continued

Deferred bonus plan

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

Date of grant	28 Feb 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 Number of options	2021 Number of options
Movements in the year		
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 build 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.

Notes to the consolidated financial statements continued

18 Trade and other receivables continued

Amounts due from joint ventures are stated after a loss allowance of £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.

Notes to the consolidated financial statements continued

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.

Notes to the consolidated financial statements continued

24 Share capital

	Shares issued Number	Nominal value Pence	Share capital £	Share premium account £
Ordinary shares as at 1 November 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 190, 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 £m	Contractual cash flows £m	Within 1 year £m	1–2 years £m	2–3 years £m	More than 3 years £m
Senior loan notes	100.0	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 £m	Contractual cash flows £m	Within 1 year £m	1–2 years £m	2–3 years £m	More than 3 years £m
Senior loan notes	100.0	119.6	3.5	3.5	15.8	96.8
Financial liabilities carrying interest	65.0	66.1	36.0	30.1	–	–
Financial liabilities carrying no interest	469.9	473.6	392.5	58.6	17.6	4.9
At 31 October 2021	**634.9**	**659.3**	**432.0**	**92.2**	**33.4**	**101.7**

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 £m	2021 £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**

Notes to the consolidated financial statements continued

25 Financial risk management continued

For financial liabilities that have no interest payable but for which imputed interest is charged, consisting of land payables, the weighted average period to maturity is 14 months (2021: 24 months).

	2022 £m	2021 £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

	2022 £m	2021 £m
Financial assets		
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**

	2022 £m	2021 £m
Financial liabilities		
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.

Notes to the consolidated financial statements continued

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. 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.

Notes to the consolidated financial statements continued

29 Group undertakings continued

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: Registered office: 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.

Notes to the consolidated financial statements continued

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.

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 185–187 form part of these financial statements.

The financial statements on pages 183–187 were approved by the Board of Directors on 17 January 2023.

On behalf of the Board

Peter Truscott
Director

Duncan Cooper
Director

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**

Notes to the Company financial statements

1 Accounting policies

Basis of preparation

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

The financial statements are presented in pounds sterling and amounts stated are denominated in millions (£m), 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 section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

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

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

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

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

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

Going concern

The Directors reviewed detailed cash flows and financial forecasts for the next year and summary cash flows and financial forecasts for the following two years. Throughout this review period the Company is forecast to be able to meet its liabilities as they fall due, 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.

Notes to the Company financial statements continued

1 Accounting policies continued

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 the Annual Integrated Report 2022.

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.

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 the Annual Integrated Report 2022, 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	2021
Cash and cash equivalents	£m	373.6	350.7
Non-current interest-bearing loans and borrowings	£m	(97.1)	(97.9)
Net cash	£m	**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

Historical summary (unaudited)

	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.

Shareholder services

Shareholder profile by category as at 31 October 2022

Category	Number of shareholders	Percentage of total shareholders by number	Ordinary shares (millions)	Percentage of issued share capital
Private individuals	532	54.07%	1,639,032	0.64%
Nominee companies	366	37.20%	211,124,934	82.18%
Limited and public limited companies	33	3.35%	37,653,114	14.66%
Other corporate bodies	50	5.08%	6,494,752	2.53%
Pension funds, insurance companies and banks	3	0.30%	8,707	0.00%
	984	**100.00%**	**256,920,539**	**100.00%**

Shareholder profile by size as at 31 October 2022

Size of shareholding (shares)	Number of shareholders	Percentage of total shareholders by number	Ordinary shares (millions)	Percentage of issued share capital
1–499	134	13.62%	30,054	0.01%
500–999	93	9.45%	62,385	0.02%
1,000–4,999	312	31.71%	690,577	0.27%
5,000–9,999	88	8.94%	603,033	0.23%
10,000–49,999	134	13.62%	3,229,995	1.26%
50,000–99,999	55	5.59%	3,946,701	1.54%
100,000–499,999	86	8.74%	19,739,264	7.68%
500,000–999,999	28	2.85%	20,756,809	8.08%
1,000,000+	0	0.00%	0	0.00%

Registrars

Enquiries concerning shares or shareholdings, such as the loss of a share certificate, consolidation of share certificates, amalgamation of holdings or dividend payments, should be made to the Company's registrars:

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

Shareholder helpline: 0371 384 2183

International shareholder helpline:
+44 (0)371 384 2183

Lines are open 8.30 a.m. to 5.30 p.m., Monday to Friday (excluding public holidays in England and Wales).

In any correspondence with the registrars, please refer to Crest Nicholson Holdings plc and state clearly the registered name and address of the shareholder. Please notify the registrars promptly of any change of address.

Electronic communications

Shareholders can elect to receive shareholder documents electronically by registering with Shareview at www.shareview.co.uk.

This will save on printing and distribution costs. When you register, you will be sent an email notification to say when shareholder documents are available on our website and you will be provided with a link to that information. When registering, you will need your shareholder reference number which can be found on your share certificate or proxy form.

Please contact EQ if you require any assistance or further information.

Share dealing services

EQ provides a share dealing service that enables shares to be bought or sold by UK shareholders by telephone or over the internet.

For telephone share dealing please call 0345 603 7037 between 8.30 a.m. and 4.30 p.m. (lines are open until 6.00 p.m. for enquiries) and for internet share dealing please visit: www.shareview.co.uk/dealing.

Share fraud

Share or investment scams are often run from 'boiler rooms' where fraudsters cold call investors offering them worthless, overpriced or even non-existent shares, or offer to buy their shares in a company at a higher price than the market values. Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount, or offers of free reports about a company. Even seasoned investors have been caught out by such fraudsters. The FCA has some helpful information.

Report a scam

If you are contacted by a cold caller, you should inform the General Counsel and Company Secretary by email at info@crestnicholson.com, as well as the FCA by using their share fraud reporting form at www.fca.org.uk/scams, or by calling their Consumer Helpline on 0800 111 6768. If you have already paid money to a share fraudster you should contact Action Fraud on 0300 123 2040 or www.actionfraud.police.uk.

Group directory

For our Group directory please visit our website: www.crestnicholson.com/contact

Our head office and registered office is based at:

Crest House
Pyrcroft Road
Chertsey
Surrey
KT16 9GN

Company number: 06800600

General Counsel and Company Secretary: Kevin Maguire

Email: info@crestnicholson.com
Telephone: 01932 580 555

Annual General Meeting

The Board currently intends to hold the AGM on 23 March 2023. The arrangements for the Company's 2023 AGM and details of the resolutions to be proposed, together with explanatory notes, will be set out in the Notice of Annual General Meeting.

The Notice of Annual General Meeting is included in a separate document and is available on our website: www.crestnicholson.com/investors/shareholder-centre.

Investor relations

For investor relations matters please contact Jenny Matthews, Head of Investor Relations
investor.relations@crestnicholson.com

www.crestnicholson.com/investors

Company secretariat

For shareholding notifications required under the FCA Disclosure Guidance and Transparency Rules please email: dtr-notifications@crestnicholson.com

Public relations

Financial enquiries

Tulchan Communications LLP

Telephone: 020 7353 4200
crestnicholson@tulchangroup.com

Corporate enquiries

Red Consultancy

Telephone: 020 7025 6607
CrestNicholsonTeam@redconsultancy.com

Auditors

PricewaterhouseCoopers LLP

1 Embankment Place, London WC2N 6RH

Solicitors

Norton Rose Fulbright LLP

3 More London Riverside, London SE1 2AQ

Corporate brokers

Barclays Bank PLC

5 The North Colonnade, London E14 4BB

HSBC PLC

8 Canada Square, London E14 5HQ

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Through protecting standing forests under threat of clearance, carbon is locked-in that would otherwise be released. These protected forests are then able to continue absorbing carbon from the atmosphere, referred to as REDD (Reduced Emissions from Deforestation and forest Degradation).

Additional to the carbon benefits is the flora and fauna this land preserves, including several species identified at risk of extinction on the IUCN Red List of Threatened Species.

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Crest Nicholson Holdings plc
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