# Crest Nicholson Holdings plc

**EARLY SIGNS OF RETURNING CONSUMER CONFIDENCE AND IMPROVING DEMAND**

**STRONG LAND PORTFOLIO TO SUPPORT GROWTH AMBITIONS**

Crest Nicholson Holdings plc ('Crest Nicholson' or 'Group') today announces its Preliminary Results for the year ended 31 October 2023:

**FY23 Financial Summary**

- Revenue down 28% at £657.5m (FY22: £913.6m), reflecting the weakness in the housing market
- Home completions at 2,020 (FY22: 2,734), comprising open market completions (including bulk deals) of 1,495 (FY22: 2,212) and affordable completions of 525 (FY22: 522)
- Sales per outlet week (SPOW) of 0.52 (FY22: 0.60) with average outlets at 47 (FY22: 54).
- Adjusted profit before tax[1] at £41.4m (FY22: £137.8m)
    - Following a comprehensive review, additional costs of £5.5m were recorded at year end relating to Farnham and other legacy and low-margin sites
- Exceptional charge of £13.0m recognised in respect of a legal claim recently received relating to 2021 fire damage of a low-rise bespoke apartment scheme built by the Group
- Group's year end net cash[1] position at £64.9m (FY22: £276.5m) with land creditors at £205.5m (FY22: £198.7m). During the year, the Group increased investment in WIP and land compared to prior year
- Forward sales as at 19 January 2024 of 1,732 units and £434.9m Gross Development Value (GDV) (13 January 2023: 2,018 units and £510.8m GDV)
- Proposed final dividend of 11.5 pence per share. Total dividend for FY23 to be in line with prior year at 17.0 pence per share. The Board expects to return to its policy of 2.5 times cover going forward

**FY23 Operational Summary**

- 3,864 plots, (FY22: 2,771 plots) were approved to be added to the portfolio in FY23 at a forecast gross margin of 25.2% with planning approvals underway. These sites all provide excellent prospects to support future growth
- Operational review completed and implemented in FY23
    - Moderated the pace of growth in Yorkshire – now expecting 300 to 350 units in 2026
    - Incorporated East Anglia division into the existing Eastern division with revised boundaries
    - Aligned headcount and resources in existing divisions to the expected level of output in FY24
    - Expected overhead reduction of £3m in FY24
- Increase in WIP in the year reflecting a more normalised build level
- Build cost inflation has reduced further from mid-single digit percentages and we expect this to continue to moderate in FY24
- Significant investment was made in people, process and systems and as a result we have consistently achieved >90% customer satisfaction rating since February 2023, on track to return to a five-star rating in the year to September 2024
- In line with our sustainability targets as we actively collaborate with our supply chain and wider industry to reduce greenhouse gas emissions and prepare for upcoming regulations
- Good progress with our fire safety remediation programme

[1.] Adjusted basis represent the FY23 and FY22 statutory figures adjusted for exceptional items as disclosed in note 4. Adjusted performance metrics and net cash are non-statutory alternative performance measures (APMs) used by the Directors to manage the business which they believe should be shared for a greater understanding of the performance of the Group. The definitions of these APMs and the reconciliation to the statutory numbers are included on pages 67 to 68.

**Farnham and other legacy sites**

As announced in our November trading statement Brightwells Yard, Farnham recorded circa £11m incremental build costs in the year. The Group has subsequently conducted a comprehensive review of the costs to complete this project as well as our other legacy and low margin sites. Consequently, further additional costs of £5.5m have been identified, including £2.5m at Farnham, which have impacted FY23 adjusted profit before tax (APBT). The Group has commenced a thorough plan to improve commercial processes and controls to mitigate the risk of future cost overruns. Construction at the Farnham scheme is now in its final stages.

**Exceptional costs**

An exceptional charge of £13.0m was recorded for a legal claim the Group recently received. This relates to a low-rise bespoke apartment block built by the Group which was damaged by fire in 2021. The building, constructed in early 2019, is part of a scheme consisting of five low-rise blocks. This is unrelated to the general fire remediation programme that the Group is currently delivering.

**Building safety**

On 13 March 2023 the Group entered into the UK Government's Developer Remediation Contract. This incorporated into contractual arrangements the commitments made by the Group under the Building Safety Pledge, signed in April 2022. This provides clarity for future remediation, particularly with regards to the standards required for internal and external remedial works on legacy buildings. The Group has recorded a further charge of £11.3m related to build costs inflation and scope of work required and recovered £10.0m in cash from third parties in the year in respect of defective design and workmanship. The Group has a total provision of £144.8m (FY22: £140.8m).

**Current trading and Outlook**

We entered the new year with a forward order book which is 52% covered for FY24 revenue, and have contracted several PRS and private Registered Providers' partners' deals to be delivered over the next few years. It is encouraging to see the reduction in mortgage rates, and despite the seasonal lull, as expected we have seen some uptick in customer activity.

We will continue to maintain a disciplined approach to capital allocation for FY24. The strength of our land portfolio, supported by recent investment, means we will be highly selective in land acquisitions and will apply a rigorous approach to work-in-progress to align with expected sales rates.

Our focus in 2024 is to drive sales and margins growth, controlling costs, obtaining timely planning consents, restoring five-star customer services and continue to maintain a robust balance sheet.

**Peter Truscott, Chief Executive, commented:**

"The combination of challenging trading conditions and incremental cost movements associated with Farnham and other legacy low-margin sites have led to a disappointing set of results in FY23. We have proactively streamlined the business to align with the challenging trading environment and have taken decisive measures to address operational challenges associated with Farnham and other legacy sites, implementing strategies to control costs and ensure a more precise and feasible path towards projects completion.

Recently there has been some positive macro trends with inflation and mortgage rates falling, which bode well for the housing sector. Although it is too early to gauge customer behaviour, we have been encouraged by an increase in customer interest levels and inquiries this calendar year. However, we remain mindful of ongoing uncertainties within the broader economy.

The medium-term prospects for housing demand remain positive with the structural under supply of housing, however the challenging planning environment is likely to slow volume growth in the sector. We have acquired some excellent sites that are at advanced stages in the planning process, and have a strong strategic land pipeline, leaving us well positioned for the future when market conditions improve."

**Key financial metrics**

| £m (unless otherwise stated) | FY23 | FY22 | % change |
|---|---|---|---|
| ***Adjusted basis***[1] | | | |
| **Operating profit** | **44.2** | **140.9** | **(68.6)** |
| ***Operating profit margin*** | ***6.7%*** | ***15.4%*** | ***(870)bps*** |
| **Profit before tax** | **41.4** | **137.8** | **(70.0)** |
| **Basic earnings per share (p)** | **12.3** | **42.5** | **(71.1)** |
| | | | |
| ***Statutory basis*** | | | |
| **Revenue** | **657.5** | **913.6** | **(28.0)** |
| **Operating profit** | **29.9** | **38.4** | **(22.1)** |
| **Operating profit margin** | **4.5%** | **4.2%** | ***30bps*** |
| **Profit before tax** | **23.1** | **32.8** | **(29.6)** |
| **Basic earnings per share (p)** | **7.0** | **10.3** | **(32.0)** |
| | | | |
| ***Other metrics*** | | | |
| **Home completions (units)** | **2,020** | **2,734** | **(26.1)** |
| **Net cash**[1,2] | **64.9** | **276.5** | **(76.5)** |
| **Dividend per share (p)** | **17.0** | **17.0** | **0.0** |

1. Adjusted basis represent the FY23 and FY22 statutory figures adjusted for exceptional items as disclosed in note 4. Adjusted performance metrics and net cash are non-statutory alternative performance measures (APMs) used by the Directors to manage the business which they believe should be shared for a greater understanding of the performance of the Group. The definitions of these APMs and the reconciliation to the statutory numbers are included on pages 67 to 68.

2. Net cash is defined as cash and cash equivalents less interest-bearing loans and borrowings. See note 19 to the consolidated financial statements.

**Analyst and investor meeting, conference call and webcast**

There will be a meeting for analysts at 9.00 am today at Norton Rose Fulbright, 3 More London Riverside, London SE1 2AQ hosted by Peter Truscott, Chief Executive and Bill Floydd, Group Finance Director.

To join the presentation, please use the following link: Crest FY23 Results webcast

There is also a facility to join the presentation and Q&A session via a conference call. Participants should dial **+44 (0)203 936 2999** and use confirmation code **378512.** A playback facility will be available shortly after the presentation has finished.

For further information, please contact:

**Crest Nicholson**

Jenny Matthews, Head of Investor Relations +44 (0) 7557 842720

**Teneo**

James Macey White / Giles Kernick +44 (0) 20 7353 4200

23 January 2024

**Cautionary statement regarding forward-looking statements**

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

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

**Crest Nicholson Holdings plc**

**Registered no. 6800600**

## Chief Executive's review

### Introduction

The past financial year proved to be one characterised by significant uncertainty in the housing sector. In contrast to the previous year, which experienced robust market conditions despite supply chain challenges affecting home delivery, FY23 saw a reversal of this trend. The sales market weakened and supply chain pressures gradually eased, leading to a reduction in inflationary impacts.

While we have encountered challenging conditions, and performance was more disappointing than anticipated, the Group remained profitable, concluding the year with a strong balance sheet which facilitated a dividend payout at the same level as FY22.

### The economy and housing market

The housing market showed signs of weakening during late summer and early autumn of 2022. This downturn was triggered by the poorly received Mini-Budget from the Truss-Kwarteng Government in September 2022, leading to a significant and rapid increase in interest rates, causing a temporary collapse in housing sales. Confidence gradually returned with the establishment of a more stable Government and the subsequent easing of mortgage rates, resulting in more steady sales rates by late winter and early spring 2023.

Nevertheless, the market faced additional challenges, including a rise in interest rates due to persistently high inflation, renewing concerns of declining house prices. The Bank of England continued to raise interest rates to control these inflationary pressures.

While there was initially an expectation of significant price reductions, prices remained stable, followed by modest declines through autumn. Factors such as high mortgage rates, buyer concerns regarding potential future decreases in house prices, and the customary summer slowdown contributed to a period of very low sales rates. As overall economic conditions stabilised, sales rates slowly improved.

### Multi Channel Approach

One of our strategic priorities is the Multi Channel Approach. This approach serves as a counter-cyclical element during volatile trading environments, offering increased visibility of revenue in the business. This provides the Group with resilience and a diversified income stream. Leveraging our highly experienced Partnerships and Strategic Land (PSL) division, over the past few years, we have cultivated strategic relationships with institutions and Registered Providers (RPs). Consequently, we have successfully negotiated and delivered 273 units for FY23, as well as further units for future developments.

### Build programme

We diligently manage our build programme and work-in-progress. However, due to supply chain issues in the second half of FY22, we commenced the new financial year with a lower build position than originally planned. Despite the challenging sales environment, we seized the opportunity to maintain our planned production output during the first half of the financial year as more labour and materials became available. This enabled us to restore a normalised build activity by the end of FY23.

Build cost inflation remained elevated in the first half of our financial year. This was due to high energy costs and competitors finishing homes for their financial year-ends. A positive outlook for housebuilding in the spring created additional pressure on building supplies. The lagged effect of the dramatic increase in energy costs from the previous year continued to abate, and with labour costs moderating, build cost inflation in the second half of the financial year started to reduce to mid-single digit percentages. We anticipate this trend will continue into FY24.

### Farnham and other legacy sites

As announced in our November trading statement Brightwells Yard, Farnham recorded c. £11m incremental build costs in the year. The Group has subsequently conducted a comprehensive review of the costs to complete this project as well as our other legacy and low margin sites. Consequently, further additional costs of £5.5m have been identified, including £2.5m at Farnham, which have impacted FY23 adjusted profit before tax (APBT). The Group has commenced a thorough plan to improve commercial processes and controls to mitigate the risk of future cost overruns. Construction at the Farnham scheme is now in its final stages.

**Land and planning**

The supply of land continued to tighten due to the Government's decision to eliminate top-down housing targets, resulting in delays to new site allocations. This situation is compounded by broader issues within the planning system, including challenges related to nutrients, water neutrality, recreational impact zones and air quality constraints. Additionally, there is an under-resourced and inefficient development control function at the local authority level.

Against this challenging backdrop, and in the aftermath of a period of acute economic uncertainty, many of our housebuilding peers signalled their intention to reduce land activity and withdraw from some land deals. In contrast, we took the opportunity to acquire several highly desirable sites in attractive locations, thereby strengthening our land portfolio and securing favourable economic terms. Our decision to remain active in the land market positions us to mitigate planning delays, ensuring a higher number of outlets are in place when market conditions improve. Our land acquisition programme will remain at a reduced level during FY24.

Accordingly, the Group's year end cash position reduced to £64.9m from £276.5m in the prior year, reflecting both this investment and work-in-progress, as referred to earlier.

**Streamlining Group operations**

In response to the deterioration of trading conditions experienced in the second half of the year, we have conducted a thorough and diligent review of all activities within the Group to reduce overheads. It is never easy for employees during difficult trading conditions, and I would like to thank my colleagues for their dedication and hard work during these times.

**Reduced pace of geographical expansion**

In October 2021 we outlined a growth plan for our business involving geographical expansion, with the aim of increasing the number of our housebuilding divisions. However, this plan was devised in a stable, normalised trading environment. Since then, the housebuilding industry has encountered acute economic challenges and a deteriorating trading environment. As responsible management, it is necessary to review our business plan to align with prevailing market conditions.

Yorkshire will remain unaffected given it is now a fully operational, and will now be expected to grow at a reduced pace, targeting 300 to 350 units per annum by FY26, instead of 500 units. East Anglia is now covered by our existing Eastern division and the geographical boundaries have been revised. The Eastern division is based at Brentwood in Essex and we will retain East Anglia's satellite office in Bury St Edmunds. As previously announced, we have postponed the opening of the additional new division.

The revised footprint allows for wider overall coverage and enhanced volumes and reflects the difficult market conditions in the short term and the constrained land and planning environment in the medium term.

**Costs and overheads**

The Group has taken proactive steps to reduce the cost base at the end of FY23 with the revised growth plan as outlined previously and will continue to seek ways to operate more productively. As announced in our November 2023 Trading Statement, we have reduced overheads to align with worsening market conditions and aim to reduce annualised administrative expenses by circa. £3m in FY24. Consequently, a restructuring charge of £0.5m has been included in our FY23 results.

**Combustible materials**

On 13 March 2023 the Group entered into the UK Government's Developer Remediation Contract. This incorporated into contractual arrangements the commitments made by the Group under the Building Safety Pledge, signed in April 2022. This agreement regulates a method of building remediation going forward and sets out the basis of the timing and phasing of the recovery of funds expended by the Building Safety Fund. It also positively set out a more balanced and consistent method in assessing building remediations.

During the year we continued to focus on the remediation of affected buildings, building risk assessments, scoping and design.

We have received some recoveries from subcontractors and suppliers which has mitigated the impact and our overall fire safety provision remains broadly unchanged despite the high build cost inflation we have experienced.

**Customer experience**

In 2022 our customer service standards fell below the level to which we aspire and understandably, our customers reflected this in lower NHBC Customer Satisfaction Survey ratings. Following significant investment in FY23, in people, processes and systems, there are encouraging signs that quality and customer service standards are improving, and for legal completions from February 2023, in excess of 90% of customers have said they would recommend Crest Nicholson to a friend. Sustaining this level and building on the ongoing efforts to enhance customer experience, positions us well to regain our HBF five-star status in 2025.

**Sustainability progress**

Our sustainability strategy is split into three priority areas – protect the environment, make a positive impact on our communities and operate the business responsibly. These three priority areas guide our commitment to drive positive action across our activities and value chain.

We made positive progress against our sustainability targets in FY23, including a reduction in our greenhouse gas emissions.

We also became a Living Wage Employer and we continued to collaborate with our supply chain and industry peers on sustainability initiatives and to prepare for future regulatory changes.

**Current trading**

We entered FY24 with a forward position at 19 January 2024 of 1,732 units at £434.9m GDV, reflecting the current challenging environment. We expect trading conditions will improve towards the second half of 2024 with a strong pipeline of private rented sector and RPs.

**Summary**

The last financial year has been amongst the most challenging for the Group since the Global Financial Crisis in 2008. Against a backdrop of a difficult market, with significantly reduced housing sales activity and modest low single digit price falls, our focus and priorities for the future are centred on supporting our growth strategy. This will preserve and maintain a robust balance sheet and continue to control our overheads and administrative costs effectively.

During FY23 we increased investment in work-in-progress and strategically acquired high quality land to strengthen our land portfolio, supported by our balance sheet. This strategic move positions the Group to capitalise on growth when the market returns to a more normalised level. There continues to be a significant imbalance in the supply and demand of housing in the UK, and this undersupply is particularly acute in Southern England, where Crest Nicholson principally operates. With a highly attractive asset base, experienced management and a strong balance sheet we remain confident in our future growth prospects.

**Outlook**

We expect the housing market will remain challenging in 2024 with elevated interest rates remaining in place until inflation falls to its target level. In addition, the absence of any Government support for first time buyers, coupled with higher borrowing costs continues to impact affordability.

However, there are reasons to be optimistic with year-on-year inflation now halved and real wage growth starting to be felt in households across the UK. We have acquired some excellent sites that are at advanced stages in the planning process, leaving us well positioned to trade in whatever market conditions emerge.

**Peter Truscott**
**Chief Executive**

## Financial review

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 of the consolidated financial statements. 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. Alternative performance measures are detailed on pages 67 to 68.

**FY23 trading performance**

FY23 saw a weakening sales market compared to FY22 which has impacted levels of demand for new homes. Supply chain pressures, labour inflation and rising prices of raw materials experienced in FY22 eased during FY23 leading to a reduction in inflationary impacts during the year, albeit still higher than average historic rates.

Sales prices remained stable, with modest declines through autumn.

FY23 has been impacted by domestic political uncertainty. At the end of FY22 the Mini-Budget led to rising interest rates resulting in a temporary collapse in housing sales. Confidence gradually returned to the housing market as increases in interest rates began to stabilise, with a steadier sales rate being achieved by spring 2023.

The weakening sales market, driven by domestic economic uncertainty, increases in interest rates, modest reductions in sales prices, build cost inflation and ongoing challenges at some of our sites have in combination impacted financial metrics compared to FY22.

Sales, including joint ventures is down 27.6% on prior year at £692.1m (FY22: £955.8m). This comprised £657.5m of statutory revenue (FY22: £913.6m) and £34.6m of the Group's share of revenue through joint ventures (FY22: £42.2m). The Group entered into a new joint venture in the year that is expected to start contributing to Group profit in FY24.

The Group delivered 2,020 (FY22: 2,734) home completions during the year, down 26.1% on prior year. 1,495 of these were open market completions (including bulk deals) (FY22: 2,212), down 32.4% on prior year, with the balance derived from affordable completions at 525 (FY22: 522), up 0.6% 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.

Open market (including bulk) average selling prices increased to £406,000 (FY22: £388,000) during the year due to the mix of units recognised.

Adjusted gross profit was £100.6m (FY22: £194.3m), down 48.3% on prior year, reflecting the weaker sales environment and build cost challenges. Adjusted gross margin was down on prior year at 15.3% (FY22: 21.3%). As announced in our November trading statement Brightwells Yard, Farnham recorded c£11m incremental build costs in the year. The Group has subsequently conducted a comprehensive review of the costs to complete this project as well as our other legacy and low margin sites. Consequently, further additional costs of £5.5m have been identified, including £2.5m at Farnham, which have impacted FY23 APBT. The Group has commenced a thorough plan to improve commercial processes and controls to mitigate the risk of future cost overruns. Construction at the Farnham scheme is now in its final stages. Gross profit was £86.3m (FY22: £91.8m), down 6.0% on prior year due to the impact of significantly higher level of exceptional items in FY22 offset by the impact of the challenging sales market in FY23.

Net administrative expenses for the year were £55.8m (FY22: £51.1m). With the expectation of tougher trading conditions, the Group undertook a rationalisation exercise in the second half including the merger of the East Anglia division with our Eastern division and the streamlining of operations which is expected to reduce annualised administrative expenses by circa £3.0m in FY24. Included within net administrative expenses is a restructuring charge of £0.5m which was substantially completed at the end of the year.

Net impairment losses on financial assets were £0.6m (2022: £2.3m). The FY22 charge related to the disposal of the Group's 50% share in the joint venture containing the London Chest Hospital to its joint venture partner.

Adjusted operating profit (or Earnings Before Interest and Tax – EBIT) decreased in the year to £44.2m (FY22: £140.9m) with EBIT margin decreasing from 15.4% to 6.7% due to lower revenue falling through to margin. Finally, APBT for the year was £41.4m (FY22: £137.8m), down 70.0% on prior year and profit before tax after exceptional items for the year was £23.1m (FY22: £32.8m), reflecting the impact of the weaker year-on-year operating profit contribution offset by the exceptional charge outlined below. Operating profit was £29.9m (FY22: £38.4m), down 22.1% on prior year due to the weaker trading environment and build cost challenges.

**Control environment**

Commercial controls in two divisions have not been effective during the year. Weaknesses were identified in the divisions' management and forecasting of build costs and margin of which the most material example was in Farnham. At the end of FY23, the Group completed its rollout of a new ERP system which going forward will strengthen the key financial and commercial controls that operate across the business. A new Group Commercial Assurance team has been established to monitor key commercial controls. In addition, the appointment of a new Chief Operating Officer from 1 January 2024 will provide additional group oversight.

**Exceptional items**

As a consequence of signing the Developer Remediation Contract on 13 March 2023, the Group has entered into contractual commitments with the Government to identify and remediate those buildings it has developed with possible life-critical fire safety defects. The combustible materials charge in FY23 represents changes in forecast build costs and in the discount rate applied to the provision. See notes 4 and 22 of the consolidated financial statements for additional information.

In FY23 the Group recorded an exceptional total combustible materials related charge of £5.3m (FY22: £105.0m) representing forecast changes in build costs and in the provision discount in the year. This total charge is after a £10.0m cash receipt from a third party relating to buildings included within the combustible materials provision.

The Group also recognised a charge of £13.0m as it is subject to a legal claim relating to a low rise apartment, three-storey scheme built by the Group which was damaged by fire in 2021. Due to the size and nature of the claim, and in line with the Group's accounting policy, this has been presented as an exceptional item.

The tax credit on exceptional items is £4.8m (FY22: £22.4m).

**Finance expense and taxation**

Adjusted net finance expense of £5.5m (FY22: £7.1m) is £1.6m lower year-on-year, and the Group Revolving Credit Facility (RCF) remained undrawn for the duration of the year. Net finance expense was £10.1m (FY22: £8.1m). Income tax charge in the year of £5.2m (FY22: £6.4m) represented an effective tax rate of 22.5% (FY22: 19.5%). This increase is due to the impact of changes in UK tax rates. Further detail can be found in note 8 of the consolidated financial statements.

**£250m Revolving Credit Facility**

The Group's previous £250m RCF was due to expire in June 2024. During the prior year we completed a new Sustainability Linked Revolving Credit Facility. The £250m facility 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.

For FY23 all targets have been met. This will result in a margin reduction of 0.05%.

**Dividend**

The Board proposes to pay a final dividend of 11.5 pence per share for the financial year ended 31 October 2023 which, subject to shareholder approval, is expected to be paid on 23 April 2024 to shareholders on the Register of Members on 22 March 2024. This is in addition to the 5.5 pence per share interim dividend that was paid in October 2023. The Group expects to revert to its policy of dividend cover of 2.5 times for FY24, having deviated from policy in FY23 to meet our commitment to maintain the same cash dividend as FY22.

**Financial position**

The Group had net cash of £64.9m at 31 October 2023 (FY22: £276.5m). Net cash and land creditors were £(140.6)m (FY22: £77.8m).

Inventories at 31 October 2023 were £1,164.8m (FY22: £990.1m), up 17.6% year-on-year. During FY23 the Group increased investment in inventories and strategically acquired high quality land to strengthen its land portfolio, supported by its strong balance sheet. This strategic move positions the Group to capitalise on growth when the market returns to a more normalised level. Included within this balance is an NRV provision of £20.2m (FY22: £12.6m) which principally relates to the Group's scheme at Brightwell's Yard, Farnham. Completed units at 31 October 2023 were £89.6m (FY22: £30.1m). Further detail on inventory can be found in note 19 of the consolidated financial statements.

Net cash outflow from operating activities was £165.6m (FY22: £51.7m inflow) and return on capital employed (ROCE) reduced in the year to 6.3% (FY22: 22.4%), reflecting the decrease in earnings and investment in land. Net assets at 31 October 2023 were £856.3m (FY22: £883.1m), a decrease of 3.0% on prior year.

**Land portfolio**

The supply of land continued to tighten in the year due to the Government changing the top-down housing targets and planning issues around nutrients, water neutrality, recreation zones and air quality constraints. With the uncertain economic outlook during FY23 some developers did not complete planned acquisitions or temporarily withdrew from the market. The Group took the opportunity to acquire several highly desirable sites and strengthening its land portfolio and securing favourable terms. The Group's decision to remain active in the land market positions it to mitigate planning delays, ensuring a higher number of outlets are in place when market conditions improve. The land acquisition programme will remain at a reduced level during FY24. FY23 average outlets were 47 (FY22: 54) and it is expected that FY24 will be at a similar level, reflecting the backdrop outlined above. 3,864 plots have been approved in FY23 for purchase at a gross margin of 25.2% (after sales and marketing costs).

The Group's short-term land portfolio at 31 October 2023 comprised 14,922 (FY22: 14,250) plots, representing approximately five years of supply. In addition, the Group's strategic land portfolio comprised 18,830 plots (FY22: 22,450), resulting in a total land portfolio at 31 October 2023 of 33,752 (FY22: 36,700) plots with a Gross Development Value (GDV) of £12.2bn (FY22: £12.1bn). During the year the Group added 3,501 units to the short-term land portfolio and delivered 2,020 home completions.

| | **FY23** | | **FY22** | |
|---|---|---|---|---|
| | **Units[1]** | **GDV[2] – £m** | **Units[1]** | **GDV[2] – £m** |
| Short-term housing | 14,922 | 5,054 | 14,250 | 4,661 |
| Short-term commercial | – | 60 | – | 41 |
| Total short term | 14,922 | 5,114 | 14,250 | 4,702 |
| Strategic land | 18,830 | 7,049 | 22,450 | 7,409 |
| Total land pipeline | 33,752 | 12,163 | 36,700 | 12,111 |

(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.

**Bill Floydd**
**Group Finance Director**

## Principal risks

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

**Emerging risks**

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

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

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

*Economic outlook*

We continue to monitor the developing uncertainties surrounding the political and economic outlook, rising interest rates and mortgage availability, which could lead to lower sales volumes. As a result we have taken actions to adjust our strategy and reduce overhead costs.

*Build costs*

We have continued to review and discuss risks surrounding our build costs forecasting. Additional oversight controls are being implemented and we are strengthening our reporting through the ERP system.

*Regulatory change*

This risk has continued to evolve during the year and impacts us in several ways. We have continuously reviewed the speed of progress on in-scope remedial fire safety work in addressing our commitments with the UK Government's Developer Remediation Contract. There can often be challenges with a shortage in available fire safety professionals, getting access to sites, including legal consent, all of which can affect our ability to progress work as quickly as possible.

**Changes to our principal risks**

As part of the Group's risk review processes, some risks have evolved during the year:

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

## Principal risks

| 1. Market conditions | | |
|---|---|---|
| **Risk description**<br>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.<br><br>Decreased sales volumes occurring from a drop in housing demand, could see an increasing number of units held as unreserved and part exchange stock with a potential loss realised on final sales.<br><br>Changes to regulations and taxes, for example Stamp Duty Land Tax and the impact of Government schemes such as Help to Buy and Equity Loan. | **Actions/mitigations**<br>We continually evaluate our strategy which we can flex and adjust as demand profiles change.<br><br>Regular sales forecasts and cost reviews to manage potential impact on sales volumes.<br><br>Forward sales, land expenditure and work-in-progress are all carefully monitored to ensure they are aligned to levels of demand.<br><br>Our Multi Channel Approach gives us access to a range of tenure options and earning resilience in changing market conditions.<br><br>We focus on strategic purchase of sites, continued development of shared ownership models and engagement with a variety of incentive schemes.<br><br>We actively develop our sales offering by introducing new and innovative products to reflect the nature of market conditions. | **Development in the year**<br>Demand for housing has deteriorated during the year, with significant economic headwinds. Mortgage borrowing has become significantly more expensive with no Government support for first-time buyers.<br><br>We have significantly reduced land activity during the year and have reduced the Group's overhead position. We have incorporated the newly created East Anglia division into its existing Eastern division with revised boundaries.<br><br>We continued to build our pipeline of trusted partners and have negotiated several bulk deals on appropriate commercial terms with partners which will provide volume delivery in future years.<br><br>We have introduced a series of new sales products and sales schemes that reflect current market conditions such as Smart Own and Family Cashback.<br><br>The Group has adequate liquidity to deal with all plausible downside market scenarios and continues to focus and monitor its cash position, ensuring build costs and capital outlay match sales demand. |

| 2. Safety, Health & Environment (SHE) | | |
|---|---|---|
| **Risk description**<br>A significant health and safety event could result in a fatality, serious injury or a dangerous situation to an individual.<br><br>Significant environmental damage could be caused by operations on-site or in our offices (for example, water contamination from pollution).<br><br>Lack of recognition of the importance of the wellbeing of employees.<br><br>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**<br>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.<br><br>We use external independent safety auditors to conduct regular site safety reviews as appropriate and without warning.<br><br>We have a network of mental health first aiders and a dedicated Employee Assistance Programme.<br><br>SHE performance is a bonus metric target used across the Group.<br>Where appropriate, interim risk mitigation solutions have been deployed in buildings where fire safety concerns have been identified. | **Development in the year**<br>We have increased focus to ensure compliance with subcontractor Risk Assessment and Method Statements (RAMS).<br><br>We have expanded reporting of safety performance to help assess root causes.<br><br>We have continued to expand our training and communications across our build teams and provide regular safety bulletins and guidance updates.<br><br>We have expanded our network of mental health first aiders across our divisions.<br><br>Delivering on our commitments contained in Developer Remediation Contract, the Group has continued to identify and risk assess any buildings impacted by possible safety issues. |

### 3. Supply chain

| Risk description | Actions/mitigations | Development in the year |
|---|---|---|
| Changing production levels across the industry put pressure on our materials supply chain.<br><br>The industry struggles to attract the next generation of talent into skilled trade professions. The labour market may not have the knowledge and skills required to deliver modern methods of construction projects.<br><br>Materials availability can be impacted by changes in demand, rising energy prices and dislocation in supply chains due to external events.<br><br>There may be a risk of suppliers and subcontractors facing insolvency due to adverse economic conditions. | Established long-term relationships with our supply chain partners through Group trading agreements and multi-year subcontractor framework agreements.<br><br>We engage in dialogue with major suppliers to understand critical supply chain risks and respond effectively.<br><br>We have developed effective procurement schedules to mitigate supply challenges.<br><br>Different construction methods are considered such as timber frame or using alternative materials such as concrete bricks. | Access to site labour and materials through the supply chain has improved throughout the year due to reducing inflation and lower production levels. We continued to focus on price competitiveness through re-tendering, quality and improved product selection.<br><br>Where possible and appropriate we forward order materials to secure supply and also utilise alternative products if they are available and it is appropriate to do so. |

### 4. Customer service and quality

| Risk description | Actions/mitigations | Development in the year |
|---|---|---|
| Customer service and build quality falls below our required standards, resulting in reduction of reputation and trust, which could impact sales and volumes.<br><br>Unforeseen product safety or quality issues or latent defects emerge due to new construction methods.<br><br>Failure to effectively implement or comply with new regulations on build quality or customer service requirements and respond to emerging technologies | We continue to focus on enhancing build quality, achieving high customer satisfaction ratings and a retained commitment to excellent placemaking.<br><br>Enhanced quality and build stage inspections to monitor adherence to our quality standards.<br><br>Our Legacy Collection house type range established that reduces complexity and drives improvements in quality.<br><br>There is a central team of quality assurance and customer relationship managers to cover all divisions.<br><br>Customer service and quality performance is a bonus metric target used across the Group. | We have continued to enhance our quality processes and have recruited additional resources to support the quality improvements.<br><br>We have developed processes and introduced new technology to support new regulatory requirements for the Future Homes Standard – Part L.<br><br>We implemented the requirements of the New Homes Quality Code in February 2023 and made significant changes to our customer service processes and systems which are subject to further ongoing review and monitoring.<br><br>We have introduced a wider range of options and extras for customers and deployed a 24-hour web chat service along with online home demonstrations. |

### 5. Build cost management

| Risk description | Actions/mitigations | Development in the year |
|---|---|---|
| Build cost inflation and unforeseen cost increases driven by demands in the supply chain or failure to implement adequate cost control systems.<br><br>Lack of awareness and understanding of external factors that may impact build costs including complex planning permissions and emerging sustainability and environmental regulations.<br><br>A lack of quality in the build process could expose the Group to increased costs, reduced selling price and volume, and impact our reputation. | We benchmark our costs against existing sites to ensure rates remain competitive.<br><br>A fair and competitive tender process is in place and we are committed to paying our suppliers and subcontractors promptly.<br><br>There are regular divisional build cost review processes and site-based quality reviews.<br><br>We continue to investigate alternative sources of supply where possible and utilise alternative production methods or materials where it is appropriate to do so. | We have continued to monitor our build costs closely, ensuring effective management of inventory levels and competitive re-tendering through the supply chain.<br><br>We completed the implementation of COINS, our new ERP platform. This has enhanced the reporting and visibility of build costs across the Group. We are enhancing the independent assurance of build costs reporting through a centralised second line commercial team providing periodic review and advisory support to the divisions. |

| 6. Information security and business continuity | | |
|---|---|---|
| **Risk description**<br>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 risks non-compliance with data privacy requirements.<br><br>This in turn could result in a higher risk of fraud and, as a result, financial penalties and an impact to reputation. | **Actions/mitigations**<br>We employ network security measures and intrusion detection monitoring, including virus protection on all computers and systems, and carry out annual security-breach tests.<br><br>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.<br><br>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; and IT disaster recovery and business continuity plans. The IT Cyber Security and Data Sub-Board Committee, chaired by the Group Finance Director meets throughout the year to address cyber security matters, assess threat levels and develop appropriate policies and procedures.<br><br>We are Cyber Essentials Plus certified and are subject to regular external and internal audit review. | **Development in the year**<br>We continued to utilise a Security Operations Centre to monitor our networks and have enhanced our security policies and procedures with further training for employees.<br><br>We have also provided executive level training to the Board on Cyber security.<br><br>We continued to review emerging risks, such as Artificial Intelligence and have developed policies to ensure appropriate use in the organisation. |

| 7. Attracting and retaining our skilled people | | |
|---|---|---|
| **Risk description**<br>An increasing skills gap in the industry at all levels resulting in difficulty with recruiting the right and diverse mix of people for vacant positions.<br><br>Employee turnover and requirement to induct and embed new employees, alongside the cost of wages increasing as a result of inflation.<br><br>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.<br><br>Ensuring we have the right culture and environment to attract and retain talent. | **Actions/mitigations**<br>Employee engagement surveys to enable the Board and ELT to understand employee feedback.<br><br>Continual focus on improving flexible and agile working arrangements to support employees.<br><br>Programmes of work to develop robust succession plans and improve diversity and inclusion across the Group.<br><br>We monitor pay structures and market trends to ensure we remain competitive against our competitors.<br><br>We monitor employee turnover, absence statistics and feedback from exit interviews. | **Development in the year**<br>Continued to evolve our people strategy and have expanded the range of leadership and personal skills training across the Group.<br><br>We became Gold Accredited through The 5% Club in respect to our recruitment and development of trainees.<br><br>Developed our diversity and inclusion policies and initiatives and have held a number of executive sponsored Affinity Group meetings.<br><br>Established the Women in the Workplace forum.<br><br>We have implemented a new enterprise wide talent management, recruitment, HR and payroll system this year |

| 8. Solvency and liquidity | | |
|---|---|---|
| **Risk description**<br>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.<br><br>Commitments to significant land and build obligations that are made ahead of revenue certainty.<br><br>Reduction in margins as average selling prices fall, inability to restructure appropriately and unsustainable levels of work-in-progress. | **Actions/mitigations**<br>Cash performance is measured against forecast with a variance analysis issued weekly. Cash performance is also considered in detail at a divisional board level.<br><br>We scrutinise the cash terms of land transactions. Private Rented Sector and bulk sales offer us the potential for early cash inflow.<br><br>The Group has available the use of a £250m Sustainability Linked Revolving Credit Facility (RCF).<br><br>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 diligent appraisal before being drawn down. | **Development in the year**<br>While net cash has reduced in the year, the Group continued to benefit from a strong balance sheet with diverse sources of funding.<br><br>We continued 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 cash performance and capital allocation throughout the year. |
| **9. Laws, policies and regulations** | | |
| **Risk description**<br>The housebuilding industry is subject to complex regulation, policy changes and Government intervention.<br><br>Future regulatory changes could impact our ability to make medium and longer-term decisions.<br><br>Failure to effectively implement new regulations including the Future Homes Standard, the Environment Act 2021, New Homes Quality Code and the Building Safety Act 2022 could impact the Group. | **Actions/mitigations**<br>We engage with the Government directly and through the HBF, various memberships of Industry groups and build relationships in key local authority areas.<br><br>We continue to assess and plan for emerging regulation and developments in readiness for potential regulatory change. | **Development in the year**<br>The pace of regulatory reform has continued to increase in the housebuilding industry.<br><br>We are developing our operating framework to support various regulatory requirements.<br><br>Implemented the New Homes Quality Code and relaunched the standard housing range in the spring to comply with Phase 1 of the Future Homes standard. |
| **10. Climate change** | | |
| **Risk description**<br>The Group will need to further enhance its sustainable practices and processes as we transition to a net-zero carbon business by 2045 and continue to meet evolving Government regulations and growing investor expectations.<br><br>Climate change could impact our business through transition and physical risks.<br><br>Transition risks include increasing regulatory change, increased carbon pricing and shifts in stakeholder preferences.<br><br>Physical risks are direct impacts from a changing climate including rising temperatures and changing weather patterns.<br><br>Failure to manage climate-related risks could lead to additional costs, build programme delays and damage to our reputation. | **Actions/mitigations**<br>Our Sustainability Committee oversees our sustainability strategy, including our approach to climate change. The Committee monitors performance against our climate targets and assesses climate-related risks and opportunities.<br><br>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.<br><br>Near and long-term science-based targets are in place, driving action to reduce GHG emissions.<br><br>Executive Directors have GHG emission reduction targets within their Long-Term Incentive Plan. | **Development in the year**<br>Implemented the interim update to Part L of the Building Regulations, which requires a 31% reduction in carbon emissions compared to the prior regulations.<br><br>Continued to collaborate with our energy assessors, supply chain and wider industry to prepare for the Future Homes Standard.<br><br>Our Sustainability Linked RCF incorporated targets to reduce GHG emissions associated with our operations and the use of our homes. We achieved both RCF climate-related targets. |

| 11. Land availability and planning | | |
|---|---|---|
| **Risk description**<br>Maintaining a supply of suitable strategic and consented land at the right economic terms to support our growth ambitions.<br><br>Acquired land is delayed in the planning process where local authorities and public sector resources are constrained.<br><br>The regulatory planning and environmental requirements continue to evolve with the national policy framework developments. Environmental requirements such as nutrients, water neutrality and biodiversity obligations are increasing. This increases the challenge of providing quality and affordable homes in the locations required. | **Actions/mitigations**<br>Expertise within our Land teams to ensure we acquire sites in the best locations and that allow us to demonstrate our placemaking credentials.<br><br>Formal relationships with key land suppliers, landowners and agents and local authorities.<br><br>Land acquisitions are subject to formal appraisal and viability assessment prior to bid submission and exchange of contracts.<br><br>The planning status of all our sites are regularly reviewed.<br><br>We undertake close consultation with the Government on planning reform. | **Development in the year**<br>Our strategy has increased focus on achieving planning consent on land under our control as we have reduced land acquisitions and acquiring new sites.<br><br>The planning process continues to be highly complex and time consuming with ongoing demands relating to affordable housing, Section 106 obligations and the community infrastructure levy. There has been a particular challenge in some of our divisions regarding nutrients and water neutrality which has impacted the speed of planning approvals. These complexities increase the cost of development and the time taken to move land through the planning process, which is also impacted by resource constraints in local authority planning departments. |

| 12. Combustible materials | | |
|---|---|---|
| **Risk description**<br>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.<br><br>This is a complex area where it is often difficult to identify and implement remedies quickly. The rapidly changing landscape of regulatory guidance and the 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**<br>A dedicated specialist team is in place with 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.<br><br>There is 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. | **Development in the year**<br>The Group 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. We monitor and report progress of remedial work to DLUHC on a periodic basis. 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.<br><br>The Board signed the Developers Remediation contract and we are now contractually obligated to the pledge. |

## Statement of Directors’ responsibilities in respect of the financial statements

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

Each of the Directors, whose names and functions are listed on pages 56 to 57 of our 2023 Annual Report and financial statements to be published in February 2023 confirm that, to the best of their knowledge:

- The Group financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Group
- The Company financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 101, give a true and fair view of the assets, liabilities and financial position of the Company, and
- The Strategic Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

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

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

On behalf of the Board

**Peter Truscott**
**Chief Executive**
**23 January 2024**

## AUDITED FINANCIAL INFORMATION

The consolidated financial statements and notes 1 to 28 for the year ended 31 October 2023 are derived from the Group's annual financial statements which have been audited by PricewaterhouseCoopers LLP. The unmodified audit report is available for inspection at the Group's registered office.

**CREST NICHOLSON HOLDINGS PLC**
**CONSOLIDATED INCOME STATEMENT**
***For the year ended 31 October 2023***

| | Note | 2023 Pre-exceptional items £m | 2023 Exceptional items (note 4) £m | 2023 Total £m | 2022 Pre-exceptional items £m | 2022 Exceptional items (note 4) £m | 2022 Total £m |
|---|---|---|---|---|---|---|---|
| **Revenue** | 3 | **657.5** | **-** | **657.5** | **913.6** | **-** | **913.6** |
| Cost of sales | | (556.9) | (14.3) | (571.2) | (719.3) | (102.5) | (821.8) |
| **Gross profit/(loss)** | | **100.6** | **(14.3)** | **86.3** | **194.3** | **(102.5)** | **91.8** |
| Net administrative expenses | 5 | (55.8) | - | (55.8) | (51.1) | - | (51.1) |
| Net impairment losses on financial assets | 17 | (0.6) | - | (0.6) | (2.3) | - | (2.3) |
| **Operating profit/(loss)** | 5 | **44.2** | **(14.3)** | **29.9** | **140.9** | **(102.5)** | **38.4** |
| Finance income | 7 | 4.1 | - | 4.1 | 3.1 | - | 3.1 |
| Finance expense | 7 | (9.6) | (4.6) | (14.2) | (10.2) | (1.0) | (11.2) |
| Net finance expense | | **(5.5)** | **(4.6)** | **(10.1)** | **(7.1)** | **(1.0)** | **(8.1)** |
| Share of post-tax profits/(losses) of joint ventures using the equity method | 14 | 2.7 | 0.6 | 3.3 | 4.0 | (1.5) | 2.5 |
| **Profit/(loss) before tax** | | **41.4** | **(18.3)** | **23.1** | **137.8** | **(105.0)** | **32.8** |
| Income tax (expense)/credit | 8 | (10.0) | 4.8 | (5.2) | (28.8) | 22.4 | (6.4) |
| **Profit/(loss) for the year attributable to equity shareholders** | | **31.4** | **(13.5)** | **17.9** | **109.0** | **(82.6)** | **26.4** |
| Earnings per ordinary share | | | | | | | |
| Basic | 10 | 12.3p | | 7.0p | 42.5p | | 10.3p |
| Diluted | 10 | 12.2p | | 7.0p | 42.3p | | 10.2p |

The notes on pages 22–62 form part of these consolidated financial statements.

**CREST NICHOLSON HOLDINGS PLC**
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
***For the year ended 31 October 2023***

| | Note | 2023 £m | 2022 £m |
|---|---|---|---|
| **Profit for the year attributable to equity shareholders** | | **17.9** | **26.4** |
| **Other comprehensive (expense)/income:** | | | |
| Items that will not be reclassified to the consolidated income statement: | | | |
| Actuarial losses of defined benefit schemes | 16 | (2.5) | (8.4) |
| Change in deferred tax on actuarial losses of defined benefit schemes | 15 | 1.1 | 1.6 |
| **Other comprehensive expense for the year net of income tax** | | **(1.4)** | **(6.8)** |
| **Total comprehensive income attributable to equity shareholders** | | **16.5** | **19.6** |

The notes on pages 22–62 form part of these consolidated financial statements.

**CREST NICHOLSON HOLDINGS PLC**
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
***For the year ended 31 October 2023***

| | Note | Share capital £m | Share premium account £m | Retained earnings £m | Total equity £m |
|---|---|---|---|---|---|
| **Balance at 1 November 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 | 16 | - | - | (8.4) | (8.4) |
| Change in deferred tax on actuarial losses of defined benefit schemes | 15 | - | - | 1.6 | 1.6 |
| **Total comprehensive income for the year** | | **-** | **-** | **19.6** | **19.6** |
| Transactions with shareholders: | | | | | |
| Equity-settled share-based payments | 16 | - | - | 1.9 | 1.9 |
| Deferred tax on equity-settled share-based payments | 15 | - | - | (0.4) | (0.4) |
| Purchase of own shares | 23 | - | - | (1.1) | (1.1) |
| Dividends paid | 9 | - | - | (38.5) | (38.5) |
| **Balance at 31 October 2022** | | **12.8** | **74.2** | **796.1** | **883.1** |
| Profit for the year attributable to equity shareholders | | - | - | 17.9 | 17.9 |
| Actuarial losses of defined benefit schemes | 16 | - | - | (2.5) | (2.5) |
| Change in deferred tax on actuarial losses of defined benefit schemes | 15 | - | - | 1.1 | 1.1 |
| **Total comprehensive income for the year** | | **-** | **-** | **16.5** | **16.5** |
| Transactions with shareholders: | | | | | |
| Equity-settled share-based payments | 16 | - | - | 1.5 | 1.5 |
| Deferred tax on equity-settled share-based payments | 15 | - | - | (0.2) | (0.2) |
| Purchase of own shares | 23 | - | - | (1.9) | (1.9) |
| Transfers in respect of share options | | - | - | 0.9 | 0.9 |
| Dividends paid | 9 | - | - | (43.6) | (43.6) |
| **Balance at 31 October 2023** | | **12.8** | **74.2** | **769.3** | **856.3** |

The notes on pages 22–62 form part of these consolidated financial statements.

**CREST NICHOLSON HOLDINGS PLC**
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
***As at 31 October 2023***

| | Note | 2023 £m | 2022 £m |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Intangible assets | 11 | 29.0 | 29.0 |
| Property, plant and equipment | 12 | 2.2 | 0.9 |
| Right-of-use assets | 13 | 6.1 | 3.7 |
| Investments in joint ventures | 14 | 10.7 | 9.0 |
| Financial assets at fair value through profit and loss | | 2.6 | 3.3 |
| Deferred tax assets | 15 | 3.3 | 4.8 |
| Retirement benefit surplus | 16 | 10.0 | 11.1 |
| Trade and other receivables | 17 | 6.0 | 35.0 |
| | | **69.9** | **96.8** |
| **Current assets** | | | |
| Inventories | 18 | 1,164.8 | 990.1 |
| Financial assets at fair value through profit and loss | | 1.1 | 1.3 |
| Trade and other receivables | 17 | 120.0 | 116.3 |
| Current income tax receivable | | 11.9 | 1.1 |
| Cash and cash equivalents | 19 | 162.6 | 373.6 |
| | | **1,460.4** | **1,482.4** |
| **Total assets** | | **1,530.3** | **1,579.2** |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Interest-bearing loans and borrowings | 20 | (83.5) | (97.1) |
| Trade and other payables | 21 | (71.1) | (41.8) |
| Lease liabilities | 13 | (4.4) | (2.3) |
| Deferred tax liabilities | 15 | (2.5) | (3.2) |
| Provisions | 22 | (73.8) | (70.8) |
| | | **(235.3)** | **(215.2)** |
| **Current liabilities** | | | |
| Interest-bearing loans and borrowings | 20 | (14.2) | - |
| Trade and other payables | 21 | (337.0) | (407.1) |
| Lease liabilities | 13 | (2.0) | (1.6) |
| Provisions | 22 | (85.5) | (72.2) |
| | | **(438.7)** | **(480.9)** |
| **Total liabilities** | | **(674.0)** | **(696.1)** |
| **Net assets** | | **856.3** | **883.1** |
| **EQUITY** | | | |
| Share capital | 23 | 12.8 | 12.8 |
| Share premium account | 23 | 74.2 | 74.2 |
| Retained earnings | | 769.3 | 796.1 |
| **Total equity** | | **856.3** | **883.1** |

The notes on pages 22–62 form part of these consolidated financial statements.
These consolidated financial statements on pages 18–62 were approved by the Board of Directors on 23 January 2024.

On behalf of the Board

**Peter Truscott**
**Director**

**Bill Floydd**
**Director**

**CREST NICHOLSON HOLDINGS PLC**
**CONSOLIDATED CASH FLOW STATEMENT**
***For the year ended 31 October 2023***

| | Note | 2023 £m | 2022 £m |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit for the year attributable to equity shareholders | | 17.9 | 26.4 |
| *Adjustments for:* | | | |
| Depreciation on property, plant and equipment | 12 | 0.5 | 0.4 |
| Depreciation on right-of-use assets | 13 | 2.3 | 1.9 |
| Retirement benefit obligation administrative expenses | 16 | 0.6 | 0.9 |
| Net finance expense | 7 | 10.1 | 8.1 |
| Share-based payment expense | 16 | 1.5 | 1.9 |
| Share of post-tax profits of joint ventures using the equity method | 14 | (3.3) | (2.5) |
| Impairment of inventories movement | 18 | 7.6 | (8.1) |
| Net impairment of financial assets | 17 | 0.6 | 2.3 |
| Income tax expense | 8 | 5.2 | 6.4 |
| **Operating profit before changes in working capital, provisions and contributions to retirement benefit obligations** | | **43.0** | **37.7** |
| Decrease/(increase) in trade and other receivables | | 27.0 | (17.0) |
| (Increase)/decrease in inventories | | (182.3) | 55.5 |
| Decrease in trade and other payables and provisions | | (31.9) | (13.4) |
| Contribution to retirement benefit obligations | 16 | (1.5) | (3.4) |
| **Cash (used by)/ generated from operations** | | **(145.7)** | **59.4** |
| Finance expense paid | | (5.6) | (6.3) |
| Income tax paid | | (14.3) | (1.4) |
| **Net cash (outflow)/inflow from operating activities** | | **(165.6)** | **51.7** |
| **Cash flows from investing activities** | | | |
| Purchases of property, plant and equipment | 12 | (1.8) | (0.1) |
| Disposal of financial assets at fair value through profit and loss | | 0.9 | 0.7 |
| Funding to joint ventures | | (13.0) | (7.5) |
| Repayment of funding from joint ventures | | 11.7 | 18.8 |
| Dividends received from joint ventures | | 1.5 | 2.4 |
| Finance income received | | 2.3 | 0.1 |
| **Net cash inflow from investing activities** | | **1.6** | **14.4** |
| **Cash flows from financing activities** | | | |
| Principal elements of lease payments | 13 | (2.4) | (2.1) |
| Dividends paid | 9 | (43.6) | (38.5) |
| Net purchase of own shares | | (1.0) | (1.1) |
| Debt arrangement and facility fees | | - | (1.5) |
| **Net cash outflow from financing activities** | | **(47.0)** | **(43.2)** |
| **Net (decrease)/increase in cash and cash equivalents** | | (211.0) | 22.9 |
| Cash and cash equivalents at the beginning of the year | | 373.6 | 350.7 |
| **Cash and cash equivalents at the end of the year** | 19 | **162.6** | **373.6** |

The notes on pages 22–62 form part of these consolidated financial statements.

**CREST NICHOLSON HOLDINGS PLC**
**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 500 Dashwood Lang Road, Bourne Business Park, Addlestone, Surrey KT15 2HJ. 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 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 63–66.

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. The assessment has been performed over the 15 month period to April 2025, aligning with the measurement date of the Group's covenants on its lending facilities.

*Assessment of principal risks*

The Directors assessed the Group's principal risks as detailed on pages 11–16 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 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 further?<br>• Will the current economic activity disrupt future operations and our ability to build and sell properties?<br>• Will material and labour availability worsen due to energy prices or other economic factors 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 good forward order book<br>• The UK Government has consistently demonstrated its support for the housing lending market, encouraging lenders to maintain good levels of mortgage availability<br>• The Group benefits from strong supplier and subcontractor relationships that help mitigate availability issues. | • Market conditions<br>• Supply chain |
| Will UK house prices fall?<br>• 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?<br>• Will the higher cost of mortgages persist and create an affordability gap? | • The Group has a good forward order book of reservations and exchanges at prevailing prices<br>• There is appetite for institutional capital investment into the UK property market that helps mitigate any cyclical drop in confidence in the private market<br>• The Group participates in affordability schemes such as Deposit Unlock. | • Market conditions |

| Risk | Mitigation and other considerations | Link to principal risks |
|---|---|---|
| Will build cost inflation remain high and sustained?<br><br>• Will the availability of materials and labour remain scarce because of the war in Ukraine and high energy prices?<br>• 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<br>• The Group's implementation of COINS as its new ERP platform will enhance the reporting of build costs for the divisions once initial issues are resolved, the implementation was completed in FY23 with all divisions now using a consistent system. | • Supply chain<br>• 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 2023. The Group retains a good level of working capital and liquidity to execute its strategy. During the prior year the Group completed a £250.0m Sustainability Linked 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, details of these covenants can be found in note 24. The RCF is also subject to sustainability targets which are aligned to the Group's sustainability strategy with a lower interest rate payable if these are achieved, see note 24 for more information. Given the Group's good 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 FY24 and FY25 covering the period to April 2025. 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 expectation, but are not disclosed as the Group considers them to be commercially sensitive.

   The Group has already secured a significant proportion of sales for FY24 by way of its forward order book. Under this scenario the Group maintains a good level of liquidity and financial headroom throughout FY24 and across the going concern period 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 2023 and include a 0.37 SPOW (FY23 SPOW was 0.52), a reduction in forecast average selling prices that increases over time and reaches a peak of 7% before recovering and a 10.0% increase in forecast build costs. Build costs include the Group's stated commitment under the Developer Remediation Contract 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 sufficient headroom. The Directors have then applied the 7.0% 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 sufficient 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 sensitive.

*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 to either increase profit or conserve cash. Some of these measures are implicit outcomes of a downturn (such as reduction in build spend) rather than mitigating actions which the Group would have to apply.
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 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, reducing build spend
- Mothballing unproductive and/or capital-intensive schemes
- Repaying interest-bearing products to reduce the net interest charge, recognising the Group's current liquidity position
- A reduction in sales and marketing costs to reflect a fall in sales volumes
- A reduction in discretionary land acquisitions and therefore land expenditure as we require less land to replenish the land portfolio
- Reduction in dividend to conserve cash.

*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 consolidated 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, 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 where the land sale element takes place at the start of the contract (see note 3 for the split of revenue recognised at a point in time and recognised over time), the recognition of the defined benefit pension scheme net surplus (see note 16) and the current and non-current presentation of the combustible materials provision.

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. As part exchange sales are deemed incidental, the income and expenses associated with part exchange properties are recognised in other operating income and other operating expenses which are presented within net administrative expenses in the consolidated income statement. Income is recognised when legal title is passed to the customer. Previously the income and associated costs arising on these sales was presented net within cost of sales. The prior year balance has not been restated since the net result is immaterial to the Group and there is no change to the operating profit realised in each year.

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

*Carrying value of inventories*
Inventories of work-in-progress, completed buildings including show homes and part exchange inventories are stated in the consolidated statement of financial position at the lower of cost or NRV. On a regular 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 (total land portfolio excluding strategic land) as at 31 October 2023, the impact on profit before tax would have been £15.9m lower (2022: £7.0m 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 2023 and which are forecast to still be in production beyond the year ending 31 October 2025 (2022: beyond the year ending 31 October 2024), profit before tax in the current year would have been £32.3m lower (2022: £25.3m 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 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 47–48 of our 2023 annual report and financial statements to be published in February 2024, 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 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 16 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 25). During the year, the combustible materials provision has been increased to reflect the most contemporaneous assessment of these costs. The Group signed the Developer Remediation Contract on 13 March 2023, which did not materially alter the provision required from that recorded as at 31 October 2022. In the previous financial year, the Group signed the UK Government's Building Safety Pledge (the Pledge), a consequence of which 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 from 1992.

The key assumptions used to determine the provision 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 and works to complete, along with the timing of forecast expenditure. The Directors have used 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. The 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 £29.0m 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 22 for additional details.

**Adoption of new and revised standards**
There are no new standards, amendments to standards and interpretations that are applicable to the Group and are mandatory for the first time for the financial year beginning 1 November 2022 which have had a material impact on the Group.

**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 2023 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 presentation of the proceeds generated from the disposal of part exchange properties as detailed within critical accounting estimates and judgements.

**Alternative performance measures**
The Group has adopted various APMs, as presented on pages 67–68. 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 2038. 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 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. As part exchange sales are deemed incidental, the income and expenses associated with part exchange properties are recognised in other operating income and other operating expenses which are presented within net administrative expenses in the consolidated income statement. Income is recognised when legal title is passed to the customer. Previously the income and associated costs arising on these sales was presented net within cost of sales. The prior year balance has not been restated since the net result is immaterial to the Group and there is no change to the operating profit realised in each year.

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

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

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

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

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

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

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

**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, significant legal matters 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 Trust (ESOT)**
Transactions of the Company-sponsored ESOT are included in both the Group financial statements and the Company's own financial statements. The purchase of shares in the Company by the ESOT 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 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.

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:

- At amortised cost
- Subsequently at FVTPL
- Subsequently at FVOCI.

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

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

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

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

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

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

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

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

- At amortised cost
- 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 ELT (comprising Peter Truscott (Chief Executive), Duncan Cooper (Group Finance Director until 13 December 2023), Bill Floydd (Group Finance Director from 13 November 2023) David Marchant (Group Operations Director), Kieran Daya (Managing Director, Crest Nicholson Partnerships and Strategic Land until 31 December 2023 and Chief Operating Officer from 01 January 2024), Jane Cookson (Group HR Director), Kevin Maguire (General Counsel and Company Secretary until 18 August 2023), Heather O'Sullivan (General Council from 25 September 2023), Penny Thomas (Group Company Secretary from 1 January 2024), Alex Stark (Executive Managing Director until 8 August 2023) and David Brown (Executive Managing Director until 15 December 2023)), 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 ELT 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

| | 2023 | 2022 |
|---|---|---|
| **Revenue type** | £m | £m |
| Open market housing including specification upgrades | 550.0 | 803.7 |
| Affordable housing | 88.0 | 76.9 |
| **Total housing** | **638.0** | **880.6** |
| Land and commercial sales | 19.5 | 32.0 |
| Freehold reversions | - | 1.0 |
| **Total revenue** | **657.5** | **913.6** |

| | 2023 | 2022 |
|---|---|---|
| **Timing of revenue recognition** | £m | £m |
| Revenue recognised at a point in time | 552.4 | 842.6 |
| Revenue recognised over time | 105.1 | 71.0 |
| **Total revenue** | **657.5** | **913.6** |

| | 2023 | 2022 |
|---|---|---|
| **Assets and liabilities related to contracts with customers** | £m | £m |
| Contract assets (note 17) | 6.9 | 25.1 |
| Contract liabilities (note 21) | (6.0) | (19.3) |

Contract assets have decreased to £6.9m from £25.1m in 2022, 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 £6.0m from £19.3m in 2022, 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 £16.1m (2022: £19.6m) that was included in contract liabilities at the beginning of the year.

During the year £nil (2022: £nil) of revenue was recognised from performance obligations satisfied or partially satisfied in previous years.

As at 31 October 2023 there was £229.1m (2022: £322.4m) of transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied on contracts exchanged with customers. Forecasts recognise £114.3m (2022: £257.4m) of transaction prices allocated to performance obligations that are unsatisfied on contracts exchanged with customers within one year, £112.0m (2022: £65.0m) within two to five years, and £2.8m (2022: £nil) over five years.

## 4 EXCEPTIONAL ITEMS

Exceptional items are those which, in the opinion of the Directors, are material by size and/or non-recurring in nature and therefore require separate disclosure within the consolidated income statement in order to assist the users of the financial statements to better understand the performance of the Group, which is also how the Directors internally manage the business. Where appropriate, the Directors consider that items should be considered as categories or classes of items, such as any credits/costs impacting the consolidated income statement which relate to combustible materials, notwithstanding where an item may be individually immaterial. Where appropriate, a material reversal of these amounts will be reflected through exceptional items.

| | 2023<br>£m | 2022<br>£m |
|---|---|---|
| **Cost of sales** | | |
| Combustible materials charge | (11.3) | (102.5) |
| Combustible materials credit | 10.0 | – |
| **Net combustible materials charge** | **(1.3)** | **(102.5)** |
| Legal provision | (13.0) | - |
| **Total cost of sales charge** | **(14.3)** | **(102.5)** |
| **Net finance expense** | | |
| Combustible materials imputed interest | (4.6) | (1.0) |
| **Share of post-tax profit/(loss) of joint ventures** | | |
| Combustible materials credit/(charge) of joint ventures | 0.6 | (1.5) |
| **Total exceptional charge** | **(18.3)** | **(105.0)** |
| Tax credit on exceptional charge | 4.8 | 22.4 |
| **Total exceptional charge after tax credit** | **(13.5)** | **(82.6)** |

**Net combustible materials charge**
As a consequence of signing the Developer Remediation Contract on 13 March 2023, the Group has entered into contractual commitments with the UK Government to identify and remediate those buildings it has developed with possible life-critical fire safety defects. The Group is currently working on circa 90 buildings in various stages of design, procurement and works. The combustible materials charge represents forecast changes in build costs and in the provision discount. The Group has recovered £10.0m cash from third parties in the year in respect of defective design and workmanship. See note 22 for additional information.

**Legal provision**
The Group is subject to a legal claim relating to a low-rise bespoke apartment block built by the Group which was damaged by fire in 2021. Due to the size and nature of the claim, and in line with the Group's accounting policy, this has been presented as an exceptional item. See note 22 for additional information.

**Net finance expense**
The combustible materials imputed interest reflects the unwind of the imputed interest on the provision to reflect the time value of the liability.

**Share of post-tax loss of joint ventures**
The combustible materials credit/(charge) of joint ventures represents the Group's share of exceptional combustibles materials credit/(charge) in its joint venture Crest Nicholson Bioregional Quintain LLP. The joint venture recognised a provision in the prior year and the current year credit represents a recovery from third parties, net of changes in build costs.

**Taxation**
An exceptional income tax credit of £4.8m (2022: £22.4m) has been recognised in relation to the above exceptional items using the actual tax rate applicable to these items.

## 5 NET ADMINISTRATIVE EXPENSES AND OPERATING PROFIT

Operating profit of £29.9m (2022: £38.4m) from continuing activities is stated after (charging)/crediting:

| | Note | 2023<br>£m | 2022<br>£m |
|---|---|---|---|
| Inventories expensed in the year | | (520.2) | (705.3) |
| Inventories impairment movement in the year | 18 | (7.6) | 8.1 |
| Employee costs | 6 | (60.7) | (58.4) |
| Depreciation on property, plant and equipment | 12 | (0.5) | (0.4) |
| Depreciation on right-of-use assets | 13 | (2.3) | (1.9) |
| Joint venture project management fees recognised in administrative expenses | 27 | 1.9 | 2.0 |

| **Net administrative expenses** | £m | £m |
|---|---|---|
| Administrative expenses | (55.0) | (51.1) |
| Other operating income | 40.1 | 48.9 |
| Other operating expenses | (40.9) | (47.4) |
| Net administrative expenses | **(55.8)** | |

Other operating income and other operating expenses shown above relate to the income and associated costs arising on the sale of part exchange properties. For the year ended 31 October 2023, both the income and associated costs of these sales has been presented within net administrative expenses in the consolidated income statement. Previously the income and associated costs arising on these sales was included within cost of sales. The prior year has not been restated since the net result is immaterial to the Group and there is no change to the operating profit realised in the year.

| | 2023 | 2022 |
|---|---|---|
| **Auditors' remuneration** | £000 | £000 |
| Audit of these consolidated financial statements | 166 | 137 |
| Audit of financial statements of subsidiaries pursuant to legislation | 819 | 783 |
| Other non-audit services | 154 | 95 |

The audit fees payable in 2022 included £30,000 in relation to additional costs for the 2021 audit.

Fees payable to the Group's auditors for non-audit services included £100,000 (2022: £95,000) in respect of an independent review of the half-year results and £54,000 for other non-audit assurance services for sustainability reporting.

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 £35,565 (2022: £25,400) and are met by the assets of the scheme, and the fees associated with services to Group joint ventures are £20,000 (2022: £22,000).

## 6 EMPLOYEE NUMBERS AND COSTS

| **(a) Average monthly number of persons employed by the Group** | 2023<br>Number | 2022<br>Number |
|---|---|---|
| Development | 778 | 727 |

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)** | 2023<br>£m | 2022<br>£m |
|---|---|---|
| Wages and salaries | 50.4 | 48.0 |
| Social security costs | 5.8 | 6.0 |
| Other pension costs | 3.0 | 2.5 |
| Share-based payments (note 16) | 1.5 | 1.9 |
| | **60.7** | **58.4** |

| **(c) Key management remuneration** | 2023<br>£m | 2022<br>£m |
|---|---|---|
| Salaries and short-term employee benefits | 3.5 | 4.0 |
| Directors' remuneration for loss of office | - | 0.5 |
| Share-based payments | 0.6 | 1.0 |
| | **4.1** | **5.5** |

Key management comprises the ELT (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** | 2023<br>£m | 2022<br>£m |
|---|---|---|
| Salaries and short-term employee benefits | 1.7 | 2.6 |
| Directors' remuneration for loss of office | - | 0.5 |
| Share-based payments | 0.5 | 0.7 |
| | **2.2** | **3.8** |

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 81–98 of our 2023 annual report and financial statements to be published in February 2024.

## 7 FINANCE INCOME AND EXPENSE

| | 2023 | 2022 |
|---|---|---|
| **Finance income** | £m | £m |
| Interest income | 2.4 | 0.7 |
| Interest on amounts due from joint ventures (note 27) | 1.2 | 2.1 |
| Net interest on defined benefit pension scheme (note 16) | 0.5 | 0.3 |
| | **4.1** | **3.1** |
| **Finance expense** | | |
| Interest on bank loans | (5.7) | (6.6) |
| Revolving credit facility issue costs | (0.6) | (0.7) |
| Imputed interest on deferred land payables | (3.1) | (2.8) |
| Interest on lease liabilities (note 13) | (0.2) | (0.1) |
| Imputed interest on combustible materials provision – exceptional (note 22) | (4.6) | (1.0) |
| | **(14.2)** | **(11.2)** |
| **Net finance expense** | **(10.1)** | **(8.1)** |

## 8 INCOME TAX EXPENSE

| | 2023 £m | 2022 £m |
|---|---|---|
| **Current tax** | | |
| UK corporation tax expense on profit for the year | (4.2) | (6.1) |
| Adjustment in respect of prior periods | 0.7 | - |
| **Total current tax expense** | **(3.5)** | **(6.1)** |
| **Deferred tax** | | |
| Origination and reversal of temporary differences in the year | (1.7) | (0.3) |
| **Total deferred tax charge (note 15)** | **(1.7)** | **(0.3)** |
| **Total income tax expense in consolidated income statement** | **(5.2)** | **(6.4)** |

Corporation tax is calculated at 22.5%, based on a tax rate of 19.0% up until 1 April 2023, and a tax rate of 25.0% from 1 April 2023 (2022: 19.0%), of the profit chargeable to tax for the year. From 1 April 2022 the Group is subject to the RPDT at an additional rate of 4.0%. This results in a weighted statutory rate of corporation tax of 26.5% (2022: 21.3%) for the year. The effective tax rate for the year is 22.5% (2022: 19.5%), which is lower than (2022: lower than) the weighted standard rate of UK corporation tax due to the impact of a prior year adjustment, enhanced tax deductions and the RPDT annual allowance. The Group expects the effective tax rate to be more aligned to the standard rate of corporation tax in future years as deferred tax on temporary differences unwinds.

| **Reconciliation of tax expense in the year** | 2023 £m | 2022 £m |
|---|---|---|
| Profit before tax | 23.1 | 32.8 |
| Tax charge on profit at 26.5% (2022: 21.3%) | (6.1) | (7.0) |
| Effects of: | | |
| Expenses not deductible for tax purposes | (0.8) | (0.7) |
| Enhanced tax deductions | 0.3 | 0.2 |
| Adjustment in respect of prior periods | 0.7 | - |
| Effect of change in rate of tax | - | 0.6 |
| Impact of RPDT annual allowance and adjustments | 0.7 | 0.5 |
| **Total income tax expense in consolidated income statement** | **(5.2)** | **(6.4)** |

RPDT came into force in April 2022 and is therefore applicable to relevant profits for the full financial year. RPDT is an additional tax on profits generated from residential property development activity, in excess of an annual threshold and adjusting for amounts disallowable under RPDT, such as interest expense. The impact of RPDT annual allowance and adjustments reflects the net tax benefit of the annual threshold and interest adjustment.

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. For example, land remediation enhanced allowances.

Adjustment 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.

## 9 DIVIDENDS

| **Dividends recognised as distributions to equity shareholders in the year:** | 2023 £m | 2022 £m |
|---|---|---|
| Current year interim dividend of 5.5 pence per share (2022: 5.5 pence per share) | 14.1 | 14.1 |
| Prior year final dividend per share of 11.5 pence per share (2022: 9.5 pence per share) | 29.5 | 24.4 |
| | **43.6** | **38.5** |

| **Dividends proposed as distributions to equity shareholders in the year:** | 2023 £m | 2022 £m |
|---|---|---|
| Final dividend for the year ended 31 October 2023 of 11.5 pence per share (2022: 11.5 pence per share) | 29.5 | 29.5 |

The proposed final dividend was approved by the Board on 23 January 2024 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 23 April 2024 to all ordinary shareholders on the Register of Members on 22 March 2024.

## 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 2023** | | | |
| Basic earnings per share | 17.9 | 256,131,621 | 7.0 |
| Dilutive effect of share options | - | 594,762 | |
| **Diluted earnings per share** | **17.9** | **256,726,383** | **7.0** |
| | | | |
| **Year ended 31 October 2023 – Pre-exceptional items** | | | |
| Adjusted basic earnings per share | 31.4 | 256,131,621 | 12.3 |
| Dilutive effect of share options | - | 594,762 | |
| **Adjusted diluted earnings per share** | **31.4** | **256,726,383** | **12.2** |
| | | | |
| **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** |

## 11 INTANGIBLE ASSETS

| **Goodwill** | 2023 £m | 2022 £m |
|---|---|---|
| Cost at beginning and end of the year | 47.7 | 47.7 |
| Accumulated impairment | (18.7) | (18.7) |
| At beginning and end of the year | **29.0** | **29.0** |

Goodwill arose on the acquisition of CN Finance plc (formerly Castle Bidco plc) on 24 March 2009. The goodwill relating to items other than the holding of strategic land was fully impaired in prior periods. The remaining goodwill was allocated to acquired strategic land holdings (the cash-generating unit) within the Group and has not previously been impaired. The goodwill is assessed for impairment annually. The recoverable amount is equal to the higher of value in use and fair value less costs of disposal. The Directors have therefore assessed value in use, being the present value of the forecast cash flows from the expected development and sale of properties on the strategic land. These cash flows are the key estimates in the value in use assessment. The forecast looks at the likelihood and scale of permitted development, forecast build costs and forecast selling prices, using a pre-tax discount rate of 9.5% (2022: 8.5%), covering a further period of 14 years to 2038, and based on current market conditions. The discount rate is based on an externally produced weighted average cost of capital range estimate. For 2023 9.5% (2022: 8.5%) falls within the range. The FHS 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. As the forecast covers the entire life of the cash generating unit no growth rate has been used to extrapolate the cash flow projection, and as such the rate is not disclosed.

## 12 PROPERTY, PLANT AND EQUIPMENT

| | Fixtures and fittings £m | Computer equipment and software £m | Total £m |
|---|---|---|---|
| **Cost** | | | |
| At 1 November 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** |
| Additions | 1.8 | - | 1.8 |
| Disposals | - | (0.7) | (0.7) |
| **At 31 October 2023** | **3.5** | **2.2** | **5.7** |
| | | | |
| **Accumulated depreciation** | | | |
| At 1 November 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** |
| Charge for the year | 0.3 | 0.2 | 0.5 |
| Disposals | - | (0.7) | (0.7) |
| **At 31 October 2023** | **1.4** | **2.1** | **3.5** |
| | | | |
| **Net book value** | | | |
| **At 31 October 2023** | **2.1** | **0.1** | **2.2** |
| At 31 October 2022 | 0.6 | 0.3 | 0.9 |
| At 1 November 2021 | 0.8 | 0.4 | 1.2 |

The Group has contractual commitments for the acquisition of property, plant and equipment of £nil (2022: £nil).

## 13 RIGHT-OF-USE ASSETS AND LIABILITIES

| | Office buildings £m | Motor vehicles £m | Total £m |
|---|---|---|---|
| **Cost** | | | |
| At 1 November 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** |
| Additions | 2.8 | 1.9 | 4.7 |
| Disposals | (7.3) | (1.6) | (8.9) |
| **At 31 October 2023** | **8.6** | **4.8** | **13.4** |
| **Accumulated depreciation** | | | |
| At 1 November 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** |
| Charge for the year | 1.3 | 1.0 | 2.3 |
| Disposals | (7.3) | (1.6) | (8.9) |
| **At 31 October 2023** | **5.1** | **2.2** | **7.3** |
| **Net book value** | | | |
| **At 31 October 2023** | **3.5** | **2.6** | **6.1** |
| At 31 October 2022 | 2.0 | 1.7 | 3.7 |
| At 1 November 2021 | 2.4 | 1.3 | 3.7 |

**Lease liabilities included in the consolidated statement of financial position**

| | 2023 £m | 2022 £m |
|---|---|---|
| Non-current | 4.4 | 2.3 |
| Current | 2.0 | 1.6 |
| Total lease liabilities | **6.4** | **3.9** |

**Amounts recognised in the consolidated income statement**

| | 2023 £m | 2022 £m |
|---|---|---|
| Depreciation on right-of-use assets | 2.3 | 1.9 |
| Interest on lease liabilities | 0.2 | 0.1 |

**Amounts recognised in the consolidated cash flow statement**

| | 2023 £m | 2022 £m |
|---|---|---|
| Principal element of lease payments | 2.4 | 2.1 |

**Maturity of undiscounted contracted lease cash flows**

| | 2023 £m | 2022 £m |
|---|---|---|
| Less than one year | 2.2 | 1.7 |
| One to five years | 3.2 | 2.4 |
| More than five years | 1.6 | - |
| Total | **7.0** | **4.1** |

## 14 INVESTMENTS

### Investments in joint ventures

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

- 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 2025. 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 2024. 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
- 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 Peabody (Turweston) LLP: In September 2023 the Group entered into a partnership agreement with the Peabody Trust to develop a site in Buckinghamshire. The LLP is expecting to commence construction in 2024, with sales completion forecast for 2029. 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 will receive a project management fee and a sales and marketing fee.

| | 2023 | 2022 |
|---|---|---|
| **Total investments in joint ventures** | £m | £m |
| Crest A2D (Walton Court) LLP | 2.3 | 3.4 |
| Elmsbrook (Crest A2D) LLP | 3.5 | 3.3 |
| Crest Sovereign (Brooklands) LLP | 4.9 | 2.3 |
| Crest Peabody (Turweston) LLP | - | - |
| Other non-material joint ventures | - | - |
| Total investments in joint ventures | 10.7 | 9.0 |

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 28 for further details.

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

| **2023** | Crest A2D (Walton Court) LLP | Elmsbrook (Crest A2D) LLP | Crest Sovereign (Brooklands) LLP | Crest Peabody (Turweston) LLP | Other non-material joint ventures | Total |
|---|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m | £m |
| **Summarised statement of financial position** | | | | | | |
| Current assets | | | | | | |
| Cash and cash equivalents | 0.2 | 6.0 | 0.4 | - | 0.2 | 6.8 |
| Inventories | 64.8 | 4.6 | 16.7 | - | - | 86.1 |
| Other current assets | 0.2 | 1.0 | 1.9 | 5.3 | 2.0 | 10.4 |
| Current liabilities | | | | | | |
| Financial liabilities | (52.0) | (1.4) | (1.1) | (0.3) | - | (54.8) |
| Other current liabilities | (5.7) | (3.3) | (8.1) | (5.0) | (3.9) | (26.0) |
| Non-current liabilities | | | | | | |
| Financial liabilities | (3.0) | - | - | - | - | (3.0) |
| **Net assets/(liabilities)** | **4.5** | **6.9** | **9.8** | **-** | **(1.7)** | **19.5** |
| | | | | | | |
| **Reconciliation to carrying amounts** | | | | | | |
| Opening net assets/(liabilities) at 1 November 2022 | 6.7 | 6.5 | 4.6 | - | (2.9) | 14.9 |
| (Loss)/profit for the year | (3.2) | 3.4 | 5.2 | - | 1.2 | 6.6 |
| Capital contribution reserve | 1.0 | - | - | - | - | 1.0 |
| Dividends paid | - | (3.0) | - | - | - | (3.0) |
| **Closing net assets/(liabilities) at 31 October 2023** | **4.5** | **6.9** | **9.8** | **-** | **(1.7)** | **19.5** |
| | | | | | | |
| Group's share of closing net assets/(liabilities) at 31 October 2023 | 2.3 | 3.5 | 4.9 | - | (0.9) | 9.8 |
| Fully provided in the Group financial statements (note 22) | - | - | - | - | 0.9 | 0.9 |
| **Group's share in joint venture** | **2.3** | **3.5** | **4.9** | **-** | **-** | **10.7** |
| | | | | | | |
| Amount due to the Group (note 17) | 27.4* | 1.4 | 0.4 | 0.3 | - | 29.5 |
| Amount due from the Group (note 21) | - | - | - | - | 0.7 | 0.7 |
| | | | | | | |
| **Summarised income statement for the 12 months ending 31 October 2023** | | | | | | |
| Revenue | 0.9 | 21.1 | 47.2 | - | - | 69.2 |
| Expenditure | (2.6) | (17.7) | (41.1) | - | - | (61.4) |
| Expenditure – exceptional item (note 4) | - | - | - | - | 1.2 | 1.2 |
| **Operating (loss)/profit before finance expense** | **(1.7)** | **3.4** | **6.1** | **-** | **1.2** | **9.0** |
| Finance expense | (1.5) | - | (0.9) | - | - | (2.4) |
| **Pre-tax and post-tax (loss)/profit for the year** | **(3.2)** | **3.4** | **5.2** | **-** | **1.2** | **6.6** |
| | | | | | | |
| **Group's share in joint venture (loss)/profit for the year** | **(1.6)** | **1.7** | **2.6** | **-** | **0.6** | **3.3** |

* £27.4m 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 £5.9m (2022: £1.2m). 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.

| **2022** | Bonner Road LLP* | Crest A2D (Walton Court) LLP | Elmsbrook (Crest A2D) LLP | Crest Sovereign (Brooklands) LLP | Other non-material joint ventures | Total |
|---|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m | £m |
| **Summarised statement of financial position** | | | | | | |
| Current assets | | | | | | |
| Cash and cash equivalents | - | 0.1 | 1.6 | 0.3 | 0.2 | 2.2 |
| Inventories | - | 40.4 | 7.8 | 28.8 | - | 77.0 |
| Other current assets | - | 0.1 | 0.1 | 2.3 | 0.2 | 2.7 |
| Current liabilities | | | | | | |
| Financial liabilities | - | (0.6) | - | (1.0) | - | (1.6) |
| Other current liabilities | - | (1.4) | (3.0) | (6.9) | (3.3) | (14.6) |
| Non-current liabilities | | | | | | |
| Financial liabilities | - | (31.9) | - | (18.9) | - | (50.8) |
| **Net assets/(liabilities)** | **-** | **6.7** | **6.5** | **4.6** | **(2.9)** | **14.9** |
| | | | | | | |
| **Reconciliation to carrying amounts** | | | | | | |
| Opening net (liabilities)/assets at 1 November 2021 | (13.7) | 4.3 | 8.9 | (1.0) | 0.2 | (1.3) |
| (Loss)/profit for the year | (1.2) | 1.2 | 2.4 | 5.6 | (3.1) | 4.9 |
| Capital contribution reserve | - | 1.2 | - | - | - | 1.2 |
| Dividends paid | - | - | (4.8) | - | - | (4.8) |
| Disposal in the year | 14.9* | - | - | - | - | 14.9 |
| **Closing net assets/(liabilities) at 31 October 2022** | **-** | **6.7** | **6.5** | **4.6** | **(2.9)** | **14.9** |
| | | | | | | |
| Group's share of closing net assets/(liabilities) at 31 October 2022 | - | 3.4 | 3.3 | 2.3 | (1.4) | 7.6 |
| Losses recognised against receivable from joint venture (note 17) | - | - | - | - | 0.2 | 0.2 |
| Fully provided in the Group financial statements (note 22) | - | - | - | - | 1.2 | 1.2 |
| **Group's share in joint venture** | **-** | **3.4** | **3.3** | **2.3** | **-** | **9.0** |
| | | | | | | |
| Amount due to the Group (note 17) | - | 15.9** | 0.8 | 10.4 | - | 27.1 |
| Amount due from the Group (note 21) | - | - | - | - | 0.1 | 0.1 |
| | | | | | | |
| **Summarised income statement for the 12 months ending 31 October 2022** | | | | | | |
| Revenue | - | 26.0 | 11.0 | 47.4 | - | 84.4 |
| Expenditure | - | (23.6) | (8.6) | (39.9) | (0.1) | (72.2) |
| Expenditure – exceptional item (note 4) | - | - | - | - | (3.0) | (3.0) |
| **Operating profit/(loss) before finance expense** | **-** | **2.4** | **2.4** | **7.5** | **(3.1)** | **9.2** |
| Finance expense | (1.2) | (1.2) | - | (1.9) | - | (4.3) |
| **Pre-tax and post-tax (loss)/profit for the year** | **(1.2)** | **1.2** | **2.4** | **5.6** | **(3.1)** | **4.9** |
| | | | | | | |
| **Group's share in joint venture (loss)/profit for the year** | **(0.6)** | **0.6** | **1.2** | **2.8** | **(1.5)** | **2.5** |

* Group's share of the net liabilities comprises £7.5m made up of brought forward net liabilities of £6.9m and current year loss of £0.6m. Bonner Road LLP was disposed of on 6 May 2022.
** £15.9m stated after expected credit loss of £0.1m.

**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 are 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 28.

## 15 DEFERRED TAX ASSETS AND LIABILITIES

| **Deferred tax assets** | Inventories fair value £m | Share-based payments £m | Other temporary differences £m | Total £m |
|---|---|---|---|---|
| At 1 November 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** |
| Consolidated income statement movements | (0.4) | (0.1) | (0.8) | (1.3) |
| Equity movements | - | (0.2) | - | (0.2) |
| **At 31 October 2023** | **1.1** | **0.2** | **2.0** | **3.3** |

| **Deferred tax liabilities** | Pension surplus £m | Total £m |
|---|---|---|
| At 1 November 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)** |
| Consolidated income statement movements | (0.4) | (0.4) |
| Equity movements | 1.1 | 1.1 |
| **At 31 October 2023** | **(2.5)** | **(2.5)** |

Total deferred tax credited to equity in the year is £0.9m (2022: £1.2m). Deferred tax assets expected to be recovered in less than 12 months is £1.0m (2022: £1.5m), and in more than 12 months is £2.3m (2022: £3.3m). 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 is 25.0% (as from 1 April 2023). RPDT became effective from 1 April 2022 and 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.

## 16 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 £2.8m (2022: £2.3m). At the consolidated statement of financial position date there were no outstanding or prepaid contributions (2022: £nil).

Defined benefit scheme

The Company sponsors the Crest Nicholson Group Pension and Life Assurance Scheme (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 (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 2023 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. As at 31 October 2023, the allocation of the Scheme's invested assets was 18% in return seeking investments, 40% in liability-driven investing, 40% in cash and 2% 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 Banking Group Pensions Trustees Limited v Lloyds Bank plc and others (2018) 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% (2022: 1.3%) reserve reflecting an approximate estimate of the additional liability.

| | 2023<br>£m | 2022<br>£m | 2021<br>£m |
|---|---|---|---|
| **The amounts recognised in the consolidated statement of financial position are as follows:** | | | |
| Fair value of scheme assets | 141.3 | 160.0 | 241.9 |
| Present value of scheme liabilities | (131.3) | (148.9) | (225.2) |
| **Net surplus amount recognised at year end** | **10.0** | **11.1** | **16.7** |
| Deferred tax liability recognised at year end within non-current liabilities | (2.5) | (3.2) | (4.1) |

The retirement benefit surplus recognised in the consolidated statement of financial position represents the surplus 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 corporation tax rate is 25.0%. The deferred tax liability on the retirement benefit surplus has been evaluated applying this rate. RPDT of 4.0% is applicable to residential property development trading income only.

**Amounts recognised in comprehensive income:**

The current and past service costs, settlements and curtailments, together with the interest income 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.

| | 2023<br>£m | 2022<br>£m |
|---|---|---|
| **Service cost** | | |
| Administrative expenses | (0.6) | (0.9) |
| Interest income | 0.5 | 0.3 |
| **Recognised in the consolidated income statement** | **(0.1)** | **(0.6)** |

| | 2023<br>£m | 2022<br>£m |
|---|---|---|
| **Remeasurements of the net liability** | | |
| Return on Scheme assets | (18.5) | (82.6) |
| Gains arising from changes in financial assumptions | 12.5 | 79.8 |
| Gains/(losses) arising from changes in demographic assumptions | 6.1 | (0.1) |
| Experience losses | (2.6) | (5.5) |
| **Actuarial losses recorded in the consolidated statement of comprehensive income** | **(2.5)** | **(8.4)** |
| | | |
| **Total defined benefit scheme losses** | **(2.6)** | **(9.0)** |

| | 2023<br>% | 2022<br>% |
|---|---|---|
| **The principal actuarial assumptions used were:** | | |
| Liability discount rate | 5.6 | 4.8 |
| Inflation assumption – RPI | 3.3 | 3.2 |
| Inflation assumption – CPI | 2.7 | 2.6 |
| Revaluation of deferred pensions | 2.7 | 2.6 |
| **Increases for pensions in payment** | | |
| Benefits accrued in excess of GMP pre-1997 | 3.0 | 3.0 |
| Benefits accrued post-1997 | 3.1 | 3.0 |
| Proportion of employees opting for early retirement | 0.0 | 0.0 |
| Proportion of employees commuting pension for cash | 100.0 | 100.0 |
| Mortality assumption – pre-retirement | AC00 | AC00 |
| Mortality assumption – male and female post-retirement | S3PA light base tables (males and females) projected in line with CMI_2022 core model with core parameters (Sk = 7.0, an initial addition of 0.25%, w2020 and w2021 set to zero and 2022 set to 25%) and with a long-term rate of improvement of 1.25% p.a | 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 |

| | 2023<br>Years | 2022<br>Years |
|---|---|---|
| **Future expected lifetime of current pensioner at age 65** | | |
| Male aged 65 at year end | 22.9 | 23.4 |
| Female aged 65 at year end | 24.6 | 25.0 |
| **Future expected lifetime of future pensioner at age 65** | | |
| Male aged 45 at year end | 24.1 | 24.6 |
| Female aged 45 at year end | 25.9 | 26.3 |

| | 2023 £m | 2022 £m |
|---|---|---|
| **Changes in the present value of assets over the year** | | |
| Fair value of assets at beginning of the year | 160.0 | 241.9 |
| Interest income | 7.5 | 4.1 |
| Return on assets (excluding amount included in net interest income) | (18.5) | (82.6) |
| Contributions from the employer | 1.5 | 3.4 |
| Benefits paid | (8.6) | (5.9) |
| Administrative expenses | (0.6) | (0.9) |
| **Fair value of assets at end of the year** | **141.3** | **160.0** |
| Actual return on assets over the year | (10.9) | (78.5) |

| | 2023 £m | 2022 £m |
|---|---|---|
| **Changes in the present value of liabilities over the year** | | |
| Liabilities at beginning of the year | (148.9) | (225.2) |
| Interest cost | (7.0) | (3.8) |
| **Remeasurement gains/(losses)** | | |
| Gains arising from changes in financial assumptions | 12.5 | 79.8 |
| Gains/(losses) arising from changes in demographic assumptions | 6.1 | (0.1) |
| Experience losses | (2.6) | (5.5) |
| Benefits paid | 8.6 | 5.9 |
| **Liabilities at end of the year** | **(131.3)** | **(148.9)** |

| | 2023 £m | 2022 £m |
|---|---|---|
| **Split of the Scheme's liabilities by category of membership** | | |
| Deferred pensioners | (57.8) | (71.5) |
| Pensions in payment | (73.5) | (77.4) |
| | **(131.3)** | **(148.9)** |

| | 2023 Years | 2022 Years |
|---|---|---|
| Average duration of the Scheme's liabilities at end of the year | 12.0 | 14.0 |
| This can be subdivided as follows: | | |
| Deferred pensioners | 16.0 | 18.0 |
| Pensions in payment | 9.0 | 10.0 |

| | 2023 £m | 2022 £m |
|---|---|---|
| **Major categories of scheme assets** | | |
| **Return seeking** | | |
| Overseas equities | 2.4 | 2.3 |
| Other (hedge funds, multi asset strategy and absolute return funds) | 23.6 | 55.9 |
| | **26.0** | **58.2** |
| **Debt instruments** | | |
| Corporates | 11.8 | - |
| Liability-driven investing | 44.1 | 71.6 |
| | **55.9** | **71.6** |
| **Other** | | |
| Cash | 55.9 | 25.9 |
| Insured annuities | 3.5 | 4.3 |
| | **59.4** | **30.2** |
| **Total market value of assets** | **141.3** | **160.0** |

The Scheme has implemented a Liability Driven Investment (LDI) strategy designed to closely align investment returns with movements in the Scheme's liabilities on a low-risk basis, thereby reducing the volatility of the Scheme's funding level. The use of LDI brings liquidity risk as the demand for additional collateral to maintain the Scheme's hedging can change over short periods when interest rates change. In consultation with the Company, during the 2022 gilts crisis the Scheme continued to follow their LDI strategy, maintaining their interest rate and inflation hedging during the period of significant market volatility. Following the 2022 gilts crisis, the Trustee worked with its investment adviser (and in consultation with the Company) to review the investment strategy in April 2023. As a result, LCP (the Trustee's investment adviser) estimate that as at 30 September 2023 the Scheme has sufficient liquidity in the LDI portfolio (and Liquidity Plus Fund alongside) to withstand a greater than 4% p.a. increase in yields (from already historic highs) across the curve (assuming no accompanying fall in the value of collateral) before other assets would need to be sold to maintain the Scheme's hedge.

£nil (2022: £nil) of Scheme assets have a quoted market price in active markets, £90.9m (2022: £106.2m) of Scheme assets have valuation inputs other than quoted market prices, including quoted market prices for similar assets in active markets, £21.4m (2022: £42.4m) 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 £29.0m (2022: £11.4m) of Scheme assets are cash and insured pension annuities.

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

The Scheme had a deficit as at the latest valuation date of 31 January 2021, with a recovery plan agreed between the Group and the Trustee. The Scheme was in surplus on the Technical Provisions basis, and so no further contributions were payable in respect of the shortfall in funding in accordance with the Recovery Plan dated 8 February 2022. In order to continue to move the Scheme towards the Trustee's secondary funding objective, the Trustee and the Group have agreed that the Company will fund the Scheme with contributions of £1.5m p.a., 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 2024.

**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 2023 as a result of a change to the key assumptions.

If the discount rate was 0.25% higher/(lower), the Scheme liabilities would decrease by £3.8m/(increase by £3.9m) if all the other assumptions remained unchanged.

If the inflation assumption was 0.25% higher/(lower), the Scheme liabilities would increase by £2.3m/(decrease by £2.4m) if all the other assumptions remained unchanged.

If life expectancies were to increase by one year, the scheme liabilities would increase by £4.7m if all the other assumptions remained unchanged.

**(b) Share-based payments**

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

**Long-Term Incentive Plan**
The Group's LTIP is open to the Executive Directors and senior management with awards being made at the discretion of the Remuneration Committee. Options granted under the plan are exercisable between three and 10 years after the date of grant. Awards may be satisfied by shares held in the ESOT, the issue of new shares (directly or to the ESOT) 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 between 2021 and 2023 are subject to three years' service and assessed against return on capital, profit performance conditions and relative total shareholder returns (TSR). The non-market based return on capital and profit performance conditions applies to 60% of the award and value the options using a binomial option valuation model. The market-based TSR performance conditions apply to 40% of the award and values the options using the Monte Carlo valuation model. The TSR-based performance conditions are split one-third FTSE 250 excluding investment funds and two-thirds sector peer group. 1,320,566 of the options awarded in 2023 (961,765 of the 2022 award) 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 2023 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 2023 grant is £1.59 per option.

The 27 January 2023 grant fair value at measurement date of the different valuation elements of the unrestricted options are £1.84 TSR (FTSE 250), £1.68 TSR (peer group), and £2.45 for the non-market-based return on capital and tCO2 elements. The 2023 fair value at measurement date of the different valuation elements of the restricted options are £1.58 TSR (FTSE 250), £1.44 TSR (peer group), and £2.10 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 33% and 65% respectively. The average fair value at measurement date is £1.88 per option.

| Date of grant | 26 Feb 2016 | 16 Apr 2019 | 21 Jun 2019 | 20 Feb 2020 | 04 Aug 2020 | 08 Feb 2021 | 28 Jan 2022 | 25 Aug 2022 | 06 Mar 2023 | 07 Aug 2023 | 27 Jan 2023 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Options granted | 1,075,943 | 1,140,962 | 278,558 | 1,125,531 | 7,298 | 1,328,192 | 1,341,918 | 23,955 | 29,462 | 508 | 1,771,417 |
| Fair value at measurement date | £5.07 | £3.15 | £3.15 | £4.28 | £1.53 | £2.50 | £2.10 | £1.59 | £2.75 | £2.46 | £1.88 |
| Share price on date of grant | £5.62 | £4.00 | £3.55 | £5.16 | £1.85 | £3.23 | £3.07 | £2.33 | £2.32 | £2.14 | £2.45 |
| Exercise price | £0.00 | £0.00 | £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 | 3 years | 3 years |
| Expected dividend yield | 3.50% | 8.20% | 8.20% | 6.40% | 6.40% | 4.30% | 5.30% | 5.30% | N/A | N/A | 0.0% |
| Expected volatility | 30.0% | 35.0% | 35.0% | 30.0% | 30.0% | 40.0% | 40.0% | 40.0% | N/A | N/A | 45.0% |
| Risk-free interest rate | 0.43% | 0.81% | 0.81% | 0.45% | 0.45% | 0.03% | 0.97% | 0.97% | N/A | N/A | 3.23% |
| Valuation model | Binomial | Binomial | Binomial | Binomial | Binomial | Binomial/ Monte Carlo | Binomial/ Monte Carlo | Binomial/ Monte Carlo | N/A | N/A | Binomial/ Monte Carlo |
| Contractual life from | 26.02.16 | 16.04.19 | 21.06.19 | 20.02.20 | 04.08.20 | 08.02.21 | 28.01.22 | 25.08.22 | 06.03.23 | 07.08.23 | 27.01.23 |
| Contractual life to | 25.02.26 | 15.04.29 | 20.06.29 | 19.02.30 | 03.08.30 | 07.02.31 | 27.02.32 | 27.02.32 | 19.02.30 | 03.08.30 | 26.01.33 |

| | 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 | Number of options | Number of options | Total number of options |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Movements in the year | | | | | | | | | | | | |
| Outstanding at 1 November 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** |
| Granted during the year | - | - | - | - | - | - | - | - | 29,462 | 508 | 1,771,407 | 1,801,377 |
| Exercised during the year | - | - | - | (417,308) | (3,948) | - | - | - | (29,462) | (508) | - | (451,226) |
| Lapsed during the year | - | - | - | (474,662) | (3,350) | (167,438) | (181,150) | - | - | - | (201,028) | (1,027,628) |
| **Outstanding at 31 October 2023** | **-** | **-** | **-** | **-** | **-** | **1,030,238** | **1,131,325** | **23,955** | **-** | **-** | **1,570,379** | **3,755,897** |
| **Exercisable at 31 October 2023** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| Exercisable at 31 October 2022 | - | - | - | - | - | - | - | - | - | - | - | - |
| | £m | - £m | £m | £m | £m | £m | £m | £m | £m | £m | £m | Total £m |
| **Charge to income for the current year** | **-** | **-** | **-** | **0.1** | **-** | **-** | **0.1** | **-** | **0.1** | **-** | **0.3** | **0.6** |
| Charge to income for the prior year | - | - | - | 1.1 | - | (0.1) | 0.2 | - | - | - | - | 1.2 |

The weighted average exercise price of LTIP options was £nil (2022: £nil).

**Save As You Earn**

Executive Directors and eligible employees are invited to make regular monthly contributions to a Sharesave scheme administered by EQ. 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 | 26 Jul 2018 | 30 Jul 2019 | 07 Aug 2020 | 03 Aug 2021 | 02 Aug 2022 | 28 Jul 2023 |
|---|---|---|---|---|---|---|
| Options granted | 712,944 | 935,208 | 1,624,259 | 256,132 | 975,549 | 1,938,156 |
| Fair value at measurement date | £0.52 | £0.54 | £0.36 | £1.15 | £0.66 | £1.51 |
| Share price on date of grant | £3.77 | £3.68 | £1.94 | £4.14 | £2.67 | £2.19 |
| Exercise price | £3.15 | £2.86 | £1.70 | £3.42 | £1.94 | £1.51 |
| Vesting period | 3 years | 3 years | 3 years | 3 years | 3 years | 3 years |
| Expected dividend yield | 8.76% | 8.96% | 5.20% | 1.98% | 5.63% | 7.78% |
| Expected volatility | 35.00% | 35.00% | 40.00% | 45.30% | 42.20% | 41.6% |
| Risk-free interest rate | 0.85% | 0.38% | -0.08% | 0.14% | 1.62% | 4.63% |
| Valuation model | Binomial | Binomial | Binomial | Binomial | Binomial | Binomial |
| Contractual life from | 01.09.18 | 01.09.19 | 01.09.20 | 01.09.21 | 01.09.22 | 01.09.23 |
| Contractual life to | 01.03.22 | 01.03.23 | 01.03.24 | 01.03.25 | 01.03.26 | 01.03.27 |

| **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 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** |
| Granted during the year | - | - | - | - | - | 1,938,156 | 1,938,156 | £1.51 |
| Exercised during the year | - | - | (522,976) | - | - | - | (522,976) | £1.70 |
| Lapsed during the year | - | (96,832) | (61,983) | (41,201) | (486,485) | (158,774) | (845,275) | £2.02 |
| **Outstanding at 31 October 2023** | **-** | **-** | **322,810** | **42,930** | **426,072** | **1,779,382** | **2,571,194** | **£1.64** |
| **Exercisable at 31 October 2023** | **-** | **-** | **322,810** | **-** | **-** | **-** | **322,810** | |
| Exercisable at 31 October 2022 | - | 96,832 | - | - | - | - | 96,832 | |

| | £m | £m | £m | £m | £m | £m | Total £m |
|---|---|---|---|---|---|---|---|
| **Charge to income for the current year** | **-** | **-** | **0.1** | **-** | **0.3** | **0.1** | **0.5** |
| Charge to income for the prior year | - | - | 0.1 | 0.1 | 0.1 | - | 0.3 |

### 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 2020 | 26 Feb 2021 | 01 Mar 2022 | 28 Jan 2022 | 09 Feb 2022 | 06 Mar 2023 | 06 Mar 2023 | 27 Jan 2023 |
|---|---|---|---|---|---|---|---|---|
| Options granted | 20,956 | 34,800 | 251 | 230,605 | 58,848 | 151 | 2,897 | 340,125 |
| Fair value at measurement date | £4.52 | £3.28 | £4.06 | £2.76 | £2.76 | £2.75 | £2.53 | £2.44 |
| Share price on date of grant | £4.52 | £3.28 | £2.70 | £3.06 | £3.27 | £2.32 | £2.32 | £2.45 |
| Exercise price | £0.00 | £0.00 | £0.00 | £0.00 | £0.00 | £0.00 | £0.00 | £0.00 |
| Vesting period | 3 years | 1 year | N/A | 3 years | 1 year | N/A | N/A | 3/1 year |
| Expected dividend yield and volatility | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Risk-free interest rate | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Valuation model | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Contractual life from | 28.02.20 | 26.02.21 | 02.03.22 | 28.01.22 | 09.02.22 | 06.03.23 | 06.03.23 | 27.01.23 |
| Contractual life to | 27.02.30 | 25.02.31 | 25.02.31 | 27.01.25 | 08.02.23 | 27.02.30 | 08.02.32 | 28.02.33 |

| **Movements in the year** | Number of options | Number of options | Number of options | Number of options | Number of options | Number of options | Number of options | Number of options | Total number of options |
|---|---|---|---|---|---|---|---|---|---|
| Outstanding at 1 November 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** |
| Granted during the year | - | - | - | - | - | 151 | 2,897 | 340,125 | 343,173 |
| Exercised during the year | (2,260) | - | - | - | (48,374) | (151) | (2,897) | - | (53,682) |
| Lapsed during the year | - | - | - | - | (10,474) | - | - | (21,108) | (31,582) |
| **Outstanding at 31 October 2023** | **-** | **-** | **-** | **230,605** | **-** | **-** | **-** | **319,017** | **549,622** |
| **Exercisable at 31 October 2023** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| Exercisable at 31 October 2022 | - | - | - | - | - | - | - | - | - |

| | £m | £m | £m | £m | £m | £m | £m | £m | Total £m |
|---|---|---|---|---|---|---|---|---|---|
| **Charge to income for the current year** | **-** | **-** | **-** | **0.2** | **-** | **-** | **-** | **0.2** | **0.4** |
| Charge to income for the prior year | - | - | - | 0.4 | - | - | - | - | 0.4 |

The weighted average exercise price of deferred bonus plan share options was £nil (2022: £nil).

| **Total share incentive schemes** | 2023 Number of options | 2022 Number of options |
|---|---|---|
| **Movements in the year** | | |
| Outstanding at beginning of the year | 5,726,376 | 4,804,517 |
| Granted during the year | 4,082,706 | 2,631,126 |
| Exercised during the year | (1,027,884) | (41,372) |
| Lapsed during the year | (1,904,485) | (1,667,895) |
| **Outstanding at end of the year** | **6,876,713** | **5,726,376** |
| **Exercisable at end of the year** | **322,810** | **96,832** |
| | £m | £m |
| **Charge to income for share incentive schemes** | **1.5** | **1.9** |

The weighted average share price at the date of exercise of share options exercised during the year was £2.77 (2022: £3.59). The options outstanding had a range of exercise prices of £nil to £3.42 (2022: £nil to £3.42) and a weighted average remaining contractual life of 6.2 years (2022: 6.4 years). The gain on shares exercised during the year was £0.1m (2022: £0.6m).

## 17 TRADE AND OTHER RECEIVABLES

| | Trade and other receivables before expected credit loss 2023 £m | Expected credit loss 2023 £m | Trade and other receivables after expected credit loss 2023 £m | 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 |
|---|---|---|---|---|---|---|
| **Non-current** | | | | | | |
| Trade receivables | 4.6 | (0.1) | 4.5 | 9.7 | - | 9.7 |
| Due from joint ventures | 1.5 | - | 1.5 | 25.4 | (0.1) | 25.3 |
| | **6.1** | **(0.1)** | **6.0** | **35.1** | **(0.1)** | **35.0** |
| **Current** | | | | | | |
| Trade receivables | 57.1 | (0.7) | 56.4 | 49.7 | (0.3) | 49.4 |
| Contract assets | 6.9 | - | 6.9 | 25.2 | (0.1) | 25.1 |
| Due from joint ventures | 28.1 | (0.1) | 28.0 | 1.8 | - | 1.8 |
| Other receivables | 27.0 | (0.2) | 26.8 | 38.1 | - | 38.1 |
| Prepayments and accrued income | 1.9 | - | 1.9 | 1.9 | - | 1.9 |
| | **121.0** | **(1.0)** | **120.0** | **116.7** | **(0.4)** | **116.3** |
| **Non-current and current** | **127.1** | **(1.1)** | **126.0** | **151.8** | **(0.5)** | **151.3** |

Trade receivables and contract assets mainly comprise contractual amounts due from housing associations, bulk sale purchasers and land sales to other housebuilders. Other receivables mainly comprise two development agreements where the Group is entitled to recovery of costs incurred under the agreement. Current trade receivables of £20.2m have been collected as of 1 January 2024 (2022: £21.2m have been collected as of 1 January 2023). The remaining balance is due according to contractual terms, and no individually 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 £0.2m (2022: £0.4m).

Amounts due from joint ventures comprises funding provided on four (2022: three) 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 £nil (2022: £0.2m). See note 14 for additional details on the Group's interests in joint ventures.

Amounts due from joint ventures are stated after a loss allowance of £0.1m (2022: £0.1m) in respect of expected credit losses. £nil (2022: £2.3m) provision was made during the year, £nil (2022: £14.1m) was utilised and £nil (2022: £nil) provision was released during the year.

Trade receivables, contract assets and other receivables are stated after a loss allowance of £1.0m (2022: £0.4m) in respect of expected credit losses, assessed on an estimate of default rates. £0.7m (2022: £nil) provision was made during the year, £nil (2022: £nil) was utilised and £0.1m (2022: £nil) provision was released during the year.

**Movements in total loss allowance for expected credit losses**

| | 2023 | 2022 |
|---|---|---|
| | £m | £m |
| At beginning of the year | 0.5 | 12.3 |
| Charged in the year on joint venture balances | - | 2.3 |
| Charged in the year on trade and other trade receivables | 0.7 | - |
| Released in the year on contract assets | (0.1) | - |
| Utilised in the year on joint venture balances | - | (14.1) |
| At end of the year | **1.1** | **0.5** |

**Maturity of non-current receivables:**

| | 2023 | 2022 |
|---|---|---|
| | £m | £m |
| Due between one and two years | 5.8 | 34.2 |
| Due between two and five years | 0.2 | 0.8 |
| Due after five years | - | - |
| | **6.0** | **35.0** |

## 18 INVENTORIES

| | 2023 | 2022 |
|---|---|---|
| | £m | £m |
| Work-in-progress | 1,040.7 | 942.8 |
| Completed buildings including show homes | 89.6 | 30.1 |
| Part exchange inventories | 34.5 | 17.2 |
| | **1,164.8** | **990.1** |

Included within inventories is a fair value adjustment of £1.3m (2022: £2.0m) 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 £0.7m (2022: £0.5m). Total inventories of £520.2m (2022: £705.3m) were recognised as cost of sales in the year.

During the year £13.4m additional NRV was charged, mainly relating to the legacy Farnham development.

Inventories are stated after an NRV provision of £20.2m (2022: £12.6m), 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:

| | 2023 | 2022 |
|---|---|---|
| | £m | £m |
| At beginning of the year | 12.6 | 20.7 |
| Pre-exceptional NRV charged in the year | 13.4 | 9.6 |
| Pre-exceptional NRV used in the year | (5.0) | (7.2) |
| Exceptional NRV used in the year | (0.8) | (10.5) |
| **Total movement in NRV in the year** | **7.6** | **(8.1)** |
| **At end of the year** | **20.2** | **12.6** |

## 19 MOVEMENT IN NET CASH

| | 2023<br>£m | Movement<br>£m | 2022<br>£m |
|---|---|---|---|
| Cash and cash equivalents | 162.6 | (211.0) | 373.6 |
| Bank loans and senior loan notes | (97.7) | (0.6) | (97.1) |
| Net cash | **64.9** | **(211.6)** | **276.5** |

## 20 INTEREST-BEARING LOANS AND BORROWINGS

| | 2023<br>£m | 2022<br>£m |
|---|---|---|
| **Non-current** | | |
| Senior loan notes | 85.0 | 100.0 |
| Revolving credit and senior loan notes issue costs | (1.5) | (2.9) |
| | **83.5** | **97.1** |
| **Current** | | |
| Senior loan notes | 15.0 | - |
| Revolving credit and senior loan notes issue costs | (0.8) | - |
| | **14.2** | **-** |

There were undrawn amounts of £250.0m (2022: £250.0m) under the RCF at the consolidated statement of financial position date. The Group was undrawn throughout the financial year (2022: undrawn) under the RCF. See note 24 for additional disclosures.

## 21 TRADE AND OTHER PAYABLES

| | 2023<br>£m | 2022<br>£m |
|---|---|---|
| **Non-current** | | |
| Land payables on contractual terms | 64.7 | 32.9 |
| Other payables | 2.0 | 2.3 |
| Contract liabilities | 0.3 | 0.3 |
| Accruals and deferred income | 4.1 | 6.3 |
| | **71.1** | **41.8** |
| **Current** | | |
| Land payables on contractual terms | 140.8 | 165.8 |
| Other trade payables | 61.8 | 41.1 |
| Contract liabilities | 5.7 | 19.0 |
| Amounts due to joint ventures | 0.7 | 0.1 |
| Taxes and social security costs | 1.7 | 1.8 |
| Other payables | 1.1 | 3.2 |
| Accruals and deferred income | 125.2 | 176.1 |
| | **337.0** | **407.1** |

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. As at 31 October 2023 the difference between the fair value and nominal value of land payables is £6.8m (2022: £2.4m).

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.

## 22 PROVISIONS

| | Combustible materials £m | Legal provision £m | Joint ventures £m | Other provisions £m | Total £m |
|---|---|---|---|---|---|
| At 1 November 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** |
| Provided in the year | 12.0 | 13.0 | - | 0.4 | 25.4 |
| Imputed interest | 4.6 | - | - | - | 4.6 |
| Utilised in the year | (12.6) | - | - | (0.6) | (13.2) |
| Released in the year | - | - | - | (0.2) | (0.2) |
| Funding commitment change | - | - | (0.3) | - | (0.3) |
| **At 31 October 2023** | **144.8** | **13.0** | **0.9** | **0.6** | **159.3** |
| | | | | | |
| At 31 October 2023 | | | | | |
| Non-current | 73.6 | - | - | 0.2 | 73.8 |
| Current | 71.2 | 13.0 | 0.9 | 0.4 | 85.5 |
| | **144.8** | **13.0** | **0.9** | **0.6** | **159.3** |
| 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** |

**Combustible materials**
As a consequence of signing the Developer Remediation Contract on 13 March 2023, the Group has entered into contractual commitments with the UK Government to identify and remediate those buildings it has developed with possible life-critical fire safety defects. The signing of the contract did not materially alter the provision required as at 31 October 2022, which reflected the requirements of the Pledge. The Group is currently working on circa 90 buildings in various stages of design, procurement and works.

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 BSF costed information, other external information, and internal assessments as a basis for the provision, which is a best estimate at this time.

The Group recorded a further net combustible materials charge of £12.0m in the year predominantly related to changes in forecast build cost scope and price over the duration of remediation, net of the change in discounting. £11.3m of the charge relates to exceptional items per note 4. The provision is stated after a related discount of £7.3m, which unwinds to the consolidated income statement as finance expense over the expected duration of the provision using the effective interest rate method.

The provision of £144.8m represents the Group's best estimate of future costs on 31 October 2023. 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. 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 £29.0m 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.

The Group spent £12.6m 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 £71.2m 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 year £10.0m was recovered from third parties by the Group. The Group also recognised its share of recoveries from third parties in its joint venture Crest Nicholson Bioregional Quintain LLP of £0.6m, net of changes in build costs. Recoveries are not recognised until they are virtually certain to be received. See note 4 for consolidated income statement disclosure.

**Legal provision**
The Group is subject to a legal claim relating to a low-rise bespoke apartment block built by the Group which was damaged by fire in 2021. The fire caused extensive damage to the property which was subsequently demolished and is currently being rebuilt by the freeholder. In June 2023 the Group received a letter of claim alleging fire safety defects and claiming compensation for the rebuild and other associated costs. The Group has now assessed the claim and the provision recorded represents managements best estimate of the Group's potential exposure taking into account legal and professional advice. The claim and ultimate route to settlement is ongoing but the Group currently does not have a set timeline for when the matter will be concluded.

**Joint ventures**
Joint ventures represents the Group’s legal or constructive obligation to fund losses on joint ventures.

**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 prior year the Group reclassified the brought forward balance of dilapidations on Group offices which were previously offset against right of use assets.

## 23 SHARE CAPITAL

| | Shares issued Number | Nominal value Pence | Share capital £ | Share premium account £ |
|---|---|---|---|---|
| **Ordinary shares as at 1 November 2021, 31 October 2022 and 31 October 2023** | **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 (2022: 342,560,719).
For details of outstanding share options at 31 October 2023 see note 17.

**Own shares held**
The Group and Company holds shares within ESOT for participants of certain share-based payment schemes. These are held within retained earnings. During the year 840,000 shares were purchased by the ESOT for £1.9m (2022: 440,000 shares were purchased by the ESOT for £1.1m) and the ESOT transferred 1,027,884 (2022: 41,382) shares to employees and Directors to satisfy options as detailed in note 17. The number of shares held within the ESOT (Treasury shares), and on which dividends have been waived, at 31 October 2023 was 600,256 (2022: 788,140). These shares are held within the financial statements in equity at a cost of £1.5m (2022: £2.5m). The market value of these shares at 31 October 2023 was £1.0m (2022: £1.6m).

## 24 FINANCIAL RISK MANAGEMENT

The Group’s financial instruments comprise cash, trade and other receivables, financial assets at fair value through profit and loss, bank loans, senior loan notes, and trade and other 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 cash. A five-year summary of this can be found in the unaudited historical summary on page 69, 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 RCF 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 (2022: £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.

Both the senior loan notes and the RCF are subject to three covenants that are measured quarterly in January, April, July and October each year, they are, gearing being of a maximum of 70%, interest cover being a minimum of 3 times and consolidated tangible net worth being not less than £500m, all based on measures as defined in the facilities agreements which are adjusted from the equivalent IFRS amounts. As at the statement of financial position date gearing was 17.0%, interest cover was 8.0 times and consolidated tangible net worth was £827.3m

On 12 October 2022 the Group signed an amendment to the RCF. This amendment extended the facility to run through to October 2026 and changed the facility into a Sustainability Linked RCF.

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
  2023. Target met. A focus on efficient use of materials and fuel with an absolute reduction in site activity
- Increasing the number of our suppliers engaging with the Supply Chain Sustainability School
  2023. Target met. Proactive engagement with our key suppliers in the year
- Reduction in carbon emissions associated with the use of our homes
  2023. Target met. Impact of the switch to standard house types across the business
- Increasing the number of our employees in trainee positions and on training programmes
  2023. Target met. A continued priority with dedicated resource and strong employee engagement.

As a result of meeting 4 out of 4 of the metrics for FY23 the margin on the RCF will be amended down by 0.05% from the date of submission of the compliance documents for the facility.

**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 £162.6m (2022: £373.6m) 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 2023.

Financial assets at fair value through profit and loss of £3.7m (2022: £4.6m) 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 17. Amounts due from joint ventures of £29.5m (2022: £27.1m) is funding provided on four (2022: three) 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 17. Within trade receivables the other largest single amount outstanding at 31 October 2023 is £12.1m (2022: £11.5m) which is within agreed terms.

The Group considers the credit quality of financial assets that are neither past due nor impaired as good. In managing risk the Group assesses the credit risk of its counterparties before entering into a transaction. No credit limits were exceeded during the reporting year, and the Directors do not expect any material losses from non-performance of any counterparties, including in respect of receivables not yet due. No individually material financial assets are past due, or are considered to be impaired as at the consolidated statement of financial position date (2022: 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 2023:

| **2023** | 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 | 112.5 | 18.5 | 23.1 | 2.4 | 68.5 |
| Financial liabilities carrying no interest | 401.4 | 408.8 | 333.5 | 44.1 | 28.3 | 2.9 |
| **At 31 October 2023** | **501.4** | **521.3** | **352.0** | **67.2** | **30.7** | **71.4** |

| **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** |

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 RCF is subject to floating interest rates based on SONIA. 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 2023 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 (2022: £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:

| | 2023 £m | 2022 £m |
|---|---|---|
| **Sterling bank borrowings, loan notes and long-term creditors** | | |
| Financial liabilities carrying interest | 100.0 | 129.8 |
| Financial liabilities carrying no interest | 401.4 | 395.2 |
| | **501.4** | **525.0** |

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 26 months (2022: 14 months).

| | 2023 £m | 2022 £m |
|---|---|---|
| The maturity of the financial liabilities is: | | |
| Repayable within one year | 344.0 | 385.2 |
| Repayable between one and two years | 61.7 | 52.1 |
| Repayable between two and five years | 78.9 | 72.1 |
| Repayable after five years | 16.8 | 15.6 |
| | **501.4** | **525.0** |

**Fair values**

Financial assets
The Group's financial assets are detailed in a table below. 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. 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 are detailed in a table below, the carrying amounts of which are deemed to be a reasonable approximation to their fair value. The fair values of the RCF, 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:

| 2023 | Nominal interest rate | Face value £m | Carrying value £m | Fair value £m | Maturity |
|---|---|---|---|---|---|
| **Current** | | | | | |
| Senior loan notes | 3.15% | 15.0 | 15.0 | 15.0 | 2024 |
| **Non-current** | | | | | |
| Senior loan notes | 3.32% - 3.87% | 85.0 | 85.0 | 85.0 | 2025-2029 |
| **Total interest-bearing loans** | | **100.0** | **100.0** | **100.0** | |

| 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** | |

**Financial assets and liabilities by category**

| **Financial assets** | 2023 £m | 2022 £m |
|---|---|---|
| Sterling cash deposits | 162.6 | 373.6 |
| Trade receivables | 60.9 | 59.1 |
| Amounts due from joint ventures | 29.5 | 27.1 |
| Other receivables | 22.7 | 29.6 |
| **Total financial assets at amortised cost** | **275.7** | **489.4** |
| Financial assets at fair value through profit and loss | 3.7 | 4.6 |
| **Total financial assets** | **279.4** | **494.0** |

| **Financial liabilities** | 2023 £m | 2022 £m |
|---|---|---|
| Senior loan notes | 100.0 | 100.0 |
| Land payables on contractual terms carrying interest | - | 29.8 |
| Land payables on contractual terms carrying no interest | 205.5 | 168.9 |
| Amounts due to joint ventures | 0.7 | 0.1 |
| Lease liabilities | 6.4 | 3.9 |
| Other trade payables | 61.8 | 41.1 |
| Other payables | 3.1 | 5.5 |
| Accruals | 123.9 | 175.7 |
| **Total financial liabilities at amortised cost** | **501.4** | **525.0** |

## 25 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.

As a consequence of signing the Developer Remediation Contract on 13 March 2023, the Group has entered into contractual commitments with the UK Government to identify and remediate those buildings it has developed with possible life-critical fire safety defects. Accordingly, while the Group believes that most significant liabilities will have been identified through the process of building owners assessing buildings and applying for BSF funding and through Crest commissioning assessments to date, 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, it is not practicable to 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 these financial results, 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.

## 26 NET CASH AND LAND CREDITORS

| | 2023 £m | 2022 £m |
|---|---|---|
| Cash and cash equivalents | 162.6 | 373.6 |
| Non-current Interest-bearing loans and borrowings | (83.5) | (97.1) |
| Current Interest-bearing loans and borrowings | (14.2) | - |
| **Net cash** | **64.9** | **276.5** |
| Land payables on contractual terms carrying interest | - | (29.8) |
| Land payables on contractual terms carrying no interest | (205.5) | (168.9) |
| **Net cash and land creditors** | **(140.6)** | **77.8** |

## 27 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 81–98 of our 2023 annual report and financial statements to be published in February 2024. 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 16.

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:

| | 2023 £m | 2022 £m |
|---|---|---|
| Interest income on joint venture funding | 1.2 | 2.1 |
| Project management fees recognised | 1.9 | 2.0 |
| Amounts due from joint ventures, net of expected credit losses | 29.5 | 27.1 |
| Amounts due to joint ventures | 0.7 | 0.1 |
| Funding to joint ventures | (13.0) | (7.5) |
| Repayment of funding from joint ventures | 11.7 | 18.8 |
| Dividends received from joint ventures | 1.5 | 2.4 |

## 28 GROUP UNDERTAKINGS

In accordance with Section 409 Companies Act 2006, the following is a list of all the Group's undertakings at 31 October 2023.

**Subsidiary undertakings**
At 31 October 2023 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% |
| Clevedon Developments Limited | 1 | Dormant | 31 October | 100% |
| Clevedon Investment Limited | 1 | Active | 31 October | 100% |
| CN Finance plc[2] | 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 2 LLP | 1 | Dormant | 31 October | 100% |
| CN Shelf 3 LLP | 1 | Dormant | 31 October | 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: 500 Dashwood Lang Road, Bourne Business Park, Addlestone, Surrey KT15 2HJ.
2: Unit 2 & 3 Beech Court, Wokingham Road, Hurst, Reading RG10 0RU.
[2] CN Finance plc is the only direct holding of Crest Nicholson Holdings plc.

| Entity name | Registered office[1] | Active / dormant | Year end date | Voting rights and shareholding (direct or indirect) |
|---|---|---|---|---|
| Crest Nicholson Developments (Chertsey) Limited | 1 | Active | 31 October | 100% |
| Crest Nicholson Operations Limited | 1 | Active | 31 October | 100% |
| Crest Nicholson Pension Trustee Limited | 1 | Dormant | 31 January | 100% |
| Crest Nicholson plc | 1 | Active | 31 October | 100% |
| Crest Nicholson Projects Limited | 1 | Dormant | 31 October | 100% |
| Crest Nicholson Properties Limited | 1 | Dormant | 31 October | 100% |
| Crest Nicholson Regeneration Limited | 1 | Dormant | 31 October | 100% |
| Crest Nicholson Residential (London) Limited | 1 | Dormant | 31 October | 100% |
| Crest Nicholson Residential (Midlands) Limited | 1 | Dormant | 31 October | 100% |
| Crest Nicholson Residential (South East) Limited | 1 | Dormant | 31 October | 100% |
| Crest Nicholson Residential (South) Limited | 1 | Dormant | 31 October | 100% |
| Crest Nicholson Residential Limited | 1 | Dormant | 31 October | 100% |
| Crest Nicholson (Wheatley) LLP | 1 | Active | 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 | Dormant | 31 October | 100% |
| Park Central Management (Zone 9/91) Limited | 1 | Dormant | 31 January | 100% |
| Park West Management Services Limited | 1 | Active | 29 March | 62.00% |

[1] 1: 500 Dashwood Lang Road, Bourne Business Park, Addlestone, Surrey KT15 2HJ.

**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 2023.

Clevedon Investment Limited (00454327)
Crest Nicholson (Henley-on-Thames) Limited (03828831)
Crest Nicholson (Stotfold) Limited (08774274)
Crest Nicholson Developments (Chertsey) Limited (04707982)
Crest Nicholson Residential Limited (00714425)
Crest Homes (Nominees No. 2) Limited (02213319)
Crest Nicholson (Peckham) Limited (07296143)
Crest Nicholson (Bath) Holdings Limited (05235961)
Crest Homes (Nominees) Limited (01715768)

**Joint venture undertakings**
At 31 October 2023 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% |
| Elmsbrook (Crest A2D) LLP | 4 | Active | 31 March | 50% |
| Crest Sovereign (Brooklands) LLP | 3 | Active | 31 October | 50% |
| Crest Peabody (Turweston) LLP | 1 | Active | 31 May | 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: 500 Dashwood Lang Road, Bourne Business Park, Addlestone, Surrey KT15 2HJ.
2: 6 Drakes Meadow, Penny Lane, Swindon, Wiltshire SN3 3LL.
3: Sovereign House, Basing View, Basingstoke RG21 4FA.
4: The Point, 37 North Wharf Road, London W2 1BD.

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

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

The Group is party to a joint arrangement with Passion Property Group Limited, the purpose of which was to develop a site in London. The development was completed in 2014 and there are no material balances in the Group financial statements relating to this joint arrangement as at 31 October 2023. 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 ESOT, 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 ESOT 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 ESOT.

**CREST NICHOLSON HOLDINGS PLC**
**COMPANY STATEMENT OF FINANCIAL POSITION**

***As at 31 October 2023***

| | Note | 2023 £m | 2022 £m |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Investments | 4 | 1.6 | 2.6 |
| | | | |
| **Current assets** | | | |
| Trade and other receivables | 5 | 186.4 | 222.4 |
| **TOTAL ASSETS** | | **188.0** | **225.0** |
| | | | |
| **NET ASSETS** | | **188.0** | **225.0** |
| | | | |
| **SHAREHOLDERS' EQUITY** | | | |
| Share capital | 6 | 12.8 | 12.8 |
| Share premium account | 6 | 74.2 | 74.2 |
| Retained earnings: | | | |
| At 1 November | | 138.0 | 166.1 |
| Profit for the year | | 8.6 | 10.5 |
| Other changes in retained earnings | | (45.6) | (38.6) |
| **At 31 October** | | **101.0** | **138.0** |
| **TOTAL SHAREHOLDERS' EQUITY** | | **188.0** | **225.0** |

The Company recorded a profit for the financial year of £8.6m (2022: £10.5m).
The notes on pages 64–66 form part of these financial statements.
The financial statements on pages 63–66 were approved by the Board of Directors on 23 January 2024.

On behalf of the Board

**Peter Truscott**
**Director**

**Bill Floydd**
**Director**

**CREST NICHOLSON HOLDINGS PLC**
**COMPANY STATEMENT OF CHANGES IN EQUITY**
***For the year ended 31 October 2023***

| | Note | Share capital £m | Share premium account £m | Retained earnings £m | Total equity £m |
|---|---|---|---|---|---|
| **Balance at 1 November 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 share ownership trust | 4 | - | - | (0.1) | (0.1) |
| **Balance at 31 October 2022** | | **12.8** | **74.2** | **138.0** | **225.0** |
| Profit for the financial year and total comprehensive income | | - | - | 8.6 | 8.6 |
| **Transactions with shareholders** | | | | | |
| Dividends paid | | - | - | (43.6) | (43.6) |
| Exercise of share options through employee share ownership trust | 4 | - | - | (2.9) | (2.9) |
| Net proceeds from the issue of shares and exercise of share options | | - | - | 0.9 | 0.9 |
| **Balance at 31 October 2023** | | **12.8** | **74.2** | **101.0** | **188.0** |

## 1 ACCOUNTING POLICIES

**Basis of preparation**
Crest Nicholson Holdings plc (the Company) is a public company limited by shares, incorporated, listed and domiciled in England and Wales. The address of the registered office is 500 Dashwood Lang Road, Bourne Business Park, Addlestone, Surrey KT15 2HJ. 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 forecast for the period up to April 2025, in line the those modelled for the Group's going concern assessment. The Company is reliant upon the performance of the Group as a whole to meet its liabilities. Throughout this review period the Company is forecast to be able to meet its liabilities as they fall due. Therefore, having assessed the principal risks and all other relevant matters, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements of the Company. The Group's going concern assessment can be found in note 1 of the consolidated financial statements.

**Adoption of new and revised standards**
There were no new standards, amendments or interpretations that were adopted by the Company and effective for the first time for the financial year beginning 1 November 2022 that have had a material impact on the Company.

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

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

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

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

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

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

**Investments**
Investments relate to Company contributions to the Crest Nicholson ESOT. The ESOT 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:
- At amortised cost
- Subsequently at FVTPL
- Subsequently at 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:
- At amortised cost
- 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 ESOT**
Transactions of the Company sponsored ESOT are included in both the Group financial statements and the Company's own financial statements. The purchase of shares in the Company by the ESOT are charged directly to equity.

**Audit fee**
Auditor's remuneration for audit of these financial statements of £30,000 (2022: £27,500) 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 81–98 of the 2023 annual report and financial statements to be published in February 2024.

## 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

| | 2023<br>£m | 2022<br>£m |
|---|---|---|
| Investments in shares of subsidiary undertaking at cost at beginning of the year | 2.6 | 1.6 |
| Additions | 1.9 | 1.1 |
| Disposals | (2.9) | (0.1) |
| **Investments in shares of subsidiary undertaking at cost at end of the year** | **1.6** | **2.6** |

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

| | 2023<br>£m | 2022<br>£m |
|---|---|---|
| **Amounts due from Group undertakings** | **186.4** | **222.4** |

Amounts due from Group undertakings are unsecured, repayable on demand and carry an interest rate of 5.0% (2022: 5.0%).

Amounts due from Group undertakings are stated after an allowance of £nil has been made (2022: £nil) in respect of expected credit losses. £nil (2022: £nil) provision was made during the year, £nil (2022: £nil) was utilised, and £nil (2022: £nil) provision was released during the year.

## 6 SHARE CAPITAL

The Company share capital is disclosed in note 23 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 2023 is given in note 28 of the consolidated financial statements.

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

The Group uses a number of APM which are not defined within IFRS. The Directors use the APM, along with IFRS measures, to assess the operational performance of the Group as detailed in the Strategic Report on pages 1–52 of the 2023 annual report and financial statements to be published in February 2024, and above. Definitions and reconciliations of the financial APM 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:

| | 2023 £m | 2022 £m |
|---|---|---|
| Revenue | 657.5 | 913.6 |
| Group's share of joint venture revenue (note 14) | 34.6 | 42.2 |
| **Sales** | 692.1 | 955.8 |

**Return on capital employed**
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 reduced to 6.3% (2022: increased to 22.4%).

| | | 2023 | 2022 | |
|---|---|---|---|---|
| Adjusted operating profit | £m | 44.2 | 140.9 | |
| Average of opening and closing capital employed | £m | 699.0 | 627.7 | |
| **ROCE** | **%** | **6.3** | **22.4** | |
| | | | | |
| **Capital employed** | | 2023 | 2022 | 2021 |
| Equity shareholders' funds | £m | 856.3 | 883.1 | 901.6 |
| Net cash (note 19) | £m | (64.9) | (276.5) | (252.8) |
| **Closing capital employed** | **£m** | **791.4** | **606.6** | **648.8** |

**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 increased in the year to 24.0% (2022: reduced to 22.5%).

| | | 2023 | 2022 |
|---|---|---|---|
| Land creditors (note 21) | £m | 205.5 | 198.7 |
| Net assets | £m | 856.3 | 883.1 |
| Land creditors as a percentage of net assets | **%** | **24.0** | **22.5** |

**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 reduced in the year to £64.9m from £276.5m in 2022.

| | 2023 £m | 2022 £m |
|---|---|---|
| Cash and cash equivalents | 162.6 | 373.6 |
| Interest-bearing loans and borrowings | (97.7) | (97.1) |
| **Net cash** | **64.9** | **276.5** |

**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 2023** | | Statutory | Exceptional items | Adjusted |
|---|---|---|---|---|
| Gross profit | £m | 86.3 | 14.3 | 100.6 |
| Gross profit margin | % | 13.1 | 2.2 | 15.3 |
| Operating profit | £m | 29.9 | 14.3 | 44.2 |
| Operating profit margin | % | 4.5 | 2.2 | 6.7 |
| Net finance expense | £m | (10.1) | 4.6 | (5.5) |
| Share of post-tax profit/(loss) of joint ventures using the equity method | £m | 3.3 | (0.6) | 2.7 |
| Profit before tax | £m | 23.1 | 18.3 | 41.4 |
| Income tax expense | £m | (5.2) | (4.8) | (10.0) |
| Profit after tax | £m | 17.9 | 13.5 | 31.4 |
| Basic earnings per share | Pence | 7.0 | 5.3 | 12.3 |
| Diluted earnings per share | Pence | 7.0 | 5.2 | 12.2 |

| **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 |

**CREST NICHOLSON HOLDINGS PLC**
**HISTORICAL SUMMARY (UNAUDITED)**
**For the year ended/as at 31 October 2023**

| | Note | | 2023[1] | 2022[1] | 2021[2] | 2020[3] | 2019[4] |
|---|---|---|---|---|---|---|---|
| **Consolidated income statement** | | | | | | | |
| Revenue | | £m | 657.5 | 913.6 | 786.6 | 677.9 | 1,086.4 |
| Gross profit | | £m | 100.6 | 194.3 | 166.7 | 107.7 | 201.9 |
| Gross profit margin | | % | 15.3 | 21.3 | 21.2 | 15.9 | 18.6 |
| Net administrative expenses | | £m | (55.8) | (51.1) | (51.1) | (50.3) | (65.5) |
| Net impairment losses on financial assets | | £m | (0.6) | (2.3) | (1.0) | (0.3) | (3.4) |
| Operating profit before joint ventures | | £m | 44.2 | 140.9 | 114.6 | 57.1 | 133.0 |
| Operating profit before joint ventures margin | | % | 6.7 | 15.4 | 14.6 | 8.4 | 12.2 |
| Share of post-tax profit/(loss) of joint ventures | | £m | 2.7 | 4.0 | 1.7 | (0.5) | (0.9) |
| Operating profit after joint ventures | | £m | 46.9 | 144.9 | 116.3 | 56.6 | 132.1 |
| Operating profit after joint ventures margin | | % | 7.1 | 15.9 | 14.8 | 8.3 | 12.2 |
| Net finance expense | | £m | (5.5) | (7.1) | (9.1) | (10.7) | (11.0) |
| Profit before taxation | | £m | 41.4 | 137.8 | 107.2 | 45.9 | 121.1 |
| Income tax expense | | £m | (10.0) | (28.8) | (19.9) | (8.5) | (23.7) |
| Profit after taxation attributable to equity shareholders | | £m | 31.4 | 109.0 | 87.3 | 37.4 | 97.4 |
| Basic earnings per share | | Pence | 12.3 | 42.5 | 34.0 | 14.6 | 38.0 |
| **Consolidated statement of financial position** | | | | | | | |
| Equity shareholders' funds | 1 | £m | 856.3 | 883.1 | 901.6 | 825.3 | 854.4 |
| Net cash | 2 | £m | (64.9) | (276.5) | (252.8) | (142.2) | (37.2) |
| Capital employed closing | | £m | 791.4 | 606.6 | 648.8 | 683.1 | 817.2 |
| Gearing | 3 | % | (8.2) | (45.6) | (39.0) | (20.8) | (4.6) |
| Land creditors | | £m | 205.5 | 198.7 | 222.9 | 205.7 | 216.5 |
| Net (cash)/debt and land creditors | 4 | £m | 140.6 | (77.8) | (29.9) | 63.5 | 179.3 |
| Return on average capital employed | 5 | % | 6.3 | 22.4 | 17.2 | 7.6 | 15.9 |
| Return on average equity | 6 | % | 3.6 | 12.2 | 10.1 | 4.5 | 11.3 |
| **Housing** | | | | | | | |
| Home completions | 7 | Units | 2,020 | 2,734 | 2,407 | 2,247 | 2,912 |
| Average selling price - open market | 8 | £000 | 406 | 388 | 359 | 336 | 388 |
| Short-term land | 9 | Units | 14,922 | 14,250 | 14,677 | 14,991 | 16,960 |
| Strategic land | 10 | Units | 18,830 | 22,450 | 22,308 | 22,724 | 20,169 |
| Total short-term and strategic land | | Units | 33,752 | 36,700 | 36,985 | 37,715 | 37,129 |
| Land pipeline gross development value | 11 | £m | 12,163 | 12,111 | 11,834 | 11,360 | 12,137 |

[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 2023 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 net combustible materials provision charge £28.8m, inventory impairment credit £8.0m, and finance expense credit £0.5m.
[3] 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.
[4] 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.

**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 2023, 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. 2019 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.

## Glossary

| | |
|---|---|
| Act | The Companies Act 2006 |
| AGM | Annual General Meeting |
| APM | Alternative performance measures |
| AQIs | Audit Quality Indicators |
| BEIS | Department for Business, Energy and Industrial Strategy |
| BSF | Building Safety Fund |
| Code | UK Corporate Governance Code |
| Crest | Crest Nicholson Holdings plc and its undertakings |
| CVR | Cost and Value Reconciliation |
| DBP | Deferred Bonus Plan |
| D&I | Diversity & Inclusion |
| EBIT | Earnings before interest and taxes |
| ELT | Executive Leadership Team |
| ERP | Enterprise resource planning |
| ESG | Environment, Social & Governance |
| ESOT or Trust | Employee share ownership trust |
| FRC | Financial Reporting Council |
| FHS | Future Homes Standard |
| FVTPL | Fair value through profit or loss |
| FVOCI | Fair value through other comprehensive income |
| GDV | Gross Development Value |
| GHG | Greenhouse gas |
| HBF | Home Builders Federation |
| IFRS | International Financial Reporting Standards |
| IPPF | International Professional Practice Framework |
| KPI | Key Performance Indicator |
| LTIP | Long-Term Incentive Plan |
| NHBC | National House Building Council |
| NHQC | New Homes Quality Code |
| Notice | The Notice of the AGM |
| NRV | Net realised value |
| PBT | Profit before tax |
| PSL | Partnerships and Strategic Land |
| Pledge | Building Safety Pledge |
| PRS | Private Rented Sector |
| OF | Operational Framework |
| RAMS | Risk Assessment and Method Statements |
| RCF | Revolving Credit Facility |
| ROCE | Return on capital employed |
| RPDT | Residential property developer tax |
| RPs | Registered Providers |
| SaaS | Software as a Service |
| SAYE | Save as you earn/Sharesave |
| SBTi | Science Based Targets Initiative |
| SHE | Safety, Health & Environment |
| SPOW | Sales per outlet per week |
| SuDS | Sustainable drainage systems |
| Supplier Code | Sustainable Procurement Policy and Supply Chain Code of Conduct |
| TCFD | Task Force on Climate-related Financial Disclosures |
| tCO2e | Tonnes of carbon dioxide equivalent |