This document comprises a prospectus relating to Crest Nicholson Holdings plc (the "**Company**") and has been prepared in accordance with the Prospectus Rules made under section 73A of the Financial Services and Markets Act 2000 (as amended) ("**FSMA**"), has been approved by the Financial Services Authority ("**FSA**") and has been made available to the public in accordance with paragraph 3.2 of the Prospectus Rules. This document has been prepared in connection with the offer of Ordinary Shares to certain institutional and other investors described in Part 8: "The Offer" of this document.

Application has been made to the FSA for all of the Ordinary Shares of the Company, issued and to be issued in connection with the Offer, to be admitted to the premium listing segment of the Official List of the FSA (the "**Official List**") and for such Ordinary Shares to be admitted to trading on the London Stock Exchange's main market for listed securities (together "**Admission**"). Admission to trading on the London Stock Exchange's main market for listed securities constitutes admission to trading on a regulated market. Conditional dealings in the Ordinary Shares are expected to commence on the London Stock Exchange at 8.00 a.m. (London time) on 13 February 2013. It is expected that Admission will become effective, and that unconditional dealings will commence in the Ordinary Shares on the London Stock Exchange, at 8.00 a.m. (London time) on 18 February 2013. **All dealings in the Ordinary Shares prior to the commencement of unconditional dealings will be of no effect if Admission does not take place and such dealings will be at the sole risk of the parties concerned**. The New Ordinary Shares issued by the Company will rank *pari passu* in all respects with the Existing Ordinary Shares. No application has been, or is currently intended to be, made for the Ordinary Shares to be admitted to listing or dealt with on any other exchange.

The Company and its Directors (whose names appear on page 29) accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (each of whom has taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and contains no omission likely to affect the import of such information.

Prospective investors should read this document in its entirety. For a discussion of certain risk and other factors that should be considered in connection with an investment in the Ordinary Shares, see "Risk Factors". Prospective investors should be aware that an investment in the Company involves a degree of risk and that, if some or all of the risks described in the "Risk Factors" occur, investors may find their investment materially adversely affected. Accordingly, an investment in the Ordinary Shares is only suitable for investors who are particularly knowledgeable in investment matters and who are able to bear the loss of the whole or part of their investment.

CREST NICHOLSON HOLDINGS PLC

(incorporated under the Companies Act 1985 and registered in England and Wales with registered number 06800600)

Offer of 102,235,696 Ordinary Shares of 5 pence each at an Offer Price of 220 pence per Ordinary Share and admission to the premium listing segment of the Official List and to trading on the London Stock Exchange

Joint Sponsors, Joint Global Co-Ordinators and Joint Bookrunners

Barclays **HSBC**

Financial Adviser

Lazard

Lead Manager

Numis

ORDINARY SHARE CAPITAL IMMEDIATELY FOLLOWING ADMISSION

Issued and fully paid

Number	*Nominal Value*
251,427,287	£12,571,364

Each of Barclays, Barclays Capital Securities Limited, HSBC, Lazard and Numis (together, the "**Banks**"), each of which is authorised and regulated in the United Kingdom by the FSA, is acting exclusively for the Company and no one else in connection with the Offer. None of the Banks will regard any other person (whether or not a recipient of this document) as a client in relation to the Offer and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients or for the giving of advice in relation to the Offer or any transaction, matter or arrangement referred to in this document. Apart from the responsibilities and liabilities, if any, which may be imposed on the Banks by FSMA or the regulatory regime established thereunder, none of the Banks nor any of their parent or subsidiary undertakings, nor any of their respective directors, officers, employees or advisers accepts any responsibility whatsoever for the contents of this document, including its accuracy, completeness or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the Ordinary Shares or the Offer. Each of the Banks accordingly disclaims all and any liability whether arising in tort, contract or otherwise (save as referred to above) in respect of this document or any such statement.

Over-allotment and Stabilisation

In connection with the Offer, Barclays Capital Securities Limited, as stabilising manager (the "**Stabilising Manager**"), or any of its agents, may (but will be under no obligation to), to the extent permitted by applicable law, over-allot Ordinary Shares or effect other stabilisation transactions with a view to supporting the market price of the Ordinary Shares at a level higher than that which might otherwise prevail in the open market. The Stabilising Manager is not required to enter into such transactions and such transactions may be effected on any securities market, over-the-counter market, stock exchange or otherwise and may be undertaken at any time during the period commencing on the date of the commencement of conditional dealings of the Ordinary Shares on the London Stock Exchange and ending no later than 30 calendar days thereafter. There will be no obligation on the Stabilising Manager or any of its agents to effect stabilising transactions and there is no assurance that stabilising transactions will be undertaken. Such stabilisation, if commenced, may be discontinued at any time without prior notice. In no event will measures be taken to stabilise the market price of the Ordinary Shares above the Offer Price. Except as required by law or regulation, neither the Stabilising Manager nor any of its agents intends to disclose the extent of any over-allotments made and/or stabilisation transactions conducted in relation to the Offer.

In connection with the Offer, the Stabilising Manager may, for stabilisation purposes, over-allot Ordinary Shares up to a maximum of 10 per cent. of the total number of Ordinary Shares comprised in the Offer. For the purposes of allowing the Stabilising Manager to cover short positions resulting from any such over-allotments and/or from sales of Ordinary Shares effected by it during the stabilising period, the Over-allotment Selling Shareholders have granted to it the Over-allotment Option, pursuant to which the Stabilising Manager may require the Over-allotment Selling Shareholders to sell in aggregate up to 10,223,568 additional Ordinary Shares (being up to a maximum of 10 per cent. of the total number of Ordinary Shares comprised in the Offer) (the "**Over-allotment Shares**") at the Offer Price. The Over-allotment Option is exercisable in whole or in part, upon notice by the Stabilising Manager, at any time on or before the 30th calendar day after the commencement of conditional dealings of the Ordinary Shares on the London Stock Exchange. Any Over-allotment Shares made available pursuant to the Over-allotment Option will rank *pari passu* in all respects with the Ordinary Shares, including for all dividends and other distributions declared, made or paid on the Ordinary Shares, will be purchased on the same terms and conditions as the Ordinary Shares being issued or sold in the Offer and will form a single class for all purposes with the other Ordinary Shares.

Notice to overseas investors

The Ordinary Shares have not been, and will not be, registered under the US Securities Act of 1933, as amended (the "**Securities Act**"), or the securities laws of any state of the United States or other jurisdiction, and may not be offered or sold within the United States, except to qualified institutional buyers ("**QIBs**"), as defined in, and in reliance on, the exemption from the registration requirements of the Securities Act provided by Rule 144A under the Securities Act ("**Rule 144A**") or another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Ordinary Shares are being offered and sold outside the United States in reliance on Regulation S under the Securities Act ("**Regulation S**"). Prospective investors are hereby notified that the Selling Shareholders may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

In addition, until the expiration of 40 days after the commencement of the Offer, an offer or sale of Ordinary Shares within the United States by a dealer (whether or not participating in the Offer) may violate the registration

requirements of the US Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the US Securities Act.

The Ordinary Shares have not been and will not be registered under the applicable securities laws of Australia, Canada, Hong Kong, Japan or Switzerland. Subject to certain exceptions, the Ordinary Shares may not be offered or sold in any jurisdiction, or to or for the account or benefit of any national, resident or citizen in Australia, Canada, Hong Kong, Japan or Switzerland.

This document does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to subscribe for or purchase, any securities other than the Ordinary Shares or any offer or invitation to sell or issue, or any solicitation of any offer to purchase, such Ordinary Shares by any person in any circumstances in which such offer or solicitation is unlawful.

The Ordinary Shares have not been approved or disapproved by the US Securities and Exchange Commission, any US federal or state securities commission or any US regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

The distribution of this document and the offer and sale of the Ordinary Shares in certain jurisdictions may be restricted by law. No action has been or will be taken by the Company, the Selling Shareholders or the Banks to permit a public offering of the Ordinary Shares under the applicable securities laws of any jurisdiction. Other than in the United Kingdom, no action has been taken or will be taken to permit the possession or distribution of this document (or any other offering or publicity materials relating to the Ordinary Shares) in any jurisdiction where action for that purpose may be required or where doing so is restricted by law. Accordingly, neither this document, nor any advertisement, nor any other offering material may be distributed or published in any jurisdiction except in circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction. The Offer and the distribution of this document are subject to the restrictions set out in paragraph 10 of Part 8: "The Offer."

NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ("**RSA421-B**") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

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SUMMARY

*Summaries are made up of disclosure requirements known as "**Elements**". These elements are numbered in Sections A-E (A.1–E.7).*

This summary contains all the Elements required to be included in a summary for this type of securities and Issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and Issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of "not applicable."

Section A–Introduction and warnings		
Element		
A.1	**Introduction**	This summary should be read as an introduction to the more detailed information appearing elsewhere in this prospectus (the "**Prospectus**"). Any decision by a prospective investor to invest in the ordinary shares of the Company (the "**Ordinary Shares**") should be based on a consideration of the document as a whole. Where a claim relating to the information contained in this Prospectus is brought before a court in a member state of the European Economic Area, the plaintiff investor might, under the national legislation of the member state where the claim is brought, have to bear the costs of translating this Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary, including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the prospectus or it does not provide, when read together with the other parts of the prospectus, key information in order to aid investors when considering whether to invest in the Ordinary Shares.
A.2	**Consent for intermediaries**	Not applicable – there will be no resale or final placement of securities by financial intermediaries.

Section B–Issuer		
Element		
B.1	**Legal and Commercial Name**	Crest Nicholson Holdings plc (the "**Company**").
B.2	**Domicile/Legal Form/ Legislation/Country of incorporation**	The Company is a public limited company, incorporated in the United Kingdom with its registered office situated in England and Wales. The Company operates under the Companies Act 2006.
B.3	**Current operations/ principal activities and markets**	The Group is a leading residential developer operating in the southern half of England with an emphasis on creating well designed homes in sustainable communities. The Group focuses on both greenfield and brownfield housing sites in prime areas of the southern half of England, including London. The Group

		has a wide product range, varying from homes for first time buyers through to large family homes, and includes a mixture of houses, apartments and supporting commercial premises as part of its larger developments. With its commitment to designing well considered and planned developments, the Group has a proven track record of obtaining planning consents and delivering award-winning, high-quality sustainable residential communities. The Group has four regional housebuilding divisions: Eastern, South, South West and London. The Group's fifth housebuilding division is the Major Projects division which specialises in larger scale partnerships with public and private vendors, including residential and mixed-use developments, across all core regions of the business. The Group also has a Strategic Projects division which focuses on sourcing, promoting and delivering large-scale sites which do not have planning consent and are not allocated for development by the local authority at the point the Group secures these sites. In respect of the financial year ended 31 October 2012, the Group completed sales of 1,882 units and had revenue of £408.0 million, operating profit of £73.3 million and operating margin of 18.0 per cent. As at 31 October 2012, the Group's short-term land bank consisted of 16,959 plots and its strategic land bank consisted of 12,623 plots. The Group had 50 developments in production and 39 sales outlets as at 31 October 2012.
B.4a	**Significant Trends**	The Group's business is dependent upon the overall condition of the UK residential housing market, especially in the southern half of England. Consequently, the Group is impacted by the macroeconomic conditions in the UK which are in turn influenced by the macroeconomic conditions in Europe and the global economy. The onset of the financial crisis in the last quarter of 2007 precipitated a significant decline in the housing market. Between September 2007 and June 2009, average house prices and total housing transactions decreased by 20 per cent. and 50 per cent. respectively. In response to the downturn in the housing market from late 2007, the Group took steps beginning in the 2008 financial year and continuing in the 2009 financial year to reprioritise its objectives and reorganise its business in accordance with the prevailing market conditions. For example, the Group closed three of its six regional residential housing divisions and reduced its headcount by nearly 50 per cent. from 785 employees in October 2007 to 436 employees in October 2009. The Group also chose to reduce land buying significantly, delay the operational commencements of certain developments and not acquire sites held under option to conserve cash and reduce risk, in part due to the constraints placed upon the Group by its lenders. From the middle of 2010, the Group responded to the gradual improvement in market conditions by negotiating with its

		lenders a relaxation of the constraints imposed by the Group's refinancing in March 2009 to enable it to return to land buying and to grow the business while continuing to manage closely its cash commitments. In 2011, in response to the stabilising market conditions, the Group formed its London division, including the opening of an office in London, in order to bring additional focus to the Group's London operations.
B.5	**Description of Issuer's group**	The Company is the principal holding company of the Group. The significant subsidiaries of the Company are Castle Bidco Limited, Crest Nicholson plc and Crest Nicholson Operations Limited.
B.6	**Shareholders**	As at the date of this Prospectus, the Company's significant shareholders are Värde, Deutsche Bank, KBC Bank N.V., NAC EuroLoan Advantage I Limited, Landesbank Berlin AG and Natixis. At Admission (and assuming no exercise of the Over-allotment Option), the Company's shareholders interested in 3 per cent. or more of the Company's issued share capital (being an interest notifiable under UK law) will be Värde (35.0 per cent.), Deutsche Bank (11.6 per cent.) and funds and accounts under management by direct and indirect subsidiaries of Blackrock, Inc. ("**Blackrock**") (7.0 per cent.) and Henderson Global Investors (3.7 per cent.). Save for these significant shareholders, in so far as is known to the Directors, there is no other person interested in 3 per cent. or more of the issued share capital of the Company or any other person who can, will or could, directly or indirectly, jointly or severally, exercise control over the Company. None of the Company's significant shareholders have or will have, immediately following Admission, different voting rights attached to the Ordinary Shares they hold in the Company. Given Värde's interest in the issued share capital of the Company following Admission, Värde and the Company have entered into a Relationship Agreement which will have effect from Admission. The principal purpose of the Relationship Agreement is to ensure that the Company and the Group are capable of carrying on business independently of Värde, its associates and persons acting in concert with it or its associates, at all times after Admission in accordance with the terms of the Relationship Agreement. The Offer will provide the Selling Shareholders, including certain Directors, members of Senior Management and employees, with a partial realisation of their investment in the Company. To ensure that Directors, Senior Management and employees remain incentivised and their interests remain aligned with other Ordinary Shareholders, the Directors, Senior Management and employees selling Ordinary Shares pursuant to the Offer are all retaining at least 75 per cent. of their total interest in the Company. In addition, the Directors and the Individual Selling Shareholders have agreed, subject to certain exceptions, not to sell any further Ordinary Shares for the period of at least 365 days from the date of Admission.

B.7	**Selected key historical financial information**	The Group's consolidated financial information set out below has been extracted without material adjustment from the financial information set out in Part 6: "Financial Information".

	For year ended 31 October		
	2010	*2011*	*2012*
		(£ millions)	
Income statement data:			
Revenue – continuing activities	284.4	319.1	408.0
Cost of sales	(206.3)	(227.8)	(296.2)
Gross profit	78.1	91.3	111.8
Administrative expenses	(31.0)	(35.1)	(38.7)
Other operating income	0.2	0.2	0.2
Operating profit – continuing activities	47.3	56.4	73.3
Financial income	8.2	8.9	9.2
Bank finance costs:	(75.6)	(82.6)	(10.4)
Other financial expenses:	(8.8)	(8.3)	(8.2)
Net financing expense	(76.2)	(82.0)	(9.4)
Income tax	(0.2)	67.5	1.8
Profit/(loss) for the year attributable to equity shareholders	(27.6)	40.5	63.9
Cash flow data:			
Net cash inflow/(outflow) from operating activities	27.3	(0.9)	17.6
Net cash inflow/(outflow) from investing activities	1.2	(3.9)	(5.1)
Net cash inflow/(outflow) from financing activities	(0.6)	(3.1)	15.7
Net increase/(decrease) in cash and cash equivalents	27.9	(7.9)	28.2
Cash and cash equivalents at end of the year	129.8	121.9	150.1

	As at 31 October		
	2010	*2011*	*2012*
		(£ millions)	
Balance sheet data:			
ASSETS			
Non-current assets			
Intangible assets	29.0	29.0	29.0
Property, plant and equipment	4.0	2.9	2.2
Investments	3.7	2.3	2.9
Available for sale assets	21.1	26.8	31.1
Deferred tax assets	–	75.2	74.9
	57.8	136.2	140.1
Current assets			
Inventories	361.9	394.2	469.4
Trade and other receivables	39.6	46.7	41.5
Cash and cash equivalents	129.8	121.9	150.1
	531.3	562.8	661.0
Total assets	589.1	699.0	801.1
LIABILITIES			
Non-current liabilities			
Interest bearing loans and borrowings	(433.7)	(162.7)	(176.1)
Trade and other payables	(25.0)	(24.7)	(34.8)
Retirement benefit obligations	(36.1)	(34.5)	(29.9)
Provisions	(12.8)	(11.1)	(7.1)
	(507.6)	(233.0)	(247.9)

	As at 31 October		
	2010	2011	2012
		(£ millions)	
Current liabilities			
Interest bearing loans and borrowings	–	(2.0)	(4.3)
Trade and other payables	(174.0)	(170.3)	(194.9)
Provisions	(6.5)	(6.7)	(6.9)
	(180.5)	(179.0)	(206.1)
Total liabilities	(688.1)	(412.0)	(454.0)
Net assets/(liabilities)	(99.0)	287.0	347.1
SHAREHOLDERS' EQUITY			
Share capital	–	10.0	10.0
Share premium account	–	240.3	240.3
Retained earnings	(99.0)	36.7	96.8
Total shareholders' equity	(99.0)	287.0	347.1

On 7 December 2012, the Group conducted a debt refinancing which included (i) entering into a new £50 million revolving credit facility ("**Facility Agreement B**"); (ii) amending and restating its existing Facility Agreement A with certain of its shareholders ("**Amended Facility Agreement A**"); and (iii) borrowing £50 million under Facility Agreement B and utilising the proceeds as well as cash to repay £77 million of existing borrowings under Facility Agreement A and any interest payable thereon, cancelling the associated commitments and leaving outstanding a £75 million four-year term loan under Amended Facility Agreement A (together the "**December Refinancing**").

From 31 October 2012 to 28 December 2012, the Group's cash and cash equivalents decreased from £150.1 million to £50.3 million due to payments for land and work in progress as well as the repayment of existing borrowings under Facility Agreement A, in both cases in line with the Directors' expectations.

On 12 February 2013, Lloyds TSB Bank plc ("**Lloyds**") agreed to become a party to Facility Agreement B, pursuant to which it will make available an additional £25 million to the Group, conditional upon Admission, the net proceeds of the Offer receivable by the Company being at least £50 million and other customary matters. The Group intends to draw down such amount in full as soon as practicable following Admission and as required by the terms of Facility Agreement A will use the proceeds to repay a further £25 million of outstanding borrowings under Facility Agreement A. After giving effect to the use of proceeds from the Offer receivable by the Company and the additional borrowings under Facility Agreement B, it is expected that Facility Agreement A will be repaid in full and cancelled.

Save as described in the paragraphs immediately above, there has been no significant change in the financial or trading position of the Group since 31 October 2012, the date to which the last audited consolidated financial information of the Group in Part 6: "Financial Information" was prepared.

The following table shows certain non-EU IFRS key performance indicators at the dates or for the periods indicated. These non-EU IFRS measures are not audited and are not meant to be considered in isolation or as a substitute for measures of financial performance reported in accordance with EU IFRS.

	As at or for year ended 31 October		
	2010	*2011*	*2012*
Operating margin (%)	16.6%	17.7%	18.0%
Return on capital employed (ROCE)[1]	24.1%	21.1%	20.7%
Net debt/equity[2]	n.m	14.9	8.7
TNAV (£ millions)[3]	(128.0)	258.0	318.1
Asset turn[4]	1.4x	1.0x	1.1x

(1) ROCE is calculated as operating profit as a percentage of average capital employed, where the average capital employed is the average of the opening and closing balances of capital employed. Capital employed is calculated as the sum of net debt and net assets.

(2) Net debt is calculated as interest-bearing loans and borrowings (excluding land creditors), net of cash and cash equivalents.

(3) Tangible net asset value ("**TNAV**") is calculated as net assets less intangible assets.

(4) Asset turn is revenue from continuing activities divided by the sum of net assets and net debt.

B.8 **Selected pro forma financial information**

The selected key unaudited pro forma financial information set out below has been prepared to illustrate the impact of the proceeds raised through the Offer on the consolidated net assets of Crest Nicholson. The pro forma net assets statement is based on the audited consolidated net assets of Crest Nicholson at 31 October 2012 and has been prepared on the basis that the Offer took place on 31 October 2012. The unaudited pro forma financial information is compiled on the basis set out below and in accordance with the accounting policies applied in preparing the audited accounts of the Group for the financial year ended 31 October 2012.

Because of its nature, the pro forma information addresses hypothetical situations and, therefore, does not represent Crest Nicholson's actual financial position or results. It may not, therefore, give a true picture of Crest Nicholson's financial position or results nor is it indicative of the results that may, or may not, be expected to be achieved in the future. The pro forma information has been prepared for illustrative purposes only in accordance with Annex II of the Prospectus Directive Regulation.

	Consolidated net assets of the Group as at 31 October 2012	*Adjustment for December Refinancing*	*Adjustments for application of proceeds*	*Pro forma*
	Note 1	*Note 2*	*Note 3*	*Note 4*
	£m	*£m*	*£m*	*£m*
Assets				
Non-current assets				
Intangible assets	29.0			29.0
Property, plant and equipment	2.2			2.2
Investments	2.9			2.9
Available for sale assets	31.1			31.1
Deferred tax assets	74.9			74.9
	140.1	–	–	140.1
Current assets				
Inventories	469.4			474.4
Trade and other receivables	41.5			36.5
Cash and cash equivalents	150.1	(27.0)	–	123.1
Total Current Assets	661.0	(27.0)	–	634.0
Total assets	801.1	(27.0)	–	774.1

	Consolidated net assets of the Group as at 31 October 2012 *Note 1* *£m*	Adjustment for December Refinancing *Note 2* *£m*	Adjustments for application of proceeds *Note 3* *£m*	Pro forma *Note 4* *£m*
Liabilities				
Non-current liabilities				
Interest bearing loans and borrowings	(176.1)	27.0	50.1	(99.0)
Trade and other payables	(34.8)			(34.8)
Retirement benefit obligations	(29.9)			(29.9)
Provisions	(7.1)			(7.1)
	(247.9)	27.0	50.1	(170.8)
Current liabilities				
Interest bearing loans and borrowings	(4.3)			(4.3)
Trade and other payables	(194.9)			(194.9)
Provisions	(6.9)			(6.9)
	(206.1)			(206.1)
Total liabilities	(454.0)	27.0	50.1	(376.9)
Net assets	347.1	–	50.1	397.2

(1) The financial information of the Company has been extracted, without material adjustment, from the historical financial information as at 31 October 2012 as set out under ''Financial Information'' in Part 6 of this document.

(2) Adjustment reflects the December Refinancing in which outstanding borrowings under Facility Agreement A in the amount of £77 million were repaid, through the drawdown of £50 million of financing under Facility Agreement B and £27 million of existing cash on the balance sheet.

(3) All of the net proceeds of the Offer receivable by the Company, estimated to be £50.1 million, will be used for the partial repayment of outstanding borrowings under Amended Facility Agreement A.

(4) No adjustment has been made to reflect the trading results of the Company since 31 October 2012 or of any other change in its financial position in that period. The Directors believe that, had the Offer occurred at 31 October 2012, the consolidated income statement would have been affected. If the Offer and the application of the net proceeds therefrom to reduce the Company's debt had taken place on 31 October 2012, it would have been earnings enhancing for the Group as a result of the reduced interest charges following the repayment of debt.

B.9	**Profit forecast/estimate**	Not applicable – no profit forecasts or estimates have been made.
B.10	**Audit report – qualifications**	Not applicable – there are no qualifications made in the audit report.
B.11	**Working capital**	Not applicable – the Company has sufficient working capital for its present requirements.

Section C–Securities		
Element		
C.1	**Description of the Offer**	The Company intends to issue 25,454,545 New Ordinary Shares, representing approximately 10.1 per cent. of the expected issued ordinary share capital of the Company immediately following Admission.

		The Selling Shareholders have authorised the sale, in aggregate of 76,781,151 Existing Ordinary Shares. In addition, a further 10,223,568 Existing Ordinary Shares are being made available by the Over-allotment Selling Shareholders pursuant to the Over-allotment Option. When admitted to trading, the Ordinary Shares will be registered with ISIN (International Securities Identifying Number) GB00B8VZXT93 and SEDOL (Stock Exchange Daily Official List) number B8VZXT9.
C.2	**Currency of Issue**	British pounds sterling.
C.3	**Issued Share Capital**	The issued and fully paid share capital of the Company, as it is expected to be immediately following Admission, will comprise 251,427,287 Ordinary Shares (all of which are fully paid up or credited as fully paid up). The nominal value of the issued ordinary share capital of the Company is £12,571,364 divided into 251,427,287 ordinary shares of 5 pence each.
C.4	**Rights attaching to the Ordinary Shares**	The Ordinary Shares rank equally for voting purposes. On a show of hands every member who is present in person shall have one vote and on a poll every member present in person or by proxy shall have one vote for every share of which he is the holder. Each Ordinary Share ranks equally for any dividend declared. Each Ordinary Share ranks equally for any distributions made on a winding up. In the event of any capitalisation of reserves, the number of Ordinary Shares subject to an award and the exercise price (if applicable) may be varied in such manner as the Board considers appropriate.
C.5	**Restrictions on transfer**	The Ordinary Shares are freely transferable and there are no restrictions on transfer.
C.6	**Admission to Trading**	Application has been made for all the Ordinary Shares in the Company to be admitted to trading on the London Stock Exchange's main market for listed securities. No application has been, or is currently intended to be, made for the Ordinary Shares to be admitted to listing or dealt with on any other exchange.
C.7	**Dividend policy**	The Directors intend to adopt a progressive dividend policy to reflect the cash flow generation and long-term earnings potential of the Company. If the Company makes a post-tax profit in respect of the financial year ending 31 October 2013, subject to the requirements of the Act, it intends to pay a final dividend for that year in the first quarter of calendar year 2014. If paid, the Board currently expects this dividend will be used as a base for future dividend payments.

Section D–Risks		
Element		
D.1	**Risks that are specific to the Issuer or its industry**	Housing market conditions may deteriorate. If they do deteriorate, the Group could experience lower sales volumes and/or decreases in sales prices which would have a material adverse impact on the Group's operating results, business prospects and financial condition. The Group is impacted by the macroeconomic conditions in the UK which are in turn influenced by the macroeconomic conditions in Europe and the global economy. Adverse changes in such macroeconomic conditions could have a material adverse impact on the Group's operating results, business prospects and financial condition. Constraints on the availability of, and higher costs of, mortgage funding, particularly at high loan to value ratios, may have an adverse impact on house sales and sales prices. A decrease in the availability of and higher costs of mortgage financing in the future could have a material adverse impact on the Group's operating results, business prospects and financial condition. The ability to purchase land suitable for the Group's purposes and the timing of future land purchases are fundamental to the Group's future performance. An inability to identify suitable land, obstacles within the purchasing process, the failure to manage land purchases so that they meet the demands of the business or increases in the costs of such purchases could have a material adverse impact on the Group's operating results, business prospects and financial condition. The Group's developments require planning consents to be granted by the relevant planning authority and for these consents to enable the development to be financially viable. Any failure to obtain planning consents on acceptable terms and on a timely basis or at all could have a material adverse impact on the Group's operating results, business prospects and financial condition. The Group is reliant on its senior management and may be unable to attract and retain a highly-skilled and experienced workforce. If the Group is not able to attract and retain such personnel or develop a succession plan effectively to ensure that their experience and knowledge is not lost when they leave, the Group may not be able to maintain its standards of service or continue to grow as anticipated. This could have a material adverse impact on the Group's operating results, business prospects and financial condition. The Group's business is subject to complex and substantial regulations which may change. Changes in relevant law, regulations or policies, or the interpretation thereof, or delays in such interpretations being delivered, may give rise to substantial compliance, remediation and/or other costs, and could prohibit or severely restrict development and housebuilding in certain locations and/or make the development unviable. These factors

		could have a material adverse impact on the Group's operating results, business prospects and financial condition. Ownership, leasing or occupation of land carries potential environmental risks and liabilities that may not be covered by insurance. The Group may be liable for the costs of removal, investigation or remediation of hazardous or toxic substances located on, under or in a property currently or formerly owned, leased or occupied by the Group, whether or not it caused or knew of the pollution. The occurrence of such events may have a material adverse impact on the Group's operating results, business prospects and financial condition. Significant unanticipated costs might arise in relation to the Group's business. Cost estimates made in advance of commencing a development are dependent upon assumptions, estimates and judgments which may ultimately prove to be inaccurate. Should significant unanticipated costs arise, this could have a material adverse impact on the Group's operating results, business prospects and financial condition.
D.3	**Risks relating to the Ordinary Shares**	There is not currently a trading market for the Ordinary Shares and there can be no assurance that an active trading market will develop or, if one does develop, that it will be maintained. The trading price of the Ordinary Shares may fluctuate in response to various factors, many of which are outside the Group's control. There are no guarantees that the Company will pay dividends or the level of any such dividends. The Company's ability to pay dividends depends on the continued payment to it of dividends and other income from its subsidiaries.

Section E–Offer		
Element		
E.1	**Net Proceeds/Expenses**	The net proceeds from the Offer receivable by (a) the Company are estimated to be £50.1 million; and (b) the Selling Shareholders are estimated to be £163.2 million. These net proceeds are calculated after deduction of underwriting commissions and other estimated fees and expenses of the Offer (assuming the maximum amount of the Underwriters' incentive commission and the discretionary elements of the fees of the Group's other advisers will be paid and including VAT) of £11.7 million in aggregate. The Company will not receive any of the proceeds from the sale of Ordinary Shares in the Offer by the Selling Shareholders, including pursuant to the Over-allotment Option.
E.2a	**Reasons for the Offer/ Use of Proceeds**	The Directors believe that the Offer will: (a) enhance the Company's public profile and status with existing and potential customers; (b) provide increased equity funding and operational flexibility and allow the Company to put itself in the

		position to be able to take advantage of any future opportunities; (c) provide better access to the capital markets to aid future growth; (d) create a liquid market for existing Shareholders; (e) assist in the incentivisation and retention of key management and employees; and (f) provide the Selling Shareholders, including certain Directors, members of Senior Management and employees, with a partial realisation of their investment in the Company. The net proceeds from the Offer receivable by the Company are estimated to be £50.1 million. All net proceeds from the Offer receivable by the Company are expected to be used by the Company to partially repay the £75 million outstanding borrowings under Amended Facility Agreement A (the Group's external financing arrangement with certain of its shareholders).
E.3	**Terms and Conditions of the Offer**	Under the Offer, all Offer Shares will be sold at the Offer Price. Ordinary Shares will be offered (a) to certain institutional and qualified professional investors in the United Kingdom and elsewhere, and (b) in the United States only to QIBs in reliance on an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. In connection with the Offer, Barclays Capital Securities Limited, as Stabilising Manager, may over-allot Ordinary Shares (up to a maximum of 10 per cent. of the total number of Ordinary Shares comprised in the Offer) and effect other stabilisation transactions with a view to supporting the market price of the Ordinary Shares at a level higher than that which might otherwise prevail in the open market. The Over-allotment Selling Shareholders have granted to the Stabilising Manager the Over-allotment Option pursuant to which the Stabilising Manager may require the Over-allotment Selling Shareholders to sell up to 10,223,568 additional Ordinary Shares (being up to a maximum of 10 per cent. of the Ordinary Shares comprised in the Offer) at the Offer Price. It is expected that Admission will take place and unconditional dealings in the Ordinary Shares will commence on the London Stock Exchange at 8.00 a.m. (London time) on 18 February 2013. Settlement of dealings from that date will be on a three-day rolling basis. Prior to Admission, it is expected that dealings in the Ordinary Shares will commence on a conditional basis on the London Stock Exchange at 8.00 a.m. (London time) on 13 February 2013. The earliest date for such settlement of such dealings will be 18 February 2013. All dealings in Ordinary Shares prior to the commencement of unconditional dealings will be on a "conditional basis", will be of no effect if Admission does not take place, and will be at the sole risk of the parties concerned.

		The Offer is subject to the satisfaction of certain conditions contained in the Underwriting Agreement and the Individual Selling Shareholders' Agreement, which are typical for agreements of this nature. Certain conditions are related to events which are outside the control of the Company, the Directors and the Underwriters.
E.4	**Material Interests**	As at the date of this document, the Company's significant shareholders are Värde, Deutsche Bank, KBC Bank N.V., NAC EuroLoan Advantage I Limited, Landesbank Berlin AG and Natixis. At Admission (and assuming no exercise of the Over-allotment Option), the Company's shareholders interested in 3 per cent. or more of the Company's issued share capital (being an interest notifiable under UK law) will be Värde (35.0 per cent.), Deutsche Bank (11.6 per cent.), Blackrock (7.0 per cent.) and Henderson Global Investors (3.7 per cent.). Given Värde's interest in the issued share capital of the Company following Admission, Värde and the Company have entered into a Relationship Agreement which will have effect from Admission. The principal purpose of the Relationship Agreement is to ensure that the Company and the Group are capable of carrying on business independently of Värde, its associates and persons acting in concert with it or its associates, at all times after Admission in accordance with the terms of the Relationship Agreement.
E.5	**Selling Shareholder/ Lock-up Arrangement**	Pursuant to the Underwriting Agreement, the Company has agreed that, subject to certain exceptions, during the period of 180 days from the date of Admission, it will not, without the prior written consent of the Joint Global Co-ordinators, dispose of, or announce an offer of any Ordinary Shares (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing. Pursuant to the Underwriting Agreement, each of the Corporate Selling Shareholders and the Directors have agreed that, subject to certain exceptions, during the period of 180 days and 365 days (respectively) (in each case from the date of Admission), they will not, without the prior written consent of the Joint Global Co-ordinators, dispose of, or announce any disposal of any Ordinary Shares or enter into any transaction with the same economic effect as any of the foregoing. Pursuant to the Individual Selling Shareholders' Agreement each of the Individual Selling Shareholders has agreed that, subject to certain exceptions, during the period of 365 days (from the date of Admission), they will not, without the prior written consent of the Joint Global Co-ordinators, dispose of, or announce any disposal of, any Ordinary Shares or enter into any transaction with the same economic effect as any of the foregoing. It is further expected that the Corporate Selling Shareholders will enter into an orderly marketing agreement with the Joint Global Co-ordinators on or around Admission.
E.6	**Dilution**	Shareholders immediately prior to Admission will be diluted by 10.1 per cent. as a result of the Offer.

E.7	**Estimated expenses charged to investor**	Not applicable – there are no commissions, fees or expenses to be charged to investors by the Company or the Selling Shareholders under the Offer.

RISK FACTORS

Any investment in the Ordinary Shares is subject to a number of risks. Prior to investing in the Ordinary Shares, prospective investors should consider carefully all of the information contained in this document including, in particular, the risk factors described below. If any of the following risks or any additional risks and uncertainties relating to the Group that are not currently known to the Group, or that it currently deems immaterial, occur it may also have a material adverse effect on the Group's operating results, business prospects and/or financial condition. If this occurs the trading price of the Ordinary Shares may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Group's Ordinary Shares is suitable for them in light of the information in this document and their personal circumstances. If investors are in any doubt about any action they should take, they should consult a competent independent professional adviser who specialises in advising on the acquisition of listed securities.

This document also contains forward-looking statements that involve risks and uncertainties. See "Information regarding forward-looking statements" on pages 36 and 37 of this document. The Group's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by the Group described below and elsewhere in this document.

Prospective investors should note that the risks relating to the Group, its industry and the Ordinary Shares summarised in the section of this document headed "Summary" are those risks that the Directors believe to be the most essential to an assessment by a prospective investor of whether to consider an investment in the Ordinary Shares. However, as the risks which the Group faces relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarised in the section of this document headed "Summary" but also, among other things, the risks and uncertainties described below.

Prospective investors should read this document as a whole and not rely solely on the information set out in this section. The financial information relating to the Group set out in this section has been extracted without material adjustment from Part 6: "Financial Information" and from Part 7: "Unaudited Pro Forma Financial Information". Prospective investors should read this section in conjunction with the other detailed information contained elsewhere in this document.

Risks Relating to the Group's Business and Industry

Housing market conditions may deteriorate.

The Group's business is dependent upon the overall condition of the UK residential housing market especially in the southern half of England. From September 2007 to June 2009 UK house prices and completion volumes decreased by 20 per cent.[1] and 50 per cent.[2], respectively. Whilst volumes have recovered from their lows, they remain below their peak. Average UK house prices have also partially recovered and have been broadly flat since the beginning of 2010.

There is, and has been for over two years now, relative stability in the market. Should this change, the Group could experience lower sales volumes and/or decreases in sales prices. Long-term demand for new homes is directly related to population growth and the rate of new household formation. These trends have, in the past, contributed to an increase in home ownership and demand for new homes in the UK, but there is no guarantee that they will continue nor that any future recovery in consumer confidence or improvement in credit availability would result in a recovery of home prices and sales volumes to levels experienced in the past or at all.

The current UK residential housing market could be adversely impacted by, among other things:

- increased interest rates;
- further restrictions on the availability of credit;

1 Source: Halifax.

2 Source: HMRC.

- rising unemployment;
- inflation and declining real income;
- changes in government regulation or policy, including planning and environmental regulations, resulting in reduced residential property demand as a result of higher housing or energy costs;
- increases in tax rates (including VAT and stamp duty); and
- geopolitical uncertainty.

Any or all of these factors could further decrease demand for new homes, reduce sales prices and have a material adverse impact on the Group's operating results, business prospects and financial condition.

Adverse changes in the macroeconomic climate could have a material adverse effect on the Group's operating results, business prospects and financial condition.

The Group is impacted by the macroeconomic conditions in the UK which are in turn influenced by the macroeconomic conditions in Europe and the global economy. The recent financial and political crises in the eurozone, attempts by the UK government to reduce the deficit and the uncertain global economic conditions all created an adverse macroeconomic climate in the UK which negatively affected the UK housebuilding industry and the Group. Further adverse changes in the macroeconomic climate, such as the breakup of the eurozone, the prospect of a referendum on the UK's participation in the EU or a decline in economic results in the UK, could have an additional adverse impact on the macroeconomic environment. Notwithstanding these conditions, the UK housebuilding industry has recently experienced a period of relative stability after the adverse effects experienced from September 2007 to June 2009. If, however, the macroeconomic conditions in the UK, the eurozone or globally worsen this could have a material adverse impact on the Group's operating results, business prospects and financial condition.

In addition, as at 31 October 2012 the Group had £31.1 million available for sale financial assets, which are shared equity loans ranking behind third-party held primary mortgages. Available for sale assets are held at the present value of expected future cash flows taking into account the estimated market value of the property at the estimated time of repayment. There are a number of uncertainties inherent in such estimates, which would impact on the carrying value of such assets. Adverse changes in the macroeconomic climate could result in a decline in the carrying value of the Group's available for sale financial assets.

Constraints on the availability of, and higher costs of, mortgage funding may have an adverse impact on house sales.

The latest figures from the Bank of England show that approximately three quarters of house purchases in the UK are facilitated through mortgage lending. Since the second half of 2007, mortgage credit has been restricted, particularly at higher loan to value ratios, due to a number of factors including: the exit of a large number of mortgage providers from the market, the significant reduction in the number of available mortgage products, cautious surveyors' valuations on properties (which reduces the value of the mortgage that can be obtained on a given property) and many lenders requiring increased levels of financial qualification and greater deposits, whilst lending lower multiples of income and lower loan to value multiples. Although in recent months mortgage credit conditions have improved, the availability of mortgage credit continues to constrain the growth in volumes and sales price terms of the Group and the wider UK housebuilding industry.

Even if potential homebuyers do not themselves need financing, adverse changes in interest rates and mortgage availability could make it harder for them to sell their existing homes to other potential buyers who need mortgage financing, thereby constraining their ability to purchase a new home. A decrease in the availability of and higher costs of mortgage financing in the future could have a material adverse impact on the Group's operating results, business prospects and financial condition.

Moreover, mortgage lenders have reduced the periods of their mortgage offer commitments, typically lasting between three and six months, thereby limiting the ability of buyers to contract to purchase homes prior to the completion of construction of the homes. As buyers cannot purchase homes as far in advance, the Group

must start construction before it has achieved sales thereby increasing its working capital requirements and its exposure to economic downturns. If the Group does not manage its build stock appropriately for this situation, then the Group could experience a longer period between the expenditure of construction costs and the receipt of revenues from the sale of the units on the property.

Any of the factors discussed above could have a material adverse impact on the Group's operating results, business prospects and financial condition.

The ability to purchase land suitable for the Group's purposes and the timing of future land purchases are fundamental to the Group's future performance.

Procurement of land on which to build new homes is essential for the continuation and future performance of the Group's business. Purchasing land at the right time and price and investing in the most appropriate geographical locations are fundamental to the Group's strategy. In response to the economic downturn, the Group curtailed its spending on the acquisition of new land from mid-2008 until mid-2010 and suspended the development of certain sites which had significant infrastructure and working capital requirements. This resulted in a reduction in the Group's developments and units being brought to market, thereby reducing the Group's turnover and profitability during the downturn and in the period immediately following the downturn. Although the Group has since been able to purchase sufficient land and recommence development of mothballed sites to scale up its operations, should another downturn in the UK market occur the Group may have to take similar action, resulting in a period of reduced operations, turnover and profitability until the Group can again scale up its operations.

Increased demand for land from the Group's competitors as the market recovers, particularly in the southern half of England, may lead to increases in the price of procuring land. A reduction in the size of the Group's land bank or its quality may adversely affect the number and saleability of new homes the Group is able to build. An inability to identify suitable land, obstacles within the purchasing process, the failure to manage land purchases so that they meet the demands of the business or increases in the costs of such purchases could have a material adverse impact on the Group's operating results, business prospects and financial condition.

Inability to secure viable planning consents on a timely basis may adversely affect the Group's business.

The Group's developments require planning consents to be granted by the relevant planning authority. Whilst the majority of the Group's short-term land bank has planning permission, the Group's strategic land bank is land which is not yet allocated for development, but which is secured under option in the belief that it has the potential in the medium to longer term to become allocated for housing development purposes by the relevant local planning authority and thereafter receive a viable planning consent. Strategic land is generally secured through option agreements which set out the basis upon which the Group will promote the land through planning and the terms upon which the Group may progressively acquire and develop such land should planning be secured. Additionally, from time to time the Group will purchase freehold land on an unconditional basis without planning permission (usually at a substantial discount to open market value, due to the lack of planning permission). Securing planning permission on favourable terms and conditions is key to the Group's ability to realise value on its developments and therefore the value of the Group's land bank, particularly its strategic land bank, is dependent on the Group achieving planning permission for the proposed development on favourable terms. There can be no certainty that any given application (or broadly equivalent proposal) will result in full planning consent or that a planning consent, if granted, will not be on unduly onerous terms and thereby financially unviable to develop. Local and national planning policies, local urban regeneration strategies, and policies on the use of brownfield and greenfield sites and building on greenbelt sites continue to have a significant impact on the ability of housebuilders to develop sites.

Delays to the expected timescale for receipt of planning consents for a site may result in a reduction in the number of homes that are available for sale within the proposed time frame. Planning policies can place restrictions on access to new land and on how land is developed. The estimated number of plots and the economic feasibility of development represented by the Group's strategic land may also be reduced due to planning considerations. Any failure to obtain planning consents on acceptable terms and on a timely basis

or at all could have a material adverse impact on the Group's operating results, business prospects and financial condition.

Moreover, there is a risk that changes in legislation could result in the requirement for housebuilders to increase the proportion of affordable housing units or make an increased contribution to previously agreed section 106 agreements, thus reducing the profitability of individual developments even after planning consent has been received and making the developments financially less viable or unviable to develop.

New legislation was introduced in April 2010 allowing local authorities to raise funds from developers undertaking new building projects in the form of the Community Infrastructure Levy ("**CIL**"). Local authorities in England and Wales will be empowered, but not required, to charge a CIL on most types of new development in their area to fund infrastructure needed as a result of the development, such as roads, schools, hospitals and green spaces. Local authorities are in the process of setting up their charging schedules and will be levying CIL shortly. Whilst the CIL rates will have to be set by local authorities with regard to the development of the area, the implementation of CIL may result in increased costs for the Group in connection with certain developments where a site has been contracted or acquired on fixed terms and the planning consent has not yet been secured, which could have a material adverse impact on the Group's operating results.

The Group is reliant on its senior management and may be unable to attract and retain a highly-skilled and experienced workforce.

The success of the Group's businesses is dependent on recruiting, retaining and developing highly-skilled, competent people at all levels of the organisation. The Group has a strong senior management team with significant experience in the housebuilding industry. The Group's future success depends in large part upon the continued service of key members of its senior management team, including in particular Stephen Stone, the Chief Executive, who are critical to the overall management of the Group as well as the development of its products, culture and strategic direction. The Group does not maintain any key-person life insurance policies. If the Group is not able to attract and retain key personnel or develop a succession plan effectively to ensure that their experience and knowledge is not lost when they leave, the Group may not be able to maintain its standards of service or continue to grow as anticipated. The loss of any member of the senior management team or the inability to attract and retain skilled employees could have a material adverse impact on the Group's operating results, business prospects and financial condition.

The Group's business is subject to complex and substantial regulations which may change.

The Group is required to comply with substantial regulations, administrative requirements and policies which relate to, among other matters, planning, developing, building, land use, fire, health and safety, environment, employment, bribery, competition and money laundering. Changes in relevant law, regulations or policies, or the interpretation thereof, or delays in such interpretations being delivered, may give rise to substantial compliance, remediation and/or other costs, and could prohibit or severely restrict development and housebuilding in certain locations and/or make a proposed development financially unviable.

Increasingly stringent requirements may be imposed on developers and housebuilders in the future, including in respect of building regulations, additional planning requirements, employment laws, health and safety regulations, and environmental and sustainability requirements. For example, regulation relating to installation and inspection of extended gas flues has recently become the subject of stricter interpretation. Revised guidance published by Gas Safe Register which took effect on 1 January 2011 required inspection hatches to be fitted retrospectively to properties where the flue is concealed within a void and cannot be inspected. The Group has begun a retrofit programme for installations that occurred between June 2007 and the present date which the Directors believe is consistent with the industry approach. Moreover, the area of energy policy for new homes is particularly complex and challenging, as increasingly stringent regulation is introduced for 2013 and 2016 to meet the Government's targets for improved energy efficiency and reduced carbon emissions in line with its EU commitments. There may also be changes in regulation between the time when initial planning consents are given and when construction begins, which may cause delays, increase costs and reduce the expected rate of return on a development and/or make a proposed development financially unviable. In addition, should reductions in Government funding adversely impact the affordable

housing regime, the Group may have to fund the costs of construction of such units itself in order to meet its obligations under section 106 agreements, which could make some developments unviable and/or have a material adverse impact on the Group's operating results. See Part 2: "Information on the Group" under the section "Regulatory and environment" for further detail on regulations to which the Group is subject.

These factors could have a material adverse impact on the Group's operating results, business prospects and financial condition.

Ownership, leasing or occupation of land carries potential environmental risks and liabilities that may not be covered by insurance.

The Group may be liable for the costs of removal, investigation or remediation of hazardous or toxic substances located on, under or in a property currently or formerly owned, leased or occupied by the Group, whether or not it caused or knew of the pollution. The Group aims to carry out appropriate due diligence before acquiring a property and seeks to obtain appropriate warranties and indemnities from third party sellers and investigators as appropriate. In addition, the costs of any required removal, investigation or remediation are factored into project costs, where latent risks are accepted by the Group as purchaser. However, there always remains the possibility that it cannot obtain such protection or some latent or historic risks from unknown contamination or greater liability or cost than anticipated may fall to the Group as landowner. The costs of remediation and/or defending against environmental claims can be substantial, and may not be covered by such warranties and indemnities or by the Group's insurance policies. Accordingly, any such costs could have an adverse impact on the Group's reputation, financial condition and profitability.

Some of the projects the Group has developed are located on land that has been contaminated by previous use. Although the Group commissions third-party environmental reports on such sites and endeavours to factor all identified risks into the project costs, there is always the possibility that latent risks can arise or that the estimates of the cost are insufficient. As at 31 October 2012, 60.6 per cent. of the Group's active developments, or 48 sites, were located on brownfield land. No assurances can be given that material claims or liabilities relating to such developments will not arise in the future. The occurrence of such events may have a material adverse impact on the Group's operating results, business prospects and financial condition.

For instance, the Group has been found retrospectively liable (with others) for monitoring with a view to remediation of certain pollution which emanated from the prior owner's use of one of the Group's former development sites some 13 years later, even though the Group complied with all the then regulatory requirements (including appropriate investigation) during the development. The Group is now working to carry out the required assessment of the scale of the issue under the terms of an enforcement notice and until the outcome of such assessment is known (which may take up to 10 years), it is not possible for the Directors to estimate accurately the steps that may be required or the level of costs to be incurred by the Group to effect any necessary remediation. Any such liability will not be covered by insurance and could have a material adverse impact on the Group's operating results, business prospects and financial condition. For further details see paragraph 20 "Litigation" in Part 9: "Additional Information".

Significant unanticipated costs might arise in relation to the Group's business.

Cost estimates made in advance of commencing a development are dependent upon assumptions, estimates and judgments which may ultimately prove to be inaccurate. Whilst the Group attempts to mitigate this risk by taking reasonable steps to ensure that its risk management and financial and operational procedures, control and systems are appropriate for its businesses, there is no guarantee that significant unanticipated costs will not arise. Such unanticipated costs could arise during the course of development, either due to omission, failure to use systems or comply with the Group's processes, unforeseen technical conditions or increases in sub-contractor rates or material costs, and from inadequate contractual arrangements or tendering processes which do not provide for a final and known cost in advance. Should significant unanticipated costs arise, this could have a material adverse impact on the Group's operating results, business prospects and financial condition.

The Group may not be able to access capital on favourable terms.

The Group has historically and currently finances its operations principally from its cash flows from operating activities and borrowings under available credit facilities. Whilst the Group currently has no intention to do so other than as disclosed in paragraph 6.5 of Part 4: "Operating and Financial Review", it may in the future seek additional capital through additional bank borrowings or potentially the issue of debt or equity, for the future expansion and development of the business in the longer term. No assurance can be given as to the availability of such additional capital at the relevant time or, if available, whether it would be on acceptable terms. Moreover, the Group is party to certain financing facilities which limit the ability of Group to incur additional financial indebtedness. If the Group is not successful in obtaining further capital (should it be required to fund its future investments), this may constrain the Group's ability to grow by limiting further land acquisitions and investments in new development projects which could have a material adverse impact on the Group's operating results, business prospects and financial condition.

The net realisable value of the Group's land bank and work in progress may be lower than anticipated.

The net realisable value of land owned by the Group may decline after purchase. The valuation of property is inherently subjective due to the individual nature of each property. Factors such as changes in regulatory requirements and applicable laws (including in relation to building and environmental regulations, taxation and planning), political conditions, the condition of financial markets, the financial condition of customers, potentially adverse tax consequences, and interest and inflation rate fluctuations all mean that valuations are subject to uncertainty. Moreover, all valuations, including the Group's estimated gross development value ("**GDV**") relating to its planned developments, are made on the basis of assumptions (such as 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 so as to achieve the development then proposed by the Group) which may prove inaccurate and there is no assurance that the Group's valuations of land in its financial statements, or the estimated GDV as it relates to the Group's short-term or strategic land bank and its proposed developments, will reflect the actual sale prices achieved of either the land itself or any developments built thereon.

Should the Group not obtain planning consent on acceptable terms, or at all, for land purchased unconditionally without planning consent, which historically has been the basis of acquisition for approximately 10 per cent. of plots acquired, the net realisable value of that land may be less than the carrying value, resulting in the requirement to write down the value of the land in its financial reporting. The Group holds a number of options over strategic land. Although there is no additional expense if the Group fails to obtain planning permission and develop the land, it may be required to write-off the related work in progress on such land relating to its pre-development activities.

The Group wrote down the majority of its land bank to net realisable value in 2008 during the downturn. Subsequently, in 2009, as part of the Group's restructuring, the Group carried out a fair market valuation of its land bank which resulted in an additional significant write down. Write-downs have had, and any further write-downs could have, a material adverse impact on the Group's operating results, business prospects and financial condition.

Housebuilding is subject to the risk of construction defects which may give rise to contractual or other liabilities and reputational damage.

Construction defects may occur on projects and developments and may arise some time after completion of that particular project or development. Although the Group seeks to obtain warranty, guarantee or indemnity protection in its contracts with designers, contractors and sub-contractors, and has arrangements with insurance providers to insure against such risks, they may not be able to obtain this protection or the protection may not cover all risks and significant liabilities may not be identified or may only come to light after the expiry of warranty or indemnity periods. Any claims relating to defects arising on a development attributable to the Group may give rise to contractual or other liabilities which can extend, depending on the relevant contractual or statutory provisions, for a period of up to 12 years or more from completion of the project or development. Unexpected levels of expenditure attributable to defects arising on a development project may have a material adverse impact on the levels of return generated from a particular project. In

addition, severe or widespread incidence of defects giving rise to unexpected levels of expenditure may, to the extent that insurance or redress against sub-contractors does not compensate, have a material adverse impact on the Group's operating results, business prospects and financial condition.

Furthermore, widespread defects could generate significant adverse publicity and have a negative impact on the Group's reputation and the Group's ability to sell housing and acquire new land, which in turn would have a material adverse impact on the Group's operating results, business prospects and financial condition.

The construction of new developments involves health and safety risks.

Operating in the housebuilding industry poses certain health and safety risks. A significant health and safety incident at one of the Group's developments or general deterioration in the Group's standards could put the Group's employees, contractors and/or the general public at risk as well as leading to significant penalties or damaging the Group's reputation. Due to the Group's focus on operational and occupational safety, health and safety regulatory requirements and the number of projects worked on, health and safety performance is critical to the success of all areas of the Group's business. Any failure in health and safety performance, including any delay in responding to changes in health and safety regulations, may result in penalties for non-compliance with relevant regulatory requirements. Moreover, any such failure which results in a major or significant health and safety incident may be costly in terms of potential liabilities incurred as a result. Furthermore, such a failure could generate significant adverse publicity and have a negative impact on the Group's reputation and its ability to win new business, which in turn may have a material adverse impact on the Group's operating results, business prospects and financial condition.

The housebuilding and home development market is competitive.

The Group's competitors include other local, regional and national housebuilders who, within the localities of the Group's sites, compete with the Group for the purchase of land and to sell units. These competitors may have greater sales volumes and financial resources and lower costs of funds. If competition in housebuilding was to result in difficulty in acquiring suitable land at acceptable prices or the need for increased selling incentives, this could lower sales and ultimately lower profit margins or financial returns. Furthermore, there is a risk in an increasingly competitive sales environment that the Group may fail to sell units as quickly as anticipated at the expected price. Any or all of these factors could have a material adverse impact on the Group's operating results, business prospects and financial condition.

Land can be an illiquid asset and can therefore be difficult to sell.

Land and properties (such as those in which the Group has invested and may in the future invest) can be relatively illiquid assets, meaning that they may not be easily sold and converted into cash and that any sale may not be capable of being completed quickly without accepting a lower price than may be otherwise offered. Such illiquidity may affect the Group's ability to value, or dispose of or liquidate part of, its land portfolio in a timely fashion and at satisfactory prices in response to changes in economic, property market or other conditions, which could have a material adverse impact on the Group's operating results, business prospects and financial condition.

The Group's business depends on the continued viability of contractors, sub-contractors and other service providers.

The Group uses contractors and subcontractors to carry out the construction of all of its developments. The Group has a number of key suppliers and subcontractors in the various regions in which it operates with which it regularly contracts to provide construction and various other services for the development of the Group's sites. In the event that any supplier or subcontractor does not perform, other suppliers or subcontractors are typically available with which the Group may then contract. However, such third-party contractors have been, and may continue to be, adversely affected by economic downturns or recessions. If market conditions deteriorated, the failure of several key suppliers or sub-contractors to perform could disrupt the Group's ability to deliver homes on schedule. The Group may hire a contractor or sub-contractor or enter into supplier agreements with a supplier that subsequently becomes insolvent. This could cause cost overruns and programme delays and could increase the risk that the Group will be unable to recover costs in relation to any defective work performed by such contractor, to the extent such costs are not covered by

insurance or the supplier. Any of these factors could reduce expected returns on a development. The failure to develop and maintain good relationships with highly skilled, competent sub-contractors, together with the insolvency or other financial distress of one or more of the Group's current contractors, could have a material adverse impact on the Group's operating results, business prospects and financial condition.

Shortages or increased costs of materials and skilled labour could increase costs and delay deliveries and may have an adverse impact on customer relationships.

Housebuilders are subject to supply risks related to the availability and cost of materials and labour. Increased costs or shortages of skilled labour and/or timber framing, concrete, steel and other building materials could cause increases in construction costs and construction delays. If the Group is unable to pass on any increase in costs to the Group's customers, or renegotiate improved terms with suppliers and contractors, the Group's margins may reduce, which could accordingly have an adverse impact on the Group's operating results, business prospects and financial condition.

Housebuilding is a complex activity which can involve litigation and there is no guarantee that a substantial claim brought against the Group will be covered by its insurance.

In the course of the Group's housebuilding activities, the Group is potentially exposed to significant litigation, including, but not limited to, breach of contract, contractual disputes and also defective title or property misdescription. Significant litigation may adversely affect the Group's operating results, business prospects and financial condition or cause the Group significant reputational harm. While the Group maintains commercial insurance in an amount it believes is appropriate against risks commonly insured against in the industry, there can be no guarantee that all such risks are covered by insurance or that the Group will be able to obtain the levels of cover desired by the Group on acceptable terms in the future. In addition, even with such insurance in place, the risk remains that the Group may incur liabilities to clients and other third parties which exceed the limits of such insurance cover or are not covered by it. Should such a situation arise, it may have a material adverse impact on the Group's operating results, business prospects and financial condition.

The Group may suffer uninsured losses or suffer material losses in excess of insurance proceeds.

While the Group maintains commercial insurance at a level it believes is appropriate against risks commonly insured in the industry, there is no guarantee that it will be able to obtain the desired levels of cover on acceptable terms in the future. Therefore, the Group's properties or developments could suffer physical damage, resulting in losses which may not be fully compensated by insurance. In addition, certain types of risks may be, or may become, either uninsurable or not economically insurable, or may not be currently or in the future covered by the Group's insurance policies. In addition, the Group could be liable to repair damage to the property or development caused by uninsured risks out of its own funds. The Group would also remain liable for any debt or other financial obligation related to the affected property. Any of the foregoing could have a material adverse impact on the Group's operating results, business prospects and financial condition.

Värde is the majority shareholder in the Company and its interests may conflict with the interests of other shareholders.

Immediately following completion of the Offer, Värde will own, directly or indirectly, between 32.1 per cent, and 35.0 per cent, depending on the exercise of the Over-Allotment Option. The concentration of ownership may affect the market price and liquidity of the Ordinary Shares. Although a Relationship Agreement has been entered into with Värde, Värde will still be able to exercise significant influence over all matters requiring shareholder approval, including the approval of corporate transactions, the election of directors, and will have significant influence on the outcome of any offers to acquire control of the Group. See paragraph 16.3 of Part 9: "Additional Information" for further information on the Relationship Agreement. The concentration of ownership may therefore have the effect of preventing investors from influencing important decisions by the Company. The interests of Värde may not be the same as the interests of minority shareholders in the Company, and Värde may make decisions that may have a material adverse impact on an investment in the Ordinary Shares and on the business operations of the Group.

The Group may be required to increase its contributions to its defined benefit pension scheme in order to fund shortfalls.

The Group provides retirement benefits for its former and current employees through defined benefit and defined contribution pension schemes. The defined benefit scheme closed to new employees in October 2001 and to future accrual in May 2010.

In recent years, the defined benefit pension scheme has been in deficit. As a result, pursuant to an agreement with the trustees of the pension scheme the Group contributed £4.7 million, £13.2 million and £8.6 million to the pension fund in the 2010, 2011 and 2012 financial years respectively. As at 31 August 2012, a triennial actuarial valuation of the pension fund quantified the remaining deficit at £33 million and the Group has determined that going forward it will continue with its current level of cash contributions of £9 million per year. The Group has also granted to the pension scheme trustees security over certain property in order to secure this obligation. As at 31 October 2012, the defined benefit pension section of the Group's pension scheme had a deficit of £29.9 million on an IAS 19 valuation basis.

Market volatility has had a significant impact on the Group's pension fund in recent years. This is because a significant percentage of the assets are invested in return-seeking assets such as equities and property, whereas the liabilities are assessed using bond yields. For example, a 10 per cent. decrease in the value of the equities held, coupled with a 0.5 per cent. fall in bond yields could increase the deficit on the 31 August 2012 funding basis by £18 million to around £51 million. Subsequent triennial valuations of the pension fund may yield significant changes in the pension fund deficit.

In the event that the market value of the assets of the pension scheme declines, the value of the assessed liabilities increases or the trustees determine that the Group's financial position requires a different approach to contributions and deficit reduction, the Group may be required to increase its contributions. Changes in the investment strategy of the scheme may also result in a requirement to increase the Group's contributions. Moreover, the cost of funding benefits depends on a number of factors, including the real returns that can be obtained on the assets, future salary levels, and life expectancy and inflation rates. The Pensions Regulator has powers, the exercise of which could require the Group to make additional contributions or put in place other financial support. Increases to the Group's contributions or other forms of financial support could have a material adverse impact on the Group's operating results, business prospects and financial condition.

The Group enters into joint venture arrangements.

From time to time the Group enters into joint venture arrangements in connection with development projects. The Group currently has six joint venture arrangements in its short-term land bank, amounting to 505 residential units, or 3.1 per cent. of the total residential units in its short-term land bank, and some limited commercial development. The Group's Longcross site, which constitutes the majority of its short-term joint venture commercial development, is also approximately 10 per cent. of the Group's strategic land bank measured by units. The Group currently has a 50 per cent. interest in Longcross through its joint venture with Aviva and a right of pre-emption in relation to the residential development on the site. Further details of this arrangement are set out in paragraph 16 of Part 9: "Additional Information".

Certain decisions relating to properties held or secured through joint venture arrangements may depend upon the consent or approval of the Group's joint venture partner. The Group's joint venture partners may have economic or business interests that are inconsistent with the Group's objectives. The Group may have disputes with its joint venture partners and may not be able to resolve all the issues that arise with respect to such disputes, or the Group may have to provide financial or other inducements to its joint venture partners in order to obtain a resolution in its favour. Such disputes may lead to delays in the development and completion of the project, or the project being developed in such a way that it will not achieve its highest potential rate of return. In addition, projects may require financing to be provided by joint venture partners. If a joint venture partner were to fail to provide such financing when required, the Group may be forced to make up such shortfall out of its own resources to avoid additional cost or delay to the development. Should any of the aforementioned events occur, they could have a material adverse impact on the Group's operating results, business prospects and financial condition.

An inability to obtain additional surety bonds could limit the Group's future growth.

The Group is often required to provide surety bonds, generally to housing or other statutory authorities, to secure the Group's performance under development agreements and other arrangements. The Group's ability to obtain additional surety bonds may be restricted by market conditions. In 2008, surety bonds became unavailable and only became available again in 2011. Although the Group believes it currently has adequate headroom within its existing surety bonding lines, additional surety facilities beyond the Group's current facilities may be required in the future. The ability to obtain additional surety bonds primarily depends upon the Group's past performance, management expertise and certain external factors, including the capacity of the surety market. Surety providers consider such factors in addition to the Group's performance and claims record and such providers' underwriting standards, which may change from time to time. If the Group is unable to obtain additional surety bonds when required, this could limit the ability of the Group to commence new developments, and therefore could have a material adverse impact on the Group's operating results and business prospects.

Severe weather conditions could delay the construction of houses or increase costs for new homes in affected areas.

The occurrence of severe weather conditions can delay new home deliveries and increase costs. Severe weather conditions can also cause a reduction in the availability of materials in affected areas. Consequently, severe weather conditions may have a material adverse impact on the Group's operating results, business prospects and financial condition.

Risks Relating to the Offer and the Ordinary Shares

There is not currently a trading market for the Ordinary Shares.

There is presently no public trading market for the Ordinary Shares of the Company prior to the Offer, and Admission should not be taken as implying that there will be a liquid market for the Ordinary Shares. There can be no assurance that an active trading market will develop or, if one does develop, that it will be maintained. The failure of an active trading market to develop may affect the liquidity of the Ordinary Shares. The Ordinary Shares may therefore be difficult to sell compared to the shares of companies with more liquid trading markets and the share price may be subject to greater fluctuation than might otherwise be the case. Following the Offer, the value of the Company's Ordinary Shares could fluctuate significantly and may result in investors being unable to sell Ordinary Shares at or above the Offer Price or at all. The previous performance of the Group as a listed entity is not indicative of how the Ordinary Shares of the Company may perform.

The trading price of the Ordinary Shares may fluctuate in response to various factors, many of which are outside the Group's control.

Following the Offer, the price of the Ordinary Shares may not always accurately reflect the underlying value of the Group's business. The value of the Ordinary Shares may decrease as well as increase, and investors may realise less than the original sum invested. The value of the Ordinary Shares may, in addition to being affected by the Company's actual or forecast operating results, fluctuate significantly as a result of a large number of factors, some specific to the Company and its operations and some, such as those which may affect housebuilding companies, that are outside the Company's control, including, among others:

- change in the financial performance of the Company, its peers or the industry;
- changes in law, rules and regulation applicable to the Company and its operations in the United Kingdom;
- the general economic, social and political environment in the United Kingdom; and
- fluctuations in the capital markets.

There are no guarantees that the Company will pay dividends or the level of any such dividends.

The Company is a holding company with no significant assets other than shares of its direct and indirect subsidiaries. The Company's ability to pay dividends depends on the continued payment to it of dividends and other income from its subsidiaries. The subsidiaries' ability to pay dividends will also depend on, amongst other things, achieving sufficient distributable profits. In addition, the Company's only direct subsidiary, Castle Bidco, is also a holding company with no significant assets. Should Castle Bidco not be able to pay dividends to the Company, the Company would be unable to pay dividends. Both Castle Bidco and the Company are subject to certain financial covenants pursuant to Amended Facility Agreement A and Facility Agreement B (these being the Group's external financing arrangements, in the case of Amended Facility Agreement A with certain of its shareholders and in the case of Facility Agreement B with third party lenders) that limit their ability to pay dividends to their shareholders, which in the case of Castle Bidco is the Company, under certain circumstances. (See "Dividends and future dividend policy" in Part 2: "Information on the Group" and paragraph 14 "Subsidiaries" in Part 9: "Additional Information"). The Company also might not pay dividends if the Directors believe this may result in any Group member being inadequately capitalised or if, for any other reason, the Directors conclude it would not be in the best interests of the Company.

If the Company makes a post-tax profit in respect of the financial year ending 31 October 2013, the Directors intend, subject to the requirements of the Act, to pay a dividend in the first quarter of calendar year 2014 which would then be used as a base for future dividend payments under the progressive dividend policy the Directors have adopted. However, there can be no assurance that the Company will pay dividends or, if it does pay dividends, as to the amount of any such dividends, and consequently shareholders may not receive their anticipated income stream.

Substantial future sales of Ordinary Shares could impact the trading price of the Ordinary Shares.

On completion of the Offer, Värde is expected to own approximately 35.0 per cent. of the Ordinary Shares (assuming no exercise of the Over-allotment Option) and Deutsche Bank is expected to own approximately 11.6 per cent. of the Ordinary Shares (assuming no exercise of the Over-allotment Option). Together, these interests will represent approximately 46.6 per cent. of the issued Ordinary Shares (approximately 42.7 per cent. if the Over-allotment Option is exercised in full). These Ordinary Shares will be subject to lock-up arrangements of 180 days, described in further detail in paragraph 8 of Part 8: "The Offer". However, sales of substantial amounts of Ordinary Shares following the expiration of the applicable lock-up periods, or the perception that such sales were imminent, could adversely affect the prevailing trading price of the Ordinary Shares.

Pre-emption rights for US and other non-UK holders of Ordinary Shares may be unavailable.

In the case of certain increases in the Company's issued share capital, existing holders of Ordinary Shares are generally entitled to pre-emption rights to subscribe for such shares, unless shareholders waive such rights by a resolution at a shareholders' meeting. However, US holders of ordinary shares in UK companies are customarily excluded from exercising any such pre-emption rights they may have, unless a registration statement under the Securities Act is effective with respect to those rights, or an exemption from the registration requirements thereunder is available. The Company does not intend to file any such registration statement, and the Company cannot assure prospective US investors that any exemption from the registration requirements of the Securities Act or applicable non-US securities law would be available to enable US or other non-UK holders to exercise such pre-emption rights or, if available, that the Company will utilise any such exemption.

DIRECTORS, SECRETARY, REGISTERED AND HEAD OFFICE AND ADVISERS

Directors	William Rucker *(Non-Executive Chairman)* Stephen Stone *(Chief Executive)* Patrick Bergin *(Group Finance Director)* Jim Pettigrew *(Senior Independent Non-Executive Director)* Malcolm McCaig *(Independent Non-Executive Director)* Pam Alexander OBE *(Independent Non-Executive Director)*
Company Secretary	Kevin Maguire
Registered and head office of the Company	Crest House, Pyrcroft Road Chertsey Surrey KT16 9GN United Kingdom
Joint Sponsors, Joint Global Co-ordinators and Joint Bookrunners	Barclays Bank PLC 5 The North Colonnade London E14 4BB United Kingdom
	HSBC Bank plc 8 Canada Square London E14 5HQ United Kingdom
Financial Adviser to the Company	Lazard & Co., Limited 50 Stratton Street London W1J 8LL United Kingdom
Lead Manager	Numis Securities Limited The London Stock Exchange Building 10 Paternoster Square London EC4M 7LT United Kingdom
English and US legal advisers to the Company	Norton Rose LLP 3 More London Riverside London SE1 2AQ United Kingdom
English and US legal advisers to the Joint Sponsors, Joint Bookrunners, Joint Global Co-ordinators and Lead Manager	Clifford Chance LLP 10 Upper Bank Street London E14 5JJ United Kingdom
Reporting Accountants and Auditors	KPMG Audit plc 15 Canada Square London E14 5GL United Kingdom

Registrar	Equiniti Limited Aspect House Spencer Road Lancing, West Sussex BN99 6DA United Kingdom

OFFER STATISTICS

Offer Statistics[1]

Offer Price (per Ordinary Share)	220 pence
Number of Ordinary Shares being offered in the Offer[2]	102,235,696
• New Ordinary Shares	25,454,545
• Existing Ordinary Shares	76,781,151
Percentage of the issued Ordinary Share capital being offered in the Offer[2]	40.7%
Number of Ordinary Shares subject to the Over-allotment Option	10,223,568
Number of Ordinary Shares in issue immediately following the Offer	251,427,287
Market value of the Company at the Offer Price	£553.1 million
Estimated net proceeds of the Offer receivable by the Company[3]	£50.1 million
Estimated net proceeds of the Offer receivable by the Selling Shareholders[2][4]	£163.2 million

Notes:

(1) Assumes all of the steps set out in paragraph 3 of Part 9: "Additional Information" are completed in full.

(2) Does not include any Over-allotment Shares that may be offered pursuant to the Over-allotment Option.

(3) The estimated net proceeds receivable by the Company are stated after deduction of the estimated underwriting commissions and other fees and expenses of the Offer (including VAT) payable by the Company, which are currently expected to be approximately £5.9 million. The Company will not receive any of the net proceeds from the sale of the Existing Ordinary Shares in the Offer by the Selling Shareholders or the sale of Ordinary Shares pursuant to the Over-allotment Option.

(4) The estimated net proceeds receivable by the Selling Shareholders are stated after deduction of the estimated underwriting commissions (including VAT) payable by the Selling Shareholders, which are currently expected to be approximately £5.7 million.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Event	*Time/Date*
Announcement of Offer Price and notification of allocations	7.00 a.m. on 13 February 2013
Commencement of conditional dealings[1] in the Ordinary Shares on the London Stock Exchange	8.00 a.m. on 13 February 2013
Admission and commencement of unconditional dealings in the Ordinary Shares on the London Stock Exchange	8.00 a.m. on 18 February 2013
Crediting of Ordinary Shares in certificated form to CREST accounts	8.00 a.m. on 18 February 2013
Despatch of definitive share certificates for Ordinary Shares in certificated form (where applicable)	18 February 2013[2]

(1) It should be noted that, if Admission does not occur, all conditional dealings will be of no effect and any such dealings will be at the sole risk of the parties concerned.

(2) Or as soon as practicable thereafter.

All times are London times. Each of the times and dates in the above timetable is indicative only and subject to change without further notice.

PRESENTATION OF INFORMATION

Notice to Prospective Investors

Prospective investors should rely only on the information in this document. No person has been authorised to give any information or to make any representations other than those contained in this document in connection with the Offer and, if given or made, such information or representations must not be relied upon as having been authorised by or on behalf of the Company, the Directors, the Selling Shareholders or the Banks. No representation or warranty, express or implied, is made by any Bank or selling agent as to the accuracy or completeness of such information, and nothing contained in this document is, or shall be relied upon as, a promise or representation by any Bank or selling agent as to the past, present or future. Without prejudice to any obligation of the Company to publish a supplementary prospectus pursuant to section 87G of the FSMA and PR 3.4.1 of the Prospectus Rules, neither the delivery of this document nor any subscription or sale made under this document shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Company or of the Group taken as a whole since the date hereof or that the information contained herein is correct as of any time subsequent to its date.

The contents of this document are not to be construed as legal, business or tax advice. Each prospective investor should consult his or her own lawyer, financial adviser or tax adviser for legal, financial or tax advice. In making an investment decision, each prospective investor must rely on their own examination, analysis and enquiry of the Company and the terms of the Offer, including the merits and risks involved.

In connection with the Offer, each of the Underwriters and any of their respective affiliates, acting as an investor for its or their own account(s), may subscribe for and/or purchase Ordinary Shares and in that capacity, may retain, purchase, sell, offer to sell or otherwise deal for its or their own account(s) in such Ordinary Shares any other securities of the Company or other related investments in connection with the Offer or otherwise. Accordingly, references in this document to the Ordinary Shares being issued, offered, subscribed, acquired, placed or otherwise dealt in should be read as including any issue or offer to, or subscription, acquisition, placing or dealing by, the Underwriters or any of them and any of its affiliates acting as an investor for its or their or their own account(s). The Underwriters do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

None of the Company, the Selling Shareholders, the Directors or the Banks is making any representation to any offeree or purchaser of the Ordinary Shares regarding the legality of an investment by such offeree or purchaser. Apart from the responsibilities and liabilities, if any, which may be imposed on the Banks by the FSMA or the regulatory regime established thereunder or any other applicable regulatory regime, neither the Selling Shareholders nor the Banks accept responsibility whatsoever for the contents of this document or for any other statement made or purported to be made by them, or on their behalf, in connection with the Company, the Ordinary Shares or the Offer. Each of the Selling Shareholders and the Banks accordingly disclaim all and any liability whether arising in tort, contract or otherwise (save as referred to above) which they might otherwise have in respect of such document or any such statement.

Barclays and HSBC have been appointed as Joint Sponsors, Joint Bookrunners and Joint Global Co-Ordinators. Lazard has been appointed as Financial Adviser to the Company. Numis Securities Limited has been appointed as Lead Manager.

Prior to making any decision as to whether to subscribe for or purchase the Ordinary Shares, prospective investors should read this document in its entirety. In making an investment decision, prospective investors must rely upon their own examination of the Company and the terms of this document, including the risks involved.

Interpretation

Definitions and Glossary

Certain terms used in this document, including all capitalised terms and certain technical and other items, are defined and explained in Part 10: "Definitions and Glossary of terms, phrases and unaudited metrics".

References to the singular in this document shall include the plural and *vice versa*, where the text requires. Any references to time in this document are to London times unless otherwise stated.

International Financial Reporting Standards

The consolidated financial information of the Group for the three years ended 31 October 2012 contained in this document has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("**EU IFRS**"). The significant EU IFRS accounting policies applied in the financial information of the Company in the prior years are applied consistently in the financial information in this document.

Presentation of financial information

The Company's financial year runs from 1 November to 31 October. The financial information included in Part 6: "Financial Information" is covered by the Accountant's Report included in that Part 6 which was prepared in accordance with EU IFRS and with Standards for Investment Reporting and International Standards on Auditing (United Kingdom and Ireland) issued by the Auditing Practices Board.

None of the financial information used in this document has been prepared in accordance with US GAAP nor has it been audited in accordance with auditing standards generally accepted in the United States of America ("**US GAAS**") or auditing standards of the Public Company Accounting Oversight Board (United States) ("**PCAOB**"). There could be differences between EU IFRS and US GAAP and between the auditing standards issued by the Auditing Practices Board in the United Kingdom and those required by US GAAS or the auditing standards of the PCAOB. Prospective investors should consult their own professional advisers to gain an understanding of the financial information included in Part 6: "Financial Information" and the implications of differences between the auditing standards noted herein.

Non-EU IFRS measures and key performance indicators

This document contains certain non-EU IFRS measures which are operating margin, gross margin, return on capital employed ("**ROCE**"), net debt, tangible net asset value ("**TNAV**") and asset turn. The Directors believe that these provide important alternative measures with which to assess the Group's performance. The non-EU IFRS measures are used by different companies for differing purposes. Prospective investors should exercise caution in comparing these measures as reported by the Group to measures of other companies. Non-EU IFRS measures, including ROCE and net debt, have important limitations as analytical tools and investors should not consider them in isolation or as substitutes for analysis of the Group's results as reported under EU IFRS.

ROCE is calculated as operating profit as a percentage of average capital employed, where the average capital employed is the average of the opening and closing balances of capital employed. Capital employed is calculated as the sum of net debt and net assets. The table setting out the calculation for ROCE can be found in paragraph 3 headed "Key performance indicators" in Part 4: "Operating and Financial Review".

Net debt is calculated as interest-bearing loans and borrowings (excluding land creditors), net of cash and cash equivalents. The table setting out the calculation for net debt can be found in paragraph 6.2 headed "Net debt" in Part 4: "Operating and Financial Review".

TNAV is calculated as net assets less intangible assets. The table setting out the calculation for TNAV can be found in paragraph 3 headed "Key performance indicators" in Part 4: "Operating and Financial Review".

Asset turn is revenue from continuing activities divided by the sum of net assets and net debt. The table setting out the calculation for asset turn can be found in paragraph 3 headed "Key performance indicators" in Part 4: "Operating and Financial Review".

Presentation of key operating metrics

The Group measures its operating performance according to a number of key operating metrics.

Gross development value ("**GDV**") is an estimated operating metric the Group uses with respect to its short-term and strategic land bank. GDV is the Group's estimate of the development value of the land, being the total revenue which could potentially be generated from that development.

In respect of the short-term land bank, as at a particular date GDV is determined on the assumption that the relevant development is constructed in accordance with the planning consent obtained, or if none has yet been obtained, in accordance with the Group's plans for the proposed development, and the units in the development are sold at the average sales values in the relevant geographic area for the type of open market or affordable housing unit. In respect of the strategic land bank, as at a particular date, GDV is determined on the assumption that the relevant development is constructed in accordance with the Group's development plans for the land (which could change as a response to the planning process or other factors as the Group has not yet obtained planning consent) and the units in the development are sold at the average sales values in the relevant geographic area for the type of open market or affordable housing unit. Where the number of affordable housing units is not yet determined, the Group estimates what will be required based on local authority policy and its historical experience. In respect of land bank controlled by the Group's joint venture arrangements, the Group includes a proportion of the overall GDV of the relevant development based on the Group's participation in the joint venture.

In determining average sales value, the Group will first use its own sales figures for the relevant geography. Where the Group has no pre-existing sales in an area, the Group will analyse regional second-hand sales data, giving regard to factors like the age and size of the properties sold. The Group will then engage up to three estate agents to price the Group's development and will take those valuations into account when determining the average sales value.

GDV is therefore only an estimate as at a given date, reflecting what revenues the Group may be able to achieve as at the date of the estimate were all of its developments to be completed as planned and sold at the then average sales values. GDV for each development is solely an estimate and may materially change in the future based on a number of factors, such as changes in demand and open market or affordable housing prices in the relevant areas, changes in the design of the relevant development and the number of open market and affordable housing units in it, the terms of the actual planning permissions obtained and general economic conditions. The estimate may not be accurate and there is no certainty that it indicates actual future receipts from the developments. GDV does not include cost items such as estimated costs of sale but is focused solely on the possible receipts from the development. As a result, estimated GDV should not be taken as an indication of actual future returns on development or the Group's financial prospects. All estimated GDV figures used in this document are estimated as at 31 October 2012 unless otherwise specified.

Other key operating metrics, such as sales per outlet month, sales per outlet week, completions, average sales price, open market average sales price and affordable housing average sales price are defined and, where relevant, the method of calculations explained in Part 10: "Definitions and Glossary of terms, phrases and unaudited metrics."

Other companies operating in the housebuilding sector may use these terms, phrases and operating metrics differently when describing their own operating performance, as a result of which these terms, phrases and unaudited operating metrics may not be directly comparable.

Roundings

Certain data in this document, including financial, statistical, and operating information, has been rounded. As a result of the rounding, the totals of data presented in this document may vary slightly from the actual arithmetic totals of such data. Percentages in tables have been rounded and accordingly may not add up to 100 per cent.

In addition, certain percentages presented in the tables in this document reflect calculations based upon the underlying information prior to rounding, and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

Currency presentation

Unless otherwise indicated, all references in this document to "sterling", "pounds sterling", "GBP", "£", or "pence" are to the lawful currency of the United Kingdom. The Company prepares its financial statements in pounds sterling. All references to the "euro" or "€" are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the treaty establishing the European Community, as amended. All references to "US dollars" or "US$" are to the lawful currency of the United States.

Market, economic and industry data

Where third party information has been used in this document, the source of such information has been identified. Sources of third party information in this document are publicly available documents produced by the Department for Communities and Local Government ("**DCLG**"), the National House Building Council ("**NHBC**"), HM Revenue & Customs ("**HMRC**"), the Bank of England, Housebuilder Magazine, Market Line Residential Mortgages Industry Profile 2012, Dealogic (Holdings) plc ("**Dealogic**"), the Council of Mortgage Lenders ("**CML**"), the FSA and Halifax, a division of Bank of Scotland plc (a wholly owned subsidiary of Lloyds Banking Group plc) ("**Halifax**").

The Group confirms that all such data contained in this document has been accurately reproduced and, so far as the Group is aware and able to ascertain, no facts have been omitted that would render the reproduced information inaccurate or misleading.

Information regarding forward-looking statements

This document includes 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", "forecasts", "plans", "projects", "anticipates", "prepares", "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 document 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, prospects, growth, strategies and the industry in which it operates. 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 actual results of the Group's operations, financial position, and the development of the markets and the industry in which the Group operates, may differ materially from those described in, or suggested by, the forward-looking statements contained in this document. In addition, even if the results of operations, financial position and the development of the markets and the industry in which the Group operates are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods. A number of factors could cause results and 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, changes in regulation, currency fluctuations, changes in its business strategy, political and economic uncertainty and other factors discussed in the sections of this document entitled "Summary", "Risk Factors", Part 2: "Information on the Group" and Part 4: "Operating and Financial Review".

Forward-looking statements may, and often do, differ materially from actual results. Any forward-looking statements in this document speak only as of their respective dates, reflect the Group's current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Group's operations, results of operations and growth strategy. Prospective investors should specifically consider the factors identified in this document which could cause actual results to differ before making an investment decision. Subject to the requirements of the Prospectus Rules, the Disclosure and Transparency Rules and the Listing Rules or applicable law, the Group explicitly disclaims any obligation or undertaking publicly to release the result of any revisions to any forward-looking

statements in this document that may occur due to any change in the Group's expectations or to reflect events or circumstances after the date of this document.

No incorporation of website information

The contents of Crest Nicholson's websites and any other websites referred to in this document do not form part of this document.

US Considerations

Available information

For so long as any of the New Ordinary Shares are in issue and are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Company will, during any period in which it is not subject to Section 13 or 15(d) under the US Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), nor exempt from reporting under the Exchange Act pursuant to Rule 12g3-2(b) thereunder, make available to any holder or beneficial owner of an Ordinary Share, or to any prospective purchaser of an Ordinary Share designated by such holder or beneficial owner, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the Securities Act upon the written request of such holder, beneficial owner or prospective purchaser.

This document is being furnished by the Company in connection with an offering exempt from the registration requirements of the US Securities Act, solely for the purpose of enabling a prospective investor to consider the acquisition of Ordinary Shares described herein. The information contained in this document has been provided by the Company and other sources identified herein. This document is being furnished on a confidential basis only to persons reasonably believed to be QIBs in the United States and other eligible persons outside of the United States. Any reproduction or distribution of this document, in whole or in part, in the United States and any disclosure of its contents or use of any information herein the United States for any purpose, other than in considering an investment by the recipient in the Ordinary Shares offered hereby, is prohibited. Each prospective investor in the Ordinary Shares, by accepting delivery of this document, agrees to the foregoing.

Exchange rate considerations

The quoted price of the Ordinary Shares will be in pounds. In addition, dividends, if any, that the Company pays in respect of its Ordinary Shares will be paid in pounds. As a result, fluctuations in the value of the pound can be expected to significantly affect the value of the Ordinary Shares and dividend payments upon conversion into other currencies, including the US dollar. See Part 2: "Information on the Group".

Enforceability of US judgments

The Company is a holding company organised as a public limited company incorporated under the laws of England and Wales with business operations conducted through various subsidiaries. The majority of the Directors or officers of the Company are not citizens or residents of the United States. In addition, all of the Company's assets and the assets of its Directors and officers are located outside of the United States. As a result, it may not be possible for US investors to effect service of process within the United States upon the Company or its Directors and officers located outside the United States or to enforce in the US courts or outside the US judgments obtained against them in US courts or in courts outside the United States including judgments predicated upon the civil liability provisions of the US federal securities laws or the securities laws of any state or territory within the United States. There is also doubt as to the enforceability in England and Wales, whether by original actions or by seeking to enforce judgments of US courts, of claims based on the federal securities laws of the United States. In addition, punitive damages in actions brought in the United States or elsewhere may be unenforceable in England and Wales.

PART 1

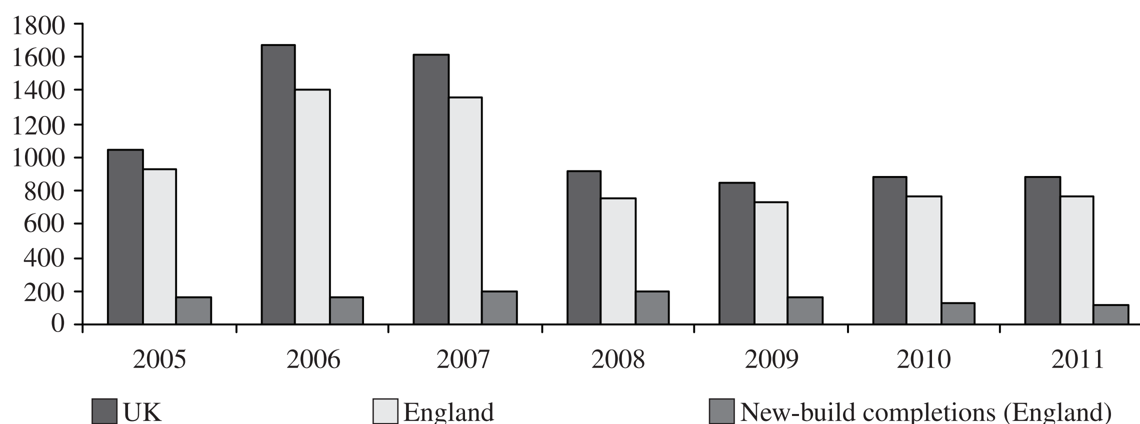
INDUSTRY OVERVIEW

Overview of the UK housing market

There are approximately 27 million dwellings[3] (total housing stock) in the UK. In recent years, total housing transactions (both of existing and new build housing) as a percentage of total housing stock have averaged 4.2 per cent. and fluctuated between a peak of 6.3 per cent. in 2006, and a trough of 3.1 per cent. in 2009. In the twelve months ended 30 September 2012, there were approximately 805,000 total housing transactions[4] in England, representing approximately 3 per cent. of total housing stock.

In the twelve months ended March 2012, there were approximately 128,000 new build completions in England[3]. New build completions represented 16.1 per cent. of total transactions.

Chart 1: UK and England total housing transactions and new build completions in England, 2005–2011 (thousands)



Source: HMRC, DCLG.

The UK housing market entered a period of contraction in Autumn 2007, largely as a result of the effects of the US sub-prime crisis on the UK mortgage market. Between September 2007 and June 2009, total housing transactions decreased by 50.0 per cent.[4] Over the same period new-build completions in England decreased by 26.0 per cent.

Since June 2009, the market has experienced a period of gradual recovery. Between June 2009 and September 2012 total housing transactions have increased by 15.0 per cent.[4] In contrast, over the same period, new build completions in England have continued to fall by 5.4 per cent.[4]

The Directors believe that the continued contraction in new build completions is largely due to small and medium sized developers facing capital constraints. Whilst the number of new build completions has continued to fall, larger housebuilders who have been able to access capital more readily have seen their market share increase.[5] In the period August 2010 to August 2012, the top ten UK housebuilders[6] increased their share of private housebuilding starts from 40.0 per cent. to 51.0 per cent.[7]

3 Source: DCLG.

4 Source: HMRC.

5 Source: Housebuilder magazine.

6 Top ten UK housebuilders are: Barratt Developments, Bellway, Berkeley Group, Bovis Homes, Persimmon, Redrow, and Taylor Wimpey (the "Publicly Reporting Peer Group") as well as Galliford Try, Lovell Partnerships, and the Group.

7 Source: NHBC.

Notwithstanding the majority of housing transactions in the UK are second hand transactions, the UK housebuilding industry is a significant contributor to GDP. In the ten years to 2011, the housebuilding industry contributed, on average, 3.0 per cent.[8] of UK GDP per annum.

Tenure mix

In recent years the tenure mix in England has changed significantly. Since 2007, the percentage of owner occupied dwellings has reduced by 4.0 per cent. from 70.0 per cent. in 2007 to 66.0 per cent. in 2011. Over the same period, the percentage of private rental dwellings has increased by 3.8 per cent. from 16.5 per cent. in 2007 to 20.3 per cent. in 2011.

At the end of 2011, the majority of dwellings in England (66.0 per cent.) were owner occupied. The remaining dwellings comprise private rental (16.5 per cent.) and affordable housing (17.5 per cent.).[8]

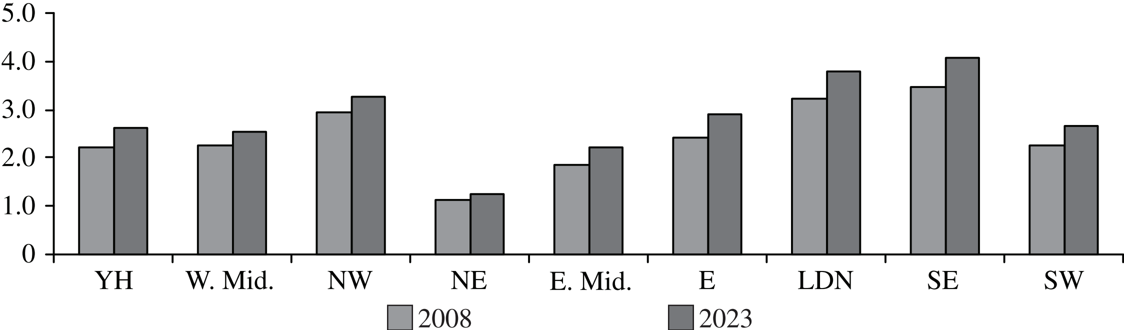
The Directors believe the desire for home ownership remains high. However, the Directors also believe that the significant reduction in mortgage availability and the requirement for larger deposits has increased demand for rental properties, which in turn has led to a recovery in the "buy-to-let" market, in particular in London.

Housing supply and demand dynamics

The Directors believe that there is, and has been for a number of years, a structural imbalance between the demand and supply for housing in the UK.

Demand for housing in England is underpinned by changes in demographic and social trends. DCLG project the rate of net household formation, for the next 20 years, will be 232,000 per annum.[8] DCLG also project that the greatest growth in household formation will be in the South West, South East and East of England and London.

Chart 2: Households in England 2008 (actual) and 2023 (forecast) (millions)



Source: DCLG.

The majority of total housing transactions in England are undertaken in the second hand market. New supply is measured with reference to net additional dwellings. Net additional dwellings principally comprise new build completions plus net conversions plus net change of use less demolitions. The vast majority, typically 97.0 per cent.[8], of net additional dwellings in a given year are derived from new build completions. Over the twenty years to March 2012, net additional dwellings averaged approximately 156,000 per annum, varying between a peak of approximately 208,000 in the year to March 2008 and a low of approximately 121,000 in the year to March 2011.[8] In the most recent data there were 135,000 net additions, demonstrating a continuing deficit of supply relative to the projected rate of net household formation of 232,000 per annum.

The availability and terms upon which mortgage finance is provided continues to constrain both supply and demand in the UK, demonstrated by both total transaction and new build volumes since the 2007 downturn. However, the Directors believe that the continuing deficit of supply, underpinned by, amongst other things, the projected rate of household formation, the desire for home ownership and pressures on Government to provide affordable housing provide attractive market dynamics for housebuilders who are able to access finance for such construction.

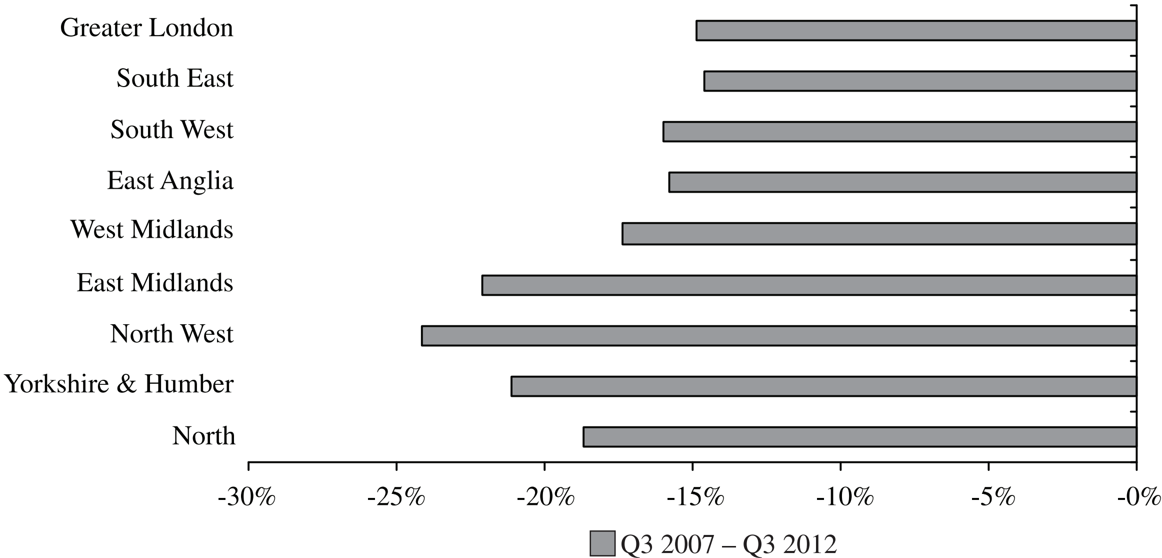
8 Source: DCLG.

Prices

Between September 2007 and June 2009, average UK house prices decreased by 20.0 per cent.[9] Between June 2009 and September 2012, as the market has gradually recovered average house prices have risen by 2.0 per cent.[9]

House prices and the changes in house prices are subject to regional variation. The bar chart below illustrates the historical variation of house price changes in England, for both new build and second hand stock, by region for the period from January 2007 to September 2012.

Chart 3: Changes in house prices in England, by region, 2007–2012



Source: Halifax HPI.

During the recent downturn and the subsequent period of modest recovery, average house prices have varied considerably by region. In the five years to September 2012, regions in England experienced price declines of between 15.0 and 24.0 per cent. The South West and South East of England, East Anglia and Greater London demonstrated the lowest net price declines with declines of between 15.0 per cent. and 16.0 per cent.

As the majority of housing supply in the UK comes from the second-hand market, developers are essentially "price-takers". The Directors believe that historically a premium to second-hand values has been achieved on new housing, reflecting, amongst other things, the quality of fixtures, fittings and decoration, lower maintenance and running costs and the provision of a ten year NHBC guarantee. However, during the recent housing downturn, this premium was substantially eroded as valuers were encouraged by lenders to value new build properties more in line with second hand housing stock. As the housing market has stabilised and recovered, the Directors believe that valuers are once again having proper regard for the benefits of new build and this is starting to be reflected in a new build premium.

Absent any significant deterioration in the UK economy, the Directors believe that the on-going supply/demand imbalance in particular in the southern half of England will continue to support prices of both second hand and new build properties.

Mortgage availability and affordability

The latest figures from the Bank of England show that approximately three quarters[10] of house purchases in the UK are facilitated through mortgage lending. As such, levels of activity in the housing market are highly dependent on the ability of purchasers to secure and fund a mortgage.

9 Source: Halifax HPI.

10 Source: Bank of England, HMRC.

Net new mortgage lending for house purchases peaked in 2006 at 192,000 approvals. By 2008, net new mortgage lending for house purchases had fallen by approximately 64.0 per cent. to 70,000 approvals.[11] The withdrawal of a significant number of mortgage providers and products, combined with more stringent qualification criteria, in particular reduced LTV ratios, was a key driver behind the significant reduction in mortgage availability. Net new mortgage lending remained low in 2012, at around 90,000 approvals per annum[11] which represents a 9.9 per cent. increase over the prior twelve months.

In its Credit Conditions Survey ("**CCS**") released for the third quarter of 2012, the Bank of England reported that secured credit lending to households increased significantly in the third quarter of 2012, representing the largest reported increase since the survey began in 2007. The increase in availability was reported to be concentrated on borrowers at higher loan to value ratios, reflecting both changes in lenders' affordability criteria and increased availability for first-time buyers. In addition, lenders commented in the CCS that the Bank of England's Funding for Lending Scheme should further help to improve the availability of secured credit to households.

In response to the large decline in mortgage lending, the UK Government has introduced a number of initiatives that seek to improve the availability and affordability of mortgages for first time buyers. As described in more detail below, schemes such as FirstBuy and HomeBuy provide support on a shared equity basis. The NewBuy scheme, launched in March 2012, jointly developed by the Home Builders Federation and The Council of Mortgage Lenders ("**CML**"), is a mortgage indemnity scheme for new build homes. NewBuy addresses the LTV constraint applied by mortgage lenders by assisting borrowers to secure up to a 95.0 per cent. loan to value mortgage on new build properties from participating builders in England. The UK Government has provided an indemnity of up to £1 billion towards the scheme[12] and, according to the CML approximately 2,000 reservations[13] had been made from the start of the scheme to 13 December 2012.

The Directors believe that key factors affecting the affordability of a house purchase in the UK are the average house price to earnings ratio, the LTV ratio that can be obtained on a mortgage and the affordability of on-going mortgage payments.

In the year to September 2012, the average house price to earnings ratio in the UK was 4.2 times on average. This compares with the peak in the year to December 2007 of 5.8 times and the long term average house price to earnings ratio[14] over the last twenty years of 4.1 times. This affordability metric varies by region. In London, for example, the long term average house price to earnings ratio over the last fifteen years has been 6.9 times. In 2011, the average house price to earnings ratio in London was 8.5 times.[12] The Directors believe that this higher average house price to earnings ratio reflects, in part, the international dynamics of this market.

At its peak in 2007, 52.4 per cent. of UK mortgages by value were issued with an LTV higher than 75.0 per cent., but by the second quarter of 2009 this had fallen to just 26.1 per cent.[15] However, in the second quarter of 2012, 32.9 per cent. of mortgages were issued with an LTV in excess of 75.0 per cent., showing an improvement on the low of 26.1 per cent.

As of 30 June 2012, the average percentage of net income required to service mortgage payments[14] in the UK was 26.0 per cent. In contrast, at the 2007 peak, the average percentage of net income required to service mortgage payments was 46.0 per cent.[14] This reduction since the peak principally reflects the significant reduction in UK mortgage rates over the period as well as the reduction in house prices.

The Directors believe that the availability and the terms upon which mortgage finance is available is a key driver in stimulating demand. Although the UK residential mortgage market is forecast to continue to improve over the medium term at an average annual growth rate of around 3.8 per cent.[16], the Directors believe that conditions in the UK mortgage market are likely to continue to constrain demand.

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11 Source: Bank of England.

12 Source: DCLG.

13 Source: CML.

14 Source: Halifax HPI.

15 Source: FSA.

16 Source: Market Line Residential Mortgages Industry Profile 2012.

Competitive environment

The UK housebuilding market is fragmented and competitive, characterised by a small number of large companies and a large number of small and medium sized companies competing for land, customers and skilled sub-contractors. The sector has seen considerable consolidation over the last five years, with twenty companies of scale acquired by competitors since November 2007.[17] In August 2012, the top ten UK housebuilders, including the Company, accounted for approximately 51.0 per cent.[18] of private housebuilding starts.

The Company considers its principal publicly listed competitors to be Barratt Developments, Bellway, Berkeley Group, Bovis Homes, Persimmon, Galliford Try, Redrow and Taylor Wimpey. In addition, the Group has a number of privately owned competitors, including Bloor Homes, Cala Homes, Countryside Properties and Miller Homes.

Despite the recent changes in legislation, including the Localism Act and further Government initiatives to streamline the planning system such as the National Planning Policy Framework, it remains complex, time consuming and expensive to promote land for development and secure planning permission. Consequently, the planning and regulatory environment is constraining many of the industry's small and medium sized companies. The Directors believe that the complexity of the planning and regulatory environment represents a potential barrier to new entrants into the sector and increasingly only the larger housebuilders have the resources to promote even medium sized sites.

In addition, since the 2007 downturn, small and medium sized developers have also been significantly hampered by a lack of access to and higher costs of debt finance, including debt finance secured against land and work in progress. In contrast, many of the larger housebuilders have been able to raise new equity and/or secure appropriate new debt facilities from banks and other lenders. The Directors believe that those factors have resulted in a decline in the proportion of the market served by smaller housebuilders and an increase in market share for the larger housebuilders, including the Company.

Planning system

The supply of new build housing depends critically on the availability of land suitable for development and the granting of viable and implementable planning consents. The planning system in England is complex and time consuming and it is expensive to promote land through the planning process.

Land which is consented for residential development increases significantly in value by comparison with existing use values and most alternative use values and vendors will therefore often wish to partner with the developer that they judge the most likely to succeed in obtaining a planning consent.

Planning permission is required for the development of real estate in the United Kingdom. Most planning decisions are taken by the local planning authority (usually the district or unitary authority for an area). There is a statutory requirement that local planning authorities produce and keep up to date a local development framework ("**LDF**") setting out policies on the basis of which planning applications should be determined. The National Planning Policy Framework published in March 2012 ("**NPPF**"), an overarching national policy document produced by central government, requires that a five year supply of deliverable housing land should be identified in the LDF. LDFs will be deemed not to be up to date if they fail to identify a deliverable five year housing supply. LDFs are subject to a process which involves an examination in public led by a central government-appointed inspector. The inspector may rule the LDF unsound if, among other things, it fails to satisfactorily identify a five year housing supply.

Decisions on planning applications are by law required to be made in accordance with the LDF unless material considerations indicate otherwise. The NPPF provides firstly that, where development accords with all relevant policies in an up to date LDF, planning permission should be granted without delay. Secondly, where the LDF is completely absent (a number of authorities still do not have an LDF in place), not up to

17 Source: Dealogic.

18 Top ten includes: Barratt Developments, Bellway, Berkeley, Bovis Homes, Crest Nicholson, Galliford Try, Lovell Partnerships, Persimmon, Redrow, and Taylor Wimpey, company information. Source: NHBC.

date or silent on relevant matters, there is a presumption in favour of the development applied for going ahead.

Planning applications are made to the local planning authority. Decisions on applications must be made solely on planning grounds and in accordance with the statutory provision and guidance outlined above. The local planning authority may impose conditions regulating a range of matters from the way in which the development is to be constructed and materials to be used to regulation of the way the completed development is used (for example, limiting noise or hours of opening). Local planning authorities can, and frequently do, also require the payment of sums of money, via section 106 agreements, to pay for local infrastructure, such as schools, roads and healthcare facilities, required as a result of increased demand arising from the development ("**section 106 payments**"). The amount of the section 106 payments is a matter for negotiation in each case. A section 106 agreement will also normally require an agreed proportion (ranging from 10 per cent. to 40 per cent.) of the housing units to be made available as affordable housing (i.e. subsidised). A key determinant of a development's viability is the extent of the section 106 obligations, including the level of affordable housing required.

As a result of legislation introduced in 2010, in addition to section 106 payments a new tax, the Community Infrastructure levy ("**CIL**"), will also be imposed on new developments. CIL is a tariff set by the planning authority and intended to contribute to wider local infrastructure and community improvements. Local authorities are required to undertake viability assessments in setting the levels of CIL and in drawing up Local Plan policies with a view to ensuring that allocated land is capable of securing a viable and deliverable planning consent. On 10 January 2013, the Housing Minister announced that only 75 per cent. of the CIL will be paid to local councils with the remaining 25 per cent. being allocated to parish and town councils for local projects.

There are two types of planning permission: outline and detailed. Outline permission allows certain matters to be left for later consideration. These are referred to as reserved matters and usually cover items such as means of access, appearance, landscaping, layout and scale (within upper and lower limits for height, width and length of each building). Detailed permission considers those matters at the outset. Outline permissions are usually sought for larger projects to establish the principle of development, leaving detailed design matters to be considered on a phase by phase basis.

If the local planning authority refuses permission, the applicant has a right to appeal to an inspector appointed by the Secretary of State who may grant or refuse permission on appeal, usually following a public inquiry.

Land supply

The Government announced in its March 2011 Plan for Growth a belief that the public sector would be able to release land with capacity for up to 100,000 new houses. In December 2011, a summary note was published by DCLG identifying the Government's proposed use of Build Now, Pay Later arrangements for some of this public sector land, intended to help tackle the cash flow challenges of housebuilders.

In March 2012, DCLG confirmed that the detailed review of public sector land showed sufficient land for 102,430 homes. This includes land in the Department of Transport, Ministry of Defence, DEFRA, Department of Health, Ministry of Justice, Olympic Legacy Company, DCLG, HCA and various others, including the BBC, Royal Mail and the Crown Estate.

Much of this public sector land has historically been brought to market by the HCA. The Group is a significant development partner of the HCA and is currently operating in partnership with the HCA on eight developments with planning consent for 1,900 homes on these projects included within its short-term land bank.

Over the last three years, since the financial crisis, the HCA has mainly traded land to its Delivery Partner Panel ("**DPP**"). The Group is a DPP member in the regions in which the business operates, excluding London, and the Directors expect to maintain these memberships during the current round of renewals.

The Government is seeking to boost housing delivery by accelerating the rate at which it brings surplus public sector land to the market. With its emphasis on high quality design and sustainable construction, the Group has a very strong track record of public sector land procurement. Such sites have been acquired using various contractual terms, many of which have involved significant risk mitigation methods such as deferred land payments or profit sharing arrangements.

Emerging planning policy

When the current Government came to power, it introduced the Localism Act which was intended to increase community involvement and local decision making in the planning process. Subsequently, the Government has recognised the important contribution which growth in the housebuilding sector can make to economic recovery and, in addition to various financial interventions, accepts that the planning system is too restrictive and restrains the scale of housing development in the UK. The NPPF provides for a presumption in favour of sustainable development and encourages local authorities to produce up to date development plans without delay. It also requires local authorities to identify a five year land supply of available sites which must be supported by evidence and is subject to independent testing.

The Government has subsequently published a Growth and Infrastructure Bill which contains a range of measures designed to remove obstacles in the system, for example allowing the reconsideration of economically unviable section 106 agreements and speeding up the process for major applications. It is also undertaking an urgent review of current planning guidance, much of which is lengthy, contradictory and/or out of date.

The Directors believe that the current direction of Government policy should help to create a positive environment for new development proposals in the future, although the system is still cumbersome and expensive, and opposition to new housing on a large scale remains entrenched. The Directors believe that the localism agenda remains very important and developers who can work positively with local authorities, community groups and residents will be the most successful in delivering planning consents for new development projects.

Supply of capital to developers

The Government's Housing Strategy, Laying the Foundations: A Housing Strategy for England, identified a range of initiatives designed to increase housebuilding activity in the UK. These included:

- supporting a New Buy scheme to unlock mortgages for people who want to buy new build homes (see below);
- a £570 million Get Britain Building scheme to get builders back on to stalled "shovel ready" building sites;
- a £770 million Growing Places Fund to help fund infrastructure to unlock housing and economic development; and
- £150 million to address the large number of empty homes that could otherwise be brought back into use.

This initiative built upon the previous Government's Kickstart programme under which housebuilders secured loans, equity and gap funding and funding for HomeBuy Direct to bring forward a number of stalled sites. The Kickstart sites are now almost complete and paved the way for a successful bidding round for Get Britain Building ("**GBB**").

The £770 million Growing Places Funding is being administered by Local Enterprise Partnerships ("**LEPs**").

The Directors believe that these programmes provide a significant impetus to bring forward large scale, capital intensive development schemes.

Availability of capital for purchasers

Government support for new-build purchasers has been focused on ‘shared equity’ schemes, such as “HomeBuy” and “FirstBuy” and latterly through providing guarantees to support a mortgage indemnity guarantee scheme called “NewBuy”.

Under the shared equity schemes, the Government and the property developer between them lend a qualifying purchaser up to 20.0 per cent. (FirstBuy) and up to 30.0 per cent. (HomeBuy) of the costs of a dwelling, taking an equal ranking second charge behind the primary mortgage provider. Whilst there are fees which accrue in the course of the loan to encourage the borrower to refinance the loan (in full or in stages), these schemes permit the purchaser to repay their loans at the earlier of moving house or the expiry of 25 years.

The Government has recently committed a further £280 million to the FirstBuy scheme and is currently tendering utilisation of £240 million. In the meantime in 2012 it made an allocation of the first £40 million to 41 developers to help deliver a further 2,500 homes to first time buyers.

NewBuy is a mortgage indemnity scheme allowing a 95.0 per cent. LTV mortgage to be obtained, insuring the mortgage lender against losses. The developer contributes 3.5 per cent. of the sales value of qualifying properties sold under this scheme into a ring-fenced developer/lender “deposit cell” against which claims can be made by the mortgage lender if it incurs losses on foreclosure. The Government provides a guarantee of a further 5.5 per cent. to the same ring-fenced developer/lender “deposit cell” against which claims can be made by the mortgage lender should losses in the scheme exhaust the 3.5 per cent. provided by the developer.

The Directors believe that the ongoing availability of products such as FirstBuy and NewBuy provide support to purchasers of new homes and provide an impetus to the market.

PART 2

INFORMATION ON THE GROUP

Introduction

The Group is a leading residential developer operating in the southern half of England with an emphasis on creating well designed homes in sustainable communities. The Group focuses on both greenfield and brownfield housing sites in prime areas of the southern half of England, including London. The Group has a wide product range, varying from homes for first time buyers through to large family homes, and includes a mixture of houses, apartments and supporting commercial premises as part of its larger developments.

The Directors believe the Group occupies a distinctive position in the UK housing market. The Group's geographic area of focus, design quality and product positioning delivers the highest open market average sales prices and sales per outlet per month of all but one of its Publicly Reporting Peer Group (which peer focuses predominantly on London). In addition, with its commitment to designing well planned developments, the Group has a proven track record of obtaining planning consents and delivering award-winning, high-quality sustainable residential communities.

The Group has four regional housebuilding divisions: Eastern, South, South West and London. The Group's fifth housebuilding division is the Major Projects division which specialises in larger scale partnerships with public and private vendors, including residential and mixed-use developments, across all core regions of the business. The Group also has a Strategic Projects division which focuses on sourcing, promoting and delivering large-scale sites which do not have planning consent and are not allocated for development by the local authority at the point the Group secures these sites. These sites are promoted for medium to long term development by the Group. This year the Group will celebrate 50 years of operation, 39 years of which, from 1968 to 2007, were as a company admitted to the Official List and to trading on the London Stock Exchange's main market for listed securities.

In respect of the financial year ended 31 October 2012, the Group completed sales of 1,882 units and had revenue of £408.0 million, operating profit of £73.3 million and operating margin of 18.0 per cent. As at 31 October 2012, the Group's short-term land bank consisted of 16,959 plots and its strategic land bank consisted of 12,623 plots. The Group had 50 developments in production and 39 sales outlets as at 31 October 2012. The Group has achieved a ROCE of approximately 20 per cent. in each of the last two financial years.

History of the Group

Crest Homes was founded by Bryan Skinner and Geoffrey Fox in 1963 and floated on the London Stock Exchange in 1968. In 1972 Crest Homes merged with Camper & Nicholson's, a boat builder, to form Crest Nicholson Limited. From 1972 through to the 2000's, the Group expanded through organic growth in the housebuilding business as well as through several acquisitions in the housebuilding and other sectors. The Group then entered into a period where it focused on its housebuilding activities and by 2003 the Group had become focused solely on housebuilding and supporting mixed-use development. As a public company, the Group's share price outperformed both the FTSE 250 and the FTSE 350 Construction & Materials index between 1998 and 2007, delivering equity returns through EPS growth of 208 per cent. from 1998 to 2006 representing a CAGR of 15.1 per cent.

In 2006, the Group received a proposal from Castle Bidco, a joint venture between Halifax Bank of Scotland and West Coast Capital, to acquire the entire share capital of Crest Nicholson plc (the parent company of the Group at that time). This culminated in a takeover in May 2007, at which time Crest Nicholson plc's shares ceased to be admitted to the Official List and to trading on the London Stock Exchange's main market for listed securities. The takeover offer valued the equity share capital of the Group at £715 million, or 2.4 times its net asset value as at 31 October 2006, following an initial offer of 585 pence per share which was increased to 620 pence per share and with an additional 9.7 pence one-off dividend. Following the takeover, and as a result of the capital structure put in place to finance the takeover, the Group had net debt of

£865.5 million as at 31 October 2007 (2006: £154.6 million) with £71.6 million of equity, resulting in a net debt to equity ratio of 12.09 (2006: 0.52).

In response to the downturn in the housing market from late 2007, the Group took steps beginning in the 2008 financial year and continuing in the 2009 financial year to reprioritise its objectives and reorganise its business in accordance with the prevailing market conditions. For example, the Group closed three of its six regional residential housing divisions and reduced its headcount by nearly 50 per cent. from 785 employees in October 2007 to 436 employees in October 2009. The Group also chose to reduce land buying significantly, delay the operational commencements of certain developments and not acquire sites held under option to conserve cash and reduce risk, in part due to the constraints placed upon the Group by its lenders. In 2009 the Group completed a balance sheet restructuring which included a debt for equity swap.

From the middle of 2010, the Group responded to the gradual improvement in market conditions by negotiating with its lenders a relaxation of the constraints imposed by the Group's refinancing in March 2009 to enable it to return to land buying and to grow the business while continuing to manage closely its cash commitments.

In 2011, the Group continued to build on its performance since its 2009 restructuring including continued investment in land, development and promotion of existing sites and opportunities and, in response to the stabilising market conditions, the Group formed its London division, including the opening of an office in London, in order to bring additional focus to the Group's London operations.

The Group also completed a second balance sheet restructuring in 2011 which included a debt for equity swap that resulted in an overall reduction in the Group's debt and a net debt to equity ratio of 0.087 as at 31 October 2012. Following the 2011 restructuring and debt for equity swap, Värde and Deutsche Bank, each of which previously held debt owed by the Group, emerged as the Group's majority shareholders, holding 60.2 per cent. and 19.9 per cent. of the Company's ordinary shares respectively.

On 7 December 2012, the Group conducted a debt refinancing which included (i) entering into Facility Agreement B; (ii) amending and restating its existing Facility Agreement A with certain of its shareholders; and (iii) borrowing £50 million under Facility Agreement B and utilising the proceeds as well as cash to repay £77 million of existing borrowings under Facility Agreement A and any interest payable thereon, cancelling the associated commitments and leaving outstanding a £75 million four-year term loan under Amended Facility Agreement A.

On 12 February 2013, Lloyds agreed to become a party to Facility Agreement B, pursuant to which it will make available an additional £25 million to the Group, conditional upon Admission, the net proceeds of the Offer receivable by the Company being at least £50 million and other customary matters. The Group intends to draw down such amount in full as soon as practicable following Admission and will use the proceeds to repay a further £25 million of outstanding borrowings under Facility Agreement A.

Key Strengths

The Directors believe the Group's key strengths include the following:

The Group has a highly experienced management team

The Group has a highly experienced core management team with significant breadth and depth of expertise. The Directors believe that the Group's core management has leading expertise in critical areas such as land acquisition, planning and delivery. In addition, the Directors believe that a key differentiator from its main competitors is the core management team's experience in successfully partnering with the public sector, including both the HCA and local authorities. The core management have, in aggregate, over 100 years of experience in the UK housebuilding sector, and have successfully managed the Group through the recent economic cycle. Members of the core management team include Stephen Stone, who has been Chief Executive since 2005 and has over 30 years of experience in the sector, as well as Chris Tinker, Steve Evans and Robin Hoyles, who have 30, 30 and 32 years of experience in the sector respectively. Patrick Bergin, the Group Finance Director, has 18 years experience as a chartered accountant, the last six of which have been with the Group.

High quality, well-located and diverse short-term land bank

In the financial years ended 31 October 2010, 2011 and 2012, the Group's sales per outlet month were 2.5, 2.6, 2.9 and open market average sales prices were approximately £198,000, £224,000 and £230,000, respectively. The Directors believe these strong sales rates and open market average sales prices reflect the Group's high quality, well-located and diverse land bank, which is underpinned by strong local demographics.

The Directors believe that a continuing focus on the southeast of England and London (together approximately 66 per cent. of the current short-term land bank) and selected prime areas in the southwest of England (approximately 30 per cent. of the current short-term land bank) will allow the Group to continue to benefit from the positive dynamics of those markets, driving strong performance and profitability. As at 31 October 2012, the Group's short-term land bank consisted of 16,959 plots on 72 sites with an estimated GDV of approximately £3.9 billion. The following table sets out a breakdown of the Group's residential short-term land bank, identifying active and pre-operational sites by geography as at 31 October 2012:

Region	*Sites*	*Active Sites*	*Plots*	*Estimated GDV*[(1)] *(£ millions)*
London	6	4	396	165
South East of England	40	28	9,989	2,201
South West of England	17	9	5,759	1,143
Midlands	9	9	815	137
Total	72	50	16,959	3,646

(1) GDV is an internally generated estimate. See "Presentation of Information – Presentation of key operating metrics" for a description of how GDV is estimated.

These geographic areas have benefited from higher average prices and transaction volumes compared to other areas of the UK even in the recent economic downturn. See Part 1: "Industry Overview" for further detail.

The Directors believe that the Group's short-term land bank is well positioned to deliver increased sales in the coming years, with 90 per cent. of the Group's short-term land bank having planning consent, sufficient to supply substantially all of the budgeted sales for the years ending 31 October 2013 and 31 October 2014.

Strategic land bank underpins strong returns

The Directors believe that the Group's strategic land bank will be an important factor in the Group's future ability to maintain attractive margins. As at 31 October 2012, the Group had a strategic land bank of 12,623 plots on 26 separate sites with an estimated GDV of £2.9 billion. The following table sets out a breakdown of the Group's strategic land bank by geography as at 31 October 2012:

Region	*Sites*	*Plots*	*Estimated GDV*[(1)] *(£ millions)*
London	–	–	–
South East of England	18	9,241	2,315
South West of England	7	3,257	574
Midlands	1	125	29
Total	26	12,623	2,918

(1) GDV is an internally generated estimate. See "Presentation of Information – Presentation of key operating metrics" for a description of how GDV is estimated.

The Directors believe that management's track record of gaining planning permission has been a critical factor in acquiring strategic land as landowners recognise the Group's expertise in bringing land successfully through the planning process. In most cases, plots converted from the strategic land bank (i.e. plots secured as strategic land which are transferred to the short term land bank following receipt of planning permission) generally provide higher margins, given the discount to open market value at which strategic land is typically

purchased, than plots which are bought directly from third parties into the short-term land bank with the benefit of planning permission or allocation for development. Over the past three financial years, the Group converted 5,564 plots from former strategic land through to its short-term land bank having obtained planning consent, including 983 plots in 2010, 2,436 plots in 2011 and 2,145 plots in 2012. Plots converted from strategic land contributed approximately 15 per cent. of units completed in 2012. Approximately 38 per cent. of the current short-term land bank has been sourced through conversions from the strategic land bank and the Directors believe the proportion of annual legal completions sourced this way is growing towards the same level. Of the 2011 financial year strategic land bank, 15.0 per cent. was converted into the short-term land bank in the 2012 financial year, as compared to 14.6 per cent. in the 2011 financial year.

Distinctive business model focused on design and sustainability

The Group continues to operate a distinctive business model emphasising design and sustainability in planning a variety of residential developments along with larger mixed-use developments. These include both houses and apartments and range from small bespoke projects in villages and market towns to urban regeneration projects in major towns and cities such as Bath, Southampton, Portishead and Birmingham, as well as a number of new sustainable communities across the south and south west of England and niche developments in central London. The Group was awarded eight Gold Standard Building for Life Awards by CABE, the most of any developer. In each of the last four years the Group has been ranked second under the independent sustainability audits sponsored by HCA and others which identifies the contribution which home builders and housing developers make to the delivery of a sustainable, low carbon built environment. The Directors believe that this model allows the Group to secure new business, obtain planning permissions and drive strong returns.

Scalable platform supports growth plans

The scale and structure of the Group's business allows its highly experienced core management team to combine strategic leadership with a significant degree of hands-on involvement in the Group's day-to-day operations. Historically, the Group completed up to approximately 3,300 units per annum prior to 2008. Following the economic downturn in 2007, the Group scaled back its operations in order to reduce capital investment which led to a reduction in revenues and a reduced level of completions. The Group began to scale up its operations in 2010, resulting in the Group completing 1,882 units in the financial year ended 31 October 2012, as compared with 1,520 units in 2011 and 1,609 units in 2010. The opening of the London division in 2011 has released capacity in the other regional divisions which previously conducted a portion of their operations in London, as well as allowing for additional growth in London. The Directors believe the Group's existing office and management infrastructure would allow it to continue to increase its levels of activity and produce up to 2,500 units per annum without materially reducing the extent of management's hands-on involvement and without significant additional central overhead costs or making any significant structural changes to the existing organisational model or business model.

Strategy

Continued operational excellence

The Group's strategy is to strive for excellence in all areas of its operations and to operate at a scale that allows continued core management team involvement in the material decisions of each business division. In particular, the Group seeks to deliver industry leading returns through the development of homes and mixed use buildings in well-designed, sustainable developments in the southern half of England. The Group will continue to operate in a responsible and ethical manner, focusing on the needs of the communities where it builds and operating within defined environmental limits. The Group will seek to deliver high quality homes and to maintain a culture focused on customer service which seeks to make the acquisition process as stress free as possible and which seeks to address any future service needs in a timely and courteous manner.

Selectively grow the land bank and deliver sustainable land supply

The Group will continue to target investment in well-located sites and development opportunities within the south of England which have favourable demographics and potential for strong shareholder returns.

In addition, the Group will continue to seek to add to its strategic land bank with the aim of securing land which the Group believes will provide enhanced margins. The Group will further seek to secure viable planning permissions which the Group can fully implement for its existing strategic land, in particular for certain key sites, including Longcross, Henley, Harlow and Cheshunt.

The Group also intends to continue to leverage its significant track record and expertise in securing, designing and delivering large scale greenfield and brownfield developments in partnership with public and private vendors.

Return towards historic output levels

The Group aims to achieve completions of approximately 2,500 units per year within three to four years. The Group anticipates that the majority of its growth will come from its Major Projects and London divisions supplemented by further growth in the other regional housebuilding divisions. Although the Group's current business plan does not include the creation of a new division, if an additional division were created, the Directors believe it could provide the Group with the additional infrastructure to reach output of up to 3,000 units per year, based on its current mix of houses and apartments, without needing to change the central management structure or incurring additional central overhead costs.

Maintain industry leadership, staying ahead of regulatory and market trends

The Group will continue to research and develop desirable products which provide cost effective solutions to frequently changing regulatory requirements, particularly in the area of zero carbon homes. The Group aims to play an active role in government planning and regulatory policy evolution as it relates to housing, including through its continued participation in industry associations. In this way, the Directors believe the Group will be able to maintain industry leadership and anticipate and stay ahead of market and regulatory changes.

Continue to improve the Group's capital structure

The Group has a medium term goal of reducing levels of gearing to be in line with the gearing levels of the Publicly Reporting Peer Group. As part of this strategy, the Directors intend to use the net proceeds of the Offer receivable by the Company to repay outstanding borrowings. On 7 December 2012, the Company and certain of its subsidiaries entered into Facility Agreement B, a new £50 million four-year committed revolving credit facility with Barclays and HSBC. At the same time, utilising borrowings under Facility Agreement B, the Group partially repaid and amended the terms of its Facility Agreement A. As at 31 October 2012, the Group had £180.4 million of outstanding borrowings and £150.1 million of cash and cash equivalents. The Directors intend to use the net proceeds of the Offer receivable by the Company to partially repay outstanding borrowings under Amended Facility Agreement A. As at 31 October 2012, on a pro forma basis reflecting (i) the December Refinancing and related repayment of £77 million of outstanding borrowings, and (ii) the Offer and the use of proceeds received by the Company, the Group would have had £103.4 million of outstanding interest bearing loans and borrowings and £123.1 million of cash and cash equivalents. See Part 7:"Unaudited Pro Forma Financial Information". In addition on 12 February 2013, Lloyds agreed to become a party to Facility Agreement B, pursuant to which it will make available an additional £25 million to the Group, conditional upon Admission, the net proceeds of the Offer receivable by the Company being at least £50 million and other customary matters. The Group intends to draw down such amount in full as soon as practicable following Admission and will use the proceeds to repay a further £25 million of outstanding borrowings under Facility Agreement A. After giving effect to the use of proceeds of the Offer receivable by the Company and the additional borrowings under Facility Agreement B, it is expected that Facility Agreement A will be repaid in full and cancelled. In addition, the Group is in dicussions with one of its existing lenders under Facility Agreement B to increase its commitment under the facility by an additional £25 million. In the near-term, the Directors intend to continue to invest in land purchases and investment projects, funding such activities principally from its cash flows from operating activities and borrowings under available credit facilities. The Directors believe receipts for completions, including from large historic sites which are expected to be cash generative due to their extensive historic investment and their mature stage of development, are expected to result in deleveraging of the Group in the medium term.

Business Overview

Structure and operations

The Group currently operates through six divisions. Four of these divisions are regional housebuilding divisions operating within the southern half of England: Eastern, South, South West and London. The Group's fifth housebuilding division is the Major Projects division which specialises in larger scale partnerships with public and private vendors, including residential and mixed-use developments, across all core regions of the business. The Group also has a Strategic Projects division which focuses on sourcing, promoting and delivering large-scale land sites which do not have planning consent and are not allocated for development by the local authority at the point the Group secures these sites. These sites are promoted for medium to long term development by the Group. Each division is headed by a Managing Director. The housebuilding divisions have their own finance, land and development, sales and production directors, each of whom has their own support team.

The divisions are supported by central management functions which include: a partnership homes team responsible for the long term relationships and contracting arrangements with registered providers for the provision of affordable housing; a sustainability team which sets the Group's sustainability policies and targets and works throughout the business to deliver the knowledge, training and systems necessary to meet these objectives; and centralised customer experience, marketing, design and technical teams who operate from the head office to provide expertise in their related fields and to ensure that the Group's high standards in design, technical compliance and sales and marketing are achieved consistently across the Group.

The housebuilding divisions are each responsible for securing a supply of viable consented land. This is supplemented by land secured through the central Strategic Projects division. Each housebuilding division typically seeks a number of larger 'backbone' sites (of 140 units or more) to provide a reliable source of plots over a number of years complemented by a larger number of smaller developments. Each housebuilding division has the capacity to complete approximately 550 to 600 units per year, excluding London which currently has the capacity to complete approximately 300 units per year.

The Eastern division, based in Brentwood, completed 466 units in the financial year ended 31 October 2012. It has a short-term land bank of 2,386 units on 18 sites. Including consented land within the Strategic Projects division, it is supported by 10 backbone sites including Cheshunt, Stowmarket, Cambridge and Colchester and will potentially benefit further in the future from strategic sites in Cheshunt, Harlow, Ipswich and Red Lodge, Cambridge.

The South division, based at the Chertsey head office, completed 569 units in the financial year ended 31 October 2012. It has a short-term land bank of 1,956 units on 16 sites. Including consented land within the Strategic Projects and Major Projects divisions, it is supported by seven backbone sites including Epsom and Haywards Heath and will potentially benefit further in the future from strategic sites in Wokingham, Crawley and Henley-on-Thames.

The South West division, based in Bristol, completed 583 units in the financial year ended 31 October 2012. It has a short-term land bank of 2,631 units on 24 sites. Including consented land within the Strategic Projects division, it is supported by seven backbone sites including Bristol, Portishead, Gloucester and Wells and will potentially benefit further in the future from the recently converted strategic site in Swindon and strategic sites in Bristol, Bath and Daventry.

The newly formed London division, based in London, is scheduled to complete its first 138 units in the financial year ending 31 October 2013. It currently has a short-term land bank of 244 units, the majority of which are apartments, on five sites, which are in Bloomsbury, Chiswick, Clapham, Shoreditch and Stockwell. Prior to opening the London division, the Group completed over 2,500 units in London between the 2001 and 2011 financial years, and the South and Eastern divisions completed 200 units in the London area in the year ended 31 October 2012. The division's initial focus has been on small sites (100-130 plots) that it can start and deliver quickly with low capital commitment, to minimise risk. The product and location is geared towards domestic buyers rather than targeting the overseas investment market.

The Major Projects division, based at the Group's Chertsey head office, completed 264 units in the financial year ended 31 October 2012 as well as contributing £26 million of revenue from sales of commercial and office space. It specialises in larger scale developments in key towns and cities undertaken in partnership

with public and private sector vendors and has the specialist development and project management skills and capacity necessary to promote and deliver such schemes. It has a short-term land bank of 2,987 units on nine sites, eight of which are backbone sites, including Bath, Bristol and Milton Keynes. The Group is currently selling from five Major Projects sites, having recently opened two further outlets. The Directors believe significant further residential development value is available at the division's key 310 acre site at Longcross, and other potential development sites, including one in Southampton. The division is further supported by a 1,603,997 square feet consented commercial development portfolio and opportunities to develop valuable commercial centres on the Group's larger strategic sites, such as the recently consented Crawley site.

The Group's Strategic Projects division comprises a specialist team of developers, planners and managers experienced in identifying and securing longer term development opportunities through long term options and freehold acquisitions largely on greenfield sites on the edge of existing settlements, typically at prices below open market value. The division has a demonstrable track record of successfully promoting these projects through the planning system and securing implementable planning consents where the benefiting land can then be acquired through exercise of options over time to provide large scale valuable backbone sites to the operating divisions. On larger sites, the Strategic Projects division will manage the overall delivery and construction of the necessary infrastructure, transferring serviced parcels on the site to a housebuilding division for the construction and sales of units or, in certain cases selling such parcels to third party developers to reduce the Group's working capital requirements associated with the infrastructure costs. The Strategic Projects division secured four planning consents in the financial year ended 31 October 2012 for a total of 2,145 units. The Strategic Projects division holds a short-term land bank of 6,989 units as at 31 October 2012 (all of which are units converted from the strategic land bank) which will be delivered over time to the housebuilding divisions or, in part, sold to third parties as land sales.

Land bank

The Group divides its land bank into two distinct categories: its short-term land bank and its strategic land bank. As at 31 October 2012, the Group had a short-term land bank of 16,959 plots on 72 sites with an estimated GDV of approximately £3.9 billion and a strategic land bank of 12,623 plots on 26 separate sites with an estimated GDV of approximately £2.9 billion. The following table sets out a breakdown of estimated GDV for the periods indicated:

	As at 31 October 2011		*As at 31 October 2012*	
		Estimated GDV[1]		*Estimated GDV[1]*
Land bank type	*Units*	*(£ millions)*	*Units*	*(£ millions)*
Short-term residential	14,772	3,011	16,959	3,646
Short-term commercial	–	285	–	235
Total short-term	14,772	3,296	16,959	3,881
Strategic	14,259	2,960	12,623	2,918
Total under contract	29,031	6,256	29,582	6,799

(1) GDV is an internally generated estimate. See "Presentation of Information – Presentation of key operating metrics" for a description of how GDV is estimated.

Short-term land bank

The short-term land bank consists of land which the Group either owns or otherwise controls under a variety of conditional and unconditional forms of contract and which either has the benefit of planning consent or is allocated for development in a relevant local authority's adopted Local Plan. Short-term land, other than where supplied from the strategic land bank, is primarily acquired from third parties and promoted through planning by the land and planning teams in the relevant division. Approximately 90 per cent. of the short-term land bank currently has planning consent.

The Group acquires ownership or control of its short-term land bank through a range of contractual arrangements, which are intended to provide a blend of risk and return appropriate to the land being developed. These include unconditional purchases of land without planning, which offer the greatest potential for margin enhancement but carry proportionately greater risk, and open book priority return deals

(where the Group does not own the land but develops it under a development agreement) which substantially reduce the Group's exposure to sales value and cost movements on a project, but also limit the extent to which the Group can benefit from improvements in the project returns. Projects structured in this latter way help to reduce the exposure that larger projects have to changes in the macroeconomic environment to acceptable limits.

Other sites are purchased subject to achieving a satisfactory planning consent, or are converted from the strategic land bank once planning permission in relation to that site has been obtained by the Group. Conversions from the strategic land bank can deliver a dual benefit to the business, as the price at which a site is acquired is determined by reference to the prevailing market price at the point of acquisition (after planning consent has been secured, thereby protecting the Group from a degree of macroeconomic risk) and purchases are typically at a discount to open market value, thereby enhancing the achievable margin. On the other hand, sites which are acquired from third parties with the benefit of planning permission or allocation for development are less likely to have such a discount to open market value built in.

The majority of the Group's short-term land bank is owned freehold. However, a number of sites (currently 14 out of 72) are developed under development agreements pursuant to which the Group constructs the site in phases pursuant to build licences, with units being transferred from the owner of the site directly to the purchaser. The Group therefore never acquires the land on which it constructs such sites. This structure is typically used in connection with public sector land.

In addition, four large consented sites within the short-term land bank recently converted from the strategic land bank are still held under option to be drawn down and paid for in phases at the time the Group decides to proceed with its development plans for the land. To the extent the Group enters into joint ventures, a joint venture entity is established to own the relevant site freehold and the Group includes such land within its land bank in proportion to its share of the joint venture. Land is generally not secured from third parties into the short-term land bank by option since the seller is usually unwilling to tie up the land when it has development value.

In a number of its purchase agreements for land and development contracts, the Group provides for additional compensation to the landowner subject to certain conditions, such as achieving a set amount of sales revenues or obtaining a particular planning consent. Other contracts may include provisions for deferred or phased payments for the purchase of land. In some cases, these types of payments are secured by the vendor through a charge over the relevant land once owned or under development by the Group.

The Group builds the majority of its developments on brownfield sites, with 60.6 per cent. of its developments, or 48 out of 72 sites in the short-term landbank, as at 31 October 2012 on brownfield land.

As at 31 October 2012 the average plot cost of the short-term land bank was approximately £26,900, representing approximately 12.5 per cent. of the estimated average sales value. The Directors believe such percentage is below average market levels achieved by its competitors and is partially a result of the Group's strong relationship with the public sector and private landowners, allowing it to achieve favourable returns when purchasing land. Approximately 8,000 plots were held at under £5,000 per plot within land and work in progress as at 31 October 2012. The following table sets out the Group's historical average plot cost and estimated average sales value for the short-term land bank by geography as at 31 October 2012:

Region	*Average Plot Cost*	*Estimated Average Sales Value*[(1)]
	(£ thousands per plot)	
London	109.6	414.8
South East	32.8	220.4
South West	18.8	198.5
Midlands	24.4	168.5
Total Average	26.9	215.9

(1) Estimated average sales values are based on the average sales prices achieved by the Group in the relevant geography or current average sales values in the market, if available. See "Presentation of Information – Presentation of key operating metrics" for a full description of how the Group estimates average sales values.

In response to the economic downturn, the Group curtailed its spending on the acquisition of new land from mid-2008 until mid-2010 and suspended the development of certain sites which had significant infrastructure and working capital requirements. During this period the Group focused its land and planning teams on redesigning projects to address the new post financial crisis markets (with an emphasis on increasing the proportion of houses and in renegotiating section 106 agreements, pursuant to which the Group builds affordable housing and public infrastructure) to both reduce and retime some of the more capital intensive works and contributions. The result of this exercise was to improve the expected gross margin of the short-term land bank, to increase the marketability of the homes and to reduce the Group's working capital requirements.

The Group began investing progressively in new land during the financial year ended 31 October 2010 following agreement with its lenders to permit it to do so in accordance with the terms of its 2009 restructuring. The Group also commenced work on 10 developments which benefited from grants under the Kickstart scheme. During the financial year ended 31 October 2012 the Group has been successful in securing a further 2,247 plots on 16 sites on attractive commercial terms. These acquisitions, taken together with the strategic land conversions less units sold in the year and the impact of site replans, resulted in a short-term land bank of 16,959 plots as at 31 October 2012, which equates to approximately 9 years supply of land at financial year 2012 sales volumes.

Strategic land bank

The strategic land bank is typically land which is not yet allocated for development by the local planning authority but which the Group secures in the belief that it has the potential in the medium to longer term to become allocated for housing development by the relevant local planning authority. Strategic land is generally secured through option agreements which set out the basis upon which the Group will promote the land through planning and the terms upon which the Group may progressively acquire and develop such land should planning consent be secured. Strategic land is normally acquired at the higher of a pre-agreed discount to the open market valuation of the land at the date each parcel of land is acquired or a negotiated base price which is expected by the Company to be below the market value of the land once planning consent is obtained. The discount will have regard to the anticipated cost, timing and risk associated with the planning process. In most cases, strategic land option contracts will provide for the land to be acquired, when called for by the Group, on a phased basis. Opportunities often arise to accelerate the acquisition of such land to achieve a further discount. The Group may also opportunistically purchase freehold strategic land without planning consent in the right circumstances, usually at a substantial discount to open market value to reflect the greater planning risk associated with such land. Currently, approximately 20 per cent. of the Group's strategic land bank is owned freehold.

Once consented, strategic land becomes part of the short-term land bank and remains within the Strategic Projects division which manages its delivery and installs the infrastructure so as to provide a flow of parcels of serviced land to the housebuilding divisions for construction and sales of units. Strategic land thus provides a regular, controllable supply of sites to be converted into the short-term land bank. Parcels of consented and serviced strategic land may also later be sold under certain circumstances, for example to provide funding for site specific infrastructure. The Group generally exercises its options over its strategic land after planning permission has been obtained and once the Group is ready to develop the relevant parcel of land to be then developed or wishes to sell it to a third-party (in other words after it has been converted into the short-term land bank).

The Group has a proven track record of obtaining planning consent and converting strategic land into the short-term land bank. In the past two financial years, the Group converted 4,500 plots from strategic land into the short-term land bank, of which 2,436 were in the year ended 31 October 2011 and 2,145 were in the year ended 31 October 2012. Approximately 38 per cent. of the current short-term land bank has been sourced through conversion from the strategic land bank, and the Directors believe the proportion of annual legal completions sourced from strategic land is growing towards the same level.

Key sites

As at 31 October 2012, the Group had a short-term land bank of 16,959 plots on 72 sites, of which 50 sites were active and 39 sites had sales outlets, and a strategic land bank of 12,623 plots on 26 separate sites. For a further description of the Group's land bank and developments, see above under "Structure and operations" and "Land bank".

Listed in alphabetical order the following sites represent a sample of some of the key developments being promoted and delivered by the Group or are representative of a number of similar developments within the portfolio.

Bath Western Riverside, Bath – Marketing name Bath Riverside

Situated one mile to the west of the centre of Bath, adjacent to the River Avon, Bath Riverside is designed to be a distinctive high quality new urban quarter for Bath comprising approximately 2,000 dwellings, a school, supporting community infrastructure and mixed use property such as cafes and restaurants. The scheme also includes new river crossings and landing areas, substantial new park land and areas of public spaces.

The Group currently owns on a freehold basis the land required to deliver the first 813 units. The Group first contracted to acquire the land in 2004. It is also Bath Council's appointed development partner and has an exclusivity agreement over parts of the remainder of the site such that over a 20 year period the Directors anticipate delivering the balance of the scheme as well. The Group obtained £7.9 million in public funding towards new infrastructure from Bath Council and the HCA for the development of the site.

Outline planning permission for the whole development was secured by the Group in December 2010 at the same time as it secured detailed planning permission for the first 299 dwellings.

The development has been underway for two years and achieved 142 legal completions in the year ended 31 October 2012. With over 670 units still to be delivered in the first stage, the site already provides a significant six year backbone site to the Major Projects division.

Cambridge – Marketing name Kaleidoscope

Kaleidescope is another urban development in a leading university city. With over 400 apartments conveniently located near to the centre of Cambridge, the Group has created a development which the Directors believe appeals to owner occupiers and investors alike. Designed by Proctor and Matthews, the development includes one and two bedroom apartments and penthouses within easy reach of the main transport hubs of Cambridge.

The Group has a long leasehold interest in the site, with the freehold resting with the Luminus Group which also provides all management services. Outline planning permission for the whole development was granted in November 2005 with reserved matters secured in July 2007.

The project has 184 units left to deliver and sell. It represents one of 10 backbone sites within the Eastern division.

Cannons Marsh, Bristol – Marketing name Bristol Harbourside

With a 13 year delivery period which commenced in 2003, this mixed-use regeneration scheme has transformed the former gas works and industrial heart of Bristol's docks and is an example of the Group's capability to deliver significant mixed use developments.

The Group acquired the land for the site freehold in 2003 from a consortium of landowners comprising Bristol City Council, Lloyds TSB and National Grid. The development includes over 660 units, 30,000 square metres of office space and 18,000 square metres of mixed leisure and retail uses.

Outline planning permission for the development was secured in 2003 and detailed consent for the next phase of residential development consisting of 170 units was secured in 2011.

Awarded a CABE Building for Life Gold standard, Bristol Harbourside has attracted major office tenants such as Lloyds TSB, Hargreaves Lansdown and Cameron McKenna as well as leisure operators such as Fitness First Leisure and an Ibis hotel.

The development is being delivered by the Major Projects division. In 2012, the Group sold Building 6, its most recent 35,000 square foot office block on the development, to Prudential and commenced the phased delivery of the next 170 residential units.

Clapham Road, SW9 – Marketing name Resonate

This site is indicative of the scale and nature of the five sites presently being undertaken by the London division.

Situated several minutes' walk from Stockwell tube station, Resonate is located in the middle of Clapham, Brixton and Kennington. Resonate provides 65 residential units, including studio, one, two and three bedroom apartments and a food retail unit of approximately 11,500 square feet on the ground floor.

The Group owns the site freehold. Detailed planning permission for the whole development was granted in January 2011. Works commenced in April 2012 and build completion is scheduled for autumn 2013. The formal sales launch took place in November 2012 and 34 reservations have been taken as at 23 November 2012.

Daventry, Northampton

The development at Daventry was initially promoted by the vendor who secured an outline planning permission for the delivery of 1,000 dwellings.

The Group entered into a development agreement to optimise and deliver the project from the vendor, a property trust, in 2012. Under the agreement the site is to be drawn down and delivered in phases over the next ten to twelve years. The related land value is payable in tranches over the life of the project.

In July 2012 the Group secured a revised outline planning permission. The site, which abuts an established lake, has now been designed to accord with many of the principles of a garden village, including substantial open space and will incorporate a local centre with supermarket.

The Directors believe that the first reserved matters consent will be obtained in spring 2013 with delivery scheduled to commence soon thereafter.

Haywards Heath, West Sussex – Marketing name Bolnore Village

The Group has been delivering units in Bolnore Village, which originated from the Group's strategic land bank, for over 12 years. With its established well landscaped streets, an active village centre, parks and public areas, Bolnore Village is a key example of the high quality, sustainable housing communities which the Group aims to build.

The Group purchased the freehold of the whole of the site in phases over a 10 year period. Outline planning permission for a total of approximately 1,300 new homes has been secured. There are nearly 350 units left to deliver on the site which remains one of the key backbone sites in the South division.

Longcross, Surrey

Longcross is a 310 acre former Defence Evaluation and Research Agency site abutting Wentworth Golf Course and is being promoted by the Group's Major Projects division for a significant mixed use development. The site is surrounded by high-value Surrey and Berkshire postcodes and has excellent transport links including Longcross, a station on the Reading to Waterloo railway line, which sits within the site.

The Group entered into a 50/50 joint venture with Aviva in 2003 and the joint venture purchased the freehold of the site in 2005. For a description of the joint venture agreement, see paragraph 16.6(a) "Land at Chertsey and Longcross" in Part 9: "Additional Information". The site has approximately 113,400 square metres of

former research and development facilities which are currently being used extensively for filming and related short term uses.

The site is allocated as a major development site in the "greenbelt" and splits into two halves on either side of the M3 Motorway. Given the existing footprint of the northern site, it has been replanned under greenbelt rules for residential and commercial development. For the southern site, the Group will apply for the land to be released from the greenbelt through the local planning authority's core strategy, and a planning application will follow.

The northern site, comprising over 100 acres, was granted outline planning permission for just over 90,000 square metres of B1 offices and supporting uses in 2011. The Directors intend to develop this portion of the site under the provisions of the joint venture in the coming years and detailed planning permission for the access roads and gateway was obtained in December 2012. A further outline planning application was submitted in October 2012 for significant mixed use development on the northern site including 80,000 square metres of office development, approximately 200 residential units and a related local centre. The Directors anticipate that this revised outline planning permission will be granted in mid 2013.

The southern site was first allocated for residential development in the South East regional plan in 2008 and has subsequently been retained by Runnymede Borough Council in its draft Core Strategy forming part of its LDF as a site to potentially deliver a further 1,300 units and associated physical and community infrastructure. It is anticipated that outline planning on the southern site will be submitted in late 2013 as the Runnymede Borough Council's Core Strategy gets nearer to adoption.

The Directors believe the first residential completions could occur in the autumn of 2014 on the northern site and in 2016 on the southern site. Pursuant to the terms of the joint venture agreement, the Group has pre-emption rights to develop all residential property consented on the site.

Nutricia, Wells

This newly contracted site is located in Wells, on the southern edge of the Mendip Hills. The site extends to 5.5 hectares (13.60 acres). The southern and eastern parts of the site are grassland whilst the majority of the land is covered by concrete slab and hard standing, having been a baby food manufacturing factory until 2003.

The site will be a housing led mixed-use development of 143 residential units. In addition, there is the provision of a care home for 75-90 units on approximately two acres.

The site is held under a contract which is conditional on planning permission being granted. Detailed planning permission is expected in early 2013 and the first residential completions are expected to occur towards the end of 2013.

The Directors believe that the site provides an excellent opportunity for the South West division to develop a flagship site in a high value area.

Oakgrove, Milton Keynes – Marketing name Oakgrove Village

Oakgrove Village is a large housing led mixed-use development being promoted and delivered by the Major Projects division in partnership with the HCA. It will comprise 1,100 units and approximately 5,000 square metres of mixed retail, restaurant/cafe and community buildings.

The Group was selected to construct Oakgrove through an Official Journal of the European Union procurement process judged principally on the basis of design quality and delivery. The Directors believe Oakgrove will further demonstrate the Group's design and sustainability credentials and reinforce its track record as a leader in the creation of sustainable communities.

The land is secured under a development agreement with the HCA which provides for the phased development of parcels of land over a number of years at a land value having regard to the prevailing market conditions at the time the land is drawn down and agreed developer priority returns. The land is drawn down and developed under a building lease.

Outline planning permission for the entire development was granted in 2011. Detailed consent for the initial phases and the mixed use centre was secured in 2012.

Having commenced construction in 2012, the first homes are expected to be available for completion in early 2013. In addition, a significant letting of the main foodstore within the village centre to Waitrose and the resulting forward funding of the whole of the mixed use quarter to the BMW pension fund in September 2012 has underpinned the site's mixed-use development and will lead to the opening of the key commercial areas of the scheme in late spring 2013.

As well as acting as a backbone site for the Major Projects division for the next seven years, the development will also be delivered in part by the South division which will have a second sales outlet in the development with a complementary form of housing to that being sold by the Major Projects division.

Portishead Dockside, Bristol – Marketing Name Port Marine

When complete, the Group will have delivered over 1,300 units and approximately £14.5 million worth of mixed commercial development and supporting facilities around the former Bristol City docks at Portishead.

This has been a long-term development on the site of two former power stations and an industrial dockside acquired freehold from the Central Electricity Generating Board and Bristol City Council in the late 1990s.

Outline planning permission was initially granted in 1997 and several other planning consents have been secured subsequently.

Port Marine is now an active and thriving community with a new school, marina, and related shops and cafes.

As at the end of October 2012, there are over 230 units and £2 million of mixed commercial development left to deliver and the project will constitute one of the main backbone sites for the South West division over the next four years.

St. Peter's Place, London W6

St. Peter's Place is a well-located residential development in a conservation area between Chiswick and Hammersmith. It will consist of 41 one and two bedroom apartments as well as three to five bedroom townhouses.

Detailed planning permission was granted in February 2012. The Group purchased the site in June 2012.

The Directors believe the development is responsive to the scarcity of new homes and pent-up demand in the area and that the Group's focus on design for this development will allow the Group to optimise revenue and enhance sales.

Tadpole Farm, Swindon, Wilts

Tadpole Farm is a site which was converted from the strategic land bank into the short-term land bank in October 2012.

Outline planning permission was granted in September 2012 for 1,695 new homes plus a small district centre.

The land is held under option at a discount to market value and the first phase will be acquired in the first half of 2013.

Tadpole Farm is situated to the North of Swindon and abuts Braydon Mead, a major expansion site of approximately 10,000 dwellings which was developed by the Group and others over the last 20 years. The Directors believe it will provide both development and land trading opportunities for the next twelve years.

West of Bewbush, Crawley – Marketing name Kilnwood Vale

Situated between Crawley and Horsham, this significant former strategic site comprises approximately 2,250 units, a significant district centre with food retail, other supporting retail and offices together with the social infrastructure necessary to create a sustainable community including schools and care homes.

Outline planning permission for the whole development and detailed planning permission for the first phase of development was granted in October 2011.

The site was secured under a series of option agreements with the same vendor, and the Group has recently completed the freehold acquisition of the southern part of the site, which has capacity for over 1,400 new homes and the district centre. The Group retains options over the remaining land comprised in the outline permission.

Infrastructure works to create the entrance gateway have recently commenced and the first residential completions are scheduled for 2013. This development is capable of supporting a number of sales outlets and the district centre is a valuable addition to the heart of the development and will be delivered by the Major Projects division. It also provides flexibility to undertake a number of discrete land sales to other developers to both establish the development and help fund the initial infrastructure works.

With several areas with different characteristics, a district centre quarter and a strong network of parks and public areas, the project will allow the Group to develop and sell residential units from multiple outlets. The site will be a long term backbone site for the South division, as well as a significant development opportunity for the Major Projects division which will deliver the district centre and adjoining residential neighbourhood. With parallel outlets and a mix of uses, the Group expects that this development will continue to deliver new units for the next fifteen years.

Woolston, Southampton – Marketing name Centenary Quay

Centenary Quay is a major project to regenerate the waterfront site of the former Vosper Thorneycroft ship works in Southampton.

The Group, through its Major Projects division, was appointed as development partner to the South East Regional Development Agency in 2006 following a public tender process. Ownership of the site has since passed to the Homes and Communities Agency.

The site benefits from an outline planning permission for 1,653 dwellings, a food store, library and related community facilities as well as a significant marine employment zone (to be delivered by others).

The development, which is anticipated to take ten years to complete, is to be delivered in phases. The Group has drawn the first two phases and completed 65 dwellings in 2012 and expects to complete a further 96 dwellings in 2013.

The remaining 1,350 dwellings and related mixed use facilities are secured through a lock out agreement which provides a mechanism for further phases to be designed and delivered by the Group progressively during the life of the development. These remaining plots do not currently sit within the Group's short term land bank but are anticipated to be drawn down and paid for progressively over the next ten years.

Land purchasing process

All land transactions are subject to the Group's approval procedures, whether acquired by a regional division or the centralised Strategic Projects or Major Projects divisions. The Group has established guidelines and an approval process which must be followed for all acquisitions, overseen by the Group Land and Planning Director. A project committee, including members of the head office management team, reviews the proposed development, including the underlying assumptions related to values, costs and sales rates, as well as the overall design, quality, location and scale of the project prior to the Group entering into a contract in respect of the site. The Group also performs pre-contract legal and technical due diligence to ensure that the proposed site has the necessary title and rights to allow access, servicing, development and sale free of onerous or unknown legal or environmental obligations. The Group also has a land and planning business

improvement workgroup which meets periodically to consider and share land and planning best practice with the relevant employees of the Group.

Development process

Once the Group has contracted to secure a development site, a project team, initially led by the Development Director of the relevant division, will work up the design and planning application for the proposed development. The team will typically include the division's Production Director and Sales Director and members of the division's planning and technical teams with support from the central executive. This team will meet regularly throughout the development and will be responsible for liaising with stakeholders and taking the development through planning up until the site is ready for operational commencement. At this stage, the project committee will again review the development and approve its operational commencement. If approved for construction, the relevant site will become an operational site and leadership of the development will be handed over to the division's Production Director for delivery of the construction process and to the Sales Director for commencement of marketing.

Design, planning and sustainability

The design, planning and regulatory constraints within which UK housing developers operate are highly complex and subject to constant change. For example, the recent change from a centralised national planning approach to a system based on the principles of localism and neighbourhood planning has placed increased demands upon developers to know their areas of operation well and to retain in-house and externally a very high level of skill and expertise.

The Group has a wide product range, varying from homes for first time buyers through to large family homes, which includes a mixture of traditional and contemporary houses and apartments. Product is supplied predominantly for open-market sale with affordable housing comprising between 20 per cent. and 30 per cent. of units delivered. In addition to purely residential sites, the business operates a number of mixed-use developments where the commercial elements help to create the jobs and vitality needed to create thriving and sustainable communities.

The Group has strong and experienced central and divisional land and planning teams led by the Group's experienced senior management. In addition, the Group employs a Group Planning and Design Director to impart good practice, ensure the design standards of the Group are met and, as demands change over time, to evolve marketable and deliverable new product ranges.

The Group seeks to ensure that its developments are aligned with the needs and desires of the local community, are sustainable in form and satisfy the needs of its target customers for a good quality of life today, without compromising the quality of life for future generations. For each site the Group commissions a market analysis of the demand and need for housing with a view to optimising the development. The Group also researches how customers interact with their homes, to ensure in the future the design and delivery of low carbon homes where customers get the full benefits of low running costs associated with modern homes without compromising on the comforts and reliability of traditional homes.

Since 2001, the Group has designed and built developments and homes in line with the principles of Building for Life (the national standard for well designed homes and neighbourhoods, run by the Commission for Architecture and the Built Environment ("**CABE**") and the Home Builders Federation ("**HBF**")) and the UK Government's Code for Sustainable Homes. The Group was awarded eight Gold Standard Building for Life awards by CABE, the most of any developer, between 2003 and 2010. The Group is now assessing the new Building for Life standard released in autumn 2012 to determine how it will help in the benchmarking and design of new sites.

Depending upon the scale and nature of the proposed development, the Group employs appropriate master planners and designers on each of its schemes, from some of the country's leading urban designers to local architects. Developments are designed in conjunction with local stakeholders and communities and seek to integrate the needs of the local community whilst optimising the form of the development. All scheme designs pass through a formal review process and before submission for planning pass through a design review where the quality, form and viability of the scheme are assessed before submission.

Whilst approximately 50 per cent. of the Group's homes are designed and delivered to a general set of standardised footprint designs, the Group will still seek to build these homes in a style which complements the local surroundings. The remaining units, usually associated with larger concept developments, are more bespoke in nature and seek to respond creatively to market need. Landscaping is also a key component in achieving the design concept for each development.

The Group's central design, sustainability and technical teams provide advice and support to all of the Group's housebuilding divisions in relation to site and house style design, product development and technical compliance with Building Regulations standards and the UK Government's Code for Sustainable Homes.

Sales and marketing

The Group's central marketing department co-ordinates all brand collateral, national advertising concepts, digital communications, market research, website design, brochure design and corporate communications and liaises closely with all Group functions and divisional sales departments. The Group's principal marketing channels are its show homes, website and local print advertising. The Group expects to launch in early 2013 a comprehensive new web site and supporting digital communications strategy. A new customer relationship management system is also expected to be implemented at the same time. The Directors believe that these two projects will further enhance the Group's ability to drive sales volumes and seek competitive advantage by making full use of digital technology throughout its sales process.

The Directors believe that the perception and reputation of the Group's brand is of the utmost importance. The Group seeks to safeguard and support its brand by following a consistent approach to the communication of the Group's brand under the control of the Group Marketing Director. The Group's sales and marketing literature is developed in a consistent visual style which serves to build recognition of the Group's brand and strengthen its corporate identity.

The Group trains its sales teams extensively to ensure they maintain knowledge of market trends and have the skills to guide customers through the home buying process. The Group's sales training was awarded a cross-sector regional and national 'National Training Award' in 2010.

The divisional sales and marketing departments are responsible for the preparation and management of advertising campaigns and the design of the marketing collateral and online content for each development.

Each development has dedicated sales advisers, overseen by a sales manager, who have detailed knowledge of the product offerings in a particular development and of the local market. The sales adviser handles the sales process from initial enquiry through to legal completion, and ensures that the customer is fully updated with the progress of his or her new home.

The Group constructs show homes at each development as early as possible in the development cycle to provide potential customers with an example of a fully finished product. This allows the Group to market sales for a site prior to the completion of construction at that site, resulting in sales being achieved ahead of units being fully constructed. The Group typically has one sales outlet for each development, although on larger sites it may have multiple sales outlets. The Group had an average of 39 sales outlets for the year ended 31 October 2012 and an average of 38 sales outlets for the year ended 31 October 2011. Show-home interior design is handled by external experts, who develop imaginative designs to meet the requirements of the target market and product mix at each development and work alongside divisional sales directors and their sales departments.

The Group takes reservations for properties, also referred to as forward sales, whereby potential purchasers pay a deposit in order to reserve a property ahead of legal completion. At the time of the reservation, the Group checks the credit of the potential purchaser. The Group typically seeks to exchange contracts with a purchaser within six to eight weeks after taking the reservation, at which time the transaction is binding. At that time, the purchaser provides a further deposit, typically 10 per cent. of the purchase price. The purchaser then pays the remainder of the purchase price of the unit upon legal completion. The Group took reservations for a total of 1,364 open market units during the year ended 31 October 2012, compared to reservations for a total of 1,180 open market units during the year ended 31 October 2011.

As at 31 October 2012, forward sales for 2013 and later years amounted to £129.6 million (2011: £142.2 million). Open market forward sales, at £80.3 million at 31 October 2012, representing 294 units, were £14.4 million higher than the £65.9 million of open-market forward sales in place at 31 October 2011, representing 272 units. Whilst approximately 23 per cent. of open market completions in the financial year ended 31 October 2012 were completions on forward sales made in the financial year ended 31 October 2011, the Directors believe that approximately 19 per cent. of the budgeted open market sales for the financial year ending 31 October 2013 will be completions on forward sales made in the financial year ended 31 October 2012.

Forward sales of affordable units at 31 October 2012 were £49.3 million, representing 543 units, which was £27.0 million lower than the £76.3 million at 31 October 2011, representing 675 units. Contracts for affordable sales are typically large and the timing of (i) entering into contracts; (ii) making affordable land sales; and (iii) delivering unit practical completions can distort the affordable forward sales position.

The Group uses part exchange, whereby a purchaser sells his existing home to the housebuilder and uses the funds obtained to contribute to the purchase price of a new home purchased from the housebuilder, as a sales incentive on a limited basis. The Group purchases such homes based on appraisal valuations at prices which it anticipates it can readily market such homes and generally places these homes on the market immediately. As at 31 October 2012, the Group's stock of legally completed part exchange properties was £2.2 million. The number of units using this part exchange incentive in the financial year ended 31 October 2012 amounted to 7.6 per cent. of the total number of open market units legally completed by the Group during this period.

The Group also operates three shared equity schemes to assist purchasers – Easybuy, HomeBuy Direct and FirstBuy. For full details of how these schemes operate, see Section B – "Glossary of terms, phrases and unaudited metrics". The total value of the Group's interest in the loans under these schemes was £31.1 million as at 31 October 2012, which related to 104 units under the FirstBuy scheme, 417 units under the HomeBuy Direct scheme and 789 units under the EasyBuy scheme.

The Group also assisted in the development and launch of the NewBuy mortgage indemnity scheme established by the Government and the HBF in March 2012. The Group currently operates the scheme with two participating mortgage lenders. From the launch of the scheme to 31 October 2012 the Group completed 25 units and had forward sales of 20 units under the scheme. For further details on the scheme see Section B of Part 10: "Glossary of terms, phrases and unaudited metrics".

The Group has also successfully bid for opportunities under the Get Britain Building scheme, which provides loans from the Government and which has enabled the Group to bring forward seven new schemes representing 709 new homes. The Group is continuing to progress additional applications under this scheme.

Total housebuilding completions for the financial year ended 31 October 2012 were 1,882. Open market completions were 21.8 per cent. higher at 1,342 compared to 1,102 in the 2011 financial year. The provision of affordable housing delivered pursuant to section 106 agreements remains a key component of the Group's activities with 540 homes completed for housing association partners, or approximately 29 per cent. of all units completed, during the financial year ended 31 October 2012 at an average sales price of £145,000. Affordable housing completions were 29.2 per cent. higher at 540 in the financial year ended 31 October 2012 compared to 418 in the 2011 financial year.

Cancellations are deducted from open market reservations in the month in which the cancellations occur. The rate of cancellation for the year ended 31 October 2012 was 13.6 per cent., compared to a rate of 12.6 per cent. for the year ended 31 October 2011.

Customer experience

The Group is committed to delivering excellent products and services to its customers and constantly seeks feedback, monitors performance and applies best practice across the divisions. The Group has achieved a five star HBF independent accreditation for customer service for the last three years and continually seeks to improve customer service. During the financial year ended 31 October 2012, nine out of 10 of Group customers independently surveyed by the HBF said they would recommend the Group to a friend.

Technical design, procurement and construction

Currently the Group has 50 sites under construction and in the financial year ended 31 October 2012 spent £242 million on construction activities and related design fees.

The increasingly complex regulatory framework in which the industry operates requires that, as designs evolve and are amended during the planning process, the Group must work to ensure that they remain cost effective and implementable (as it takes a long time to change approved designs). To assist in this goal, the Group has appointed panels of designers for each discipline, which ensures that the knowledge gained from previous schemes is subsequently used in the development of new schemes, thereby avoiding extra costs and delays. These panel consultants are appointed through a formal selection process and added to periodically to keep the panels fresh. Their terms of appointment require peer review sessions to ensure that consistent standards of design are maintained across the business.

The appointment and timely development of technical designs is the responsibility of the technical executive and central technical team. This is an increasingly critical role which seeks to address the often conflicting local and national design standards. Working alongside the technical teams are the commercial and build teams which seek out engineering solutions and ensure designs can be built.

The Group has introduced long-term Group-wide partnering with a number of its core suppliers. This includes consultants and architects, technical designers, product suppliers and sub-contractors. In addition, it secures materials through Group Trading Agreements negotiated annually or biannually by the various divisional buyers on behalf of the whole Group.

The Group's on-site construction management teams typically comprise a site manager and an assistant site manager who manage sub-contracted trades such as ground workers, bricklayers, plumbers, joiners and electricians and the material supplies purchased directly by the Group. The majority of the construction is therefore carried out by subcontractors. Whilst it is the site manager's responsibility to ensure that the quality of construction and workmanship meets the Group's standards, the customer experience team also conducts an inspection prior to handover to the customer.

Regulatory and environment

The Group operates in a regulatory environment which is continuously changing, especially in respect of building regulations, planning requirements and environmental and sustainability requirements. This demands a new and more integrated approach to the design, build and sustainability of developments generally and a site specific approach to the improvement of the fabric performance of houses and the deployment of new renewable technologies. The Group works at all levels with government, the HBF and the associated stakeholders and trade bodies such as the Zero Carbon Hub in helping to shape the nature of future regulatory change in these areas.

While the Group seeks to comply with all relevant regulations, the Group also takes a progressive approach to the integration of wider sustainability principles into its developments. For example, in each of 2009, 2010, 2011 and 2012 the Group was ranked second under the independent sustainability audits sponsored by HCA and others which identifies the contribution which home builders and housing developers make to the delivery of a sustainable, low carbon built environment. This consistently high level of performance demonstrates that the Group's focus on sustainability and low carbon strategies and its comprehensive reporting, including its Sustainability Reports, have enabled the Group to be one of the leaders in this aspect of the sector.

The UK housebuilding industry is also following a very prescribed and far reaching regulatory driven change towards the delivery of ever more demanding lower and ultimately zero carbon homes. The UK Government, in its "2016 Commitment", has set a target for housebuilders to build all new homes with zero carbon emissions by 2016 under the Code for Sustainable Homes. In response to this, the Group has established and seeks to follow a sustainability and environmental agenda with a sustainability team of three employees leading the Group's innovation, research and development.

The Group helped to establish the AIMC4 Consortium ("**AIMC4**") to work with the Stewart Milne Group and Barratt Developments plc, the building material manufacturer, H+H UK Ltd, and the Building Research

Establishment to research, develop and deliver design-led, affordable, low carbon homes. In 2012, the first homes designed through this process were completed at the Group's Noble Park site in Epsom. AIMC4 is supported by the UK Technology Strategy Board (the "**TSB**"), which contributed £3.2 million of funding in 2011, and the Directors believe that this project is a first step which will contribute significantly to the Group's transition to a cost effective low carbon future. The Group delivered 45 per cent. of its homes to level 3 and above of the Code for Sustainable Homes (a measure of development in sustainability in home design) in the financial year ended 31 October 2012, of which 15 per cent. of homes were delivered to code level 4 or above.

Throughout this period of transition to zero carbon homes, the Group aims to continue to understand and deliver customer focused and advanced designs (being designs which will be reliable in use and cost effective and easy to run). With this in mind the Group has commissioned further TSB funded research into the "as built" performance of a number of its homes and some of the low carbon community heating systems which support them. This work is ongoing by the Group.

In 2012, to supplement its commitment to wider sustainability objectives, the Group introduced a new environmental management system and conducted training courses throughout the business to ensure that the system is both understood and followed. The Group also embarked on a review of its sustainability strategy to ensure that it maintains its position ahead of emerging trends over the next five to ten years. A team of 30 employees from different levels and disciplines across the Group identified and considered those issues which may affect the Group in the future, including: increasing customer expectations for high quality design, product and service, societal demand for transparency including responsible business practices, the impact of changing demographics, supply chain skills and capacity, and the impact of climate change and availability of natural resources.

The Group is developing a strategic framework which will respond to these issues. The Directors believe this will ensure that the Group continues to focus on long-term value creation within a sustainable business model, capable of delivering value now and into the future. As part of this process, the Group is engaging in constructive two-way dialogue with its key stakeholders, including local authorities, development partners and suppliers, to invite insight and comment to inform the development of the strategy.

Health and safety

The Group's approach to continually improving its health and safety performance is focused on hazard elimination, risk reduction, regular monitoring, individual behaviour, training and auditing. The Group aims to promote a culture in which occupational health and safety is an integral part of every business discipline, with the Chief Executive, Stephen Stone, being responsible for health and safety matters thereby ensuring that health and safety management is led from the top.

A dedicated team of four employed health and safety practitioners work under the direction of the Chief Executive and the Group Production Director and they help implement the Group's policy and ensure resources are in place to deliver the Group's annual health and safety objectives.

The Group's reportable Annual Injury Incidence Rate ("**AIIR**") was 477 per 100,000 persons employed during the financial year ended 31 October 2012. The Group reported an AIIR of 342 in the financial year ended 31 October 2011 and 615 in the financial year ended 31 October 2010. The AIIR is a key performance indicator which the Group uses to measure health and safety performance in its business on a monthly and annual basis. The overall construction industry AIIR was 536 in 2011 (2012 data is not yet available) and the HBF AIIR was 493 in 2012. AIIR is calculated by (number of injuries reported to the HSE/total number of employees) x 100,000.

All housebuilding divisions within the Group are certified to the health and safety standard BS OHSAS 18001 which is verified by a programme of internal auditing. This demonstrates the commitment to have consistent and appropriate standards in place. The Group conducts regular inspections of all construction sites for compliance against the Group's standards and legal requirements for health and safety. Third-party site inspections are also carried out monthly at each active site by safety practitioners from the National House Building Council ("**NHBC**") who review the sites for health, safety and environmental issues.

In 2013, the Group plans to focus on ensuring that all construction sites apply enhanced standards for managing risks associated with temporary works, improve the design and management of fire risks associated with timber frame buildings, increase the number of contractors and subcontractors involved in the Group's worker engagement initiative and improve the quality of the visitor's induction for construction sites.

Insurance

The Directors believe that the scope of insurance coverage taken out by the Group is in line with the practices of other companies operating in the housebuilding industry. The Directors consider the Group's insurance coverage to be adequate both as to risks and amounts for the business the Group conducts.

Intellectual property

The Group has eight trademarks to protect its brand. The Group also owns a number of domain names for itself and its developments.

Information technology systems

In 2009, the Group outsourced the majority of its technical support to Computacenter. The Group's core systems are hosted in a Computacenter data centre. A second data centre for disaster recovery can be live within 24 hours.

The Group uses a number of core systems. Agresso Business World, an enterprise resource planning system from Unit4 is used throughout the Group for accounting, procurement of all services, materials and subcontracts and operational budgeting and control. COINS HouseSales and Customer Care is used throughout the Group for marketing, managing prospects, and fully supporting the sales and aftersales processes. The Group uses Resourcelink and MyView, NorthgateArinso's human resources and payroll software. The Group also uses IBM Cognos for business models and business intelligence toolsets used for financial forecasting, profit recognition, cash forecasting, project performance monitoring and sustainability reporting.

Recent key initiatives have increased efficiency through business process redesign and improvement and through the introduction of workflow to automate tasks. The Group has also sought to implement information and analysis tools which allow the business to make informed decisions.

Current key projects include a new server and storage area network infrastructure and a review of the marketplace in advance of the potential renewal of the Computacenter outsourcing agreement. The Group is also planning to introduce a new website and new customer relationship management ("**CRM**") system in 2013. The CRM system will integrate fully with the new website and other digital marketing activities.

Employees

The following table sets out the number of the Group's employees as at the dates indicated:

	As at 31 October		
	2010	*2011*	*2012*
Total	482	535	572

The Directors believe that the relationship between its management and its employees is stable. Employees are not unionised.

The Group recognises that the calibre of its employees is one of its key strengths and is therefore committed to their development and training. Related initiatives include regular reviews with staff; training programmes in sales, management, systems and IT, leadership development and anti-bribery regulation; and succession planning. Moreover, the Group is committed to ongoing graduate recruitment and training and has increased its investment in apprenticeships and related training. As at 31 October 2012, the Group employed 45 apprentices on formal training schemes. The Group is also committed to compliance with the Construction Skills Certification Scheme.

Dividends and future dividend policy

The Directors intend to adopt a progressive dividend policy to reflect the cash flow generation and long-term earnings potential of the Company.

If the Company makes a post-tax profit in respect of the financial year ending 31 October 2013, subject to the requirements of the Act, it intends to pay a dividend for the full year in the first quarter of calendar year 2014. If paid, the Board currently expects this dividend will be used as a base for future full year dividend payments.

The ability of the Company to pay dividends is dependent on a number of factors and there is no assurance that the Company will pay dividends or, if a dividend is paid, what the amount of such dividend will be (See: Risk Factors: "There are no guarantees that the Company will pay dividends or the level of any such dividends").

The Company is a guarantor and Castle Bidco, a wholly owned subsidiary within the Group, is the borrower and guarantor under both Amended Facility Agreement A and Facility Agreement B (these being the Group's external financing arrangements, in the case of Amended Facility Agreement A with certain of its shareholders and in the case of Facility Agreement B with third party lenders). With effect from Admission, save where the Company notifies its lenders that it intends to exercise its rights to use a financial covenant based on interest cover and cashflows (the "**Covenant Switch**"), neither Amended Facility Agreement A nor Facility Agreement B prevents or otherwise restricts (a) Castle Bidco from paying any dividends or making any other distributions to its immediate parent company, being the Company and (b) the Company from paying any dividends or making any other distributions to its shareholders. In the event of a Covenant Switch, Castle Bidco and the Company will be unable to pay dividends or make any other distribution for a period of four consecutive quarter dates commencing from the date on which the Company gives notice to its lenders of the Covenant Switch. Further details of Amended Facility Agreement A and Facility Agreement B are set out in paragraphs 16.4 and 16.5 of Part 9: "Additional Information".

PART 3

DIRECTORS, SENIOR MANAGEMENT AND CORPORATE GOVERNANCE

1. DIRECTORS AND SENIOR MANAGEMENT

Directors

The following table lists the names, ages and positions of the Directors:

Name	*Date of birth*	*Position*
William Rucker	18 June 1963	Non-Executive Chairman
Stephen Stone	1 February 1954	Chief Executive
Patrick Bergin	23 March 1966	Group Finance Director
Jim Pettigrew	28 July 1958	Senior Independent Non-Executive Director
Malcolm McCaig	25 May 1955	Independent Non-Executive Director
Pam Alexander OBE	17 April 1954	Independent Non-Executive Director

The business address of each of the Directors is Crest House, Pyrcroft Road, Chertsey, Surrey KT16 9GN.

The management expertise and experience of each of the Directors is set out below.

William Rucker, *Non-Executive Chairman*

William Rucker was appointed as Chairman in September 2011. He is Chief Executive of Lazard in the UK, Chairman of Quintain Estates & Development plc and Non-Executive Director of Rentokil-Initial plc.

Stephen Stone, *Chief Executive*

Stephen Stone joined the Group in 1995 and was appointed to the Board in 1999 becoming Chief Executive on 1 November 2005. He is the Board member responsible for Health & Safety. He is a Chartered Architect with over 30 years' experience in the construction and housebuilding industry and in 2011 he joined the HBF Board as a non-executive director.

Patrick Bergin, *Group Finance Director*

Patrick Bergin joined the Group in 2006 and became Group Finance Director in 2011. He is a Chartered Accountant with 18 years' experience and has worked in a range of industries and companies including Touche Ross (now Deloitte), Reed Elsevier and the BOC Group, in various finance roles.

Jim Pettigrew, *Senior Independent Non-Executive Director*

Jim Pettigrew qualified as a Scottish Chartered Accountant (CA) with Ernst & Young, before undertaking a number of commercial finance roles in Scotland, and subsequently joining Sedgwick Group PLC as Group Treasurer and Deputy Chief Financial Officer. In addition, he was the Chief Financial Officer for ICAP PLC, and later Ashmore Group PLC as part of the team that floated the business on the London Stock Exchange.

He later spent time as Chief Executive of CMC Markets PLC, and is currently Chairman of Edinburgh Investment Trust Plc, Deputy Chairman Royal Bank of Canada Europe, Chairman of the Audit Committee at Aberdeen Asset Management plc and Clydesdale Bank plc and non-executive director at Hermes, AON UK Ltd and Pacific Investments. Jim is a member of the Association of Corporate Treasurers and a Fellow of the RSA.

Malcolm McCaig, *Independent Non-Executive Director*

Malcolm McCaig joined the Board in April 2009. He is Chairman of Kent Reliance Provident Society and Chairman of Caley Limited. He also holds a number of other independent director roles, including London

Capital Group Holdings plc, Unum, Renaissance Capital, and Jubilee. He is a former partner with Deloitte as well as Ernst & Young and is a technical specialist in risk management, finance, corporate governance, regulatory compliance, IT and change management.

Pam Alexander OBE, *Independent Non-Executive Director*

Pam Alexander, the former Chief Executive of the South East England Development Agency (SEEDA), joined the Board on 5 December 2011. She has more than 35 years of experience in the public, private and not-for-profit sectors, having worked closely with boards and government ministers to deliver housing and regeneration across England. She is Chair, from 1 February 2013, of the Covent Garden Market Authority, a member of the Mayor of London's Design Advisory Group, and a non-executive Director of the Design Council, Design Council Cabe, the Academy of Urbanism and Brighton Dome and Festival Ltd.

Senior Management

In addition to the Executive Directors, the current members of the senior executive management team with responsibility for day-to-day management of the Group's business and their respective ages and positions are:

Name	*Date of birth*	*Position*
Chris Tinker	11 October 1960	Regeneration Chairman
Steve Evans	8 September 1961	Group Production Director
Robin Hoyles	17 March 1954	Group Land and Planning Director
Kevin Maguire	3 April 1984	Group Company Secretary

The business address for the Senior Management is Crest House, Pyrcroft Road, Chertsey, Surrey KT16 9GN.

The management expertise and the experience of each of the members of Senior Management are set out below.

Chris Tinker, *Regeneration Chairman*

Chris Tinker, a Chartered Builder, joined the Group in 1988. Through the 1990s he was instrumental in the acquisition and master planning of several of the Group's major residential projects, leading to his appointment in 2002 as Managing Director of Crest Nicholson Developments. Chris joined the executive management team in 2007 and is now Regeneration Chairman and is also responsible for sustainability strategy. He is also a Director of the Enterprise M3 Local Enterprise Partnership and advisor to the HCA's Design and Sustainability Advisory Group.

Steve Evans, *Group Production Director*

Steve Evans was appointed to the executive management team in January 2011. He had previously served with the Group from 1995 for nine years. He is currently the Group Production Director and, on an interim basis, the Managing Director of the South Division. He was previously Managing Director of the then Eastern Division. Prior to rejoining the Group in 2009 he was the Chief Executive of the Anderson Group.

Robin Hoyles, *Group Land and Planning Director*

Robin Hoyles joined the Group in May 2011 and was appointed to the executive management team in December 2011. He was previously with Countryside Properties for more than 17 years as Managing Director of their Special Projects division. He is a solicitor and prior to joining Countryside was in private practice in London.

Kevin Maguire, *Group Company Secretary*

Kevin Maguire joined the Group in March 2008 and became Group Company Secretary in January 2009. Having a legal background, he is a Chartered Secretary and previously held roles in retail, pensions and technology.

2. CORPORATE GOVERNANCE

General

The UK Corporate Governance Code published by the Financial Reporting Council in September 2012 (the "**UK Corporate Governance Code**") provides that the board of directors of a company with a premium listing should include a balance of executive and non-executive directors (and in particular independent non-executive directors), with independent non-executive directors (excluding the Chairman) comprising at least one-half of the board. The UK Corporate Governance Code states that the board should determine whether a director is independent in character and judgement and whether there are any relationships or circumstances which are likely to affect, or could appear to affect, the director's judgement. Save as described below, at the date of this document, the Board complies with the UK Corporate Governance Code.

William Rucker, the Non-Executive Chairman of the Company, is not considered to be independent for the purposes of the UK Corporate Governance Code as a result of his role as the Chief Executive of Lazard in the UK (the financial adviser to the Company) and his interest in the Ordinary Shares of the Company. However, the Directors believe that William Rucker's knowledge and understanding of the Group's business will continue to be an asset to the Group in the future. The Directors believe that the Executive Directors and the Senior Management, in conjunction with the Non-Executive Directors, are the appropriate team to enable the Group to take advantage of the growth opportunities available to it and to continue to position the business for the long-term and for the benefit of Shareholders as a whole. The Directors recognise that a non-independent Chairman does not comply with the recommendations of the UK Corporate Governance Code, but believe the continuity that William Rucker provides to be in the best interests of the Company and its Shareholders as a whole.

The UK Corporate Governance Code recommends that the board should appoint one of its independent non-executive directors to be the senior independent non-executive director (the "**SID**"). The SID should be available to Shareholders if they have concerns that the normal channels of Chairman, Chief Executive or other executive directors have failed to resolve or for which such channel of communication is inappropriate. The Company's SID is Jim Pettigrew.

As envisaged by the UK Corporate Governance Code, the Board has also established: an audit committee, a nomination committee and a remuneration committee. If the need should arise, the Board may set up additional committees as appropriate.

Audit committee

The audit committee's role is to assist the Board with the discharge of its responsibilities in relation to internal and external audits and controls, including reviewing the Group's financial statements, monitoring the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance, reviewing significant financial reporting judgements contained in the financial statements and announcements, considering the scope of the annual audit and the extent of the non audit work undertaken by external auditors, advising on the appointment of external auditors, reviewing and monitoring the auditors' independence and objectivity and the effectiveness of the audit process and reviewing the effectiveness of the internal control systems in place within the Group. The audit committee will also be responsible for arrangements in relation to whistleblowing and the Group's procedures for detecting fraud, systems and controls for the prevention of bribery and the adequacy and effectiveness the Group's anti-money laundering systems and controls.

The terms of reference of the audit committee cover such issues as membership, the frequency of meetings, requirements of any quorum for and the right to attend meetings, duties and reporting responsibilities of the audit committee. The terms of reference also set out the authority of the audit committee to carry out its duties. The audit committee will normally meet not less than 3 times a year.

The audit committee is chaired by Malcolm McCaig and its other members are Jim Pettigrew and Pam Alexander. The UK Corporate Governance Code recommends that all members of the audit committee be non-executive directors, independent in character and judgment and free from any relationship or circumstance which may, could or would be likely to, or appear to, affect their judgment.

Nomination committee

The nomination committee assists the Board in determining the composition and make up of the Board. It is also responsible for periodically reviewing the Board's structure, size and composition and identifying potential candidates to be appointed as Directors, as the need may arise. The nomination committee also reviews the balance of skills, knowledge and experience of the Group's senior management and to identify potential skills gaps and assess the need for any additional non-board management resource and give full consideration to succession planning in the course of its work, taking into account the challenges and opportunities facing the Group and what skills and expertise are therefore needed on the Board and throughout the Group in the future.

The terms of reference of the nomination committee cover such issues as membership, the frequency of meetings, requirements of any quorum for and the right to attend meetings and duties of the nomination committee. The terms of reference also set out the authority of the nomination committee to carry out its duties. The nomination committee will meet when appropriate and is attended, by invitation, by other senior personnel as appropriate.

The nomination committee is chaired by Jim Pettigrew and its other members are Malcom McCaig and Pam Alexander. The UK Corporate Governance Code recommends that a majority of the nomination committee be non-executive directors, independent in character and judgment and free from any relationship or circumstance which may, could or would be likely to, or appear to, affect their judgment.

Remuneration committee

The remuneration committee recommends what policy the Company should adopt on executive remuneration and determines the levels of remuneration for each of the Chairman, Chief Executive and Executive Directors and recommends and monitors the remuneration of members of Senior Management. The remuneration committee will review the ongoing appropriateness and relevance of the remuneration policy. The remuneration committee will also generate an annual remuneration report to be approved by the members of the Company at the annual general meeting.

The terms of reference of the remuneration committee cover such issues as membership, the frequency of meetings, requirements of any quorum for and the right to attend meetings, duties and reporting responsibilities of the remuneration committee. The terms of reference also set out the authority of the remuneration committee to carry out its duties. The remuneration committee will normally meet not less than twice a year.

The remuneration committee is chaired by Jim Pettigrew and its other members are Malcolm McCaig and Pam Alexander. The UK Corporate Governance Code recommends that all members of the remuneration committee be non-executive directors, independent in character and judgment and free from any relationship or circumstance which may, could or would be likely to, or appear to, affect their judgment.

Share dealing code

Upon Admission, the Company will adopt a code of securities dealings in relation to the securities of the Group which is based on, and is at least as rigorous as, the model code as published in the Listing Rules. The code adopted will apply to the Directors and other relevant employees of the Group.

3. CONFLICTS OF INTEREST

William Rucker (the Non-Executive Chairman of the Company) is the Chief Executive of Lazard in the UK (the financial adviser to the Company) and the Chairman of Quintain Estates & Development plc with whom the Group has previously entered into joint venture development agreements and may also in the future enter

into joint venture development agreements with (as further described in paragraph 5 of Part 9: "Additional Information"). However, as discussed in paragraph 2 above, the Directors believe that William Rucker's knowledge and understanding of the Group's business will continue to be an asset to the Group in the future.

Save for these matters, there are no potential conflicts of interest between any duties owed by the Directors or any member of Senior Management to the Company and their private interests or other duties.

4. FSA PROPOSALS IN RELATION TO CONTROLLING SHAREHOLDERS

On 2 October 2012, the FSA published consultation paper CP12/25 ("**CP12/25**") proposing a number of changes to the Listing Rules relating to (amongst other things) additional requirements where an issuer with a premium listing has a controlling shareholder. For these purposes, a controlling shareholder is essentially a shareholder controlling 30 per cent. or more of the voting rights attaching to an issuer's shares.

In summary, CP12/25 proposes the introduction of an express requirement in the Listing Rules for a relationship agreement governing the interaction of a premium listed issuer and a controlling shareholder and sets out draft rules detailing the provisions that should be contained in this relationship agreement and requiring any material amendments to its terms to be subject to the prior approval of independent shareholders. In addition, the draft rules forming part of CP 12/25 also includes a proposal that where an issuer with a premium listing has a controlling shareholder, the issuer would be required either to have a majority of independent directors or for an independent chairman and other independent directors to make up a majority of the board of directors. Furthermore, ongoing compliance with this draft provision is proposed to be made a continuing obligation under the Listing Rules.

As at the date of this document, the FSA has yet to introduce any amendments to the Listing Rules to reflect some or all of the proposals set out in CP12/25. Notwithstanding this, given that immediately following Admission (assuming no exercise of the Over-allotment Option) Värde will own, directly or indirectly, 35.0 per cent. of the issued share capital of the Company, Värde and the Company have entered into a Relationship Agreement which will have effect from Admission. The Relationship Agreement has been drafted in accordance with the proposals set out in CP12/25 regarding the terms of such agreements and is intended to ensure that the Company and the Group are capable of carrying on independently of Värde, its associates and persons acting in concert with it or its associates, at all times after Admission in accordance with the terms of the Relationship Agreement.

As mentioned above, the draft rules in CP 12/25 also includes a proposal that where an issuer with a premium listing has a controlling shareholder, the issuer should be required either to have a majority of independent directors or for an independent chairman and other independent directors to make up a majority of the board of directors. In contrast to the proposal in CP 12/25, the UK Corporate Governance Code currently only recommends that at least half of the board of a premium listed issuer (excluding the chairman) to be independent. Although the Company does not currently comply with the draft proposal in CP12/25, it does comply with the requirements set out in the UK Corporate Governance Code. In the event that this proposal in CP12/25 is enacted, the Company intends to take steps to comply with any such requirement by appointing an additional independent non-executive director to the Board.

The Directors believe that the terms of the Relationship Agreement will enable the Group to carry on its business independently of Värde and ensure that all agreements and transactions between the Group and Värde and/or its associates and/or persons acting in concert with it or its associates will be at arm's length and on a normal commercial basis. For further information in relation to the key terms of the Relationship Agreement, please see paragraph 16 of Part 9: "Additional Information".

PART 4

OPERATING AND FINANCIAL REVIEW

The following operating and financial review is intended to convey Directors' and Senior Management's perspective on the operating performance and financial position of the Group during the period under review, as measured in accordance with EU IFRS. The discussion should be read in conjunction with Part 6: "Financial Information".

The following review contains forward-looking statements that are based on assumptions about future business developments and that involve risks and uncertainties. The Group's actual results could differ materially from those anticipated in the forward-looking statements as a result of various factors, including those discussed below and elsewhere in this document, particularly under the headings "Risk Factors" and "Information regarding forward-looking statements".

*In this operating and financial review, references to the "**2010 financial year**", the "**2011 financial year**", and the "**2012 financial year**" refer to the Group's financial years ended 31 October 2010, 2011 and 2012, respectively. This section discusses certain non-EU IFRS measures. Please refer to Part 3: "Presentation of Information" of this document and Section 3: "Key Performance Indicators" of this Part 4 for further information in relation to those measures.*

1. Overview

The Group is a leading residential developer operating in the southern half of England with an emphasis on creating well designed homes in sustainable communities. The Group focuses on both greenfield and brownfield housing sites in prime areas of the southern half of England, including London. The Group has a wide product range, varying from homes for first time buyers through to large family homes, and includes a mixture of houses, apartments and supporting commercial premises as part of its larger developments.

The Directors believe the Group occupies a distinctive position in the UK housing market. The Group's geographic area of focus, design quality and product positioning delivers the highest open market average sales prices and sales per outlet per month of all but one of its Publicly Reporting Peer Group (which peer focuses predominantly on London). In addition, with its commitment to designing well planned developments, the Group has a proven track record of obtaining planning consents and delivering award-winning, high-quality sustainable residential communities.

The Group has four regional housebuilding divisions: Eastern, South, South West and London. The Group's fifth housebuilding division is the Major Projects division which specialises in larger scale partnerships with public and private vendors, including residential and mixed-use developments, across all core regions of the business. The Group also has a Strategic Projects division which focuses on sourcing, promoting and delivering large-scale sites which do not have planning consent and are not allocated for development by the local authority at the point the Group secures these sites. These sites are promoted for medium to long term development by the Group. This year the Group will celebrate 50 years of operation, 39 years of which, from 1968 to 2007, were as a company admitted to the Official List and to trading on the London Stock Exchange's main market for listed securities.

In respect of the financial year ended 31 October 2012, the Group completed sales of 1,882 units and had revenue of £408.0 million, operating profit of £73.3 million and operating margin of 18.0 per cent. As at 31 October 2012, the Group's short-term land bank consisted of 16,959 plots and its strategic land bank consisted of 12,623 plots. The Group had 50 developments in production and 39 sales outlets as at 31 October 2012. The Group has achieved a ROCE of approximately 20 per cent. in each of the last two financial years.

2. Certain Factors Affecting the Group's Results of Operations

The principal factors that affect the Group's results of operations include:

- market conditions, mortgage availability and the Group's responses;
- the land bank, its carrying value and commercial terms;
- number of sites, rates of sale and site product mix;
- build costs and other drivers;
- seasonality;
- the restructuring of the Group's financing arrangements; and
- tax position and deferred tax asset.

2.1 *Market conditions, mortgage availability and the Group's responses*

The Group's business is dependent upon the overall condition of the UK residential housing market, especially in the southern half of England. Consequently, the Group is impacted by the macroeconomic conditions in the UK which are in turn influenced by the macroeconomic conditions in Europe and the global economy. The onset of the financial crisis in the last quarter of 2007 precipitated a significant decline in the housing market. Between September 2007 and June 2009, average house prices and total housing transactions in the UK decreased by 20 per cent.[19] and 50 per cent.[20] respectively. Recent financial and political crises in the eurozone, attempts by the UK government to reduce the deficit and adverse global economic conditions continue to affect the UK residential housing industry and the Group.

Notwithstanding these conditions, since June 2009, the market has experienced a period of gradual recovery. Between June 2009 and September 2012 average house prices and total housing transactions have risen by approximately 2 per cent.[21] and 15 per cent.[22] respectively, albeit there are significant regional variations. In the five years to September 2012, regions in England experienced price declines of between 15.0 and 24.0 per cent.[23]. The South West and South East of England, East Anglia and Greater London demonstrated the lowest net price declines with declines of between 15.0 per cent. and 16.0 per cent.[24]. See Part 1: "Industry Overview" for further detail. Whilst volumes have recovered from their lows, they remain at levels below those reached prior to 2007.

Over the last three years, the UK has experienced a recession and periods of slow economic growth and may continue to experience extended periods of poor economic growth, the effects of which may include higher unemployment and diminished or low consumer confidence and consumer demand. Moreover, availability of finance for the Group's customers has been constrained and the Directors believe the current level of availability of mortgage finance, including the reduction in the number of mortgage lenders and changes in lending policies, will continue for the foreseeable future. The effects of these changes are particularly acute for purchasers, such as first-time buyers, requiring mortgages with higher loan-to-value ratios. Taken together, these factors have had an adverse impact on the UK housing market and it is the Group's expectation that conditions will not materially improve in the near term.

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19 Source: Halifax.

20 Source: HMRC.

21 Source: Halifax.

22 Source HMRC.

23 Source: Halifax.

24 Source: Halifax.

In response to the downturn in the housing market from late 2007, the Group took steps beginning in the 2008 financial year and continuing in the 2009 financial year to reprioritise its objectives and reorganise its business in accordance with the prevailing market conditions. For example, the Group closed three of its six regional residential housing divisions and reduced its headcount by nearly 50 per cent., from 785 employees in October 2007 to 436 employees in October 2009. The Group also chose to reduce land buying significantly, delay the operational commencements of certain developments and not acquire sites under option to conserve cash and reduce risk, in part due to the constraints placed upon the Group by its lenders. As a result of these measures, the Group's inventory of unreserved build stock was reduced from approximately 400 units in October 2008 to approximately 200 units in October 2009. This reduction in operations resulted in a reduction in the Group's ability to deliver units in the 2010 and 2011 financial years. In addition, the Group renegotiated prices with suppliers and subcontractors and replanned and renegotiated the section 106 agreements on certain sites, to reduce densities and to improve returns.

From the middle of 2010, the Group responded to the gradual improvement in market conditions by negotiating with its lenders to enable it to relax the constraints imposed by the March 2009 refinancing to enable it to return to land buying and to grow the business while continuing to manage closely its cash commitments. As part of this, 28 sites which had been mothballed were progressively started from mid-2010 where and when the market fundamentals were supportive. The Group also acquired 11 sites with 1,010 plots and achieved planning consent on a further 983 plots thereby converting those plots from the strategic land bank through into the short-term land bank in the 2010 financial year.

In 2011, in response to the stabilising market conditions, the Group formed its London division, including the opening of an office in London, in order to bring additional focus to the Group's London operations.

The following table sets out information on the Group's revenues, site acquisitions, legal completions and open market average sales prices for the periods indicated:

	For the year ended 31 October						
	2006	*2007*	*2008*	*2009*	*2010*	*2011*	*2012*
Revenues (£ millions)	690.7	676.6[(1)]	544.3	315.6[(1)]	284.4	319.1	408.0
Sites acquired	44	40	10	0	11	15	16
Legal completions (units)[(2)]	2,946	3,270	2,825	1,878	1,609	1,520	1,882
Open market average sales price (£ thousands)	227	233	212	192	198	224	230

(1) The full year figures for these periods were taken from the audited accounts of the underlying trading companies. The audited accounts for the holding company of the Group were for partial years only in these periods as a consequence of the takeover in 2007 and the corporate restructuring in 2009.

(2) Legal completions include both open market and affordable housing units.

2.2 ***The land bank, its carrying value and commercial terms***

The Group's business and financial returns are highly dependent on acquiring land suitable for development on appropriate commercial terms. The Group had a short-term land bank of 16,959 plots and a strategic land bank of 12,623 plots as at 31 October 2012.

The short-term land bank is secured through a range of contractual arrangements, which are intended to provide a blend of risk and return appropriate to the land being acquired. These include unconditional purchases without planning, which offer the greatest potential for margin enhancement but carry proportionately greater risk, and open book priority return deals which substantially reduce the Group's exposure to sales value and cost movements on a project, but also limit the extent to which the Group can benefit from improvements in the project returns. Projects structured in this latter way help to reduce the exposure that larger projects have to changes in the macroeconomic environment to acceptable limits.

Other sites are purchased subject to achieving a satisfactory planning consent, or are converted from the strategic land bank. Conversions from the strategic land bank can deliver a dual benefit to the business, as the price at which a site is acquired is determined by reference to the prevailing market price at the point of acquisition (after planning consent has been secured, thereby protecting the Group from a degree of macroeconomic risk) and purchases are typically at a discount to open market value, thereby enhancing the achievable margin.

The majority of the Group's short-term land bank, once acquired, is owned freehold. However, a number of sites (currently 14 out of 72) are developed under development agreements pursuant to which the Group constructs the site in phases pursuant to build licences, with units being transferred directly from the owner of the site to the purchaser. The Group therefore never acquires the land on which it constructs such sites. This structure is typically used in connection with public sector land.

In addition, four large consented sites within the short-term land bank recently converted from the strategic land bank are still held under option to be drawn down and paid for in phases at the point of use. To the extent the Group enters into joint ventures, a joint venture entity is established to own the relevant site freehold and the Group holds its relevant percentage share of the development within its land bank.

As at 31 October 2012 plots in the short-term land bank analysed based on method by which the land was acquired were:

Type:	*Percentage of total plots:*
Unconditional contract	9%
Open book priority return contract	13%
Conditional contract	40%
Strategic conversion	38%

Of the 16,959 plots held in the Group's short-term land bank, as at 31 October 2012, 6,560 plots were acquired prior to the end of the full year ended 31 October 2009 when, as part of the 2009 financial restructuring discussed below, the carrying value of the Group's land bank on its EU IFRS balance sheet was written down to fair value, resulting in a write down of approximately £202 million. Previously, in 2008, the Group undertook a cost/net realisable value write down resulting in a write down of its land bank of approximately £138 million. As a result of these write downs of the Group's land bank, the Group's gross margins have benefited in the 2010, 2011 and 2012 financial years from sales of these properties. As land purchased prior to the fair value write down is developed and sold, it is replaced by land acquired after the fair value write down. Excluding the impact on the gross margins of the fair valuation, historic gross margins and operating margins have been improving in recent periods, reflecting an increasing level of conversions from the strategic land bank, sales price appreciation and the favourable renegotiation of section 106 agreements. As at 31 October 2012, 9,531 plots in the short-term land bank were acquired subsequent to the fair valuation, following the return to land-buying in mid-2010.

Despite the declining impact of the fair value write down in future periods, the Directors believe that the Group will be able to maintain its operating margins at or near current levels through continuing to buy land on good commercial terms, converting land from its strategic land bank which typically carries a higher margin and increasing sales without the requirement for significant additional investment in its operational infrastructure.

The following table shows (1) management's analysis of the benefit of the fair valuation in 2009 on the Group's gross margin and (2) the Group's reported operating margin for the periods indicated:

	For year ended 31 October		
	2010	*2011*	*2012*
Gross margin (excluding fair market valuation)	9.8%	14.1%	16.4%
Fair valuation benefit	17.7%	14.5%	11.0%
Reported gross margin	27.5%	28.6%	27.4%
Reported operating margin	16.6%	17.7%	18.0%

2.3 ***Number of sites, rates of sale and site and product mix***

The Group's profitability is influenced by the number of legal completions it achieves and the margin it earns on those completions. The total number of completions is influenced by the number of active sites from which the Group is operating and the rates of sale on each outlet. In the 2012 financial year, the Group operated from an average of 39 sales outlets compared with an average of 38 sales outlets in the 2011 financial year and an average of 33 sales outlets in the 2010 financial year. Rates of sales per outlet month were 2.9 in 2012, compared with 2.6 in 2011 and 2.5 in 2010. Rates of sales per outlet week were 0.67 in the 2012 financial year compared with 0.59 in 2011.

The margins the Group earns can vary significantly and depend on the underlying profitability of the project, the type of property sold and the location of that property. Therefore, the results of the Group's residential housing business can be significantly affected by site and product mix. Site mix is the geographic mix of sites between locations within the southern half of England. Product mix is the type and size of properties built including apartments and different house types.

Excluding planned projects in central London (substantially all of which are apartments), the Group's mix of houses and apartments has shifted towards building more houses and fewer apartments. This trend is one of the reasons open market average sales prices have been increasing in recent periods. This is reflective of the change in purchaser profile, which now includes a lower proportion of first-time buyers and 'buy-to-let' investors than prior to the downturn commencing in 2007.

While the Group's site and product mix is largely within the Group's control, it is impacted by external factors, in particular the availability of planning consents and government policy.

2.4 ***Build cost and other cost drivers***

A significant portion of the Group's costs relate to the costs of building its housing developments, including the costs of raw materials, labour rates and professional services.

Factors primarily within the Group's control, such as the type of units it builds (which determines the composition of the materials required), and factors outside the Group's control, such as raw materials prices and wage costs, can have a material impact on the Group's build costs and, accordingly, the Group's financial results.

As the business grows, certain investments in sales operations and administrative overhead will be incurred before the expected associated revenues are generated impacting the Group's gross margins during periods when such investments are being made. Notwithstanding this general trend, the Directors believe that if an additional division were created, it could provide the Group with the additional infrastructure to reach output of up to 3,000 units per year, based on its current mix of houses and apartments, without needing to change the central management structure or incurring additional central overhead costs. The Group's current business plan does not include the creation of a new division.

The broader economic downturn has seen some decrease in raw materials prices generally and more competitive subcontractor tendering, in part as a result of pressure that the Group has applied to its supply chain, particularly during the period from late 2007 to mid-2009, when house prices were falling. However, the downturn increased the risk of the failure of one or more of the Group's suppliers. Any improvement in the UK housing market or increase in the scale of the businesses of the Group's competitors may cause the Group's material costs, subcontractor costs and wage costs to increase. The Group does not expect that its cost savings from reduced subcontractor rates and materials prices will be permanent and anticipates that increases in house prices and/or volumes will be accompanied by some build cost pressures.

Regulations relating to the building sector, such as those relating to carbon emissions and building standards, have become increasingly more stringent and numerous. The Group expects this trend will continue and will increase the Group's costs.

2.5 ***Seasonality***

The Group's revenues and levels of working capital vary significantly during the year as a result of the concentration of legal completions in April and October. As a consequence, the Group's debt profile has exhibited significant peaks and troughs over the course of recent financial years consistent with the Group's seasonal trends. The majority of the Group's reservations for open market residential units have historically occurred in February to June and September to November with subsequent time lags until contracts are exchanged and legal completion occurs. These time lags to exchange and legal completion and divisional efforts to achieve targets and maximise sales for the financial half and full year, as revenue for open market housing sales are recognised only upon legal completion, lead to the concentration of completions in April and October. Moreover, legal completions for apartments typically occur together, as the Group finishes the construction of all apartments in a block at the same time, which also contributes to production and completion peaks. Therefore, factors that affect these peak selling seasons can have a disproportionate impact on the Group's performance in a particular period. As a result of this seasonality, the Group's first half results, in particular revenues and profits, are typically lower than the second half results.

2.6 ***Restructurings of the Group's financing arrangements in 2009 and 2011***

In the 2009 financial year, the Group renegotiated the terms of its principal financing arrangements to reflect the deterioration in the UK residential housing market and the need for additional flexibility given the then-current market conditions and uncertain outlook. Prior to the 2009 restructuring, the Group had total senior debt, mezzanine and PIK facilities of £1,176 million. As part of the restructuring some debt equating to £286.7 million was written off and £389.3 million of debt was converted to equity after which £500 million of debt remained in place. The renegotiated financing arrangements resulted in the Group's lenders taking ownership of the business in March 2009 and included new covenants which reflected the Group's focus on cash conservation and generation. Central to these arrangements were the restrictions on buying new land and a requirement to seek lender consent to commence operations on a large number of unstarted sites. This restriction had the effect of reducing the number of unit completions reported by the Group through to 2011.

The return to land buying in 2010 was sanctioned by the Group's lender-shareholders, acknowledging that the improved market justified a modification of the business strategy to seek to grow the enterprise value of the Group. During 2010, one of the lender-shareholders, Värde, increased its shareholding in the Group and initiated discussions which resulted in a further restructuring in September 2011. In this 2011 restructuring £350 million of debt and £18 million of accrued interest was converted to equity leaving £150 million of debt in place. This restructuring also involved an extension of credit facilities to September 2015, significantly strengthening the Group balance sheet and creating a strong platform for business growth.

2.7 ***Tax position and deferred tax asset***

As at 31 October 2011, the Group recognised a deferred tax asset of £75.2 million principally on the grounds that, following the 2011 financial restructuring of the Group, realisation of certain tax benefits through future taxable profits was probable. As at 31 October 2012, the recognised deferred tax asset was £74.9 million, £39.5 million of which related to the write-down of land to fair value as part of the 2009 restructuring. The balance principally related to the recognition of tax losses and deferred tax on the Group's pension deficit shown in equity. The judgments to recognise the deferred tax assets and related £1.8 million tax credit in the Group's income statement depend on the Group's expectations regarding future profitability based upon site revenue and cost forecasts for future years which contain a degree of inherent uncertainty.

3. Key performance indicators

Management considers a variety of metrics to analyse the business. The Directors believe that each of these measures provides useful information with respect to the performance of the Group's business and operation. With the exception of operating profit (which has been extracted without material adjustment from the

Group's audited consolidated financial statements included in Part 6: "Financial Information" of this document), these non-EU IFRS measures and key operating metrics are not audited. They are not meant to be considered in isolation or as a substitute for measures of financial performance reported in accordance with EU IFRS. Moreover, these measures may be defined or calculated differently by other companies, and as a result the key performance indicators of the Group may not be comparable to similar measures calculated by its peers.

The table below shows certain of the Group's key performance indicators as at the dates or for the periods indicated.

	As at or for year ended 31 October		
	2010	*2011*	*2012*
Operating profit (£ millions)	47.3	56.4	73.3
Operating margin (%)	16.6%	17.7%	18.0%
ROCE (%)[(1)]	24.1%	21.1%	20.7%
Net debt/equity (at period end) (%)[(2)]	n.m	14.9%	8.7%
TNAV[(3)]	(128.0)	258.0	318.1
Asset turn[(4)]	1.4x	1.0x	1.1x
Short-term land bank (units) (at period end)	13,615	14,772	16,959
Short-term land bank estimated GDV (£ millions)[(5)]	2,886	3,296	3,881
Strategic land bank (units) (at period end)	16,726	14,259	12,623
Strategic land bank estimated GDV (£ millions)[(5)]	3,495	2,960	2,918
Sales per outlet month	2.5	2.6	2.9
Open market average sales price (£ thousands)	198	224	230

(1) An explanation of the Group's calculation of ROCE is included in the tables following this one.

(2) Net debt/equity is calculated as net debt as a percentage of total equity. The calculation for net debt is described below in paragraph 6 – "Liquidity and capital resources".

(3) An explanation of the Group's calculation of TNAV is included in the tables following this one.

(4) An explanation of the Group's asset turn is included in the tables following this one.

(5) GDV is the estimated potential total revenue from a development, assuming the plots are sold for the current average sales prices the Group is achieving in the relevant geographic area and the development is built in accordance with the Group's then current development plans for the land. See "Presentation of Information – Presentation of key operating metrics" for a description of how GDV is estimated.

The Group calculates ROCE as operating profit as a percentage of average capital employed, where the average capital employed is the average of the opening and closing balances of capital employed, and capital employed is calculated as the sum of net debt and net assets. The following table sets out the Group's calculation of ROCE for the periods indicated:

	For the year ended 31 October		
	2010	*2011*	*2012*
	(£ millions except percentages)		
(I) Operating profit	47.3	56.4	73.3
Capital employed opening balance	188.0	204.9	329.8
Net debt[(1)]	265.6	303.9	42.8
Plus net assets	(77.6)	(99.0)	287.0
Capital employed closing balance	204.9	329.8	377.4
Net debt[(1)]	303.9	42.8	30.3
Plus net assets	(99.0)	287.0	347.1
(II) Average capital employed	196.5	267.4	353.6
(I)/(II) ROCE	24.1%	21.1%	20.7%

(1) The calculation for net debt is described below in paragraph 6 – "Liquidity and capital resources".

The Group calculates TNAV as net assets less intangible assets. The following table sets out the Group's calculation of TNAV for the periods indicated:

	As at 31 October		
	2010	*2011*	*2012*
		(£ millions)	
Net assets	(99.0)	287.0	347.1
Less intangible assets	29.0	29.0	29.0
TNAV	(128.0)	258.0	318.1

The Group calculates asset turn as revenue from continuing activities divided by the sum of net assets and net debt. The following table sets out the Group's calculation of asset turn for the periods indicated:

	For the year ended 31 October		
	2010	*2011*	*2012*
		(£ millions except ratios)	
(I) Revenue from continuing activities	284.4	319.1	408.0
Net assets	(99.0)	287.0	347.1
Net debt[(1)]	303.9	42.8	30.3
(II) Net assets + net debt	204.9	329.8	377.4
(I)/(II) Asset turn	1.4x	1.0x	1.1x

(1) The calculation for net debt is described below in paragraph 6 – "Liquidity and capital resources".

4. Current trading

The gradual recovery of the UK residential housing market in the southern half of England has continued since the start of the new financial year and the Group's overall trading to date has been in line with the underlying trends experienced in the 2012 financial year.

Public policy measures to support the housing sector and to help first-time purchasers continue to provide support to the market and the Group continues to borrow under the "Get Britain Building" programme. In recent months there have been encouraging signs of expansion in mortgage lending, with lenders also reducing their rates of interest. Nevertheless, activity in the UK residential housing market is likely to remain comparatively subdued whilst mortgage lending remains constrained.

In the period from 1 November 2012 to 28 December 2012, open market reservations increased to 218 compared with 183 in the period from 1 November 2011 to 30 December 2011. As at 28 December 2012, the Group's forward sales for 2013 and later years amounted to £156.8 million (as at 30 December 2011: £143.3 million). As at 28 December 2012, the Group's forward sales of open market units for 2013 amounted to £105.4 million, representing 386 units, compared to £80.7 million, representing 344 units, as at 30 December 2011. As at 28 December 2012, the Group's forward sales of affordable units for 2013 amounted to £34.5 million, representing 353 units, compared to £43.2 million, representing 376 units, as at 30 December 2011. The cancellation rate for the period from 1 November 2012 to 28 December 2012 was 8.1 per cent., compared to 13.0 per cent. for the period from 1 November 2011 to 30 December 2011.

In the period from 1 November 2012 to 28 December 2012, the Group's sales per outlet week were 0.70 and open market average sales prices were approximately £246,000, compared to 0.59 and £232,000 in the period from 1 November 2011 to 30 December 2011. In the period from 1 November 2012 to 28 December 2012 and the period from 1 November 2011 to 30 December 2011, the Group had 39 average sales outlets. The Directors currently believe that open-market average selling prices will rise in the forthcoming year as compared to those in the year ended 31 October 2012, as the new London division delivers its first legal completions.

As at 28 December 2012, the Group had a short-term land bank of 16,334 plots on 73 sites and a strategic land bank of 12,623 plots on 26 separate sites.

5. Operating results

5.1 *Description of key income statement items*

Revenue

The Group principally derives revenue from four types of products: residential unit sales on the open market (referred to herein as open market sales) and to registered providers of affordable housing, commercial property sales and land sales. Residential sales on the open market are by far the largest contributor to revenues, followed by affordable housing sales. Commercial property sales and land sales are typically a small portion of revenues, and can fluctuate significantly from year to year.

Revenue is recognised on open market sales of units at legal completion. Revenue is recognised on commercial property sales and land sales from the point of unconditional exchange of contracts. For affordable housing sales in bulk, revenue is recognised upon practical completion and when substantially all risks and rewards of ownership are transferred to the buyer.

Revenue from affordable housing sales comprises both unit sales and land sales because contracts with registered providers often provide for an initial sale of the land followed by unit sales. The timing of affordable housing land sales can distort affordable housing average sales prices when such land sales are made in a different reporting period from the unit completions.

The Group opportunistically undertakes land sales in order to take advantage of attractive sales prices and to reduce exposure or fund infrastructure on large sites for which generally the Group has obtained planning consent. Consequently, levels of revenue from such sales can vary significantly from period to period.

Cost of sales

Cost of sales largely comprises land costs, the costs of construction incurred in connection with building out the Group's housing sites and commercial development sites (including raw materials, wage costs and costs of subcontractors) and marketing costs. Cost of sales also includes additional items such as abortive fees, rental and other income, land write-downs and costs related to old or unviable sites, which may vary significantly in any particular period.

Administrative expenses

Administrative expenses comprise the costs incurred with administering the Group's operations, including staff costs and, to a lesser extent, office costs and sundry income.

Net financing expense

In financial years 2011 and 2010 net financing expense was comprised principally of the amortisation of bank debt fair value discount and to a lesser extent financial income, nominal bank interest charges and other financial expenses.

As part of the March 2009 financial restructuring, the debt obligations of the Group were reduced to £350 million of senior debt and £150 million of subordinated debt with £389.3 million of debt being converted to equity in the Company. Having regard to the below-market coupon on the senior debt, the £350 million obligation was fair-valued at approximately £316 million. The fair value of the subordinated debt was established by considering the debt-free enterprise value of the Group at the acquisition date and deducting obligations with a prior ranking. As a consequence, the subordinated debt was fair valued at nil.

The revised debt facility had a term of three years due in March 2012. In accordance with EU IFRS the debt fair-value discount of £184 million was amortised over this three year period as an effective interest charge, to return the carrying value of the debt to full nominal value by the date on which the facility fell due. The Group's bank finance costs in the 2011 financial year include a £63.6 million amortisation of bank debt fair value discount (2010: £61.5 million).

Following the financial restructuring of the Group in 2011 when the Group refinanced the relevant indebtedness and the amortisation was thereby eliminated, net financing expenses in the 2012 financial year comprise, and in the forthcoming year are expected to comprise only bank interest charges and other financial expenses.

5.2 ***Results of Operations***

The following table sets out selected data from the consolidated statement of comprehensive income for the three years ended 31 October 2010, 2011 and 2012, which have been extracted without material adjustment from the Group's audited consolidated financial statements included in Part 6: "Financial Information" of this document.

	For year ended 31 October		
	2010	*2011*	*2012*
		(£ millions)	
Income statement data:			
Revenue – continuing activities	284.4	319.1	408.0
Cost of sales	(206.3)	(227.8)	(296.2)
Gross profit	78.1	91.3	111.8
Administrative expenses	(31.0)	(35.1)	(38.7)
Other operating income	0.2	0.2	0.2
Operating profit – continuing activities	47.3	56.4	73.3
Financial income	8.2	8.9	9.2
Bank finance costs	(75.6)	(82.6)	(10.4)
Other financial expenses	(8.8)	(8.3)	(8.2)
Net financing expense	(76.2)	(82.0)	(9.4)
Income tax	(0.2)	67.5	1.8
Profit/(loss) for the year attributable to equity shareholders	(27.6)	40.5	63.9

5.3 ***Comparison of the 2012 and the 2011 financial years***

Revenue – continuing activities

Group revenue in the 2012 financial year increased by 27.9 per cent. to £408.0 million from £319.1 million in the 2011 financial year, principally as a result of an increase in open market and affordable housing unit sales.

An increase in open market sales revenues reflected an increase in open market unit completions combined with a slight increase in open market average sales prices. Open market unit completions in the 2012 financial year at 1,342 were up 21.8 per cent. on the 1,102 units completed in the 2011 financial year. This increase in unit volumes primarily reflected higher sales per outlet month, aided by a stronger opening forward sales position, an increase in outlets and to a lesser extent the resolution of management difficulties in the South division. Unit volumes in the 2012 financial year were also positively impacted by the stamp duty concession which was available until March 2012 and which created a stronger selling environment.

Affordable housing revenue increased in the 2012 financial year, compared to the prior period, reflecting a higher volume of units sold and an increase in the affordable housing average sales price. Affordable housing unit volumes are typically more uneven than open market unit volumes as they are driven by the contracts the Group enters into with registered providers. The increase in affordable housing units sold in the 2012 financial year to 540 units from 418 in the 2011 financial year was primarily due to two sites, Bath and Hunts Grove. The higher affordable housing average sales price in the 2012 financial year reflected higher affordable housing land sales as compared to the 2011 financial year, as such sales increase revenue without increasing the actual number of units sold.

The Group has a portfolio of commercial development opportunities, principally on mixed-use sites, which are delivered as part of a master plan for the overall development. As a result, revenues from

commercial can vary significantly from year to year. The Group's revenues from sales of commercial property in the 2012 financial year, which were largely generated from the sale of significant commercial property at Bristol Harbourside and the sale of a local centre at the Oakgrove Village Milton Keynes development decreased slightly compared to the 2011 financial year.

Cost of sales

Cost of sales in the 2012 financial year increased by 30.0 per cent. to £296.2 million from £227.8 million in the 2011 financial year, broadly in line with the increase in the Group's revenues. The Group's marketing costs also increased due to an increased number of sales outlets.

Gross profit

Reflecting the above, the Group's gross profit in the 2012 financial year increased by 22.5 per cent. to £111.8 million from £91.3 million in the 2011 financial year. Gross margins decreased to 27.4 per cent. in the 2012 financial year, compared to 28.6 per cent. in the 2011 financial year.

Gross margin (excluding fair value adjustment as calculated by management) increased from 14.1 per cent. in the 2011 financial year to 16.4 per cent. in the 2012 financial year, reflecting some price appreciation, the benefits of renegotiated terms in respect of legacy sites and the rising proportion of completions on more recently secured higher margin sites (that is, sites which were secured after the market decline commencing in 2007).

Administrative expenses

Administrative expenses in the 2012 financial year increased by 10.3 per cent. to £38.7 million from £35.1 million in the 2011 financial year, principally as a result of increased staff costs relating primarily to the opening of the London division as well as strengthening the staff in the Group's Chertsey headquarters.

Operating profit – continuing activities

Reflecting the above, the Group's operating profit in the 2012 financial year increased by 30.0 per cent. to £73.3 million from £56.4 million in the 2011 financial year. Operating margins increased to 18.0 per cent. in the 2012 financial year, compared to 17.7 per cent. in the 2011 financial year.

Net financing expense

The Group's net financing expense in the 2012 financial year decreased by 88.5 per cent. to £9.4 million from £82.0 million in the 2011 financial year, primarily due to the ending of the amortisation of bank debt fair value discount in the 2011 financial year. The decrease also reflects that in the financial year 2011 the Group incurred fees in connection with the Group's debt restructuring in the 2011 financial year.

Income tax

The Group reported an income tax credit of £1.8 million in the 2012 financial year, compared to a £67.5 million income tax credit in the 2011 financial year. As discussed above, the Group recognised a deferred tax asset of £75.2 million as at 31 October 2011 and benefited from a related £65.0 million tax credit on its income statement. The income tax credit reported by the Group in the 2012 financial year reflects a further amortisation of the existing deferred tax asset offsets by the recognition of an additional tax asset.

Profit for the year

Reflecting the above, the Group's profit in the 2012 financial year increased 57.8 per cent. to £63.9 million from £40.5 million in the 2011 financial year.

5.4 ***Comparison of the 2011 and the 2010 financial years***

Revenue – continuing activities

Group revenue in the 2011 financial year increased by 12.2 per cent. to £319.1 million from £284.4 million in the 2010 financial year, principally as a result of an increase in commercial revenues. Revenues in affordable housing and land sales also increased compared to the prior period.

The increase in commercial revenues in the 2011 financial year primarily reflected revenue recognition in connection with the completion of the commercial element of the town centre redevelopment at Camberley, Surrey.

A modest increase in revenues from open market sales reflected a higher open market average sales price for the period which was partially offset by a lower volume of units sold compared to the prior period. Open market unit completions in the 2011 financial year at 1,102 were down 17.1 per cent. on the 1,330 units completed in the 2010 financial year. The reduction in unit volumes primarily reflected the delays to onsite operations which were caused by the reduction of land purchases in 2009 and 2010 financial years, reducing the Group's pipeline of sales outlets, as well as a gradual approach to de-mothballing larger, more capital intensive sites and, to a lesser extent, difficulties with management in the South division. Unit volumes in the 2011 financial year were also adversely impacted by a weaker selling environment in the winter of 2010 (compared to 2009), reducing the opening forward sales position. The Group's open market average sales price in financial year 2011 increased 13.1 per cent., compared to the 2010 financial year, reflecting a change in product mix, with a higher proportion of houses delivered, which are typically sold at higher open market average sales prices.

Affordable housing revenue increased in the 2011 financial year, compared to the prior period, reflecting a higher volume of units sold, which was only partially offset by the lower affordable housing average sales price. The Group sold 418 affordable housing units in the 2011 financial year, compared to 279 in the 2010 financial year. The lower affordable housing average sales prices for affordable housing units in the 2011 financial year reflected higher affordable housing land sales in the 2010 financial year, which enhanced affordable housing average sales prices in 2010 as such sales increase revenue without increasing the actual number of units sold. The different geographic mix of the affordable housing units sold was also a factor.

Cost of sales

Cost of sales in the 2011 financial year increased by 10.4 per cent. to £227.8 million from £206.3 million in the 2010 financial year, broadly in line with the Group's increase in revenues. The Group's marketing costs increased in the financial year, principally driven by specific projects in the South and South West divisions where there was additional marketing spend in response to slow sales rates.

Gross profit

Reflecting the above, the Group's gross profit in the 2011 financial year increased by 16.9 per cent. to £91.3 million from £78.1 million in the 2010 financial year. Gross margins improved to 28.6 per cent. in the 2011 financial year, compared to 27.5 per cent. in the 2010 financial year.

Gross margin (excluding fair value adjustment as calculated by management) increased from 9.8 per cent. in the 2010 financial year to 14.1 per cent. in the 2011 financial year, reflecting some price appreciation, the benefits of renegotiated terms in respect of legacy sites and the rising proportion of completions on more recently secured higher margin sites (that is, sites which were secured after the market decline commencing in 2007).

Administrative expenses

Administrative expenses in the 2011 financial year increased by 13.2 per cent. to £35.1 million from £31.0 million in the 2010 financial year, principally as a result of increased staff costs, partially driven by payments to outgoing directors.

Operating profit – continuing activities

Reflecting the above, the Group's operating profit in the 2011 financial year increased by 19.2 per cent. to £56.4 million from £47.3 million in the 2010 financial year. Operating margins improved by 1.1 per cent. in the year, to 17.7 per cent. in the 2011 financial year, compared to 16.6 per cent. in the 2010 financial year.

Net financing expense

The Group's net financing expense in the 2011 financial year increased by 7.6 per cent. to £82.0 million from £76.2 million in the 2010 financial year, primarily reflecting an increase in the Group's bank finance costs. The Group's bank finance costs primarily increased due to an increase in nominal bank interest charges and to a lesser extent an increase in the amortisation of bank debt fair value discount.

Nominal bank interest charges in the 2011 financial year increased by 34.8 per cent. to £19.0 million from £14.1 million in the 2010 financial year, principally reflecting fees incurred in connection with the Group's debt restructuring in the 2011 financial year. Amortisation of bank debt fair value discount in the 2011 financial year increased by 3.4 per cent. to £63.6 million from £61.5 million in the 2010 financial year.

Income tax

The Group reported an income tax credit of £67.5 million in the 2011 financial year, compared to £0.2 million income tax expense in the 2010 financial year. As discussed above, the Group recognised a deferred tax asset of £75.2 million as at 31 October 2011 and benefited from a £65.0 million tax credit on the income statement.

Profit for the year

Reflecting the above, the Group's profit for the year was £40.5 million in the 2011 financial year, compared to a loss of £27.4 million in the 2010 financial year.

6. Liquidity and capital resources

6.1 *Overview*

The Group has historically funded its operations principally from its cash flows from operating activities and borrowings under available credit facilities. As discussed in paragraph 2.6 above, in response to the significant downturn in the markets during the financial crisis, and the Group's high levels of debt resulting from the leveraged acquisition of the Group in 2007, the Group restructured its financing arrangements in 2009 and again in 2011. As a result of these restructurings, the Group's indebtedness was substantially reduced.

As at 28 December 2012, the Group had cash and cash equivalents of £50.3 million, £158.0 million of outstanding borrowings and no undrawn committed borrowing facilities.

As at 31 October 2012, the Group had £152 million of outstanding borrowings under Facility Agreement A, its senior facilities agreement which was amended and restated as part of the Group's 2011 restructuring. On 7 December 2012, the Group conducted a debt refinancing which included (i) entering into Facility Agreement B; (ii) amending and restating its existing Facility Agreement A with certain of its shareholders (such amended agreement referred to herein as Amended Facility Agreement A) and (iii) borrowing £50 million under Facility Agreement B and utilising the proceeds as well as £27 million of existing cash to repay £77 million of existing borrowings under Facility Agreement A and any interest payable thereon, cancelling the associated commitments and leaving outstanding a £75 million four-year term loan maturing in December 2016.

Details of Amended Facility Agreement A and Facility Agreement B are set out in paragraphs 16.4 and 16.5 of Part 9: "Additional Information".

All of the net proceeds from the Offer receivable by the Company, estimated to be £50.1 million, are expected to be used by the Group to partially repay the £75 million outstanding borrowings under Amended Facility Agreement A, plus any break costs, accrued interest and prepayment fees under Amended Facility Agreement A, to the extent applicable.

As at 31 October 2012, on a pro forma basis reflecting (i) the December Refinancing and related repayment of £77 million of outstanding borrowings and (ii) the Offer and the use of proceeds receivable by the Company, the Group would have had £103.4 million of outstanding financial indebtedness. See Part 7: "Unaudited Pro Forma Financial Information".

The Directors believe the financial headroom resulting from the Offer, and the use of proceeds therefrom, will provide increased funding and operational flexibility and allow the Group to take advantage of any future opportunities that may occur.

On 12 February 2013, Lloyds agreed to become a party to Facility Agreement B, pursuant to which it will make available an additional £25 million to the Group, conditional upon Admission, the net proceeds of the Offer receivable by the Company being at least £50 million and other customary matters. The Group intends to draw down such amount in full as soon as practicable following Admission and will use the proceeds to repay a further £25 million of outstanding borrowings under Facility Agreement A. After giving effect to the use of proceeds from the Offer receivable by the Company and the additional borrowings under Facility Agreement B, it is expected that Facility Agreement A will be repaid in full and cancelled.

In addition, the Group is in discussions with one of its existing lenders under Facility Agreement B to increase its commitment under the facility by an additional £25 million.

6.2 *Net Debt*

The following table shows the Group's net debt position as at 31 October 2012, 2011 and 2010 and 28 December 2012. Net debt represents interest-bearing loans and borrowings (excluding land creditors), net of cash and cash equivalents and – when compared with other amounts and balances – provides an indication of the scale and serviceability of loan obligations.

	As at 31 October			*As at 28 December*
	2010	*2011*	*2012*	*2012*[1][2]
	(£ millions)			
Cash and cash equivalents	129.8	121.9	150.1	50.3
Current borrowing:				
Loan notes	–	(2.0)		–
Other loans	–	–	(4.3)	(7.0)
Total current borrowings	–	(2.0)	(4.3)	(7.0)
Non-current loans and borrowings:				
Term loans	(418.5)	(150.0)	(152.0)	(125.0)
Other loans	(12.1)	(12.7)	(24.1)	(26.0)
Loan notes	(3.1)	–	–	–
Total non-current loans and borrowings	(433.7)	(162.7)	(176.1)	(151.0)
Total borrowings	(433.7)	(164.7)	(180.4)	(158.0)
Net debt	(303.9)	(42.8)	(30.3)	(107.7)

(1) Unaudited figures.

(2) Reflects December Refinancing.

The Group's net debt levels vary throughout the year due to the nature of its working capital cycle. The Group's average net debt (calculated on the basis of month-end balances) during the 2012 financial year was approximately £85 million.

6.3 ***Treasury Policies***

The Board approves treasury policies and day-to-day treasury activities are delegated to the Group finance department which implements the policies and guidelines established by the Board. Through these policies the Group seeks to manage the Group's surplus liquidity so as to minimise its counterparty risk in terms of exposures and duration. In addition the Group performs regular cash flow forecasts, modelling both normal and adjusted conditions, and these reports are included for scrutiny in both divisional and Group reporting packs. For a further discussion of the Group's approach to various risks, see Section 9 – "Market Risks" of this Part 4.

6.4 ***Cash flow analysis for the Group in the 2012 financial year, the 2011 financial year and the 2010 financial year***

The Group's selected consolidated cash flow information set out below has been extracted without material adjustment from the Group's audited consolidated financial statements included in Part 6: "Financial Information" of this document.

	For year ended 31 October		
	2010	*2011*	*2012*
		(£ millions)	
Net cash (outflow)/inflow from operating activities	27.3	(0.9)	17.6
Net cash (outflow)/inflow from investing activities	1.2	(3.9)	(5.1)
Net cash inflow/(outflow) from financing activities	(0.6)	(3.1)	15.7
Net (decrease)/increase in cash and cash equivalents	27.9	(7.9)	28.2
Cash and cash equivalents at end of the year	129.8	121.9	150.1

Cash flows from operating activities

The Group's major sources of funds over the period were generated from the sale of residential and commercial properties.

The Group's net cash inflow from operating activities was £17.6 million in the 2012 financial year, compared to a net cash outflow from operating activities of £0.9 million in the 2011 financial year. An increase in operating profit before changes in working capital and provisions in the 2012 financial year compared to the 2011 financial year was partially offset by an increase in working capital in the 2012 financial year compared to the 2011 financial year.

The adverse change in working capital was primarily due to an increase in inventories offset in part by an increase in trade and other payables and to a lesser extent a decrease in trade and other receivables. The Group's increase in inventories in the 2012 financial year mainly reflected the operational commencement of a larger number of sites, alongside the initiation of a number of projects where the scale and/or nature of the project required a higher level of early capital investment as compared to the 2011 financial year. The decrease in trade and other payables in the 2011 financial year primarily reflected a decrease in payments on account following the recognition of £23.4 million of deferred revenue in respect of the commercial development at Camberley, which was not the case in the 2012 financial year.

The Group's net cash outflow from operating activities was £0.9 million in the 2011 financial year, compared to a net cash inflow from operating activities of £27.3 million in the 2010 financial year. An increase in operating profit before changes in working capital and provisions in the 2011 financial year, compared to the 2010 financial year, was more than offset by an increase in working capital in 2011, compared to the 2010 financial year.

The adverse change in working capital was due to increases in inventories and trade and other receivables and decreases in trade and other payables. The Group's increase in inventories in the 2011 financial year mainly reflected the operational commencement of a larger number of sites, alongside the initiation of a number of projects where the scale and/or nature of the project required a higher level of early capital investment as compared to the 2010 financial year when inventories were at lower levels. The Group's increase in receivables in the 2011 financial year included higher amounts recoverable on commercial contracts and build contracts for affordable housing. As discussed above,

the decrease in trade and other payables reflected primarily a decrease in payments on account following the recognition of £23.4 million of deferred revenue in respect of the completion of the commercial development at Camberley discussed above.

Cash flows from investing activities

Net cash outflow from investing activities in the 2012 financial year was £5.1 million, which mainly reflected an increase in available for sale assets. The Group's available for sale assets are principally comprised of loans to purchasers of the Group's properties. These loans are made by the Group under its EasyBuy scheme and the Government's HomeBuy schemes, in which the Group participates. Under these schemes, the Group lends a percentage of the purchase price to a purchaser and is entitled to a share of the proceeds of disposal of a property equal to the initial percentage of the loan provided. These loans rank behind a primary mortgage and are due for repayment on the earlier of a disposal of the property or 10 years (EasyBuy) or 25 years (HomeBuy). See Section B: "Glossary of terms, phrases and unaudited metrics" for further details on these schemes.

Net cash outflow from investing activities in the 2011 financial year was £3.9 million, which mainly reflected an increase in available for sale assets, principally comprised of loans to purchasers of the Group's properties.

Net cash inflow from investing activities in the 2010 financial year were of £1.2 million. In the 2010 financial year, a £7.9 million partial repayment of the Group's loan to Crest/Galliford Try (Epsom) LLP (the Group's 50 per cent. owned joint venture established to develop three sites in Epsom) was partially offset by an increase in available for sale assets reflecting increased loans to purchasers under shared equity schemes.

Cash flows from financing activities

Net cash inflow from financing activities was £15.7 million in the 2012 financial year which primarily related to Get Britain Building loans.

Net cash outflow from financing activities was £3.1 million in the 2011 financial year and £0.6 million in the 2010 financial year. The net cash outflow from financing activities in 2011 and 2010 primarily reflected professional fees relating to the Group's debt restructuring in 2011, the process for which started in 2010.

6.5 ***External sources of funding and indebtedness***

The Group obtains debt finance from certain of its lenders, financial institutions and government programs.

Amended Facility Agreement A

On 7 December 2012, the Group partially repaid and amended the terms of its Facility Agreement A with certain of its shareholders (such amended agreement referred to herein as Amended Facility Agreement A). Under the amendments, £77 million of existing borrowings were repaid and the associated commitments were cancelled (including guarantees provided under the facility), leaving outstanding a £75 million four-year term loan maturing on 6 December 2016. Interest on the term loan is set by reference to LIBOR plus a 4.25 per cent. margin. The covenants and security package associated with this facility were amended to conform them in all material respects to the provisions of Facility Agreement B discussed below.

The Directors intend to use all of the net proceeds of the Offer receivable by the Company to partially repay the outstanding borrowings and any interest payable thereon under Amended Facility Agreement A. See Paragraph 2 of Part 8: "The Offer" (Reasons for the Offer and Use of Proceeds). The Directors also intend to repay a further £25 million of outstanding borrowings under Facility Agreement A following a draw down on the commitment made by Lloyds on 12 February 2013 under Facility Agreement B. After giving effect to the use of proceeds from the Offer receivable by the Company and the additional borrowings under Facility Agreement B, it is expected that Facility Agreement A will be repaid in full and cancelled.

See paragraph 16.4 of Part 9: "Additional Information" for further information.

Facility Agreement B

On 7 December 2012, the Group also entered into a new £50 million four-year committed revolving credit facility as well as an ancillary guarantee facility up to a maximum amount of £10 million with HSBC and Barclays. The obligations under the facility are guaranteed by the Company's material subsidiaries and secured by pledges of the shares of the various facility obligors. Interest on the borrowings under the facility will be set by reference to LIBOR plus a margin that currently is 4.25 per cent. but could vary depending on the ratio of Group borrowings and certain other obligations to tangible net worth. The financial covenants contained in the facility include interest coverage, gearing and tangible net worth ratios and are tested quarterly. The facility also includes general covenants, including a negative pledge and covenants which limit the ability of Group companies to incur financial indebtedness, make acquisitions and disposals and make loans and give guarantees, subject in each case to certain permitted exceptions. On 7 December 2012 the Group borrowed £50 million under Facility Agreement B and used the funds to partially repay Facility Agreement A as discussed above. At the same time, guarantees were issued under the guarantee facility to replace all guarantees under Facility Agreement A. As at 28 December 2012, no funds were available to be drawn down under this facility.

On 12 February 2013, Lloyds agreed to become a party to Facility Agreement B, pursuant to which it will make available an additional £25 million to the Group, conditional upon Admission, the net proceeds of the Offer receivable by the Company being at least £50 million and other customary matters. The Group intends to draw down such amount in full as soon as practicable following Admission and as required by the terms of Facility Agreement A will use the proceeds to repay a further £25 million of outstanding borrowings under Facility Agreement A. In addition, the Group is in discussions with one of its existing lenders under Facility Agreement B to increase its commitment under the facility by an additional £25 million.

See paragraph 16.5 of Part 9: "Additional Information" and Paragraph 2 of Part 8: "The Offer" (Reasons for the Offer and Use of Proceeds) for further information.

Get Britain Building loans

In addition to the above facilities, subsidiaries of the Company had borrowed an aggregate of £16.3 million from the Government under its "Get Britain Building" programme as at 31 October 2012. Certain subsidiaries of the Company have since borrowed a further £4.0 million and have applications outstanding for further funds, including three of which have been approved by the HCA and which the Directors expect will be drawn down shortly in the amount of up to £7.5 million and certain of which may yet be approved in the further sum of £4 million. The existing loans mature on various dates in 2013 and 2014. Interest is set by reference to the EC Reference Rate plus a 4 per cent. margin.

Aviva loan

The Group has borrowed £12.1 million from CGNU Life Assurance Limited in relation to an agreement between Crest Nicholson Plc and CGNU Life Assurance Limited, an affiliate of Aviva, to acquire a 310 acre site at Longcross, Surrey. The joint venture agreement provides for CGNU to advance the Group one half of the Group's interest in the Longcross JV, which relates to costs in relation to the development, at a coupon which is the higher of 6.75 per cent. or 2.5 per cent. over base rate, with repayments to be funded from the Group's receipts from the joint venture under the agreement.

See paragraph 16.6(a) of Part 9: "Additional Information" for further information.

7. Contractual commitments

Other than its debt obligations described above, the Group's material contractual commitments are solely related to operating leases. The following table sets forth the Group's total outstanding commitments for future minimum lease payments under non-cancellable operating leases as at 31 October 2012:

	Within one year	*Between two and five years*	*After five years*	*Total*
			(£ millions)	
Land and buildings:				
Amount outstanding	3.1	9.2	5.6	17.9
Less: minimum sub-lease income	(1.1)	(2.5)	–	(3.6)
Other:				
Amount outstanding	1.1	1.7	–	2.8

8. Pension contributions

The Group operates a funded defined benefit pension scheme that was closed to new participants in 2001 and to future accrual in 2010. The calculation of the Group's liability for the defined benefit pension scheme requires actuarial assumptions to be made in respect of discount rates, salary and pension increases, price inflation, the long-term rate of return upon scheme assets and mortality. As actual rates of increase and mortality may differ from those assumed, actuarial gains and losses may arise which are recognised in full, in the period in which they occur, in the statement of recognised income and expense. Consequently, the Group's pension liability and net assets may fluctuate.

The most recent funding valuation of the main scheme was carried out as at 31 August 2012 by a professionally qualified actuary. The results of this valuation showed a pension deficit of £33 million, compared with a previous deficit of £76 million as at 31 January 2010. The significant change is due to a variety of factors, including changes to underlying valuation assumptions, investment performance, cash contributions by the Group and an improvement in the covenant of the Group. However, the nature of the defined benefit pension scheme liabilities is such that valuations can increase or decrease significantly at each valuation. The Group is currently making annual cash contributions to reduce the pension deficit of £9 million and the Group has determined that going forward it will continue with its current level of cash contributions of £9 million per year. This will be reviewed again at the next triennial valuation. The Group has agreed to discuss the funding requirements of the defined benefit scheme with the pension scheme trustees if any material change in the Group's financial circumstances is anticipated.

9. Inventories

The Group's inventories consist primarily of land and work in progress. The following table sets out the movements in the inventory balance between 31 October 2010 and 31 October 2012, separately identifying the credit to the cost of sales (fair valuation benefit) in 2011 and 2012 and showing the land and build cost of sales deductions prior to the fair value credit.

	Pre Fair Valuation Benefit	*Fair Valuation Benefit*	*Post Fair Valuation Benefit*
		(£ millions)	
Total as at 31 October 2010	602.1	(240.2)	361.9
Fair value included in cost of sales	–	45.8	45.8
Land cost of sales	(84.6)	–	(84.6)
Build cost of sales	(192.5)	–	(192.5)
Land cash outflow	61.1	–	61.1
Build cash outflow	187.0	–	187.0
Other work in progress movements	15.5	–	15.5
Total changes	(13.5)	45.8	32.3
Total as at 31 October 2011	588.6	(194.4)	394.2

Fair value included in cost of sales	–	39.8	39.8
Land cost of sales	(78.6)	–	(78.6)
Build cost of sales	(218.1)	–	(218.1)
Land cash outflow	77.5	–	77.5
Build cash outflow	242.3	–	242.3
Other work in progress movements	12.3	–	12.3
Total changes	35.4	39.8	75.2
Total as at 31 October 2012	624.0	(154.6)	469.4

10. Off-balance sheet arrangements and contingent liabilities

Except for the performance bonds and the bank guarantee discussed below and as described in Note 21 to the Group 2012 financial statements in Part 6: "Financial Information", the Group had no material off-balance sheet arrangements or funding arrangements that would be classified as a contingent liability under EU IFRS as at 31 October 2012.

As at 31 October 2012, the Group had a total performance bond commitment of £34.2 million, consisting of £27.5 million of NHBC bonds and £6.7 million of other bond commitments. NHBC bonds are beneficial to the Group as they are provided free of charge initially.

As at 31 October 2012, £38 million of the Group's £50 million bank guarantee provided under Facility Agreement A was utilised, of which £30 million was in place primarily to guarantee a portion of the outstanding pension deficit. The Group also uses bank guarantees primarily in connection with infrastructure installation for local authorities and registered providers.

On 23 November 2012, to reduce the Group's guarantee facility in advance of the December Refinancing, the Group granted security over £48 million of ring-fenced land assets to the pension trustees in return for the release of £30 million of the bank guarantee provided under Facility Agreement A. The value of the land subject to the security arrangement will be reduced by an average of £4.73 million of land assets each year.

The remainder of the Group's bank guarantee provided under Facility Agreement A was released as part of the December Refinancing, with the Group obtaining the necessary replacement guarantees under the £10 million guarantee ancillary facility included in Facility Agreement B.

11. Market risks

The Group is exposed to a variety of risks but principally it is exposed to liquidity risk, UK housing market risk, interest rate risk and credit risk.

11.1 *Liquidity risk*

Liquidity risk is the risk that the Group will be unable to meet its liabilities as they fall due. The Group's liquidity requirements are typically cyclical throughout the financial year reducing in October and, to some extent, April as a result of the concentration of a larger portion of receipts on legal completions in those months. The Directors believe that the Group's new four-year £50 million revolving credit facility and cash and cash equivalents of £150.1 million as at 31 October 2012 currently provides sufficient headroom to cover these requirements. More generally, the Group seeks to match long-term assets with long-term finance and ensure that there is sufficient working capital for the Group to meet its commitments when they fall due.

The Group was in compliance with its financial covenants as at 28 December 2012, following the December Refinancing. As at that date, the Group had no undrawn commitments under that facility.

11.2 *UK housing market risk (price risk)*

The Group is subject to the prevailing conditions of the UK economy and the Group's earnings are dependent upon the level of UK house prices, particularly in the southern half of England. UK house

prices are determined by the UK economy and economic conditions including employment levels, interest rates, consumer confidence, mortgage availability and competitor pricing.

The Group seeks to maintain an appropriate geographic spread of sites within the southern half of England and an appropriate product mix to mitigate any risks caused by local economic conditions. The Group has detailed procedures to manage its market related operational risks which include:

- the Group reviews key trading indicators, including reservations, sales rates, visitor levels, levels of incentives, competitor activity and cash flow projections on a weekly basis;
- the Group seeks to be completely transparent with mortgage providers regarding house purchase prices alongside any discounts or other incentives in order for the mortgage providers to have appropriate information upon which to base their lending decisions; and
- the Group works with key mortgage lenders to ensure that appropriate products are available for its customers to the extent possible.

The UK housing market affects the valuation of the Group's financial and non-financial assets and liabilities, as well as the critical judgements applied by management in the Group's Financial Statements, which include the valuation of available for sale assets, land and work in progress, and goodwill.

11.3 ***Interest rate risk***

The Group is exposed to interest rate risk due to its borrowing of funds at floating rates. Until 31 October 2011, the Group used an interest rate cap to manage this volatility, but currently does not hedge against this risk given market conditions.

The floating interest rates on the Group's current bank borrowings are linked to LIBOR or the EC Reference Rate. The floating rates are fixed in advance for periods generally ranging from one to twelve months. Short-term flexibility is achieved through the use of the Group's new committed revolving credit facility. The weighted average interest rate for floating rate borrowings in the 2012 financial year was 4.9 per cent. (2011 financial year: 4.4 per cent.).

In the financial year ended 31 October 2012, if UK interest rates had been 100 basis points higher/lower and all other variables were held constant, the Directors estimate that Group's pre-tax profit for the year would have increased/decreased by £1.8 million (2011 financial year: £1.5 million) and the Group's equity would have decreased/increased by £1.8 million (2011 financial year: £1.5 million).

11.4 ***Credit risk***

In the majority of cases, the Group receives cash upon legal completion for private sales and receives advance stage payments from registered social landlords for affordable housing upon an initial transfer of land and then subsequently as the buildings are constructed. The Group has £31.1 million (2011 financial year: £26.8 million) of available for sale financial assets (principally loans under the HomeBuy and EasyBuy schemes to homeowners) which expose it to credit risk, although this asset is spread over a large number of properties. As such, the Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

The Group manages credit risk in a number of ways. For example, surplus cash is placed on deposit with banks with a minimum credit rating, or in accordance with the Group's policy. The security and suitability of these banks is monitored by the individuals responsible for treasury in the Group finance department on a regular basis.

The Group's maximum exposure to credit risk as at 31 October 2012 is represented by the carrying amount of each financial asset in the balance sheet. The Group has no substantial exposure to any individual third party.

12. Critical accounting policies and estimates and forthcoming changes

12.1 *Critical accounting judgements and key sources of estimation uncertainty*

The Group's consolidated financial statements reflect the selection and application of accounting policies that require management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed by the Directors to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates.

The Group makes no significant judgments in the process of applying the Group's accounting policies, other than those involving estimates and assumptions related to:

- carrying value of goodwill;
- carrying value of available-for-sale assets; and
- carrying value of land and work in progress and profit recognition.

The carrying value of goodwill is substantially dependent on the ability of the Group to successfully progress its strategic land holdings. Changes to the planning regime could undermine current assumptions about the sites which are expected to be successfully developed.

Available for sale assets are held at the present value of expected future cash flows taking into account the estimated market value of the property at the estimated time of repayment. There are a number of uncertainties inherent in such estimates, which would impact on the carrying value of such assets.

Inventories of land, work in progress and completed units are stated in the balance sheet at the lower of cost and net realisable value. Due to the nature of development activity and in particular, the length of the development cycle, the Group has to allocate site-wide development costs such as infrastructure between units being built and/or completed in the current year and those for future years. It also has to make estimates of the cost to complete such developments. These estimates are reflected in the margin recognised on developments where unsold plots remain and the carrying value of land and work in progress.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

A summary of the Group's accounting policies, which are subject to estimations and assumptions, is set out in Note 1 to the Group's consolidated financial statements in Part 6: "Financial Information".

12.2 *Impact of standards and interpretations in issue but not yet effective*

The below improvements /amendments to Standards will be effective for the Group's 2013 financial statements. The Directors do not anticipate any material impact on the Group.

(a) Amendment to IAS 12 Deferred Taxes in relation to recovery of underlying assets (mandatory for year commencing on or after 1 January 2012).

(b) Amendment to IFRS 7 in relation to transfer of financial assets (mandatory for year commencing on or after 1 January 2012).

(c) Amendment to IFRS 7 First Time Adoption of IFRS in relation to hyperinflation (mandatory for year commencing on or after 1 January 2012.

PART 5

CAPITALISATION AND INDEBTEDNESS STATEMENT

The following table shows the Group's consolidated capitalisation and indebtedness as at 28 December 2012.

You should read this table together with Part 4: "Operating and Financial Review" of this document and Part 6: "Financial Information".

	£m[(1)]
Total current debt	**7.0**
Guaranteed	–
Secured[(2)]	–
Unguaranteed/Unsecured	7.0
Total non current debt (excluding current portion of long-term debt)	**151.0**
Guaranteed	–
Secured[(2)]	137.3
Unguaranteed/Unsecured	13.7
	£m
Shareholders' equity	
Share capital	10.0
Legal Reserve	240.3
Retained earnings	96.6
Total	**346.9**

(1) Unaudited figures.

(2) Includes debt secured by either a fixed or floating charge.

The following table details the net financial indebtedness of the Group as at 28 December 2012:

	£m[(1)]
A. Cash	50.3
B. Cash equivalents	–
C. Trading Securities	–
D. Liquidity (A) + (B) + (C)	**50.3**
E. Current Financial Receivable	–
F. Current bank debt	–
G. Current portion of non current debt	–
H. Other current financial debt	7.0
I. Current Financial Debt (F) + (G) + (H)	**7.0**
J. Net Current Financial Indebtedness (I) – (E) – (D)	**(43.3)**
K. Non current Bank loans	125.0
L. Bonds Issued	–
M. Other non current loans	26.0
N. Non current Financial Indebtedness (K) + (L) + (M)	**151.0**
O. Net Financial Indebtedness (J) + (N)	**107.7**

(1) Unaudited figures.

PART 6

FINANCIAL INFORMATION

Section A: Accountants' report on consolidated financial information of the Group

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The Directors
Crest Nicholson Holdings plc
Crest House
Pyrcroft Road
Chertsey
Surrey
KT16 9GN

13 February 2013

Dear Sirs

Crest Nicholson Holdings plc

We report on the financial information set out on pages 96 to 125 for the three financial years ended 31 October 2012. This financial information has been prepared for inclusion in the prospectus dated 13 February of Crest Nicholson Holdings plc on the basis of the accounting policies set out in note 1. This report is required by paragraph 20.1 of Annex I of the Prospectus Directive Regulation and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

The Directors of the Company are responsible for preparing the financial information on the basis of preparation set out in note 1 to the financial information and in accordance with International Financial Reporting Standards as adopted by the European Union ("**EU IFRS**").

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility arising under Prospectus Rule 5.5.3R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 23.1 of Annex I of the Prospectus Directive Regulation, consenting to its inclusion in the prospectus.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion on financial information

In our opinion, the financial information gives, for the purposes of the prospectus dated 13 February 2013, a true and fair view of the state of affairs of Crest Nicholson Holdings plc as at 31 October 2010, 31 October 2011 and 31 October 2012 and of its profits, comprehensive income, changes in equity and cash flows for the three financial years ended 31 October 2012 in accordance with the basis of preparation set out in note 1 and in accordance with EU IFRS as described in note 1.

Declaration

For the purposes of Prospectus Rule 5.5.3R (2)(f) we are responsible for this report as part of the prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the prospectus in compliance with paragraph 1.2 of Annex I of the Prospectus Directive Regulation.

Yours faithfully

KPMG Audit plc

Section B: Consolidated financial information on the Group

CREST NICHOLSON HOLDINGS LIMITED

CONSOLIDATED INCOME STATEMENT
For year ended 31 October

	Note	*2010*	*2011*	*2012*
		£m	*£m*	*£m*
Revenue – continuing activities	2	284.4	319.1	408.0
Cost of sales		(206.3)	(227.8)	(296.2)
Gross profit		78.1	91.3	111.8
Administrative expenses		(31.0)	(35.1)	(38.7)
Other operating income		0.2	0.2	0.2
Operating profit – continuing activities	3	47.3	56.4	73.3
Financial income	5	8.2	8.9	9.2
Bank finance costs:				
– Nominal bank interest charges		(14.1)	(19.0)	(10.4)
– Amortisation of bank debt fair value discount		(61.5)	(63.6)	–
	5	(75.6)	(82.6)	(10.4)
Other financial expenses	5	(8.8)	(8.3)	(8.2)
Net financing expense		(76.2)	(82.0)	(9.4)
Share of post tax results of joint ventures using the equity method	10	1.5	(1.4)	(1.8)
Profit/(loss) before tax		(27.4)	(27.0)	62.1
Income tax	6	(0.2)	67.5	1.8
Profit/(loss) for the year attributable to equity shareholders		(27.6)	40.5	63.9

CREST NICHOLSON HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For year ended 31 October

	2010	*2011*	*2012*
	£m	*£m*	*£m*
Profit/(loss) for the year	(27.6)	40.5	63.9
Other comprehensive income:			
Cash flow hedges: effective portion of changes in fair value	(0.2)	–	–
Actuarial (loss)/gain on defined benefit pension schemes	6.2	(10.2)	(1.7)
Change in deferred tax on actuarial loss	–	8.7	(1.8)
Change in fair value of available for sale financial assets	0.2	2.1	(0.3)
Other comprehensive income for the year net of income tax	6.2	0.6	(3.8)
Total comprehensive income attributable to equity shareholders	(21.4)	41.1	60.1

The notes on pages 101 to 125 form part of the historical financial information.

CREST NICHOLSON HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For year ended 31 October

	Share capital *£m*	*Share premium* *£m*	*Cash flow hedging reserve* *£m*	*Retained earnings* *£m*	*Total* *£m*
Balance at 31 October 2009	–	–	0.2	(77.8)	(77.6)
Loss for the year	–	–	–	(27.6)	(27.6)
Actuarial gain on pension scheme	–	–	–	6.2	6.2
Change in fair value of available for sale financial assets	–	–	–	0.2	0.2
Cash flow hedges: effective portion of changes in fair value	–	–	(0.2)	–	(0.2)
Balance at 31 October 2010	–	–	–	(99.0)	(99.0)
Profit for the year	–	–	–	40.5	40.5
Actuarial loss on pension scheme	–	–	–	(10.2)	(10.2)
Deferred tax on actuarial loss	–	–	–	8.7	8.7
Change in fair value of available for sale financial asset	–	–	–	2.1	2.1
Financial restructuring	10.0	240.3	–	94.6	344.9
Balance at 31 October 2011	10.0	240.3	–	36.7	287.0
Profit for the year	–	–	–	63.9	63.9
Actuarial loss on pension scheme	–	–	–	(1.7)	(1.7)
Deferred tax on actuarial loss	–	–	–	(1.8)	(1.8)
Change in fair value of available for sale financial assets	–	–	–	(0.3)	(0.3)
Balance at 31 October 2012	10.0	240.3	–	96.8	347.1

The notes on pages 101 to 125 form part of the historical financial information.

CREST NICHOLSON HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 October

	Note	*2010* *£m*	*2011* *£m*	*2012* *£m*
ASSETS				
Non-current assets				
Intangible assets	8	29.0	29.0	29.0
Property, plant and equipment	9	4.0	2.9	2.2
Investments	10	3.7	2.3	2.9
Available for sale financial assets	11	21.1	26.8	31.1
Deferred tax assets	16	–	75.2	74.9
		57.8	136.2	140.1
Current assets				
Inventories	12	361.9	394.2	469.4
Trade and other receivables	13	39.6	46.7	41.5
Cash and cash equivalents		129.8	121.9	150.1
		531.3	562.8	661.0
Total assets		589.1	699.0	801.1
LIABILITIES				
Non-current liabilities				
Interest bearing loans and borrowings	14	(433.7)	(162.7)	(176.1)
Trade and other payables	15	(25.0)	(24.7)	(34.8)
Retirement benefit obligations	20	(36.1)	(34.5)	(29.9)
Provisions	17	(12.8)	(11.1)	(7.1)
		(507.6)	(233.0)	(247.9)
Current liabilities				
Interest bearing loans and borrowings	14	–	(2.0)	(4.3)
Trade and other payables	15	(174.0)	(170.3)	(194.9)
Provisions	17	(6.5)	(6.7)	(6.9)
		(180.5)	(179.0)	(206.1)
Total liabilities		(688.1)	(412.0)	(454.0)
Net assets/(liabilities)		(99.0)	287.0	347.1
SHAREHOLDERS' EQUITY				
Share capital	18	–	10.0	10.0
Share premium account	18	–	240.3	240.3
Retained earnings		(99.0)	36.7	96.8
		(99.0)	287.0	347.1

The notes on pages 101 to 125 form part of the historical financial information.

CREST NICHOLSON HOLDINGS LIMITED

CONSOLIDATED CASH FLOW STATEMENT
For year ended 31 October

	2010 *£m*	*2011* *£m*	*2012* *£m*
Cash flows from operating activities			
Profit/(loss) for the year	(27.6)	40.5	63.9
Adjustments for:			
Depreciation charge	1.2	1.2	1.2
Net finance charges	75.6	82.6	9.4
Share of loss/(profit) of joint ventures	(1.5)	1.4	1.8
Taxation	0.2	(67.5)	(1.8)
Operating profit before changes in working capital and provisions	47.9	58.2	74.5
Decrease/(increase) in trade and other receivables	1.9	(7.1)	5.2
(Increase)/decrease in inventories	24.1	(32.3)	(75.2)
Increase/(decrease) in trade and other payables	(35.8)	(9.9)	24.3
Cash generated from operations	38.1	8.9	28.8
Interest paid	(10.8)	(9.8)	(11.8)
Tax received	–	–	0.6
Net cash inflow/(outflow) from operating activities	27.3	(0.9)	17.6
Cash flows from investing activities			
Purchases of property, plant and equipment	(0.4)	(0.1)	(0.5)
Repayment of loans to joint ventures	7.9	–	–
Increase in available for sale financial assets	(6.3)	(3.8)	(4.6)
Net cash (outflow)/inflow from investing activities	1.2	(3.9)	(5.1)
Cash flows from financing activities			
Net proceeds from the issue of share capital	–	0.3	–
Debt arrangement and facility fees	(0.6)	(3.4)	–
Repayment of other borrowings	–	–	(0.6)
Proceeds from new loan	–	–	16.3
Net cash inflow/(outflow) from financing activities	(0.6)	(3.1)	15.7
Net increase/(decrease) in cash and cash equivalents	27.9	(7.9)	28.2
Cash and cash equivalents at the beginning of the year	101.9	129.8	121.9
Cash and cash equivalents at end of the year	129.8	121.9	150.1

The notes on pages 101 to 125 form part of the historical financial information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. ACCOUNTING POLICIES

Crest Nicholson Holdings Limited (the "**Company**") is a company incorporated in the UK.

The historical financial information of the Company and its subsidiaries (together referred to as the "**Group**") and its equity accounted associates and jointly controlled entities present the results of the Group and associates and jointly controlled entities for the years ended 31 October 2010, 2011 and 2012.

Basis of preparation

The historical financial information has been extracted from the audited consolidated historical financial information of the Company for the years ended 31 October 2010, 2011 and 2012.

The historical financial information has been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("**EU IFRS**").

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in the historical financial information.

Judgements made by the Directors, in the application of these accounting policies that have significant effect on the historical financial information and estimates with a significant risk of material adjustment in the next year are discussed in note 24.

Measurement Convention

The historical financial information is prepared in accordance with the historical cost convention, except for certain financial instruments and available for sale financial assets, which are carried at fair value.

Basis of Preparation – Going Concern

The Directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future. The Directors reviewed detailed financial forecasts and covenant compliance covering the period to October 2013 and summary financial forecasts for the following two years.

As at 31 October 2012 the Group held cash and cash equivalents of £150.1 million and had total borrowings of £180.4 million. In December 2012 the Group re-financed an element of its bank loans on more favourable terms (see note 26).

For these reasons, the Directors consider it appropriate to prepare the historical financial information on a going concern basis.

Consolidation

The consolidated historical financial information includes the accounts of Crest Nicholson Holdings Limited and entities controlled by the company (its subsidiaries) at the reporting date. Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The profits and losses of subsidiaries acquired or sold during the year are included as from or up to their effective date of acquisition or disposal.

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 income statement or statement of comprehensive income.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the acquired entity at the date of the acquisition. Goodwill arising on acquisition of subsidiaries and businesses is capitalised as an asset. Goodwill allocated

to the strategic land holdings is recognised as an asset, being the intrinsic value within these holdings in the acquired entities, which is realised upon satisfactory planning permission being obtained and sale of the land.

Goodwill is assessed for impairment at each reporting date. Any impairment loss is recognised immediately in the income statement.

Joint ventures

A joint venture is an undertaking in which the Group has a participating interest and which is jointly controlled under a contractual arrangement.

Where the joint venture involves the establishment of a separate legal entity, the Group's share of results of the joint venture after tax is included in a single line in the consolidated income statement and its share of net assets is shown in the consolidated balance sheet as an investment.

Where the joint venture does not involve the establishment of a legal entity, the Group recognises its share of the jointly controlled assets and liabilities and income and expenditure on a line by line basis in the balance sheet and income statement.

Revenue and Profit Recognition

Revenue comprises the fair value of the consideration received or receivable, net of value-added tax, rebates and discounts but excludes the sale of properties taken in part exchange.

Revenue is recognised once the value of the transaction can be reliably measured and the significant risks and rewards of ownership have been transferred.

Revenue is recognised on house sales at legal completion. Revenue is recognised on land sales and commercial property sales from the point of unconditional exchange of contracts. Where the conditions for the recognition of revenue are met but the Group still has significant acts to perform under the terms of the contract, revenue is recognised as the acts are performed.

Profit is recognised on a plot-by-plot basis, by reference to the margin forecast across the related development site.

For affordable housing sales in bulk, revenue is recognised upon practical completion and when substantially all risks and rewards of ownership are transferred to the buyer.

Provision is made for any losses foreseen in completing a site as soon as they become apparent.

Exceptional Items

Exceptional items are those significant items that are separately disclosed by virtue of their size or incidence to enable a full understanding of the Group's financial performance.

Taxation

Income tax comprises current tax and deferred tax. Income tax is recognised in the 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 period and any adjustment to tax payable in respect of previous periods. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities in the historical financial information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognised for all taxable temporary differences, except those exempted by the relevant accounting standard and 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.

Dividends

Dividends are recorded in the historical financial information in the period in which they are declared and the liability arises.

Property, Plant and Equipment

Property, plant and equipment are initially recognised at cost.

Plant, vehicles and equipment are depreciated on cost less residual value on a straight line basis at rates varying between 10 per cent. and 33 per cent. determined by the expected life of the assets.

Freehold land is not depreciated.

Available for Sale Financial Assets

Available for sale financial assets are initially recognised at fair value. Changes in fair value relating to the expected recoverable amount are recognised in the income statement; changes in fair value arising from a change of discount factor are recognised in other comprehensive income and accumulated in equity, until the asset is divested.

On disposal of these assets, the difference between the carrying value and the consideration received plus cumulative fair value movements previously recognised in equity is recognised in the income statement.

Leases

A finance lease is a lease that transfers substantially all the risks and rewards incidental to the ownership of an asset; all other leases are operating leases.

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the income statement on a straight line basis over the period of the lease.

Inventories

Inventories are valued at the lower of cost and net realisable value. Land includes land under development, undeveloped land and land option payments. Work in progress comprises direct materials, labour costs, site overheads, associated professional fees and other attributable overheads.

Land inventories and the associated land creditors are recognised in the balance sheet from the date of unconditional exchange of contracts. If land is purchased on deferred settlement terms then the land and the land creditor are discounted to their fair value. The land creditor is then increased to the settlement value over the period of financing, with the financing element being charged as interest expense through the income statement.

Cash and Cash Equivalents

Cash and cash equivalents are cash balances in hand and in the bank. For the purpose of the cash flow statement, bank overdrafts are considered part of cash and cash equivalents as they form an integral part of the Group's cash management. Offset arrangements across Group businesses are applied to arrive at the net cash figure.

Retirement Benefit Costs

The Group operates a defined benefit pension scheme (closed to new employees and to future service accrual since May 2010) and also makes payments into a defined contribution scheme for employees.

In respect of defined benefit schemes, the net obligation 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 discount rate used to discount the benefits accrued is the yield at the balance sheet 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 income statement; service costs are spread systematically over the lives of employees and financing costs are recognised in the periods in which they arise.

The Group recognises expected scheme gains and losses via the income statement and actuarial gains and losses are recognised in the period they occur directly in other comprehensive income.

Payments to the defined contribution schemes are accounted for on an accruals basis.

Financial Instruments

Trade Receivables

Trade receivables which do not carry any interest are stated at their nominal amount less impairment losses.

Trade Payables

Trade payables are generally stated at their nominal amount; land payables with deferred settlement terms are recorded initially at their discounted present value, with interest being charged to the income statement over the duration of the deferred payment.

Borrowings

Interest bearing bank loans and overdrafts are measured initially at fair value, net of direct issue costs. Finance charges are accounted for on an accruals basis in the 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.

Derivative Financial Instruments and Hedge Accounting

Derivative financial instruments are recognised at fair value. The fair value of swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account the current creditworthiness of the swap counterparties.

Where the derivative instrument is deemed an effective hedge over the exposure being hedged, the derivative instrument is treated as a hedge and hedge accounting applied. Under a fair value hedge the change in the fair value of the derivative is recognised in the income statement and offsets the movement in fair value of the hedged item. Under a cash flow hedge, gains and losses on the effective portion of the change in the fair value of the derivative instrument are recognised directly in other comprehensive income and accumulated in a separate reserve within equity.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting and any ineffectiveness in the hedge relationship are recognised in the income statement as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in reserves is retained in reserves until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in reserves is transferred to net profit or loss for the period.

Provisions

A provision is recognised in the balance sheet 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. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Impact of Standards and Interpretations in Issue but not yet Effective

The below improvements/amendments to Standards will be effective for the Group's 2013 financial statements. The Directors do not anticipate any material impact on the Group.

- Amendment to IAS 12 Deferred Taxes in relation to recovery of underlying assets (mandatory for year commencing on or after 1 January 2012).
- Amendment to IFRS 7 in relation to transfer of financial assets mandatory for year commencing on or after 1 January 2012).
- Amendment to IFRS 7 First Time Adoption of IFRS in relation to hyperinflation mandatory for year commencing on or after 1 January 2012).

2. REVENUE

There is no Group revenue in geographical markets outside the United Kingdom.

No segmental information has been presented as the Directors consider that as the Group's main operation is that of a housebuilder and it operates entirely within the UK, there are no separate segments either business or geographic to disclose having taken into account the aggregation criteria provisions of IFRS 8.

3. OPERATING PROFIT

Operating profit from continuing activities is stated after charging the items set out below:

	2010	*2011*	*2012*
	£m	*£m*	*£m*
Staff costs (Note 4)	25.6	31.8	35.5
Depreciation	1.2	1.2	1.2
Operating lease rentals:			
Hire of plant and machinery	0.2	0.2	0.2
Other – including land and buildings	4.1	4.1	4.0

Auditor's remuneration:	*£000*	*£000*	*£000*
Audit of the Group's annual accounts	36	38	38
Audit of financial statements of subsidiaries pursuant to legislation	112	112	116
Other services relating to corporate restructuring	–	26	–
Other services relating to taxation	34	247	58

In addition to the Auditor's remuneration disclosed above, fees of £nil (2011: £2,000) were paid to the Group's Auditor by the Crest Nicholson Money Purchase pension scheme in respect of the audit of the scheme.

Amounts paid to the Company's Auditor in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis.

4. STAFF NUMBERS AND COSTS

	2010	*2011*	*2012*
Average number of persons employed by the Group	*Number*	*Number*	*Number*
Development	464	494	556

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

Staff costs	*£m*	*£m*	*£m*
Wages and salaries	23.0	27.3	30.3
Social security costs	2.7	3.2	3.6
Other pension costs	(0.1)	1.3	1.6
	25.6	31.8	35.5

Key management comprises the Holdings and Operating Boards, as they are considered to have the authority and responsibility for planning, directing and controlling the activities of the Group. Details of Directors' remuneration, pension and share based payments are as follows:

DIRECTORS' REMUNERATION	*2010*	*2011*	*2012*
	£000	*£000*	*£000*
Aggregate emoluments	1,915	2,397	1,891

Retirement benefits have accrued to nil (2011: nil, 2010: three) Directors under the Crest Nicholson defined benefit scheme as this scheme closed in 2010. The aggregate value of company defined benefit contributions paid for Directors was £nil (2011: £nil, 2010: £107,000). The aggregate value of the company defined contributions paid for Directors was £56,142 (2011: £60,000, 2010: £111,000).

During 2011, payments totalling £2.4 million were made to former Directors of Crest Nicholson Holdings Limited as compensation for loss of office.

Highest paid Director

Emoluments	841	1,019	1,128
Defined benefit scheme – accrued pension at end of year	113	117	123

5. FINANCE INCOME AND COSTS	*2010*	*2011*	*2012*
	£m	*£m*	*£m*
Interest income	0.7	0.4	1.4
Imputed interest on available for sale financial assets	2.2	2.6	2.9
Expected return on defined benefit pension plan assets	5.3	5.9	4.9
Finance income	8.2	8.9	9.2

Finance costs

		2012	
	Nominal bank interest charges £m	*Amortisation of bank debt fair value discount £m*	*Total £m*
Bank term loan – Facility B	7.3	–	7.3
Other interest	3.1	–	3.1
	10.4	–	10.4
Imputed interest on deferred land creditors	1.0	–	1.0
Interest on defined benefit pension plan obligations	7.2	–	7.2
	8.2	–	8.2
	18.6	–	18.6

Finance costs

		2011	
	Nominal bank interest charges £m	*Amortisation of bank debt fair value discount £m*	*Total £m*
Bank term loan – Facility B	6.5	11.9	18.4
Bank term loan – Facility E	4.8	51.7	56.5
Other interest	7.7	–	7.7
	19.0	63.6	82.6
Imputed interest on deferred land creditors	1.0	–	1.0
Interest on defined benefit pension plan obligations	7.3	–	7.3
	8.3	–	8.3
	27.3	63.6	90.9

Finance costs

		2010	
	Nominal bank interest charges £m	*Amortisation of bank debt fair value discount £m*	*Total £m*
Bank term loan – Facility B	5.4	11.5	16.9
Bank term loan – Facility E	5.2	50.0	55.2
Other interest	3.5	–	3.5
	14.1	61.5	75.6
Imputed interest on deferred land creditors	1.5	–	1.5
Interest on defined benefit pension plan obligations	7.3	–	7.3
	8.8	–	8.8
	22.9	61.5	84.4

6. TAXATION

	2010 £m	*2011 £m*	*2012 £m*
Current tax (credit)/expense			
UK Corporation tax on profits for the year	–	(0.3)	–
Adjustment in respect of prior years	0.2	(0.7)	(0.3)
Total current tax	0.2	(1.0)	(0.3)
Deferred tax credit			
Reversal/(origination) of temporary differences in the current year	–	(1.5)	15.5
Deferred tax change in rate from 25% to 23%	–	–	6.0
Deferred tax arising on previously unrecognised temporary differences	–	(65.0)	(23.0)
Total deferred tax (note 16)		(66.5)	(1.5)
Total tax in income statement	0.2	(67.5)	(1.8)

The total tax charge for the year is lower (2011: tax credit, higher) than the standard rate of UK corporation tax of 24.83 per cent. (2011: 26.83 per cent. , 2010: 28 per cent.). The differences are explained below:

	2010	*2011*	*2012*
	£m	*£m*	*£m*
Profit/(loss) before tax	(27.4)	(27.0)	62.1
Tax on profit/(loss) at 24.83% (2011: 26.83%, 2010: 28%)	(7.7)	(7.2)	15.4
Effects of:			
Expenses not deductible for tax purposes	0.8	0.8	1.0
Adjustments to tax charge in respect of prior years	0.2	(0.7)	(0.3)
Deductible temporary differences not recognised	(1.3)	(2.0)	(1.1)
Stock fair value adjustment	(11.9)	(13.7)	–
Deferred tax change in rate from 25% to 23%	–	–	6.0
Unrecognised tax losses	20.1	20.3	0.2
Deferred tax arising on previously unrecognised temporary differences	–	(65.0)	(23.0)
Total tax in income statement	0.2	(67.5)	(1.8)

7. DIVIDENDS

There were no distributions to equity shareholders in the year (2011: nil, 2010: nil). No dividend has been proposed by the Directors after the balance sheet date.

8. INTANGIBLE ASSETS

	Total Goodwill £m
Cost	
At beginning and end of 2010, 2011 and 2012	47.7
Impairment	
At beginning and end of 2010, 2011 and 2012	(18.7)
Carrying value	
At beginning and end of 2010, 2011 and 2012	29.0

Goodwill arose on the acquisition of Castle Bidco Limited on 24 March 2009. Goodwill is allocated to acquired strategic land holdings and is tested annually for impairment. The recoverable amounts are determined by assessing value in use, being the present value of the forecast cash flows from the expected development and sale of properties on the strategic land. The forecast looks at the likelihood and scale of permitted development, forecast build costs and forecast selling prices, using a discount rate of 8.89 per cent. (2011: 9.21 per cent., 2010: 9.57 per cent.), covering a period of 22 years (being the minimum period that management expects to benefit from the acquired strategic land holdings) and based on current market conditions.

9. PROPERTY, PLANT AND EQUIPMENT

	Plant, Vehicles and Equipment £m
Cost	
At 31 October 2009	8.3
Additions	0.4
At 31 October 2010	8.7
Additions	0.1
At 31 October 2011	8.8
Additions	0.5
At 31 October 2012	9.3

	Plant, Vehicles and Equipment £m
Accumulated depreciation	
At 31 October 2009	3.5
Charged in the year	1.2
At 31 October 2010	4.7
Charged in the year	1.2
At 31 October 2011	5.9
Charged in the year	1.2
At 31 October 2012	7.1
Carrying value	
At 31 October 2010	4.0
At 31 October 2011	2.9
At 31 October 2012	2.2

10. INVESTMENTS

Joint ventures	*Cost of investment/ Loans £m*	*Share of Post Acquisition Reserves £m*	*Total £m*
At 31 October 2009	11.2	(1.1)	10.1
Share of profit for the year	–	1.5	1.5
Repayments	(7.9)	–	(7.9)
At 31 October 2010	3.3	0.4	3.7
Share of loss for the year	–	(1.4)	(1.4)
At 31 October 2011	3.3	(1.0)	2.3
Share of loss for the year	–	(1.8)	(1.8)
Net liabilities offset against amounts due from joint ventures	(1.9)	4.3	2.4
At 31 October 2012	1.4	1.5	2.9

The Group's share of joint ventures net assets, income and expense is made up as follows:

	2010 £m	*2011 £m*	*2012 £m*
Non-current assets	0.1	6.1	0.1
Current assets	54.2	37.0	31.0
Current liabilities	(14.4)	(13.9)	(29.6)
Non-current liabilities	(36.2)	(26.9)	(1.0)
	3.7	2.3	0.5
Net liabilities offset against amounts due from joint ventures	–	–	2.4
	3.7	2.3	2.9
Income	10.0	–	–
Expenditure	(8.5)	(1.4)	(1.8)
Loss	1.5	1.4	1.8

The Group has a 50 per cent. interest in Crest/Galliford Try (Epsom) LLP, a Limited Liability Partnership set up to develop three sites in Epsom. The LLP purchased the land and is responsible for developing the infrastructure on the sites. The risks and rewards of development will accrue to the development partners, Crest Nicholson and Galliford Try.

At 31 October 2012, Crest/Galliford Try (Epsom) LLP had negative Capital Employed of £3 million (2011: positive capital employed £42 million, 2010: positive capital employed £61 million), due to the earlier repayment during the period of non-current loans. The share of net liabilities has been recognised against amounts due from joint ventures.

The Group has a 50 per cent. interest in Crest Nicholson Bioregional Quintain LLP, a Limited Liability Partnership set up to develop a site in Brighton. The site was substantially completed during accounting year ended 31 October 2010; at 31 October 2012, Crest Nicholson Bioregional Quintain LLP had Capital Employed of £3.7 million (2011: £3.7 million, 2010: £3.4 million).

The Group owns 500 ordinary shares of £1 each representing 50 per cent. of the issued share capital of Brentford Lock Limited, a Company registered in England, which was set up to redevelop a site in West London. The site was completed and all units sold in 2006. At 31 October 2012, £3.3 million was due from Crest Nicholson Operations Limited to Brentford Lock Limited, pending declaration of a final dividend (2011: £3.1 million, 2010: £3.0 million).

The Group owns 414,860 ordinary shares of £1 each representing 50 per cent. of the issued share capital of Greenwich Peninsula N0206 Limited, a Company registered in England, which was set up to redevelop a site in Greenwich, London. The site has detailed planning consent. At 31 October 2012 Greenwich Peninsula N0206 Limited had capital employed of £0.4 million (2011: £0.8 million)

Subsidiary undertakings

The subsidiary undertakings that are significant to the Group and traded during the year are set out below. The Group's interest is in respect of ordinary issued share capital that is wholly owned and all the subsidiary undertakings are incorporated in Great Britain and included in the historical financial information. A full list of subsidiaries is provided with the Group's annual return.

Subsidiary	*Nature of business*
Castle Bidco Limited	Holding Company
Crest Nicholson PLC	Holding Company
Crest Nicholson Operations Limited	Residential and commercial property development

11. AVAILABLE FOR SALE FINANCIAL ASSETS

	2010	*2011*	*2012*
	£m	*£m*	*£m*
At beginning of the year	14.6	21.1	26.8
Additions	4.3	1.7	3.7
Disposals	(0.2)	(0.7)	(2.0)
Imputed interest	2.2	2.6	2.9
Change in fair value	0.2	2.1	(0.3)
At the end of the year	21.1	26.8	31.1

The Group operates an 'EasyBuy' scheme, under which up to 25 per cent. of the purchase price of selected properties is funded through a loan from the Group, secured on the property. The Group retains a percentage interest in the market value of the property equal to the initial percentage of the loan provided. These loans are repayable at the relevant percentage of the market value of the property upon sale or transfer of ownership of the property or within ten years, whichever is sooner. The purchaser also has an option to repay the loan earlier than would otherwise be required, subject to a market valuation of the property. Interest is payable on the outstanding balance from the fifth anniversary of the purchase.

The Group has also participated in the Government's 'HomeBuy' schemes, under which up to 30 per cent. of the purchase price of selected properties is funded through loans of up to 15 per cent. each from the Group and from the Homes and Communities Agency, secured on the property. The Group retains an interest in the market value of the property equal to the initial percentage of the loan provided. These loans mature upon sale or transfer of ownership of the property or within 25 years, whichever is sooner. The purchaser also has an option to repay the loan earlier than would otherwise be required, subject to a market valuation of the property. Interest is payable on the outstanding balance from the fifth anniversary of the purchase.

Available for sale financial assets are held at fair value. The Directors believe that there is sufficient relevant expertise within the Group to perform this valuation.

12. INVENTORIES

	2010	*2011*	*2012*
	£m	*£m*	*£m*
Work in progress: land, building and development	314.9	343.5	428.4
Completed buildings including show houses	47.0	50.7	41.0
	361.9	394.2	469.4

Included within inventories is £233.5 million (2011: £286.1 million, 2010: £223.4 million) expected to be recovered in more than 12 months.

Inventories to the value of £281.8 million (2011: £219.3 million, 2010: £190.0 million) were recognised as expenses in the year.

13. TRADE AND OTHER RECEIVABLES

	2010	*2011*	*2012*
	£m	*£m*	*£m*
Current			
Trade receivables	8.7	7.5	3.7
Recoverable on contracts	16.5	20.6	8.3
Due from joint ventures	9.4	12.7	16.9
Other receivables	3.9	4.8	11.5
Prepayments and accrued income	1.1	1.1	1.1
	39.6	46.7	41.5

14. INTEREST BEARING LOANS AND BORROWINGS

	2010	*2011*	*2012*
	£m	*£m*	*£m*
Non-current			
Term loans	418.5	150.0	152.0
Other loans	12.1	12.7	24.1
Loan notes	3.1	–	–
	433.7	162.7	176.1
Current			
Loan notes	–	2.0	–
Other loans	–	–	4.3
	–	2.0	4.3

15. TRADE AND OTHER PAYABLES

	2010 £m	2011 £m	2012 £m
Non-current			
Land payables on contractual terms	21.5	23.3	33.7
Accruals	3.5	1.4	1.1
	25.0	24.7	34.8
Current			
Land payables on contractual terms	24.0	35.0	56.6
Other trade payables	19.2	21.7	22.2
Payments on account	28.2	5.3	0.5
Due to joint ventures	0.9	1.6	1.4
Taxes and social security costs	1.0	1.6	1.2
Other payables	24.9	30.4	27.4
Accruals	75.8	74.7	85.6
	174.0	170.3	194.9

16. DEFERRED TAX ASSETS

The deferred tax assets comprises:

	2010 £m	2011 £m	2012 £m
At the beginning of year	–	–	75.2
Reversal/(origination) of temporary differences in the current year	–	1.5	(15.5)
Deferred tax change in rate from 25% to 23%	–	–	(6.0)
Deferred tax arising on previously unrecognised temporary differences	–	65.0	23.0
Amount (charged)/credited to other comprehensive income	–	8.7	(1.8)
At the end of the year	–	75.2	74.9

	2010 Recognised £m	2010 Not Recognised £m	2011 Recognised £m	2011 Not Recognised £m	2012 Recognised £m	2012 Not Recognised £m
The deferred tax asset comprises:						
Tax losses	–	53.0	10.6	24.5	26.5	12.7
Accelerated pension payments	–	–	1.5	–	0.9	–
Inventories fair value	–	71.0	54.4	–	39.5	–
Other timing differences	–	0.7	–	0.9	1.1	–
	–	124.7	66.5	25.4	68.0	12.7
Deferred tax on pension deficit shown in other comprehensive income	–	9.7	8.7	–	6.9	–
Deferred tax asset	–	134.4	75.2	25.4	74.9	12.7

At 31 October 2012, the expected future rate of corporation tax was 23 per cent. (2011: 25 per cent.). A further reduction in the corporation tax rate to 21 per cent. had been announced but not substantively enacted therefore not reflected in this historical financial information. Trading losses of £26.5 million and inventories fair value adjustments of £39.5 million are expected to be recoverable in full and are therefore fully recognised as deferred tax assets at 31 October 2012. Non-trading deficits of £12.7 million (2011: £1.0 million) have not been recognised since these can only be offset against future non-trading income.

Inventories fair value represents temporary differences on the carrying value of inventory fair valued on the acquisition of Castle Bidco Ltd in 2009.

17. PROVISIONS

	Rental and other obligations in respect of vacant properties £m	*Future losses on joint ventures £m*	*Total £m*
Non-current			
At 31 October 2009	5.6	12.3	17.9
(Credited)/Charged to the income statement	0.2	(5.3)	(5.1)
At 31 October 2010	5.8	7.0	12.8
Credited to the income statement	(0.7)	(1.0)	(1.7)
At 31 October 2011	5.1	6.0	11.1
Credited to the income statement	(0.2)	(3.8)	(4.0)
At 31 October 2012	4.9	2.2	7.1
Current			
At 31 October 2009	1.2	2.2	3.4
Charged to the income statement	0.5	2.6	3.1
At 31 October 2010	1.7	4.8	6.5
Charged/(credited) to the income statement	(0.7)	0.9	0.2
At 31 October 2011	1.0	5.7	6.7
Charged/(credited) to the income statement	(0.3)	0.5	0.2
At 31 October 2012	0.7	6.2	6.9

18. SHARE CAPITAL

	Shares issued Number	*Nominal Value pence*	*Share capital £*	*Share premium account £*
As at 31 October 2009 and 2010	10,000	1	100	–
Shares cancelled during 2011	(350)	1	(3)	
Shares allotted during 2011	50	1	–	–
Balance	9,700	–	97	–
Shares re-classified during 2011	(9,700)	–	(97)	–
A shares (700 reclassified ordinary shares)	70,000	0.0001	7	–
Deferred shares (9,000 reclassified ordinary shares)	18,000	0.005	90	–
B shares	1,300	0.0001	–	–
C shares	6,957	100	6,957	243,043
D shares	25,000	0.0001	1	29,999
Ordinary shares	10,000,000	100	10,000,000	240,000,000
As at 31 October 2011	10,121,257		10,007,055	240,273,042
B shares allotted in the year	4,450	0.0001	–	–
D shares allotted in the year	5,000	0.0001	–	–
A shares purchased and cancelled in the year	(5,000)	0.0001	–	–
D shares purchased and cancelled in the year	(1,875)	0.0001	–	–
As at 31 October 2012	10,123,832		10,007,055	240,273,042

Shares Purchased and Cancelled in 2012

During 2012 the Company purchased and cancelled D and A shares for £17,357 in cash.

Date	*Share type*	*Number of shares*	*Nominal value*	*Purchase price*	*% of total capital*
July 2012	D	1,875	£0.19	£0.00	0.02%
July 2012	A	5,000	£0.50	£17,357	0.05%

During the year 4,450 B shares and 5,000 D shares were allotted at par to certain members of management pursuant to a share scheme.

Shares Purchased and Cancelled in 2011

During 2011 the Company purchased and cancelled a total of 350 of its own ordinary shares as a result of the shareholders leaving the employment of the Group.

Date	*Share type*	*Number of shares*	*Nominal value*	*Purchase price*	*% of total capital*
December 2010	Ordinary	50	£0.50	£0.50	0.5%
May 2011	Ordinary	200	£2.00	£2.00	2.0%
September 2011	Ordinary	100	£1.00	£2.00	1.0%

In March 2011, 50 ordinary Shares were issued at par value to an employee of the Group.

The classes of share in issue at 31 October 2012 hold the following rights:

A Shares and D Shares

The shares do not confer voting rights and only confer limited dividend and capital distribution rights. They do not confer any rights of redemption.

Deferred and B Shares

The shares do not confer voting or dividend rights and only confer limited capital distribution rights. They do not confer any rights of redemption.

C Shares and Ordinary Shares

The shares confer voting, dividend and capital distribution (including on winding up) rights. They do not confer any rights of redemption.

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Group operations are financed through net borrowings, comprising bank and loan facilities which are secured by fixed charges over land and work-in-progress.

Fair Values

Financial Assets

The Group's financial assets comprise cash equivalents, available for sale financial assets and trade and other receivables. The carrying amount of financial assets equate to their fair value. At 31 October 2012 cash equivalents consisted of sterling cash deposits of £150.1 million (2011: £121.9 million, 2010: £129.8 million), with solicitors and on current account, £31.1 million (2011: £26.8 million, 2010: £21.1 million) of available for sale financial assets and £41.5 million (2011: £46.7 million, 2010: £39.6 million) of trade and other receivables.

Financial liabilities

The Group's financial liabilities comprise term loans, other loans, trade payables, payments on account, loans from joint ventures and accruals. The carrying amount of the trade payables, payments on account, loans from joint ventures and accruals equate to their fair value. The fair values of the term loan, 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 balance sheet date.

The fair values of the facilities determined on this basis are:

	Nominal interest rate	*Face value 2012 £m*	*Carrying value 2012 £m*	*Fair value 2012 £m*	*Year of maturity*
2012					
Facility B Term loan	3 mth LIBOR + 6.5%	150.0	150.0	150.0	2015
Facility C Term loan	3 mth LIBOR + 3.5%	2.0	2.0	2.0	2015
Get Britain Building loans	EU Reference rate + 4%	12.0	12.0	12.0	2013–2014
Other loans	6.75%	12.1	12.1	12.1	2016
Total non-current interest bearing loans		176.1	176.1	176.1	
Get Britain Building loans	EU Reference rate + 4%	4.3	4.3	4.3	2014–2015
Total current interest bearing loans		4.3	4.3	4.3	

	Nominal interest rate	Face value 2011 £m	Carrying value 2011 £m	Fair value 2011 £m	Year of maturity
2011					
Facility B Term loan	3 mth LIBOR + 3.5% to 14.09.12 then + 6.5%	150.0	150.0	150.0	2015
Other loans	6.75%	12.7	12.7	12.7	2015
Total non-current interest bearing loans		162.7	162.7	162.7	
Loan notes	3 mth LIBOR – 0.50%	2.0	2.0	2.0	2012
Total current interest bearing loans		2.0	2.0	2.0	

	Nominal interest rate	Face value 2010 £m	Carrying value 2010 £m	Fair value 2010 £m	Year of maturity
2010					
Facility B Term loan	12 mth LIBOR + 0.50%	343.5	327.1	281.5	2012
Facility C Term loan	12 mth LIBOR + 0.50%	3.4	3.4	3.4	2012
Facility E Term loan	6 mth LIBOR + 2.50%	158.9	88.0	–	2012
Loan notes	3 mth LIBOR – 0.50%	3.1	3.1	3.1	2012
Other loans	6.75%	12.1	12.1	12.1	2014
Total non-current and current interest bearing loans		521.0	433.7	300.1	

The carrying amount of the financial liabilities equates to their fair value. The 2012 and 2011 fair valuation are calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the balance sheet date. After the balance sheet date, the Group refinanced an element of its bank loans (see note 28).

Land purchased on Extended Payment Terms

When land is purchased on extended payment terms, the Group initially records it at its fair value with a land creditor recorded for any outstanding monies based on its fair value assessment. Fair value is determined by using the effective interest method. The difference between the nominal value and the initial fair value is amortised over the period of the extended credit term and charged to finance costs, increasing the value of the land creditor such that at the date of maturity the land creditor equals the payment required.

Undrawn Borrowing Facilities

The Group had no undrawn committed borrowing facilities at 31 October 2012 (2011: £nil, 2010: £20 million). The repayment terms of the facilities are set out below. In addition there were undrawn guarantee facilities of £12.2 million (2011: £5.9 million, 2010: £18.4 million).

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.

Surplus cash is placed on deposit with banks with a minimum credit rating, or in accordance with Company policy. The security and suitability of these banks is monitored by treasury on a regular basis.

Trade and other receivables are mainly amounts due from housing associations and commercial property sales, which are within credit terms. Management considers that the credit ratings of these various debtors are good and therefore credit risk is considered low.

The maximum exposure to credit risk at 31 October 2012 is represented by the carrying amount of each financial asset in the balance sheet. The Group has no substantial exposure to any individual third party.

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 cashflow requirements of the Group against the available facilities. The principal risks within these cashflows relate to achieving the level of sales volume and prices in line with current forecasts.

The following are the contractual maturities including estimated cash flows of the financial liabilities of the Group at 31 October 2012:

	Carrying value £m	*Contractual cash flows £m*	*Within 1 year £m*	*1–2 years £m*	*2–3 years £m*	*More than 3 years £m*
2012						
Facility B Term loan	150.0	181.6	10.6	10.6	160.4	–
Facility C Term loan	2.0	2.2	0.1	0.1	2.0	–
Get Britain Building loans	16.3	18.1	4.5	7.4	4.2	2.0
Other loans	12.1	15.7	–	–	–	15.7
Financial liabilities carrying no interest	140.4	140.4	106.7	7.8	5.0	20.9
At 31 October 2012	320.8	358.0	121.9	25.9	171.6	38.6

Other loans of £12.1 million are from a joint venture partner and repayable at a date based on progress of the development and/or the termination of the joint venture agreement. The timing and amount of future cash flows given in the table above is based on the Directors' best estimate of the likely outcome.

	Carrying value £m	*Contractual cash flows £m*	*Within 1 year £m*	*1–2 years £m*	*2–3 years £m*	*More than 3 years £m*
2011						
Facility B Term loan	150.0	190.5	6.8	11.2	11.2	161.3
Loan notes	2.0	2.0	2.0	–	–	–
Other loans	12.7	15.4	–	–	–	15.4
Financial liabilities carrying no interest	115.8	115.8	92.5	12.3	7.9	3.1
At 31 October 2011	280.5	323.7	101.3	23.5	19.1	179.8

Other loans of £12.7 million are from a joint venture partner and repayable at a date based on progress of the development and/or the termination of the joint venture agreement. The timing and amount of future cash flows given in the table above is based on the Directors' best estimate of the likely outcome.

	Carrying value £m	*Contractual cash flows £m*	*Within 1 year £m*	*1–2 years £m*	*2–3 years £m*	*More than 3 years £m*
2010						
Facility B Term loan	327.1	353.1	6.8	346.3	–	–
Facility C Term loan	3.4	3.5	0.1	3.4	–	–
Facility E Term loan	88.0	164.8	–	164.8	–	–
Loan notes	3.1	3.1	1.0	2.1	–	–
Other loans	12.1	15.7	–	–	–	15.7
At 31 October 2010	433.7	540.2	7.9	516.6	–	15.7

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments.

Interest Rate Risk

The Group is exposed to interest rate risk due to borrowing funds at floating interest rates.

Borrowings are funded through a term loan which is subject to variable interest rates that are unhedged.

At 31 October 2012, the interest rate profile of the financial liabilities of the Group was:

	Carrying amount			
Sterling	*Floating rate financial liabilities £m*	*Fixed rate financial liabilities £m*	*Financial liabilities carrying no interest £m*	*Total £m*
2012				
Bank borrowings, loan notes and long term creditors	180.4	–	140.4	320.8

	Carrying amount			
Sterling	*Floating rate financial liabilities £m*	*Fixed rate financial liabilities £m*	*Financial liabilities carrying no interest £m*	*Total £m*
2011				
Bank borrowings, loan notes and long term creditors	164.7	–	115.8	280.5

Sterling	Floating rate financial liabilities £m	Fixed rate financial liabilities £m	Financial liabilities carrying no interest £m	Total £m
	Carrying amount			
2010				
Bank borrowings, loan notes and long term creditors	433.7	–	117.8	551.5

The floating rate financial liabilities are subject to interest rates referenced to LIBOR. These rates are for a period between one and twelve months.

For financial liabilities that have no interest payable but for which imputed interest is charged, consisting of land creditors, the weighted average period to maturity is 72 months (2011: 30 months, 2010: 26 months).

The maturity of the financial liabilities is:

	2010 £m	2011 £m	2012 £m
Repayable within one year	96.3	94.5	111.1
Repayable between one and two years	430.8	12.3	14.5
Repayable between two and five years	12.3	157.9	162.2
Repayable after five years	12.1	15.8	33.0
	551.5	280.5	320.8

Sensitivity Analysis

A change of 100 basis points in interest rates at the balance sheet date would have increased/(decreased) equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables remain constant and considers the pre-tax effect of financial instruments with variable interest rates.

	2010		2011		2012	
	Equity £m	Income statement £m	Equity £m	Income statement £m	Equity £m	Income statement £m
Increase in rates	(5.0)	(5.0)	(1.5)	(1.5)	(1.8)	(1.8)
Decrease in rates	5.0	5.0	1.5	1.5	1.8	1.8

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.

Management will continue to monitor actual cash flows against the approved cash flow forecast.

Fair value hierarchy

The Group holds Available for Sale Assets at fair value. The valuation method falls under Level 3 of the IFRS fair value hierarchy; inputs for the assets or liability that are not based on observable market data (unobservable inputs). The amounts are given in note 11.

20. EMPLOYEE BENEFITS

Retirement Benefit Obligations

Defined contribution scheme

The Group (through Crest Nicholson PLC) 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 service cost of this scheme for the year was £1.3 million (2011: £1.1 million, 2010: £0.8 million). At the balance sheet date there were no outstanding or prepaid contributions.

Defined benefit scheme

The Group (through Crest Nicholson PLC) operates a contributory defined benefit pension scheme which is closed to new entrants. The assets of the scheme are held separately from those of the Group, being invested in managed funds.

The most recent funding valuation of the main scheme was carried out as at 31 August 2012 by a professionally qualified actuary using the projected unit method.

The assets of the defined benefit scheme have been calculated at fair value and the liabilities, at the balance sheet date under IAS 19 (Revised), using the projected unit method and based on the following financial assumptions:

	2010	*2011*	*2012*
	%pa	*%pa*	*%pa*
Discount rate	5.7%	5.0%	4.3%
Price inflation	3.5%	3.1%	2.6%
Pension increases on benefit increasing in line with 5% or RPI if lower	3.1%	3.0%	2.6%
Expected return on invested assets	5.9%	5.0%	4.4%
Expected return on insurance annuity contracts	5.7%	5.0%	4.3%

The expected return on assets reflects the weighted average return on the categories of Scheme assets shown below.

Mortality assumptions are as follows:

- Mortality before retirement: SAPS S1 PMA and PFA tables with future improvements in line with CMI 2011 and a 1.5 per cent. per annum long term reduction in death rates.
- Mortality after retirement: SAPS S1 PMA and PFA tables with future improvements in line with CMI 2011 and a 1.5 per cent. per annum long term reduction in death rates.

The major categories of scheme assets as a percentage of the total fair value of scheme assets are as follows:

	2010	*2011*	*2012*
	%	*%*	*%*
Equities	58.2%	52.4%	56.4%
Bonds	29.3%	28.1%	28.4%
Property	2.2%	2.1%	2.0%
Cash	1.3%	9.4%	5.0%
Secured annuities	9.0%	8.0%	8.2%
Total	100.0%	100.0%	100.0%

The amounts recognised in the year are as follows:

	2010	*2011*	*2012*
	£m	*£m*	*£m*
Current service cost – recognised in administrative expenses	0.6	–	–
Gain on curtailment – recognised in administrative expenses	(1.7)	–	–
Interest cost – recognised in finance costs	7.3	7.3	7.2
Expected return on scheme assets – recognised in finance income	(5.3)	(5.9)	(4.9)
Total	0.9	1.4	2.3
Actuarial loss/(gain)	(6.2)	10.2	1.7
Total defined benefit scheme costs/(gains) recognised in the year	(5.3)	11.6	4.0

The cumulative debit to the Statement of Comprehensive Income since the adoption of IAS 19 is £33.0 million (2011: £31.3 million, 2010: £21.1 million).

The actual return on scheme assets is:

	2010	*2011*	*2012*
	£m	*£m*	*£m*
Expected return on scheme assets	5.3	5.9	4.9
Actuarial (loss)/gain on scheme assets	1.8	(0.2)	(0.6)
Actual return on scheme assets	7.1	5.7	4.3

The amounts included in the balance sheet arising from the Group's obligation in respect of its defined benefit scheme are as follows:

	2010	*2011*	*2012*
	£m	*£m*	*£m*
Present value of defined benefit obligations	131.0	144.2	147.9
Fair value of scheme assets	(94.9)	(109.7)	(118.0)
Defined benefit liability recognised in the balance sheet	36.1	34.5	29.9

A deferred tax asset of £6.9 million (2011: £8.7 million, 2010: no deferred tax asset recognised) has been recognised on the balance sheet.

Movements in the liability recognised on the balance sheet were as follows:

	2010	*2011*	*2012*
	£m	*£m*	*£m*
At beginning of year	46.1	36.1	34.5
Total expense/(gain) (as shown above)	(5.3)	11.6	4.0
Company contributions paid in the year	(4.7)	(13.2)	(8.6)
At end of year	36.1	34.5	29.9

Changes in the present value of the defined benefit obligation were as follows:

	2010	*2011*	*2012*
	£m	*£m*	*£m*
At beginning of year	136.4	131.0	144.2
Current service cost	0.6	–	–
Gain on curtailment	(1.7)	–	–
Interest cost	7.3	7.3	7.2
Employee contributions	0.2	–	–
Actuarial losses/(gains)	(4.4)	9.9	1.0
Benefits and expenses paid	(7.4)	(4.0)	(4.5)
At end of year	131.0	144.2	147.9

The gain on curtailment arose as a result of the decision to close the scheme to future accrual in 2010.

Changes in the fair value of scheme assets were as follows:

	2010	*2011*	*2012*
	£m	*£m*	*£m*
At beginning of year	90.3	94.9	109.7
Expected return on scheme assets	5.3	5.9	4.9
Actuarial loss on scheme assets	1.8	(0.2)	(0.6)
Employer contributions	4.7	13.2	8.6
Employee contributions	0.2	–	–
Benefits and expenses paid	(7.4)	(4.1)	(4.6)
At end of year	94.9	109.7	118.0

A history of experience adjustments is as follows:

	2008	*2009*	*2010*	*2011*	*2012*
	£m	*£m*	*£m*	*£m*	*£m*
Present value of defined benefit obligation	91.6	136.4	131.0	144.2	147.9
Fair value of scheme assets	(78.0)	(90.3)	(94.9)	(109.7)	(118.0)
Deficit in the scheme	13.6	46.1	36.1	34.5	29.9
Experience adjustments on scheme liabilities	31.4	35.7	4.4	(9.9)	(1.0)
Percentage of scheme liabilities	34.3%	26.2%	3.4%	6.9%	0.7%
Experience adjustments on scheme assets	29.0	8.5	1.8	(0.2)	(0.6)
Percentage of scheme assets	37.2%	9.4%	1.9%	0.2%	0.5%

The expected employer contribution to the defined benefit scheme during 2013 is £9.0 million (2012: £8.6 million, 2011: £13.2 million).

21. CONTINGENT LIABILITIES

There are performance bonds and other engagements, including those in respect of joint venture partners, undertaken in the ordinary course of business from which it is anticipated that no material liabilities will arise.

22. OPERATING LEASES

At 31 October 2012 total outstanding commitments for future minimum lease payments under non-cancellable operating leases were:

	2010	*2011*	*2012*
	£m	*£m*	*£m*
Land and buildings			
Within one year	3.6	3.3	3.1
Less: minimum sub-lease income	(1.3)	(1.2)	(1.1)
Between two and five years	12.4	10.6	9.2
Less: minimum sub-lease income	(2.6)	(3.3)	(2.5)
After five years	9.2	7.2	5.6
Less: minimum sub-lease income	(0.3)	–	–
	21.0	16.6	14.3
Other			
Within one year	0.6	0.8	1.1
Between two and five years	0.9	1.2	1.7
	1.5	2.0	2.8

23. RELATED PARTY TRANSACTIONS

The Group has entered into the following related party transactions:

(i) Transactions with joint ventures, which are disclosed in Note 10. The Group has provided book-keeping services to certain JVs which have been recharged at cost.

(ii) All holders of the ordinary shares provide term loans to the Group in proportion to their shareholding at the balance sheet date.

At 31 October 2012, the interests of the shareholders in the financial instruments of the Group were as follows:

	2010	*2011*	*2012*
	£m	*£m*	*£m*
Term loans	418.5	150.0	152.0

In addition, the shareholders provide a £50.0 million bank guarantee facility. Guarantees of £37.8 million (2011: £44.1 million, 2010: £47.9 million) were outstanding at 31 October 2012.

Borrowings of the Group are secured against the value of stock and work in progress.

(iii) Key management and other senior Crest employees have interests in the share capital of the company. As part of the financial restructuring of the Group that took effect on 13 September 2011, a Management Incentive Plan was established for the benefit of key managers, providing for equity participation in Crest Nicholson Holdings Limited.

Management equity comprises Core Equity (based on the ordinary shares currently held by management) and Flowering Equity (comprising a new class of share).

Shareholdings comprise the following classes of share:

'A' shares – 70,000

'B' shares – 6,100

'D' shares – 30,000

The Company's non-executive directors have other associations other than the Company. From time to time the Group may buy products or services from organisations with which a non-executive director has an association. Where this occurs, it is on normal commercial terms and without the direct involvement of the non-executive director.

The Group has had, and continues to have, certain joint venture arrangements with subsidiaries of Quintain Estates & Developments plc on arm's length terms. William Rucker (Chairman of the Company) is Chairman of Quintain Estates & Development plc.

24. ACCOUNTING ESTIMATES AND JUDGEMENTS

Management considers the key estimates and judgments made in the accounts to be related to the valuation of Goodwill, Available for Sale Financial Assets, Carrying Value of Land and Work in Progress and Profit Recognition, Deferred Tax and Pension Liabilities.

Goodwill

The carrying value of goodwill is substantially dependent on the ability of the Group to successfully progress its strategic land holdings. Changes to the planning regime could undermine current assumptions about the sites which are expected to be successfully developed.

Available for Sale Financial Assets

Available for sale financial assets are held at the present value of expected future cash flows taking into account the estimated market value of the property at the estimated time of repayment. There are a number of uncertainties inherent in such estimates, which would impact on the carrying value of such assets.

Carrying Value of Land and Work in Progress and Profit Recognition

Inventories of land, work in progress and completed units are stated in the balance sheet at the lower of cost and net realisable value. Due to the nature of development activity and in particular, the length of the development cycle, the Group has to allocate site-wide development costs such as infrastructure between units being built and/or completed in the current year and those for future years. It also has to make estimates of the cost to complete such developments. These estimates are reflected in the margin recognised on developments where unsold plots remain and the carrying value of land and work in progress.

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 is made of inventory carrying values and the costs to complete developments.

25. DEFERRED TAX

Management assess whether there will be sufficient future profits to utilise deferred tax assets recognised at the balance sheet date.

In 2011 and 2012, management recognised these assets on the grounds that the financial restructuring of the Group made realisation of the related tax benefit through taxable profits probable.

26. PENSION LIABILITIES

Management has employed the services of an actuary in setting these estimates, however, they recognise the risk that both expected investment returns and ultimate scheme payments may differ substantially from current forecasts.

27. ULTIMATE CONTROLLING PARTY

The ultimate controlling party of the Group is Värde Partners, Inc. by virtue of their control of 60 per cent. of the ordinary share capital of Crest Nicholson Holdings Limited.

28. POST BALANCE SHEET EVENTS

After the balance sheet date of 31 October 2012, the Group conducted a debt refinancing on 7 December 2012 which included:

(i) entering into a new £50 million revolving credit facility (“Facility Agreement B”);

(ii) amending and restating its Facility Agreement A with certain of its shareholders (“Amended Facility Agreement A”); and

(iii) borrowing £50 million under Facility Agreement B and utilising the proceeds as well as cash to repay £77 million of existing borrowings under Facility Agreement A, cancelling the associated commitments and leaving outstanding a £75 million four-year term loan under Amended Facility Agreement A (together the “December Refinancing”).

On 23 November 2012, to reduce the Group’s guarantee facility in advance of the December Refinancing, the Group granted security over £48 million of ring-fenced land assets to the pension trustees in return for the release of £30 million of the bank guarantee provided under Facility Agreement A. The remainder of the Group’s bank guarantee provided under Facility Agreement A was released as part of the December Refinancing, with the Group obtaining the necessary replacement guarantees under the £10 million guarantee ancillary facility included in Facility Agreement B.

In order to create additional distributable reserves for the Company, the Company resolved, by a special resolution passed as a written resolution on 25 January 2013, that the amount standing to the credit of the share premium account of the Company be reduced by £220,000,000 from £240,300,000 to £20,300,000.

On 12 February 2013, the Company was re-registered as a public limited company and changed its name to Crest Nicholson Holdings plc.

On 12 February 2013, Lloyds agreed to become a party to Facility Agreement B, pursuant to which it will make available an additional £25 million to the Group, conditional upon Admission, the net proceeds of the Offer receivable by the Company being at least £50 million and other customary matters.

PART 7

UNAUDITED PRO FORMA FINANCIAL INFORMATION

Section A: Pro forma financial information

1. Introduction

The unaudited pro forma financial information set out below has been prepared to illustrate the impact of the proceeds raised through the Offer on the consolidated net assets of Crest Nicholson. The pro forma net assets statement is based on the audited consolidated net assets of Crest Nicholson at 31 October 2012 and has been prepared on the basis that the Offer took place on 31 October 2012. The unaudited pro forma financial information is compiled on the basis set out below and in accordance with the accounting policies applied in preparing the audited accounts of the Group for the financial year ended 31 October 2012.

Because of its nature, the pro forma information addresses hypothetical situations and, therefore, does not represent Crest Nicholson's actual financial position or results. It may not, therefore, give a true picture of Crest Nicholson's financial position or results nor is it indicative of the results that may, or may not, be expected to be achieved in the future. The pro forma information has been prepared for illustrative purposes only in accordance with Annex II of the Prospectus Directive Regulation.

2. Unaudited pro forma financial information

	Consolidated net assets of the Group as at 31 October 2012	*Adjustment for December Refinancing*	*Adjustments for application of proceeds*	*Pro forma*
	Note 1	*Note 2*	*Note 3*	*Note 4*
	£m	*£m*	*£m*	*£m*
Assets				
Non-current assets				
Intangible assets	29.0			29.0
Property, plant and equipment	2.2			2.2
Investments	2.9			2.9
Available for sale assets	31.1			31.1
Deferred tax assets	74.9			74.9
	140.1	–	–	140.1
Current assets				
Inventories	469.4			474.4
Trade and other receivables	41.5			36.5
Cash and cash equivalents	150.1	(27.0)	–	123.1
Total Current Assets	661.0	(27.0)	–	634.0
Total assets	801.1	(27.0)	–	774.1
Liabilities				
Non-current liabilities				
Interest bearing loans and borrowings	(176.1)	27.0	50.1	(99.0)
Trade and other payables	(34.8)			(34.8)
Retirement benefit obligations	(29.9)			(29.9)
Provisions	(7.1)			(7.1)
	(247.9)	27.0	50.1	(170.8)

	Consolidated net assets of the Group as at 31 October 2012 Note 1 £m	*Adjustment for December Refinancing Note 2 £m*	*Adjustments for application of proceeds Note 3 £m*	*Pro forma Note 4 £m*
Current liabilities				
Interest bearing loans and borrowings	(4.3)			(4.3)
Trade and other payables	(194.9)			(194.9)
Provisions	(6.9)			(6.9)
	(206.1)			(206.1)
Total liabilities	(454.0)	27.0	50.1	(376.9)
Net assets	347.1	–	50.1	397.2

(1) The financial information of the Company has been extracted, without material adjustment, from the historical financial information as at 31 October 2012 as set out under ''Financial Information'' in Part 6 of this document.

(2) Adjustment reflects the December Refinancing in which outstanding borrowings under Facility Agreement A in the amount of £77 million were repaid, through the drawdown of £50 million of financing under Facility Agreement B and £27 million of existing cash on the balance sheet

(3) All of the net proceeds of the Offer receivable by the Company, estimated to be £50.1 million, will be used for the partial repayment of outstanding borrowings under Amended Facility Agreement A.

(4) No adjustment has been made to reflect the trading results of the Company since 31 October 2012 or of any other change in its financial position in that period. The Directors believe that, had the Offer occurred at 31 October 2012, the consolidated income statement would have been affected. If the Offer and the application of the net proceeds therefrom to reduce the Company's debt had taken place on 31 October 2012, it would have been earnings enhancing for the Group as a result of the reduced interest charges following the repayment of debt.

Section B: Accountants' report on unaudited pro forma financial information

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The Directors
Crest Nicholson Holdings plc
Crest House
Pyrcroft Road
Chertsey
Surrey
KT16 9GN

13 February 2013

Dear Sirs

Crest Nicholson Holdings plc

We report on the pro forma financial information (the 'Pro forma financial information') set out in Part 7 of the prospectus dated 13 February 2013, which has been prepared on the basis described in Part 7, for illustrative purposes only, to provide information about how the transaction might have affected the financial information presented on the basis of the accounting policies adopted by Crest Nicholson Holdings plc in preparing the financial statements for the financial year ended 31 October 2012. This report is required by paragraph 20.2 of Annex I of the Prospectus Directive Regulation and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

It is the responsibility of the directors of Crest Nicholson Holdings plc to prepare the Pro forma financial information in accordance with paragraph 20.2 of Annex I of the Prospectus Directive Regulation.

It is our responsibility to form an opinion, as required by paragraph 7 of Annex II of the Prospectus Directive Regulation, as to the proper compilation of the Pro forma financial information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made available by us or any financial information used in the compilation of the Pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Save for any responsibility arising under Prospectus Rule 5.5.3R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 23.1 of Annex I of the Prospectus Directive Regulation, consenting to its inclusion in the prospectus.

Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the

evidence supporting the adjustments and discussing the Pro forma financial information with the directors of Crest Nicholson Holdings plc.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of Crest Nicholson Holdings plc.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America [or other jurisdictions] and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

- the pro forma financial information has been properly compiled on the basis stated; and
- such basis is consistent with the accounting policies of Crest Nicholson Holdings plc.

Declaration

For the purposes of Prospectus Rule 5.5.3R (2)(f) we are responsible for this report as part of the prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the prospectus in compliance with paragraph 1.2 of Annex I of the Prospectus Directive Regulation.

Yours faithfully

KPMG Audit plc

PART 8

THE OFFER

1. BACKGROUND

Pursuant to the Offer, the Company intends to issue 25,454,545 New Ordinary Shares, raising proceeds of approximately £56.0 million, net of underwriting commissions and other estimated fees and expenses, giving net proceeds of approximately £50.1 million. The New Ordinary Shares will represent approximately 10.1 per cent. of the expected issued ordinary share capital of the Company immediately following Admission.

The shareholders immediately prior to the Offer will be diluted by 10.1 per cent. as a result of the Offer.

Pursuant to the Offer, the Selling Shareholders have authorised the sale, in aggregate of 76,781,151 Existing Ordinary Shares. In addition, a further 10,223,568 Existing Ordinary Shares are being made available by the Over-allotment Selling Shareholders pursuant to the Over-allotment Option described below. Further details of the number of Existing Ordinary Shares being sold by the Selling Shareholders (including those being made available by the Over-allotment Selling Shareholders to satisfy the Over-Allotment Option) are set out in paragraph 8 of Part 9: "Additional Information".

In the Offer, Ordinary Shares will be offered (a) to certain institutional and qualified professional investors in the United Kingdom and elsewhere, and (b) in the United States only to QIBs in reliance on an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Certain restrictions that apply to the distribution of this document and the offer and sale of Ordinary Shares being issued and sold under the Offer in jurisdictions outside the United Kingdom are described below.

When admitted to trading, the Ordinary Shares will be registered with ISIN (International Securities Identifying Number) GB00B8VZXT93 and SEDOL (Stock Exchange Daily Official List) number B8VZXT9.

Immediately following Admission, it is expected that approximately 46.1 per cent. of the Company's issued ordinary share capital will be held in public hands (within the meaning of paragraph 6.1.19 of the Listing Rules) assuming that no Over-allotment Shares are acquired pursuant to the Over-allotment Option (increasing to 50.0 per cent. if the maximum number of Over-allotment Shares are sold pursuant to the Over-allotment Option).

2. REASONS FOR THE OFFER AND USE OF PROCEEDS

The Directors believe that the Offer will:

(a) enhance the Company's public profile and status with existing and potential customers;

(b) provide increased equity funding and operational flexibility and allow the Company to put itself in the position to be able to take advantage of any future opportunities;

(c) provide better access to the capital markets to aid future growth;

(d) create a liquid market for existing Shareholders;

(e) assist in the incentivisation and retention of key management and employees; and

(f) provide the Selling Shareholders, including certain Directors, members of Senior Management and employees, with a partial realisation of their investment in the Company.

The net proceeds from the Offer receivable by the Company are estimated to be £50.1 million, after deduction of underwriting commissions and other estimated fees and expenses of the Offer (assuming the maximum amount of the Underwriters' incentive commission and the discretionary elements of the fees of the Group's other advisers will be paid and including VAT) of £5.9 million.

All of the net proceeds from the Offer receivable by the Company, estimated to be £50.1 million, are expected to be used by the Company to partially repay the £75 million of outstanding borrowings under Amended Facility Agreement A (the Group's external financing arrangement with certain of its shareholders).

The net proceeds from the Offer receivable by the Selling Shareholders are estimated to be £163.2 million (assuming the maximum amount of the Underwriters incentive commission will be paid and including VAT of £5.7 million). The Company will not receive any of the proceeds from the sale of Ordinary Shares in the Offer by the Selling Shareholders, including pursuant to the Over-allotment Option.

3. ALLOCATION

The rights attaching to the Ordinary Shares will be uniform in all respects and they will form a single class for all purposes. The Ordinary Shares allocated under the Offer have been underwritten, subject to certain conditions, by the Underwriters as described in the paragraph headed "Underwriting Arrangements" below and in paragraph 12 of Part 9: "Additional Information". Allocations under the Offer will be finally determined by the Company and the Corporate Selling Shareholders after consultation with the Underwriters. All Ordinary Shares issued or sold pursuant to the Offer will be issued or sold, payable in full, at the Offer Price. Liability for United Kingdom stamp duty and stamp duty reserve tax is described in paragraph 17 of Part 9: "Additional Information".

The Offer Price, the number of New Ordinary Shares to be issued, the number of Existing Ordinary Shares to be sold and the basis of allocation are expected to be announced on 13 February 2013. Upon accepting any such allocation, each investor will be contractually committed to acquire the number of Ordinary Shares allocated to it at the Offer Price and, to the fullest extent permitted by law, will be deemed to have agreed that it will not be entitled to exercise any rights to rescind or terminate, or, subject to any statutory withdrawal rights, otherwise withdraw from, such commitment. Dealing may not begin before notification is made.

4. DEALING ARRANGEMENTS

The Offer is subject to the satisfaction of certain conditions contained in the Underwriting Agreement and the Individual Selling Shareholders' Agreement, which are typical for agreements of this nature. Certain conditions are related to events which are outside the control of the Company, the Directors and the Underwriters. Further details of the Underwriting Agreement and the Individual Selling Shareholders' Agreement are described in paragraph 12 of Part 9: "Additional Information".

It is expected that Admission will take place and unconditional dealings in the Ordinary Shares will commence on the London Stock Exchange at 8.00 a.m. (London time) on 18 February 2013. Settlement of dealings from that date will be on a three-day rolling basis. Prior to Admission, it is expected that dealings in the Ordinary Shares will commence on a conditional basis on the London Stock Exchange at 8.00 a.m. (London time) on 13 February 2013. The earliest date for such settlement of such dealings will be 18 February 2013.

All dealings in the Ordinary Shares prior to the commencement of unconditional dealings will be on a "conditional basis", will be of no effect if Admission does not take place and will be at the sole risk of the parties concerned. These dates and times may be changed without further notice.

Each investor will be required to undertake to pay the Offer Price for the Ordinary Shares sold or issued to such investor under the Offer in such manner as shall be directed by the Joint Global Co-ordinators.

It is expected that Ordinary Shares allocated to investors in the Offer will be delivered in uncertificated form and settlement will take place through CREST on Admission. No temporary documents of title will be issued. Dealings in advance of crediting of the relevant CREST stock account shall be at the risk of the person concerned.

In connection with the Offer, each of the Underwriters and any of their respective affiliates, acting as an investor for its or their own account(s), may subscribe for and/or purchase Ordinary Shares and, in that capacity, may retain, purchase, sell, offer to sell or otherwise deal for its or their own account(s) in such

Ordinary Shares, any other securities of the Company or other related investments in connection with the Offer or otherwise. Accordingly, references in this document to the Ordinary Shares being issued, offered, subscribed, acquired, placed or otherwise dealt in should be read as including any issue or offer to, or subscription, acquisition, placing or dealing by the Underwriters or any of them and any of its or their respective affiliates acting as an investor for its or their own account(s). The Underwriters do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

5. OVER-ALLOTMENT AND STABILISATION

In connection with the Offer, the Stabilising Manager, or any of its agents, may (but will be under no obligation to), to the extent permitted by applicable law, over-allot Ordinary Shares and effect other stabilisation transactions with a view to supporting the market price of the Ordinary Shares at a level higher than that which might otherwise prevail in the open market. The Stabilising Manager is not required to enter into such transactions and such transactions may be effected on any stock market, over-the-counter market or otherwise and may be undertaken at any time during the period commencing on the date of the commencement of conditional dealings in the Ordinary Shares on the London Stock Exchange and ending no later than 30 calendar days thereafter. There will be no obligation on the Stabilising Manager or any its agents to effect stabilising transactions and there is no assurance that stabilising transactions will be undertaken. Such stabilisation, if commenced, may be discontinued at any time without prior notice. In no event will measures be taken to stabilise the market price of the Ordinary Shares above the Offer Price. Except as required by law or regulation, neither the Stabilising Manager nor any of its agents intends to disclose the extent of any over-allotments and/or stabilisation transactions under the Offer.

In connection with the Offer, the Stabilising Manager may, for stabilisation purposes, over-allot Ordinary Shares up to a maximum of 10 per cent. of the total number of Ordinary Shares comprised in the Offer. For the purposes of allowing the Stabilising Manager to cover short positions resulting from any such over-allotments and/or from sales of Ordinary Shares effected by it during the stabilising period, or the purposes of re-delivering equivalent securities under the Stock Lending Agreement, the Over-allotment Selling Shareholders have granted to it the Over-allotment Option pursuant to which the Stabilising Manager may require the Over-allotment Selling Shareholders to sell in aggregate up to 10,223,568 additional Ordinary Shares (being up to a maximum of 10 per cent. of the Ordinary Shares comprised in the Offer) at the Offer Price. The Over-allotment Option is exercisable in whole or in part, upon notice by the Stabilising Manager, at any time on or before the thirtieth calendar day after the commencement of conditional dealing of the Ordinary Shares on the London Stock Exchange. Any Over-allotment Shares made available pursuant to the Over-allotment Option will rank *pari passu* in all respects with the Ordinary Shares, including for all dividends and other distributions declared, made or paid on the Ordinary Shares, will be purchased on the same terms and conditions as the Ordinary Shares being sold or issued in the Offer and will form a single class for all purposes with the Company’s other Ordinary Shares.

For a discussion of certain stock lending arrangements entered into in connection with the Over-allotment Option, see paragraph 13 of Part 9: “Additional Information”.

6. CREST

CREST is a paperless settlement system allowing securities to be transferred from one person’s CREST account to another’s without the need to use share certificates or written instruments of transfer. With effect from Admission, the Articles will permit the holding of Ordinary Shares in the CREST system.

The Company has applied for the Ordinary Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within the CREST system if any Shareholder so wishes. CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so.

7. UNDERWRITING ARRANGEMENTS

The Underwriters have entered into commitments under the Underwriting Agreement and the Individual Selling Shareholders' Agreement pursuant to which they have agreed, subject to certain conditions, to procure subscribers for the New Ordinary Shares to be issued by the Company and purchasers for the Existing Ordinary Shares to be sold by the Selling Shareholders in the Offer, or, failing which, themselves to subscribe for or purchase such Ordinary Shares, at the Offer Price. The Underwriting Agreement and the Individual Selling Shareholders' Agreement contain provisions entitling the Underwriters to terminate the Offer (and the arrangements associated with it) at any time prior to Admission in certain circumstances. If this right is exercised, the Offer and these arrangements will lapse, the Company will not seek Admission and any moneys received in respect of the Offer will be returned to applicants without interest. The Underwriting Agreement and the Individual Selling Shareholders' Agreement provide for the Underwriters to be paid a commission in respect of the New Ordinary Shares issued, the Existing Ordinary Shares sold and any Over-allotment Shares sold following exercise of the Over-allotment Option. Any commissions received by the Underwriters may be retained, and any Ordinary Shares acquired by them may be retained or dealt in, by them, for their own benefit.

Further details of the terms of the Underwriting Agreement and the Individual Selling Shareholders' Agreement are set out in paragraph 12 of Part 9: "Additional Information". Certain selling and transfer restrictions are set out below.

8. LOCK-UP ARRANGEMENTS

Pursuant to the Underwriting Agreement, the Company has agreed that, subject to certain exceptions, during the period of 180 days from the date of Admission, it will not, without the prior written consent of the Joint Global Co-ordinators, issue, offer, sell or contract to sell, or otherwise dispose of, directly or indirectly, or announce an offer of any Ordinary Shares (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing.

Pursuant to the Underwriting Agreement, each of the Corporate Selling Shareholders and the Directors have agreed that, subject to certain exceptions, during the period of 180 days and 365 days (respectively) (in each case from the date of Admission), they will not, without the prior written consent of the Joint Global Co-ordinators, dispose of, or announce any disposal of any Ordinary Shares or enter into any transaction with the same economic effect as any of the foregoing. Pursuant to the Individual Selling Shareholders' Agreement each of the Individual Selling Shareholders has agreed that, subject to certain exceptions, during the period of 365 days (from the date of Admission), they will not, without the prior written consent of the Joint Global Co-ordinators, dispose of, or announce any disposal of, any Ordinary Shares or enter into any transaction with the same economic effect as any of the foregoing. The lock-up arrangements in respect of the Selling Shareholders and the Directors are subject to certain customary or permitted exceptions as set out in more detail in paragraph 12.2 of Part 9: "Additional Information".

It is further expected that the Corporate Selling Shareholders will enter into an orderly marketing agreement with the Joint Global Co-ordinators on or around Admission.

9. SELLING AND TRANSFER RESTRICTIONS

The distribution of this document and the offer of Ordinary Shares in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any restrictions, including those set out in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

No action has been or will be taken in any jurisdiction that would permit a public offering of the Ordinary Shares, or possession or distribution of this document or any other offering material in any country or jurisdiction where action for that purpose is required. Accordingly, the Ordinary Shares may not be offered or sold, directly or indirectly, and neither this document nor any other offering material or advertisement in connection with the Ordinary Shares may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any and all applicable rules and regulations of any such country or jurisdiction. Persons into whose possession this document comes should inform

themselves about and observe any restrictions on the distribution of this document and the offer of Ordinary Shares contained in this document. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This document does not constitute an offer to subscribe for or purchase any of the Ordinary Shares offered hereby to any person in any jurisdiction to whom it is unlawful to make such offer of solicitation in such jurisdiction.

European Economic Area

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each a "**Relevant Member State**"), an offer to the public of any Ordinary Shares may not be made in that Relevant Member State, except that an offer to the public in that Relevant Member State of any Ordinary Shares may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

(a) to any legal entity which is a qualified investor as defined under the Prospectus Directive;

(b) to fewer than 100, or, if the Relevant Member State has implemented the relevant provisions of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the Joint Global Coordinators; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Ordinary Shares shall result in a requirement to publish a prospectus pursuant to Article 3 of the Prospectus Directive and each person who initially acquires any Ordinary Shares or to whom any offer is made will be deemed to have represented, warranted and agreed that it is a qualified investor within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive.

For the purposes of this provision, the expression an **offer to the public** in relation to any Ordinary Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Offer and any Ordinary Shares to be offered so as to enable an investor to decide to purchase any Ordinary Shares, as the same may be varied for that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

Hong Kong

(a) No Ordinary Shares have been offered or sold or will be offered or sold in Hong Kong, by means of any document, other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(b) No advertisement, invitation or document relating to the Ordinary Shares has been issued or has been in the possession of any person for the purposes of issue, nor will any such advertisement, invitation or document be issued or be in the possession of any person for the purpose of issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Ordinary Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Japan

The Ordinary Shares have not been and will not be registered in Japan pursuant to Article 4, Paragraph 1 of the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**FIEA**") in

reliance upon the exemption from the registration requirements since the offering constitutes a small number private placement as provided for in "ha" of Article 2, Paragraph 3, Item 2 of the FIEA.

Switzerland

The Ordinary Shares may not be and will not be publicly offered, sold or advertised, directly or indirectly, in or from Switzerland. Neither this Prospectus nor any other offering or marketing material relating to the Ordinary Shares constitutes a prospectus as such term is understood pursuant to article 652a of the Swiss Federal Code of Obligations or a listing prospectus within the meaning of the listing rules of SIX, and neither this Prospectus nor any other offering or marketing material relating to the Ordinary Shares may be publicly distributed or otherwise made publicly available in Switzerland. Neither this document nor any other offering or marketing material relating to the offering, the Company or the Ordinary Shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the Offer of Ordinary Shares will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA ("**FINMA**"), and the Offer has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes ("**CISA**"). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of Ordinary Shares.

United States

Due to the following restrictions, investors are advised to consult legal counsel prior to making any offer for the resale, pledge or other transfer of Ordinary Shares.

US selling restrictions

The Ordinary Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the US and, subject to certain exceptions, may not be offered or sold within the US. Accordingly, the Ordinary Shares may only be offered and sold (1) in the United States to persons reasonably believed to be QIBs in reliance on Rule 144A or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or (2) outside the United States in offshore transactions in reliance on Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering of the Ordinary Shares an offer or sale of Ordinary Shares within the US by any dealer (whether or not participating in the Offer) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or another exemption from, or transaction not subject to, the registration requirements under the Securities Act.

US transfer restrictions

Each purchaser of Ordinary Shares within the US pursuant to Rule 144A or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, by accepting delivery of this Prospectus, will be deemed to have represented, agreed and acknowledged that it has received a copy of this document and such other information as it deems necessary to make an informed investment decision and that:

(a) It is (i) a QIB within the meaning of Rule 144A, (ii) acquiring such Ordinary Shares for its own account or for the account of a QIB and (iii) aware, and each beneficial owner of such Ordinary Shares has been advised, that the sale of such Ordinary Shares to it is being made in reliance on Rule 144A or in reliance on another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

(b) It understands that (i) such Ordinary Shares have not been and will not be registered under the Securities Act or with the securities regulatory authority of any state or other jurisdiction of the US, (ii) the Ordinary Shares are being offered and sold in the US only in transactions not involving any public offering in the US and (iii) the Ordinary Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act. In addition, it understands that such Ordinary Shares may not be offered, sold, pledged or otherwise transferred except (w) in accordance with Rule 144A to a

person that it and any person acting on its behalf reasonably believes is a QIB purchasing for its own account or for the account of a QIB, (x) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (y) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available) or (z) pursuant to another exemption from or in a transaction, not subject to, the registration requirements under the Securities Act, in each case in accordance with any applicable securities laws of any state or other jurisdiction of the US. It understands that no representation has been made as to the availability of Rule 144 of the Securities Act or any state securities laws for the offer, resale, pledge or transfer of Ordinary Shares.

(c) It understands that such Ordinary Shares (to the extent they are in certificated form), unless otherwise determined by the Company in accordance with applicable law, will bear a legend substantially to the following effect:

THIS ORDINARY SHARE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**") TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALES OF THIS ORDINARY SHARE. NOTWITHSTANDING ANYTHING TO THE CONTRARY OR FOREGOING, THE ORDINARY SHARES, THE ORDINARY SHARES REPRESENTED HEREBY ARE "RESTRICTED SHARES" WITHIN THE MEANING OF 144(A)(3) UNDER THE SECURITIES ACT AND FOR SO LONG AS SUCH SECURITIES ARE "RESTRICTED SECURITIES" (AS SO DEFINED) THE SECURITIES MAY NOT BE DEPOSITED INTO ANY UNRESTRICTED DEPOSITORY RECEIPT FACILITY IN RESPECT OF THE ORDINARY SHARES ESTABLISHED OR MAINTAINED BY A DEPOSITORY BANK. EACH HOLDER, BY ITS ACCEPTANCE OF THIS ORDINARY SHARE, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS.

(d) Notwithstanding anything to the contrary in the foregoing, the Ordinary Shares may not be deposited into any unrestricted depository receipt facility in respect of the Ordinary Shares established or maintained by a depository bank.

(e) The Company, the Registrar, the Underwriters and their affiliates, and others will rely on the truth and accuracy of the foregoing representations, agreements and acknowledgments. If the purchaser is acquiring any Ordinary Shares for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing representations, agreements and acknowledgments on behalf of each such account.

(f) Any offer, sale, resale, pledge or other transfer made other than in compliance with the above stated restrictions shall not be recognised by the Company in respect of the Ordinary Shares.

(g) Each purchaser which, in the future, offers, resells, pledges, or otherwise transfers such Ordinary Shares, will notify such subsequent transferees of the transfer restrictions set out in paragraphs (a) to (f) above.

Prospective purchasers are hereby notified that the sellers of the Ordinary Shares may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Each purchaser of Ordinary Shares outside the US will, pursuant to Regulation S, be deemed to have represented and agreed that it has received a copy of this Prospectus and such other information as it deems necessary to make an informed investment decision and that:

(a) the purchaser acknowledges that the Ordinary Shares have not been and will not be registered under the Securities Act, or with any securities regulatory authority of any state or other jurisdiction of the US, and are subject to significant restrictions on transfer;

(b) the purchaser and the person, if any, for whose account or benefit the purchaser is acquiring the Ordinary Shares were located outside the US at the time the buy order for such Ordinary Shares was originated and continue to be located outside the US and have not purchased the Ordinary Shares for the benefit of any person in the US or entered into any arrangement for the transfer of the Ordinary Shares to any person in the US;

(c) the purchaser is aware of the restrictions on the offer and sale of the Ordinary Shares pursuant to Regulation S as described in this Prospectus; and

(d) the Ordinary Shares have not been offered to it by means of any "directed selling efforts" as defined in Regulation S.

PART 9

ADDITIONAL INFORMATION

1. RESPONSIBILITY

1.1 The Company and the Directors accept responsibility for the information contained in this document. To the best of the knowledge of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and contains no omission likely to affect its import.

2. INCORPORATION

2.1 The Company was incorporated and registered in England and Wales on 23 January 2009 as a private company limited by shares under the Companies Act 1985 with the name Crest Nicholson Holdings Limited and with the registered number 06800600.

2.2 On 12 February 2013, the Company was re-registered as a public company limited by shares and changed its name to Crest Nicholson Holdings plc.

2.3 The Company's registered office and principal place of business is at Crest House, Pyrcroft Road, Chertsey, Surrey KT16 9GN. The Company's telephone number is +44 (0) 19 3258 0555.

2.4 The principal laws and legislation under which the Company operates and the Ordinary Shares have been created are the Act and regulations made thereunder.

3. SHARE CAPITAL

3.1 On incorporation, the Company's authorised share capital was £100 divided into 10,000 ordinary shares of £0.01 each, of which one was allotted and issued to Hackwood Secretaries Limited, the sole subscriber to the Company's Memorandum of Association.

3.2 The following changes have occurred in the share capital of the Company since its incorporation:

(a) on 30 January 2009, 99 ordinary shares of £0.01 each were allotted and issued for cash and were credited as fully paid;

(b) on 24 March 2009, 9900 ordinary shares of £0.01 were allotted and issued for cash and were credited as fully paid;

(c) on 22 December 2010, 50 ordinary shares of £0.01 each were purchased by the Company and cancelled;

(d) on 11 March 2011, 50 ordinary shares of £0.01 each were allotted and issued for cash and were credited as fully paid;

(e) on 20 May 2011, 200 ordinary shares of £0.01 each were purchased by the Company and cancelled;

(f) on 13 September 2011, 100 ordinary shares of £0.01 each were purchased by the Company and cancelled;

(g) on 13 September 2011, the 9,700 ordinary shares of £0.01 each were sub-divided and reclassified into 70,000 A Shares of £0.0001 each and 18,000 Deferred Shares of £0.005 each;

(h) on 13 September 2011, 1,300 B Shares of £0.0001 each were allotted and issued for cash by the Company and were credited as fully paid;

(i) on 13 September 2011, 6,957 C Shares of £1 each were allotted and issued for cash by the Company and were credited as fully paid;

(j) on 13 September 2011, 25,000 D Shares of £0.0001 each were allotted and issued for cash by the Company and were credited as fully paid;

(k) on 13 September 2011, 10,000,000 ordinary shares of £1 each were allotted and issued for cash by the Company and were credited as fully paid;

(l) on 15 November 2011, 4,450 B Shares of £0.0001 each were allotted and issued for cash by the Company and were credited as fully paid;

(m) on 15 November 2011, 5,000 D Shares of £0.0001 each were allotted and issued for cash by the Company and were credited as fully paid; and

(n) on 3 August 2012, 5,000 A Shares of £0.0001 each and 1,875 D Shares of £0.0001 each were purchased by the Company and cancelled.

3.3 As at 31 October 2012, the issued share capital of the Company was £10,007,056.8875, comprising 65,000 A Shares, 5,750 B Shares, 6,957 C Shares, 28,125 D Shares, 18,000 Deferred Shares and 10,000,000 Ordinary Shares (all of which were fully paid up or credited as fully paid up).

3.4 On 28 January 2013, 5,000 A Shares of £0.0001 each, 1,875 D Shares of £0.0001 each and 350 B Shares of £0.0001 each were allotted and issued for cash by the Company and were credited as fully paid. Immediately prior to the date of this document, the issued share capital of the Company was £10,007,057.61, comprising 70,000 A Shares, 6,100 B Shares, 6,957 C Shares, 30,000 D Shares, 18,000 Deferred Shares and 10,000,000 Ordinary Shares (all of which were fully paid up or credited as fully paid up).

3.5 The Company's share capital will, pursuant to the resolutions referred to in sub-paragraph 3.6 below, be reorganised immediately prior to Admission (the "**Share Capital Reorganisation**"). For the purposes of the Share Capital Reorganisation, the Company will:

(a) re-classify and re-designate each of the A deferred ordinary non-voting shares of £0.0001 each in the capital of the Company (the "**A Shares**"), the B deferred ordinary non-voting shares of £0.0001 each in the capital of the Company (the "**B Shares**") and the D deferred ordinary non-voting shares of £0.0001 each in the capital of the Company (the "**D Shares**") ultimately into Ordinary Shares; and

(b) purchase all of the deferred shares of £0.005 each in the capital of the Company at nominal value (such shares shall then be cancelled).

3.6 To give effect to the Share Capital Reorganisation, the Company resolved, by written resolutions passed on 11 February 2013:

(a) to capitalise certain amounts standing to the credit of the share premium account and to apply such amounts in paying up in full, for each existing A Share, B Share and D Share, 499 new shares at £0.0001 each for each share in issue of the corresponding class;

(b) to allot and issue (credited as fully paid) the shares arising pursuant to (a) above *pro rata* to (respectively) the holders of the A Shares, B Shares and D Shares;

(c) following the capitalisation and allotment and issue referred to above:

(i) to consolidate all of the existing issued A Shares, B Shares and D Shares such that 500 shares of £0.0001 each are consolidated into (respectively) one A, B and D deferred ordinary non-voting share of £0.05 each for each share in issue of such corresponding class (the "**New A Shares**", "**New B Shares**" and "**New D Shares**" respectively);

(ii) to sub-divide each existing ordinary share of £1.00 each into 20 shares of £0.05 each and convert and then re-designate such shares into Ordinary Shares of £0.05 each; and

(iii) to sub-divide each existing C ordinary share of £1.00 each into 20 shares of £0.05 each and convert and then re-designate such shares into Ordinary Shares of £0.05 each;

(d) to capitalise a sum not exceeding £9,000,000 standing to the credit of the share premium account and to apply that amount in paying up in full, to the holders of the New A Shares, New B Shares and New D Shares, the number of New A Shares, New B Shares and New D Shares (respectively) as will give (on Admission and following the proposed re-classification of the New A Shares, New B Shares and New D Shares as Ordinary Shares of £0.05 each) the relevant shareholder the percentage of the ordinary share capital of the Company equivalent in value (based upon the Offer Price) to the value attributed to the New A Shares, New B Shares and New D Shares (respectively) pursuant to the Articles of Association of the Company immediately prior to Admission (rounded down to the nearest share);

(e) to allot and issue (credited as fully paid) the shares arising pursuant to (d) above *pro rata* to (respectively) the holders of the New A Shares, New B Shares and New D Shares;

(f) following the recapitalisation and allotment and issue referred to at (d) and (e) above, to re-classify and re-designate all of the issued New A Shares, New B Shares and New D Shares into Ordinary Shares of £0.05 each; and

(g) to purchase all of the deferred shares of £0.005 each in the capital of the Company at nominal value.

3.7 The Share Capital Reorganisation shall only take effect immediately prior to Admission.

3.8 In order to create additional distributable reserves for the Company, the Company resolved, by a special resolution passed as a written resolution on 25 January 2013, that the amount standing to the credit of the share premium account of the Company be reduced by £220,000,000 from £240,300,000 to £20,300,000. This sum is available for distribution by the Company in accordance with (and subject to) the Act. For further details of the Company's dividend policy, please see Part 2: "Information on the Group" (Dividends and future dividend policy).

3.9 On 11 February 2013, by resolutions of the Company, in each case, subject to and conditional upon Admission:

(a) the Directors were generally and unconditionally authorised pursuant to section 551 of the Act, in substitution for all prior authorities conferred upon them, but without prejudice to any allotments made pursuant to the terms of such authorities, to exercise all of the powers of the Company to allot shares in the Company as follows:

(i) in connection with the Offer, shares with an aggregate nominal value of up to £1,500,000; and

(ii) following Admission, authority to allot shares:

(A) up to an aggregate nominal amount of £4,250,000, or, if less, one-third of the aggregate nominal amount of the issued Ordinary Share capital of the Company immediately following Admission; and

(B) up to an aggregate nominal amount of £8,500,000, or, if less, two-thirds of the aggregate nominal amount of the issued Ordinary Share capital of the Company immediately following Admission (such amount to be reduced by allotments made under sub-paragraph (A) above) in connection with a rights issue in favour of the holders of shares in the Company in proportion (as nearly as may be practicable) to the respective number of shares in the Company held by them on the record date for such allotment,

and such power expiring at 23:59 on 31 March 2013, provided that if Admission occurs the authorities conferred shall expire at the conclusion of the first annual general meeting of the Company after the date of passing of this resolution, save that the Company may before such expiry, make an offer or agreement which would or might require shares to be allotted after such expiry and the Directors may allot shares in pursuance of such offer or agreement as if the authority had not expired;

(b) the Directors were empowered to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authorities conferred in paragraph 3.9(a), pursuant to section 570 and section 573 of the Act in substitution for all prior powers conferred upon them, but without prejudice to any allotments made pursuant to the terms of such powers, as if section 561(1) of the Act did not apply to any such allotment, provided that this power:

(i) in the case of the authority granted under paragraph 3.9(a)(ii)(A), shall be limited to the allotment of Ordinary Shares with an aggregate nominal value of up to £637,500 or, if less, 5 per cent. of the issued ordinary share capital immediately prior to Admission; and

(ii) in the case of the authority granted under paragraph 3.9(a)(ii)(B), shall be limited to the allotment of equity securities in connection with an offer of equity securities (but in case of paragraph 3.9(a)(ii)(B) by way of a rights issue only) in favour of holders of shares in the capital of the Company in proportion (as nearly as may be) to their existing holdings of shares and to holders of other equity securities as required by the rights attached to those securities or as the directors of the Company otherwise consider necessary, but subject to such exclusions or other arrangements as the Directors deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange.

such power expiring at 23:59 on 31 March 2013, provided that if Admission occurs the authorities conferred shall expire at the conclusion of the first annual general meeting of the Company after the date of passing of this resolution, save that the Company may before the end of such period make an offer or agreement which would or might require equity securities to be allotted after expiry of this power and the Directors may allot equity securities in pursuance of such an offer or agreement as if this power had not expired;

(c) the Company was generally and unconditionally authorised to make market purchases (within the meaning of section 693(4) of the Act) of Ordinary Shares subject to the following conditions:

(i) the maximum aggregate number of Ordinary Shares authorised to be purchased is 1,275,000, or, if less, 10 per cent. of the Company's issued Ordinary Share capital immediately following Admission;

(ii) the minimum price (excluding expenses) which may be paid for each Ordinary Share is £0.05 pence (being the nominal value of an Ordinary Share);

(iii) the maximum price (excluding expenses) which may be paid for each Ordinary Share is the higher of (i) 105 per cent. of the average of the middle market quotations for the Ordinary Shares as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the share is contracted to be purchased and (ii) an amount equal to the higher of the price of the last independent trade of an Ordinary Share and the highest current independent bid for an Ordinary Share as derived from the London Stock Exchange Trading System; and

(iv) the authority shall expire at 23:59 on 31 March 2013, provided that if Admission occurs the authorities conferred shall expire at the conclusion of the first annual general meeting of the Company after the date of passing of this resolution save that the Company may, before the expiry of the authority enter into a contract to purchase Ordinary Shares which will or may be executed wholly or partly after the expiry of such authority;

(d) to adopt new Articles of Association setting out the rights and restrictions attaching to the Ordinary Shares, in substitution for and to the exclusion of all the existing Articles of Association;

(e) conditionally on the issue of the New Ordinary Shares and the payment up in full thereof, the whole of the amount standing in the credit of the share premium account (after the charging of expenses) be cancelled; and

(f) a general meeting of the Company other than an annual general meeting to be called on note less than 14 days' notice.

3.10 The issued and fully paid share capital of the Company, as it is expected to be immediately following Admission, will comprise 251,427,287 Ordinary Shares (all of which are fully paid up or credited as fully paid up).

3.11 The Company has not issued any partly paid shares nor any convertible securities, exchangeable securities or securities with warrants. The Company does not hold any shares in treasury. There are no shares in the issued share capital of the Company that do not represent capital.

3.12 Save as disclosed above and in paragraphs 10, 12 and 13 below:

(a) no share or loan capital of the Company has, within three years of the date of this document, been issued or agreed to be issued, or is now proposed to be issued (other than pursuant to the Offer), fully or partly paid, either for cash or for a consideration other than cash, to any person;

(b) no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any share or loan capital; and

(c) no share or loan capital of the Company is under option or agreed conditionally or unconditionally to be put under option.

3.13 The Company will be subject to the continuing obligations contained in the Listing Rules with regard to the issue of Ordinary Shares for cash. The provisions of section 561(1) of the Act (which confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash other than by way of allotment to employees under an employees' share scheme as defined in section 1166 of the Act) apply to the balance of the authorised but unissued share capital of the Company except to the extent such provisions have been disapplied as referred to in sub-paragraph 3.9(b) above.

3.14 The Ordinary Shares are in registered form and, from Admission, will be capable of being held in uncertificated form and title to such Ordinary Shares may be transferred by means of a relevant system (as defined in the Uncertificated Securities Regulations 2001 (SI/2001/3755)). Where Ordinary Shares are held in certificated form, share certificates will be sent to the registered members by first class post. Where Ordinary Shares are held in CREST, the relevant CREST stock account of the registered members will be credited.

3.15 Immediately following the Offer, the Selling Shareholders will in aggregate control the exercise of 59.3 per cent. of the rights to vote at general meetings of the Company (or 55.3 per cent. if the Over-allotment Option is exercised in full).

3.16 On Admission, the City Code on Takeovers and Mergers (the "**Takeover Code**") will apply to the Company. Rule 9 of the Takeover Code provides that if any person or group of persons acting in concert with each other, acquire an interest in Ordinary Shares which, when taken together with Ordinary Shares in which that person of group of persons are already interested, (i) would increase their aggregate interests to an amount carrying 30 per cent. or more of the voting rights in the Company, or (ii) where the person or group of persons are interested in Ordinary Shares which in aggregate carry more than 30 per cent. of the voting rights in the Company but do not hold Ordinary Shares carrying more than 50 per cent. of such voting rights, would increase their percentage of shares carrying voting rights in which they are interested, the person and, depending on the circumstances,

its concert parties, would be required (except with the consent of the Panel on Takeovers and Mergers) to make a cash offer for the outstanding shares in the Company as well as any other class of transferable securities carrying voting rights in the Company at a price not less than the highest price paid for interests in shares by the acquirer or its concert parties during the previous 12 months.

3.17 Under the Act, which will apply to the Company from Admission, an offeror in respect of a takeover offer for the Company has the right to buy out minority shareholders where he has acquired (or conditionally contracted to acquire) 90 per cent. in value of the shares to which the offer relates. The notice to acquire shares from minority shareholders must be sent within three months of the last day on which the offer can be accepted. The squeeze out of minority shareholders can be completed at the end of six weeks from the date the notice has been given. In addition, where there has been a takeover offer for the Company, minority shareholders can require the offeror to purchase the remaining shares provided that at any time before the end of the period within which the offer can be accepted, the offeror has acquired (or contracted to acquire) at least 90 per cent. in value of all voting shares in the Company, which carry not less than 90 per cent. of the voting rights. A minority shareholder can exercise this right at any time until three months after the period within which the offer can be accepted. An offeror shall give the remaining shareholders notice of their rights within one month from the end of the period in which the offer can be accepted.

4. SUMMARY OF THE ARTICLES OF ASSOCIATION

4.1 The Articles of Association of the Company (the "**Articles**"), which were adopted by special resolution passed on 11 February 2013 (subject to and conditional upon Admission), are available for inspection at the address specified in paragraph 25 of this Part 9.

4.2 The Articles include provisions to the following effect:

(a) ***Objects and purposes***

The objects of the Company, in accordance with section 31(1) of the Act, are unrestricted.

(b) ***Share rights***

Subject to the provisions of the Act, and without prejudice to any rights attached to any existing shares or class of shares, any share may be issued with such rights or restrictions as the Company may by ordinary resolution determine or, subject to and in default of such determination, as the Board shall determine.

The Board may issue shares which are to be redeemed or are liable to be redeemed at the option of the Company or the holder. Subject to the Articles and to the Act, the unissued shares of the Company (whether forming part of the original or any increased capital) are at the disposal of the Board.

(c) ***Voting rights***

Subject to any rights or restrictions attached to any shares, on a show of hands every member who is present in person shall have one vote and on a poll every member present in person or by proxy shall have one vote for every share of which he is the holder.

No member shall be entitled to vote at any general meeting unless all moneys presently payable by him in respect of shares in the Company have been paid.

If at any time the Board is satisfied that any member, or any other person appearing to be interested in shares held by such member, has been duly served with a notice under section 793 of the Act and is in default for the prescribed period in supplying to the Company the information thereby required, or, in purported compliance with such a notice, has made a statement which is false or inadequate in a material particular, then the Board may, in its absolute discretion at any time thereafter by notice to such member direct that, in respect of the shares in relation to which the default occurred, the member shall not be entitled to attend or vote either personally or by proxy at a general meeting or at a separate meeting of the holders of that class of shares or on a poll.

(d) ***Dividends and other distributions***

Subject to the provisions of the Act, the Company may by ordinary resolution declare dividends in accordance with the respective rights of the members, but no dividend shall exceed the amount recommended by the Board. Except as otherwise provided by the rights attached to shares, all dividends shall be declared and paid according to the amounts paid up on the shares on which the dividend is paid, but no amount paid on a share in advance of calls shall be treated for these purposes as paid on the share.

Subject to the provisions of the Act, the Board may pay interim dividends if it appears to the Board that they are justified by the profits of the Company available for distribution.

The Board may also pay, at intervals determined by it, any dividend at a fixed rate if it appears to the Board that the profits available for distribution justify the payment. If the Board acts in good faith it shall not incur any liability to the holders of shares conferring preferred rights for any loss they may suffer by the lawful payment of an interim dividend on any shares having deferred or non-preferred rights.

No dividend or other moneys payable in respect of a share shall bear interest against the Company unless otherwise provided by the rights attached to the share.

The Board may withhold payment from a person of all or any part of any dividend or other moneys payable in respect of shares in the Company if those shares represent at least a 0.25 per cent. interest in the Company's shares or any class thereof and if, in respect of those shares, such person has been served with a restriction notice after failure (whether by such person or by another) to provide the Company with accurate information concerning interests in those shares required to be provided under the Act.

Except as otherwise provided by the rights and restrictions attached to any class of shares, all dividends will be declared and paid according to the amounts paid-up on the shares during any portion of the period in respect of which the dividend is paid.

The Board may, if authorised by an ordinary resolution of the Company, offer any holder of shares the right to elect to receive shares by way of scrip dividend instead of cash in respect of the whole (or some part, to be determined by the Board) of any dividend.

Any dividend which has remained unclaimed for 12 years from the date when it became due for payment shall, if the Board so resolves, be forfeited and cease to remain owing by the Company.

Except as provided by the rights and restrictions attached to any class of shares, the holders of the Company's shares will under general law be entitled to participate in any surplus assets in a winding up in proportion to their shareholdings. A liquidator may, with the sanction of an extraordinary resolution and any other sanction required by the Insolvency Act 1986, divide among the members *in specie* the whole or any part of the assets of the Company and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members.

(e) ***Variation of rights***

Rights attached to any class of shares may be varied or abrogated with the written consent of the holders of three-quarters in nominal value of the issued shares of the class, or the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of the class.

(f) ***Lien and forfeiture***

The Company shall have a first and paramount lien on every share (not being a fully paid share) for all moneys payable to the Company (whether presently or not) in respect of that share. The Company may sell any share on which the Company has a lien if a sum in respect of which the lien exists is presently payable and is not paid within 14 clear days after notice has been sent to the holder of the share demanding payment and stating that if the notice is not complied with the share may be sold.

The Board may from time to time make calls on the members in respect of any moneys unpaid on their shares. Each member shall (subject to receiving at least 14 clear days' notice) pay to the Company the amount called on his shares. If a call or any instalment of a call remains unpaid in whole or in part after it has become due and payable, the board may give the person from whom it is due not less than 14 clear days' notice requiring payment of the amount unpaid together with any interest which may have accrued and any costs, charges and expenses incurred by the Company by reason of such non-payment. The notice shall name the place where payment is to be made and shall state that if the notice is not complied with the shares in respect of which the call was made will be liable to be forfeited.

(g) ***Transfer of shares***

A member may transfer all or any of his certificated shares by an instrument of transfer in any usual form or in any other form which the Board may approve. An instrument of transfer shall be signed by or on behalf of the transferor and, unless the share is fully paid, by or on behalf of the transferee. An instrument of transfer need not be under seal.

The Board may, in its absolute discretion and without giving any reason, refuse to register the transfer of a certificated share which is not a fully paid share, provided that the refusal does not prevent dealings in shares in the Company from taking place on an open and proper basis. The Board may also refuse to register the transfer of a certificated share unless the instrument of transfer:

(i) is lodged, duly stamped (if stampable), at the office or at another place appointed by the Board accompanied by the certificate for the share to which it relates and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer;

(ii) is in respect of one class of share only; and

(iii) is in favour of not more than four persons.

The Board may refuse to register a transfer of shares in the Company by a person if those shares represent at least a 0.25 per cent. interest in the Company's shares or any class thereof and if, in respect of those shares, such person has been served with a restriction notice after failure (whether by such person or by another) to provide the Company with information concerning interests in those shares required to be provided under the Act, unless (i) the transfer is an approved transfer (as defined in the Articles), (ii) the member is not himself in default as regards supplying the information required and certifies that no person in default as regards supplying such information is interested in any of the shares the subject of the transfer, or (iii) the transfer of the shares is required to be registered by the Uncertificated Securities Regulations.

If the Board refuses to register a transfer of a share in certificated form, it shall send the transferee notice of its refusal within two months after the date on which the instrument of transfer was lodged with the Company.

No fee shall be charged for the registration of any instrument of transfer or other document relating to or affecting the title to a share.

Subject to the provisions of the Uncertificated Securities Regulations, the Board may permit the holding of shares in any class of shares in uncertificated form and the transfer of title to shares in that class by means of a relevant system and may determine that any class of shares shall cease to be a participating security.

(h) ***Alteration of share capital***

The Company may by ordinary resolution increase, consolidate or, subject to the Act, sub-divide its share capital. The Company may by ordinary resolution also cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its authorised share capital by the amount of the shares so cancelled. Subject to the provisions of the Act, the Company may by special resolution reduce its share capital, capital redemption reserve and share premium account in any way.

(i) ***Purchase of own shares***

Subject to the Act and without prejudice to any relevant special rights attached to any class of shares, the Company may purchase any of its own shares of any class in any way and at any price (whether at par or above or below par).

(j) ***General meetings***

The Board may convene a general meeting, other than an annual general meeting, whenever it thinks fit. If there are within the United Kingdom insufficient members of the Board to convene such a general meeting, any Director may call such a general meeting.

At any general meeting convened on a members' requisition or, in default of the Board convening a general meeting on a members' requisition, by the requisitionists, no business shall be transacted except that stated by the requisition or proposed by the Board.

A general meeting shall be convened by such notice as may be required by law from time to time. The notice of any general meeting shall include such statements as are required by the Companies Act and the Articles.

The notice shall be given to the members (other than any who, under the provisions of the Articles or of any restrictions imposed on any shares, are not entitled to receive notice from the Company), to the Directors and to the Auditors and to any other person who may be entitled to receive it.

If the Board considers that it is impractical or unreasonable for any reason to hold a meeting on the date or at the time or place specified in the notice calling the meeting, it may postpone the meeting to another date, time and/or place.

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business. Save as otherwise provided in the Articles, two persons entitled to attend and to vote on the business to be transacted, each being a member so entitled or a proxy for a member so entitled or a duly authorised representative of a corporation which is a member so entitled, shall be a quorum.

If during a meeting such a quorum ceases to be present, the meeting shall be dissolved (if called by the members) or otherwise stand adjourned to such other day as the Chairman may determine. If at such adjourned meeting a quorum is not present within five minutes from the

time appointed for holding the meeting, one person entitled to vote on the business to be transacted, being a member so entitled or a proxy for a member so entitled or a duly authorised representative of a corporation which is a member so entitled, shall be a quorum.

Each Director shall be entitled to attend and speak at any general meeting and at any separate meeting of the holders of any class of shares of the Company. The Chairman may invite any person to attend and speak at any general meeting where he considers this will assist in the deliberations of the meeting.

The Chairman shall take such action or give such directions as he thinks fit to promote the orderly conduct of the business of the meeting as laid down in the notice of the meeting. The Chairman's decision on matters of procedure or arising incidentally from the business of the meeting shall be final, as shall his determination as to whether any matter is of such a nature.

(k) ***Directors***

(i) *Appointment of Directors*

Unless otherwise determined by ordinary resolution, the number of Directors shall be no more than 12 or less than two in number. Directors may be appointed by ordinary resolution of Ordinary Shareholders or by the Board. A Director appointed by the Board holds office only until the next following annual general meeting and if not re-appointed at such annual general meeting shall vacate office at its conclusion.

(ii) *No share qualification*

A Director shall not be required to hold any shares in the capital of the Company by way of qualification.

(iii) *Removal of Directors*

The Company may by ordinary resolution remove any Director before the expiry of his term of office. The Company may by ordinary resolution appoint any person willing to act as a Director in his place.

(iv) *Retirement of Directors*

At each annual general meeting of the Company, all the Directors shall retire from office.

Any Director appointed by ordinary resolution of the Company shall retire at the first annual general meeting of the Company following his appointment.

(v) *Remuneration of Directors*

The emoluments of any Director holding executive office for his services as such shall be determined by the Board, and may be of any description.

The ordinary remuneration of each of the Directors who do not hold executive office for their services (excluding amounts payable under any other provision of these Articles) shall not exceed £350,000 per annum or such higher amount as the Company may from time to time by ordinary resolution determine. Subject thereto, each such Director shall be paid a fee (which shall be deemed to accrue from day to day) at such rate as may from time to time be determined by the Board or any committee authorised by it. In addition, any Director who does not hold executive office and who serves on any committee of the Board, by the request of the Board goes or resides abroad for any purpose of the Company or otherwise performs services outside the scope of the ordinary duties of a Director may be paid such extra remuneration as the Board or any committee authorised by it may determine.

In addition to any remuneration to which the Directors are entitled under the Articles, they may be paid all travelling, hotel and other expenses properly incurred by them in connection with their attendance at meetings of the Board or committees of the Board, general meetings or separate meetings of the holders of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties.

The Board may provide benefits, whether by the payment of gratuities or pensions or by insurance or otherwise, for any past or present Director or employee of the Company or any of its subsidiary undertakings or any body corporate associated with, or any business acquired by, any of them, and for any member of his family or any person who is or was dependent on him.

(vi) *Permitted interests of Directors*

Subject to the provisions of the Act, and provided that he has disclosed to the Board the nature and extent of any material interest of his, a Director notwithstanding his office:

(A) may be a party to or otherwise be interested in any transaction or arrangement with the Company or in which the Company is otherwise interested;

(B) may hold any other office or place of profit with the Company (except that of Auditor or of auditor of a subsidiary of the Company) in conjunction with the office of Director and may act by himself or through his firm in a professional capacity for the Company, and in any such case on such terms as to remuneration and otherwise as the Board may arrange, either in addition to or in lieu of any remuneration provided for by any other Article;

(C) may be a director or other officer of, or employed by, or a party to any transaction or arrangement with or otherwise interested in, any company promoted by the Company or in which the Company is otherwise interested or as regards which the Company has any powers of appointment; and

(D) shall not be liable to account to the Company for any profit, remuneration or other benefit realised by any office or employment or from any transaction or arrangement or from any interest in any body corporate, no such transaction or arrangement shall be liable to be avoided on the grounds of any such interest or benefit nor shall the receipt of any such profit, remuneration or any other benefit constitute a breach of his duty under the Companies Acts or under the law not to accept benefits from third parties.

(vii) *Restrictions on voting*

A Director shall not vote on any resolution of the Board concerning a matter in which he has an interest which (together with any interest of any person connected with him) is to his knowledge material, but these prohibitions shall not apply to:

(A) any transaction or arrangement in which he is interested by means of an interest in shares, debentures or other securities or otherwise in or through the Company;

(B) the giving of any guarantee, security or indemnity in respect of money lent to, or obligations incurred by him or any other person at the request of or for the benefit of, the Company or any of its subsidiary undertakings;

(C) the giving of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;

(D) the giving of any other indemnity where all other Directors are also being offered indemnities on substantially the same terms;

(E) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings in which offer he is, or may be, entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;

(F) any proposal concerning any other body corporate in which he does not to his knowledge have an interest (as the term is used in Part 22 of the Act) in one per cent or more of the issued equity share capital of any class of such body corporate (calculated exclusive of any shares of that class in that company held as treasury shares) nor to his knowledge hold one per cent or more of the voting rights which he holds as shareholder or through his direct or indirect holding of financial instruments (within the meaning of the Disclosure and Transparency Rules) in such body corporate;

(G) any proposal relating to an arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates;

(H) any proposal concerning insurance which the Company proposes to maintain or purchase for the benefit of Directors or for the benefit of persons who include Directors;

(I) any proposal concerning the funding of a Director's expenditure incurred in defending any criminal or civil proceedings or any investigation by a regulatory authority or in connection with any application for relief made under the Act, or doing anything to enable such Director or Directors to avoid incurring such expenditure; and

(J) any transaction or arrangement in respect of which his interest, or the interest of Directors generally, has been authorised by ordinary resolution.

(l) ***Borrowing powers***

The Board may exercise all the powers of the Company to borrow money, to indemnify, to mortgage or charge its undertaking, property, assets (present and future) and uncalled capital, and to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

The Board shall restrict the borrowings of the Company and exercise all voting and other rights and powers of control exercisable by the Company in respect of its subsidiary undertakings (if any) so as to procure (as regards its subsidiary undertakings in so far as it can procure by such exercise) that the aggregate principal amount at any one time outstanding in respect of money borrowed by the Group (exclusive of money borrowed by one Group company from another and after deducting cash deposited) shall not at any time, without the previous sanction of an ordinary resolution of the Company, exceed an amount equal to three times the Adjusted Capital and Reserves (as defined in the Articles).

(m) ***Indemnity of officers***

Subject to the provisions of the Act, but without prejudice to any indemnity to which he may otherwise be entitled, every person who is or was at any time a Director or an officer of the Company or a director or officer of an associated company (except the Auditors or the auditors of an associated company) may at the discretion of the Board be indemnified out of the assets of the Company against all costs, charges, losses, damages and liabilities incurred by him for

negligence, default, breach of duty, breach of trust or otherwise in relation to the affairs of the Company or of an associated company, or in connection with the activities of the Company, or of an associated company or as a trustee of an occupational pension scheme (as defined in section 235(6) of the Act).

Subject to the provisions of the Act, the Company may at the discretion of the Board provide any person who is or was at any time a Director or officer of the Company or a director or officer of an associated company (except the Auditors or the auditors of an associated company) with funds to meet expenditure incurred or to be incurred by him (or to enable such Director or officer to avoid incurring such expenditure) in defending any criminal or civil proceedings or defending himself in any investigation by, or against action proposed to be taken by, a regulatory authority or in connection with any application under the provisions referred to in section 205(5) of the Act.

5. DIRECTORS AND SENIOR MANAGEMENT

5.1 The biographies of each of the Directors and Senior Management are set out in Part 3: "Directors, Senior Management and Corporate Governance".

5.2 Save as set out below, none of the Directors nor any of the Senior Management has been a member of the administrative, management or supervisory bodies or partner, of any company or partnership (other than the Company and other members of the Group), at any time in the previous five years, preceding the date of this document:

Directors/Senior Management	*Current directorships and partnerships*	*Previous directorships and partnerships*
William Rucker	Lazard & Co., Holdings Limited Lazard & Co., Limited Lazard & Co., Services Limited Lazard Services Holdings Limited Rentokil Initial plc Quintain Estates and Development plc Newbridge Care Systems Limited	Haojile Four Limited[(1)]
Malcolm McCaig	Meretune Management (Falcon) Limited Barbon Insurance Group Limited Barbon Holdings Limited Caley Limited M G McCaig Limited Renaissance Capital Limited OneSavings Bank plc Kent Reliance Provident Society Jubilee Group Holdings Limited Jubilee Managing Agency Limited Unum Limited London Capital Group Holdings plc	The Glasgow Caledonian University Company Limited
Patrick Bergin	–	M + W Pearce Limited[(1)(2)]
Stephen Stone	Home Builders Federation Limited	Castle Topco Limited[(1)] Castle Midco Limited[(1)]

Directors/Senior Management	*Current directorships and partnerships*	*Previous directorships and partnerships*
Jim Pettigrew	The Edinburgh Investment Trust Limited Hermes Fund Managers Limited Clydesdale Bank plc National Australia Group Europe Limited Aberdeen Asset Management plc Rivercrest Capital LLP RBC Europe Limited AON UK Limited	CMC Markets plc CMC Markets UK plc CMC Group Limited CMC Markets (Finance) Limited CMC Markets Overseas Holdings Limited CMC Markets UK Holdings Limited CMC Spreadbet plc CMC Trustees Limited CMC Nominees Limited(1) CMC Markets Binary Options Limited(1) Deal4Free.com Limited Client2Client.com Limited Digital Look Ltd Information Internet Limited Marketmaker Limited Equibet Limited(1) Traders Academy Limited(1)
Pam Alexander OBE	Brighton Dome And Festival Ltd The Academy of Urbanism (Number 2) Limited Design Council Commission for Architecture and the Built Environment Booker Alexander Limited	T.H.F.C. (Services) Limited T.H.F.C (Capital) PLC UK Rents (Holdings) Limited UK Rents (No. 1) plc UK Rents Trustee Limited Countryside Maritime Limited Peabody Pension Trust Limited South East England Properties Ltd(1)
Chris Tinker	Enterprise M3 LEP	One Brighton (New England Quarter) Management Limited Castle Topco Limited(1) Castle Midco Limited(1)
Steve Evans	–	Assetturn Limited
Robin Hoyles	–	Countryside Properties (Special Projects) Limited Wychwood Park (Management) Limited Wychwood Park Golf Club Limited GMV Management Limited Beaulieu Park Limited Copthorn Homes Limited Countryside (UK) Limited Countryside Eight Limited Countryside Four Limited Countryside Properties (Accordia) Limited Countryside Properties (Salford Quays) Limited Countryside Seven Limited Countryside Properties Ten Limited Syward Place Limited

Directors/Senior Management	*Current directorships and partnerships*	*Previous directorships and partnerships*
Robin Hoyles *(continued)*	–	Cambridge Medipark Limited Silversword Properties Limited Countryside Properties (Bicester) Limited Ico Didsbury Limited Skyline 120 Management Limited Skyline 120 Courtyard Management Limited Skyline 120 Nexus Management Limited Skyline 120 Urban Hive Management Limited Countryside Cambridge One Limited Countryside Cambridge Two Limited Urban Hive Hackney Management Limited Ico Didsbury Point Estate Management Limited C.C.B. Stevenage Limited CBC Estate Management Limited Lyneham Developments Limited(1)
Kevin Maguire	–	–

Notes:

(1) Dissolved (other than by way of a compulsory liquidation)

(2) Dissolved by way of creditors' voluntary liquidation

5.3 As at the date of this document, none of the Directors or members of the Senior Management has at any time within the past five years:

(a) save as disclosed in paragraph 5.2 above, been a director or partner of any companies or partnerships; or

(b) had any convictions in relation to fraudulent offences (whether spent or unspent); or

(c) been adjudged bankrupt or has entered into any individual voluntary arrangements; or

(d) save as disclosed in paragraph 5.2 above, been a director or senior manager of any company at the time of or within a 12 month period preceding any receivership, compulsory liquidation, creditors voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with such company's creditors generally or any class of creditors of such company; or

(e) save as disclosed in paragraph 5.2 above, been partner of any partnership at the time of or within a 12 month period preceding any compulsory liquidation, administration or partnership voluntary arrangement of such partnership or had assets which have been the subject of a receivership; or

(f) been partner of any partnership at the time of or within a 12 month period preceding any assets thereof being the subject of a receivership; or

(g) been subject to any official public incrimination and/or sanctions by any statutory or regulatory authority (including any designated professional body); or

(h) ever been disqualified by a court from acting as a director or other officer of any company or from acting in the management or conduct of the affairs of any company,

and no proceedings of the types referred to at (b) – (h) above are pending or in progress at the date of this document.

5.4 William Rucker (the Non-Executive Chairman of the Company) is the Chief Executive of Lazard in the UK (the financial adviser to the Company) and the Chairman of Quintain Estates & Development plc who the Group has previously entered into joint venture development agreements with and may also in the future enter into joint venture development agreements with. As at the date of this document, the Group (a) has a 50 per cent. interest in Crest Nicholson Bioregional Quintain LLP, a limited liability partnership set up to develop a site in Brighton (which has now been substantially completed); and (b) is party to a development agreement with a subsidiary of Quintain Estates & Development plc in respect of the development of a parcel on the site known as "Greenwich Peninsula" in Greenwich (the interest under this development agreement having been acquired by Quintain Estates & Development plc from Lendlease Europe Limited). Please see paragraph 16.6(d) of Part 9: "Additional Information" for further information in relation to this joint venture arrangement. Certain decisions relating to properties held or secured through these arrangements may depend upon the consent or approval of Quintain Estates & Development plc. Any disputes which arise between the Group and Quintain Estates & Development plc in relation to these projects, including as a result of inconsistencies between the parties' economic or business interests, may lead to delays in the development and completion of the relevant projects, or to the projects being developed in such a way that they will not achieve their highest potential rate of return.

Lazard is acting as financial adviser to the Company in relation to the Offer. Lazard acted as financial adviser to Värde Partners, Inc. in relation to the second balance sheet restructuring of the Group in September 2011. As part of this restructuring, a Management Incentive Plan was established to provide equity participation in the Company for the benefit of key members of senior management. A summary of these management incentivisation arrangements is set out in paragraph 10.1 of Part 9: "Additional Information". As part of this restructuring process, changes to the Board were made and William Rucker was appointed to the role of Chairman. In this capacity, Mr Rucker was invited to participate in the Management Incentive Plan, and the terms of his participation required him to subscribe for shares in the Company. Lazard did not advise on the search for, and subsequent appointment of, William Rucker as Chairman of the Company and Lazard did not advise on the establishment, terms or allocation of the Management Incentive Plan.

In March 2012, Lazard was appointed to advise the Company primarily in relation to the partial refinancing of Facility Agreement A. Subsequently, Lazard was appointed to provide financial advice to the Company in relation to the Offer. Lazard has confirmed to the Company that it has established procedures relating to conflict clearance and management. In addition, in his capacity as Chairman William Rucker is subject to the Group's policy on the management of conflicts of interest. Consequently, the Company took responsibility for the selection process run in relation to the appointment of Lazard on the refinancing of Facility Agreement A and for their appointment as financial adviser to the Company in respect of the Offer. Furthermore, William Rucker does not provide advice to the Company in his capacity as the Chief Executive of Lazard and any matters relating to the Company are discussed with William Rucker solely in his capacity as Chairman of the Company. As is referred to in Part 3: "Directors, Senior Management and Corporate Governance", although William Rucker is not considered to be an independent chairman for the purposes of the UK Corporate Governance Code, the Directors believe that William Rucker's knowledge and understanding of the Group's business and the continuity which he provides will continue to be an asset to the Group in the future.

In addition to his disclosure requirements under the Act, William Rucker is also subject to the Group's policies on the management of conflicts of interests. Save in respect of the foregoing, none of the Directors nor any of the Senior Management has any potential conflicts of interests between his duties to the Company and his private interests or other duties, and there are no arrangements or

understandings with major shareholders, customers, suppliers or others pursuant to which any person was selected as a member of the administrative, management or supervisory bodies or as a member of senior management.

5.5 There are no family relationships between any of the Directors or the Senior Management.

5.6 No Director has or has had any interest in any transactions which are or were unusual in their nature or conditions or are or were significant to the business of the Group or any of its subsidiary undertakings and which were effected by the Group or any of its subsidiaries during the current or immediately preceding financial year or during an earlier financial year and which remain in any respect outstanding or unperformed.

5.7 There are no outstanding loans or guarantees granted or provided by any member of the Group to or for the benefit of any of the Directors.

5.8 Save as set out in section Part 8: "The Offer" of this document, no restrictions have been agreed by any Director nor any of the Senior Management on the disposal within a certain period of time of his holding in securities of the Company or any of its subsidiaries.

6. DIRECTORS' AND SENIOR MANAGEMENT'S INTERESTS IN THE COMPANY

6.1 The interests of the Directors and members of the Senior Management, and their immediate families, in the share capital of the Company (all of which, unless otherwise stated, are beneficial) on the date of this document and as they are expected to be immediately following Admission are as follows:

	Immediately prior to Admission[(1)]		*Immediately following Admission*	
	Number of Ordinary Shares	*Percentage of issued Ordinary Share capital*	*Number of Ordinary Shares*	*Percentage of issued Ordinary Share capital*
Directors				
William Rucker	3,685,447	1.6%	3,685,447	1.5%
Stephen Stone[(2)]	4,849,024	2.1%	4,667,603[(3)]	1.9%[(3)]
Lesley Stone (spouse)	761,825	0.3%	–	–
Patrick Bergin[(2)]	747,324	0.3%	772,956[(3)]	0.3%[(3)]
Emma Bergin (spouse)	747,323	0.3%	560,493	0.2%
Jim Pettigrew	–	–	–	–
Malcolm McCaig	–	–	–	–
Pam Alexander OBE	–	–	–	–
Senior Management				
Chris Tinker[(2)]	1,587,136	0.7%	1,274,222[(3)]	0.5%[(3)]
Helen Tinker (spouse)	1,587,135	0.7%	1,190,352	0.5%
Robin Hoyles[(2)]	278,506	0.1%	336,208[(3)]	0.1%[(3)]
Marion Hoyles (spouse)	185,670	0.1%	139,253	0.1%
Steve Evans[(2)]	835,518	0.4%	710,508[(3)]	0.3%[(3)]
Jaqueline Evans (spouse)	835,517	0.4%	626,638	0.2%
Kevin Maguire[(2)]	278,505	0.1%	336,208[(3)]	0.1%[(3)]

Notes:

(1) The interests in Ordinary Shares as at the date of this document have been stated on the basis that the steps described in paragraph 3 of this Part 9 have taken place in full.

(2) Each of Stephen Stone, Patrick Bergin, Chris Tinker, Robin Hoyles, Steve Evans and Kevin Maguire hold options over Ordinary Shares, such options being the Performance Share Options described in paragraph 10.1 of this Part 9. These Performance Share Options are all exercisable on Admission at nil-cost, with Stephen Stone holding options over 223,653 Ordinary Shares; Patrick Bergin holding options over 283,284 Ordinary Shares; Chris Tinker holding options over 111,826 Ordinary Shares; Robin Hoyles holding options over 169,771 Ordinary Shares; Steve Evans holding options over 111,825 Ordinary Shares; and Kevin Maguire holding options over 169,772 Ordinary Shares.

(3) Assuming that the Performance Share Options referred to in footnote (2) of this paragraph 6.1 are all exercised in full.

7. SIGNIFICANT SHAREHOLDERS

7.1 Subject to the arrangements set out in paragraph 12 below and assuming the steps described above in paragraph 3 above have taken place, insofar as the Directors are aware, the persons set out below will immediately prior to, and following, Admission, be interested in three per cent. or more of the Company's issued share capital assuming no exercise of the Over-allotment Option:

	Immediately prior to Admission[1]		*Immediately following Admission*	
Name	*Number of Ordinary Shares*	*Percentage of issued Ordinary Share capital*	*Number of Ordinary Shares*	*Percentage of issued Ordinary Share capital*[2]
Värde	120,476,000	53.3%	88,016,676	35.0%
Deutsche Bank	39,800,000	17.6%	29,076,860	11.6%
Blackrock	–	–	17,700,000	7.0%
Henderson Global Investors	–	–	9,250,000	3.7%

Notes:

(1) The interests in Ordinary Shares as at the date of this document have been stated on the basis that the steps described in paragraph 3 of this Part 9 have taken place in full.

(2) Assuming no exercise of the Over-allotment Option.

7.2 Save as disclosed above, in so far as is known to the Directors, there is no other person who is or will be immediately following Admission, directly or indirectly, interested in 3 per cent. or more of the issued share capital of the Company, or any other person who can, will or could, directly or indirectly, jointly or severally, exercise control over the Company.

7.3 None of the Company's major shareholders have or will have, immediately following Admission, different voting rights attached to the Ordinary Shares they hold in the Company.

8. SELLING SHAREHOLDERS

8.1 The following table sets forth the number of Ordinary Shares held and the number of Existing Ordinary Shares being sold by each of the Selling Shareholders.

Selling Shareholders	*Relationship with the Group*	*Business address*	*Ordinary Shares owned prior to the Offer*[1]	*Existing Ordinary Shares to be sold in the Offer*[1]	*Ordinary Shares owned after the Offer assuming no exercise of the Over-allotment Option*	*Ordinary Shares to be sold if the Over-allotment Option is exercised in full*	*Shares Owned after the Offer if the Over-allotment Option is exercised in full*
Corporate Selling Shareholders							
Värde Investment Partners L.P.	Lender	Level 2 50 New Bond St London W1S 1BJ United Kingdom	120,476,000	32,459,324	88,016,676	7,334,687	80,681,989
Deutsche Bank AG, London	Lender	1 Great Winchester St London EC2N 2DB United Kingdom	39,800,000	10,723,140	29,076,860	2,423,059	26,653,801
KBC Bank N.V.	Lender	111 Old Broad Street London EC2N 1BR United Kingdom	11,359,320	11,359,320	–	–	–

Selling Shareholders	*Relationship with the Group*	*Business address*	*Ordinary Shares owned prior to the Offer*[(1)]	*Existing Ordinary Shares to be sold in the Offer*[(1)]	*Ordinary Shares owned after the Offer assuming no exercise of the Over-allotment Option*	*Ordinary Shares to be sold if the Over-allotment Option is exercised in full*	*Shares Owned after the Offer if the Over-allotment Option is exercised in full*
Natixis	Lender	Cannon Bridge House 25 Dowgate Hill London EC4R 2YA United Kingdom	11,359,320	11,359,320	–	–	–
Landesbank Berlin AG	Lender	Alexanderplatz 2 D-10178 Berlin Germany	7,651,380	2,061,478	5,589,902	465,822	5,124,080
NAC EuroLoan Advantage I Limited	Lender	78 Sir John Rogerson's Quay Dublin 2 Ireland	7,548,820	2,033,845	5,514,975	–	5,514,975
Cairn CLO II B.V.	Lender	Luna ArenA Herikerbergweg 238 1101 CM Amsterdam Zuidoost The Netherlands	1,210,280	1,210,280	–	–	–
Mercator CLO III Limited	Lender	78 Sir John Rogerson's Quay Dublin 2 Ireland	594,880	594,880	–	–	–
Executive Directors, Senior Management and their spouses							
Stephen Stone	Executive Director	c/o Crest Nicholson Holdings plc Pyrcroft Road, Chertsey, Surrey, KT16 9GN United Kingdom	4,849,024	405,074	4,667,603[(2)]	–	4,667,603[(2)]
Lesley Stone	Spouse of Executive Director	c/o Crest Nicholson Holdings plc Pyrcroft Road, Chertsey, Surrey, KT16 9GN United Kingdom	761,825	761,825	–	–	–
Patrick Bergin	Executive Director	c/o Crest Nicholson Holdings plc Pyrcroft Road, Chertsey, Surrey, KT16 9GN United Kingdom	747,324	257,652	772,956[(2)]	–	772,956[(2)]

Selling Shareholders	*Relationship with the Group*	*Business address*	*Ordinary Shares owned prior to the Offer*[(1)]	*Existing Ordinary Shares to be sold in the Offer*[(1)]	*Ordinary Shares owned after the Offer assuming no exercise of the Over-allotment Option*	*Ordinary Shares to be sold if the Over-allotment Option is exercised in full*	*Shares Owned after the Offer if the Over-allotment Option is exercised in full*
Emma Bergin	Spouse of Executive Director	c/o Crest Nicholson Holdings plc Pyrcroft Road, Chertsey, Surrey, KT16 9GN United Kingdom	747,323	186,830	560,493	–	560,493
Chris Tinker	Senior Management	c/o Crest Nicholson Holdings plc Pyrcroft Road, Chertsey, Surrey, KT16 9GN United Kingdom	1,587,136	424,740	1,274,222[(2)]	–	1,274,222[(2)]
Helen Tinker	Spouse of Senior Manager	c/o Crest Nicholson Holdings plc Pyrcroft Road, Chertsey, Surrey, KT16 9GN United Kingdom	1,587,135	396,783	1,190,352	–	1,190,352
Robin Hoyles	Senior Management	c/o Crest Nicholson Holdings plc Pyrcroft Road, Chertsey, Surrey, KT16 9GN United Kingdom	278,506	112,069	336,208[(2)]	–	336,208[(2)]
Marion Hoyles	Spouse of Senior Manager	c/o Crest Nicholson Holdings plc Pyrcroft Road, Chertsey, Surrey, KT16 9GN United Kingdom	185,670	46,417	139,253	–	139,253
Steve Evans	Senior Manager	c/o Crest Nicholson Holdings plc Pyrcroft Road, Chertsey, Surrey, KT16 9GN United Kingdom	835,518	236,835	710,508[(2)]	–	710,508[(2)]
Jaqueline Evans	Spouse of Senior Manager	c/o Crest Nicholson Holdings plc Pyrcroft Road, Chertsey, Surrey, KT16 9GN United Kingdom	835,517	208,879	626,638	–	626,638
Kevin Maguire	Senior Management	c/o Crest Nicholson Holdings plc Pyrcroft Road, Chertsey, Surrey, KT16 9GN United Kingdom	278,505	112,069	336,208[(2)]	–	336,208[(2)]

Selling Shareholders	*Relationship with the Group*	*Business address*	*Ordinary Shares owned prior to the Offer*[1]	*Existing Ordinary Shares to be sold in the Offer*[1]	*Ordinary Shares owned after the Offer assuming no exercise of the Over-allotment Option*	*Ordinary Shares to be sold if the Over-allotment Option is exercised in full*	*Shares Owned after the Offer if the Over-allotment Option is exercised in full*
Other Individual Selling Shareholders	Employees and their spouses[3]	c/o Crest Nicholson Holdings plc Pyrcroft Road Chertsey, Surrey, KT16 9GN United Kingdom	7,752,368	1,830,391	5,921,977	–	5,921,977
Total			220,445,851	76,781,151	144,734,831	10,223,568	134,511,263

Notes:

(1) The interests in Ordinary Shares as at the date of this document have been stated on the basis that the steps described in paragraph 3 of this Part 9 have taken place in full.

(2) Assuming that the Performance Share Options referred to in footnote (2) of paragraph 6.1 of this Part 9 are all exercised in full.

(3) Being 27 employees and 19 spouses.

8.2 Each of the Corporate Selling Shareholders was a lender to the Group and acquired its current shareholding following a debt for equity swap, which formed part of a financial restructuring which the Group completed in September 2011. Further details of this restructuring are set out in Part 2: "Information on the Group" and in paragraph 2.6 of Part 5: "Operating and Financial Review". None of the Corporate Selling Shareholders are represented on the Board and none are involved in any capacity in the conduct of the Company's business.

9. DIRECTORS' TERMS OF EMPLOYMENT AND REMUNERATION

9.1 The Directors and their functions are set out in Part 3: "Directors, Senior Management and Corporate Governance". Each of the Executive Directors entered into a service contract with the Company and each of the Non Executive Directors entered into a letter of appointment with the Company.

9.2 *Executive Directors: service contracts*

(a) Stephen Stone entered into a service contract with Crest Nicholson plc on 14 February 2007 as amended by a deed of amendment dated 11 March 2011. The service contract and deed of amendment were replaced by an amended and restated service contract dated 12 February 2013 which is conditional on and becomes effective from Admission.

Mr. Stone is entitled to receive a salary of £500,080 per annum under his service contract. He is entitled to a pension allowance equal to 24.5 per cent. of annual salary. He is also entitled to participate in Crest Nicholson plc's life assurance arrangements, private health insurance arrangements and permanent health insurance arrangement. He also receives a car benefit to the value of £1,000 per month.

Mr. Stone is entitled to participate in any bonus scheme established for Crest Nicholson plc executives from time to time.

Mr. Stone's service contract is terminable by Crest Nicholson plc on 12 months' notice and by Mr. Stone on 6 months' notice. Crest Nicholson plc has the ability to terminate Mr. Stone's service contract with immediate effect by making a payment in lieu of notice which shall consist of basic salary and the value of contractual benefits for the unexpired period of notice. This payment can be made as a lump sum or by various instalments over the unexpired period of notice. If Crest Nicholson plc elects to make such payment in instalments Mr. Stone will be

under a duty to seek alternative employment or engagement and any remuneration received from any new role during the relevant period will be offset against the payment of the instalments referred to above. Crest Nicholson plc is entitled to put Mr. Stone on garden leave during any period of notice. During such period Mr. Stone will be entitled to receive his salary and all contractual benefits. In the event that Mr. Stone's employment terminates for a reason which is not his resignation, gross misconduct or material performance or conduct concerns he will be entitled to a bonus in respect of the year in which his employment terminates reduced on a pro-rata basis to reflect the portion of the bonus year worked.

Mr. Stone is subject to post termination of employment restrictive covenants in relation to (i) employment or engagement with a competing undertaking (6 months), (ii) solicitation of and interference or dealing with suppliers and/or customers (12 months), (iii) solicitation, employment or engagement of key employees and key consultants/contractors (12 months) and (iv) interference with any rights of sale purchase or agency (12 months).

(b) Patrick Bergin entered into a service contract with Crest Nicholson plc on 28 October 2011. The service contract was replaced by an amended and restated service contract dated 12 February 2013 which is conditional on and becomes effective from Admission.

Mr. Bergin is entitled to receive a salary of £280,000 per annum under his service contract. He is entitled to participate in the Crest Nicholson Pension Plan (2008) and receives an employer contribution of 15 per cent. of his annual gross salary (subject to Mr. Bergin making a contribution of 5 per cent. of the same). He is also entitled to participate in Crest Nicholson plc's life assurance scheme, private health insurance scheme and permanent health insurance scheme. He also receives a car benefit to the value of £1,000 per month.

Mr. Bergin is entitled to participate in any bonus scheme established for Crest Nicholson plc's executives from time to time.

Mr. Bergin's service contract is terminable by Crest Nicholson plc on 12 months' notice and by Mr. Bergin on 6 months' notice. Crest Nicholson plc has the ability to terminate Mr. Bergin's service contract with immediate effect by making a payment in lieu of notice which shall consist of basic salary only for the unexpired period of notice. This payment can be made as a one-off lump sum or by various instalments over the unexpired period of notice. If Crest Nicholson plc elects to make such payment in instalments Mr. Bergin will be under a duty to seek alternative employment or engagement and any remuneration received from any new role during the relevant period will be offset against the payment of the instalments referred to above. Crest Nicholson plc is entitled to put Mr. Bergin on garden leave for such period or periods as Crest Nicholson plc in its absolute discretion may decide and during such period or periods Mr. Bergin will be entitled to receive his salary and all contractual benefits (excluding bonus). Mr. Bergin has no right to payment of bonus or pro-rata bonus on termination of employment.

Mr. Bergin is subject to post termination of employment restrictive covenants in relation to (i) employment or engagement with a competing undertaking (6 months), (ii) solicitation of and interference or dealing with suppliers and/or customers (12 months), (iii) solicitation, employment or engagement of key employees, key consultants/contractors (12 months), and (iv) interference with any rights of sale, purchase or agency (12 months).

9.3 ***Non-Executive Directors: letters of appointment***

(a) William Rucker entered into a letter of appointment with the Company on 28 October 2011. This letter of appointment will be replaced by a letter of appointment entered into between Mr. Rucker and the Company on 12 February 2013 which is conditional on and becomes effective from Admission. The terms of the new letter of appointment are set out below.

Mr. Rucker is entitled to receive an annual fee of £140,000. He is not entitled to receive any compensation on termination of his appointment and is not entitled to participate in the Company's share, bonus or pension scheme.

The appointment is for an initial period of three years, however both Mr. Rucker and the Company are entitled to terminate the appointment at any time by giving not less than 3 months' written notice.

(b) Jim Pettigrew entered into a letter of appointment with the Company on 11 February 2013. The terms of the letter of appointment are set out below.

Mr. Pettigrew is entitled to receive an annual fee of £60,000. He is not entitled to receive any compensation on termination of his appointment and is not entitled to participate in the Company's share, bonus or pension scheme.

The appointment is for an initial period of three years, however both Mr Pettigrew and the Company are entitled to terminate the appointment at any time by giving not less than 3 months' written notice.

(c) Malcolm McCaig entered into a letter of appointment with the Company on 6 April 2009. This letter of appointment will be replaced by a letter of appointment entered into between Mr. McCaig and the Company on 12 February 2013 which is conditional on and becomes effective from Admission. The terms of the new letter of appointment are set out below.

Mr. McCaig is entitled to receive an annual fee of £50,000. He is not entitled to receive any compensation on termination of his appointment and is not entitled to participate in the Company's share, bonus or pension scheme.

The appointment is for an initial period of three years, however both Mr. McCaig and the Company are entitled to terminate the appointment at any time by giving not less than 3 months' written notice.

(d) Pam Alexander entered into a letter of appointment with the Company on 30 November 2011. This letter of appointment will be replaced by a letter of appointment entered into between Ms. Alexander and the Company on 12 February 2013 which is conditional on and becomes effective from Admission. The terms of the new letter of appointment are set out below.

Ms. Alexander is entitled to receive an annual fee of £50,000. She is not entitled to receive any compensation on termination of her appointment and is not entitled to participate in the Company's share, bonus or pension scheme.

The appointment is for an initial period of three years, however both Ms. Alexander and the Company are entitled to terminate the appointment at any time by giving not less than 3 months' written notice.

9.4 Save as set out in paragraph 9 above, there are no existing or proposed service agreements or letters of appointment between the Directors and any member of the Group.

9.5 ***Directors' and Senior Management's Remuneration***

(a) Under the terms of their service agreements, letters of appointment and applicable incentive plans, in the financial year ended 31 October 2012, the aggregate remuneration and benefits paid to the Directors and the Senior Management who served during the financial year ended 31 October 2012, consisting of 9 individuals, was £2,995,861.34.

(b) Under the terms of their service agreements, letters of appointment and applicable incentive plans, in the financial year ended 31 October 2012, the Directors of the Company were remunerated as set out below:

Name	*Position*	*Annual Salary (£)*	*Other Benefits (£)*	*Date of Joining the Group*
William Rucker	Non-Executive Chairman	140,000	–	14 August 2011
Stephen Stone	Chief Executive	478,883	136,271.94	6 November 1995
Patrick Bergin	Group Financial Director	220,000	55,286.10	2 May 2006
Malcolm McCaig	Non-Executive Director	50,000	–	6 April 2009
Pam Alexander OBE	Non-Executive Director	50,000	–	5 December 2011

(c) There is no arrangement under which any Director has waived or agreed to waive future emoluments nor has there been any waiver of emoluments during the financial year immediately preceding the date of this document.

10. EMPLOYEE SHARE PLANS

10.1 *Pre-Admission Management Equity Incentives*

To incentivise the creation of value for shareholders, the Executive Directors, Senior Management and selected senior employees chose to subscribe for performance-related equity ("**Performance Shares**") in the Company at the time of the debt for equity swap in September 2011. The criteria for the allotment of Performance Shares was based broadly on levels of seniority and the value of the Performance Shares on allotment was determined in accordance with independent third party valuations. In addition, at the same time, certain members of management exchanged their existing equity in the Company for Performance Shares. The Performance Shares (being the A Shares, B Shares and D Shares described in paragraph 3 of Part 9: "Additional Information") are non-voting shares which are subject to restricted economic rights which provide that the value of such equity is based upon an agreed proportion of the value created on flotation and pre-sale (if any) as represented by the enterprise value of the Company (taking into account the offer price) and subject to certain minimum value hurdles.

Prior to Admission, the Company's employee benefit trust, the Crest Nicholson Employee Share Ownership Trust (the "**Employee Trust**"), was allotted a limited number of unallocated Performance Shares which will be used for the purpose of settling options granted to certain employees. These options have or will be granted to Executive Directors, Senior Management and a number of other employees as part of completing the allocation of benefit from the Performance Shares anticipated under the scheme. The options as described in paragraph 6.1 of Part 9: "Additional Information" in respect of Executive Directors and Senior Managers (the "**Performance Share Options**") will become exercisable on, and conditional on, Admission subject to the employees still being employed by the Group at that time. The Remuneration Committee may impose other performance or service criteria when granting the options.

Pursuant to the Share Capital Reorganisation, the Performance Shares will be reclassified as Ordinary Shares on Admission based on their value at that time and it is anticipated that the value of the Performance Shares and the consequential number of Ordinary Shares into which such equity will convert will result in the Executive Directors, Senior Management, other selected senior employees, their spouses and the Employee Trust together holding 8.0 per cent. of the issued share capital of the Company immediately following Admission. Any Ordinary Shares held by the Employee Trust as a result of the Share Capital Reorganisation which have not been allocated to settle the Performance Share Options will be used to provide share or cash incentives to employees on a similar basis as the Performance Share Options.

10.2 *Overview of the New Plans*

Following Admission, the plans detailed below may be used to provide equity-based incentive awards to executive directors and employees of the Group:

(a) a long-term incentive plan (the "**LTIP**") – a performance and service related conditional share award plan;

(b) a deferred bonus plan (the "**DBP**") – the plan will operate in conjunction with the annual bonus arrangements and provides that a proportion of a participant's annual bonus is deferred subject to continuing service; and

(c) an approved sharesave plan (the "**Sharesave Plan**") – a savings-related all employee option plan approved by HMRC; and

(d) a share incentive plan (the "**Share Incentive Plan**") – a share acquisition scheme approved by HMRC

(together, the "**New Plans**").

No payment is required for the grant of awards under the New Plans.

10.3 ***Common features of the New Plans***

The following features are common to each of the New Plans, unless otherwise specified.

(a) *Operation and Administration*

The New Plans shall be administered and operated by the Board. However, the grant of an award to an executive director, its material terms and the exercise of any discretion pursuant to such executive director's award will be determined by the Remuneration Committee of the Board (the "**Committee**").

The Committee will oversee the New Plans having regard to market practice within the Company's business sector and the need to incentivise and retain the best people whilst aligning their interests with those of the Company's shareholders.

(b) *Settlement and dilution limits*

Awards granted under the New Plans may be satisfied by the allotment of new Ordinary Shares, the issue of Ordinary Shares from treasury or the transfer of existing Ordinary Shares.

At any time, the total number of Ordinary Shares which have been issued or remain issuable pursuant to awards granted under the New Plans or awards granted (in the preceding 10 years) under any other employees' share scheme established by the Company may not exceed ten per cent. (10 per cent.) of the Ordinary Shares in issue at that time.

For the purposes of the above limits:

(i) Ordinary Shares which are the subject of any awards granted prior to Admission shall be excluded;

(ii) Ordinary Shares which are the subject of lapsed awards (other than any awards in respect of which Ordinary Shares have been issued into any employee benefit trust or in the name of a nominee) shall be excluded; and

(iii) treasury shares shall be treated as issued (unless guidance published by relevant institutional investor representative bodies recommends otherwise).

(c) *Voting and other rights*

Awards will not provide any voting rights in respect of any Ordinary Shares subject to such award unless otherwise permitted in accordance with the terms of the relevant plans, as set out below. All awards are non-transferable and non-pensionable.

(d) *Dividends*

The number of Ordinary Shares subject to conditional awards granted under the LTIP and DBP may be increased to reflect any dividends declared by the Company from the date of grant until the Ordinary Shares are delivered to the participant. The number of additional Ordinary Shares will reflect the net dividends which would have been received by the participant if he had been the owner of the Ordinary Shares subject to the award to the extent such Ordinary Shares vest and will be determined using the ex-dividend value of the Ordinary Shares.

The Committee may require that as a condition of participation in the LTIP, participants agree to waive dividends relating to Ordinary Shares which are subject of a restricted equity award, that participants receive the benefit of such dividends only in respect of restricted equity which vests or that dividends be reinvested in Ordinary Shares which shall vest subject to the same terms as the original award to which they relate.

No entitlement to dividends will arise in respect of options granted under the Sharesave Plan until such options are exercised.

(e) *Variation of share capital and special dividends*

In the event of any variation in the Ordinary Share capital of the Company or any capitalisation of profits or reserves by way of any consolidation, sub-division or reduction of the Ordinary Share capital of the Company and in respect of any discount element in any rights issue or any other variation in the Ordinary Share capital of the Company or upon payment of a special dividend, the number of Ordinary Shares subject to an award and the exercise price (if applicable) may be varied in such manner as the Board considers appropriate.

(f) *Amendments*

The New Plans may be amended in any respect by the Committee provided that (except as specified below) the prior approval of the Company in general meeting is required before amendments may be made to the material benefit of participants to any provisions relating to:

(i) the persons who may be invited to participate in or be granted awards under the New Plans;

(ii) the overall limit on the number of Ordinary Shares in respect of which awards may be granted;

(iii) the basis for determining participants' entitlements to, and the material terms of, awards to be provided under the New Plans;

(iv) the adjustment of awards in the event of a variation of capital; and

(v) the rules relating to amendments to the New Plans.

No amendment may be made to the rules of any of the New Plans if it would adversely affect the rights of participants without the approval of participants holding awards under the relevant plan over seventy-five per cent (75 per cent.) of Ordinary Shares subject to the awards so affected.

However, minor amendments to the benefit of the administration of the New Plans, or other amendments to take account of changes in legislation, to obtain or maintain favourable tax, exchange control, or regulatory treatment or to take account of a corporate transaction, may be made without the need for either of the approvals set out above where such amendments do not alter the basic principles of the relevant plan.

No amendment to a key feature of the Sharesave Plan or the Share Incentive Plan shall take effect without the prior approval of HMRC.

In addition, the Committee may, without participant or shareholder approval, adopt sub-plans or schedules to the relevant New Plan suitable for operation in any relevant country to take account of tax laws or other legal or regulatory requirements in the relevant country if considered necessary and expedient, provided that the terms of participation in and the terms of awards granted under such sub-plans or schedules shall not be materially more favourable overall than the terms of the New Plans.

(g) *Termination*

The New Plans shall terminate on the tenth anniversary of Admission or earlier by resolution of the Committee.

(h) *Employee Benefit Trusts*

The Company may operate the New Plans in conjunction with the Employee Trust or any other employee benefit trust which the Company reserves the right to establish for the purposes of operating the New Plans or other equity-based employee incentivisation arrangements operated by the Company.

Following Admission, such employee trusts may acquire Ordinary Shares either by market purchase or by subscription and the trustee shall be entitled to hold or distribute Ordinary Shares in respect of awards or grant awards over them pursuant to the New Plans. It is intended that such employee trusts will be funded by way of loans and other contributions from the Company and may not, at any time, hold more than five per cent. of the issued ordinary share capital of the Company. Any Ordinary Shares issued to such an employee trust following Admission will count for the purposes of the limit set out in the paragraph entitled "Settlement and dilution limits" above.

10.4 ***Long-term Incentive Plan (LTIP)***

The LTIP will be used to provide equity incentives over Ordinary Shares to executive directors and employees of the Group.

The LTIP provides for the following types of award:

- market value or nil-cost options ("**LTIP Options**");
- conditional share awards, being awards delivering free shares granted as conditional awards or nil-cost options ("**LTIP Conditional Share Awards**"); and
- awards of restricted shares which are beneficially owned (or jointly owned) by the participant but held on his behalf by a nominee and are, by agreement with the participant, subject to transfer restrictions and forfeiture provisions ("**LTIP Restricted Shares**").

(together, the "**LTIP Awards**").

(a) *Eligibility*

Employees (including executive directors) of the Group will be eligible, but not entitled, to participate in, and be granted LTIP Awards. Participation will be at the Board's and, in the case of directors, the Committee's discretion.

(b) *Grant*

Eligible employees may be granted LTIP Awards:

(i) on or immediately following Admission;

(ii) during the period of 42 days following an announcement by the Company of its interim or final results for any period; or

(iii) at any time that the Board determines that exceptional circumstances have arisen.

(c) *Individual Limit*

The Remuneration Committee will determine the appropriate aggregate market value of the Ordinary Shares subject to LTIP Awards granted to an eligible employee in the same financial year not exceeding the upper limits stated below. The upper limits will only be awarded in exceptional circumstances.

(i) for the first grant of LTIP Awards following Admission and in exceptional circumstances such as the recruitment or retention of an executive, 300 per cent.; and

(ii) for all other LTIP Awards 150 per cent.,

of base salary.

(d) *Vesting of LTIP Awards*

LTIP Awards shall be capable of vesting (on a proportional basis) on the third anniversary of the date of grant (or following such longer period as the Committee may determine prior to grant) subject to the participant having remained in service with the Group and on a proportional basis depending on the extent to which relevant and challenging performance conditions determined by the Committee have been satisfied.

On vesting:

(i) an LTIP Option will become exercisable for a period ending on the tenth anniversary of grant;

(ii) a participant will become absolutely beneficially entitled to the Ordinary Shares subject to his LTIP Conditional Share Award; and

(iii) LTIP Restricted Shares will cease to be subject to all transfer restriction and forfeiture provisions.

LTIP Options will lapse on the tenth anniversary of grant to the extent unexercised.

(e) *Performance Conditions*

The Committee will determine the performance conditions relating to LTIP Awards granted to directors and senior managers and which may relate to a combination of financial and strategic requirements. The calibration methodology of the performance conditions will be approved by the Committee.

To the extent performance conditions have not been achieved over the relevant performance period:

(i) LTIP Options and LTIP Conditional Share Awards shall lapse;

(ii) any Restricted Shares be compulsorily acquired or forfeited at the lower of current market value at that time and the value paid by the participant to receive the Restricted Shares,

in each case on the date on which the Committee determines that the performance condition has not been met.

For first LTIP Awards made after Admission, performance will be based on an equal split of achieving annual growth in earnings, profit before tax per share ("**PBT per share**") (adjusted for exceptional items) and ROCE, as follows:

	PBT per share, growth from base year to year 3	*Payout (of PBT element)*	*Average ROCE for the 3 year period*	*Payout (of ROCE element)*
Threshold	Cumulative growth of 10% nominal per annum	25%	Average ROCE of 18%	25%
Target	Cumulative growth of 12% nominal per annum	50%	Average ROCE of 19%	50%
Maximum	Cumulative growth of 14% nominal per annum	100%	Average ROCE of 20%	100%

There will be a straight line vesting between these points and the two performance measures will operate independently of each other.

(f) *Cessation of employment*

If an awardholder ceases to be employed by the group by reason of his death, injury, ill-health, disability, redundancy or retirement or as a result of the sale out of the Group of the business or subsidiary by which the awardholder is employed or for any other reason which the Board in its absolute discretion permits, LTIP Awards shall become exercisable or vest (as the case may be) either in the normal course in accordance with the terms of the LTIP or, at the absolute discretion of the Board, as soon as reasonably practicable following such cessation and in each case based on the extent to which the performance conditions have been met or are determined to be likely to be met at the end of the performance period.

The number of shares subject to all relevant LTIP Awards shall be pro-rated down to reflect the reduced service period.

If an awardholder ceases employment for any other reason prior to his LTIP Award vesting or becoming exercisable, any LTIP Options and LTIP Conditional Share Awards will lapse immediately and any LTIP Restricted Shares will be compulsorily acquired or forfeited at the lower of current market value at that time and the value paid by the participant to receive the Restricted Shares on cessation of employment.

(g) *Change of control, reconstruction or winding-up*

In the event of takeover, change of control or winding-up of the Company (other than an internal re-organisation), LTIP Awards shall become exercisable or immediately vest (as the case may be) based on the extent to which the Committee determines that the performance conditions have been met (taking into account, if appropriate, the foreshortened performance period) or would have been likely to be met at the end of the performance period and provided that the number of shares subject to Awards shall be pro-rated to reflect the early vesting, the time pro-rated period being the period from the date of grant and ending on the date of the change of control unless the Committee in its absolute discretion determines that period, ending following the change of control but not exceeding 6 months, is appropriate in the circumstances. Alternatively, Awards may, by agreement with the acquiring company, be exchanged for awards over shares in the acquiring company.

In the event of an internal re-organisation of the Company, LTIP Awards will be automatically exchanged for equivalent awards subject to the terms of the LTIP over an appropriate number of new securities.

10.5 ***Deferred Bonus Plan (DBP)***

The DBP will operate in conjunction with the annual performance bonus operated by the Company and be used to defer bonus into conditional equity in the form of Ordinary Shares.

(a) *Eligibility*

Employees (including executive directors) of the Group who are eligible for a bonus over the minimum threshold determined by the Committee may be required to participate in the DBP.

It is intended that up to 33 per cent. of a participant's annual bonus will be deferred.

(b) *Awards in respect of deferred bonus*

In respect of a deferred bonus the participant will be granted a conditional award over Ordinary Shares delivering free equity or nil-cost options (each a "**Deferred Award**").

Deferred Awards will be granted during the period of 42 days following the announcement of the Company's results for the period to which the Company's bonus arrangements date.

The number of Ordinary Shares subject to a Deferred Award in the form of a conditional award will be determined by reference to the market value of such Ordinary Shares at the time of grant.

(c) *Vesting of Deferred Awards*

Deferred Awards shall vest on the first anniversary of grant subject to the participant having remained in service with the Group and no determination having been made by the Committee prior to that date that a material misstatement of the Company's financial results or misconduct by the awardholder not resulting in termination has occurred or following such longer period as the Committee may determine prior to grant of the Deferred Award.

On vesting:

(i) a nil-cost option will become exercisable; and

(ii) a participant will become absolutely beneficially entitled to the Ordinary Shares subject to his conditional free share award.

Nil-cost options will lapse on the tenth anniversary of grant to the extent unexercised.

(d) *Cessation of employment*

If an awardholder ceases to be employed by the group by reason of his death, injury, ill-health, disability, redundancy, retirement, as a result of the sale out of the Group of the business or subsidiary by which the awardholder is employed or for any other reason which the Board in its absolute discretion permits, Deferred Awards shall become exercisable or vest (as the case may be) either in the normal course in accordance with the terms of the DBP or, at the absolute discretion of the Board, as soon as reasonably practicable following such cessation, the number of Ordinary Shares subject to the Deferred Award being pro-rated down to reflect the reduced service period.

If an awardholder ceases employment for any other reason prior to his Deferred Award vesting or becoming exercisable, his Deferred Award will lapse immediately on cessation of employment.

(e) *Change of control, reconstruction or winding-up*

In the event of takeover, change of control or winding-up of the Company (other than an internal re-organisation), Awards shall become exercisable or immediately vest (as the case may be) in full. Alternatively, Awards may, by agreement with the acquiring company, be exchanged for awards over shares in the acquiring company.

In the event of an internal re-organisation of the Company, Awards will be automatically exchanged for equivalent awards subject to the terms of the DBP over an appropriate number of new securities.

10.6 ***Sharesave Plan***

The Sharesave Plan may be used to provide tax beneficial equity incentives on an "all-employee" basis and will be submitted to HMRC for its approval pursuant to Schedule 3 of the Income Tax (Earnings and Pensions) Act 2003 ("**ITEPA**").

(a) *Eligibility*

Participation in the Sharesave Plan must be offered on similar terms to all UK resident employees and full time executive directors of the Group who have been employed with the Group for such period (not exceeding one year) as may be specified by the Board when making invitations. The Board has discretion to allow participation in the Sharesave Plan by directors and employees who do not satisfy these requirements.

(b) *Issue of invitations*

The Board may, in its absolute discretion, issue invitations to eligible employees to apply for the grant of options. Invitations may be issued during the period of 42 days following:

(i) the approval of the Sharesave Plan by HMRC or any amendment to it;

(ii) the announcement of the Company's interim or final results for any period;

(iii) the announcement of a new prospectus for certified sharesave savings arrangements approved by HMRC; or

(iv) the announcement of amendments to be made to applicable sharesave legislation or the coming into force of such amendments.

Invitations may also be issued following a determination by the Board that exceptional circumstances have arisen which justify the issue of invitations outside the usual invitation periods.

Options may not be granted more than ten years after the adoption of the Sharesave Plan and options may not be granted at any time when dealings in Ordinary Shares are prohibited under the Company's dealing code and/or the Model Code of the UK Listing Authority.

If the Board receives applications for the grant of options over Ordinary Shares which in aggregate exceed the number of Ordinary Shares which has been made available for the purpose of that issue of invitations, the applications will be scaled down accordingly.

No payment is required for the grant of options.

(c) *Savings contract*

It is a condition of participation in the Sharesave Plan that an eligible employee enters into a savings contract under a "certified contractual savings scheme" (as defined in the relevant legislation) maturing after three, five or seven years.

Shares subject to an option granted under the Sharesave Plan may be acquired only out of the proceeds (included any interest or bonus) due under the related savings contract. The number of Ordinary Shares subject to an option is that number which, at the exercise price per Ordinary Share under the option, may be acquired out of the expected proceeds of the related savings contract (including any bonus).

The minimum amount which an employee may save under a savings contract is £5 per month and the maximum amount is £250 per month.

(d) *Exercise price*

An option will entitle the holder to acquire Ordinary Shares at a price determined by the Board, which may not be less than the higher of:

(i) 80 per cent. of the average closing middle market quotation of an Ordinary Share for the three dealing days immediately preceding the day on which invitations to apply for the grant of options are issued; and

(ii) the nominal value of an Ordinary Share.

(e) *Exercise of options*

Options may normally only be exercised during the six-month period following the bonus date (being the third, fifth or seventh anniversary of the commencement of the related savings contract).

(f) *Cessation of employment*

An option will normally lapse if the holder is no longer employed with the Group.

However, an option will be exercisable for a limited period in certain specified circumstances, such as the death, injury, disability, redundancy or retirement of the participant or on the sale of the employing subsidiary or business.

(g) *Change of control, reconstruction or winding-up*

Special provisions allow early exercise of an option in the event of a change in control, reconstruction or winding-up of the Company. Alternatively, options may, by agreement with the acquiring company, be rolled over into equivalent options over shares in the acquiring company.

10.7 ***Share Incentive Plan***

(a) *Introduction*

The Share Incentive Plan ("**SIP**") will be governed by a trust deed and rules, and may be used to deliver Ordinary Shares on an "all-employees" basis and a tax beneficial basis. The SIP will be submitted to HMRC for approval pursuant to Schedule 2 of ITEPA.

(b) *Eligibility*

Participation in the SIP must be offered to all UK-resident employees (including executive directors) of the Group who have completed such minimum period of service, not exceeding 18 months, as the Directors may determine are eligible to join the SIP.

(c) *Basis for participation*

The SIP provides for the acquisition of Ordinary Shares on one or more of four bases. The Directors determine in any year whether the SIP will be operated and, if so, on what basis or bases. Participants have so far only been given the opportunity to acquire Partnership Shares and Dividend Shares.

(d) *Allocations of Ordinary Shares*

Free Shares: Allocations of Free Shares may be made to participating employees on a date set by the Directors following the announcement of the Company's results for its previous accounting period.

The value of Free Shares allocated to employees may be made conditional on performance targets, determined by the Directors, being met.

Each participant in the SIP must contract with the Company or a subsidiary company to allow the Free Shares to be held by the trustee of the SIP ("the **Trustee**") for five years or such shorter period, being no less than three years, as the Directors determine. Free Shares may be removed from the trust after three years but, if removed before the fifth anniversary of allocation, income

tax and national insurance contributions must be paid (the taxable amount being dependent on how long they have been held by the trust prior to removal).

Partnership Shares: Employees may be invited to buy Partnership Shares from time to time. The Directors determine the terms for the acquisition of Partnership Shares on either of the following bases:

(i) Participants in the SIP will agree with the Company to buy Partnership Shares by deductions from salary, which will be deducted each month and/or as a lump sum once per tax year and transferred directly to the Trustee. Within 30 days of the pay deduction the Trustee will acquire Partnership Shares and then hold them on each participant's behalf; or

(ii) Participants will agree with the Company to buy Partnership Shares by deductions from salary, which will be accumulated each month and held in an account until the end of an accumulation period not exceeding 12 months. At the end of the accumulation period the salary saved will be transferred to the Trustee, who will acquire Partnership Shares and then hold them on each participant's behalf.

The participant may ask the Trustee to transfer his/her Partnership Shares to him/her at any time, subject to the payment of income tax and national insurance contributions where they are removed before the fifth anniversary of allocation (the taxable value being dependent on how long they have been held by the trust prior to removal).

Matching Shares: If the Company decides to offer Partnership Shares it may also offer Matching Shares to those participants who elect to buy Partnership Shares. Allocations of Matching Shares will be made on the same day as Partnership Shares are acquired on behalf of participants by the Trustee. Allocations of Matching Shares will be made to all participants on the same basis.

The terms on which Matching Shares will be allocated are the same as the terms for Free Shares, save that if a participant withdraws Partnership Shares he/she will forfeit the related Matching Shares.

(e) *Dividends*

Participants will be entitled to dividends paid on their Free Shares, Partnership Shares and Matching Shares while they are held in trust. The Directors determine whether the Trustee:

(i) transfers the dividends directly to participants; or

(ii) applies the dividends in the acquisition of further shares ("**Dividend Shares**") on behalf of the participants.

Dividend Shares must be held in trust for at least three years.

(f) *Individual limits*

Free Shares: The maximum value of Free Shares which can be given to an employee in any tax year is £3,000.

Partnership Shares: The maximum amount which an employee can have deducted from salary for the purpose of buying Partnership Shares is the lower of 10 per cent. of salary and £1,500 per tax year.

Matching Shares: The Directors will decide the basis on which Matching Shares are allocated up to a maximum of two Matching Shares for every Partnership Share.

Dividend Shares: The maximum value of dividends that can be reinvested for a participant in any tax year is £1,500.

(g) *Termination of employment/forfeiture*

Free and Matching Shares: If a participant ceases to be an employee by reason of death, injury, disability, redundancy, retirement, or by reason of the fact that his/her employing company or the part of the business in which he/she is employed is transferred out of the Group, any Free Shares and/or Matching Shares will be transferred to the participant (or to his/her personal representatives).

If a participant ceases to be an employee within three years of the allocation of Free Shares and/or Matching Shares for any other reason, the Free Shares and Matching Shares will be forfeited.

If a participant ceases to be an employee at least three years after Free and/or Matching Shares are allocated, the Trustee will transfer the shares to the participant, subject to the payment of any income tax and national insurance contributions.

Partnership Shares: If a participant ceases to be an employee at any time and for any reason, Partnership Shares will be transferred to him/her, subject to the payment of any income tax and national insurance contributions.

Dividend Shares: If a participant ceases to be an employee at any time and for any reason, Dividend Shares will be transferred to him/her.

(h) *Pension implications*

Benefits under the SIP will not be pensionable emoluments.

(i) *Reconstructions and take-overs*

In the event of any reconstruction or take-over of the Company, participants may instruct the Trustee to receive any form of consideration in respect of any Ordinary Shares held under the SIP. Any shares which are received as consideration will be held in trust on the same terms as the existing Free Shares, Partnership Shares, Matching Shares or Dividend Shares to which they relate.

10.8 ***Shareholding Requirement***

Executive directors will be required to build up a significant holding of shares in the Company from their own resources over a defined period of time. Full participation in the Company's share plans is conditional upon meeting this requirement.

The holding requirement for executive directors immediately following Admission shall be a holding of up to five times base salary built up over a period of five years. Each director's personal holding requirement will be determined by the Committee and as a minimum shall be:

(a) for the CEO, five times base salary;

(b) for the Finance Director, two times base salary; and

(c) for the other members of the executive committee, one times base salary.

And shares beneficially held under a Deferred Award as part of the Deferred Bonus Plan shall count towards the total holding.

11. PENSIONS

Defined contribution scheme

The Group operates a defined contribution scheme for its new employees. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension charge for the financial year ended 31 October 2012 represents contributions payable by the Group to the schemes and amounted to £1.3 million. There were no outstanding or prepaid contributions at either the beginning or end of that financial year.

Defined benefit scheme

The Group operates a contributory defined benefit pension scheme which is closed to new entrants. The assets of the scheme are held separately from those of the Group, being invested in managed funds.

Changes in the present value of the defined benefit scheme were as follows:

	2012	*2011*
	£m	*£m*
At beginning of year	144.2	131.0
Current service cost	–	–
Gain on curtailment	–	–
Interest cost	7.2	7.3
Employee contributions	–	–
Actuarial losses/(gains)	1.0	9.9
Benefits and expenses paid	(4.5)	(4.0)
At end of year	147.9	144.2

The gain on curtailment arose as a result of the decision to close the scheme to the future accrual in the prior year.

Changes in the fair value of scheme assets were as follows:

	2012	*2011*
	£m	*£m*
At beginning of year	109.7	94.9
Expected return on scheme assets	4.9	5.9
Actuarial loss on scheme assets	(0.6)	(0.2)
Employer contributions	8.6	13.2
Employee contributions	–	–
Benefits and expenses paid	(4.6)	(4.1)
At end of year	118.0	109.7

A history of experience adjustments is as follows:

	2012	*2011*
	£m	*£m*
Present value of defined benefit obligation	147.9	144.2
Fair value of scheme assets	(118.0)	(109.7)
Deficit in the scheme	29.9	34.5
Experience of adjustments on scheme liabilities	(1.0)	(9.9)
Percentage of scheme liabilities	0.7%	6.9%
Experience adjustments on scheme assets	(0.6)	(0.2)
Percentage of scheme assets	0.5%	0.2%

The employer contributions to the defined benefit scheme during 2012 were £8.6 million (2011: £13.2 million).

12. UNDERWRITING ARRANGEMENTS

12.1 On 13 February 2013, the Company, the Corporate Selling Shareholders, the Directors, the Underwriters and the Stabilising Manager entered into the Underwriting Agreement and the Individual Selling Shareholders and the Underwriters entered into the Individual Selling Shareholders' Agreement. Pursuant to the terms of the Underwriting Agreement and the Individual Selling Shareholders' Agreement:

(a) the Company has agreed, subject to certain conditions, to allot and issue, at the Offer Price, the New Ordinary Shares to be issued in connection with the Offer;

(b) the Selling Shareholders have agreed, subject to certain conditions, to sell the Existing Ordinary Shares in the Offer at the Offer Price;

(c) the Underwriters have agreed, subject to certain conditions, to procure subscribers for the New Ordinary Shares to be issued by the Company and purchasers for the Existing Ordinary Shares to be sold by the Selling Shareholders in the Offer, or, failing which, themselves to subscribe for or purchase such Ordinary Shares at the Offer Price (in the agreed proportions);

(d) the Company has agreed that the Underwriters may deduct from the proceeds of the Offer payable to the Company a base fee of 2 per cent. of the amount equal to the Offer Price multiplied by the aggregate number of New Ordinary Shares to be issued by the Company pursuant to the Offer which the Underwriters have agreed to procure subscribers for, or failing which, that the Underwriters have severally agreed, subject to certain conditions, to subscribe for pursuant to the terms of the Underwriting Agreement. Each Selling Shareholder has agreed that the Underwriters may deduct from the proceeds of the Offer payable to such Selling Shareholder a base fee of 2 per cent. of the amount equal to the Offer Price multiplied by the aggregate number of Existing Ordinary Shares to be sold by such Selling Shareholder pursuant to the Offer which the Underwriters have agreed to procure purchasers for, or failing which, that the Underwriters have severally agreed, subject to certain conditions, to purchase pursuant to the terms of the Underwriting Agreement and the Individual Selling Shareholders' Agreement;

Pursuant to the terms of the Underwriting Agreement, the Company and the Corporate Selling Shareholders may, in their sole discretion, pay to the Settlement Manager on behalf of itself and the Underwriters, conditional on Admission, an additional discretionary fee of up to 1 per cent. of the amount equal to the product of the Offer Price multiplied by the number of New Ordinary Shares to be issued or Existing Ordinary Shares to be sold by the Selling Shareholders pursuant to the Offer (including pursuant to the Over-allotment Option), as relevant;

(e) the obligations of the Underwriters to procure subscribers and/or purchasers for or, failing which, themselves to subscribe for or purchase Ordinary Shares (as the case may be) on the terms of the Underwriting Agreement are subject to certain conditions. The obligations of the Underwriters under the Individual Selling Shareholders' Agreement are also subject to similar customary conditions as are set out in the Underwriting Agreement. In addition, the Underwriters have the right to terminate both the Underwriting Agreement and the Individual Selling Shareholders' Agreement, exercisable in certain circumstances, prior to Admission. Termination of the Underwriting Agreement leads to automatic termination of the Individual Selling Shareholders' Agreement (and *vice versa*);

(f) the Stabilising Manager has been granted the Over-allotment Option by the Over-allotment Selling Shareholders pursuant to which it may require the Over-allotment Selling Shareholders to sell in aggregate up to 10,223,568 additional Ordinary Shares (being up to a maximum of 10 per cent. of the total number of Ordinary Shares comprised in the Offer) (the "**Over-allotment Shares**") at the Offer Price for the purposes of covering short positions arising from over-allocations, if any, in connection with the Offer and/or from sales of Ordinary Shares effected by it during the stabilising period. The Stabilising Manager may over-allot Ordinary Shares or effect other stabilisation transactions any time during the period commencing on the date of the commencement of conditional dealings of the Ordinary Shares on the London Stock Exchange and ending no later than 30 calendar days thereafter. Save as required by law or regulation, neither the Stabilising Manager, nor any of its agents, intends to disclose the extent of any over-allotments made and/or stabilising transactions conducted under the Offer;

(g) to the extent permitted by law, the Company has agreed to pay certain of the costs, charges, fees and expenses relating to the Offer (together with any related value added tax);

(h) the Company, the Directors and the Selling Shareholders have each given customary representations, warranties and undertakings to the Underwriters. In addition, the Company has

given a customary indemnity to the Underwriters and each of their affiliates, including holding companies and subsidiaries, and their respective directors, officers, employees and agents. The liabilities of the Company are unlimited as to time (save to the extent the limitations of the Limitation Act of 1980 apply). The liabilities of the Directors are limited as to time and amount. The liabilities of the Selling Shareholders under the Underwriting Agreement and the Individual Selling Shareholders' Agreement are limited as to amount; and

(i) the Underwriters have given certain covenants regarding compliance with laws and regulations affecting the making of the Offer in relevant jurisdictions.

12.2 The lock-up arrangements applicable to the Selling Shareholders and the Directors are subject to certain customary exceptions, including that the lock-up arrangements shall not apply to prohibit (a) Ordinary Shares being issued pursuant to the exercise of options under share option schemes in existence on the date of Admission and as described in paragraph 10 of Part 9: "Additional Information"; (b) a Selling Shareholder or Director from accepting a general offer made to all holders of Ordinary Shares; (c) a Selling Shareholder or Director from taking up Ordinary Shares or other rights and disposing of any rights granted in respect of a rights issue or other pre-emptive share offering by the Company; (d) a Director or an Individual Selling Shareholder from transferring Ordinary Shares to a family member or trust, and a Corporate Selling Shareholder from transferring Ordinary Shares to an affiliate provided in each case that the transferee enters into a deed of adherence in respect thereof; (e) a Director from selling or otherwise disposing of Ordinary Shares to finance a claim for breach of warranty under the Underwriting Agreement (subject to obtaining the prior written consent of the Joint Global Co-ordinators prior to such disposal (such consent not to be unreasonably withheld or delayed; (f) any Corporate Selling Shareholder, Director or Individual Selling Shareholder from transferring or disposing of any Ordinary Shares pursuant to an order from a court of competent jurisdiction or as otherwise required pursuant to applicable law or regulation; (g) a Selling Shareholder, a Director or an Individual Selling Shareholder from selling or otherwise disposing of Ordinary Shares pursuant to any offer by the Company to purchase or redeem its own shares; (h) a Corporate Selling Shareholder from transferring or disposing of Ordinary Shares acquired on or after Admission and where such transfer or disposal forms part of the ordinary course of such Corporate Selling Shareholder's investment banking operations; and (i) a Corporate Selling Shareholder transferring Ordinary Shares to any affiliate of such Corporate Selling Shareholder, provided that the transferee enters into a deed of adherence in respect thereof.

13. STOCK LENDING ARRANGEMENTS

In connection with settlement and stabilisation, the Stabilising Manager, has entered into a stock lending agreement with Värde Investment Partners L.P., Deutsche Bank and Landesbank Berlin AG. Pursuant to this agreement, the Stabilising Manager will be able to borrow up to a maximum of 10 per cent. of the total number of Ordinary Shares comprised in the Offer (excluding the Ordinary Shares subject to the Over-allotment Option) on Admission for the purposes, amongst other things, of allowing the Stabilising Manager to settle, on Admission, over-allotments, if any, made in connection with the Offer. If the Stabilising Manager borrows any Ordinary Shares pursuant to the stock lending agreement, it will be required to return equivalent securities to Värde, Deutsche Bank and Landesbank Berlin AG by no later than 19 March 2013.

14. SUBSIDIARIES

14.1 The Company is the principal operating and holding company of the Group. The significant subsidiaries of the Company are as follows:

Name	*Ownership Interest/Voting Power*	*Field of Activity*	*Country of Incorporation*	*Registered Office*
Castle Bidco Limited	100%	Holding company	England & Wales	Crest House Pyrcroft Road Chertsey Surrey KT16 9GN

Name	Ownership Interest/Voting Power	Field of Activity	Country of Incorporation	Registered Office
Crest Nicholson plc	100%	Holding company	England & Wales	Crest House Pyrcroft Road Chertsey Surrey KT16 9GN
Crest Nicholson Operations Limited	100%	Residential and commercial property development	England & Wales	Crest House Pyrcroft Road Chertsey Surrey KT16 9GN

14.2 Castle Bidco was the original takeover vehicle established by Halifax Bank of Scotland and West Coast Capital to acquire the entire share capital of Crest Nicholson plc. Following the takeover of Crest Nicholson plc in May 2007 and both the subsequent de-listing of its shares from the Official List and the cancellation of its shares from trading on the Main Market of London Stock Exchange, Castle Bidco became one of the principal holding companies of the Group.

As at the date of this document, Castle Bidco is a wholly-owned subsidiary of the Company, its immediate parent company being the Company. The principal role of Castle Bidco within the Group is to act as borrower and guarantor under both Amended Facility Agreement A and Facility Agreement B (these being the Group's external financing arrangements, in the case of Amended Facility Agreement A with certain of its shareholders and in the case of Facility Agreement B with third party lenders). Castle Bidco does not undertake any property development activities on behalf of the Group.

With effect from Admission, save where the Company notifies its lenders that it intends to exercise its rights to use a financial covenant based on interest cover and cash flows (the "**Covenant Switch**"), neither Amended Facility Agreement A nor Facility Agreement B prevents or otherwise restricts (a) Castle Bidco from paying any dividends or making any other distributions to its immediate parent company, being the Company and (b) the Company from paying any dividends or making any other distributions to its shareholders. In the event of a Covenant Switch, Castle Bidco and the Company will be unable to pay dividends or make any other distribution for a period of four consecutive quarter dates commencing from the date on which the Company gives notice to its lenders of the Covenant Switch. Neither Amended Facility Agreement A nor Facility Agreement B prevents or otherwise restricts Castle Bidco from lending or borrowing monies intra-group where the member of that Group has entered into an intercreditor deed with the lenders. Further details of Amended Facility Agreement A and Facility Agreement B are set out in paragraphs 16.4 and 16.5 of Part 9: "Additional Information".

Subject to compliance with the Act in respect of the payment of dividends and the making of any other distributions by a company incorporated under the laws of England and Wales, the Directors are not aware of any legal or economic restrictions applicable to Castle Bidco which would prevent it from paying dividends or making any other distributions to the Company or which would otherwise prevent or restrict Castle Bidco from transferring funds to other members of the Group.

15. PROPERTY, PLANT AND EQUIPMENT

Item	Uses	Ownership status and tenure term (if applicable)	Size sq. ft.	Rent per annum (if applicable)
Willow House, Chester	Office	Leasehold expires 14/09/2020	7,470	129,600
Beech House, Chester	Office	Leasehold, partly sub leased expires 14/09/2020	22,760	393,600

Item	*Uses*	*Ownership status and tenure term (if applicable)*	*Size sq. ft.*	*Rent per annum (if applicable)*
Elder House, Chester	Office	Leasehold, partly sub leased Expires 14/09/2020	7,475	129,600
Units 1 & 2 Pipers Court, Thatcham	Office	Leasehold, fully sub leased expires 24/03/2016	11,402	70,852
London Road, Reigate	Office	Leasehold, fully sub leased expires 08/12/2019	19,283	482,075
Bristol Parklands	Office	Leasehold, fully sub leased expires 24/03/2016	27,507	360,000
Trinity Place, Weybridge	Office	Leasehold, partly sub leased expires 18/02/2016	3,820	104,800
Ringwood Hampshire	Office	Leasehold, fully sub leased expires 03/12/2015	7,248	109,200
Crest House Chertsey	Office	Leasehold expires 11/05/2023	22,500	660,000
Crest House Stoke Gifford	Office	Leasehold expires 01/11/2014	10,656	148,500
Crest House Tamworth	Office	Leasehold expires 28/10/2015	10,357	151,440
Crest House Hemel Hempstead	Office	Leasehold expires 28/09/2014	10,408	204,912
1 Myrtle Road, Brentwood	Office	Leasehold expires 20/03/2016	9,822	188,005
Park Street, Camberley	Office	Freehold, sub leased	7,836	N/A

Each of the properties listed in the table is subject to a floating charge under the facility agreements described at paragraphs 16.4 and 16.5 of this Part 9: "Additional Information". Save for this, there are no major encumbrances in respect of the property listed.

16. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company or another member of the Group (i) within the two years immediately preceding the date of this document, and are or may be material to the Company or Group, or (ii) contain any provision under which the Company or another member of the Group has any obligation or entitlement which is material to the Company or the Group as at the date of this document.

16.1 *Underwriting Agreement*

The Underwriting Agreement is referred to in paragraph 12 of this Part 9: "Additional Information".

16.2 *Individual Selling Shareholders' Agreement*

The Individual Selling Shareholders' Agreement is referred to in paragraph 12 of this Part 9: "Additional Information".

16.3 *Relationship Agreement*

On 12 February 2013, Värde and the Company entered into the Relationship Agreement, conditional on Admission, which will regulate the relationship between Värde and the Company. The principal purpose of the Relationship Agreement is to ensure that the Company and the Group are capable of carrying on business independently of Värde, the Värde Group, its Associates and persons acting in concert with it or its Associates (all as defined in the Relationship Agreement), and that agreements and transactions with the Värde Group, its Associates and persons acting in concert with it or Associates of the Värde Group will be at arm's length and on normal commercial terms. Save for certain clauses, including in relation to confidentiality, which survive following termination, the Relationship Agreement shall remain in effect for so long as the Company has a premium listing and Värde (and/or the Värde Group, any of its Associates or persons acting in concert with it or Associates of the Värde Group) either:

(a) is deemed by the Listing Rules to be a "controlling shareholder" of the Company; or

(b) where the Listing Rules do not provide a meaning for "controlling shareholder";

 (i) controls, directly or indirectly, 30 per cent. or more of the Ordinary Shares or voting power in the issued share capital of the Company; or

 (ii) is able to exercise significant influence over the Group.

Under the Relationship Agreement, Värde and the Company have agreed, among other things, that:

(a) the Company shall have its own dedicated management and at all times operate its business, conduct its affairs and make decisions independently of Värde, the Värde Group, its Associates and persons acting in concert with it or Associates of the Värde Group;

(b) Värde shall, and shall procure members of the Värde Group shall (and use its reasonable endeavours to ensure that its Associates and persons acting in concert with the Värde Group or Associates of the Värde Group shall) assist the Company in complying with all relevant regulatory requirements applicable to the Company (including the Listing Rules, the UK Corporate Governance Code and the Takeover Code);

(c) the composition of the Company's board (including any committee thereof) and all board committees to which significant powers, authorities and directions are delegated shall:

 (i) comply with the recommendations of the UK Corporate Governance Code and any requirements of the Listing Rules relating to controlling shareholders; and

 (ii) subject to the foregoing, at all times, where so required by applicable law and regulation, comprise either:

  (A) a majority of independent directors; or

  (B) an independent chairman and independent directors making up at least half the board;

(d) Värde shall, and shall procure that members of the Värde Group shall (and use its reasonable endeavours to ensure that its Associates and persons acting in concert with the Värde Group or Associates of the Värde Group shall), amongst other things, not:

 (i) knowingly (having made all due and careful enquiries) take (or omit to take) any action which would be in breach of the terms of the Relationship Agreement;

 (ii) influence or seek to influence the day-to-day operational or managerial control of the Group;

 (iii) acquire a material shareholding in one or more of the Company's significant subsidiaries; or

 (iv) requisition any resolution which would adversely affect the independent operational or managerial control of the Group.

The Directors believe that the terms of the Relationship Agreement (as summarised above) will enable the Group to carry on its business independently of Värde and ensure that all agreements and transactions between the Group and Värde, the Värde Group and/or its Associates and/or persons acting in concert with it or Associates of the Värde Group will be at arm's length and on a normal commercial basis.

16.4 *Amended Facility Agreement A*

(a) *Facility Amount*

Term loan facility of £75 million drawn-down in full as at the date of this document.

Castle Bidco Limited is the borrower under Amended Facility Agreement A, which is between the Company, Castle Bidco Limited, various Group companies, Cairn CLO II B.V., Deutsche Bank, KBC Bank N.V., Landesbank Berlin AG, Mercator CLO III Limited, NAC EuroLoan Advantage I Limited, Natixis London Branch, Arvo Investment Holdings S.a r.l., Bank of Scotland plc as security agent and Barclays as security agent.

(b) *Facility Term*

Amended Facility Agreement A is an amendment and restatement of Facility Agreement A relating to the term loan facility B. This amendment and restatement became effective on 7 December 2012. All amounts borrowed under the Amended Facility Agreement A are to be repaid by 6 December 2016.

(c) *Guarantee and indemnity*

The Company, Castle Bidco Limited and Crest Nicholson plc and its subsidiaries guarantee the punctual performance by each other obligor under the agreement of their obligations under the Amended Facility Agreement A and related finance documents and undertake to indemnify the lenders against any cost, loss or liability they incur as a result of an obligor not paying any amount expressed to be payable by it under any finance document.

(d) *Interest Rate*

The term loan will bear interest for each interest period at a rate equal to the aggregate of LIBOR plus a margin of 4.25 per cent. and, where appropriate, mandatory costs to compensate the lenders for compliance with regulatory requirements.

(e) *Fees*

In the event that Admission has not occurred, a fee will be payable on 31 December 2013 and yearly thereafter until the facility termination date equal to 1.00 per cent. of each lender's commitment at that time.

Customary agency fees and security agency fees are also payable.

(f) *Covenants*

The obligors are required to observe certain undertakings including the delivery of audited consolidated financial statements and compliance certificates, notification of continuing defaults, maintenance of consents and authorisations, compliance with laws, insurance, pension schemes, *pari passu* ranking and preservation of assets.

The obligors are also required to comply with certain negative undertakings including restrictions on change of business, acquisitions, joint ventures, granting security (negative pledge), incurring financial indebtedness, giving guarantees, disposals and pre-Admission, declaring dividends.

Amended Facility Agreement A requires compliance with certain financial covenants. These covenants are the interest cover ratio, tangible net worth ("**TNW**") and gearing ratio. For each relevant period the interest cover ratio must be at least 3.00:1.00 with a one off option to switch for four consecutive periods to a cash based interest cover ratio of 1.75:1.00 exercisable for two years from the date the agreement was entered into (referred to herein as the Covenant Switch). The Covenant Switch prevents or otherwise restricts (a) Castle Bidco from paying any dividends or making any other distributions (in cash or in kind) to its immediate parent company, being the Company and (b) the Company from paying any dividends or making any other distributions (in cash or in kind) to its shareholders, in each case for a period of four consecutive quarter dates commencing from the date on which the Company gives notice to its lenders of the Covenant Switch. The gearing ratio (the aggregate of borrowings, any deferred purchase consideration payable in connection with the acquisition of land and land creditors supported by bank guarantees net of cash and cash equivalents) must not exceed 90 per cent. of TNW. On and from Admission, the Company must ensure that TNW is not at the end of any

Relevant Period (as defined) less than the higher of £225 million and an amount equal to 80 per cent. of the sum of the net primary proceeds from the Offer and TNW as at 31 October 2012.

(g) *Mandatory prepayment*

There will be a mandatory prepayment of the facility in case of a change of control of the Company (Admission will not result in a change of control). There will also be a mandatory prepayment of the facility on the occurrence of a flotation (other than Admission), or a sale of all or substantially all of the assets. For purposes of the mandatory prepayment, flotation means a successful application being made for the listing of any part of the share capital of any member of the Group on a recognised stock exchange, or the sale or issue of any part of the share capital of any member of the Group by way of flotation or public offering. There is also a mandatory prepayment of the facility in the amount of the net proceeds of the Offer receivable by the Company and upon any increase in commitments under Facility Agreement B.

The Company may voluntarily prepay the loans subject to 10 days' prior notice and in minimum amounts of £5 million and integral multiples of £1 million.

(h) *Events of Default*

Amended Facility Agreement A also contains certain customary events of default for facilities of this nature, the occurrence of which will allow the lenders to accelerate all outstanding loans and terminate their commitments. The events of default include, among other things, non-payment, breach of a financial covenant, misrepresentation or breach of any other provision of the finance documents, cross-default, insolvency, the commencement of any insolvency or similar proceedings, ownership of the obligors (other than the Company), material litigation, material change to pension liabilities, unlawfulness and material adverse change.

16.5 ***Facility Agreement B***

(a) *Facility Amount*

A revolving credit facility of £50 million available by way of cash advances as well as guarantee ancillary facilities up to a maximum amount of £10 million. The borrower may request the lenders to increase their commitments to a total aggregate amount of not more than £160 million and if the existing lenders do not wish to increase their commitments, third party lenders may be invited to participate.

Castle Bidco Limited is the borrower under Facility Agreement B, which is between the Company, Castle Bidco Limited, various Group companies, Barclays and HSBC.

On 12 February 2013, Lloyds entered into a Deed of Adherence with the parties to Facility Agreement B, pursuant to which it will make available an additional £25 million to the Group, conditional upon Admission, the net proceeds of the Offer receivable by the Company being at least £50 million and other customary matters. The Group intends to draw down such amount in full as soon as practicable following Admission.

(b) *Purpose and Availability*

The facility may be used for general corporate purposes and for the prepayment of loans drawn under Facility Agreement A. The facility is available from the date of signing to the date falling 3 months before the final maturity date (i.e. 4 years from signing).

(c) *Facility Term and Repayments*

Facility Agreement B was entered into on 7 December 2012.

All amounts borrowed under Facility Agreement B are to be repaid by 6 December 2016.

In the event that Admission does not occur, the borrower will make repayments to reduce the facility in amounts of £2.5 million on the dates falling 24 months, 30 months, 36 months and

42 months after the date of signing of Facility Agreement B with the balance payable 48 months after the date of signing.

(d) *Guarantee and indemnity*

The Company, Castle Bidco Limited and Crest Nicholson plc and its subsidiaries guarantee the punctual performance by each other obligor under the agreement of their obligations under Facility Agreement B and related finance documents and undertake to indemnify the lenders against any cost, loss or liability they incur as a result of an obligor not paying any amount expressed to be payable by it under any finance document.

(e) *Interest Rate and Margin*

The term loan will bear interest for each interest period at a rate equal to the aggregate of LIBOR, plus the margin and, where appropriate mandatory costs to compensate the lenders for compliance with regulatory requirements.

The margin will be 4.25 per cent. until the later of the date falling 12 months after signing and the date of Admission. Thereafter, the margin will be determined based on the gearing ratio as follows:

Gearing Ratio	*Margin*
greater than 70%	4.25%
equal to or less than70% but greater than 50%	4.00%
equal to or less than 50% but greater than 30%	3.75%
equal to or less than 30%	3.50%

(f) *Fees*

Until Admission occurs, a fee of 1 per cent. of the aggregate amount of the facility will be payable to each lender on 31 December 2013, 31 December 2014 and 31 December 2015 and an additional fee of 0.25 per cent. of the aggregate amount of the facility will be payable to each lender on 31 December 2013 and 0.50 per cent. of the aggregate amount of the facility will be payable on 31 December 2014 and 2015 if the gearing ratio exceeds 70 per cent.

Customary commitment and arrangement fees are also payable.

(g) *Covenants*

The obligors are required to observe certain undertakings including the delivery of audited consolidated financial statements and compliance certificates, annual budget, notification of continuing defaults or material litigation, maintenance of consents and authorisations, compliance with laws, insurance, pension schemes, *pari passu* ranking and preservation of assets.

The obligors are also required to comply with certain negative undertakings including restrictions on change of business, acquisitions, joint ventures, granting security (negative pledge), incurring financial indebtedness, granting loans and guarantees, disposals, treasury transactions and pre Admission, declaring dividends.

Facility Agreement B requires compliance with certain financial covenants. These covenants are the interest cover ratio, TNW and gearing ratio. For each relevant period the interest cover ratio must be at least 3.00:1.00 with a one off option to switch for four consecutive periods to a cash based interest cover ratio of 1.75:1.00 exercisable for two years from the date the agreement was entered into (referred to herein as the Covenant Switch). The Covenant Switch prevents or otherwise restricts (a) Castle Bidco from paying any dividends or making any other distributions (in cash or in kind) to its immediate parent company, being the Company and (b) the Company from paying any dividends or making any other distributions (in cash or in kind) to its shareholders, in each case for a period of four consecutive quarter dates commencing from the date on which the Company gives notice to its lenders of the Covenant Switch. The gearing ratio (the aggregate of borrowings, any deferred purchase consideration

payable in connection with the acquisition of land and land creditors supported by bank guarantees net of cash and cash equivalents) must not exceed 90 per cent. of TNW. On and from Admission, the Parent must ensure that TNW is not at the end of any Relevant Period (as defined) less than the higher of £225 million and an amount equal to 80 per cent. of the sum of the net primary proceeds from the Offer and TNW as at 31 October 2012.

(h) *Mandatory prepayment*

There will be a mandatory prepayment of the facility in case of a change of control of the Company (Admission will not result in a change of control).

The Company may voluntarily prepay the loans subject to 5 business days prior notice and in agreed minimum amounts and integral multiples.

(i) *Events of Default*

Facility Agreement B also contains certain customary events of default for facilities of this nature, the occurrence of which will allow the lenders to accelerate all outstanding loans and terminate their commitments. The events of default include, among other things, non-payment, breach of a financial covenant, misrepresentation or breach of any other provision of the finance documents, cross-default, insolvency, the commencement of any insolvency or similar proceedings, ownership of the obligors (other than the Company), material litigation, failure to comply with intercreditor arrangements, unlawfulness and material adverse change.

16.6 ***Joint ventures***

(a) *Longcross*

On 10 November 2003, the wholly-owned subsidiaries of the Company, Crest Nicholson Developments (Chertsey) Limited ("**Crest Chertsey**") and Crest Nicholson plc, entered into an agreement (the "**JV Agreement**") with CGNU Life Assurance Limited ("**CGNU**"), now a member of the Aviva Group. The JV Agreement establishes an agreed set of objectives according to which the parties are to develop an area of land on the outskirts of Chertsey formerly known as DERA Chertsey and Longcross Barracks. Crest Nicholson plc is also a party to the JV Agreement as surety to guarantee all of Crest Chertsey's payment obligations under the JV Agreement.

The main rights Crest Chertsey has under the JV Agreement are, among others: (a) its 50 per cent. beneficial interest in the site; (b) its right of having first opportunity to acquire the residential plots within the site at their then current market value; and (c) its entitlement to charge a fee in return for it performing its development obligations.

The main obligations of Crest Chertsey under the JV Agreement include: (a) providing funds to meet half of the development costs for the site; and (b) performing its various development obligations, in particular advising on matters of planning consent, feasibility, cost control and promotion and marketing, oversight of building contractors, consultants and managers, negotiating the extinguishment of any third party rights and co-ordination of management agents.

Save in relation to certain prescribed "matters of principle" and certain other exempt matters (including development procedures), all decisions on matters arising in connection with the JV Agreement are made by a Board of representatives in accordance with the procedures set out in the JV Agreement. The Board is comprised of two representatives of each of Crest Chertsey and CGNU.

Whenever the Board decides to sell a residential plot on the site, Crest Chertsey has a period of 10 working days in which it may give notice to CGNU of its desire to purchase the residential plot, whereupon both parties shall use all reasonable endeavours to agree the sale value of that residential plot (being the market value having regard to the timing of the sale) and the other terms of sale within a period of six weeks. Once terms have been agreed, CGNU

shall transfer title in the residential plot to Crest Chertsey, which shall then hold that residential plot for its own benefit absolutely. If Crest Chertsey decides not to purchase the residential plot (or if the parties fail to agree terms), then CGNU is entitled to seek a third party buyer for the residential plot at a price and on terms no less commercially beneficial to the parties than those which Crest Chertsey was prepared to offer (if such an offer was made). If an acceptable third party buyer is found then the terms of sale are presented by CGNU for approval by the Board.

The JV Agreement is for a period of 20 years from 21 November 2003 unless terminated earlier.

Pursuant to the JV Agreement, a party may terminate the JV Agreement if the other party: (a) is in substantial material default, and such default has not been remedied within a reasonable period after the party receives written notice asking it to remedy such default; or (b) becomes insolvent.

CGNU may terminate the JV Agreement if a valuation shows that one half of the value of the site then remaining in the parties' ownership is less than the aggregate of CGNU's loan to Crest Chertsey (plus the accrued interest). If the parties disagree about a valuation, the value is determined by an independent and suitable surveyor.

A party who terminates the JV Agreement for default has a right to require the defaulting party to sell its shares to the non-defaulting party at fair market value.

The Group is required to provide one half of the purchase price and one half of development costs for the site. CGNU has agreed to advance one half of these amounts as a loan to the Group, in addition to CGNU's own contribution.

Interest will accrue at the higher of 6.75 per cent. or 2.25 per cent. above the base rate for the first five years and thereafter 2.5 per cent. above such base rate.

Repayments will be made in the event of termination of the agreement as a contract debt on demand or out of the Group's entitlement to receipts under the agreement and may be repaid at the Group's discretion in whole or part at any time.

The Group has charged its share in the site to CGNU by way of security for the payment of the loan and interest.

(b) *Land at Epsom*

On 28 March 2007, a wholly-owned subsidiary of the Company, Crest Nicholson (Epsom) Limited ("**Crest Epsom**"), entered into a limited liability partnership agreement with Try Homes Limited (now Linden Limited) ("**Linden**") in relation to the development of infrastructure on a number of sites in Epsom (known as West Park Hospital, St Ebba's Hospital, Horton Retail and Horton Farm) by Crest/Galliford Try (Epsom) LLP ("**Epsom LLP**"). The Epsom LLP is run by its Executive Committee, which consists of three representatives from each of Crest Epsom and Linden. The Executive Committee must make all decisions by majority vote, although such majority must include the votes of at least one individual appointed by Crest Epsom and one appointed by Linden.

The profits and losses generated and the costs incurred by the Epsom LLP are apportioned between the members in accordance with which member's portion of the development (as identified in the business plan) those profits or costs relate to. The Group currently has a 50 per cent. interest in the Epsom LLP.

Crest Epsom and Linden may each resign as a member of the Epsom LLP by serving written notice on the other. The limited liability partnership agreement can be terminated by either member in circumstances where, *inter alia*, (a) the Epsom LLP only has one remaining member; (b) all the members agree to terminate the limited liability partnership agreement; or

(c) there has been an order or the passing of an effective resolution for the winding-up of the Epsom LLP.

The Epsom LLP has a separate loan facility with Bank of Scotland plc which is repaid as units on the site are sold. It is expected that the loan will be fully extinguished in the early part of 2013.

(c) *Land at Sidmouth Street, London WC1*

On 11 September 2012, a wholly-owned subsidiary of Crest Nicholson plc, Crest Nicholson Operations Limited ("**Crest Operations**"), completed the purchase of 50 per cent. of the share capital of English Land Banking Company Limited ("**ELBC**"). The shares in the company were purchased in relation to the securing and development of the site known as Sidmouth Street. The other 50 per cent. of the share capital is owned by The Passion Property Group Limited ("**Passion**").

Under a management agreement also dated 11 September 2012, ELBC appointed Crest Operations to project manage the development of the site in return for a development fee equal to 5 per cent. of the development costs.

ELBC is run by its board of directors, which consists of two representatives from each of Crest Operations and Passion. The board of directors of ELBC must make all decisions by majority vote. In the event of a majority not being reached, the chair (being a Crest Operations representative) has the casting vote.

Crest Operations has made and will make loans to ELBC in connection with land acquisition and construction costs. Such sums are secured by a first ranking mortgage over the site and fixed and floating charges over the assets and undertaking of ELBC in favour of Crest Operations. The profits and losses generated by ELBC will be distributed between Crest Operations and Passion on an agreed basis once certain performance hurdles are achieved, subject to the repayment of the loans from Crest Operations and certain other liabilities (including section 106 obligations).

(d) *Land at Greenwich Peninsula*

On 22 January 2008, a wholly owned subsidiary of the Company, Crest Nicholson Greenwich Limited ("**Crest Greenwich**") entered into a shareholders' agreement (the "**SHA**") with Greenwich Peninsula Regeneration Limited ("**GPRL**") to establish a 50/50 joint venture company, Greenwich Peninsula N0206 Limited ("**GPN0206**"), for the purpose of acquiring, redeveloping and ultimately selling a site in Greenwich, London. Crest Nicholson Regeneration Limited ("**Crest Regeneration**") is also a party to the SHA as guarantor for the performance of Crest Greenwich's obligations under the SHA. GPRL is a subsidiary of Quintain Estates & Development plc.

Under the terms of a development and project management services agreement entered into on the same date (the "**Management Agreement**"), GPN0206 appointed Crest Regeneration to manage the development of the site and procure the letting and sale of residential units on the site. In consideration of Crest Regeneration providing these services, GPN0206 has agreed to pay to Crest Regeneration a development and project management fee commencing on the issue of written planning consent for the site. Outline planning permission for up to 10,010 units (including a mixture of dwellings, retail, hotel, residential institutions and student accommodation) was granted in relation to the site on 23 February 2004. Reserved matters for 305 residential units, 636 square metres of retail and associated works, infrastructure and landscaping were approved on 7 April 2008.

GPN0206 is run by its board of directors, which consists of two representatives from each of Crest Greenwich and GPRL. The rights of Crest Greenwich under the SHA include a right to 50 per cent. of all distributions by GP0206 following the completion of the development, subject to the terms of any third party debt finance and after payment of tax and certain other

liabilities. The obligations of Crest Greenwich include providing or procuring additional financing for GPN0206 where third party debt finance is not available, in the form of subordinated shareholder loans for sums not exceeding those set out in an agreed business plan.

Under the SHA, an event of default occurs if: (a) either shareholder becomes insolvent; (b) either shareholder commits a material breach of an obligation under the SHA which has not been remedied to the reasonable satisfaction of the non-defaulting shareholder within a reasonable period; (c) Crest Regeneration commits a material or persistent breach of its obligations under the Management Agreement; or (d) Crest Greenwich ceases to be an affiliate of Crest Regeneration. An event of default will entitle the non-defaulting shareholder to purchase the shares of the defaulting shareholder for a sum equal to 90 per cent. of the total amounts the defaulting shareholder would receive if the site were sold for its open market value at the date it is notified of the event of default. Moreover, if the event of default arises as a result of a material breach of the SHA by GPRL, Crest Regeneration is entitled to exercise a put option to transfer its shares and shareholder loans to GPRL.

16.7 ***Related party contracts***

Save as described in Note 23 to the Group's historical financial information in Section B of Part 6: "Financial Information" of this Prospectus, for the three financial years ended 31 October 2010, 2011 and 2012, there were no other related party transactions entered into by the Company or any member of the Group. Neither the Company nor any member of its Group has entered into any related party transactions between the end of the period covered by the historical financial information and the date of this document.

17. UK TAXATION

The following statements are intended only as a general guide to certain UK tax considerations and do not purport to be a complete analysis of all potential UK tax consequences of holding Ordinary Shares. They are based on current UK legislation and what is understood to be the current practice of HMRC as at the date of this document, both of which may change, possibly with retroactive effect.

These statements apply only to Ordinary Shareholders who are resident (and, in the case of individuals, ordinarily resident and domiciled) for tax purposes in (and only in) the UK (except insofar as express reference is made to the treatment of non-UK residents), who hold their Ordinary Shares as an investment (other than under an individual savings account) and who are the absolute beneficial owner of both the Ordinary Shares and any dividends paid on them. The tax position of certain categories of Ordinary Shareholders who are subject to special rules (such as persons acquiring their Ordinary Shares in connection with employment, dealers in securities, insurance companies and collective investment schemes or those who hold 10 per cent. or more of the Ordinary Shares) is not considered.

The statements in paragraph 17.3(d) apply to any holders of Ordinary Shares irrespective of their residence and summarise the current position and are intended as a general guide only. Prospective investors who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the United Kingdom are strongly recommended to consult their own professional advisers.

17.1 ***Taxation of Dividends***

The Company is not required to withhold tax when paying a dividend. The amount of any liability to tax on dividends paid by the Company will depend upon the individual circumstances of an Ordinary Shareholder.

An individual Ordinary Shareholder who is resident for tax purposes in the UK and who receives a dividend from the Company will generally be entitled to a tax credit equal to one-ninth of the amount of the dividend received, which is equivalent to 10 per cent. of the aggregate of the dividend received and the tax credit (the "**gross dividend**"), and will be subject to income tax on the gross dividend. An individual UK resident Ordinary Shareholder who is subject to income tax on the gross dividend at

the basic rate only will be liable to tax on the gross dividend at the rate of 10 per cent., so that the tax credit will satisfy the income tax liability of such an Ordinary Shareholder in full. An Ordinary Shareholder who is subject to income tax on the gross dividend at the higher rate or the additional rate will be liable to income tax on the gross dividend at the rate of 32.5 per cent. or 42.5 per cent. respectively to the extent that such sum, when treated as the top slice of that Ordinary Shareholder's income, falls above the threshold for higher rate or additional rate income tax. After taking into account the 10 per cent. tax credit, a higher rate taxpayer will therefore be liable to additional income tax of 22.5 per cent. of the gross dividend, equal to 25 per cent. of the cash dividend and an additional rate taxpayer will therefore be liable to additional income tax of 32.5 per cent. of the gross dividend, equal to approximately 36.1 per cent. of the cash dividend. Where the tax credit exceeds the Ordinary Shareholder's tax liability the Ordinary Shareholder cannot claim repayment of the tax credit from HMRC.

Ordinary Shareholders who are subject to UK corporation tax on dividends paid by the Company should note that legislation has been enacted that has made significant changes to the corporation tax treatment of dividends. This legislation removed the previous blanket exemption from corporation tax that generally applied to dividends paid by one UK resident company to another and replaced it with more limited classes of exemption. Although it is likely that most dividends paid on the Ordinary Shares to corporate Ordinary Shareholders would fall within one or more of the classes of dividend qualifying for exemption from corporation tax, the exemptions are not comprehensive and are also subject to anti-avoidance rules. Ordinary Shareholders within the charge to corporation tax should consult their own professional advisers.

UK resident Ordinary Shareholders who are not liable to UK tax on dividends, including pension funds and charities, are not entitled to claim repayment of the tax credit.

Ordinary Shareholders who are resident outside the UK for tax purposes will not generally be able to claim repayment of any part of the tax credit attaching to dividends received from the Company, although this will depend on the existence and terms of any double taxation convention between the UK and the country in which such Ordinary Shareholder is resident. An Ordinary Shareholder resident outside the UK may also be subject to taxation on dividend income under local law. An Ordinary Shareholder who is resident outside the UK for tax purposes should consult his own tax adviser concerning his tax position on dividends received from the Company.

17.2 ***Taxation of Disposals***

A disposal or deemed disposal of Ordinary Shares by an Ordinary Shareholder who is (at any time in the relevant UK tax year) resident or, in the case of an individual, ordinarily resident in the UK for tax purposes may, depending upon the Ordinary Shareholder's circumstances and subject to any available exemption or relief (such as the annual exempt amount for individuals and indexation for corporate shareholders), give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of capital gains.

Ordinary Shareholders who are not resident or ordinarily resident in the UK will not generally be subject to UK taxation of capital gains on the disposal or deemed disposal of Ordinary Shares unless they are carrying on a trade, profession or vocation in the UK through a branch or agency (or, in the case of a corporate Ordinary Shareholder, a permanent establishment) in connection with which the Ordinary Shares are used, held or acquired.

An individual Ordinary Shareholder who has ceased to be resident or ordinarily resident for tax purposes in the UK for a period of less than five tax years and who disposes of all or part of his Ordinary Shares during that period may be liable to capital gains tax on his return to the UK, subject to any available exemptions or reliefs.

17.3 ***Stamp duty and Stamp Duty Reserve Tax ("SDRT")***

(a) *The Offer*

The stamp duty and SDRT treatment of the subscription or purchase of Ordinary Shares under the Offer will be as follows:

(i) Subject to paragraph 17.3(d) below, the issue of Ordinary Shares direct to persons acquiring Ordinary Shares pursuant to the Offer will not generally give rise to stamp duty or SDRT.

(ii) The transfer of, or agreement to transfer, Ordinary Shares sold by the Selling Shareholders under the Offer will generally give rise to a liability to stamp duty and/or SDRT at a rate of 0.5 per cent. of the Offer Price (in the case of stamp duty, rounded up to the nearest multiple of £5). The Selling Shareholders have agreed to meet such liability. An exemption from stamp duty is available on an instrument transferring Ordinary Shares where the amount or value of the consideration is £1,000 or less, and it is certificated on the instrument that the transaction effected by the instrument does not form part of a larger transaction or series of transactions in respect of which the aggregate amount or value of the consideration exceeds £1,000.

(b) *Subsequent Transfers*

Stamp duty at the rate of 0.5 per cent. (rounded up to the next multiple of £5) of the amount or value of the consideration given is generally payable on an instrument transferring Ordinary Shares. As noted above, an exemption from stamp duty is available on an instrument transferring Ordinary Shares where the amount or value of the consideration is £1,000 or less, and it is certificated on the instrument that the transaction effected by the instrument does not form part of a larger transaction or series of transactions in respect of which the aggregate amount or value of the consideration exceeds £1,000. Alternatively, a charge to SDRT will arise on an unconditional agreement to transfer Ordinary Shares (at the rate of 0.5 per cent. of the amount or value of the consideration payable). However, if within six years of the date of the agreement becoming unconditional an instrument of transfer is executed pursuant to the agreement, and stamp duty is paid on that instrument, any SDRT already paid will be refunded (generally, but not necessarily, with interest) provided that a claim for repayment is made, and any outstanding liability to SDRT will be cancelled. The liability to pay stamp duty or SDRT is generally satisfied by the purchaser or transferee.

(c) *Ordinary Shares held through CREST*

Paperless transfers of Ordinary Shares within CREST are generally liable to SDRT, rather than stamp duty, at the rate of 0.5 per cent. of the amount or value of the consideration. CREST is obliged to collect SDRT on relevant transactions settled within the system. The charge is generally borne by the purchaser. Under the CREST system, no stamp duty or SDRT will arise on a transfer of Ordinary Shares into the system unless such a transfer is made for a consideration in money or money's worth, in which case a liability to SDRT (usually at a rate of 0.5 per cent.) will arise.

(d) *Ordinary Shares held through Clearance Systems or Depositary Receipt Arrangements*

Under current UK law, where Ordinary Shares are issued or transferred (a) to, or to a nominee for, a person whose business is or includes the provision of clearance services or (b) to, or to a nominee or agent for, a person whose business is or includes issuing depositary receipts, stamp duty or SDRT will be payable at the higher rate of 1.5 per cent. of the amount or value of the consideration payable or, in certain circumstances, the value of the Ordinary Shares (rounded up to the next multiple of £5 in the case of stamp duty). This liability for stamp duty or SDRT will strictly be accountable by the depositary or clearance service operator or their nominee, as the case may be, but will, in practice, generally be reimbursed by participants in the clearance service or depositary receipt system. Clearance services may opt, provided certain conditions

are satisfied, for the normal rate of stamp duty or SDRT (0.5 per cent. of the amount or value of consideration given) to apply to issues or transfers of Ordinary Shares into, and to transactions within, such services instead of the higher rate of 1.5 per cent. generally applying to an issue or transfer of Ordinary Shares into the clearance service and instead of the exemption from SDRT on transfers of Ordinary Shares whilst in the service.

Following the First-tier Tribunal decision in HSBC Holdings PLC and The Bank of New York Mellon Corporation v HM Revenue and Customs [2012] UKFTT 163 (TC) (and the European Court of Justice decision in HSBC Holdings PLC and Vidacos Nominees Ltd v HM Revenue and Customs (Case C-569/07), on 27 April 2012 HMRC issued a note stating that it will no longer seek to impose the 1.5 per cent. SDRT charge on issues of UK shares and securities to depositary receipt issuers and clearance services anywhere in the world. HM Revenue and Customs consider though that the 1.5 per cent. SDRT charge will still apply to transfers of shares and securities to depositary receipt issuers or clearance services that are not an integral part of an issue of share capital. **Accordingly specific professional advice should be sought before paying the 1.5 per cent. SDRT charge.**

The statements in this paragraph 17.3(d) apply to any holders of Ordinary Shares irrespective of their residence, summarise the current position and are intended as a general guide only. Special rules apply to agreements made by, amongst others, intermediaries.

17.4 ***Inheritance Tax***

The Ordinary Shares will be assets situated in the UK for the purposes of UK inheritance tax. A gift or settlement of such assets by, or on the death of, an individual holder of such assets may (subject to certain exemptions and reliefs) give rise to a liability to UK inheritance tax even if the holder is neither domiciled in the UK nor deemed to be domiciled there under certain rules relating to long residence or previous domicile. For inheritance tax purposes, a transfer of assets at less than full market value may be treated as a gift and particular rules apply to gifts where the donor reserves or retains some benefit.

A charge to inheritance tax may arise in certain circumstances where Ordinary Shares are held by close companies and by trustees of settlements. Ordinary Shareholders who are either close companies or trustees of settlements should consult an appropriate tax adviser as to any inheritance tax implications.

18. US FEDERAL INCOME TAXATION

The following discussion is a general summary based on present law of certain material US federal income tax consequences of the acquisition, ownership and disposition of Ordinary Shares. The discussion is not a complete description of all tax considerations that may be relevant. It applies only to US Holders (as defined below) that acquire Ordinary Shares in the Offer, hold Ordinary Shares as capital assets and use the US dollar as their functional currency. The discussion is a general summary; it is not a substitute for tax advice. It does not address the tax treatment of investors subject to special rules, such as banks or other financial institutions, tax-exempt entities, retirement plans, insurance companies, dealers, traders in securities that elect to mark-to-market, regulated investment companies, investors liable for alternative minimum tax, US expatriates, investors that directly, indirectly or constructively own 10 per cent. or more of the Company's voting stock, investors that are resident or ordinarily resident or have a permanent establishment outside the US, investors that hold Ordinary Shares as part of a straddle, hedging, conversion or other integrated transaction or investors that enter into "constructive sales" involving Ordinary Shares or substantially identical property. It also does not address any non-US tax matters, US state and local tax considerations or any federal estate or gift tax consequences.

This summary is based on the provisions of the Internal Revenue Code of 1986, as amended (the "**Code**"), final, temporary and proposed US Treasury regulations promulgated under the Code, and administrative and judicial interpretations of the Code and the US Treasury regulations, all as in effect as of the date of this summary, and all of which are subject to change, possibly with retroactive effect.

THE STATEMENTS ABOUT US FEDERAL TAX CONSIDERATIONS ARE MADE TO SUPPORT THE MARKETING OF THE ORDINARY SHARES. NO TAXPAYER CAN RELY ON THEM TO AVOID TAX PENALTIES. EACH PROSPECTIVE PURCHASER SHOULD SEEK ADVICE FROM AN INDEPENDENT TAX ADVISOR ABOUT THE TAX CONSEQUENCES UNDER ITS OWN PARTICULAR CIRCUMSTANCES OF INVESTING IN THE ORDINARY SHARES UNDER THE LAWS OF THE UNITED KINGDOM, THE UNITED STATES AND ITS CONSTITUENT JURISDICTIONS AND ANY OTHER JURISDICTIONS WHERE THE PURCHASER MAY BE SUBJECT TO TAXATION.

As used here, a "**US Holder**" means a beneficial owner of the Company's Ordinary Shares that is for US federal income tax purposes (i) a citizen or individual resident of the United States, (ii) a corporation or other business entity treated as a corporation created or organised under the laws of the United States or its political subdivisions, (iii) a trust, if either: a US court is able to exercise primary supervision over the administration of the trust and one or more US persons have the authority to control all the substantial decisions of the trust, or the trust has a valid election in effect under applicable US Treasury regulations to be treated as a US person, and (iv) an estate the income of which is subject to US federal income tax without regard to its source.

The US federal income tax treatment of a partner in a partnership that holds Ordinary Shares will depend on the status of the partner and the activities of the partnership. Partnerships should consult their tax advisors concerning the US federal income tax consequences to their partners of the acquisition, ownership and disposition of Ordinary Shares.

The Company does not intend to seek any rulings from the US Internal Revenue Service regarding the conclusions reached below. No assurance can be given that the treatment described herein of the acquisition, ownership and disposition the Ordinary Shares will be accepted by the US Internal Revenue Service or, if challenged, by a court.

18.1 ***Dividends***

Subject to the discussion under paragraph 18.4 below ("**Passive Foreign Investment Company Rules**"), distributions on Ordinary Shares will generally be taxed to US Holders as dividend income. The dividends will not be eligible for the dividends-received deduction available to US corporations. Dividend income generally will constitute non-US-source "passive category income" or, in the case of certain US Holders, as "general category income" for US foreign tax credit purposes.

For tax years beginning prior to 2013, dividends received by eligible non-corporate US Holders could be taxed at the preferential rate applicable to "qualified dividend income." Under these rules, a dividend on Ordinary Shares would have been qualified dividend income if (i) the Company qualifies for the benefits of the income tax treaty between the United States and the United Kingdom, which the Directors believe it does, (ii) the Company is not a PFIC (defined below) in the year of distribution or the preceding year and (iii) the investor has held the Ordinary Shares for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date.

Absent legislative action to extend the pre-2013 treatment for qualified dividend income, dividends paid on Ordinary Shares for tax years beginning after December 31, 2012 will be subject to federal income tax as ordinary income, at rates up to 39.6 per cent. In addition, as described in paragraph 18.3 below, beginning after 31 December 2012, dividend income for certain US Holders will be subject to an additional 3.8 per cent. Medicare tax. Accordingly, after 2012 dividend income may be subject to aggregate federal tax rates up to 43.4 per cent.

Dividends paid in foreign currency will be included in income in a US dollar amount based on the exchange rate in effect on the date of receipt of the dividend, whether or not the currency is converted into US dollars at that time. A US Holder's tax basis in the foreign currency will equal the US dollar amount included in income. Any gain or loss on a subsequent conversion or other disposition of the foreign currency for a different US dollar amount will be US source ordinary income or loss. If dividends received in foreign currency are converted into US dollars on the day they are received, the

US Holder generally will not be required to recognise foreign currency gain or loss in respect of the dividend income.

18.2 ***Dispositions***

Subject to the discussion under paragraph 18.4 below ("Passive Foreign Investment Company Rules"), a US Holder generally will recognise capital gain or loss on the sale or other disposition of Ordinary Shares equal to the difference between the US dollar value of the amount realised and the US Holder's tax basis in the Ordinary Shares. Any gain or loss generally will be treated as arising from US sources. The gain or loss will be long-term capital gain or loss if the US Holder's holding period exceeds one year. Deductions for capital loss are subject to significant limitations.

A US Holder that receives foreign currency on the sale or other disposition of the Ordinary Shares will realise an amount equal to the US dollar value of the foreign currency on the date of sale or other disposition (or in the case of Ordinary Shares traded on an "established securities market" that are sold by a cash basis or electing accrual basis taxpayer, the settlement date). A US Holder will recognise currency gain or loss if the US dollar value of the currency received at the spot rate on the settlement date differs from the amount realised. A US Holder will have a tax basis in the foreign currency received equal to its value at the spot rate on the settlement date. Any currency gain or loss realised on the settlement date or on a subsequent conversion of the foreign currency into US dollars will be US source ordinary income or loss.

18.3 ***Medicare Tax***

For taxable years beginning after 31 December 2012, US Holders that are individuals, estates or trusts and whose income exceeds certain thresholds generally will be subject to an additional 3.8 per cent. Medicare contribution tax on unearned income, including, among other things, dividends on, and capital gains from the sale or other taxable disposition of, Ordinary Shares, subject to certain limitations and exceptions.

18.4 ***Passive Foreign Investment Company Rules***

A special and adverse set of US federal income tax rules apply to a US Holder that holds stock in a passive foreign investment company ("**PFIC**"). In general, the Company will be a PFIC if 75 per cent. or more of its gross income in a taxable year is passive income. Alternatively, the Company will be considered to be a PFIC if at least 50 per cent. of the quarterly average value of its assets in a taxable year are held for the production of, or produce, passive income.

The Directors believe that it was not a PFIC in the last taxable year, and does not expect to become a PFIC in 2013 or in the foreseeable future. However, the tests for determining PFIC status are applied as of the end of each taxable year based on such year's income and the quarterly average value of the Company's assets for such year, and are dependent upon a number of factors, some of which are beyond the Company's control, including the composition and value of the Company's assets, the market price of Ordinary Shares, and the amount and type of the Company's gross income. In addition, the determination of whether the Company was, or will be, a PFIC for a taxable year depends, in part, on the application of complex U.S. federal income tax rules, which are subject to uncertainty in several respects. The Company therefore cannot assure U.S. Holders that it is not and will not become a PFIC, nor that the US Internal Revenue Service will agree with the Company's conclusion regarding its PFIC status.

If the Company is a PFIC for US federal income tax purposes for any year during a US Holder's holding period of Ordinary Shares and the US Holder does not make a "mark-to-market" election or a QEF election, both as described below:

- any gain recognised by a US Holder upon the sale of Ordinary Shares, or the receipt of some types of distributions, would be treated as ordinary income;

- this income generally would be allocated ratably over a US Holder's holding period with respect to the Ordinary Shares; and
- the amount allocated to prior years will be subject to tax at the highest tax rate in effect for those years and an interest charge would be imposed on the amount of deferred tax on the income allocated to the prior taxable years.

The Company generally will be treated as a PFIC as to any US Holder if the Company is a PFIC for any year during such investor's holding period. However, if the Company ceases to satisfy the requirements for PFIC classification, a US Holder may avoid PFIC classification for subsequent years if such investor elects to recognise gain based on the unrealised appreciation in the Ordinary Shares through the close of the tax year in which the Company ceases to be a PFIC.

In addition, in any year in which the Company is classified as a PFIC, a US Holder would be required to file an annual report with the IRS containing such information as Treasury Regulations and/or other IRS guidance may require. U.S. Holders should consult their own tax advisors regarding the requirements of filing such information returns under these rules, including the requirement to file an IRS Form 8621.

A US Holder generally may be able to avoid the imposition of the special tax and interest charge described above by electing to mark its Ordinary Shares to market annually. A mark-to-market election is available only if the Ordinary Shares are considered "marketable stock." Generally, Ordinary Shares will be considered marketable stock if it is "regularly traded" on a "qualified exchange" within the meaning of applicable US Treasury regulations. In general, a class of stock is regularly traded during any calendar year during which such class of stock is traded, other than in de minimis quantities, on at least 15 days during each calendar quarter (except in the case of the quarter in which the Offer takes place, the requirement is for the Ordinary Shares to trade for one-sixth of the days remaining in such quarter). A non-US securities exchange constitutes a qualified exchange if it is regulated or supervised by a governmental authority of the country in which the securities exchange is located and meets certain trading, listing, financial disclosure and other requirements set forth in US Treasury regulations. The Directors believe that the London Stock Exchange should be treated as a qualified exchange for this purpose.

Under the mark-to-market election, a US Holder would recognise for each taxable year, subject to certain limitations, ordinary income or loss equal to the difference, as of the close of taxable year, between the fair market value and the adjusted tax basis of its Ordinary Shares. Losses would be allowed only to the extent of the net mark-to-market gain previously included by the US Holder under the election in prior taxable years.

Because a mark-to-market election cannot be made for equity interests in any lower-tier PFICs owned by the Company, a U.S. Holder may continue to be subject to the PFIC rules described above with respect to its indirect interest in any investments held by the Company that are treated as an equity interest in a PFIC for U.S. federal income tax purposes. US Holders should consult their tax advisors as to the availability and desirability of a mark-to-market election, as well as the impact of such election on interests in any lower-tier PFICs.

In certain circumstances an investor in stock in a PFIC may avoid taxation under the rules described above by making a "qualified electing fund," or "QEF," election to include in income its share of a PFIC's annual income on a current basis. However, a QEF election is only available if the PFIC annually provides its stockholders with certain tax information, and the Company currently does not intend to prepare or provide such information. Accordingly, a US Holder should assume that a QEF election is unavailable.

Rules relating to a PFIC are very complex. **US Holders are encouraged to consult their own tax advisors regarding the application of the PFIC rules to their investments in Ordinary Shares.**

18.5 ***Reporting and Backup Withholding***

Dividends on Ordinary Shares and proceeds from the sale or other disposition of Ordinary Shares may be reported to the US Internal Revenue Service unless the investor establishes a basis for exemption. Backup withholding tax may apply to amounts subject to reporting. Backup withholding and information reporting will not apply to a US Holder that is a corporation or comes within an exempt category, and demonstrates the fact if so required, or furnishes a correct taxpayer identification number and makes any other required certification and has not been notified by the US Internal Revenue Service that it is subject to backup withholding.

Backup withholding is not an additional tax. Any amount withheld may be credited against the investor's US federal income tax liability, subject to certain rules and limitations.

Certain US Holders may be required to report to the US Internal Revenue Service information about their investment in Ordinary Shares not held through an account with a US financial institution. US Holders who fail to report required information could become subject to substantial penalties. **Potential investors are encouraged to consult with their own tax advisors regarding these and any other reporting obligations arising from their investment in Ordinary Shares.**

THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE OF IMPORTANCE TO A PARTICULAR INVESTOR. EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES TO IT OF AN INVESTMENT IN SHARES IN LIGHT OF THE INVESTOR'S OWN CIRCUMSTANCES.

19. ENFORCEMENT AND CIVIL LIABILITIES UNDER US FEDERAL SECURITIES LAWS

The Company is a public limited company incorporated under English law. The majority of the Directors are citizens of the United Kingdom (or other non-US jurisdictions), and all of the Company's assets are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Directors or to enforce against them in the US courts judgements obtained in US courts predicated upon the civil liability provisions of the US federal securities laws. There is doubt as to the enforceability in England, in original actions or in actions for enforcement of judgements of the US courts, of civil liabilities predicated upon US federal securities laws.

20. LITIGATION

20.1 Save as set out in paragraphs 20.2, 20.3 and 20.4 below, there have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during at least the 12 months preceding the date of this document, which may have, or have had in the recent past significant effects on the Company and/or the Group's financial position or profitability.

20.2 ***Contaminated land at St Leonard's Court, Sandridge***

In 1983, Crest Nicholson Residential Limited ("**CNRL**"), an indirect subsidiary of the Company acquired a derelict site known as St Leonard's Court at Sandridge, Hertfordshire (the "**Sandridge Site**") for the purpose of residential development. CNRL acquired the majority of the Site from Redland Minerals Limited ("**Redland**") who had operated it as a chemical works for approximately 25 years (a small parcel of land was also acquired from a third party). CNRL developed the Sandridge Site between 1983 and 1987 in accordance with relevant planning conditions and good practice at that time. In 1987 the Site was sold to a housing trust. Two local water companies first detected elevated levels of bromate (a carcinogen) in some of their nearby drinking water abstraction wells between 1998 and 2001. At the date of purchase of the Sandridge Site, CNRL was aware of some historic bromide contamination beneath the Sandridge Site but was not aware of any bromate contamination at the Sandridge Site.

In April 2000, Part 2A of the Environmental Protection Act 1990 ("**Part 2A**") came into force, introducing the concept of retrospective strict liability for historic land contamination. On 12 June 2002, the Environment Agency ("**EA**") designated the Sandridge Site as contaminated land

under Part 2A and identified CNRL and Redland as persons responsible for remediation of the pollution (two other parties, a mortgage lender and a charity were identified but were subsequently excluded from the proceedings). On 11 November 2005, the EA served a remediation notice (the "**Notice**") apportioning liability between CNRL and Redland for both bromate and bromide pollution emanating from the Sandridge Site. Following separate appeals by both CNRL and Redland, the Secretary of State for Environment, Food and Rural Affairs in July 2009 dismissed the appeals and found CNRL liable for 15 per cent. of the costs associated with the assessment and remediation of the bromate pollution and 55 per cent. of the costs of the assessment and remediation of the bromide pollution. Redland was found liable for the remainder of each pollutant linkage.

CNRL is now working with Redland and the EA to carry out the required assessments. This involves testing and modelling the water quality, assessing the extent of the issue and identifying any possible remediation steps required. CNRL's share of the anticipated costs of the testing and modelling works have been provided for by the Company. The assessments will be required to be carried out over a period of years, initially estimated at around 10 years from the date of the Notice.

As at the date of this document it is not possible for the Directors to estimate accurately the steps that may be required or the amount of costs required to be incurred by CNRL to effect remediation of the issue. The first opportunity that this may be possible will be when the outcome of the assessments are known. Any liability to take remedial steps would not be covered by insurance.

In addition, one of the water companies has brought a claim against CNRL and Redland alleging breach of the duty of care owed by them to it in nuisance and trespass alleging losses of approximately £3.3 million. Both defendants are actively defending the claim. Any such liability would also not be covered by any insurance.

See Risk Factors: "Ownership, leasing or occupation of land carries potential environmental risks and liabilities that may not be covered by insurance."

20.3 ***Contractual claim – Bolnore Village***

On 18 January 2013 the Group received a High Court claim from Heaselands S.A. ("**Heaselands**") relating to a parcel of land forming part of the development at Bolnore Village in Haywards Heath, West Sussex (a description of this site can be found in the paragraph headed "Key Sites" in Part 2: "Information on the Group").

In 1990, the Group secured a parcel of land near Haywards Heath by entering into an option agreement with Heaselands' predecessor in title, which was the then owner of the land the subject of the option. Planning permission was granted in 1998, the Group exercised its option to acquire the land in August 1998 and unconditionally acquired the land in April 2000. Development commenced on the acquired site in 2007, and development commenced on certain adjoining land (which the Group had acquired after the exercise of the option) in January 2012.

Heaselands has claimed that upon the road linking the site to the adjoining land being dedicated as publicly maintained by the local authority, the Group became obliged to pay an easement and connection charge to Heaselands of approximately £11.5 million (plus compounded interest), effectively as additional consideration for the land bought by the Group from Heaselands.

The Group disputes that it has an obligation to pay the easement and connection charge to Heaselands and the amount claimed and has been advised that it has a good defence to both the claim and the amount claimed and intends to defend the claim vigorously, but there can be no assurance that the Group will be successful. The Directors believe that this claim will not have a material adverse effect on the Group's financial position and profitability.

20.4 ***OFT Investigation***

Following an investigation into alleged anti-competitive tendering activities in the UK construction industry between 2000 and 2006, the Office of Fair Trading (the "**OFT**") in September 2009 published a decision in which it determined that 103 companies, including a former indirect

subsidiary of Crest Nicholson plc, Pearce Construction (Midlands) Limited ("**Pearce**"), had infringed section 2(1) of the Competition Act and imposed a range of financial penalties on those companies. As the ultimate parent company of Pearce in 2001 when the infringement took place, Crest Nicholson plc was found by the OFT to be jointly and severally liable with Pearce and Pearce's current parent company. Following an appeal in April 2011, Crest Nicholson plc paid a fine of £380,000 in settlement of the matter. Although Stephen Stone was a director of the ultimate parent company at the time of the infringement, the ultimate parent company was not actively involved in the day to day operations of Pearce and none of the current Directors or Senior Management of the Company were personally involved in the infringement. The Group has not been involved in the construction business since the disposal of Pearce in 2003.

21. WORKING CAPITAL

In the opinion of the Company, taking into account the net proceeds receivable by the Company in the Offer, the working capital available to the Group is sufficient for the Group's present requirements, that is for the next 12 months following the date of this document.

22. NO SIGNIFICANT CHANGE

On 7 December 2012, the Group conducted a debt refinancing which included (i) entering into Facility Agreement B; (ii) amending and restating its existing Facility Agreement A with certain of its shareholders and (iii) borrowing £50 million under Facility Agreement B and utilising the proceeds as well as £27 million of existing cash to repay £77 million of existing borrowings under Facility Agreement A and any interest payable thereon, cancelling the associated commitments and leaving outstanding a £75 million four-year term loan maturing in December 2016.

From 31 October 2012 to 28 December 2012, the Group's cash and cash equivalents decreased from £150.1 million to £50.3 million due to payments for land and work in progress as well as the repayment of existing borrowings under Facility Agreement A, in both cases in line with the Directors' expectations.

On 12 February 2013, Lloyds agreed to become a party to Facility Agreement B, pursuant to which it will make available an additional £25 million to the Group, conditional upon Admission, the net proceeds of the Offer receivable by the Company being at least £50 million and other customary matters. The Group intends to draw down such amount in full as soon as practicable following Admission and as required by Facility Agreement A will use the proceeds to repay a further £25 million of outstanding borrowings under Facility Agreement A. After giving effect to the use of proceeds from the Offer receivable by the Company and the additional borrowings under Facility Agreement B, it is expected that Facility Agreement A will be repaid in full and cancelled.

Save for the foregoing, there has been no significant change in the financial or trading position of the Group since 31 October 2012, the date to which the last audited consolidated financial information of the Group in Part 6: "Financial Information" was prepared.

23. CONSENTS

23.1 KPMG Audit plc is registered with the Institute of Chartered Accountants in England and Wales and has given and has not withdrawn its written consent to the inclusion of its accountant's report in Part 6: "Financial Information" and its report on the unaudited pro forma financial information in Part 7: "Unaudited Pro Forma Financial Information", in the form and context in which they appear and has authorised the contents of those parts of this document which comprise its reports for the purposes of Rule 5.5.3R(2)(f) of the Prospectus Rules. As the Shares have not been and will not be registered under the Securities Act, KPMG have not filed and will not file a consent under the Securities Act.

23.2 Barclays has given and not withdrawn its written consent to the issue of this document with references to its name being included in the form and context in which they appear.

23.3 HSBC has given and not withdrawn its written consent to the issue of this document with references to its name being included in the form and context in which they appear.

23.4 Lazard has given and not withdrawn its written consent to the issue of this document with references to its name being included in the form and context in which they appear.

23.5 Numis has given and not withdrawn its written consent to the issue of this document with references to its name being included in the form and context in which they appear.

23.6 Barclays Capital Securities Limited has given and not withdrawn its written consent to the issue of this document with references to its name being included in the form and context in which they appear.

24. GENERAL

24.1 The total costs and expenses relating to the issue of the Ordinary Shares, including the Underwriters' commission, the FSA listing fee, London Stock Exchange fee, professional fees and expenses and the costs of printing and distribution of documents are estimated to amount to £5.9 million (including VAT) and are payable by the Company. No expenses will be charged by the Company or the Selling Shareholders to the purchasers of Offer Shares. The net proceeds of the Offer are estimated to amount to £50.1 million.

24.2 Where information in this document has been sourced from a third party, such information has been accurately reproduced. So far as the Company and the Directors are aware and are able to ascertain from information provided by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

24.3 The financial information contained in this document does not amount to statutory accounts within the meaning of Section 434(3) of the Act. Full audited accounts have been delivered to the Registrar of Companies for the Company for the period from 1 November 2009 to 31 October 2012.

24.4 Each Ordinary Share will be offered at a premium of 215 pence to its nominal value of 5 pence.

24.5 The Company did not declare or pay a dividend in the previous three financial years.

24.6 There are no arrangements in existence under which future dividends are to be waived or agreed to be waived.

24.7 The Offer has been fully underwritten by the Joint Bookrunners.

25. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for a period of 12 months following Admission at the offices of Norton Rose LLP, 3 More London Riverside, London SE1 2AQ:

- the articles of association of the Company;
- the consent letters referred to in "Consents" in paragraph 23 above;
- the report from KPMG Audit plc which is set out in Part 6: "Financial Information";
- the report from KPMG Audit plc which is set out in Part 7: "Unaudited Pro Forma Financial Information";
- historical financial information for the Company and its subsidiary undertakings for the financial years ended 31 October 2010, 31 October 2011 and 31 October 2012 (being the three financial years immediately preceding the publication of this document); and
- this document.

Dated: 13 February 2013

PART 10

DEFINITIONS AND GLOSSARY OF TERMS, PHRASES AND UNAUDITED METRICS

Section A: Definitions

The following definitions apply throughout this document unless the context requires otherwise:

"**A Shares**"	A deferred ordinary non-voting shares of £0.0001 each in the capital of the Company existing prior to the Share Capital Reorganisation
"**Act**"	the Companies Act 2006, as amended
"**Admission**"	the admission of the Ordinary Shares to the premium segment of the Official List and to trading on the London Stock Exchange's main market for listed securities
"**AIMC4**"	the AIMC4 Consortium comprising the Group, the Stewart Milne Group, Barratt Developments plc, H+H UK Ltd, and the Building Research Establishment, formed to research, develop and deliver design-led, affordable, low carbon homes
"**Amended Facility Agreement A**"	means the amended and restated Facility Agreement A dated 7 December 2012, further details of which are set out in paragraph 16 of Part 9: "Additional Information"
"**Articles**"	the articles of association of the Company which have been adopted conditional upon Admission
"**B Shares**"	B deferred ordinary non-voting shares of £0.0001 each in the capital of the Company existing prior to the Share Capital Reorganisation
"**Banks**"	the Joint Sponsors, the Joint Bookrunners, the Stabilising Manager, Lazard and the Lead Manager
"**Barclays**"	Barclays Bank PLC
"**Blackrock**"	funds and accounts under management by direct and indirect subsidiaries of Blackrock, Inc.
"**Board**"	the board of directors of the Company
"**Building for Life**"	the industry standard for homes and neighbourhoods, published by CABE and HBF, now superseded by Building for Life 2012
"**CABE**"	Commission for Architecture and the Built Environment, now the Design Council
"**Castle Bidco**"	Castle Bidco Limited, being an intermediate holding company of the Group, further details of which are set out in paragraph 14 "Subsidiaries" in Part 9: "Additional Information"
"**CCS**"	Credit Conditions Survey released by the Bank of England
"**CGNU**"	CGNU Life Assurance Limited, now a member of the Aviva Group

"**CIL**"	Community Infrastructure Levy introduced by Part 11 of the Planning Act 2008 and the Community Infrastructure Levy Regulations 2010, being a levy paid by a developer of land following a grant of planning permission which is set at the discretion of a local planning authority as a contribution towards wider local infrastructure and community improvements
"**CISA**"	the Swiss Federal Act on Collective Investment Schemes
"**CML**"	Council of Mortgage Lenders
"**CNRL**"	Crest Nicholson Residential Limited
"**Code**"	US Internal Revenue Code of 1986, as amended
"**Committee**"	the Remuneration Committee of the Company's board of directors
"**Company**"	Crest Nicholson Holdings plc
"**Corporate Selling Shareholders**"	Värde Investment Partners L.P., Deutsche Bank, KBC Bank N.V., Natixis, Landesbank Berlin AG, NAC EuroLoan Advantage I Limited, Cairn CLO II B.V., Mercator CLO III Limited
"**Covenant Switch**"	where under Facility Agreement A and Facility Agreement B the Company notifies its lenders that it intends to exercise its rights to use a financial covenant based on interest cover and cashflows
"**CP12/25**"	consultation paper CP12/25 published by the FSA on 2 October 2012
"**CREST**"	the UK-based system for the paperless settlement of trades in listed securities, of which Euroclear UK & Ireland Limited is the operator in accordance with the Uncertificated Securities Regulations 2001 (SI 2001/3755)
"**Crest Chertsey**"	Crest Nicholson Developments (Chertsey) Limited
"**Crest Epsom**"	Crest Nicholson (Epsom) Limited
"**Crest Greenwich**"	Crest Nicholson Greenwich Limited
"**Crest Operations**"	Crest Nicholson Operations Limited
"**Crest Regeneration**"	Crest Nicholson Regeneration Limited
"**CRM**"	customer relationship management system which the Group plans to introduce in 2013
"**D Shares**"	D deferred ordinary non-voting shares of £0.0001 each in the capital of the Company existing prior to the Share Capital Reorganisation
"**DCLG**"	Department for Communities and Local Government
"**Dealogic**"	Dealogic (Holdings) plc
"**DBP**"	deferred bonus plan which may be used to provide equity-based incentive awards to executive directors and employees of the Group following Admission, as further described in paragraph 10 of Part 9: "Information on the Group"

"**December Refinancing**"	the 7 December 2012 debt refinancing conducted by the Group which included (i) entering into Facility Agreement B; (ii) amending and restating its existing Facility Agreement A with certain of its shareholders; and (iii) borrowing £50 million under Facility Agreement B and utilising the proceeds as well as £27 million of existing cash to repay £77 million of existing borrowings under Facility Agreement A and any interest payable thereon, cancelling the associated commitments and leaving outstanding a £75 million four-year term loan maturing in December 2016
"**Design for Homes**"	a not-for-profit organisation which promotes the value of good design in the housing industry through publishing, research, education and industry and public recognition
"**Deutsche Bank**"	Deutsche Bank AG, a corporation domiciled in Frankfurt am Main, Germany, operating in the United Kingdom under branch registration number BR000005, acting through its London Branch at Winchester House, 1 Great Winchester Street, London EC2N 2DB
"**Directors**"	the Executive Directors and Non-Executive Directors
"**Disclosure and Transparency Rules**"	the Disclosure and Transparency Rules of the FSA made for the purposes of part VI of the FSMA in relation to the disclosure of information by an issuer whose financial instruments are admitted to trading on a regulated market in the UK
"**Dividend Shares**"	dividend shares allocated under the Share Incentive Plan
"**DPP**"	The HCA Delivery Partner Panel
"**EA**"	Environment Agency
"**EasyBuy**"	a shared equity loan funding scheme from the Company to homebuyers of up to 25 per cent. of the purchase price of a property, with the Company retaining a second ranking charge over the property
"**EC Reference Rate**"	base rates calculated in accordance with the Communication from the EU Commission on the revision of the method for setting the reference and discount rates
"**ELBC**"	English Land Banking Company Limited, in which the Company has a 50 per cent. shareholding
"**Employee Trust**"	Crest Nicholson Employee Share Ownership Trust
"**Epsom LLP**"	Crest/Galliford Try (Epsom) LLP
"**European Economic Area**"	the EU, Iceland, Norway and Liechtenstein
"**EU**"	the European Union
"**EU IFRS**"	the International Financial Reporting Standards, as adopted by the European Union
"**Exchange Act**"	United States Securities Exchange Act of 1934, as amended
"**Executive Directors**"	the executive Directors of the Company, currently Stephen Stone and Patrick Bergin

“**Existing Ordinary Shares**”	existing Ordinary Shares to be sold in the Offer by the Selling Shareholders
“**Facility Agreement A**”	means the amended and restated senior facilities agreement dated 13 September 2011 between the Company, Castle Bidco Limited and certain of the Company’s shareholders
“**Facility Agreement B**”	means the financing agreement in place between the Company, Castle Bidco Limited and other Group companies and the lenders, further details of which are set out in paragraph 16 of Part 9: “Additional Information”
“**FIEA**”	Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended)
“**FINMA**”	the Swiss Financial Market Supervisory Authority
“**FirstBuy**”	a Government shared equity scheme (falling within the HomeBuy range) designed to assist first homebuyers by offering equity loan funding of up to 20 per cent. of the purchase price split equally between the HCA and the housebuilder, with both holding equal ranking second charges over the property
“**FSA**”	the Financial Services Authority of the UK, in its capacity as the competent authority for the purposes of Part VI of the FSMA and in the exercise of its functions in respect of admission to the main market of the London Stock Exchange otherwise than in accordance with Part VI of the FSMA
“**FSMA**”	the Financial Services and Markets Act 2000, as amended
“**GDP**”	Gross Domestic Product – the market value of all officially recognised final goods and services produced within the United Kingdom in a given period
“**Get Britain Building**” or “**GBB**”	a Government housing delivery programme intended to unlock stalled sites with planning permission and to restart construction activity and deliver up to 16,000 new homes pursuant to which loan finance is provided to developers
“**GPRL**”	Greenwich Peninsula Regeneration Limited
“**GPN0206**”	Greenwich Peninsula N0206 Limited
“**Group**”	means the Company and its consolidated subsidiaries and subsidiary undertakings from time to time
“**Halifax**”	Halifax, a division of Bank of Scotland plc (a wholly owned subsidiary of Lloyds Banking Group plc)
“**HBF**”	Home Builders Federation
“**HCA**”	Homes and Communities Agency
“**Heaselands**”	Heaselands S.A.
“**HMRC**”	HM Revenue & Customs
“**HomeBuy**”	a general term used to describe the Government’s various shared ownership and affordable housing schemes

"**HomeBuy Direct**"	a Government scheme (falling within the HomeBuy range) designed to make more affordable homes available to buyers priced out of the housing market by offering equity loan funding of up to 30 per cent. of the purchase price split equally between the HCA and the housebuilder, with both holding equal ranking second charges over the property
"**HSBC**"	HSBC Bank plc
"**HSE**"	health, safety and environment
"**Individual Selling Shareholders' Agreement**"	the agreement entered into between the Individual Selling Shareholders and the Underwriters as more particularly described in Paragraph 12 of Part 9: "Additional Information"
"**Individual Selling Shareholders**"	existing Ordinary Shareholders who, pursuant to the Individual Selling Shareholders' Agreement, have agreed to sell Ordinary Shares in the Offer (which does not include the Directors)
"**ITEPA**"	Income Tax (Earnings and Pensions) Act 2003
"**Joint Bookrunners**"	Barclays and HSBC
"**Joint Global Co-ordinators**"	Barclays and HSBC
"**Joint Sponsors**"	Barclays and HSBC
"**JV Agreement**"	joint venture agreement between Crest Chertsey, Crest Nicholson plc and CGNU dated 10 November 2003
"**Kickstart**"	a Government housing delivery programme targeted at stalled sites, to support construction of high quality mixed tenure housing developments pursuant to which loan finance is provided to developers
"**Lazard**"	Lazard & Co., Limited
"**Lead Manager**"	Numis
"**LEP**"	Local Enterprise Partnership
"**Linden**"	Linden Limited (formerly Try Homes Limited)
"**Listing Rules**"	the rules of the FSA made for the purposes of Part VI of the FSMA in relation to the admission of securities to the Official List
"**Lloyds**"	Lloyds TSB Bank plc
"**Local Plan**" or "**Local Development Framework**" or "**LDF**"	a plan (which must be consistent with the National Planning Policy Framework and The Planning and Compulsory Purchase Act 2004) prepared by a local authority setting planning policies in a local authority area
"**London Stock Exchange**"	London Stock Exchange plc
"**LTIP**"	long-term incentive plan which may be used to provide equity-based incentive awards to executive directors and employees of the Group following Admission, as further described in paragraph 10 of Part 9: "Information on the Group"

“**LTIP Conditional Share Awards**”	conditional share awards, being awards delivering free shares granted as conditional awards or nil-cost options provided under the LTIP
“**LTIP Options**”	market value or nil-cost options provided under the LTIP
“**LTIP Restricted Shares**”	awards of restricted shares which are beneficially owned (or jointly owned) by the participant but held on his behalf by a nominee and are, by agreement with the participant, subject to transfer restrictions and forfeiture provisions, provided under the LTIP
“**LTV**”	loan-to-value
“**Management Agreement**”	development and project management services agreement entered into on 22 January 2008 between the members of GPN0206
“**NewBuy**”	a Government mortgage indemnity scheme, designed to assist homebuyers by making available 95 per cent. LTV mortgages offered by participating lenders, in which participating housebuilders place 3.5 per cent. of the purchase price into an indemnity fund (also contributed to by Government) from which lenders can recover upon borrower default
“**National Planning Policy Framework**” or “**NPPF**”	Government document published on 27 March 2012 setting out the Government’s planning policies for England and how these are expected to be applied, and which provides guidance to local councils in preparing Local Plans
“**New A Shares**”	A Shares consolidated as part of the Share Capital Reorganisation
“**New B Shares**”	B Shares consolidated as part of the Share Capital Reorganisation
“**New D Shares**”	D Shares consolidated as part of the Share Capital Reorganisation
“**New Ordinary Shares**”	new Ordinary Shares in the capital of the Company to be allotted and issued under the Offer
“**New Plans**”	the LTIP, the DBP, the Sharesave Plan and the Share Incentive Plan
“**NHBC**”	National House Building Council
“**Non-Executive Directors**”	the non-executive Directors of the Company, currently William Rucker, Jim Pettigrew, Malcolm McCaig and Pam Alexander
“**Notice**”	Remediation notice served by the EA in November 2005 apportioning liability between CNRL and Redland for bromate and bromide pollution emanating from the Site
“**Numis**”	Numis Securities Limited
“**Offer**”	the issue of New Ordinary Shares and the sale of Existing Ordinary Shares to certain institutional and professional investors in the United Kingdom and elsewhere described in Part 8: “The Offer”
“**Offer Price**”	the price at which each Ordinary Share is to be issued or sold under the Offer
“**Official List**”	the Official List of the FSA
“**OFT**”	Office of Fair Trading
“**Ordinary Shares**”	the ordinary shares of 5 pence each in the capital of the Company

"**Ordinary Shareholders**" or "**Shareholders**"	holders of Ordinary Shares
"**Over-allotment Option**"	the over-allotment option granted by the Over-allotment Selling Shareholders to the Stabilising Manager in the Underwriting Agreement
"**Over-allotment Selling Shareholders**"	Värde, Deutsche Bank and Landesbank Berlin AG
"**Over-allotment Shares**"	Ordinary Shares subject to the Over-allotment Option
"**Part 2A**"	Part 2A of the Environmental Protection Act 1990
"**Passion**"	The Passion Property Group Limited
"**PCAOB**"	Public Company Accounting Oversight Board (United States)
"**Pearce**"	Pearce Construction (Midlands) Limited
"**Performance Shares**"	performance-related equity provided under the MIP
"**PFIC**"	passive foreign investment company
"**Prospectus**"	this document
"**Prospectus Directive**"	EU Prospectus Directive (2003/71/EC), including any relevant implementing measure in each Member State of the European Economic Area that has implemented Directive 2003/71/EC, as amended
"**Prospectus Directive Regulation**"	Commission Regulation (EC) No. 809/2004, as amended
"**Prospectus Rules**"	the rules of the FSA made for the purposes of Part VI of the FSMA in relation to offers of transferable securities to the public and admission of transferable securities to trading on a regulated market and brought into effect on 1 July 2005 pursuant to the Prospectus Directive Regulation, as amended
"**Publicly Reporting Peer Group**"	Barratt Developments plc, Bellway plc, Berkeley Group Holdings plc, Bovis Homes Group plc, Persimmon plc, Redrow plc and Taylor Wimpey plc which are the principal listed UK housebuilders which the Group view as its peers
"**Qualified Institutional Buyer**" or "**QIBs**"	has the meaning given by Rule 144A under the Securities Act
"**Qualified Investors**"	persons who are "qualified investors" within the meaning of Article 2(1)(e) of the Prospectus Directive
"**Redland**"	Redland Minerals Limited
"**registered provider**"	a registered provider of affordable housing, being a body registered with the Housing Corporation as a social landlord pursuant to the provisions of the Housing Act 1996
"**Registrar**"	Equiniti Limited
"**Regulation S**"	Regulation S under the Securities Act

“**Relationship Agreement**”	means the relationship agreement entered into between the Company and Värde, as more particularly described in paragraph 16 of Part 9: “Additional Information”
“**RSA421-B**”	Chapter 421-B of the New Hampshire Revised Statutes
“**Rule 144A**”	Rule 144A as defined in the Securities Act
“**Sandridge Site**”	St Leonard’s Court at Sandridge, Hertfordshire
“**SDRT**”	stamp duty reserve tax
“**SEC**”	US Securities and Exchange Commission
“**Securities Act**”	United States Securities Act of 1933, as amended
“**Selling Shareholders**”	the persons listed in Paragraph 8.1 of Part 9: “Additional Information” who are existing Ordinary Shareholders and who, pursuant to the Underwriting Agreement or the Individual Selling Shareholders’ Agreement, have agreed to sell Ordinary Shares in the Offer
“**Senior Management**”	means the senior management of the Company, currently Chris Tinker, Steve Evans, Robin Hoyles and Kevin Maguire, but excludes the Executive Directors
“**SHA**”	shareholders’ agreement between Crest Greenwich and GPRL dated 2008 to establish GPN0206
“**Share Capital Reorganisation**”	the share capital reorganisation described in paragraph 3 of Part 9: “Information on the Group”
“**Share Incentive Plan**” or “**SIP**”	the share incentive plan which may be used to provide equity-based incentive awards to executive directors and employees of the Group following Admission, as further described in paragraph 10 of Part 9: “Information on the Group”
“**Sharesave Plan**”	the sharesave plan which may be used to provide equity-based incentive awards to executive directors and employees of the Group following Admission, as further described in paragraph 10 of Part 9: “Information on the Group”
“**SID**”	senior independent non-executive director, currently Jim Pettigrew
“**Stabilising Manager**”	Barclays Capital Securities Limited
“**Takeover Code**”	City Code on Takeovers and Mergers
“**Trustee**”	the trustee of the SIP
“**TSB**”	Technology Strategy Board
“**UK**”	the United Kingdom of Great Britain and Northern Ireland
“**UK Corporate Governance Code**”	the UK Corporate Governance Code issued by the Financial Reporting Council and dated June 2010, as amended from time to time
“**Underwriters**”	the Joint Bookrunners and the Lead Manager
“**Underwriting Agreement**”	the underwriting agreement entered into between the Company, the Directors, the Selling Shareholders (excluding the Individual

	Selling Shareholders), the Underwriters and the Stabilising Manager as more particularly described in paragraph 12 of Part 9: "Additional Information"
"**United States**" or "**US**"	the United States of America, its territories and possessions, any State of the United States of America, and the District of Columbia
"**US GAAS**"	auditing standards generally accepted in the United States
"**Värde**"	collectively Värde Partners, Inc. and Värde Investment Partners L.P. each being an entity holding or controlling (directly or indirectly), on Admission, Ordinary Shares in the Company
"**Zero Carbon Hub**"	a public/private partnership, structured as a non-profit company limited by guarantee, established to take day-to-day operational responsibility for co-ordinating delivery of low and zero carbon new homes

Section B: Glossary of terms, phrases and unaudited metrics

The following table sets out a glossary of terms, phrases and unaudited metrics used in this document. A combination of these terms, phrases and unaudited metrics are used in this document when discussing the operating performance of the Group.

Other companies operating in the housebuilding sector may use these terms, phrases and unaudited metrics differently when describing their own operating performance, as a result of which these terms, phrases and unaudited metrics may not be directly comparable.

"**affordable housing**"	housing subject to restrictions in respect of occupiers or tenure or carrying any subsidy from the owners or the developer for land or building cost required to be transferred to or managed by a local authority, a registered provider, society, association, charity or similar body (including without limitation for occupation by key workers), and which the Group is required to build pursuant to a section 106 agreement
"**affordable housing average sales price**"	total revenue derived from affordable housing completions and affordable housing land sales over the course of a given period divided by the total number of affordable housing completions in that period
"**AIIR**"	annual injury incidence rate
"**asset turn**"	calculated as revenue from continuing activities divided by the sum of net assets and net debt
"**average plot cost**"	payments to vendors including sums paid or contractually due to be paid, which are determined based on current market prices, plus SDLT, divided by total number of plots
"**average sales price**"	total revenue derived from completions over the course of a given period divided by the total number of completions in that period
"**backbone site**"	site of 150 units or more which provides a reliable source of plots over a number of years
"**brownfield**"	previously developed land, including disused industrial or commercial facilities
"**CAGR**"	compound annual growth rate, calculated as the starting value divided by the finishing value, multiplied by 1 divided by the number of periods, less 1
"**completion**"	(1) occurs, in the case of private housing, some affordable housing and some commercial developments, upon completion of construction of the property, and receipt of final payment from, and transfer of legal title to, the purchaser, and (2) is deemed to occur, in the case of most affordable housing and some commercial developments by reference to practical completion of the building (which also determines when revenue is recognised for that project)
"**dwelling**"	a house, apartment or other place of residence
"**forward sales**"	sales of residential properties which have been reserved but not completed at the end of the financial period in question
"**greenfield**"	land which has not previously been developed

"**gross development value**" or "**GDV**"	has the meaning given under the heading "Presentation of key operating metrics" in the section entitled "Presentation of Information"
"**household formation**"	the creation of a new household (whether made up of an individual, a couple, a group of individuals or any combination of individuals)
"**housing starts**"	the number of new houses on which construction has been started in a given period
"**land bank**"	as the context requires, either (i) the short-term land bank or the strategic land bank; or (ii) the short-term land bank and the strategic land bank
"**mixed tenure**"	used to describe a development comprising units with differing tenure
"**mixed use**"	used to describe a development in which units are used for differing purposes (e.g. where some units are used as dwellings while others are used for commercial purposes)
"**net debt**"	calculated as interest-bearing loans and borrowings (excluding land creditors) net of cash and cash equivalents
"**net debt to equity**"	calculated as net debt divided by equity
"**open market sales**"	sales of units on the open market (excluding affordable housing)
"**open market average sales price**"	total revenue derived from open market completions over the course of a given period divided by the total number of open market completions in that period
"**operating margin**"	earnings before interest and taxes, divided by revenue
"**part exchange**"	method of purchase by which a purchaser sells his existing home to the housebuilder and uses the funds obtained to contribute to the purchase price of a new home purchased from the housebuilder
"**PBT per share**"	profit before tax per share
"**plot**"	an area of land marked out for development of one unit
"**reservations**"	a pre-contractual reservation of the right to buy a particular unit, generally supported by a minimal deposit from the potential buyer
"**ROCE**"	return on capital employed, calculated as operating profit as a percentage of the average capital employed, where the average capital employed is the average of the opening and closing balances of capital employed, and capital employed is calculated as the sum of net debt and net assets
"**sales outlet**"	a development where units are available for open market sale
"**sales per outlet month**"	total number of open market sales divided by number of sales outlets in a month
"**sales per outlet week**"	total number of open market sales divided by number of sales outlets in a week

"**section 106 payments**"	payment of sums of money, via section 106 agreements, to pay for local infrastructure, such as schools, roads and healthcare facilities, required as a result of increased demand arising from a development
"**section 106 agreement**"	an agreement made pursuant to the Town and Country Planning Act 1990 (as amended) between a developer and a planning authority requiring the developer to deliver infrastructure and community benefits related to the development (including a specified proportion of affordable housing)
"**short-term land bank**"	that part of the land bank which consists of land which is owned or secured under a variety of conditional and unconditional forms of contract and which either has the benefit of planning permission or is allocated for development in an adopted Local Plan
"**strategic land bank**"	that part of the land bank which consists of land which is owned or secured under a variety of options and conditional forms of contract and which is not yet allocated for development, but which is secured in the belief that it has the potential in the medium to longer term to become allocated for development
"**tenure**"	the conditions under which a property is occupied (e.g. owned outright, secured on a mortgage, rented from a private owner, local authority or housing association)
"**TNAV**" or "**tangible net asset value**"	calculated as net assets less intangible assets
"**TNW**"	tangible net worth, as defined in Facility Agreement A and Facility Agreement B
"**unit**"	a structure or part of a structure on a developed plot which is capable of being individually sold and used for either residential or commercial purposes