A VISION THAT **INSPIRES**

CREST NICHOLSON
DIRECTORS' REPORT & ACCOUNTS
31ST OCTOBER 2012

KEY PERFORMANCE INDICATORS

Financial and business

Return on capital in the last two financial years

20% +

Operating profit

£73.3m

2011: £56.4m

Gross profit margin

27.4%

2011: 28.6%

Net profit

£63.9m

2011: £40.5m

Net debt

£30.3m

2011: £42.8m

Short term land bank units

16,959

2011: 14,772

Strategic land bank units

12,623

2011: 14,259

Land bank gross development value

£6,799m

2011: £6,256m

Sustainability

Homes delivered to Code for Sustainable Homes level 3 and above

45%

2011: 38%

Homes delivered to Code level 4

15%

2011: 4%

Reduction in Annual Injury Incidence Rate since 2008

48%

2011: 63%

Waste diverted from landfill

94%

2011: 89%

Homes built on brownfield land

82%

2011: 82%

Customer service (independent rating)

5 STAR

2011: 5 star

People would recommend Crest Nicholson to a friend (independent survey)

9/10

2011: 9 out of 10

A VISION THAT **INSPIRES...**

Crest Nicholson is a leading developer of sustainable housing and mixed-use communities. We aim to improve the quality of life for individuals and communities by providing better homes, workplaces, retail and leisure spaces in which people aspire to live, work and play – now and in the future.

To deliver that ambition, which remains as true today as when the Group was formed nearly 50 years ago, we have been on a journey of innovation and transformation to position the Group for profitable growth.

Whether carrying out systematic scientific research into low carbon housing solutions, re-inventing how we work with our supply chain, or developing our product for a rapidly evolving market, the focus is delivery, generating quality and choice for our customers and sustainable business value for our shareholders. For Crest Nicholson, this is a vision that inspires.

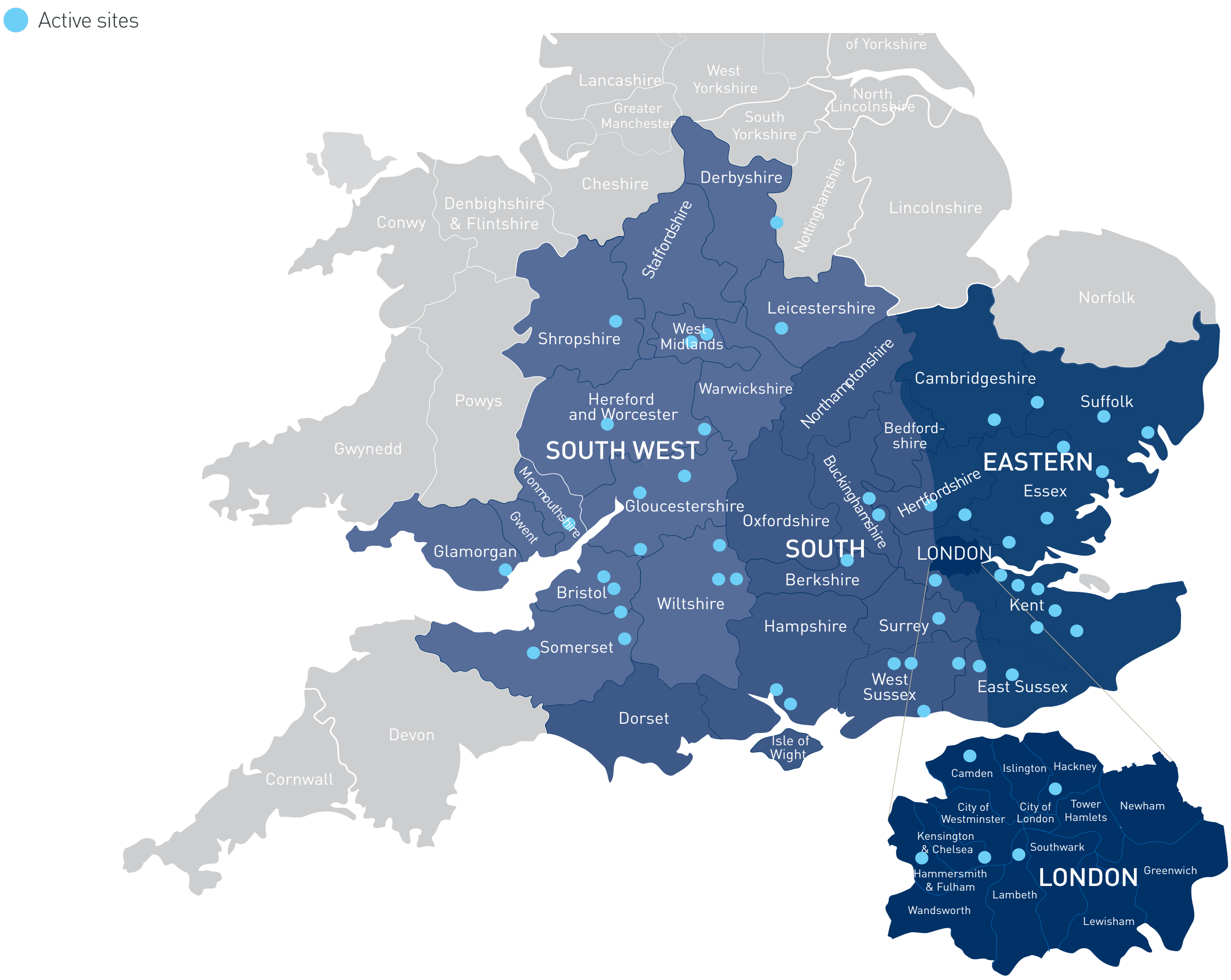
A VISION THAT INSPIRES CHANGE

Noble Park, Epsom

OUR GROUP AT A GLANCE

Our operational focus remains concentrated in the southern half of England with an emphasis on creating well designed homes in sustainable communities.

Our portfolio meets the needs of a wide range of purchasers, from first time buyers to investors, with a product range that includes houses, apartments and commercial units on mixed-use developments.



Bath Riverside, Bath

Rowan Park, Mitcham

Bolnore Village, Haywards Heath

GROUP STRUCTURE

CREST NICHOLSON

Major projects (CNR) | Strategic land | Eastern | South | South West | London

Four regional housebuilding divisions –
EASTERN, SOUTH, SOUTH WEST, LONDON

MAJOR PROJECTS DIVISION (CREST NICHOLSON REGENERATION)
specialising in larger scale partnership developments with public and private vendors, including residential and mixed-use schemes.

STRATEGIC LAND DIVISION
focusing on sourcing large land sites for medium to long term development by the Group's other divisions.

THE CREST NICHOLSON GROUP OPERATES THROUGH ITS HOLDINGS BOARD

DAILY OPERATIONS
are directed by the Operating Board of Crest Nicholson PLC.

ALL DIVISIONS OPERATE
through their own local management boards, each of which is accountable to the Group Operating Board.

For full details of our corporate governance standards and processes, please see page 48.

KEY FACTS

50 YEARS

Privately owned Group with 50 years of heritage.

Previously listed for 39 years on the London Stock Exchange (1968–2007).

DISTINCTIVE POSITION
in the UK housing market with a strong open market average sale price (£230,000) and higher sales per outlet per month.

PROVEN TRACK RECORD
of delivering award winning, well designed, high quality residential communities.

STRONG
strategic and short term land banks with a high proportion of consented land.

FURTHER INFORMATION
WWW.CRESTNICHOLSON.COM

Business Review

Rosewood, Colchester

CHAIRMAN'S STATEMENT

The Group's excellent performance demonstrates the health and strength of our business model and ultimately the delivery capability, skills and longstanding experience of our people.

This year the Group has delivered increased output, sales volume and operating margin in a housing market that has altered significantly since 2008, and that is still suffering the effects of the global credit crunch and restricted mortgage availability.

One of the main drivers of these excellent results is Crest Nicholson's own workforce, who have once again demonstrated resilience and adaptability in implementing the Group's strategy for growth. I thank them wholeheartedly for their contribution.

Allied to this strength of talent is 'the Crest Difference' – the Group's ethos and delivery of high quality design and sustainable development focused on the needs of customers and communities. This is a valued heritage – the Group's DNA – and the Board has continued to emphasise its constant renewal to meet the demands of an evolving market, technology challenges, and the ever changing complexities of regulation that are part of the Government's 'zero carbon' timeline for new housing.

While the operating environment remains challenging, I believe that this focus on customers, design and sustainability creates the right culture of innovation for delivering the new homes in which today's purchasers and those of tomorrow will want to live.

On a foundation of secure finances and with the full support of our shareholders, the Board's priority has been to build on last year's robust performance. The continuing drive has been to deliver business value through the acquisition of sites in prime areas; consensual, community focused planning outcomes; and well designed, viable, sustainable developments. In addition, the Group has successfully partnered with the public and private sector to bring forward sites and projects in its operating regions across the southern half of the country.

In this light, we have welcomed the Government's presumption in favour of sustainable development and the measures taken not only to kickstart housing development, but also the intention to simplify planning processes and reduce the regulatory burden. In the Board's view, the streamlined planning framework currently proposed is much needed. We are not calling for deregulation, but rather for clarity on the standards that should apply and a means to a resolution of conflicting regulations that can affect the quality, viability and delivery of residential development.

While acknowledging that the Group has successfully negotiated significant financial hurdles over the last two years with the help of its shareholders and lenders, the Board remains alert to economic uncertainty in the Eurozone and globally. In addition, consumer confidence continues to fluctuate and mortgage availability still constrains the market. The Board continues to exercise effective control through a robust governance framework that provides the necessary oversight of decision making in land acquisition, planning and project delivery. The outcome is an extremely strong land bank and development pipeline.

I am grateful to the Board for their continued support and effectiveness. The senior management have great depth of experience in the sector and have successfully led the Group through several fluctuating economic cycles. Armed with this knowledge and experience, I am confident in the Board's ability not only to respond to future changes in the business environment but, also to exploit to the full the opportunities that an evolving market will bring.

William Rucker
Chairman

" Our focus on customers, design and sustainability creates the right culture of innovation for delivering the new homes in which today's purchasers and those of tomorrow will want to live. "

CHIEF EXECUTIVE'S REVIEW

Stephen Stone
Chief Executive

> At Crest Nicholson we believe that creating successful sustainable communities is not about bricks and mortar, but people.

As the Group approaches its 50th anniversary in 2013, it remains on a trajectory of steady growth based on strong results and underlying business performance.

STRONG FINANCIAL RESULTS FROM SOLID FUNDAMENTALS

This has been a very good year for Crest Nicholson, driven by a 24% increase in housing legal completions in the year. This growth reflects both stronger rates of sale and our rising number of sales outlets.

Commercial revenues were broadly level with 2011, generated from the sale of a significant commercial premises at Bristol and a partnership with a major supermarket retailer at Milton Keynes.

This strong operational performance is reflected in the financial results, with revenue at £408m, up 28% on 2011, and operating profit at £73m, up 30%. Operating margins at 18.0% have improved against the 17.7% achieved last year.

Equally pleasing was the growth in our consented land bank, which rose from 14,772 plots to 16,959 plots at October 2012. A significant part of this growth came from the conversion of plots from the strategic land bank, having secured planning consent on four strategic land sites in the year.

In parallel with investment in the future of our business, we generated positive cash flow through the year and are going into the next financial year confident that our southerly geographic positioning, distinctive design and sustainability credentials, and strong partnering approach will enable us to continue delivering good business returns in the year ahead.

THE MARKET

Despite a difficult economic backdrop, which has put real incomes under pressure, the housing market has proved to be very resilient through the year. Indeed, our overall sales rates were stronger this year than in 2011, notwithstanding some softness around the time of the Jubilee celebrations in June and again during the London Olympics in the summer.

As a developer in the southern half of the country, Crest Nicholson has its operations in regions that typically have better employment prospects and higher earnings than the national average, and this correlation serves the business well in more difficult markets. In these parts of the country the greatest imbalance exists between housing demand and supply, which, all other things being equal, should provide support for prices.

The constrained level of mortgage lending continues to be the greatest barrier to an improved level of participation in the housing market. As a group, we have done much this year to engage with the Government and government sponsored schemes to try to stimulate house building and house purchases. We remain hopeful that such support will be effective in improving access to the housing market for those who aspire to own their home.

Bath Riverside, Bath

PARTNERING FOR GROWTH

Our business model, page 17, is underpinned by our 50 year heritage and capitalises on our key strengths in targeted land acquisition, consensual planning success, outstanding design and quality delivery.

The fact that the Group has traded very well in the current market is evidence of the trust we have built with both public and private sector partners who, I believe, recognise the long term value that flows from our approach. It has been an outstanding year for our land bank (especially strategic plots), and we have also achieved planning permissions and milestones on a number of key developments.

Among these is Bath Riverside, which is an important regeneration site in the heart of a UNESCO World Heritage city. After a longer planning stage than we would have wished for, we have moved well into delivery at Bath, with 142 unit completions this year. We are currently working to create the supporting infrastructure, including leisure spaces, roadways and bridges. Other notable milestones include permissions obtained for 274 units at Wokingham, Berkshire and 1,695 units at Tadpole Farm, Swindon.

At Crest Nicholson we believe that creating successful sustainable communities is not about bricks and mortar, but people. At centre stage are not only our customers, but also local authorities responsible for delivering new housing and local people, including those for whom new development may not always be welcome. Our approach has always been based on clear interaction with all relevant groups to understand the spectrum of opinion and interests.

Industry leading knowledge in planning, design, sustainable construction and regulatory compliance is not enough on its own. We also bring the mindset and skills to facilitate honest engagement, which requires a commitment to build relationships; to listen and respond genuinely and to help create and implement a shared vision in tune with local needs and expectations – always accepting that not everyone can be satisfied.

We take great pains to go the extra mile by openly sharing our senior talent and expertise with local authorities and other stakeholders – often in person, with sleeves rolled up, helping to work through possibilities and challenges. In April we held one such Vision Workshop with planning officers, local members and county councillors from Runnymede to invite their input in identifying the key themes for a new community at our site at Longcross. This is part of an ongoing process and we will present the progress we have made to them early next year.

142

UNIT COMPLETIONS THIS YEAR AT BATH RIVERSIDE

GOOD DESIGN

IS ALSO THE FIRST INGREDIENT IN CREATING A LEGACY OF VALUE

SUPPORTING AND INCREASING DELIVERY

It is the strength and depth of talent from senior management to apprentice level that inspires confidence in the Group's capacity to deliver a strategy for growth, and a managed increase in output over the next three to four years.

Cost effective, quality delivery is essential. The Government itself recognises the social imperative for new housing, as well as the economic impetus that comes from it. The Home Builders Federation (HBF) reports that every home built creates 1.5 full time jobs, plus up to four times that number in the supply chain, meaning that for every £1 spent, an estimated £2.84 of wider economic activity is generated.

As a group, we have welcomed central and local government commitment on the housing growth agenda and have successfully bid for opportunities including Get Britain Building, which has enabled us to bring forward seven schemes representing 709 new homes. We have also remained steadfast in helping first time buyers by supporting government backed shared equity schemes including FirstBuy and HomeBuy Direct, and remain committed to supporting the joint industry government initiative NewBuy, helping to bridge the deposit gap.


Kings Gate, Birmingham

OPERATIONAL HIGHLIGHTS AND CHALLENGES

Design excellence is a key differentiator for Crest Nicholson and a notable example is Rowan Park, Merton which was Project Winner in the Housing Design Awards 2012. Good design is also the first ingredient in creating a legacy of value. I am reminded of this when I look at Port Marine, Portishead where the masterplan we first developed 10 years ago has delivered delightful homes and high quality public space enhanced by distinctive sculpture, proving that good design stands the test of time. It is equally true that urban planning and design must continue to move forward, and for this reason, we are pleased to be working in collaboration with the Town and Country Planning Association to explore how we embed Garden City principles into our future developments.

We are applying our ethos equally in London. Our London operations are based on a model of prime site acquisition, an unwavering commitment to quality design and build, and an ability to bring sites forward efficiently through smart, lean processes.

A highly skilled team with a passion for the capital is a significant factor in meeting the challenges and constraints inherent in London development. Quality and excellence are just as sought after by buyers in the capital as anywhere and the very robust sales of our elegant, functional apartments at Ixia in Shoreditch are proof of this.

Our focus on customers has remained as strong as ever and in March 2012 we maintained our 5 star rating in the HBF industry wide independent survey. The results from our own customer satisfaction survey show we have maintained a high level of performance, but have scope to do more to reach our own stretching targets.

Sustainability is another core value that threads itself through every part of our process. The Group has remained a consistent high performer in the Next Generation industry benchmark for the last five years, through our focus on high standards of governance, sustainable delivery and transparent reporting to globally recognised standards.

Fundamentally, the sustainability of our business and our developments centres on future thinking and innovation, which are essential to meeting major environmental challenges including climate change and resource depletion.

We continue to anticipate and prepare for the Government's target for all new homes to be 'zero carbon' by 2016. The award winning AIMC4 Consortium homes built at Noble Park in Epsom have taken us well along the road to delivering well designed low carbon homes cost effectively through a 'fabric first' approach that provides highly energy efficient dwellings driven by customer needs.

This year we have challenged ourselves to look even further to the future by engaging with external experts to develop a 10 year sustainability strategy for the Group. It will focus on long term value creation in the context of emerging trends and issues including evolving society, customer needs and product design. This will deliver a sustainable business model, capable of delivering value now and into the future for customers, wider society and shareholders.

9/10

OF OUR CUSTOMERS SAID THEY WOULD RECOMMEND US TO A FRIEND

A VISION THAT INSPIRES A GENERATION

Apprentice day at Noble Park, Epsom


Apprentice day at Noble Park, Epsom

45

APPRENTICES ARE WORKING WITH US

(7.6% OF OUR WORKFORCE)

AWARDS AND RECOGNITION

Housing Design Awards	Project Winner 2012: Rowan Park, Mitcham
Housebuilder Awards 2012	Best Low or Zero Carbon Development – AIMC4 houses at Noble Park, Epsom
HBF Annual Customer Satisfaction Survey	5 stars for customer service in March 2012, for the third consecutive year
Next Generation Sustainability Benchmark	Second position among sustainability leaders in our industry, for the fifth consecutive year.
NHBC Health and Safety	Commended and Highly Commended awards for our employees in health and safety leadership, engagement and on site management
NHBC Pride in the Job	Six of our site managers achieved Quality Awards
NHBC Regional	Regional award winner multi-storey category: Terry Huntingdon, Kaleidoscope, Cambridge
Pension Quality Mark	The leading standard recognised by government and the HR/pensions industry

AN EMPLOYER OF CHOICE

Without our people none of this would be possible and I am grateful for their hard work and dedication, which has been recognised once again this year in several external commendations in the NHBC awards, the industry's leading benchmark for site management and health and safety leadership.

We aim to be a responsible and ethical employer that offers everyone the opportunity to excel in a fair and safe environment. I am determined that we should maintain and strengthen our skillbase at all levels across the Group and develop our capacity for the future. Once again, we have welcomed graduates and apprentices to the Group this year and invested in high quality training and career development. It is particularly pleasing to see one of our young female apprentices who came on board in 2011 moving on with us to become a trainee site manager.

As the Board director responsible for occupational health and safety, I am pleased that our Annual Injury Incidence Rate has outperformed our sector peers and the construction sector as a whole. Disappointingly the reduction in 2012 has not matched the exceedingly good performance we have made annually since we base lined our data in 2008. We remain committed to continuous improvement and to that end we have reinforced our Group health and safety team with three appointments. Each of these roles combine health, safety and environmental responsibilities, reflecting our integrated approach to preventing and managing risk on our sites.

OUTLOOK

In the near term, our business is in good shape to continue growing volumes, as we open an increasing number of sales outlets and the new London division delivers its first legal completions.

Public policy measures to support the housing sector and to help first time buyers are providing useful support, but activity is likely to be comparatively subdued while mortgage lending remains constrained.

We will continue to work with all our partners to deliver well designed and sustainable homes that delight our customers. In the longer term, the structural imbalance between supply and demand is likely to provide strong support for our business.

Nurturing existing talent within our workforce and developing the skillbase of people joining our apprentice and graduate schemes will remain a fundamental part of our strategy to support further growth.

With a high quality land bank and the team to deliver the schemes upon which Crest Nicholson has built a proud 50 year reputation, we look forward to the future with confidence.

Stephen Stone
Chief Executive

48%

REDUCTION IN ANNUAL INJURY RATE SINCE 2008

THE CREST DIFFERENCE

Crest Nicholson has developed a focused business model emphasising customer led design and sustainability in the planning and delivery of schemes, irrespective of size and location. Our delivery encompasses major mixed-use projects through to smaller housing developments in the southern half of England.

CUSTOMERS

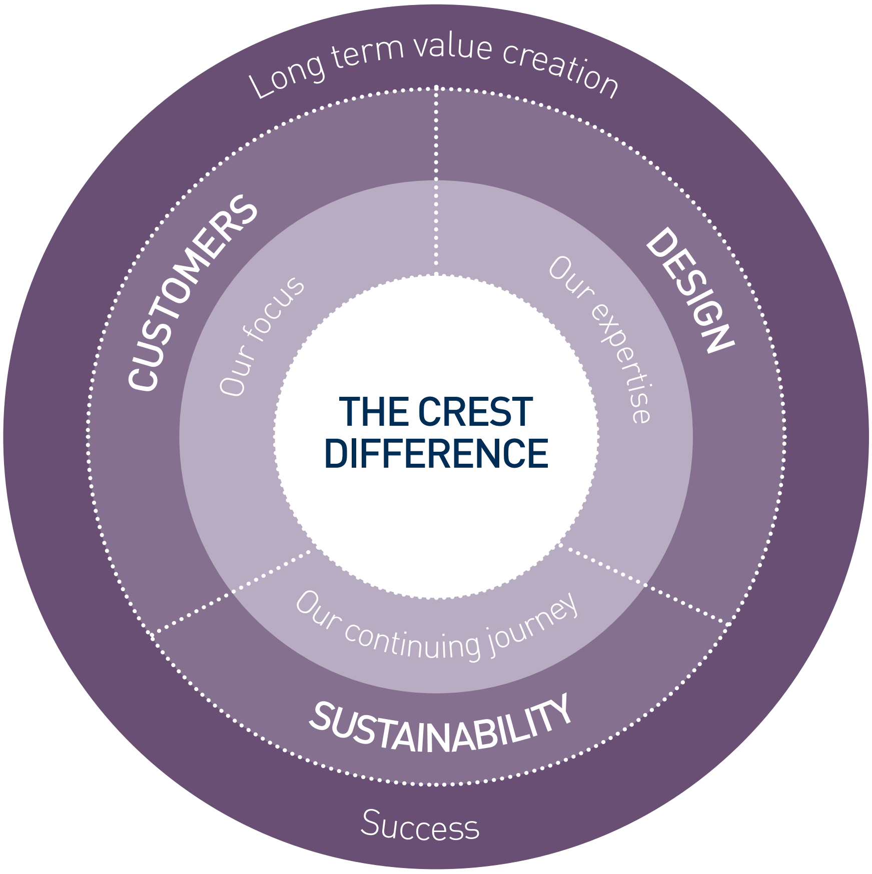
Providing an outstanding customer experience from start to finish, delivering quality homes and high levels of customer satisfaction.

DESIGN

Reinforcing an aspirational, design led approach to create vibrant, mixed-used communities where people want to live, work, learn and play.

SUSTAINABILITY

Integrating the three pillars of social, economic and environmental sustainability to deliver a legacy of enduring value to communities and to the business.



FOCUSED BUSINESS MODEL

STRONG LAND BANK	
Well located sites of quality and variety	Our well located, quality land bank is made up of varied sites mainly across the southern half of England and in London (approximately 70% of the land bank) and selected prime areas in the southwest of England (approximately 25% of the land bank). The strategic land bank, representing 43% of the total, is an important factor in the Group's ability to generate sustainable, robust margins over time and has good prospects for obtaining planning consent in due course. 90% of the short term land bank has planning consent. The composition and quality of our land bank therefore provides the business with a stable platform for value creation both in the near and longer term.
SUCCESSFUL PLANNING OUTCOMES	
Bringing developments through planning, offering excellence in design and building consensus with communities	Our track record of gaining community support and converting planning permissions is a critical factor in acquiring strategic land at a competitive price as landowners recognise the expertise of our management team in successfully bringing land through the planning process. This has been a key part of the Group's industry leading operating margins of 18% and a ROCE of 20%+ in the past two financial years.
PLANNING, DESIGN AND CONSTRUCTION EXCELLENCE	
High quality, desirable homes forming the platform for vibrant communities	Inspirational masterplanning, customer led design and high quality construction are essential for creating new homes and sustainable places where people aspire to live. Customer demand for Crest Nicholson homes is reflected in continuing strong sales and margins in 2012.
LEGACY AND LONG TERM STEWARDSHIP	
Creating places of lasting value with sound infrastructure and processes for long term management	As part of our mission to help create places in which vibrant, viable and sustainable communities can grow and thrive, we contribute to local public infrastructure, develop management strategies for maintaining buildings and public spaces, and, with our customers, we study how our homes are performing. This enhances the quality and desirability of our evolving designs – strengthening brand reputation and delivering value over the long term.

HOW WE DELIVER

FINANCIAL STABILITY	
Robust finances and a sound balance sheet	Throughout and after the downturn, the Group has traded well and delivered strong operational results.
APPROPRIATE SCALE OF BUSINESS	
A scalable business platform that supports managed growth	The Group's business structure is scaled to deliver a strategy of steady growth which enables the management team to combine effective strategic leadership with a significant degree of hands on involvement in day-to-day operations.
PARTNERING FOR SUSTAINABLE DEVELOPMENT	
Bringing experience and knowledge to public sector, local authority and private partnerships	Our team has leading expertise in land acquisition, planning, high quality design and delivery, and customer care. Combining these with the expertise of our development and supply chain partners provides unique opportunities to innovate and improve within environmental limits.
TALENT AND EXPERIENCE	
Highly experienced management, strength in depth at all levels and continuous investment in skills	The Group has a highly experienced management team with a significant strength and depth of expertise in the property development sector.
INNOVATING AND INVESTING IN LOW CARBON DELIVERY	
Long term supply chain partnerships, innovations and resource efficiency to deliver new homes for sustainable lifestyles	To futureproof our offering, we research emerging trends in customer needs, expectations and lifestyles, prepare for the challenges of adapting to climate change, and work closely with our suppliers, partners and contractors to develop innovative, low carbon solutions which respond to the Government's zero carbon timeline.

GROUP STRATEGY FOR GROWTH

A carefully managed growth strategy while maintaining excellence in all areas.

OUR GROUP AMBITION

creating well designed, high quality and sustainable homes and inspiring places in which communities can grow and thrive.

BY UNDERSTANDING

what our customers want and considering society's emerging needs, the business delivers value today and invests in the future for all our stakeholders.

CHOSEN FOR OUR KEY STRENGTHS

Sustainable developments with an enduring positive legacy.

High quality planning, design and construction.

True partnering at all stages of the development process.

Responsible, transparent operations to safeguard people and the environment.

Park Central, Birmingham

REALISING OUR OBJECTIVES

KEY OBJECTIVES	FOCUS AREAS	PLAN OF ACTION
VALUED PARTNER		
Continue to be a partner of choice	Be a partner of choice for the public and private sectors in London and the south of England.	High quality, desirable homes and mixed-use buildings.
		Well designed sustainable developments in primary locations.
LAND SUPPLY		
Selectively grow the land bank	Acquire appropriate number of well located, quality sites for short term land bank.	Strong shareholder returns and enhanced margins.
	Secure strategic sites and seek viable planning permissions.	A sustainable land supply.
	Leverage the Group's significant track record and reputation in the land market to further increase the number of larger development sites.	Future development pipeline.
DELIVERY AND OPERATIONS		
Managed growth of the business	Leverage growth potential across the Group.	Increased output per annum with a particular focus on growth potential in Major Projects and London divisions.
	Continue to operate the business at an appropriate scale.	Optimum scale of business to enable continued strong governance through senior management involvement in operational detail as well as strategy.
Continue to pursue operational excellence	Maintain high standards of quality and efficiency in all areas of operation.	Quality homes ready and defect free at point of completion.
	Reinforce customer service culture.	A stress free acquisition process for our customers and timely, courteous service post-occupancy.
Continue to improve the Group's capital structure	Reduce levels of gearing in line with publicly reporting peer group.	Deleveraged Group in due course.
CUSTOMERS, MARKET AND INDUSTRY		
Anticipate and meet evolving market trends	Continue to research and develop innovative customer led products and services.	An offer that delights our customers and meets tomorrow's market expectations as well as today's.
Show industry leadership in housing policy development	Play an active role in shaping government financial, planning and regulatory policy.	Cost effective customer focused solutions, particularly in the area of 'zero carbon' homes.

A SNAPSHOT OF OUR DEVELOPMENTS

SECURING QUALITY SITES AND A SUSTAINABLE SUPPLY OF LAND

St Peter's Place, London W6

The acquisition of a very well located residential address between Chiswick and Hammersmith and within a much sought after conservation area.

A select and highly specified development of 41 luxury one and two bedroom apartments and exclusive three and five bedroom townhouses.

Responding to the scarcity of new homes and significant pent up demand.

Optimising revenue and enhancing sales through a meticulous design process.

> We focus on securing sites in good central locations, carefully tailoring every scheme to complement and enhance the local area. The homes we are creating at St Peter's Place are perfectly aligned to the locality and will appeal to sophisticated and exacting purchasers.

Trevor Selwyn
Managing Director
Crest Nicholson London

OBTAINING CONSENSUAL PERMISSION

Kilnwood Vale, Crawley

A new 132 hectare community comprising 2,500 homes west of Crawley.

Working in partnership with Horsham District Council and Crawley Borough.

Original option signed in 2002 and promotion through the Core Strategy and Area Action Plan followed. Planning was granted in October 2011 and the site was subsequently purchased in October 2012.

One of the first schemes to start on site following successful £2.3m Get Britain Building funding allocation.

> I am delighted to see this site being built up. It has been over six years since the first proposals were initially considered. People do not realise how long it takes to bring a site from the strategic level to construction. This is a good example of cooperation between neighbouring authorities.

Councillor Ian Howard
Horsham District Council's Cabinet Member for Living and Working Communities

DELIVERING PROJECTS THROUGH COMMITMENT AND FLEXIBILITY

Bath Riverside, Bath

A new urban quarter within a UNESCO World Heritage city on an 18 hectare brownfield site.

Delivering up to 2,281 private, rented and shared ownership homes, up to 675 student rooms, and 50,000sq ft of non residential space including a doctors' surgery and primary school (first occupations in 2012).

An open, transparent partnership with Bath & North East Somerset Council, Curo Group (former Somer Community Housing Trust), and Homes and Communities Agency has allowed the scheme to evolve over many years and be delivered with local and regional support.

> Regenerating the city's vital riverside corridor has been helped to a great extent by Crest Nicholson's commitment to the project over many years. We are now seeing the results of their proactive and collaborative approach in partnership with us, as we see a new community spring up to provide housing for a new generation of Bath residents.

Councillor Cherry Beath
Cabinet Member for Sustainable Development, Bath & North East Somerset Council

2012 KEY FACTS

1,882	2,145	16,959	50	12,623
NEW HOMES DELIVERED	PLOTS CONVERTED FROM STRATEGIC LAND BANK	SHORT TERM LAND BANK OF 16,959 PLOTS ON 72 SITES	50 SITES IN PRODUCTION AT 31ST OCT 2012	STRATEGIC LAND BANK OF 12,623 PLOTS ON 26 SITES

DESIGNING QUALITY AND CREATING LEGACY

Port Marine, Portishead

An integrated self sustaining mixed-use and tenure community located on a 26.5 hectare brownfield site, in the former industrial quarter of Portishead Quays.

Incorporating several residential character areas designed to reflect the gradual historical growth of the community.

Public realm marked by its continuity, sense of space, attractiveness, comfort, safety, access for impaired mobility and an integrated design approach.

Awarded Building for Life Gold.

> Throughout the life of this development, Crest Nicholson has demonstrated an exemplary approach to regeneration. Port Marine sets a new benchmark for residential development within the South West.

Noel Edwards
Former Director of Planning,
North Somerset Council

INNOVATING TO DELIVER LOW CARBON HOMES THROUGH AIMC4

Noble Park, Epsom

A unique £6.3m research consortium supported by the Government backed Technology Strategy Board.

Delivering low carbon homes through innovative materials and a 'fabric first' approach without renewable energy technologies.

Reduced costs for heating and carbon savings embedded for the life of the home.

Delivering to advanced energy performance Code level 4 (energy), and driving out the cost differential between these new designs and designs developed for the 2010 Regulations.

> This research project was exactly the bold step needed to address reduction in carbon emissions from new homes. Stimulation of innovation in the UK supply chain will yield new, cost effective industry solutions and the expertise of the partners will ensure a step change to underpin the delivery of sustainable communities.

Stephen Stone
Chief Executive,
Crest Nicholson

WORKING WITH GOVERNMENT TO HELP BUYERS

Aldermere, Cheshunt

Prime Minister David Cameron and Deputy Prime Minister Nick Clegg announced a series of measures to support the growth of the UK housing market at our Aldermere development in Cheshunt.

25% of buyers at Aldermere have purchased through FirstBuy and other shared equity schemes, demonstrating the need and ongoing demand for support schemes.

> Owning my own home seemed an impossibility and I put it out of my mind until I learned about FirstBuy. When I discovered that I could own my own home after all, I did some internet research and found Aldermere in Cheshunt.

Jenny Woods
FirstBuy purchaser,
Aldermere, Cheshunt

A VISION THAT INSPIRES GROWTH

The Laurels, Cedars Park

FINANCIAL REVIEW

24%

INCREASE IN HOUSING UNIT COMPLETIONS

Port Marine, Portishead

RESULTS

Results for the financial year ending 31st October 2012 are strongly ahead of the prior year, driven by a 24% increase in housing unit completions.

Sales revenues of £408m are up 28% on 2011, and operating profits up by 30% at £73.3m (2011: £56.4m). Operating margins of 18.0% are 0.3% ahead of the 17.7% achieved in 2011.

After financing costs and taxation, the Group recorded a profit of £63.9m (2011: £40.5m), up 58% on the prior year.

The business generated cash from operations of £28.8m (2011: £8.9m) while continuing to invest in land and work in progress. Inclusive of £16.3m (2011: nil) of funding secured under the Government's Get Britain Building scheme, cash and cash equivalents at the end of the year amounted to £150.1m (2011: £121.9m).

TRADING ANALYSIS

The business continues to operate in one principal segment, which is residential development. In addition to this core activity, the business 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.

HOUSING

Total Crest Nicholson housing completions in 2012 were 1,882 units, up 24% on the 1,520 completions achieved in 2011. The growth in volume over the prior year was driven by an improved rate of sale during 2012, and aided by a stronger opening forward sales position. In addition, the Group expanded the number of sales outlets from which it operated during the year, including its Bath Riverside development, which delivered 142 unit completions in its first year of operation.

Average selling prices for open market units in 2012 were marginally higher, at £230,000 compared to £224,000 in 2011. This increase included some mix effects but also incorporated a modest level of sales price appreciation.

Forward sales at 31st October 2012 for 2013 and later years amounted to £129.6m (2011: £142.2m), which includes 19% of forecast 2013 open market housing sales (2011: 23%).

MIXED-USE COMMERCIAL

Commercial revenues in 2012 of £26m were principally derived from two of the Group's mixed-use developments. At Bristol Harbourside, a 51,800ft^2 office block was completed and sold with the benefit of partial occupation, while at the Oakgrove development in Milton Keynes, a food store (let to a major retailer) and other ancillary commercial units were purchased by a pension fund and revenues have been recognised in line with the stage of construction. Revenues in 2011 of £30.6m primarily reflected the final account in respect of the town centre redevelopment at Camberley, Surrey.

MARGINS

Group gross profit margin for the period was 27.4% (2011: 28.6%), after sales and marketing costs, slightly lower than the prior year.

Administrative expenses have increased year on year, as the business has invested in a new division to bring renewed focus to its activities in London. Notwithstanding this investment, administrative costs as a percentage of sales have reduced from 11.0% in 2011 to 9.5% in 2012, as levels of activity have increased. Operating margins have therefore improved by 0.3% to 18.0% (2011: 17.7%).

28%

SALES REVENUES OF £408M ARE UP 28% ON 2011

Harbourside, Bristol

FINANCE COSTS AND TAXATION

Finance costs and taxation in 2012 differ significantly from the preceding year, where certain charges and credits arose in connection with the conclusion of the financial restructuring of the Group in September 2011.

Bank finance costs in the year are significantly lower than the prior year, comprising only bank interest charges and other financial expenses. In addition to similar costs, bank finance costs in 2011 included a £63.6m amortisation of bank debt fair value discount.

The £1.8m credit for taxation reflects further recognition of a deferred tax asset, in respect of past trading losses, partially offset by the deferred tax expense in the year and the reduction in asset value arising from changes in the tax rate. In 2011, the Group recognised a deferred tax asset, of which £65.0m was in respect of previously unrecognised temporary differences, on the grounds that the 2011 financial restructuring of the Group made the realisation of the related tax benefit through future taxable profits probable.

CASH FLOW AND FINANCIAL POSITION

The significant uplift in housing completions in the year, combined with higher cash receipts from Commercial sales, has enabled the Group to re-invest in land and work in progress, while still generating positive cash flow from operations.

The value of inventories on the balance sheet has increased 19%, by £75.2m to £469.4m (2011: £394.2m), with land creditors also increasing from £58.3m in 2011 to £90.3m.

At 31st October 2012, the Group had term loan facilities for £152.0m, which extended to September 2015. These loans were fully drawn and, along with £16.3m (2011: nil) of funding secured under the Government's Get Britain Building scheme and other loans of £12.1m, total borrowings totalled £180.4m. Cash and cash equivalents at the end of the year amounted to £150.1m (2011: £121.9m).

At 31st October 2012, the Group had net debt of £30.3m (2011: £42.8m) and a gearing ratio of 8.7% (2011: 14.9%). The Group continues to generate a strong return on capital employed, at 20.7%, down marginally from the 21.1% reported in 2011.

RE-FINANCING

After the balance sheet date, the Group re-financed an element of its bank loans, repaying £77m of term loans and entering into a new Revolving Credit Facility for £60m, which extends for four years, to December 2016.

The maturity date of £75m of the remaining term loans was also extended from September 2015 to December 2016.

In addition to establishing broader banking relationships, these changes will provide the Group with a more flexible financing structure, closely matching drawn funds to the working capital requirements of the Group through the year and will reduce financing costs.

LAND BANK

The Group's contracted land bank is summarised in terms of units and gross development value (GDV)[1] as follows:

	2012		2011	
	Units	GDV £m	Units	GDV £m
Short term housing	16,959	3,646	14,772	3,011
Short term commercial	-	235	-	285
Total short term	**16,959**	**3,881**	**14,772**	**3,296**
Strategic land	12,623	2,918	14,259	2,960
Total under contract	**29,582**	**6,799**	**29,031**	**6,256**

2,187

DURING 2012 THE SHORT TERM HOUSING LAND BANK HAS INCREASED BY 2,187 PLOTS

The short term housing land bank has increased by 2,187 plots during 2012, principally driven by the 2,145 plots converted from the strategic land bank. Other land acquisitions added 2,247 plots, while unit completions and the impact of re-plans accounted for the balance of the movement. The estimated GDV of the short term land bank has increased by 17.7%.

At the 2012 level of Crest Nicholson turnover, the short term housing portfolio represents 9 years supply, although the growth intentions for the business would result in a lower figure.

The Group remains focused on ensuring that the business has an appropriate number of sites open for sales at any one time, although faster rates of sale have resulted in outlet lives being shortened.

After a very successful year in which 4 planning consents were gained on strategic sites and the resultant plot conversions, we were pleased to add 5 new sites to the strategic land bank, to ensure that this important source of longer term development value is maintained.

[1] Throughout this document Gross Development Value (GDV) means the estimated total revenue from a development at current values based on the Group's current development plans for the land.

RISKS AND UNCERTAINTIES

Oakwood Gardens, Oxhey

PROACTIVE APPROACH TO RISK MANAGEMENT

Crest Nicholson operates a risk management process with key risk matrices at Board and divisional management board levels. The risk matrices generated are reviewed and updated at least annually and at any time when significant new risks emerge.

The Group's approach recognises that managing risk is a core element of executive management and that the risk management framework must be proactive and dovetail with normal business processes in order to drive business benefits. Making it part of normal business therefore means:

- having a hierarchy of risk assessments;
- focusing on key risks;
- linking the assessment of risks to consequential actions;
  - – monitoring controls
  - – developing mitigating actions
  - – establishing ownership.

Risks are assessed in terms of their impact and probability and given a high, medium or low inherent risk ranking. Mitigating actions are considered and a residual risk rating is identified, which in turn helps to establish whether further mitigations are required.

KEY AREAS OF FOCUS

Group and divisional assessments focus on inherent risks that could affect the achievement of objectives. Divisions are instructed to make their risk assessments directly pertinent to their own business context and operations, leaving the Group risk assessment to pick up broader themes, particularly in relation to external sources of risk.

AREA	RISK	MITIGATION	OWNERSHIP
The macro-economic climate continues to be uncertain, with slow growth and unresolved issues in the Eurozone	Consumer confidence is undermined by a worsening of current economic conditions, leading to a rise in unemployment and/or pessimism about employment prospects.	Keep economic environment under review, to ensure the business can respond appropriately to changes in trading conditions.	Board
Mortgage lending continues to be constrained, particularly at higher Loan to value ratios	Mortgage availability will continue to be constrained, particularly for first time buyers requiring higher loan to value products.	Monitor lending product availability, work to increase finance availability for developments and seek to assist purchasers through the use of schemes such as the Government's HomeBuy Direct and NewBuy. Consider options for alternative tenures.	Executive
Planning changes increase uncertainty and, consequentially, delay	The introduction of the principles of 'localism' to planning matters and the ongoing debate in relation to the National Planning Policy Framework (NPPF), are likely to cause uncertainty and delay, as local authorities weigh the benefits of housing development against other pressures.	Develop understanding of the new approach to planning, working closely with key regulators and decision makers and incorporating planning environment uncertainties into assessment of land opportunities.	Executive
Development costs	Increases in build cost arising from inaccurate estimating, incomplete tendering or failure to use business systems and/or comply with business processes.	Regular cost reviews and analysis of projected costs to complete of projects. Use of 'panel' subcontractors for significant works. Monitor and drive compliance with core business systems and processes	Executive/ Group Production Director
Recruitment and retention	Ability to recruit and retain staff with the requisite skills to secure and deliver sustainable developments that generate appropriate returns.	Ensure the Group is a desirable employer, with competitive packages, clear career progression, good communication, training and review processes.	Executive
Regulation	Changes to Government Policy on housing and planning gain, increasing regulation, cost and delay will render schemes and land buying unviable.	Monitor closely changes/proposed changes in regulatory environment and make representations as necessary. Ensure financial appraisals include new regulatory cost assessments.	Executive
Health, safety and environmental	Injury to persons, potential loss of life, serious damage to sites and environment. Reputational damage and costs.	Executive Board leadership and scrutiny of health, safety and environment. Risks assessed and integrated into management processes from earliest stage (pre-acquisition). Dedicated teams in place, with comprehensive procedures and controls.	Board/CEO

Social and environmental risk is analysed in more detail in our 2012 Sustainability Report.

THE ROLE OF BUSINESS ASSURANCE

The business has a business assurance function that reports to the Audit Committee. The Audit Committee reports to the Board and the external Auditor perform controls work as part of the annual audit.

The business assurance work programme is designed (and flexed) to take account of the key risks identified by the Group, as an extension of the general remit of the function to support the achievement of the Group's financial and operational objectives.

A VISION THAT INSPIRES INNOVATION

Kaleidoscope, Cambridge

SUSTAINABILITY REVIEW

Chris Tinker
Regeneration Chairman

Our aspiration to deliver truly sustainable homes and communities requires us to balance economic, social and environmental factors on every scheme. High quality, low carbon homes set in well designed places provide communities with opportunities for a more sustainable lifestyle.

At Crest Nicholson, we also emphasise sustainability throughout our development process – protecting and where possible enhancing local ecology and habitat, and continuously limiting our own operational impacts, with a focus on energy and carbon, waste reduction and resource consumption.

We remain focused on bringing forward projects efficiently and responsibly in partnership with our stakeholders. With this in mind we have continued to strengthen our relationship with government, taking part in constructive dialogue on further increasing supply, both to meet housing needs and to fuel economic recovery.

Our focus on innovation gives us a distinctive place in the housing market. We have continued to break new ground through our AIMC4 programme in readiness for the 2016 'zero carbon' homes requirement – a key challenge for our sector.

We are now converting the learning and research from AIMC4 into technical advances that stands us in good stead to meet the Government's 'zero carbon' housing agenda cost effectively, as well as delivering customer benefits and yielding competitive advantage in the low carbon economy.

The Group maintains its leading position in the Next Generation Benchmark, achieving second position with a significant improvement on our 2011 score. This is an independent assessment of sector performance across a range of indicators, from governance to climate change. Our sector leadership in sustainability is a key differentiator in securing public and private sector opportunities, borne out by our excellent record in acquiring land and planning permissions.

> "We are well equipped to deliver sustainable communities through our key strengths in high quality planning and design, partnerships, and consensus building at local level."

Blenheim Square, Epping

MANAGING SUSTAINABILITY

Operating Board	Drives sustainability strategy and reviews performance.
Sustainability Business Improvement Workgroup (BIW)	Chaired by the Operating Board Member responsible for Sustainability. Comprising two Board Members plus senior managers. Provides Group level thought leadership, strategy and policy development, and implementation support to the other BIWs: Production, Customer, Experience, Development.
Sustainability Team	Develops strategy, leads and facilitates implementation.
Projects – Operational personnel	Sustainability goals are delivered as part of the development process and embedded in everyday operations, with partners, on site and in offices.

SUSTAINABILITY STRATEGY

This year, we embarked on a review of our Sustainability Strategy to ensure that we stay ahead of emerging trends over the next five to ten years. With a team of 30 employees from different levels and disciplines across the business, we identified and considered a whole range of factors which include:

- Increasing customer expectations for high quality design, product and service
- Societal demand for transparency over responsible business practices
- The impact of changing demographics
- Supply chain skills and capacity
- Impacts of climate change and natural resource constraints.

We are developing a strategic framework in response to these issues, to stretch our thinking and help ensure that we have a sustainable business model capable of delivering value now and into the future.

As part of this process, we are engaging in constructive dialogue with key stakeholders including local authorities, development partners and suppliers, to invite insight and comment.

While we continue to develop this strategy our priority remains unchanged: to embed sustainability further into our business and processes to deliver stakeholder value at the same time as socio-economic and environmental benefits.

The rest of this section briefly outlines performance under the following themes, through which we continue to progress our sustainability agenda:

- Keeping the customer as the focus of the business
- Partnering to deliver sustainable communities
- Where good design meets low carbon
- A responsible and ethical business.

For full details of our performance in these areas, please see the Crest Nicholson Sustainability Report 2012.

Chris Tinker
Regeneration Chairman and Board director with responsibility for sustainability

4.9 teq*

OPERATIONAL CARBON FOOTPRINT FURTHER REDUCED FROM 5.5 teq TO 4.9 teq PER PERSON

TARGETING A 25% REDUCTION BY 2020
(baseline: 2007)

* Tonnes equivalent carbon

A VISION THAT INSPIRES A LIFESTYLE

200

WE HELPED OVER 200 FIRST TIME BUYERS TO BUY THEIR NEW HOME THROUGH EASYBUY AND THROUGH GOVERNMENT BACKED SCHEMES INCLUDING FIRSTBUY AND HOMEBUY DIRECT

KEEPING THE CUSTOMER AT THE HEART OF THE BUSINESS

We have an unwavering commitment to excellent customer service. This year, to achieve our own stretching targets we created a new role of Head of Customer Experience to oversee the customer journey and drive tangible improvements in customer satisfaction.

As well as high expectations of design and service, customers are increasingly looking for support to smooth the buying process. Our goal is to ensure that every one of our customers is always fully supported and delighted with their new home.

To deliver this we must ensure that the customer is at the heart of everything we do, from detailed design, product selection and build quality to sales and marketing – and of course once they have moved in.


Elements, Epsom

FOCUS 2012	KEY ACHIEVEMENTS
Delivering excellence in customer service	5 star rating in the HBF Customer Satisfaction Survey for the third year. 9 out of 10 of our customers say they would recommend us to a friend (2011: 9 out of 10). Introduced a more personalised service by ensuring that every customer who reserves a new home receives a personal communication from a Crest Nicholson Managing Director.
Understanding our customers' needs	Planned research with occupants of our groundbreaking AIMC4 homes in Epsom and at Centenary Quay, Southampton, to obtain qualitative feedback from our customers in respect of design, layout, comfort and low carbon heating technologies. Continued to use learning from previous customer research to inform product and service developments.
Helping our customers get on the housing ladder	Helped over 200 first time buyers to buy their new home through EasyBuy (our own shared equity scheme) and through government backed schemes including FirstBuy and HomeBuy Direct.

PARTNERING TO DELIVER SUSTAINABLE COMMUNITIES

Delivering successful sustainable communities requires a commitment to working in partnership over the lifecycle of the development, from initial masterplanning to delivery and beyond.

We engage continuously with our key partners in development including local authorities, residents and interest groups, with whom we work closely to develop proposals and build good relationships at every stage of the process.

We have built a true partnering culture with our suppliers, and developed interactive learning circles to ensure that benefits are generated for our business, our suppliers and ultimately our customers.

1,882

NEW HOMES DELIVERED

FOCUS 2012	KEY ACHIEVEMENTS
Partnering to bring developments forward responsibly	Delivered 1,882 new homes and worked with local authorities to secure a number of key planning permissions. Bid successfully for Get Britain Building One funding, to kickstart seven developments, six of which started in the year.
Contributing to public policy on the future of housing	Members of the Operating Board and management teams have been actively working with government departments to help shape future policy. Supported the Town and Country Planning Association's work on Garden City principles as the basis of creating high quality sustainable communities.
Developing innovative approaches with the supply chain	Continued to develop a ground breaking framework partnership for delivering low carbon distributed heating with a major utility provider. Grew and deepened our partnering with suppliers to achieve cost effective innovation in products and delivery processes. Increased our requirements on suppliers for resource efficiency and environmental risk management.
Promoting sustainable procurement	Continued to implement our Sustainable Procurement Policy. Continued our commitment to auditing our timber supply as legally sourced and assured (working with the WWF Forest and Trade Network) and to focus on procurement of FSC certified supply.

WHERE GOOD DESIGN MEETS LOW CARBON

We have continued to invest in customer led innovation to develop cost effective delivery of well designed, low carbon homes.

A key priority for our sector is preparing for anticipated changes in regulation to help achieve stretching targets in home energy standards, and we have continued to drive innovation in cost effective low carbon homes via the AIMC4 consortium. The UK Government has maintained the commitment that all homes sent to planning in 2016 must be 'zero carbon', but have yet to confirm the price of carbon and full compliance mechanisms.

GOLD

8 OF OUR SITES HAVE ACHIEVED THE GOLD STANDARD* UNDER BUILDING FOR LIFE, THE LEADING BENCHMARK OF SUSTAINABLE DESIGN

*BfL criteria subsequently revised in 2012 as BfL12.

FOCUS 2012	WHAT WE ACHIEVED
Designing for sustainability	Assessed all our new schemes against Building for Life (BfL), with 100% achieving a minimum of 14/20, equivalent to a Silver under the original Standard. Began planning how best to embrace BfL12, the new BfL assessment tool.
Delivering low carbon homes	276 (15%) were to Code 4 (2011: 58, 4%). 544 (30%) of homes delivered were to Code for Sustainable Homes level 3 (2011: 535, 34%). 324 (18%) to EcoHomes standards (2011: 429, 27%).
Innovating and learning	Delivered five exemplar AIMC4 homes at Noble Park, Epsom. Using the learning, successfully tendered designs on two HCA sites to the new Fabric Energy Efficiency Standard. A range of fully tested cost effective technical innovations are now being deployed across our low carbon housing designs.
Clarifying 'zero carbon' regulation	Continued to contribute to the Zero Carbon Hub workgroups to find solutions to 'zero carbon' challenges. As part of contributing to the new building regulations, shared our knowledge from the AIMC4 project and the Building Performance Evaluation/Post-Occupancy Evaluation studies with the Government.

Elements, Epsom

A RESPONSIBLE AND ETHICAL BUSINESS

We are proud of the talent, commitment and energy of our employees, and in turn we ensure transparency, openness and investment in skills, with a commitment to engaging our people in the vision and direction of the Group.

We continued to invest in skills development for our sales, customer service and management teams, grew the number of apprentices working with us, and maintained our graduate trainee intake.

Health and safety remains paramount and once again we recorded an Annual Injury Incidence Rate of below our HBF peer group and the construction sector average.

As part of reducing our operational impacts, we continue to report annually on our carbon footprint, and set long and medium term targets to reduce our carbon emissions, partnering with our suppliers to eliminate waste.

FOCUS 2012	WHAT WE ACHIEVED
Engaging with our employees	New company wide bonus scheme. Regular communication of business strategy and achievements.
Developing expertise	12.8 hours of training per employee (2011: 8.5). Number of apprentices increased from 44 to 45, a further six being recruited. Six graduate trainees (2011: 5).
Driving health and safety for all Managing environmental risk	48% reduction in annual injury incidence rate since 2008. Committed to HBF Health and Safety Charter. Zero prosecutions and fines (2011: 0) and 172 days of training (2011: 200). Reinforced the Group health and safety team with three further members and integrated environmental site management into the roles. Refreshed best practice standards for environmental site management.
Measuring and continuously improving operational impacts	Reduced our office energy use by a further 2.5% (2011: 7.5%). Reduced our operational carbon footprint from 5.5 teq to 4.9 teq per person. We report our carbon footprint annually according to The Greenhouse Gas Protocol and our data is externally assured. Targeting a 25% reduction by 2020 over 2007 levels.
Conserving resources	Further reduced waste sent to landfill 2012: 6% (2011: 11%). Partnered with our groundworkers to maximise re-use of spoil – targeting zero spoil to be taken offsite where possible. Set up Waste Reduction Panel with suppliers, independently chaired by the National Industrial Symbiosis Programme (NISP).

50

SUPPORTING THE 'HOPE BUILDER' CAMPAIGN PART OF HABITAT FOR HUMANITY CHARITY

IN 2013, WE WILL BE FUNDRAISING TO HELP FINANCE THE CONSTRUCTION OF 50 NEW HOMES FOR PEOPLE IN EXTREME NEED IN DEVELOPING COUNTRIES

A VISION THAT INSPIRES PARTNERSHIP

AIMC4 at Noble Park, Epsom

BOARD OF DIRECTORS

RESPONSIBILITIES OF THE BOARD

The Crest Nicholson Group operates through its Holdings Board with day-to-day executive management delegated to the Operating Board.

The Holdings Board is responsible for setting and monitoring Group strategy, reviewing performance, protecting the business from reputational damage, ensuring adequate funding, formulating policy on key issues and reporting to its shareholders. The Board has oversight of the Operating Board, which has responsibility for the day-to-day operation of the business and developing strategy for the Holdings Board's input and approval.

The Board has three Non-Executive Directors and two Executive Directors.

100+

YEARS OF EXPERIENCE IN UK HOUSEBUILDING

01 **Kevin Maguire**
Company Secretary

02 **Steve Evans**
Group Production Director

03 **Robin Hoyles**
Group Land and Planning Director

04 **William Rucker**
Non-Executive Chairman

05 **Stephen Stone**
Chief Executive

06 **Pam Alexander, OBE**
Non-Executive Director

07 **Chris Tinker**
Regeneration Chairman

08 **Malcolm McCaig**
Non-Executive Director

09 **Patrick Bergin**
Group Finance Director

"The Board" refers to the main board of the Company, also known as the Holdings Board.

HOLDINGS BOARD

William Rucker
Non-Executive Chairman

Malcolm McCaig
Non-Executive Director

Pam Alexander, OBE
Non-Executive Director

Stephen Stone
Chief Executive

Patrick Bergin
Group Finance Director

OPERATING BOARD

Stephen Stone
Chairman

Patrick Bergin
Group Finance Director

Chris Tinker
Regeneration Chairman

Steve Evans
Group Production Director

Robin Hoyles
Group Land and Planning Director

Kevin Maguire
Company Secretary

A Audit Committee
N Nomination Committee
R Remuneration Committee

William Rucker A N R
Non-Executive Chairman

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

Malcolm McCaig A N R
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 non-executive director roles, including London Capital Group, 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, strategic business development and change management.

Stephen Stone N R
Chief Executive

Stephen Stone joined the Group in 1995. He was appointed to the Board in 1999, becoming Chief Executive on 1st November 2005. Stephen is the Board member responsible for health and safety. He is a Chartered Architect with over 30 years' experience in the construction and house building industry and in 2011 he joined the Home Builders Federation (HBF) Board as a Non-Executive Director.

Pam Alexander, OBE A
Non-Executive Director

Pam Alexander, the former Chief Executive of the South East England Development Agency (SEEDA), joined the Board of Crest Nicholson on 5th December 2011. Pam has more than 35 years of experience in the public, private and not-for-profit sectors, having worked closely with boards and government ministers on strategic policy and direction across numerous areas including regeneration and housing, innovation, growth and economic development. Pam is also a Non-Executive Director of the Design Council CABE, the Academy of Urbanism and a trustee of the Brighton Dome and Festival Ltd.

Patrick Bergin
Group Finance Director

Patrick Bergin joined the Group in 2006. He was appointed as 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.

Chris Tinker
Regeneration Chairman

Chris Tinker, a Chartered Builder, joined Crest Estates in 1988. Throughout 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 LEP and advisor to the HCA's Design and Sustainability panel.

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 Group Production Director and was previously Managing Director of the Eastern Region. Prior to rejoining the Group in 2009 he was 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
Company Secretary

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

DIRECTORS' REPORT

The Directors present their annual report with the consolidated accounts of the Company for the year ended 31st October 2012.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

During the year to 31st October 2012, the principal activity of the Group was the design and delivery of sustainable housing and mixed-use communities. The Chairman's statement, the Chief Executive's review and the Financial Review discuss the performance and position of the Group along with a more detailed commentary on the future outlook of the Company. The Company is incorporated in England and Wales.

RESULTS AND DIVIDEND

The Group's consolidated profit after taxation for the financial year ending 31st October 2012 was £63.9m (2011: profit £40.5m).

No dividends were declared or paid in the financial year and the Directors do not propose a dividend.

SHARE CAPITAL

The Company has 10,000,000 ordinary shares, 65,000 A shares, 5,750 B shares, 6,957 C shares, 28,125 D shares and 18,000 deferred shares in issue at 31st October 2012. Movements in the share capital of the Company are shown in Note 18 to the consolidated financial statements.

ARTICLES OF ASSOCIATION

The Articles of Association regulate the internal affairs of the Company and cover such matters as Board and shareholder meetings, powers and duties of Directors, borrowing powers and the issue and transfer of shares.

The Articles may only be amended by special resolution of the shareholders.

DIRECTORS

The Directors during the year were:

Non-Executive Chairman
Mr WJ Rucker
Non-Executive Directors
Mr MG McCaig
Ms PE Alexander OBE (Appointed 5th December 2011)
Executive Directors
Mr S Stone
Mr PJ Bergin

Biographies of the Directors are detailed on pages 44-45. There were no contracts of significance during the financial year in which a Director of the Company is, or was, materially interested.

DIRECTORS INDEMNITIES

It is the Company's practice to indemnify its Directors and Officers to the extent permitted by law and the Articles against all costs, charges, losses, expenses and liabilities incurred in connection with any negligence, default, breach of duty or trust and any other liability incurred in the execution of their duties.

In addition the Company maintains Directors' and Officers' liability insurance for the Directors and Company Secretary.

DONATIONS

During the year the Group made donations to charities of £3,000 (2011: £2,000).

Employees have continued to support the Group's nominated charity, Variety, the Children's Charity and have raised £67,000 (2011: £57,000) to support this cause during the year.

There were no political donations made.


Papermill Walk, Ingress Park

EMPLOYMENT POLICY

The Group maintains and operates an Equal Opportunities Policy. The Group seeks to ensure at all times that all employees and prospective employees and individuals receive equal and proper treatment regardless of sex, marital status, sexual orientation, religious belief, colour, race, nationality, ethnic origin, age or disability. The Group values diversity and equality, and selects employees based on their aptitude and abilities.

SUSTAINABILITY

The Group publishes a Sustainability Report, which it submits to external benchmarking. A summary of the Group's Sustainability Report can be found earlier in this Annual Report and Accounts and on the Group's website. Sustainability is at the core of the Group's strategy and product, and the Group embeds sustainability in all its activities and operations.

HEALTH AND SAFETY

The Group believes and acknowledges that health and safety is a critical part of managing our business and staff. Policy management, inspection and training are carried out by the Group's health and safety team under Stephen Stone, who is the Director responsible for health and safety. The Group's health and safety team work with Divisions and the Group to encourage and develop high quality practice and education to ensure that everyone on our sites remains as accident and incident free as possible. The Group embraces appropriate health and safety policies and practices throughout its operations.

ESSENTIAL CONTRACTS

The Group does not have any contracts that are considered alone to be essential to the business of the Group. The Group does on occasion make significant purchases of goods and services in a particular discipline from a sole supplier where this is necessary for efficiency, practicality or value. However, it does so only after a detailed tender or appropriate selection process and in the context of the level of risk such sole supply might bring.

DISCLOSURE OF INFORMATION TO AUDITOR

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

AUDITOR

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office.

By Order of the Board

Kevin Maguire
Company Secretary

Crest House
Pyrcroft Road
Chertsey
Surrey
KT16 9GN

Registered no: 6800600

16th January 2013

CORPORATE GOVERNANCE

> Good corporate governance is at the heart of successful business.

CHAIRMAN'S INTRODUCTION

Good corporate governance is at the heart of successful business. The Board is committed to high standards of corporate governance. It has established and operates a practical risk based framework based on core values and standards.

As a private limited company, Crest Nicholson Holdings Limited is not bound by the UK Corporate Governance Code but the Board believes that by seeking to comply with best practice it has contributed towards shareholder wealth and the future success of the Company.

The Board is ultimately responsible for the activities, successes and any failings of the Group's operation. However, it delegates day-to-day operational responsibility to the Operating Board, a properly constituted and skilled team of senior management.

Reflecting the Holdings Company governance structure, the Board of the Company focuses on the overall oversight of the Group and its strategic and corporate direction. The Board has overall responsibility for the conduct of the Group's business, ensuring that the obligations to its shareholders and other stakeholders are understood and met. Each Board Director is aware of his/her responsibilities, individually and collectively, to promote the long term success of the Company and as such the Group.

William Rucker
Chairman

BOARD OF DIRECTORS

STRUCTURE OF THE BOARD

The composition of the Board is designed to ensure effective management and control of the Group. The Board has an appropriate balance of Non-Executive and Executive Directors consisting of a Non-Executive Chairman and two Non-Executive Directors together with the Chief Executive and Group Finance Director.

The Board's Non-Executive Directors demonstrate a range of experience and professional backgrounds that enables them to make a valuable contribution to the Group and to provide independent judgement and challenge to the Board. They present a balance of financial, corporate and risk skills together with design, property and commercial knowledge that supplements and complements the Executive Directors' and Operating Board's combined industry experience.

Biographies of the members of the Board and the Operating Board are set out on pages 44-45.

BOARD EFFECTIVENESS

The Board regularly reviews the Group's strategy and engages with its stakeholders and shareholders as part of this process.

The Board recognises that its material asset is its land bank. Whilst the Board delegates an appropriate authority to the Operating Board to undertake acquisitions of the majority of new sites as it deems necessary, the Board retains oversight of all acquisitions through regular reporting and approval of all material acquisitions.

The Board receives regular management reports. Additional briefing material is provided to the Board as required by operational events. The ability for the Board to respond dynamically to requirements is a key part of its operational efficiency and success.

Within the Board, there is a clear division between the role of the Chairman and Chief Executive. The Chairman is primarily responsible for overseeing the working of the Board. He leads the Board in the determination of strategy, overseeing the conduct of Board meetings to ensure appropriate involvement from each Director in order to contribute to an effective decision making process.

The Directors have access to the Company Secretary for any corporate or Group matters including legal and regulatory information, and ensuring good information flows within the Board and its committees and between the executive team and Non-Executive Directors.

Directors may, at the Company's expense, take independent professional advice and receive additional training. All new Directors participate in a customised induction training programme and receive the necessary policies and preparation required to carry out their duties, spending appropriate time with the Operating Board and any other members of management that are appropriate.

The Board reviews its own performance and evaluates its effectiveness in providing strategic direction to the Group and maintaining appropriate relationships with shareholders and other stakeholders.

The Board held six meetings during the year, with the following attendance by Directors:

Meetings	Nov 2011	Jan 2012	Apr 2012	Jun 2012	Jul 2012	Sept 2012
Attendance	4/4	5/5	5/5	5/5	5/5	5/5

Further, all members of the Board and Operating Board attended a strategy meeting in February 2012.

Hunts Grove, Gloucester


Kaleidoscope, Cambridge

COMMITTEES OF THE BOARD

The Board devolves certain other areas of responsibility to Board Committees. The terms of reference of the Committees cover such issues as membership, the frequency of meetings, requirements of any quorum for and the right to attend meetings, and duties and reporting responsibilities of the respective Committee. The terms of reference also set out the authority of that Committee to carry out its duties.

Audit Committee
The Audit Committee comprises:
Malcolm McCaig (Chairman)
William Rucker
Pam Alexander

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 their integrity, and any formal announcements relating to the Group's financial performance.

The Committee reviews the scope of the annual audit and the extent of the non-audit work undertaken by external auditors, advises on the appointment and remuneration of external auditors and reviews the auditors' independence and the effectiveness of the audit process.

The Auditors' independence is ensured through a variety of procedures including regular rotation of audit partners. The Group's Policy on non-audit fees provides that fees in excess of a multiple of one times the audit fee must be approved by the Audit Committee. In the ordinary course of business it may be appropriate to make use of the Auditors for other services, for example for financial and tax advice.

The Committee is also responsible for reviewing the effectiveness of the internal control systems in place within the Group. It receives regular and detailed reports from the Business Assurance function that present its findings, suggestions and the progress that has been made.

The Audit Committee meets at least three times a year with the Auditors and is attended by the Chief Executive, Group Finance Director and other senior personnel as appropriate (by invitation). The Company Secretary also attends each meeting. The Audit Committee met three times during the year, with full attendance at all meetings.

Nomination Committee
The Group Nomination Committee comprises:
Malcolm McCaig (Chairman)
William Rucker
Stephen Stone

The Nomination Committee meets when necessary to consider and review any vacancies at Board and senior management level. The Nomination Committee will review the skills, knowledge and experience of potential candidates and make recommendations to the Board and the Remuneration Committee, who will consider the remuneration structure where applicable.

The Nomination Committee meets when necessary and other senior personnel are invited to attend as appropriate. No member or attendee is present for significant discussions about their own role or matters that directly affect them.

Remuneration Committee
The Group Remuneration Committee comprises:
Malcolm McCaig (Chairman)
William Rucker
Stephen Stone

The Remuneration Committee is responsible for reviewing and approving proposals in relation to annual salary increases, bonuses and performance related incentive programmes.

The Remuneration Committee determines the levels of remuneration for the Chairman, Chief Executive and Executive Directors and recommends and monitors the remuneration of members of senior management.

Remuneration packages will be aligned so they properly reflect performance and promote and protect shareholder interests.

The Group's remuneration strategy recognises the importance of attracting, retaining and motivating executives of the appropriate calibre and experience to enhance the performance and reputation of the Group. The size and complexity, as well as the long term nature of the business, are all important factors. The policy is to provide competitive potential levels of compensation, benefits and incentive opportunities within appropriate local markets.

The Remuneration Committee meets at least once a year. No member or attendee is present for significant discussions about their own role, remuneration or matters that directly affect them.

Ixia, London

RISK & INTERNAL CONTROL

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness ensuring there are appropriate systems and controls in place to safeguard the Company's resources.

Internal control procedures are designed to manage, rather than eliminate, the risk of not achieving business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board considers that there is a continuous process for identifying, evaluating and managing significant risks faced by the Group in the course of its business, which has been in place throughout the year and up to the date of approval of the Annual Report and Accounts. This process is regularly reviewed by the Audit Committee, Operating Board and the Board and is consistent with the internal control guidance for Directors in the UK Corporate Governance Code.

ORGANISATIONAL STRUCTURE & DELEGATION

A key part of the system of internal control is the delegation of management responsibility for the Group's land and property investment, development and operating activities, together with supporting functions, to Divisional management teams as appropriate. The Group's Regional Divisions have divisional management boards, which oversee their operations with direct input and oversight from the Operating Board. These management boards form an integral part of the overall internal control process.

Each Regional Division and the Company have management structures in place to enable effective decision making, with clear authority levels, supported by documented procedures and a regular review of financial performance, including comparisons against budget and forecasts. Management report monthly to the Operating Board.

RISK MANAGEMENT

The aim of risk management is to identify and document all inherent risks, which could affect the achievement of the Group's objectives.

Risk management is a regular agenda item for all parts of the business with the emphasis on continuous improvement. In the Regional Divisions, each divisional management board undertakes a regular assessment of its exposure to financial, operational and strategic risks and the measures that have been put in place to manage those risks. Risks are first documented in a divisional risk register and subsequently incorporated into the Group risk matrix. Each risk is classified and prioritised for further attention using the approved risk acceptance thresholds and categories.

Significant risks arising from Divisional assessments are monitored by the Group Operating Board, the Audit Committee and the Board.

BUSINESS ASSURANCE

The Group has a Business Assurance function to review internal control and risk management throughout the Group. The objective is to provide management with independent assurance that risks have been adequately identified, internal controls have been suitably designed to match business risks and that they are operating as intended. These activities are overseen by the Audit Committee, which approves the internal audit programme, considers the reports and monitors the implementation of any recommendations made.

POLICIES AND PROCEDURES

Policies and procedures, including operating and financial controls, are detailed in policies and procedures manuals. In particular the Group Authority Manual sets out the general principles of authority delegation within the Group, including authority limits. Where appropriate the procedures are integrated into the operating systems of the Group to ensure their full effectiveness.

There are strict approval processes in place in relation to the acquisition of land and the commencement of development projects. Regardless of whether a site ultimately requires approval of the Board, all sites go through a rigorous approval and assessment process.

Noble Park, Epsom

The Group operates a range of compliance, ethical and equal treatment policies. The Group also operates a whistleblowing policy where Directors, management and staff can report in confidence any concerns they may have of malpractice, financial irregularity, breaches of any Group procedures, or other matters. The policy details the appropriate lines of communication and includes the availability of the Audit Committee Chairman as a point of contact. The arrangements in place are reviewed by the Audit Committee.

In accordance with recent legislation the Group has implemented a number of policies and procedures to prevent bribery and corruption, including an Anti-Bribery and Corruption Policy, a Gifts and Entertainment Policy and guidance around bribery risk areas. The Group also undertakes appropriate training and other processes in relation to these policies.

CENTRAL FUNCTIONS

Strong central functions, including Legal and Company Secretarial, Human Resources, Health and Safety, IT and Marketing provide support and consistency to the rest of the Group. Each central function contributes in its area to ensure compliance, oversight, support and education with the relevant legal and regulatory requirements. In addition, the principal treasury related risks, decisions and control processes are managed by the Group Finance function.

RELATIONSHIPS WITH SHAREHOLDERS AND LENDERS

The Group enjoys a good working relationship with its lenders and shareholders. The Annual Report and Accounts and non-financial reporting are widely distributed through a variety of delivery channels and the Group's policy is to maintain appropriate contact during each financial year with shareholders and stakeholders.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND FINANCIAL STATEMENTS

The Directors are responsible for preparing the Directors' Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law they have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and applicable law and have elected to prepare the parent Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss for that period.

In preparing each of the Group and parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Financials

Oakwood Gardens, Oxhey

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CREST NICHOLSON HOLDINGS LIMITED

We have audited the financial statements of Crest Nicholson Holdings Limited for the year ended 31st October 2012 set out on pages 58 to 89. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent Company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Directors' Responsibilities Statement set out on page 55, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the APB's website at **www.frc.org.uk/apb/scope/private.cfm**.

OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31st October 2012 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent Company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

W E J Holland
(Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants
15 Canada Square
London
E14 5GL

16th January 2013

CREST NICHOLSON HOLDINGS LIMITED

CONSOLIDATED INCOME STATEMENT

For year ended 31st October 2012

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

The notes on pages 63 to 85 form part of these financial statements.

CREST NICHOLSON HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For year ended 31st October 2012

	2012 £m	2011 £m
Profit for the year	**63.9**	**40.5**
Other comprehensive income:		
Actuarial loss on defined benefit pension schemes	(1.7)	(10.2)
Change in deferred tax on actuarial loss	(1.8)	8.7
Change in fair value of available for sale financial assets	(0.3)	2.1
Other comprehensive (expense)/income for the year net of income tax	**(3.8)**	**0.6**
Total comprehensive income attributable to equity shareholders	**60.1**	**41.1**

The notes on pages 63 to 85 form part of these financial statements.

CREST NICHOLSON HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For year ended 31st October 2012

	Share capital £m	Share premium £m	Retained earnings £m	Total £m
Balance at 31st 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 assets	-	-	2.1	2.1
Financial restructuring	10.0	240.3	94.6	344.9
Balance at 31st 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 31st October 2012	**10.0**	**240.3**	**96.8**	**347.1**

The notes on pages 63 to 85 form part of these financial statements.

CREST NICHOLSON HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st October 2012

ASSETS	Note	2012 £m	2011 £m
Non-current assets			
Intangible assets	8	29.0	29.0
Property, plant and equipment	9	2.2	2.9
Investments	10	2.9	2.3
Available for sale financial assets	11	31.1	26.8
Deferred tax assets	16	74.9	75.2
		140.1	**136.2**
Current assets			
Inventories	12	469.4	394.2
Trade and other receivables	13	41.5	46.7
Cash and cash equivalents		150.1	121.9
		661.0	**562.8**
Total assets		**801.1**	**699.0**

LIABILITIES			
Non-current liabilities			
Interest bearing loans and borrowings	14	(176.1)	(162.7)
Trade and other payables	15	(34.8)	(24.7)
Retirement benefit obligations	20	(29.9)	(34.5)
Provisions	17	(7.1)	(11.1)
		(247.9)	**(233.0)**
Current liabilities			
Interest bearing loans and borrowings	14	(4.3)	(2.0)
Trade and other payables	15	(194.9)	(170.3)
Provisions	17	(6.9)	(6.7)
		(206.1)	**(179.0)**
Total liabilities		**(454.0)**	**(412.0)**
Net assets		**347.1**	**287.0**

As at 31st October 2012

SHAREHOLDERS' EQUITY	Note	2012 £m	2011 £m
Share capital	18	10.0	10.0
Share premium account	18	240.3	240.3
Retained earnings		96.8	36.7
		347.1	**287.0**

The notes on pages 63 to 85 form part of these financial statements.
These financial statements were approved by the Board of Directors on 16th January 2013 and were signed on its behalf by:

S Stone

P J Bergin
Directors

Registered no: 6800600

CREST NICHOLSON HOLDINGS LIMITED

CONSOLIDATED CASH FLOW STATEMENT

For year ended 31st October 2012	2012 £m	2011 £m
Cash flows from operating activities		
Profit for the year	**63.9**	**40.5**
Adjustments for:		
Depreciation charge	1.2	1.2
Net finance charges	9.4	82.6
Share of loss of joint ventures	1.8	1.4
Taxation	(1.8)	(67.5)
Operating profit before changes in working capital and provisions	**74.5**	**58.2**
Decrease/(increase) in trade and other receivables	5.2	(7.1)
Increase in inventories	(75.2)	(32.3)
Increase/(decrease) in trade and other payables	24.3	(9.9)
Cash generated from operations	**28.8**	**8.9**
Interest paid	(11.8)	(9.8)
Tax received	0.6	-
Net cash inflow/(outflow) from operating activities	**17.6**	**(0.9)**
Cash flows from investing activities		
Purchases of property, plant and equipment	(0.5)	(0.1)
Increase in available for sale financial assets	(4.6)	(3.8)
Net cash outflow from investing activities	**(5.1)**	**(3.9)**
Cash flows from financing activities		
Net proceeds from the issue of share capital	-	0.3
Debt arrangement and facility fees	-	(3.4)
Repayment of other borrowings	(0.6)	-
Proceeds from new loan	16.3	-
Net cash inflow/(outflow) from financing activities	**15.7**	**(3.1)**
Net increase/(decrease) in cash and cash equivalents	**28.2**	**(7.9)**
Cash and cash equivalents at the beginning of the year	121.9	129.8
Cash and cash equivalents at end of the year	**150.1**	**121.9**

The notes on pages 63 to 85 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For year ended 31st October 2012

1. ACCOUNTING POLICIES

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

The Group financial statements consolidate those of the company and its subsidiaries (together referred to as the "Group") and include the Group's interest in jointly controlled entities. The parent company financial statements present information about the company as a separate entity and not about its Group.

The Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("EU IFRSs"). The company has elected to prepare its parent company financial statements in accordance with UK GAAP; these are presented on pages 86 to 89.

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

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

MEASUREMENT CONVENTION

The financial statements are 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 31st October 2012 the group held cash and cash equivalents of £150.1m and had total borrowings of £180.4m. 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 financial statements of the Group on a going concern basis.

CONSOLIDATION

The consolidated accounts include 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 financial statements 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 Group's financial statements 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% and 33% 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 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 1st January 2012).
- Amendment to IFRS 7 in relation to transfer of financial assets (mandatory for year commencing on or after 1st January 2012).
- Amendment to IFRS 7 First Time Adoption of IFRS in relation to hyperinflation (mandatory for year commencing on or after 1st 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:

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

Auditors' remuneration:	**£000**	**£000**
Audit of these financial statements	38	38
Audit of financial statements of subsidiaries pursuant to legislation	116	112
Other services relating to corporate restructuring	-	26
Other services relating to taxation	58	247

In addition to the Auditors' 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

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

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

Staff costs	£m	£m
Wages and salaries	30.3	27.3
Social security costs	3.6	3.2
Other pension costs	1.6	1.3
	35.5	**31.8**

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	2012 £000	2011 £000
Aggregate emoluments	1,891	2,397

Retirement benefits have accrued to no (2011: no) 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). The aggregate value of the company defined contributions paid for Directors was £56,142 (2011: £60,000).

Highest paid Director		
Emoluments	1,128	1,019
Defined benefit scheme – accrued pension at end of year	123	117

5. FINANCE INCOME AND COSTS

	2012 £m	2011 £m
Interest income	1.4	0.4
Imputed interest on available for sale financial assets	2.9	2.6
Expected return on defined benefit pension plan assets	4.9	5.9
Finance income	**9.2**	**8.9**

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**

6. TAXATION

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

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

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

7. DIVIDENDS

There were no distributions to equity shareholders in the year (2011: 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 year	47.7
Impairment	
At beginning and end of year	(18.7)
Carrying value	
At beginning and end of year	29.0

Goodwill arose on the acquisition of Castle Bidco Limited on 24th 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% (2011: 9.21%), 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 31st October 2010	8.7
Additions	0.1
At 31st October 2011	8.8
Additions	0.5
At 31st October 2012	**9.3**
Accumulated depreciation	
At 31st October 2010	4.7
Charged in the year	1.2
At 31st October 2011	5.9
Charged in the year	1.2
At 31st October 2012	**7.1**
Carrying value	
At 31st October 2011	2.9
At 31st October 2012	**2.2**

10. INVESTMENTS

	Cost of investment/ Loans £m	Share of Post Acquisition Reserves £m	Total £m
Joint ventures			
At 31st October 2010	3.3	0.4	3.7
Share of loss for the year	-	(1.4)	(1.4)
At 31st 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 31st 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:

	2012 £m	2011 £m
Non-current assets	0.1	6.1
Current assets	31.0	37.0
Current liabilities	(29.6)	(13.9)
Non-current liabilities	(1.0)	(26.9)
	0.5	2.3
Net liabilities offset against amounts due from joint ventures	2.4	-
	2.9	2.3
Income	-	-
Expenditure	(1.8)	(1.4)
Loss	(1.8)	(1.4)

The Group has a 50% 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 31st October 2012, Crest/Galliford Try (Epsom) LLP had negative Capital Employed of £3m (2011: positive capital employed £42m), 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% 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 31st October 2010; at 31st October 2012, Crest Nicholson Bioregional Quintain LLP had Capital Employed of £3.7m (2011: £3.7m).

The Group owns 500 ordinary shares of £1 each representing 50% 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 31st October 2012, £3.3m (2011: 3.1m) was due from Crest Nicholson Operations Limited to Brentford Lock Limited, pending declaration of a final dividend.

The Group owns 414,860 ordinary shares of £1 each representing 50% 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 31st October 2012 Greenwich Peninsula N0206 Limited had capital employed of £0.4m (2011: £0.8m).

Subsidiary undertakings

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

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

The Group operates an 'EasyBuy' scheme, under which up to 25% 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% of the purchase price of selected properties is funded through loans of up to 15% 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

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

Included within inventories is £233.5m (2011: £286.1m) expected to be recovered in more than 12 months. Inventories to the value of £281.8m (2011: £219.3m) were recognised as expenses in the year.

13. TRADE AND OTHER RECEIVABLES

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

14. INTEREST BEARING LOANS AND BORROWINGS

	2012 £m	2011 £m
Non-current		
Term loans	152.0	150.0
Other loans	24.1	12.7
	176.1	**162.7**
Current		
Loan notes	-	2.0
Other loans	4.3	-
	4.3	**2.0**

15. TRADE AND OTHER PAYABLES

	2012 £m	2011 £m
Non-current		
Land payables on contractual terms	33.7	23.3
Accruals	1.1	1.4
	34.8	**24.7**
Current		
Land payables on contractual terms	56.6	35.0
Other trade payables	22.2	21.7
Payments on account	0.5	5.3
Due to joint ventures	1.4	1.6
Taxes and social security costs	1.2	1.6
Other payables	27.4	30.4
Accruals	85.6	74.7
	194.9	**170.3**

16. DEFERRED TAX ASSETS

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

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

At the time of finalisation of these financial statements, the expected future rate of corporation tax was 23% (2011: 25%). A further reduction in the corporation tax rate to 21% had been announced but not substantively enacted and is therefore not reflected in these financial statements. Trading losses of £26.5m and inventories fair value adjustments of £39.5m are expected to be recoverable in full and are therefore fully recognised as deferred tax assets in the above amounts. Non-trading deficits of £12.7m (2011: £1.0m) 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 31st October 2010	5.8	7.0	12.8
Credited to the income statement	(0.7)	(1.0)	(1.7)
At 31st October 2011	5.1	6.0	11.1
Credited to the income statement	(0.2)	(3.8)	(4.0)
At 31st October 2012	**4.9**	**2.2**	**7.1**
Current			
At 31st October 2010	1.7	4.8	6.5
(Credited)/charged to the income statement	(0.7)	0.9	0.2
At 31st October 2011	1.0	5.7	6.7
(Credited)/charged to the income statement	(0.3)	0.5	0.2
At 31st October 2012	**0.7**	**6.2**	**6.9**

18. SHARE CAPITAL

	Shares issued Number	Nominal Value pence	Share capital £	Share premium account £
A shares	70,000	0.0001	7	-
Deferred 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 31st 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 31st October 2012	**10,123,832**		**10,007,055**	**240,273,042**

Shares Purchased and Cancelled in the Year
During the year 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.

The classes of share in issue at 31st 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 31st October 2012 cash equivalents consisted of sterling cash deposits of £150.1m (2011: £121.9m), with solicitors and on current account, £31.1m (2011: £26.8m) of available for sale financial assets and £42.5m (2011: £46.7m) 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:

2012	Nominal interest rate	Face value 2012 £m	Carrying value 2012 £m	Fair value 2012 £m	Year of maturity
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	2014-2015
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	2013
Total current interest bearing loans		**4.3**	**4.3**	**4.3**	

2011	Nominal interest rate	Face value 2011 £m	Carrying value 2011 £m	Fair value 2011 £m	Year of maturity
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**	

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 re-financed an element of its bank loans (note 26).

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 31st October 2012 (2011: £nil). The repayment terms of the facilities are set out below. In addition there were undrawn guarantee facilities of £12.2m (2011: £5.9m).

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 31st 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 31st October 2012:

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
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 31st October 2012	**320.8**	**358.0**	**121.9**	**25.9**	**171.6**	**38.6**

Other loans of £12.1m 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.

2011	Carrying value £m	Contractual cash flows £m	Within 1 year £m	1-2 years £m	2-3 years £m	More than 3 years £m
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 31st October 2011	**280.5**	**323.7**	**101.3**	**23.5**	**19.1**	**179.8**

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 31st October 2012, the interest rate profile of the financial liabilities of the Group was:

2012	Carrying amount			
Sterling	Floating rate financial liabilities £m	Fixed rate financial liabilities £m	Financial liabilities carrying no interest £m	Total £m
Bank borrowings, loan notes and long term creditors	180.4	-	140.4	320.8

2011	Carrying amount			
Sterling	Floating rate financial liabilities £m	Fixed rate financial liabilities £m	Financial liabilities carrying no interest £m	Total £m
Bank borrowings, loan notes and long term creditors	164.7	-	115.8	280.5

The floating rate financial liabilities are subject to interest rates referenced to LIBOR. These rates are for a period of 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).

	2012 £m	2011 £m
The maturity of the financial liabilities is:		
Repayable within one year	111.1	94.5
Repayable between one and two years	14.5	12.3
Repayable between two and five years	162.2	157.9
Repayable after five years	33.0	15.8
	320.8	**280.5**

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.

	2012		2011	
	Equity £m	**Income statement £m**	**Equity £m**	**Income statement**
Increase in rates	(1.8)	(1.8)	(1.5)	(1.5)
Decrease in rates	1.8	1.8	1.5	1.5

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 7 fair value hierarchy: inputs for the asset 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 £1.3m (2011: £1.1m). 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 31st 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:

	31 October 2012 %pa	31 October 2011 %pa
Discount rate	4.3%	5.0%
Price inflation	2.6%	3.1%
Pension increases on benefit increasing in line with 5% or RPI if lower	2.6%	3.0%
Expected return on invested assets	4.4%	5.0%
Expected return on insurance annuity contracts	4.3%	5.0%

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 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 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:

	2012 %	2011 %
Equities	56.4%	52.4%
Bonds	28.4%	28.1%
Property	2.0%	2.1%
Cash	5.0%	9.4%
Secured annuities	8.2%	8.0%
Total	**100.0%**	**100.0%**

The amounts recognised in the year are as follows:

	2012 £m	2011 £m
Current service cost – recognised in administrative expenses	-	-
Interest cost – recognised in finance costs	7.2	7.3
Expected return on scheme assets – recognised in finance income	(4.9)	(5.9)
Total	**2.3**	**1.4**
Actuarial loss	1.7	10.2
Total defined benefit scheme costs recognised in the year	**4.0**	**11.6**

The cumulative debit to the Statement of Comprehensive Income since the adoption of IAS 19 is £33.0m (2011: £31.3m).

The actual return on scheme assets is:

	2012 £m	2011 £m
Expected return on scheme assets	4.9	5.9
Actuarial loss on scheme assets	(0.6)	(0.2)
Actual return on scheme assets	**4.3**	**5.7**

The amounts included in the balance sheet arising from the Group's obligation in respect of its defined benefit scheme are as follows:

	2012 £m	2011 £m
Present value of defined benefit obligations	147.9	144.2
Fair value of scheme assets	(118.0)	(109.7)
Defined benefit liability recognised in the balance sheet	**29.9**	**34.5**

A deferred tax asset of £6.9m (2011: £8.7m) has been recognised on the balance sheet.

Movements in the liability recognised on the balance sheet were as follows:

	2012 £m	2011 £m
At beginning of year	34.5	36.1
Total expense (as shown above)	4.0	11.6
Company contributions paid in the year	(8.6)	(13.2)
At end of year	**29.9**	**34.5**

Changes in the present value of the defined benefit obligation were as follows:

	2012 £m	2011 £m
At beginning of year	144.2	131.0
Interest cost	7.2	7.3
Actuarial losses	1.0	9.9
Benefits and expenses paid	(4.5)	(4.0)
At end of year	**147.9**	**144.2**

Changes in the fair value of scheme assets were as follows:

	2012 £m	2011 £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
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 £m	2011 £m	2010 £m	2009 £m	2008 £m
Present value of defined benefit obligation	147.9	144.2	131.0	136.4	91.6
Fair value of scheme assets	(118.0)	(109.7)	(94.9)	90.3	78.0
Deficit in the scheme	29.9	34.5	36.1	46.1	13.6
Experience adjustments on scheme liabilities	(1.0)	(9.9)	4.4	35.7	31.4
Percentage of scheme liabilities	0.7%	6.9%	3.4%	26.2%	34.3%
Experience adjustments on scheme assets	(0.6)	(0.2)	1.8	8.5	29.0
Percentage of scheme assets	0.5%	0.2%	1.9%	9.4%	37.2%

The expected employer contribution to the defined benefit scheme during 2013 is £9.0m (2012: £8.6m).

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 31st October 2012 total outstanding commitments for future minimum lease payments under non-cancellable operating leases were:	2012 £m	2011 £m
Land and buildings		
Within one year	3.1	3.3
Less: minimum sub-lease income	(1.1)	(1.2)
Between two and five years	9.2	10.6
Less: minimum sub-lease income	(2.5)	(3.3)
After five years	5.6	7.2
Less: minimum sub-lease income	-	-
	14.3	**16.6**
Other		
Within one year	1.1	0.8
Between two and five years	1.7	1.2
	2.8	**2.0**

23. RELATED PARTY TRANSACTIONS

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 historical joint venture arrangements with subsidiaries of Quintain plc on arm's length terms. William Rucker (Chairman of the Company) is Chairman of Quintain plc.

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 31st October 2012, the interests of the shareholders in the financial instruments of the Group were as follows:	2012 £m	2011 £m
Term loans	**152.0**	**150.0**

In addition, the shareholders provide a £50.0m bank guarantee facility. Guarantees of £37.8m (2011: £44.1m) were outstanding at 31st October 2012.

Borrowings of the Group are secured against the value of stock and work in progress.

(iii) Key management and other senior Crest Nicholson employees have interests in the share capital of the company.

As part of the financial restructuring of the Group that took effect on 13th 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

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 in 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.

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.

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.

25. ULTIMATE CONTROLLING PARTY

The ultimate controlling party of the Group is Varde Partners, Inc. by virtue of their control of 60% of the Ordinary share capital of Crest Nicholson Holdings Limited.

26. POST BALANCE SHEET EVENTS

After the balance sheet date, 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.

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 trustee 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.

CREST NICHOLSON HOLDINGS LIMITED

COMPANY BALANCE SHEET

As at 31st October 2012

	Note	2012 £000	2011 £000
Fixed assets			
Investments	4	-	-
Current assets			
Debtors	5	301,088	254,144
Cash at bank and in hand		-	280
Net current assets		**301,088**	**254,424**
Total assets less current liabilities		**301,088**	**254,424**
Net assets		**301,088**	**254,424**
Capital and reserves			
Called up share capital	6	10,007	10,007
Share premium account	7	240,273	240,273
Profit and loss account	7	50,808	4,144
Equity shareholders' funds	7	**301,088**	**254,424**

The notes on pages 87 to 89 form part of these financial statements.

Approved by the Board of Directors on 16th January 2013 and signed on its behalf by:

S Stone

P J Bergin
Directors

Registered no: 6800600

There are no recognised gains and losses for the year (2011: nil)

NOTES TO THE COMPANY FINANCIAL STATEMENTS

For year ended 31st October 2012

1. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items that are considered material in relation to the financial statements.

BASIS OF PREPARATION

The Company financial statements have been prepared under the historical cost accounting rules and in accordance with applicable UK Accounting Standards.

The accounting policies have been applied consistently in dealing with items which are considered material.

Under section 408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account. The Company recorded a profit for the year of £46,657,000 (2011: profit £4,144,000).

Under FRS 1, the company is exempt from the requirement to prepare a cash flow statement on the grounds that its consolidated financial statements, which include the Company, are publicly available.

The principal accounting policies adopted are set out below.

INVESTMENTS

Investments in Group undertakings are included in the balance sheet at cost less any provision for impairment.

TAXATION

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

DIVIDENDS

Dividends are recorded in the Company's financial statements in the period in which they are paid.

2. STAFF NUMBERS AND COSTS

The Company has no employees.

3. DIVIDENDS

Details of the dividends recognised as distributions to equity shareholders in the period and those proposed after the balance sheet date are as shown in Note 7 of the consolidated financial statements.

4. FIXED ASSET INVESTMENTS

	2012 £000	2011 £000
Shares in and loans to subsidiary undertakings		
At start and end of year	-	-

The subsidiary undertakings that are significant to the Group and traded during the period are shown in Note 10 of the Consolidated financial statements.

5. DEBTORS

Amounts falling due within one year:	2012 £000	2011 £000
Amounts due from Group undertakings	301,088	254,144

6. SHARE CAPITAL

	Shares issued Number	Nominal Value pence	Share capital £	Share premium account £
A shares	70,000	0.0001	7	-
Deferred 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 31st 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 31st October 2012	**10,123,832**		**10,007,055**	**240,273,042**

SHARES PURCHASED AND CANCELLED IN THE YEAR

During the year 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.

The classes of share in issue at 31st 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.

7. RECONCILIATION OF SHAREHOLDERS' FUNDS

	Share capital £000	Share premium £000	Profit and Loss account £000	Total £000
At 31st October 2011	10,007	240,273	4,144	254,424
Profit for the year	-	-	46,657	46,657
Share based payments	-	-	24	24
Shares purchased in year	-	-	(17)	(17)
At 31st October 2012	**10,007**	**240,273**	**50,808**	**301,088**

8. CONTINGENT LIABILITIES

There are performance bonds and other arrangements, 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.

In addition, the Company is required from time to time to act as surety for the performance by subsidiary undertakings of contracts entered into in the normal course of their business.

Under the terms of the bank facilities, each company within the Group is a guarantor of the bank facilities of other Group members that have acceded to the senior facilities agreement.

9. RELATED PARTIES

The company is exempt from disclosing transactions with wholly owned subsidiaries in the Group. Other related party transactions are included within those given in note 26 of the Group financial statements.

10. ULTIMATE CONTROLLING PARTY

The ultimate controlling party of the Group is Varde Partners, Inc. by virtue of their control of 60% of the ordinary share capital of Crest Nicholson Holdings Limited.

OTHER COMMUNICATIONS

This and other financial and non-financial reports, including our full Sustainability Report, can be downloaded from **www.crestnicholson.com/reports**

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