Press release

29th January 2019

Crest Nicholson Holdings plc
Annual Results Announcement
for the year ended 31st October 2018

Crest Nicholson Holdings plc (Crest Nicholson) today announces its final results for the year ended 31st October 2018.

Highlights

- Sales, including those from joint ventures, of £1,136.6m (2017: £1,065.6m) – up 7%
- Statutory revenue of £1,136.1m (2017: £1,043.2m) up 9%
- Volumes up 3% at 3,020 homes (2017: 2,935)
- Pre-tax profit down 15% to £176.4m (2017: £207.0m)
- Operating profit margin of 16.7% (2017: 20.3%)
- Net cash at year-end of £14.1m (2017: £33.2m)
- Gross development value of land pipelines up 3% to £12,083m (2017: £11,736m)
- Forward sales at mid-January of £639.4m (2017: £575.7m), 11% ahead of prior year
- Outlets increased 8% to 55 (2017: 51)
- Total dividend maintained at 33.0p, covered 1.7x by earnings (2017: 33.0p and 2.0x cover)

Commenting on today's statement, Patrick Bergin, Chief Executive said: "The business has had a good year operationally, with an increase in the number of new homes delivered. However, we have faced some challenges in London and with sales at higher price points where political and economic uncertainty has adversely impacted customer demand and this is likely to continue pending Brexit resolution.

Our forward sales are strong, boosted by our strategic partnerships and our new channels to market. Pricing is stable, build cost inflation has moderated and we have implemented plans to mitigate margin pressure, which will take effect progressively over the next few years.

Our revised business strategy and focus on cash generation underpins our confidence in generating sustainable shareholder returns."

	2018	2017	Change	
	£m	**£m**	**£m**	**%**
Units	**3,020**	**2,935**	85	**+3%**
Revenue	**1,136.1**	**1,043.2**	92.9	**+9%**
Cost of sales	**(881.4)**	**(768.3)**	(113.1)	
Gross profit	**254.7**	**274.9**	(20.2)	**-7%**
Administrative expenses	**(64.9)**	**(63.3)**	(1.6)	
Operating Profit	**189.8**	**211.6**	(21.8)	**-10%**
Operating profit %	***16.7%***	***20.3%***	*(360)bps*	
Profit before tax	**176.4**	**207.0**	(30.6)	**-15%**
Profit after tax	**142.8**	**168.6**	(25.8)	**-15%**
Earnings per share (pence)				
-Basic	**55.7p**	**66.1p**	(10.4)p	**-16%**
-Diluted	**55.4p**	**65.1p**	(9.7)p	**-15%**
Net cash	**£14.1m**	**£33.2m**		

Analyst webcast
There will be a presentation to analysts today at 9.00am at ETC venues, Bishopsgate Court, 4-12 Norton Folgate, London E1 6DQ hosted by Stephen Stone, Executive Chairman and Patrick Bergin, Chief Executive.

The presentation will also be available live to analysts and shareholders, and as a replay via the following link:
https://www.investis-live.com/crest-nicholson/5c45b217186fe71000b4ead1/ffge

A conference call facility is available for Q&A. The details are as follows:
UK: 020 3936 2999
All other locations: +44 20 3936 2999
Access code: 904650

A telephone replay will be available until 5th February 2019:
UK: 020 3936 3001
USA: 1 845 709 8569
All other locations: +44 20 3936 3001
Access code: 126745

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A full calendar of financial announcements for the forthcoming period is available via the Company's Investor Relations website at http://www.crestnicholson.com/investor-relations

Forward-looking statements

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

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

CHIEF EXECUTIVE'S REVIEW

"When market dynamics challenge us, we focus on what we can control. Our new strategy focuses on shareholder returns by prioritising cashflow and dividends, maximising value in the portfolio, and improving operational efficiency."

Priorities for Crest Nicholson
My central objective is to make sure that the business is in great shape to address the opportunities and challenges it will face in an evolving and cyclical market. For me, this is about building resilience in our organisation, while maintaining the highest standards of health and safety, build quality and customer service.

However, it has been a challenging year in a difficult market, with Brexit and political uncertainty impacting consumer confidence and breeding unease.

In addition, the second-hand market has slowed, and the high cost of stamp duty is weighing on many home buyers' decisions to move. This has influenced discretionary purchasers in the south east and is likely to continue until the uncertainty of Brexit has passed. Nonetheless, I remain confident in our market position as a quality housebuilder focused on the southern half of the UK and in our strategy to address these challenging market conditions.

I want us to be the employer of choice in our industry. We treat our staff fairly and with respect, provide challenging work, reward well and support them in developing their potential. I believe this is the recipe for a great place to work, and this was echoed in this year's Employee Engagement Survey, in which our employees resoundingly confirmed that they take pride in the jobs they do and the homes that we build.

Business performance during the year
We delivered 3,020 new homes in 2018 (3% higher than in 2017), achieving an average selling price of £393,000 on open market sales. We secured significant contributions to volumes from the Private Rented Sector (PRS) as well as achieving good planning outcomes and an encouraging number of strategic conversions.

The first half of the year was characterised by generally strong trading volumes, but we saw slower than anticipated sales rates in the second half of the year. The business took decisive action to mitigate the loss of sales volumes by accelerating bulk sales to Registered Providers and PRS investors, selecting land sales on long tail sites and adjusting our build programmes. However, these measures, taken together with flat pricing in the market and continuing build cost inflation, had an adverse impact on margins.

The experience of adverse build costs was most significant in London where internal controls over cost estimation and recording did not operate as intended.

Despite these challenges, we have ended the year with 19,291 plots in our short- term land pipeline and a clear strategic priority to unlock that value through the increased use of partnerships.

Responding to the challenges the business faces
When market dynamics challenge us, we focus on what we can control. The business is cash generative, so we are managing our build stock, as well as resizing our land buying programme in line with lower demand. Across Crest Nicholson, we are looking at how to make us a leaner and more efficient business.

As stated before, cost inflation, along with flat pricing, particularly in the south of England, has adversely impacted our operating margin, albeit it remains healthy at 16.7% (2017: 20.3%), reflecting the strong margins in our land pipeline. Nonetheless, it is important to remain focused on how we maintain a healthy margin in the face of continuing, but moderating, build cost inflation and market uncertainty. We have taken a number of actions in our supply chain and reviewed our own processes to offset build cost pressures, as well as making improvements to the way we capture and manage our build quality and performance data on site.

We are investing in areas to improve operational efficiency as well as mechanisms to improve housing affordability. Building on our strong existing portfolio, we have developed a new range of designs for both our houses and apartments, which will complement our traditional product. These designs offer significant cost efficiencies through some standardisation and will make procurement and construction easier over time. However, they are flexible enough to meet most local needs and to fulfil detailed planning requirements.
We are also expanding our use of off- site manufacture (OSM), where house components, typically pre-insulated cold-rolled steel frames, are built in a factory and then erected on site. The use of this modern method of

construction can reduce the amount of on-site labour required, significantly reduce waste and make us less reliant on traditional brick- based construction. It also allows us to change the sequencing of work done on site more easily, offering works planning and productivity benefits.

Areas the business can improve on
We always strive to improve in the most important areas – health and safety, the quality of our product and places, customer service and developing talent for the future. We have continued to focus on regaining our five-star customer service status as we have worked hard to balance quality with increasing volumes and faster delivery.

Our people work hard every day to put customers at the heart of what they do. This dedication is starting to pay off, with a small increase in our overall customer satisfaction score. We hope to see a further improvement next year by continuing to focus on what is most important to our customers – timeliness, quality, affordability and communication.

I mentioned how we want to be an employer of choice and the importance of engaging our people. Our employee Engagement Survey shows that we have a very engaged workforce, but there is more for us to do in this area. I am committed to continuing to communicate with our employees, including through roadshows that promote the values and culture we share at Crest Nicholson.

We have also been working on an engagement strategy that keeps health and safety at the forefront of all employees' day-to-day working lives. This has led to the creation of our new health and safety brand, 'Be Safe', which was developed during the year and will be rolled out across the business in 2019.

Regulatory and operating environment
The most important area this year – and something that affects the whole industry – are the changes to fire regulations following the tragedy at Grenfell Tower in 2017. We believe these changes are important and we welcome them. The clarifications to the Approved Document B of the building regulations are expected to be published in early 2019 with a consultation expected to commence shortly thereafter, with which we look forward to engaging.

Health and safety in our day-to-day operations and the ongoing safety of all residents and users of our buildings are of paramount importance to us.

Alongside our peers, we have changed the way we work since the Grenfell tragedy, making new provisions to further mitigate the fire risks inherent in tall buildings. For example, we have reviewed our specification of materials to be used in insulation and external facades, particularly for buildings over 18 metres high.

Our regulatory and operating environment continues to evolve, with a particular focus from the Government on affordable housing and the perception that some developers are 'land banking' – buying undeveloped land purely as an investment, with no specific plans for its development.

That certainly is not what we do at Crest Nicholson. We make strategic investments in the land we believe offers us the best potential for development and sales, where we can develop a higher proportion of more affordable homes and broaden our portfolio to include more PRS and shared ownership homes, often in partnership with companies like M&G, Registered Providers or local housing trusts.

Our Kilnwood Vale and Arborfield developments are among the first in the UK with suburban purpose-designed build-to-rent phases, providing the scale required to maximise the PRS opportunities, while still meeting the needs of a broader market. We are also seeking to deliver units more quickly, in line with Government thinking, following the trial use of off-site manufacturing in our apartment blocks at Arborfield.

These initiatives also support the aims of the All-Party Parliamentary Group (APPG) Inquiry into the quality of new homes. It's Inquiry has examined how developers can offer a fairer deal and improve transparency in home buying. Working alongside the Home Builders Federation (HBF), we have helped the APPG put its report together and we support its recommendations, such as significantly increasing skills training programmes, introducing the HBF's new industry Customer Charter, the evolution of the Consumer Code and setting up a New Homes Ombudsman.

Change in business strategy
We operate in a cyclical market that makes business efficiency a critical factor, especially when market conditions are less favourable.

We are proactively responding to current conditions by making changes to our business strategy to focus on shareholder returns by prioritising cash flow and dividends, maximising value in the portfolio and improving operational efficiency. The changes will shift our focus from growth towards greater cash generation, with a strong emphasis on partnering to deliver more homes.

We recognise that housing affordability is an important issue, and we are considering how we can supply housing across a broader tenure mix that meets both our quality aims and our customers' expectations. This includes partnering on some of our larger schemes with Registered Providers.

Opening our newest division in the Midlands has been an important strategic move for the Group, widening our operations into areas that offer home buyers greater affordability. As stated last year, we are continuing to step back from the London market, focusing instead on the locations where market conditions and affordability are more favourable. As a result, we have chosen to close our London division with our other Home Counties divisions taking on existing projects in the area and able to invest in London when conditions are more favourable. We have also postponed the opening of our new South East division while market and political uncertainties continue.

Tackling the 'skills gap' in the industry
There is a fierce battle in our sector for the people with the skills we need. We were disappointed see our turnover rate increase in the year to 25% (2017: 22%). Our focus remains on becoming the employer of choice in our industry and making sure that once people have joined our team they are given the right support to progress in their career with Crest Nicholson. This includes improving gender diversity, recruiting women into key roles and supporting female employees in building their career at Crest Nicholson. We have also signed up to the Home Building Skills Partnership, which is developing a programme to provide the workforce and skills the industry needs.

Our Graduate Programme, Apprenticeship Scheme and Site Manager Academy all play an important role in our own efforts to fill the 'skills gap' in our industry. We have now recruited 62 graduates since 2014, while 20 people have enrolled in our Academy this year and 72% of our apprentices completed their apprenticeships in 2018.

Of course, retention of the best people is so important, which is why I was pleased to see an overall engagement score of 88% in the Employee Engagement Survey; and when we set up our Midlands division last year, I was delighted to see 13 people return to the business, following a period working elsewhere. For a company of our size, we have a 'family feel' – I want our people to continue to feel valued and build their careers here.

Culturally, the pursuit of high-quality product and customer service and our responsible approach to business are key parts of our shared values. But I want to see more consistency in these areas with our focus on operational efficiency and procedural rigour playing a role. I am clear that fostering effective and lasting relationships with our supply chain sits firmly within our cultural values. It is
this collaborative and fair approach to business that has allowed us to work closely with our partners to share the burden of rising costs.

Progress made on our sustainability agenda
For me, sustainability is about more than just doing something that is 'good enough' to maximise returns. It is about building long-term value and legacy for our stakeholders, wider society and the environment. It is also about putting the right things in place to ensure our business model of high-quality place-making is sustainable, even in a tougher business environment. I am delighted to say that we retained our position in the FTSE4Good Index, improving our score on last year.

Our commitment to a stronger culture of health and safety remains one of my keenest priorities. Our efforts are supported by ongoing engagement with the Executive Management Team through our regular Health & Safety Committee meetings. I was pleased to see that our Annual Injury Incidence Rate (AIIR) fell by 17.8% in the year, and our new 'Be Safe' campaign will be rolled out across the business in 2019, using clear language and messaging to set out our standards and raise awareness of health and safety risks.

Following the completion of our three prototype plots at Arborfield Garden Village using off-site manufacture we are now conducting a post-occupancy evaluation to make sure that the homes not only perform as they were designed but that the air quality and thermal comfort support our customers' health over the long term.
We have a strong belief in our responsibility to our customers and their communities. That's why we remain committed to reducing our impacts – through less waste and lower CO2 emissions – and we use flood risk assessments and overheating modelling when designing our developments. More and more, we are factoring in future risks around climate change, an increasing priority for our investors and wider stakeholders. We regularly

review the key environmental, social and governance matters affecting the business to ensure we respond to risks and opportunities, new regulations and wider societal expectations.

Future view for Crest Nicholson
In the context of an unresolved Brexit, I expect the first half of 2019 to be difficult. However, I believe our new strategy will ensure the business is fighting fit and equipped to deal with any challenges it faces.

Current market uncertainty is making it hard to look too far ahead, so while we are optimistic about the longer term prospects of the sector, we continue to remain vigilant and responsive. Our focus on the south of England housing markets remains a long-term strength, land remains in good supply and we have strong plans in place to meet the demand for affordable housing.

Overall, Crest Nicholson presents a resilient financial proposition and I am excited about our future. We have made good progress this year and I look forward to working with the dedicated and talented people we have across the organisation as we strengthen the business further in 2019.

Patrick Bergin
Chief Executive

FINANCE REVIEW

Following the departure of our Group Finance Director, Robert Allen, in October 2018, the Chief Executive assumed responsibility for finance matters while a recruitment process is underway. The Group has added interim finance support pending conclusion of the process to secure a successor to Robert Allen.

The business delivered £1,136.6m of sales including joint ventures (2017: £1,065.6m). The business continues to use total sales, including those from joint ventures, as a core management measure to reflect the full extent of our business operations and responsibilities. During 2018, the £1,136.6m (2017: £1,065.6m) of sales comprised £1,136.1m of statutory revenue and £0.5m (2017: £22.4m) of sales through joint ventures.

Statutory revenue was 8.9% higher than the £1,043.2m achieved in the prior year. Overall unit volumes were up 2.9% at 3,020 (2017: 2,935), with affordable completions 7.3% lower at 637 (2017: 687) and open market completions 6.0% higher at 2,383 (2017: 2,248).

Whilst lower than initially expected, we saw average selling prices (ASPs) for open market plots increase slightly, up 1.3% year on year at £393,000.

During the first half of the year Crest Nicholson achieved generally strong trading volumes and revenues. This was against the backdrop of flat pricing and increasing build cost inflation, which combined to have an adverse impact on margins and return on capital.

In some locations, including London, sales volumes were more subdued than others, particularly at higher price points. Weakening consumer confidence and the impact of a slowed second-hand market on housing chains were clearly unhelpful. In common with the rest of the UK housebuilding industry, activity occurs throughout the year with peaks in sales during the spring and autumn. This creates seasonality in the Group's trading results and working capital. The exceptionally hot summer accentuated the traditional seasonal slowdown, and sales volumes did not pick up in the traditionally stronger Autumn selling season.

Outside of London, this reduction in sales continued to be at higher price points, where the purchasing decision is typically more discretionary. Persisting uncertainty about the political and economic direction of the country, largely 'Brexit' related, appears to have inclined many discretionary purchasers to refrain from making a buying commitment.

In London, stretched affordability has started to have an impact on both prices and volumes and – combined with media stories about the potential for price reductions post-Brexit – has resulted in the emergence of a much more difficult market in zones 1–3, where we have been selling.

New-build market conditions remain generally robust and underlying demand is strong. We are continuing to monitor the political and market conditions closely, as well as our levels of sales, and will adjust production and land buying to maintain cashflow.

Contributions to revenue from sales of land and mixed-use commercial property increased slightly to around 6.7% of overall operations, together accounting for £76.4m (2017: £72.4m). The business routinely sells land to fund infrastructure investment and increase the speed at which housing can be delivered across the portfolio, which supports our strategy and helps to meet societal expectations on the delivery of housing.

Overall, sales price inflation has been mixed across the south of England, with locations in the Midlands achieving some elements of pricing growth.

Build cost inflation has had a negative effect, putting margins under pressure as we continue to experience the effects of the weakness of sterling combined with continued pressure on wage and salary costs driven by the overall shortage of skilled labour serving the industry.

Gross margins for the year were lower at 22.4% (2017: 26.4%). Pricing softness and additional costs in London had the most individually significant impact, with a number of projects exceeding initial cost estimates. In addition, our action to mitigate the loss of sales volumes by accelerating sales to Registered Providers and PRS investors, and selected land sales on long tail sites have also contributed to this reduction in gross margin.

Operating profits of £189.8m (2017: £211.6m) were 10.3% lower than the prior year, reflecting the reduction in gross margins, which fed through to operating margins, which were lower at 16.7% (2017: 20.3%). Administrative expenses as a percentage of revenues reduced to 5.7% (2017: 6.1%).

Finance expense and taxation
Net financing expense of £12.0m (2017: £8.3m) is £ 3.7m higher, primarily due the first full year's impact of the private placement interest charge, and an expected reduction in interest credits arising from shared equity loan redemptions as the shared equity loan portfolio continues to redeem over time.

Income tax expense in the year of £33.6m (2017: £38.4m) represented an effective tax rate of 19.0% (2017: 18.6%).

Profit before taxation
Profits before taxation for the year of £176.4m (2017: £207.0m) were 14.8% lower than the prior year, due to the pressures on margins during the year, as outlined above.

Dividend
The Board proposes to pay a final dividend of 21.8 pence per share for the financial year ended 31st October 2018, which, subject to shareholder approval, is expected to be paid on 18th April 2019 to shareholders on the register at the close of business on 22nd March 2019.

If approved, the total dividend paid from 2018 earnings of 55.7 pence per share would be 33.0 pence per share, equal to the dividend paid for 2017.

Our business strategy prioritises cash flow and dividends. We will increase cash generation, while maintaining financial discipline and a strong balance sheet. Our objective is to generate a cash reserve and allocate this to maximise shareholder returns. We are committed to paying this ordinary dividend of 33.0 pence for 2018 and, subject to no material deterioration in current market conditions, again for 2019.

Cash flow and financial position
The Group had net assets at 31st October 2018 of £878.6m (2017: £817.8m), an increase of 7.4% compared to the prior year.

Inventories have increased by 9.2%, from £1,086.5m at 31st October 2017 to £1,186.2m at 31st October 2018, reflecting the ongoing growth of our newer divisions in Chiltern and the Midlands. Land inventory continues to represent approximately two-thirds of the inventory balance.

Stocks of completed units have risen to £168.1m (2017: £136.2m) due to slower than expected sales in the second half of the year. About one fifth (2017: quarter) of the stock of completed units was represented by show homes.

Net cash flows from operations amounted to an inflow of £62.3m (2017: £23.3m), reflecting our commitment to maintaining financial discipline and a strong balance sheet, with an increased focus on cash generation in line with our new business strategy. Reduced operating profit meant the return on capital employed (ROCE) achieved by the business in the year decreased to 23.0% (2017: 29.7%).

During 2018, the Group extended its bank revolving credit facilities for a further year to June 2023 (2017: the Group amended and extended its revolving credit facilities for five years to June 2022 and completed a £100.0m private placement of 7- to 12-year senior loan notes). The revised financing arrangements provide the flexibility and liquidity needed to build greater business resilience and ensure we can generate a cash reserve. At 31st October 2018, the Group had net cash of £14.1m (2017: £33.2m) and was ungeared (2017: ungeared).

Land bank and pipeline
Maximising the value in our land portfolio is central to our new business strategy. 2018 was a particularly strong year for conversions from our strategic land bank. Our resulting land and development pipeline remains a significant store of value, including approximately £1.6 billion of gross margin in the short-term land pipeline (19,291 plots), which represents 6.4 years of supply in terms of units available (2017: 5.5 years) at 31st October 2018.

	2018		2017	
	Units	GDV[1] – £m	Units	GDV[1] – £m
Short-term housing	19,291	6,279	16,260	5,527
Short-term	-	266	-	249
Total short term	**19,291**	**6,545**	**16,260**	**5,776**
Strategic land	16,837	5,538	18,174	5,960
Total land pipeline	**36,128**	**12,083**	**34,434**	**11,736**

GDV – Gross Development Value[1]

Through a combination of site acquisitions and conversions from the strategic land pipeline the Group added 6,051 new plots to its short-term land bank, while 3,020 plots were legally completed in the year. As a consequence, the strategic land bank reduced by 1,337 units, leaving us with a combined portfolio of 36,128 plots.

To preserve the value of our short-term land pipeline, the Company has paused its growth ambitions to align with current market conditions, slowing down build rates and reducing land expenditure.

The Company continues to secure new sites in order to grow its Midlands operation and maintain outlet breadth in a more challenged market.

Such acquisitions are judged on their individual merits but also against a backdrop of seeking to achieve good cash generation from the business. Purchases have also been targeting a product and location mix which will reduce the ASP of the business, having regard to the more difficult selling environments for higher-priced product.

The ASP of units within the short-term portfolio, including affordable units and units being sold for private rental, decreased slightly over the year to £325,000, 4% lower than the £340,000 at 31st October 2017. In part, this reflected the lower sales rates for more discretionary, higher-priced product during 2018.

By maintaining current levels of output from our high-quality land pipeline rather than driving for revenue growth, we will improve the level of free cash flow generated by the business.

We are also seeking more opportunities to lever our strong land pipeline and create strategic partnerships that accelerate delivery and, where appropriate, to make further land sales. These transactions will form a growing proportion of our overall activity, facilitating multiple channels to market and generating an increased proportion of pre-sold revenue streams.

Patrick Bergin
Chief Executive

[1] GDV is a management estimate calculated on the basis of a number of assumptions, for example, assumed sale price, number of units within the assumed development and the split between open market and affordable housing units, and the obtaining of planning permission. These are management's estimates and do not provide assurance as to the valuation of the Group's landbank.

About Crest Nicholson

Crest Nicholson is firmly established as a leading developer with a passion for not only building homes, but also for creating vibrant sustainable communities. With a southern-based bias, the FTSE250 Group has a track record spanning more than 50 years and a broad portfolio of developments which range in size and scale, from contemporary, large scale mixed-use developments to smaller, more traditional housing schemes. As a pioneer of its own Garden Village principles, the Company advocates a holistic approach to development embracing social, environmental and economic factors to create homes for all segments of the community. These developments are founded on good design, high-quality green spaces, and the greater involvement of local people in both vision and long term management.

In line with its commitment to help meet housing demand, apprentices make up c.10% of Crest Nicholson's entire workforce, and the Group supports the development of jobs and skills at every level. The Group's focus on upskilling its workforce has led to its Graduate Training scheme being awarded 'Best Company to work for' by The Job Crowd 2017 and its industry leading Site Management Academy was also named 'Best Training or Recruitment Initiative' at the Housebuilder Awards 2017. The Company is consistently listed in the FTSE4Good index.

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CREST NICHOLSON HOLDINGS PLC
CONSOLIDATED INCOME STATEMENT
For the year ended 31st October 2018

	Note	2018 £m	2017 £m
Revenue		**1,136.1**	**1,043.2**
Cost of sales		**(881.4)**	**(768.3)**
Gross profit		**254.7**	**274.9**
Administrative expenses		**(64.9)**	**(63.3)**
Operating profit	**3**	**189.8**	**211.6**
Finance income	**5**	**3.0**	**4.3**
Finance expense	**5**	**(15.0)**	**(12.6)**
Net finance expense		**(12.0)**	**(8.3)**
Share of post-tax results of joint ventures using the equity method	**11**	**(1.4)**	**3.7**
Profit before tax		**176.4**	**207.0**
Income tax expense	**6**	**(33.6)**	**(38.4)**
Profit for the year attributable to equity shareholders		**142.8**	**168.6**
Earnings per ordinary share			
Basic	**8**	**55.7p**	**66.1p**
Diluted	**8**	**55.4p**	**65.1p**

CREST NICHOLSON HOLDINGS PLC
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31st October 2018

	Note	2018 £m	2017 £m
Profit for the year attributable to equity shareholders		**142.8**	**168.6**
Other comprehensive income/(expense):			
Items that will not be reclassified to the consolidated income statement:			
Actuarial gains of defined benefit schemes	**14**	**1.3**	**1.4**
Change in deferred tax on actuarial gains of defined benefit schemes	**13**	**(0.2)**	**(1.8)**
Other comprehensive income/(expense) expense for the year net of income tax		**1.1**	**(0.4)**
Total comprehensive income attributable to equity shareholders		**143.9**	**168.2**

The notes on pages 16 to 50 form part of these financial statements.

CREST NICHOLSON HOLDINGS PLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31st October 2018

	Note	Share capital £m	Share premium account £m	Retained earnings £m	Total equity £m
Balance at 1st November 2016		**12.7**	**73.0**	**633.5**	**719.2**
Profit for the year attributable to equity shareholders		**-**	**-**	**168.6**	**168.6**
Actuarial gains of defined benefit schemes		**-**	**-**	**1.4**	**1.4**
Change in deferred tax on actuarial gains of defined benefit schemes		**-**	**-**	**(1.8)**	**(1.8)**
Total comprehensive income for the year		**-**	**-**	**168.2**	**168.2**
Transactions with shareholders:					
Equity-settled share-based payments	**14**	**-**	**-**	**4.6**	**4.6**
Deferred tax on equity-settled share-based payments	**13**	**-**	**-**	**0.5**	**0.5**
Share capital issued	**21**	**0.1**	**1.1**	**-**	**1.2**
Dividends paid	**7**	**-**	**-**	**(75.9)**	**(75.9)**
Balance at 31st October 2017		**12.8**	**74.1**	**730.9**	**817.8**
Profit for the year attributable to equity shareholders		**-**	**-**	**142.8**	**142.8**
Actuarial gains of defined benefit schemes		**-**	**-**	**1.3**	**1.3**
Change in deferred tax on actuarial gains of defined benefit schemes		**-**	**-**	**(0.2)**	**(0.2)**
Total comprehensive income for the year		**-**	**-**	**143.9**	**143.9**
Transactions with shareholders:					
Equity-settled share-based payments	**14**	**-**	**-**	**2.5**	**2.5**
Deferred tax on equity-settled share-based payments	**13**	**-**	**-**	**(1.0)**	**(1.0)**
Share capital issued	**21**	**-**	**0.1**	**-**	**0.1**
Dividends paid	**7**	**-**	**-**	**(84.7)**	**(84.7)**
Balance at 31st October 2018		**12.8**	**74.2**	**791.6**	**878.6**

The notes on pages 16 to 50 form part of these financial statements.

CREST NICHOLSON HOLDINGS PLC
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31st October 2018

		2018	2017
ASSETS	**Note**	**£m**	**£m**
Non-current assets			
Intangible assets	**9**	**29.0**	**29.0**
Property, plant and equipment	**10**	**4.8**	**4.2**
Investments in joint ventures	**11**	**1.2**	**1.8**
Other financial assets	**12**	**7.2**	**11.4**
Deferred tax assets	**13**	**6.0**	**11.1**
Retirement benefit surplus	**14**	**2.5**	**-**
Trade and other receivables	**15**	**59.0**	**52.5**
		109.7	**110.0**
Current assets			
Inventories	**16**	**1,186.2**	**1,086.5**
Other financial assets	**12**	**3.3**	**3.5**
Trade and other receivables	**15**	**93.9**	**102.7**
Cash and cash equivalents	**17**	**184.3**	**175.2**
		1,467.7	**1,367.9**
Total assets		**1,577.4**	**1,477.9**
LIABILITIES			
Non-current liabilities			
Interest-bearing loans and borrowings	**18**	**(168.3)**	**(140.1)**
Trade and other payables	**19**	**(143.3)**	**(101.5)**
Deferred tax liabilities	**13**	**(0.5)**	**-**
Retirement benefit obligations	**14**	**-**	**(7.2)**
Provisions	**20**	**(0.9)**	**(2.1)**
		(313.0)	**(250.9)**
Current liabilities			
Interest-bearing loans and borrowings	**18**	**(1.9)**	**(1.9)**
Trade and other payables	**19**	**(371.0)**	**(387.9)**
Current income tax liabilities		**(11.2)**	**(18.0)**
Provisions	**20**	**(1.7)**	**(1.4)**
		(385.8)	**(409.2)**
Total liabilities		**(698.8)**	**(660.1)**
Net assets		**878.6**	**817.8**
EQUITY			
Share capital	**21**	**12.8**	**12.8**
Share premium account	**21**	**74.2**	**74.1**
Retained earnings		**791.6**	**730.9**
Total equity		**878.6**	**817.8**

The notes on pages 16 to 50 form part of these financial statements.

CREST NICHOLSON HOLDINGS PLC
CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31st October 2018

	Note	2018 £m	2017 £m
Cash flows from operating activities			
Profit for the year attributable to equity shareholders		**142.8**	**168.6**
Adjustments for:			
Depreciation	**10**	**1.9**	**1.5**
Net finance expense	**5**	**12.0**	**8.3**
Share-based payment expense	**14**	**2.5**	**4.6**
Share of post-tax loss/(profit) of joint ventures using the equity method	**11**	**1.4**	**(3.7)**
Income tax expense	**6**	**33.6**	**38.4**
Operating profit before changes in working capital and provisions		**194.2**	**217.7**
Decrease/(increase) in trade and other receivables		**2.5**	**(26.8)**
Increase in inventories		**(99.7)**	**(150.7)**
Increase in trade and other payables		**20.6**	**36.4**
Contribution to retirement benefit obligations		**(9.0)**	**(9.0)**
Cash generated from operations		**108.6**	**67.6**
Interest paid		**(10.3)**	**(7.8)**
Taxation paid		**(36.0)**	**(36.5)**
Net cash generated from operating activities		**62.3**	**23.3**
Cash flows from investing activities			
Purchases of property, plant and equipment		**(2.5)**	**(2.5)**
Decrease in other financial assets		**5.2**	**5.1**
Dividends received from joint ventures		**0.8**	**5.0**
Interest received		**0.4**	**0.7**
Net cash inflow from investing activities		**3.9**	**8.3**
Cash flows from financing activities			
Repayment of bank and other borrowings		**(1.9)**	**(161.8)**
Proceeds from new loans		**30.0**	**100.0**
Debt arrangement and facility fees		**(0.6)**	**(2.2)**
Dividends paid	**7**	**(84.7)**	**(75.9)**
Net proceeds from the issue of shares		**0.1**	**1.2**
Net cash outflow from financing activities		**(57.1)**	**(138.7)**
Net increase/(decrease) in cash and cash equivalents		**9.1**	**(107.1)**
Cash and cash equivalents at the beginning of the year		**175.2**	**282.3**
Cash and cash equivalents at end of the year	**17**	**184.3**	**175.2**

The notes on pages 16 to 50 form part of these financial statements.

1 ACCOUNTING POLICIES

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

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

The Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards ('IFRS') and interpretations issued by the IFRS Interpretations Committee ('IFRS IC') as adopted by the European Union (together 'EU IFRS'), and with those parts of the Companies Act 2006 applicable to companies reporting under EU IFRS, and have been prepared on the historical cost basis except for other financial assets, which are stated at their fair value. The parent company financial statements are presented on pages 51 to 54.

The preparation of financial statements in conformity with IFRS requires management to make assumptions and judgements that affect the application of policies and reported amounts within the financial statements. Assumptions and judgements are based on experience and other factors that management consider reasonable under the circumstances. Actual results may differ from these estimates.

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

The Group's activities are financed by a combination of ordinary shares, bank borrowings, senior loan notes and cash in hand. At 31st October 2018 the Group held cash and cash equivalents of £184.3m (2017: £175.2m) and cash resources net of borrowings of £14.1m (2017: £33.2m). The Group has operated within its banking covenants throughout the year, has bank facilities of £250.0m expiring in June 2023, with £180.0m remaining available for drawdown under such facilities at 31st October 2018. Therefore, having assessed the principal risks and all other relevant matters, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements of the Group.

There were no new standards, amendments or interpretations that were adopted by the Group and effective for the first time for the financial year beginning 1st November 2017 that had a material impact on the Group.

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

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

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

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

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

(b) Joint ventures
A joint venture is a contractual arrangement in which the Group and other parties undertake an economic activity that is subject to joint control and these parties have rights to the net assets of the arrangement. The Group reports its interest in joint ventures using the equity method of accounting. Under this method, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's share of results of the joint venture after tax is included in a single line in the consolidated income statement. Where the share of losses exceeds the Group's interest in the entity and there is no obligation to fund these losses, the carrying amount is reduced to nil and recognition of further losses is discontinued, unless there is a long-term receivable due from the joint venture in which case, if appropriate, the loss is recognised against the receivable. Unrealised gains on transactions between the Group and its joint ventures are eliminated on consolidation. Accounting policies of joint ventures have been changed where necessary, to ensure consistency with policies adopted by the Group.

(c) Joint operations
A joint operation is a joint arrangement that the Group undertakes with other parties, in which those parties have rights to the assets and obligations of the arrangement. The Group accounts for joint operations by recognising its share of the jointly controlled assets and liabilities and income and expenditure on a line-by-line basis in the consolidated statement of financial position and consolidated income statement.

Goodwill
Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the acquired entity at the date of the acquisition. Goodwill arising on acquisition of subsidiaries and businesses is capitalised as an asset. The goodwill balance has been allocated to the strategic land holdings within the Group. The Group expects to benefit from the strategic land holdings for a period of 22 years from 24th March 2009, when the goodwill arose on the acquisition of Castle Bidco Limited. Goodwill is assessed for impairment at each reporting date. Any impairment loss is recognised immediately in the consolidated income statement.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Revenue and profit recognition
Revenue comprises the fair value of the consideration received or receivable, net of value added tax, rebates and discounts. Revenue does not include the proceeds received on the disposal of properties taken in part exchange against a new property as they are incidental to the main revenue generating activities of the group. Surpluses or deficits on the disposal of part exchange properties, which are bought in at their forecast recoverable amount, are recognised directly within gross profit. Proceeds received on the disposal of part exchange properties, which is not included in revenue is £46.6m (2017: £32.6m).

Revenue is recognised on house and apartment sales at legal completion. For affordable housing sales and other sales in bulk, revenue is recognised upon practical completion and when substantially all risks and rewards of ownership are transferred to the buyer.

Revenue is recognised on land sales and commercial property sales from the point of unconditional exchange of contracts. Where unconditional exchange of contracts has occurred but the Group still has significant obligations to perform under the terms of the contract, such as infrastructure works, revenue is recognised when the obligations are performed.

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

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

Operating leases
Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Operating lease rentals are charged to the consolidated income statement or work in progress on a straight line basis over the period of the lease.

Income and deferred tax
Income tax comprises current tax and deferred tax. Income tax is recognised in the consolidated income statement except to the extent that it relates to items recognised in other comprehensive income, in which case it is recognised in other comprehensive income. Current tax is the expected tax payable on taxable profit for the year and any adjustment to tax payable in respect of previous years. Taxable profit is profit before tax ('PBT') per the consolidated income statement after adjusting for income and expenditure that is not subject to tax, and for items that are subject to tax in other accounting periods. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the consolidated statement of financial position date.

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

Dividends
Final and interim dividend distribution to the Company's shareholders is recorded in the Group's financial statements in the period in which they are approved by the Company's shareholders.

Employee benefits
(a) Pensions
The Group operates a defined benefit ('DB') scheme (closed to new employees since October 2001 and to future service accrual since April 2010) and also makes payments into a defined contribution scheme for employees.

In respect of the DB scheme, the net surplus is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, such benefits measured at discounted present value, less the fair value of the scheme assets. The rate used to discount the benefits accrued is the yield at the consolidated statement of financial position date on AA credit rated bonds that have maturity dates approximating to the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit method. The operating and financing costs of such plans are recognised separately in the consolidated income statement; 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 consolidated income statement and actuarial gains and losses are recognised in the period they occur directly in other comprehensive income, with associated deferred tax.

The retirement benefit surplus/(obligation) recognised in the statement of financial position represents the excess/(deficit) of the fair value of the scheme's assets over the present value of scheme liabilities, with a net surplus recognised to the extent that the employer can gain economic benefit as set out in the requirements of IFRIC 14. Payments to the defined contribution schemes are accounted for on an accruals basis.

(b) Share-based payments
The fair value of equity-settled, share-based compensation plans is recognised as an employee expense with a corresponding increase in equity. The fair value is measured as at the date the options are granted and the charge amended if vesting does not take place due to non-market conditions not being met. The fair value is spread over the period during which the employees become unconditionally entitled to the shares and is adjusted to reflect the actual number of options that vest. At the consolidated statement of financial position date, if it is expected that non-market conditions will not be satisfied, the cumulative expense recognised in relation to the relevant options is reversed. The proceeds received are credited to share capital (nominal value) and share premium when the options are exercised.

Property, plant and equipment
Property, plant and equipment is stated at cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition. Depreciation is calculated to write off the cost of the assets on a straight line basis to their estimated residual value over its expected useful life at the following rates:

Fixtures and fittings	10%
Computer equipment and software	20% to 33%

The asset residual values, carrying values and useful lives are reviewed on an annual basis and adjusted if appropriate at each statement of financial position date.

Inventories
Inventories are stated at the lower of cost and net realisable value ('NRV'). Work in progress and completed buildings including show homes comprises land under development, undeveloped land, land option payments, direct materials, sub-contract work, labour costs, site overheads, associated professional fees and other attributable overheads, but excludes interest costs.

Part exchange inventories are held at the lower of cost and net realisable value, which includes an assessment of costs of management and resale.

Options purchased in respect of land are recognised initially at cost within inventories. Regular reviews are completed for impairment in the value of these options, and provisions made accordingly to reflect loss of value. The impairment reviews consider the period elapsed since the date of the purchase of the option, given that the option contract has not been exercised at the review date. Further, the impairment reviews consider the remaining life of the option, taking into account any concerns over whether the remaining time available will allow successful exercise of the option.

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

Trade and other receivables
Trade and other receivables are stated at their fair value at the date of recognition and subsequently at amortised cost less impairment. A provision for impairment of trade receivables is made when there is evidence that the Group will not be able to collect the amounts due. Non-current receivables are discounted to present value when the impact of discounting is deemed to be material, with any discount to nominal value being recognised in the consolidated income statement as interest income over the duration of the deferred payment.

Other financial assets
Other financial assets (which comprise shared equity receivables) are classified as being available for sale and initially recognised at fair value. Changes in fair value relating to the expected recoverable amount are recognised in the consolidated 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 consolidated income statement.

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

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

Trade and other payables
Trade and other payables are generally not interest bearing and are stated at their nominal amount which is considered to be their fair value. Trade and other payables on deferred terms are initially recorded at their fair value, with the discount to nominal value being charged to the consolidated income statement as interest expense over the duration of the deferred payment.

Provisions
A provision is recognised in the consolidated statement of financial position when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount can be reliably estimated.

Critical accounting estimates and judgements

The preparation of the consolidated financial statements under IFRS requires management to make estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses and related disclosures.

In applying the Group's accounting policies, the Directors have made no individual judgements that have a significant impact on the financial statements. Areas of significant estimation are described below.

Estimates and associated assumptions affecting the financial statements are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The estimates and underlying assumptions are reviewed on an ongoing basis. Changes in accounting estimates may be necessary if there are changes in the circumstances on which the estimate was based or as a result of new information. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

Management considers the key sources of estimation uncertainty that has a risk of causing a material adjustment to the carrying value of assets and liabilities are described below.

Carrying value of inventories

Inventories of work in progress, completed buildings including show homes and part exchange inventories are stated in the consolidated statement of financial position at the lower of cost and NRV. On a monthly basis management update estimates of future revenue and expenditure for each development. Future revenue and expenditure may differ from estimate which could lead to an impairment of inventory. Where forecast revenues are lower than forecast expenditure an inventory provision is made. This provision may be reversed in subsequent periods if there is evidence of improved revenue or reduced expenditure forecast on a development. If forecast revenue was 10% lower on sites within our short term portfolio as at 31st October 2018, the impact on profit before tax would have been £4.3m.

Estimation of development profitability

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 in relation to sales recognised in the current and future years. There is a degree of inherent uncertainty in making such estimates. The Group has established internal controls that are designed to ensure an effective assessment of estimates is made of the costs to complete developments. The Group considers estimates of the costs to complete on longer term sites, which typically have higher up front shared infrastructure costs to have greater estimation uncertainty than sites of shorter duration with less infrastructure requirements. If forecast costs were 10% higher on sites which contributed to the year ended 31st October 2018 and which are forecast to still be in production beyond the year ending 31st October 2020, profit before tax in the current year would have been £14.9m lower.

Other accounting estimates

Management considers other accounting estimates made in the financial statements to be related to:

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 and estimates about the sites which are expected to be successfully developed.

Other financial assets

Other financial assets comprise shared equity receivables. The estimation of the fair value of future anticipated cash receipts takes into account the Directors' view of an appropriate discount rate, future house price movements, receipt timings and default rates. Directors review the assumptions at each period end. See note 12 for additional details.

Pension liabilities
In determining the valuation of the pension scheme assets and liabilities, the Group utilises the services of an actuary. The actuary uses key assumptions being inflation rate, life expectancy, discount rate and pension growth rates, which are dependent on factors outside the control of the Group. To the extent that such assumptions differ to that expected, the pension liability would change. See note 14 for additional details.

Share-based payments
Assumptions are made in determining the fair value of employee services received in exchange for the grant of options under share-based payments awards at the date of grant, and of the likely outcome of non-market conditions.

Standards and interpretations effective for the first time
The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1st November 2017, none of which has had a significant effect on the Group's financial statements:

- Amendment to IAS 7 Statement of Cash Flows. Effective for the period beginning 1st November 2017.
- Amendment to IAS 12 Income Taxes. Effective for the period beginning 1st November 2017.
- Annual improvements 2015. Effective for the period beginning 1st November 2017.

Standards and interpretations in issue but not yet effective, or yet to be endorsed by the European Union
The below standards and amendments have not been applied in these financial statements:

- IFRS 9 Financial Instruments and the amendment on general hedge accounting. Effective for the period beginning 1st November 2018.
- IFRS 15 Revenue from Contracts with Customers and the amendment. Effective for the period beginning 1st November 2018.
- IFRS 16 Leases. Effective for the period beginning 1st November 2019.
- Amendment to IAS 28 Long-term interests in associates and joint ventures. Effective for the period beginning 1st November 2018.
- Amendment to IAS 40 Investment Property. Effective for the period beginning 1st November 2018.
- Amendment to IFRS 2 Share-based Payments. Effective for the period beginning 1st November 2018.
- Amendment to IFRS 4 Insurance Contracts regarding the implementation of IFRS 9 Financial Instruments. Effective for the period beginning 1st November 2018.
- IFRIC 23 Uncertainty over income tax treatments. Effective for the period beginning 1st November 2019.
- Annual improvements 2016. Effective for the period beginning 1st November 2018.
- Annual improvements 2017. Effective for the period beginning 1st November 2019.

The above standards and the amendments will be adopted in the financial statements in the year they become effective and have not been adopted early.

IFRS 9 addresses the classification, measurement, impairment and recognition of financial assets and financial liabilities. The Group has reviewed its existing classification and confirmed that most financial assets will continue to be recognised at amortised cost, with other financial assets being classified at fair value through the profit or loss.

The Group expects the principal area of impact to be the new provision approach it introduces for bad debt provisions. The Group expects the impact on Group profits to be immaterial, as it does not have a significant exposure to credit loss. The majority of debtors are mainly other quoted housebuilders or providers of social housing which are government funded. The Group reviews the future recoverability of debtors in assessing exposure to credit loss.

IFRS 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 Revenue and IAS 11 Construction Contracts and related interpretations. The new standard is effective for the Group for the 2019 financial year commencing on 1st November 2018.

The Group currently recognises revenue on open market houses and apartments on legal completion, which is the same date as handover, and this will not change under IFRS15.

The Group currently recognises revenue on affordable and other sales in bulk on practical completion and when substantially all risks and rewards of ownership are transferred to the buyer for housing units and on unconditional exchange of contracts where there is a separate associated land sale contract. Under IFRS 15 revenue recognition on affordable and other sales in bulk is dependent on freehold legal title being passed to the investor as it is considered that upon transfer of freehold title that the investor controls the work in progress. Where freehold legal title is passed to the investor, revenue is recognised on the upfront sale of land and then on the housing units as the build of the related units progresses. Where freehold legal title is not passed to the investor revenue is not recognised on any upfront sale of land and the revenue on the housing units and sale of land is recognised at handover of completed units to the investor.

The Group currently recognises revenue on land sales at unconditional exchange of contracts. Under IFRS 15 revenue is recognised when title passes to the buyer.

The Group currently recognises revenue on commercial property sales from the point of unconditional exchange of contracts. Where unconditional exchange of contracts has occurred but the Group still has significant obligations to perform under the terms of the contract, such as infrastructure works, revenue is recognised as the obligations are performed. Under IFRS 15 revenue recognition on commercial property sales is dependent on freehold legal title being passed to the purchaser, as it is considered that upon transfer of freehold title that the purchaser controls the work in progress. Where freehold legal title is passed to the purchaser, revenue is recognised on any upfront sale of land and then on the development revenue as the build of the related commercial units progresses. Where freehold legal title is not passed to the purchaser revenue is not recognised on any upfront sale of land and the revenue on the commercial property is recognised at handover of completed commercial unit to the purchaser.

The Group does not currently recognise revenue on the proceeds received on the disposal of properties taken in part exchange against a new property as they are incidental to the main revenue generating activities of the Group. Surpluses or deficits on the disposal of part exchange properties, which are bought in at their forecast recoverable amount, are recognised directly within gross profit. Proceeds received on the disposal of part exchange properties, which is not included in revenue are £46.6m (2017: £32.6m). Profit / loss on the disposal of part exchange properties is not material to the results of the Group. This treatment will be unchanged by IFRS 15 as the Group does not consider properties taken in part exchange to be an output of the business, and so, are outside the scope of IFRS 15.

The Group currently does not recognise revenue on the disposal of freehold reversions, being treated as a reduction in land cost. IFRS15 brings these into the scope of revenue.

The Group currently does not recognise revenue on specification upgrades paid for by the purchaser or on the cost of specification upgrades offered to the purchaser as part of the purchase price. IFRS15 brings both of these into the scope of revenue.

The comparative results to be included in the 2019 financial statements will be restated using the full retrospective transition method.

The expected IFRS15 conversion impact below, is principally driven by the timing difference between the date of unconditional exchange of contracts and the date of the transfer of legal title on certain land sales, offset by a net increase in housing revenue due to previously unrecognised revenue on freehold disposals and specification upgrades:

- Net assets of the Group as at 1st November 2017 will be reduced by up to £2m
- Profit after tax for the year ended 31st October 2018 will reduce by between £4m and £6m. This consists of a decrease in revenue of between £13m and £15m, a decrease in operating profit of between £6m and £8m and a decrease in tax expense of between £1m to £2m
- Inventories increase by between £21m and £23m
- Contract assets / payments on account decrease by between £29m and £31m
- Net assets of the Group as at 1st November 2018 will be reduced by between £5m and £7m

IFRS 16 replaces IAS 17 Leases, and related interpretations, and requires lessees to recognise a lease liability and asset for virtually all right of use lease assets; certain short-term leases and leases of low-value assets can apply an optional exemption. The Group’s lease commitments will be brought onto the consolidated statement of financial position along with an associated asset, subject to applying the short term lease exemption where applicable. The operating lease rental expense currently charged to operating profit in the consolidated income statement will be replaced by an amortisation charge for the right of use assets recognised in operating profit and an interest charge on the lease liabilities recognised in finance costs. An assessment of the full effect of IFRS 16 will be completed during the year ending 31st October 2019.

2 SEGMENTAL ANALYSIS

The Executive Management Team, which is accountable to the Board, has been identified as the Chief Operating Decision Maker for the purposes of determining the Group's operating segments. The Executive Management Team approves investment decisions, allocates Group resources and performs divisional performance reviews. The Group operating segments are considered to be its divisions (including the regional divisions, as well as the Major Projects and Strategic Land divisions), each of which has its own management board. All divisions are engaged in residential-led, mixed-use developments in the United Kingdom and therefore, having regard to the aggregation criteria in IFRS 8, the Group has one reportable operating segment.

3 OPERATING PROFIT

Operating profit from continuing activities is stated after charging:

	2018	2017
	£m	£m
Inventories expensed in the year	864.9	768.8
Staff costs (note 4)	71.3	67.2
Depreciation (note 10)	1.9	1.5
Operating lease rentals		
Land and buildings	2.5	2.4
Other operating lease rentals	1.7	1.6
Auditors' remuneration	£000	£000
Audit of these consolidated financial statements	61	52
Audit of financial statements of subsidiaries pursuant to legislation	283	164
Other non-audit services	56	43

Fees payable to the Group's auditors for non-audit services included £56,000 (2017: £34,000) in respect of an independent review of the half-year results and £nil (2017: £8,500) for professional fees relating to £100m senior loan notes that were issued during the prior year.

In addition to the above, PricewaterhouseCoopers LLP provide audit services to the Crest Nicholson Group Pension and Life Assurance Scheme and Group joint ventures. The fees associated with the services to the Crest Nicholson Group Pension and Life Assurance Scheme are £23,000 (2017: £18,940) and are met by the assets of the scheme, and the fees associated with services to Group joint ventures are £30,750 (2017: £16,480).

4 STAFF NUMBERS AND COSTS

(a) Average monthly number of persons employed by the Group	2018	2017
	Number	Number
Development	1,016	905

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

(b) Staff costs (including Directors and key management)	2018	2017
	£m	£m
Wages and salaries	58.2	52.9
Social security costs	7.6	7.4
Other pension costs	3.0	2.3
Share-based payments (note 14)	2.5	4.6
	71.3	67.2

(c) Key management remuneration

	2018	2017
	£m	£m
Salaries and short-term employee benefits	2.8	4.2
Other pension costs	0.1	0.1
Share-based payments	1.1	2.0
	4.0	6.3

Key management comprises the Executive Management Team (which includes the Executive Directors of the Board) and Non-Executive Directors as they are considered to have the authority and responsibility for planning, directing and controlling the activities of the Group.

(d) Directors' remuneration

	2018	2017
	£m	£m
Salaries and short-term employee benefits	2.0	3.1
Payments to Directors for loss of office	0.3	-
Other pension costs	0.1	0.1
Share-based payments	0.7	1.6
	3.1	4.8

Further information relating to Directors' remuneration, incentive plans, share options, pension entitlement and the highest paid Director, appears in the Directors' Remuneration Report,

5 FINANCE INCOME AND EXPENSE

	2018	2017
Finance income	£m	£m
Interest income	1.8	2.2
Interest on amounts due from joint ventures	0.4	0.6
Interest on other financial assets (note 12)	0.8	1.5
	3.0	4.3
Finance expense		
Interest on bank loans	10.7	8.4
Revolving credit facility issue costs	0.7	0.7
Interest on deferred land payables	3.0	2.6
Net interest on defined benefit pension plan obligations (note 14)	0.6	0.9
	15.0	12.6
Net finance expense	12.0	8.3

6 INCOME TAX EXPENSE

	2018	2017
	£m	£m
Current tax		
UK corporation tax on profits for the year	29.8	35.1
Adjustments in respect of prior periods	(0.6)	0.5
Total current tax	29.2	35.6
Deferred tax		
Origination and reversal of temporary differences in the current year	4.4	2.8
Total deferred tax (note 13)	4.4	2.8
Total tax in income statement	33.6	38.4

The effective tax rate for the year is 19.00% (2017: 18.60%), which is the same as (2017: lower) the standard rate of UK corporation tax of 19.00% (2017: 19.42%). The Group expects this profile to continue in future years.

	2018	2017
Reconciliation of tax charge in the year	**£m**	**£m**
Profit before tax	**176.4**	**207.0**
Tax on profit at 19.00% (2017: 19.42%)	**33.5**	**40.2**
Effects of:		
Expenses not deductible for tax purposes	**1.3**	**0.1**
Enhanced tax deductions	**(0.6)**	**(2.4)**
Adjustments in respect of prior periods	**(0.6)**	**0.5**
Total tax in income statement	**33.6**	**38.4**

Expenses not deductible for tax purposes include business entertaining and other permanent disallowable expenses. Enhanced tax deductions include items for which, under tax law, a corporation tax deduction is available in excess of the amount shown in the consolidated income statement. Examples are share schemes, defined benefit pension payments and land remediation enhanced allowances. Adjustments in respect of prior periods reflect the difference between the estimated consolidated income statement tax charge in the prior year and that of the actual tax outcome. On 1st April 2017, the Worldwide Debt Cap tax legislation was replaced by the Corporate Interest Restriction legislation. This does not result in any restriction in tax deductibility of interest and has no effect on the tax position for the year.

7 DIVIDENDS

	2018	2017
Dividends recognised as distributions to equity shareholders in the year:	**£m**	**£m**
Prior year final dividend per share of 21.8p (2017: 18.5p)	**56.0**	**47.2**
Current year interim dividend per share of 11.2p (2017: 11.2p)	**28.7**	**28.7**
	84.7	**75.9**

	2018	2017
Dividends declared as distributions to equity shareholders in the year:	**£m**	**£m**
Final dividend for the year ended 31st October 2018 of 21.8p (2017: 21.8p)	**56.0**	**55.6**

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 26th March 2019, and in accordance with IAS 10 Events after the Reporting Period has not been included as a liability in these financial statements, and there are no income tax consequences.

8 EARNINGS PER ORDINARY SHARE

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

	Earnings £m	Weighted average number of ordinary shares Number	Per share amount Pence
Year ended 31st October 2018			
Basic earnings per share	**142.8**	**256,199,678**	**55.7**
Dilutive effect of share options	**-**	**1,508,898**	
Diluted earnings per share	**142.8**	**257,708,576**	**55.4**
Year ended 31st October 2017			
Basic earnings per share	**168.6**	**254,966,699**	**66.1**
Dilutive effect of share options	**-**	**4,104,811**	
Diluted earnings per share	**168.6**	**259,071,510**	**65.1**

9 INTANGIBLE ASSETS

Goodwill	**2018**	**2017**
	£m	**£m**
Cost at beginning and end of the year	**47.7**	**47.7**
Impairment at beginning and end of the year	**(18.7)**	**(18.7)**
At beginning and end of the year	**29.0**	**29.0**

Goodwill arose on the acquisition of Castle Bidco Limited on 24th March 2009. Goodwill is allocated to acquired strategic land holdings (cash-generating units) within the Group. The recoverable amount is equal to the higher of value in use and fair value less costs of disposal. The Directors have therefore assessed value in use, being the present value of the forecast cash flows from the expected development and sale of properties on the strategic land. The forecast looks at the likelihood and scale of permitted development, forecast build costs and forecast selling prices, using a pre-tax discount rate of 9.05% (2017: 9.05%), covering a period of 22 years from 2009 and based on current market conditions. The period used in this assessment represents the estimated time it will take to obtain planning and build out on the remaining acquired strategic land holdings. The recoverable value of the cash-generating units is substantially in excess of the carrying value of goodwill. Sensitivity analysis has been undertaken by changing discount rates, profit margins and other variables applicable to the cash-generating units. None of the sensitivities, either individually or combined, resulted in the fair value of the goodwill being reduced to below its current book value amount.

10 PROPERTY, PLANT AND EQUIPMENT

	Fixtures and fittings	**Computer equipment and software**	**Total**
	£m	**£m**	**£m**
Cost			
At 1st November 2016	**2.2**	**9.7**	**11.9**
Additions	**0.6**	**1.9**	**2.5**
Disposals	**(0.7)**	**(4.5)**	**(5.2)**
At 31st October 2017	**2.1**	**7.1**	**9.2**
Additions	**0.1**	**2.4**	**2.5**
Disposals	**-**	**(0.2)**	**(0.2)**
At 31st October 2018	**2.2**	**9.3**	**11.5**
Accumulated depreciation			
At 1st November 2016	**0.9**	**7.8**	**8.7**
Charge for the year	**0.2**	**1.3**	**1.5**
Disposals	**(0.7)**	**(4.5)**	**(5.2)**
At 31st October 2017	**0.4**	**4.6**	**5.0**
Charge for the year	**0.2**	**1.7**	**1.9**
Disposals	**-**	**(0.2)**	**(0.2)**
At 31st October 2018	**0.6**	**6.1**	**6.7**
Net book value			
At 31st October 2018	**1.6**	**3.2**	**4.8**
At 31st October 2017	**1.7**	**2.5**	**4.2**
At 1st November 2016	**1.3**	**1.9**	**3.2**

The Group has contractual commitments for the acquisition of property, plant and equipment of £nil (2017: £nil).

11 INVESTMENTS

Investments in joint ventures

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

- Kitewood (Cossall) Limited: In April 2015 the Group acquired a 50% interest in the ordinary share capital of Kitewood (Cossall) Limited, which was set up to develop a 122 apartment site in London. The development was build and sales complete in 2017. The Company warranties the apartments for a period of two years after legal completion.
- Bonner Road LLP: In August 2015 the Group entered into a partnership agreement with Your Lifespace Limited to procure and develop a site in London. Following a successful residential planning application, the LLP is forecast to start construction in 2019. The LLP will be equally funded by both parties, who will receive interest on loaned sums. The Group performs the role of project manager, for which it receives a project management fee.
- Crest A2D (Walton Court) LLP: In January 2016 the Group entered into a partnership agreement with A2 Dominion Limited to procure and develop a site in Surrey. The LLP submitted a residential planning application in March 2017, with construction forecast to start early 2019; full planning consent was issued on the 21st December 2018. The development will be equally funded by both parties by way of interest-free loans. The Group performs the role of project manager, for which it receives a project management fee.

	2018	**2017**
Total investments in joint ventures	**£m**	**£m**
Kitewood (Cossall) Limited	**0.2**	**1.0**
Bonner Road LLP	**-**	**-**
Crest A2D (Walton Court) LLP	**0.8**	**0.7**
Other non-material joint ventures	**0.2**	**0.1**
Total investments in joint ventures	**1.2**	**1.8**

All joint ventures have their place of business in Great Britain, are 50% owned and are accounted for using the equity method, in line with the prior year.

Summarised financial information for joint ventures

The tables below provide financial information for joint ventures that are material to the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant joint ventures and not Crest Nicholson Holdings plc's share of those amounts.

	Kitewood (Cossall) Limited		Bonner Road LLP		Crest A2D (Walton Court) LLP		Other non-material joint ventures		Total	
	2018 £m	**2017 £m**	**2018 £m**	**2017 £m**	**2018 £m**	**2017 £m**	**2018 £m**	**2017 £m**	**2018 £m**	**2017 £m**
Summarised statement of financial position										
Current assets										
Cash and cash equivalents	2.1	6.2	0.9	1.0	0.3	0.1	1.4	0.1	4.7	7.4
Inventories	-	0.7	58.2	55.4	23.9	22.4	7.6	-	89.7	78.5
Other current assets	0.3	0.3	0.1	-	-	0.1	0.5	0.3	0.9	0.7
Non-current assets	-	-	-	-	-	-	0.1	0.1	0.1	0.1
Current liabilities										
Financial liabilities	(0.2)	-	-	-	(2.3)	(2.5)	-	-	(2.5)	(2.5)
Other current liabilities	(1.8)	(3.9)	(0.2)	-	(0.4)	(0.1)	(2.5)	(0.4)	(4.9)	(4.4)
Non-current liabilities										
Financial liabilities	-	-	(65.5)	(60.6)	(19.9)	(18.6)	(6.8)	-	(92.2)	(79.2)
Other non-current liabilities	-	(1.3)	-	-	-	-	-	-	-	(1.3)
Net assets/(liabilities)	0.4	2.0	(6.5)	(4.2)	1.6	1.4	0.3	0.1	(4.2)	(0.7)
Reconciliation to carrying amounts										
Opening net assets/(liabilities) at 1st November 2017	2.0	1.2	(4.2)	(2.2)	1.4	-	0.1	0.1	(0.7)	(0.9)
Profit/(loss) for the year	-	10.7	(2.3)	(2.0)	(0.7)	(1.2)	0.2	-	(2.8)	7.5
Dividends paid	(1.6)	(9.9)	-	-	-	-	-	-	(1.6)	(9.9)
Capital contribution reserve	-	-	-	-	0.9	2.6	-	-	0.9	2.6
Closing net assets/(liabilities) at 31st October 2018	0.4	2.0	(6.5)	(4.2)	1.6	1.4	0.3	0.1	(4.2)	(0.7)
Group's share in closing net assets/(liabilities) at 31st October 2018	0.2	1.0	(3.3)	(2.1)	0.8	0.7	0.2	0.1	(2.1)	(0.3)
Losses recognised against receivable from joint venture	-	-	3.3	2.1	-	-	-	-	3.3	2.1
Group's share in joint venture	0.2	1.0	-	-	0.8	0.7	0.2	0.1	1.2	1.8
Amount due to Crest Nicholson Group (note 15)	0.2	-	29.6	28.6	11.1	10.6	3.6	-	44.5	39.2

	Kitewood (Cossall) Limited		Bonner Road LLP		Crest A2D (Walton Court) LLP		Other non-material joint ventures		Total	
Summarised income statement	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Revenue	**-**	**44.8**	**-**	**-**	**-**	**-**	**0.9**	**-**	**0.9**	**44.8**
Expenditure	**-**	**(31.0)**	**-**	**(0.1)**	**-**	**-**	**(0.7)**	**-**	**(0.7)**	**(31.1)**
Operating profit/(loss) before financing costs	**-**	**13.8**	**-**	**(0.1)**	**-**	**-**	**0.2**	**-**	**0.2**	**13.7**
Interest expense	**-**	**(0.5)**	**(2.3)**	**(1.9)**	**(0.7)**	**(1.2)**	**-**	**-**	**(3.0)**	**(3.6)**
Income tax expense	**-**	**(2.6)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(2.6)**
Profit/(loss) for the year	**-**	**10.7**	**(2.3)**	**(2.0)**	**(0.7)**	**(1.2)**	**0.2**	**-**	**(2.8)**	**7.5**
Group's share in joint venture profit/(loss) for the year	**-**	**5.3**	**(1.2)**	**(1.0)**	**(0.4)**	**(0.6)**	**0.2**	**-**	**(1.4)**	**3.7**

Group commitments to joint ventures at 31st October 2018 and 31st October 2017 is equal to the amounts due to the Crest Nicholson Group. The Group is committed to provide such funding to joint ventures as may be required by the joint venture in order to carry out the project if called.

Subsidiary undertakings

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

Subsidiary	**Nature of business**
Castle Bidco plc	Holding company (including Group financing)
Crest Nicholson plc	Holding company
Crest Nicholson Operations Limited	Residential and commercial property development

A full list of the Group's undertakings including subsidiaries and joint ventures is set out in note 26.

12 OTHER FINANCIAL ASSETS

	2018 £m	2017 £m
At beginning of the year	**14.9**	18.5
Disposals	**(5.2)**	(5.1)
Imputed interest	**0.8**	1.5
At end of the year	**10.5**	**14.9**
Of which:		
Non-current assets	**7.2**	11.4
Current assets	**3.3**	3.5
	10.5	14.9

Other financial assets are carried at fair value and categorised as level 3 (inputs not based on observable market data) within the hierarchical classification of IFRS 13 Revised.

Other financial assets comprise shared equity loans secured by way of a second charge on the property. The loans can be repaid at any time within the loan agreement, the amount of which is dependent on the market value of the asset at the date of repayment. The assets are recorded at fair value, being the estimated amount receivable by the Group, discounted to present day values.

The fair value of future anticipated cash receipts takes into account Directors' views of an appropriate discount rate (incorporating purchaser default rate), future house price movements and the expected timing of receipts. These assumptions are given below and are reviewed at each year end.

	2018	2017
Assumptions		
Discount rate, incorporating default rate	**10.5%**	10.5%
House price inflation for the next three years	**3.0%**	3.0%
Timing of receipt	**8 to 15 years**	8 to 15 years

	2018 Increase assumptions by 1 %/year £m	2018 Decrease assumptions by 1 %/year £m
Sensitivity – effect on value of other financial assets (less)/more		
Discount rate, incorporating default rate	**(0.2)**	**0.2**
House price inflation for the next three years	**0.2**	**(0.2)**
Timing of receipt	**(0.5)**	**0.3**

The difference between the anticipated future receipt and the initial fair value is charged over the estimated deferred term to financing, with the financial asset increasing to its full expected cash settlement value on the anticipated receipt date. The imputed interest credited to financing for the year ended 31st October 2018 was £0.8m (2017: £1.5m).

At initial recognition, the fair values of the assets are calculated using a discount rate, appropriate to the class of assets, which reflects market conditions at the date of entering into the transaction. The Directors consider at the end of each reporting period whether the initial market discount rate still reflects up-to-date market conditions. If a revision is required, the fair values of the assets are remeasured at the present value of the revised future cash flows using this revised discount rate. The difference between these values and the carrying values of the assets is recorded against the carrying value of the assets and recognised directly in the consolidated statement of comprehensive income.

13 DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets	Inventories fair value £m	Share-based payments £m	Pension deficit £m	Other temporary differences £m	Total £m
At 1st November 2016	**10.1**	**1.3**	**3.1**	**0.7**	**15.2**
Income statement movements	**(2.7)**	**0.1**	**-**	**(0.2)**	**(2.8)**
Equity movements	**-**	**0.5**	**(1.8)**	**-**	**(1.3)**
At 31st October 2017	**7.4**	**1.9**	**1.3**	**0.5**	**11.1**
Income statement movements	**(2.2)**	**(0.4)**	**(1.1)**	**(0.2)**	**(3.9)**
Equity movements	**-**	**(1.0)**	**(0.2)**	**-**	**(1.2)**
At 31st October 2018	**5.2**	**0.5**	**-**	**0.3**	**6.0**

Deferred tax liabilities	Pension surplus £m	Total £m
At 1st November 2016 and 31st October 2017	**-**	**-**
Income statement movements	**(0.5)**	**(0.5)**
At 31st October 2018	**(0.5)**	**(0.5)**

Deferred tax expected to be recovered or settled in less than 12 months is £1.1m (2017: £4.4m), and in more than 12 months is £4.4m (2017: £6.7m).

At the consolidated statement of financial position date the substantively enacted future corporation tax rates were 19% for FY19 and 17% beyond. The deferred tax assets have been evaluated at the rates at which they are expected to reverse based on current forecasts (accounting period ends: 31st October 2019: 19%, 31st October 2020: 17.83% and 31st October 2021 and subsequent: 17%). The Group has no material unrecognised deferred tax assets.

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

14 EMPLOYEE BENEFITS

(a) **Retirement benefit surplus**

Defined contribution scheme
The Group operates a defined contribution scheme for new employees. The assets of the scheme are held separately from those of the Group in an independently administered fund. The contributions to this scheme for the year were £2.6m (2017: £2.1m). At the consolidated statement of financial position date there were no outstanding or prepaid contributions (2017: £nil).

Defined benefit scheme
The Company sponsors the Crest Nicholson Group Pension and Life Assurance Scheme, a funded defined benefit pension scheme in the UK. The Scheme is administered within a trust that is legally separate from the Company. Trustees are appointed by both the Company and the Scheme's members and act in the interest of the Scheme and all relevant stakeholders, including the members and the Company. The Trustees are also responsible for the investment of the Scheme's assets. The Scheme closed to future accrual from 30th April 2010. Accrued pensions in relation to deferred members are revalued as required by the pension revaluation orders in the period before retirement. Benefits also increase either at a fixed rate or in line with inflation once a member has retired. The Scheme provides pensions to members on retirement and to their dependants on death.

The Company pays contributions to improve the Scheme's funding position as determined by regular actuarial valuations. The Trustees are required to use prudent assumptions to value the liabilities and costs of the Scheme whereas the accounting assumptions must be best estimates. Responsibility for making good any deficit within the Scheme lies with the Company and this introduces a number of risks for the Company. The major risks are: interest rate risk; inflation risk; investment risk and longevity risk. The Company and Trustees are aware of these risks and manage them through appropriate investment and funding strategies.

The Scheme is subject to regular actuarial valuations, which are usually carried out every three years. The last actuarial valuation was carried out with an effective date of 31st January 2015 and the actuarial valuation as at 31st January 2018 was agreed on 30th November 2018. These actuarial valuations are carried out in accordance with the requirements of the Pensions Act 2004 and so include deliberate margins for prudence. This contrasts with these accounting disclosures, which are determined using best estimate assumptions.

The agreed results of the actuarial valuation as at 31st January 2018 have been projected to 31st October 2018 by a qualified independent actuary. The figures in the following disclosure were measured using the Projected Unit Method.

The investment strategy in place for the Scheme is to invest in a mix of return seeking, index linked and fixed interest investments. At 31st October 2018, the allocation of the Scheme's invested assets was 56% in return seeking investments, 16% in corporate bonds, 21% in index linked gilts and 7% in cash. Details of the investment strategy can be found in the Scheme's Statement of Investment Principles, which the Trustees update as their policy evolves. It should also be noted that liabilities relating to insured members of the Scheme have been included as both an asset and a liability.

Following the recent High Court judgement in the Lloyds case, overall pension benefits now need to be equalised to eliminate inequalities between males and females in Guaranteed Minimum Pensions. The Company has always allowed for this in its accounts by adding a 2% reserve reflecting an approximate estimate of the additional liability. As a reserve already exists there is no effect on this year's disclosures. The real cost will be known once the relevant calculations have been carried out, which is not expected to be for some time. Once the true cost is known, any difference from the estimated 2% is expected to flow through other comprehensive income.

	2018	2017	2016
	£m	£m	£m
The amounts recognised in the consolidated statement of financial position are as follows:			
Present value of scheme liabilities	**(195.4)**	**(202.5)**	**(200.9)**
Fair value of scheme assets	**197.9**	**195.3**	**184.2**
Net amount recognised at year end (surplus/(obligation))	**2.5**	**(7.2)**	**(16.7)**

The retirement benefit surplus/(obligation) recognised in the statement of financial position represents the excess/(deficit) of the fair value of the Scheme's assets over the present value of Scheme liabilities. The rules of the Crest Nicholson Group Pension and Life Assurance Scheme provide Crest Nicholson with an unconditional right to a refund of surplus assets on the gradual settlement of the Scheme's liabilities. In the ordinary course of business the Scheme trustee has no unilateral right to wind the Scheme up. Based on these rights and in accordance with IFRIC 14, any net surplus in the Scheme is recognised in full.

A deferred tax liability of £0.5m (2017: deferred tax asset £1.3m) has been recognised in the consolidated statement of financial position.

The amounts recognised in comprehensive income are:

The current and past service costs, settlements and curtailments, together with the net interest expense for the year are included in the consolidated statement of comprehensive income. Remeasurements of the net defined benefit asset/(liability) are included in other comprehensive income.

	2018	2017
	£m	£m
Administration expenses	0.5	0.6
Net interest expense	0.1	0.3
Charge recognised in the consolidated income statement	0.6	0.9

	2018	2017
	£m	£m
Remeasurements of the net asset/(liability)		
Return on Scheme assets	5.9	(2.8)
(Gain)/loss arising from changes in financial assumptions	(1.7)	1.9
Gain arising from changes in demographic assumptions	(1.1)	-
Experience gain	(4.4)	(0.5)
Credit recorded in the consolidated statement of comprehensive income	(1.3)	(1.4)
Total defined benefit scheme credit	(0.7)	(0.5)

	2018	2017
The principal actuarial assumptions used were:	%	%
Liability discount rate	2.80	2.75
Inflation assumption - RPI	3.40	3.40
Inflation assumption - CPI	2.60	2.60
Revaluation of deferred pensions	2.60	2.60
Increases for pensions in payment		
Benefits accrued in respect of GMP	3.00	3.00
Benefits accrued in excess of GMP pre-1997	3.00	3.00
Benefits accrued post-1997	3.25	3.25
Proportion of employees commuting pension for cash	100.0	100.0
Mortality assumption - pre-retirement	AC00	AC00
Mortality assumption - male post-retirement	SAPS S2 PMA _LCMI_2017 with smoothing parameter of 8.0 ltr 1.5%	SAPS S2 PMA CMI_2014 ltr 1.5%
Mortality assumption - female post-retirement	SAPS S2 PFA _LCMI_2017 with smoothing parameter of 8.0 ltr 1.5%	SAPS S2 PFA CMI_2014 ltr 1.5%

	2018	2017
	Years	Years
Future expected lifetime of current pensioner at age 65		
Male aged 65 at year end	23.6	22.8
Female aged 65 at year end	24.6	24.9
Future expected lifetime of future pensioner at age 65		
Male aged 45 at year end	25.2	25.0
Female aged 45 at year end	26.4	27.2

Changes in the present value of assets over the year

	2018 £m	2017 £m
Fair value of assets at beginning of the year	**195.3**	**184.2**
Interest income	**5.4**	**5.3**
Return on assets (excluding amount included in net interest expense)	**(5.9)**	**2.8**
Contributions from the employer	**9.0**	**9.0**
Benefits paid	**(5.4)**	**(5.4)**
Administration expenses	**(0.5)**	**(0.6)**
Fair value of assets at end of the year	**197.9**	**195.3**

Changes in the present value of liabilities over the year

	2018 £m	2017 £m
Liabilities at beginning of the year	**202.5**	**200.9**
Interest cost	**5.5**	**5.6**
Remeasurement (gains)/losses		
(Gain)/loss arising from changes in financial assumptions	**(1.7)**	**1.9**
Gain arising from changes in demographic assumptions	**(1.1)**	**-**
Experience gains	**(4.4)**	**(0.5)**
Benefits paid	**(5.4)**	**(5.4)**
Liabilities at end of the year	**195.4**	**202.5**

The split of the Scheme's liabilities by category of membership is as follows:	2018 £m	2017 £m
Deferred pensioners	**107.1**	**123.8**
Pensions in payment	**88.3**	**78.7**
	195.4	**202.5**

	2018 Years	2017 Years
Average duration of the Scheme's liabilities at the end of the year	**17.0**	**18.0**
This can be subdivided as follows:		
Deferred pensioners	**21.0**	**22.0**
Pensions in payment	**12.0**	**12.0**

The major categories of scheme assets are as follows:

	2018 £m	2017 £m
Return seeking		
Overseas equities	**13.1**	**19.4**
Other (hedge funds, multistrategy and absolute return funds)	**91.7**	**94.5**
	104.8	**113.9**
Debt instruments		
Corporates	**30.4**	**31.6**
Index linked	**40.9**	**39.5**
	71.3	**71.1**
Other		
Cash	**14.2**	**1.9**
Insured annuities	**7.6**	**8.4**
	21.8	**10.3**
Total market value of assets	**197.9**	**195.3**

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

The Group's statutory funding obligation was met as at 31st January 2018 with the Scheme achieving a 101% funding level on a technical provisions basis. The Company will continue to fund the Scheme with contributions of £0.75m per month until the earlier of, 30th June 2022 or the Scheme meeting its funding objective on a self-sufficiency basis. The Group expects to contribute £9.0m (2018: £9.0m) to scheme funding in the year ending 31st October 2019.

Sensitivity of the liability value to changes in the principal assumptions

If the discount rate was 0.25% higher/(lower), the Scheme liabilities would decrease by £7.9m (increase by £8.4m) if all the other assumptions remained unchanged. If the inflation assumption was 0.25% higher/(lower), the Scheme liabilities would increase by £3.9m (decrease by £4.4m) if all the other assumptions remained unchanged.

If life expectancies were to increase by one year, the scheme liabilities would increase by £8.6m if all the other assumptions remained unchanged.

(b) Share-based payments

The Group operates an LTIP, employee share option scheme (ESOS), SAYE and a deferred bonus plan. Expected volatility for all plans/schemes for the current and previous year (where applicable) is based on the historical share price movements of Crest Nicholson Holdings plc since the Company listed in February 2013.

Long-term incentive plan

The Group's LTIP is open to the Executive Directors and senior management with awards being made at the discretion of the Remuneration Committee. Awards under the plan vest over three years and are subject to three years' service, and return on capital and profit performance conditions. Options granted under the plan are exercisable between 3 and 10 years after the date of grant. Awards may be satisfied by shares held in the employee benefit trust (EBT), the issue of new shares (directly or to the EBT) or the acquisition of shares in the market.

Date of grant	**14th Feb 2014**	**27th Feb 2015**	**26th Feb 2016**	**28th Feb 2017**	**28th Feb 2018**	**22nd Mar 2018**
Options granted	**1,246,861**	**1,270,176**	**1,075,943**	**1,266,364**	**1,112,762**	**150,898**
Fair value at measurement date	**£3.49**	**£4.02**	**£5.07**	**£4.67**	**£3.89**	**£3.67**
Share price on date of grant	**£3.81**	**£4.45**	**£5.62**	**£5.41**	**£4.76**	**£4.54**
Exercise price	**£0.00**	**£0.00**	**£0.00**	**£0.00**	**£0.00**	**£0.00**
Vesting period	**3 years**	**3 years**	**3 years**	**3 years**	**3 years**	**3 years**
Expected dividend yield	**2.50%**	**3.20%**	**3.50%**	**5.09%**	**6.93%**	**7.27%**
Expected volatility	**28.90%**	**30.00%**	**30.00%**	**45.00%**	**35.00%**	**35.00%**
Risk free interest rate	**0.40%**	**0.86%**	**0.43%**	**0.14%**	**0.84%**	**0.92%**
Valuation model	**Binomial**	**Binomial**	**Binomial**	**Binomial**	**Binomial**	**Binomial**
Contractual life from	**14th Feb 2014**	**27th Feb 2015**	**26th Feb 2016**	**28th Feb 2017**	**28th Feb 2018**	**22nd Mar 2018**
Contractual life to	**13th Feb 2024**	**26th Feb 2025**	**25th Feb 2026**	**27th Feb 2027**	**27th Feb 2028**	**21st Mar 2028**

	Number of options	**Number of options**	**Number of options**	**Number of options**	**Number of options**	**Number of options**	**Total number of options**
Movements in the year							
Outstanding at 1st November 2016	**958,089**	**1,030,138**	**994,289**	**-**	**-**	**-**	**2,982,516**
Granted during the year	**-**	**-**	**-**	**1,266,364**	**-**	**-**	**1,266,364**
Exercised during the year	**(933,342)**	**-**	**-**	**-**	**-**	**-**	**(933,342)**
Lapsed during the year	**(24,747)**	**(65,616)**	**(66,511)**	**(72,088)**	**-**	**-**	**(228,962)**
Outstanding at 31st October 2017	**-**	**964,522**	**927,778**	**1,194,276**	**-**	**-**	**3,086,576**
Granted during the year	**-**	**-**	**-**	**-**	**1,112,762**	**150,898**	**1,263,660**
Exercised during the year	**-**	**(940,586)**	**-**	**-**	**-**	**-**	**(940,586)**
Lapsed during the year	**-**	**(18,578)**	**(75,089)**	**(255,986)**	**(221,862)**	**-**	**(571,515)**
Outstanding at 31st October 2018	**-**	**5,358**	**852,689**	**938,290**	**890,900**	**150,898**	**2,838,135**
Exercisable at 31st October 2018	**-**	**5,358**	**-**	**-**	**-**	**-**	**5,358**
Exercisable at 31st October 2017	**-**	**-**	**-**	**-**	**-**	**-**	**-**

	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**Total £m**
Charge to income for the current year	**-**	**0.4**	**0.6**	**0.2**	**0.2**	**-**	**1.4**
Charge to income for the prior year	**0.2**	**1.5**	**0.8**	**0.9**	**-**	**-**	**3.4**

The weighted average exercise price of LTIP options was £nil (2017: £nil).

Employee share option scheme

This is a limited scheme which represents the balance of shares from the previous management incentive plan, which vested at admission. The balance of shares are held by the Group's Employee Share Ownership Trust and certain options have been granted to Executive Directors and other employees. Options granted under the plan are exercisable between 2 and 10 years after the date of grant. The options are valued at the admission price or share price on date of grant. There are no performance criteria but recipients must remain employed by the Group on the applicable vesting date.

Date of grant	**17th Aug 2015**	**1st Jun 2018**
Options granted	**1,500**	**10,000**
Fair value at measurement date	**£0.00**	**£0.00**
Share price on date of grant	**£5.68**	**£4.40**
Exercise price	**£0.00**	**£0.00**
Vesting period	**2 years**	**2 years**
Expected dividend yield	**N/A**	**N/A**
Expected volatility	**N/A**	**N/A**
Risk free interest rate	**N/A**	**N/A**
Valuation model	**N/A**	**N/A**
Contractual life from	**17th Aug 2015**	**1st Jun 2018**
Contractual life to	**16th Aug 2025**	**31st May 2028**

Movements in the year	**Number of options**	**Number of options**	**Total number of options**
Outstanding at 1st November 2016	**1,500**	**-**	**1,500**
Exercised during the year	**(1,500)**	**-**	**(1,500)**
Outstanding at 31st October 2017	**-**	**-**	**-**
Granted during the year	**-**	**10,000**	**10,000**
Outstanding at 31st October 2018	**-**	**10,000**	**10,000**
Exercisable at 31st October 2018	**-**	**-**	**-**
Exercisable at 31st October 2017	**-**	**-**	**-**
	£m	**£m**	**£m**
Charge to income for the current year	**-**	**-**	**-**
Charge to income for the prior year	**-**	**-**	**-**

The weighted average exercise price of employee share options was £nil (2017: £nil).

Save As You Earn (SAYE)

Executive Directors and eligible employees are invited to make regular monthly contributions to a Sharesave scheme operated by Equiniti. On completion of the three-year contract period employees are able to purchase ordinary shares in the Company based on the market price at the date of invitation less a 20% discount. There are no performance conditions.

Date of grant	22nd May 2013	15th Jul 2014	16th Jul 2015	1st Aug 2016	3rd Aug 2017	26th Jul 2018
Options granted	805,805	569,998	257,264	1,208,742	453,663	712,944
Fair value at measurement date	£0.82	£0.70	£1.03	£1.11	£1.06	£0.52
Share price on date of grant	£3.09	£3.44	£5.63	£3.56	£5.41	£3.77
Exercise price	£2.47	£2.76	£4.51	£2.86	£4.20	£3.15
Vesting period	3 years	3 years	3 years	3 years	3 years	3 years
Expected dividend yield	2.50%	2.50%	3.00%	4.80%	5.10%	8.76%
Expected volatility	32.00%	28.90%	29.00%	45.00%	35.00%	35.00%
Risk free interest rate	0.55%	1.61%	1.16%	0.19%	0.30%	0.85%
Valuation model	Binomial	Binomial	Binomial	Binomial	Binomial	Binomial
Contractual life from	1st Aug 2013	1st Aug 2014	1st Aug 2015	1st Sep 2016	1st Sep 2017	1st Sep 2018
Contractual life to	1st Feb 2017	1st Feb 2018	1st Feb 2019	1st Mar 2020	1st Mar 2021	1st Mar 2022

Movements in the year	Number of options	Number of options	Number of options	Number of options	Number of options	Number of options	Total number of options	Weighted average exercise price
Outstanding at 1st November 2016	36,937	421,075	104,478	1,194,270	-	-	1,756,760	£2.93
Granted during the year	-	-	-	-	453,663	-	453,663	£4.20
Exercised during the year	(34,751)	(377,761)	(531)	(3,181)	-	-	(416,224)	£2.74
Lapsed during the year	(2,186)	(15,930)	(21,452)	(146,149)	(5,140)	-	(190,857)	£3.07
Outstanding at 31st October 2017	-	27,384	82,495	1,044,940	448,523	-	1,603,342	£3.32
Granted during the year	-	-	-	-	-	712,944	712,944	£3.15
Exercised during the year	-	(27,366)	-	(8,390)	-	-	(35,756)	£2.78
Lapsed during the year	-	(18)	(11,674)	(162,549)	(224,791)	(31,193)	(430,225)	£3.63
Outstanding at 31st October 2018	-	-	70,821	874,001	223,732	681,751	1,850,305	£3.19
Exercisable at 31st October 2018	-	-	70,821	-	-	-	70,821	
Exercisable at 31st October 2017	-	27,384	-	-	-	-	27,384	

	£m	£m	£m	£m	£m	£m	Total £m
Charge to income for the current year	-	-	-	0.3	-	0.1	0.4
Charge to income for the prior year	-	0.1	-	0.4	-	-	0.5

Deferred bonus plan

Under the terms of certain bonus schemes, some parts of bonus payments must be deferred into share options. The options carry no performance criteria and vest over one or three years. Options granted under the plan are exercisable between 1 and 10 years after the date of grant. Deferred bonus plan option numbers are based on the share price on date of grant.

Date of grant	**27th Feb 2015**	**26th Feb 2016**	**8th Feb 2017**	**28th Feb 2017**	**8th Feb 2018**	**8th Feb 2018**	**28th Feb 2018**
Options granted	**257,219**	**140,185**	**2,078**	**133,761**	**17,720**	**2,457**	**188,122**
Fair value at measurement date	**£4.45**	**£5.62**	**£4.83**	**£5.41**	**£5.04**	**£5.04**	**£4.89**
Share price on date of grant	**£4.45**	**£5.62**	**£4.83**	**£5.41**	**£5.04**	**£5.04**	**£4.89**
Exercise price	**£0.00**	**£0.00**	**£0.00**	**£0.00**	**£0.00**	**£0.00**	**£0.00**
Vesting period	**1 / 3 years**	**1 / 3 years**	**1 year**	**1 / 3 years**	**3 year**	**1 year**	**1 / 3 years**
Expected dividend yield and volatility	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
Risk free interest rate	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
Valuation model	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
Contractual life from	**27th Feb 2015**	**26th Feb 2016**	**8th Feb 2017**	**28th Feb 2017**	**8th Feb 2018**	**8th Feb 2018**	**28th Feb 2018**
Contractual life to	**26th Feb 2025**	**25th Feb 2026**	**25th Feb 2026**	**27th Feb 2027**	**26th Feb 2025**	**27th Feb 2027**	**27th Feb 2028**

Movements in the year	**Number of options**	**Number of options**	**Number of options**	**Number of options**	**Number of options**	**Number of options**	**Number of options**	**Total number of options**
Outstanding at 1st November 2016	**120,519**	**127,672**	**-**	**-**	**-**	**-**	**-**	**248,191**
Granted during the year	**-**	**-**	**2,078**	**133,761**	**-**	**-**	**-**	**135,839**
Exercised during the year	**-**	**(44,420)**	**(2,078)**	**-**	**-**	**-**	**-**	**(46,498)**
Outstanding at 31st October 2017	**120,519**	**83,252**	**-**	**133,761**	**-**	**-**	**-**	**337,532**
Granted during the year	**-**	**-**	**-**	**-**	**17,720**	**2,457**	**188,122**	**208,299**
Exercised during the year	**(120,519)**	**-**	**-**	**(43,864)**	**(17,720)**	**(2,457)**	**-**	**(184,560)**
Lapsed during the year	**-**	**-**	**-**	**-**	**-**	**-**	**(1,349)**	**(1,349)**
Outstanding at 31st October 2018	**-**	**83,252**	**-**	**89,897**	**-**	**-**	**186,773**	**359,922**
Exercisable at 31st October 2018	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Exercisable at 31st October 2017	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**Total £m**
Charge to income for the current year	**-**	**0.1**	**-**	**0.2**	**0.1**	**-**	**0.3**	**0.7**
Charge to income for the prior year	**0.1**	**0.1**	**-**	**0.5**	**-**	**-**	**-**	**0.7**

The weighted average exercise price of deferred bonus plan share options was £nil (2016: £nil).

Total share incentive schemes	**2018**	**2017**
Movements in the year	**Number of options**	**Number of options**
Outstanding at beginning of the year	**5,027,450**	**4,988,967**
Granted during the year	**2,194,903**	**1,855,866**
Exercised during the year	**(1,160,902)**	**(1,396,064)**
Employee share option shares	**-**	**(1,500)**
Lapsed during the year	**(1,003,089)**	**(419,819)**
Outstanding at end of the year	**5,058,362**	**5,027,450**
Exercisable at end of the year	**76,179**	**27,384**
	£m	**£m**
Charge to income for the year	**2.5**	**4.6**

The weighted average share price at the date of exercise of share options exercised during the year was £4.77 (2017: £5.32).

The options outstanding had a range of exercise prices of £nil to £4.51 (2017: £nil to £4.51) and a weighted average remaining contractual life of 6.0 years (2017: 6.4 years). The gain on shares exercised during the year was £5.4m (2017: £6.3m).

15 TRADE AND OTHER RECEIVABLES

	2018 £m	2017 £m
Non-current		
Trade receivables	**18.3**	**14.5**
Due from joint ventures	**40.7**	**38.0**
	59.0	**52.5**
Current		
Trade receivables	**54.9**	**64.0**
Recoverable on contracts	**22.1**	**20.4**
Due from joint ventures	**3.8**	**1.2**
Other receivables	**8.9**	**13.2**
Prepayments and accrued income	**4.2**	**3.9**
	93.9	**102.7**

Current trade receivables of £16.7m have been collected as of 4th January 2019 (2017: £13.4m collected as of 4th January 2018). The remaining balance is due according to contractual terms. Receivables are stated after provision for doubtful debts of £nil (2017: £nil). Amounts due from joint ventures are net of joint venture losses of £3.3m (2017: £2.1m). At the consolidated statement of financial position date the difference between the fair value of non-current amounts due from joint ventures and nominal value is £0.8 m (2017: £0.7m).

The Group considers the credit quality of financial assets that are neither past due nor impaired as good. Trade and other receivables mainly comprise contractual amounts due from housing associations and land sales to other quoted housebuilders.

Amounts due from joint ventures comprises funding provided on three (2017: two) joint venture developments which are being project managed by the Group and are subject to contractual arrangements. Amounts due from joint ventures are stated net of losses of £3.3m (2017: £2.1m). See note 11 for additional details on the Group's interests in joint ventures.

The maturity of non-current receivables is as follows:

	2018 £m	2017 £m
Due between one and two years	**24.0**	**20.9**
Due between two and five years	**34.8**	**31.4**
Due after five years	**0.2**	**0.2**
	59.0	**52.5**

16 INVENTORIES

	2018 £m	2017 £m
Work in progress	984.2	926.4
Completed buildings including show homes	168.1	136.2
Part exchange inventories	33.9	23.9
	1,186.2	1,086.5

Included within inventories is a fair value adjustment of £24.6m (2017: £35.3m) which arose on the acquisition of Castle Bidco Limited in 2009 and will continue to unwind to cost of sales in future years as the units against which the original fair value provision was recognised are sold. The amount of fair value provision unwound in cost of sales in the year was £10.7m (2017: £12.3m). Total inventories of £864.9m (2017: £768.8m) were recognised as cost of sales in the year. Total inventories are stated net of a net realisable value provision of £0.8m (2017: £0.4m).

17 MOVEMENT IN NET CASH/(DEBT)

	2018 £m	Movement £m	2017 £m
Cash and cash equivalents	184.3	9.1	175.2
Bank loans, senior loan notes and other loans	(170.2)	(28.2)	(142.0)
Net cash	14.1	(19.1)	33.2

18 INTEREST-BEARING LOANS AND BORROWINGS

	2018 £m	2017 £m
Non-current		
Revolving credit facility	70.0	40.0
Senior loan notes	100.0	100.0
Revolving credit and senior loan notes issue costs	(3.6)	(3.7)
Other loans	1.9	3.8
	168.3	140.1
Current		
Other loans	1.9	1.9

There were undrawn amounts of £180.0m (2017: £210.0m) under the revolving credit facility at the consolidated statement of financial position date. During the year the Group drew down a further £30.0m under the revolving credit facility on the same terms and conditions. See note 22 for additional disclosures.

19 TRADE AND OTHER PAYABLES

	2018 £m	2017 £m
Non-current		
Land payables on contractual terms	123.3	86.7
Other payables	6.5	6.4
Accruals	13.5	8.4
	143.3	101.5
Current		
Land payables on contractual terms	86.4	128.9
Other trade payables	38.0	42.5
Payments on account	19.3	16.5
Taxes and social security costs	2.9	2.3
Other payables	11.0	12.7
Accruals	213.4	185.0
	371.0	387.9

20 PROVISIONS

	Commercial properties 2018 £m	Other provisions 2018 £m	Total 2018 £m	Commercial properties 2017 £m	Other provisions 2017 £m	Total 2017 £m
At beginning of the year	3.5	-	3.5	4.4	-	4.4
(Utilised)/provided in the year	(1.3)	0.4	(0.9)	(0.9)	-	(0.9)
At end of the year	2.2	0.4	2.6	3.5	-	3.5
Of which:						
Non-current	0.9	-	0.9	2.1	-	2.1
Current	1.3	0.4	1.7	1.4	-	1.4
	2.2	0.4	2.6	3.5	-	3.5

Commercial properties comprise rental and other obligations in respect of commercial properties, and the provision covers the shortfall on commercial head leases, rates and related service charges for the years the Group anticipates the leases being onerous. The Group has head leases expiring up to September 2020.

Other provisions mainly relate to a loss of office provision for the former Group Finance Director, Robert Allen, who left the business on 16th October 2018. In line with the approved Remuneration Policy Robert will receive a payment in lieu of notice from the Group equivalent to base salary on a monthly basis until 16th October 2019, reflecting his contractual notice. Further details are included within the Directors' Remuneration Report.

21 SHARE CAPITAL

	Shares issued Number	Nominal value Pence	Share capital £	Share premium account £
Ordinary shares as at 1st November 2016	254,363,573	5	12,718,179	73,010,342
New share capital	1,396,064	5	69,802	1,119,136
Ordinary shares as at 31st October 2017	255,759,637	5	12,787,981	74,129,478
New share capital	1,160,902	5	58,046	97,738
Ordinary shares as at 31st October 2018	256,920,539	5	12,846,027	74,227,216

Ordinary shares are issued and fully paid. Authorised ordinary shares of 5 pence each are 341,049,337 (2017: 339,187,373).

During the year the Company issued the following new ordinary shares of 5 pence each to satisfy share options under the Company's share incentive schemes.

	Shares issued Number	Exercise price Pence	Share capital £	Share premium account £
2015 LTIP	940,586	-	47,030	-
2014 SAYE	27,366	276	1,368	74,162
2016 SAYE	8,390	286	420	23,576
2015 Deferred bonus plan	138,239	-	6,912	-
2017 Deferred bonus plan	46,321	-	2,316	-
	1,160,902		58,046	97,738

During the previous year the Company issued the following new ordinary shares of 5 pence each to satisfy share options under the Company's share incentive schemes.

	Shares issued Number	Exercise price Pence	Share capital £	Share premium account £
2014 LTIP	**933,342**	**-**	**46,667**	**-**
2013 SAYE	**34,751**	**247**	**1,737**	**84,097**
2014 SAYE	**377,761**	**276**	**18,888**	**1,023,732**
2015 SAYE	**531**	**451**	**26**	**2,368**
2016 SAYE	**3,181**	**286**	**159**	**8,939**
2016 Deferred bonus plan	**46,498**	**-**	**2,325**	**-**
	1,396,064		**69,802**	**1,119,136**

For details of outstanding share options at 31st October 2018 see note 14.

22 FINANCIAL RISK MANAGEMENT

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

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

The Group's capital comprises shareholders' funds and net borrowings.

The Group seeks to manage its capital through control of expenditure, dividend payments and through its banking facilities.

The revolving credit facility and senior loan notes impose certain minimum capital requirements on the Group. These requirements are integrated into the Group's internal forecasting process and are regularly reviewed. The Group has, and is forecasting, to operate within these capital requirements.

There were undrawn amounts of £180.0m (2017: £210.0m) under the revolving credit facility at the consolidated statement of financial position date.

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

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

The Group has cash deposits of £184.3m (2017: £175.2m) which are held by the providers of its banking facilities. These are primarily provided by HSBC Bank Plc, Barclays Bank Plc, Lloyds Bank Plc and The Royal Bank of Scotland, being four of the UK's leading financial institutions. The security and suitability of these banks is monitored by the treasury function on a regular basis. The Group has bank facilities of £250.0m expiring in June 2023, with £180.0m remaining available for drawdown under such facilities at 31st October 2018.

Other financial assets, as described in note 12, of £10.5m (2017: £14.9m) are receivables on extended terms granted as part of a sales transaction and are secured by way of a legal charge on the relevant property and therefore credit risk is considered low.

The carrying value of trade and other receivables is mainly amounts due from housing association sales, land sales and commercial sales and equates to the Group's exposure to credit risk which is set out in note 15. Amounts due from joint ventures of £44.5m (2017: £39.2m) is funding provided on three (2017: two) joint venture developments which are being project managed by the Group and are subject to contractual arrangements. Within trade and other receivables the other largest single amount outstanding at the year end is £11.2m (2017: £10.5m) which is within agreed terms. The Group considers the credit quality of financial assets that are neither past due nor impaired as good, as described in note 15.

In managing risk the Group assesses the credit risk of its counterparties before entering into a transaction. No credit limits were exceeded during the reporting year, and management does not expect any material losses from non-performance of any counterparties, including in respect of receivables not yet due. No material financial assets are past due, or are considered to be impaired as at the consolidated statement of financial position date (2017: none).

Liquidity risk
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

Cash flow forecasts are produced to monitor the expected cash flow requirements of the Group against the available facilities. The principal risks within these cash flows relate to achieving the level of sales volume and prices in line with current forecasts.

The following are the contractual maturities of the financial liabilities of the Group at 31st October 2018:

2018	**Carrying value £m**	**Contractual cash flows £m**	**Within 1 year £m**	**1-2 years £m**	**2-3 years £m**	**More than 3 years £m**
Revolving credit facility	**70.0**	**70.2**	**0.2**	**-**	**-**	**70.0**
Senior loan notes	**100.0**	**130.2**	**3.5**	**3.5**	**3.5**	**119.7**
Other loans	**3.8**	**4.0**	**2.0**	**2.0**	**-**	**-**
Other financial liabilities carrying interest	**65.6**	**68.1**	**10.8**	**20.3**	**37.0**	**-**
Financial liabilities carrying no interest	**426.5**	**434.0**	**342.8**	**49.5**	**23.0**	**18.7**
At 31st October 2018	**665.9**	**706.5**	**359.3**	**75.3**	**63.5**	**208.4**

2017	**Carrying value £m**	**Contractual cash flows £m**	**Within 1 year £m**	**1-2 years £m**	**2-3 years £m**	**More than 3 years £m**
Revolving credit facility	**40.0**	**40.1**	**0.1**	**-**	**-**	**40.0**
Senior loan notes	**100.0**	**133.7**	**3.5**	**3.5**	**3.5**	**123.2**
Other loans	**5.7**	**6.1**	**2.1**	**2.0**	**2.0**	**-**
Other financial liabilities carrying interest	**72.5**	**74.0**	**44.9**	**9.8**	**19.3**	**-**
Financial liabilities carrying no interest	**398.1**	**405.7**	**328.4**	**28.5**	**33.4**	**15.4**
At 31st October 2017	**616.3**	**659.6**	**379.0**	**43.8**	**58.2**	**178.6**

Other loans (LIFF loans) are development specific loans from the HCA and are repayable on the earlier of legal completion of related units or long stop dates. Other financial liabilities carrying interest are land acquisitions using promissory notes. The timing and amount of future cash flows given in the table above is based on the Directors' best estimate of the likely outcome.

Market interest rate risk
Market interest rate risk reflects the Group's exposure to fluctuations to interest rates in the market. The risk arises because the Group's revolving credit facility is subject to floating interest rates based on LIBOR, and the LIFF loans are subject to the EU reference rate. The Group accepts a degree of interest rate risk, and monitors rate changes to ensure they are within acceptable limits and in line with banking covenants. The Group has partially mitigated this risk by placing £100m of senior loan notes which are at fixed interest rates. For the year ended 31st October 2018 it is estimated that an increase of 1% in interest rates applying for the full year would decrease the Group's PBT by £1.4m (2017: £1.7m).

At 31st October 2018, the interest rate profile of the financial liabilities of the Group was:

	2018	2017
	£m	£m
Sterling bank borrowings, loan notes and long-term creditors		
Floating rate financial liabilities	**73.8**	**45.7**
Financial liabilities carrying interest	**165.6**	**172.5**
Financial liabilities carrying no interest	**426.5**	**398.1**
	665.9	**616.3**

For financial liabilities that have no interest payable but for which imputed interest is charged, consisting of land payables, the weighted average period to maturity is 40 months (2017: 40 months).

	2018	2017
	£m	£m
The maturity of the financial liabilities is:		
Repayable within one year	**350.7**	**371.0**
Repayable between one and two years	**68.4**	**38.1**
Repayable between two and five years	**145.5**	**103.7**
Repayable after five years	**101.3**	**103.5**
	665.9	**616.3**

Fair Values

Financial assets
The Group's financial assets comprise cash equivalents, other financial assets and trade and other receivables. The carrying amounts of financial assets equate to their fair value. At 31st October 2018 cash equivalents consisted of sterling cash deposits of £184.3m (2017: £175.2m), with solicitors and on current account, £10.5m (2017: £14.9m) of other financial assets, £104.2m (2017: £112.1m) of trade, other receivables and amounts recoverable on contracts, and £44.5m (2017: £39.2m) of amounts due from joint ventures. Other financial assets are carried at fair value and categorised as level 3 (inputs not based on observable market data) within the hierarchical classification of IFRS 13 Revised.

Financial liabilities
The Group's financial liabilities comprise the revolving credit facility, loan notes, other loans, trade payables, payments on account, loans from joint ventures and accruals, the carrying amounts of which equate to their fair value. The fair values of the revolving credit facility, other loans and loan notes are calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the consolidated statement of financial position date.

The fair values of the facilities determined on this basis are:

2018		Face	Carrying	Fair	
	Nominal interest rate	**value**	**value**	**value**	**Maturity**
		£m	**£m**	**£m**	
Revolving credit facility	3 mth LIBOR + 2.15%	**70.0**	**70.0**	**70.0**	**2023**
Senior loan notes	3.15% - 3.87%	**100.0**	**100.0**	**100.0**	**2024-2029**
LIFF loans	EU reference rate + 2.2%	**1.9**	**1.9**	**1.9**	**2020**
Total non-current interest-bearing loans		**171.9**	**171.9**	**171.9**	
LIFF loans	EU reference rate + 2.2%	**1.9**	**1.9**	**1.9**	**2019**
Total current interest-bearing loans		**1.9**	**1.9**	**1.9**	

2017	**Nominal interest rate**	**Face value £m**	**Carrying value £m**	**Fair value £m**	**Maturity**
Revolving credit facility	3 mth LIBOR + 2.15%	**40.0**	**40.0**	**40.0**	**2022**
Senior loan notes	3.15% - 3.87%	**100.0**	**100.0**	**100.0**	**2024-2029**
LIFF loans	EU reference rate + 2.2%	**3.8**	**3.8**	**3.8**	**2020**
Total non-current interest-bearing loans		**143.8**	**143.8**	**143.8**	
LIFF loans	EU reference rate + 2.2%	**1.9**	**1.9**	**1.9**	**2018**
Total current interest-bearing loans		**1.9**	**1.9**	**1.9**	

Financial assets and liabilities by category

Financial assets	**2018 £m**	**2017 £m**
Sterling cash deposits	**184.3**	**175.2**
Trade receivables	**73.2**	**78.5**
Amounts due from joint ventures	**44.5**	**39.2**
Recoverable on contracts	**22.1**	**20.4**
Other receivables	**8.9**	**13.2**
Total cash equivalents and trade and other receivables	**333.0**	**326.5**
Other financial assets	**10.5**	**14.9**
Total financial assets	**343.5**	**341.4**

Financial liabilities	**2018 £m**	**2017 £m**
Revolving credit facility	**70.0**	**40.0**
Senior loan notes	**100.0**	**100.0**
Other loans	**3.8**	**5.7**
Land payments on contractual terms carrying interest	**65.6**	**72.5**
Land payments on contractual terms carrying no interest	**144.1**	**143.1**
Other trade payables	**38.0**	**42.5**
Other payables	**17.5**	**19.1**
Accruals	**226.9**	**193.4**
Financial liabilities at amortised cost	**665.9**	**616.3**

23 CONTINGENT LIABILITIES AND COMMITMENTS

There are performance bonds and other engagements, including those in respect of joint venture partners, undertaken in the ordinary course of business. It is impractical to quantify the financial effect of performance bonds and other arrangements. Management consider the possibility of a cash outflow in settlement of performance bonds and other arrangements to be remote.

In the ordinary course of business the Group enters into certain land purchase contracts with vendors on a conditional exchange basis. The conditions must be satisfied for the Group to recognise the land asset and corresponding liability within the consolidated statement of financial position. No contingent liability in respect of conditional land acquisitions has been recognised.

The Group provides for all known material legal actions, where having taken appropriate legal advice as to the likelihood of success of the actions, it is considered probable that an outflow of economic resource will be required, and the amount can be reliably measured. No contingent liability in respect of such claims has been recognised.

24 OPERATING LEASES

Outstanding commitments for future minimum lease payments under non-cancellable operating leases were:

	2018 £m	2017 £m
Land and buildings		
Within one year	**2.5**	**2.5**
Less: minimum sub-lease income	**(0.4)**	**(0.4)**
Between two and five years	**4.8**	**6.4**
Less: minimum sub-lease income	**(0.1)**	**(0.5)**
After five years	**0.9**	**1.8**
	7.7	**9.8**
Other		
Within one year	**1.9**	**1.7**
Between two and five years	**2.2**	**2.1**
	4.1	**3.8**

25 RELATED-PARTY TRANSACTIONS

Transactions between fellow subsidiaries, which are related parties, are eliminated on consolidation, as well as transactions between the Company and its subsidiaries during the current and prior year.

Transactions between the Group and key management personnel mainly comprise remuneration which is given in note 4. Detailed disclosure for Board members is given within the Directors' Remuneration Report. There were no transactions between the Group and key management personnel in the year (2017: a close family member of one of the Board of Directors purchased a property from Kitewood (Cossall) Limited, an entity in which the Group holds a 50% interest, at market value of £452,000).

The Company's Directors and Non-Executive Directors have associations other than with the Company. From time to time the Group may buy products or services from organisations with which a Director or Non-Executive Director has an association. Where this occurs, it is on normal commercial terms and without the direct involvement of the Director or Non-Executive Director. Leslie Van de Walle, Deputy Chairman and Senior Independent Non-Executive Director is a Non-Executive Director of HSBC UK Bank plc, to which the Group drew up promissory notes of £9.3m (2017: nil) and satisfied promissory notes of £23.9m (2017: nil).

Stephen Stone, Executive Chairman, is a Non-Executive Director of the HBF and the NHBC. The Group paid subscription and other fees during the year to the HBF of £128,000 (2017: £120,000) and paid fees (mainly relating to warranty insurance costs on new homes built) to the NHBC of £3.9m (2017: £3.1m).

The Group had the following transactions with its joint ventures: (i) the Group received £1.2m (2017: £1.5m) interest on joint venture funding and the Group had a credit of £0.4m (2017: £0.6m) interest on the fair value unwind on a joint venture interest free loan, (ii) the Group received £0.9m (2017: £1.0m) in project management fees, and, (iii) the amount of outstanding loans due to the Group from joint ventures was £44.5m (2017: £39.2m).

26 GROUP UNDERTAKINGS

In accordance with s409 Companies Act 2006, the following is a list of all the Group's undertakings at 31st October 2018.

Subsidiary undertakings

At 31st October 2018 the Group had an interest in the below subsidiary undertakings, which are included in the consolidated financial statements.

Entity name	Registered office	Place of incorporation	Active / dormant	Year end date	Shareholding (direct or indirect)
Bartley Wood Management Services No.2 Limited	1	8	10	31st March	100%
Bath Riverside Estate Management Company Limited	2	8	11	31st October	100%
Bath Riverside Liberty Management Company Limited	2	8	11	31st October	100%
Block F3 Whitelands Park Limited	1	8	11	31st October	100%
Block L1-L3 Whitelands Park Limited	1	8	11	31st October	100%
Brenville Limited	1	8	11	31st October	100%
Brightwells Residential 1 Company Limited	1	8	11	31st October	100%
Brightwells Residential 2 Company Limited	1	8	11	31st October	100%
Bristol Parkway North Limited	1	8	11	31st October	100%
C N Nominees Limited	1	8	11	31st October	100%
Camberley Res No.1 Limited	1	8	11	31st October	100%
Camberley Res No.2 Limited	1	8	11	31st October	100%
Camberley Res No.3 Limited	1	8	11	31st October	100%
Camberley Res No.4 Limited	1	8	11	31st October	100%
Camberley Res No.5 Limited	1	8	11	31st October	100%
Cardiff Freeport Limited	1	8	11	31st October	100%
Castle Bidco plc*	1	8	10	31st October	100%
Clevedon Developments Limited	1	8	11	31st October	100%
Clevedon Investment Limited	1	8	10	31st October	100%
CN Properties Limited	1	8	11	31st October	100%
Crest (Claybury) Limited	1	8	11	31st October	100%
Crest (Napsbury) Limited	1	8	11	31st October	100%
Crest Construction Limited	1	8	11	31st October	100%
Crest Construction Management Limited	1	8	11	31st October	100%
Crest Developments Limited	1	8	11	31st October	100%
Crest Estates Limited	1	8	11	31st October	100%
Crest Homes (Chiltern) Limited	1	8	11	31st October	100%
Crest Homes (Eastern) Limited	1	8	11	31st October	100%
Crest Homes (Midlands) Limited	1	8	11	31st October	100%
Crest Homes (Nominees) Limited	1	8	11	31st October	100%
Crest Homes (Northern) Limited	1	8	11	31st October	100%
Crest Homes (South East) Limited	1	8	11	31st October	100%
Crest Homes (South West) Limited	1	8	11	31st October	100%
Crest Homes (South) Limited	1	8	11	31st October	100%
Crest Homes (Wessex) Limited	1	8	11	31st October	100%
Crest Homes (Westerham) Limited	1	8	11	31st October	100%
Crest Homes Limited	1	8	11	31st October	100%
Crest Homes Management Limited	1	8	11	31st October	100%
Crest Manhattan Limited	1	8	11	31st October	100%
Crest Nicholson (Bath Western) Limited	1	8	11	31st October	100%
Crest Nicholson (Bath) Holdings Limited	1	8	11	31st October	100%

*Castle Bidco plc is the only direct holding of Crest Nicholson Holdings plc.

Entity name	Registered office	Place of incorporation	Active / dormant	Year end date	Shareholding (direct or indirect)
Crest Nicholson (Chiltern) Limited	1	8	11	31st October	100%
Crest Nicholson (Eastern) Limited	1	8	11	31st October	100%
Crest Nicholson (Epsom) Limited	1	8	11	31st October	100%
Crest Nicholson (Henley-on-Thames) Limited	1	8	10	31st October	100%
Crest Nicholson (Highlands Farm) Limited	1	8	11	31st October	100%
Crest Nicholson (Londinium) Limited	1	8	11	31st October	100%
Crest Nicholson (London) Limited	1	8	11	31st October	100%
Crest Nicholson (Midlands) Limited	1	8	11	31st October	100%
Crest Nicholson (Rainsford Road) Limited	1	8	11	31st October	100%
Crest Nicholson (South East) Limited	1	8	11	31st October	100%
Crest Nicholson (South West) Limited	1	8	11	31st October	100%
Crest Nicholson (South) Limited	1	8	11	31st October	100%
Crest Nicholson (Stotfold) Limited	1	8	10	31st October	100%
Crest Nicholson (Wainscott)	1	8	11	31st October	100%
Crest Nicholson (Wessex) Limited	1	8	11	31st October	100%
Crest Nicholson Developments (Chertsey) Limited	1	8	10	31st October	100%
Crest Nicholson Greenwich Limited	1	8	11	31st October	100%
Crest Nicholson Operations Limited	1	8	10	31st October	100%
Crest Nicholson Overseas Limited	1	8	11	31st October	100%
Crest Nicholson Pension Trustee Ltd	1	8	11	31st January	100%
Crest Nicholson plc	1	8	10	31st October	100%
Crest Nicholson Projects Limited	1	8	11	31st October	100%
Crest Nicholson Properties Limited	1	8	11	31st October	100%
Crest Nicholson Properties Scarborough No 2 Limited	5	9	11	31st October	100%
Crest Nicholson Quest Trustee Limited	1	8	11	31st October	100%
Crest Nicholson Regeneration Limited	1	8	11	31st October	100%
Crest Nicholson Residential (London) Limited	1	8	11	31st October	100%
Crest Nicholson Residential (Midlands) Limited	1	8	11	31st October	100%
Crest Nicholson Residential (South East) Limited	1	8	11	31st October	100%
Crest Nicholson Residential (South) Limited	1	8	11	31st October	100%
Crest Nicholson Residential Limited	1	8	11	31st October	100%
Crest Nominees Limited	1	8	11	31st October	100%
Crest Partnership Homes Limited	1	8	11	31st October	100%
Crest Strategic Projects Limited	1	8	11	31st October	100%
Dialled Despatches Limited	1	8	11	31st October	100%
Eastern Perspective Management Company Limited	1	8	11	31st October	100%
Grassphalte-Gaze Limited	1	8	11	31st October	100%
Landscape Estates Limited	1	8	11	31st October	100%
Mertonplace Limited	1	8	11	31st October	100%
Nicholson Estates (Century House) Limited	1	8	11	31st October	100%
Nicholson Homes Limited	1	8	11	31st October	100%
Park Central Management (Central Plaza) Limited	1	8	10	31st October	100%
Ellis Mews (Park Central) Management Limited	1	8	10	31st October	100%
Park Central Management (Zone 11) Limited	1	8	11	31st October	100%
Park Central Management (Zone 12) Limited	1	8	11	31st October	100%
Park Central Management (Zone 1A North) Limited	1	8	11	31st October	100%
Park Central Management (Zone 1A South) Limited	1	8	11	31st October	100%
Park Central Management (Zone 1B) Limited	1	8	11	31st October	100%
Park Central Management (Zone 3/1) Limited	1	8	11	31st October	100%

Entity name	Registered office	Place of incorporation	Active / dormant	Year end date	Shareholding (direct or indirect)
Park Central Management (Zone 3/2) Limited	1	8	11	31st October	100%
Park Central Management (Zone 3/3) Limited	1	8	11	31st October	100%
Park Central Management (Zone 3/4) Limited	1	8	11	31st October	100%
Park Central Management (Zone 4/41 & 42) Limited	1	8	11	31st October	100%
Park Central Management (Zone 4/43/44) Limited	1	8	11	31st October	100%
Park Central Management (Zone 5/53) Limited	1	8	11	31st October	100%
Park Central Management (Zone 5/54) Limited	1	8	11	31st October	100%
Park Central Management (Zone 5/55) Limited	1	8	11	31st October	100%
Park Central Management (Zone 6/61-64) Limited	1	8	11	31st October	100%
Park Central Management (Zone 7/9) Limited	1	8	11	31st October	100%
Park Central Management (Zone 8) Limited	1	8	11	31st October	100%
Park Central Management (Zone 9/91) Limited	1	8	11	31st January	100%
Riverside Dacorum No 2 Limited	5	9	11	31st October	100%
The Gloucester Docks Trading Company Limited	1	8	11	31st October	100%
Timberform Building Systems Limited	1	8	11	31st October	100%
Toptool Products Limited	1	8	11	31st October	100%
Yawbrook Limited	1	8	11	31st October	100%
Building 7 Harbourside Management Company Limited	2	8	10	30th October	58.33%
Buildings 3A, 3B & 4 Harbourside Management Company Limited	2	8	11	31st December	83.33%
Harbourside Leisure Management Company Limited	1	8	10	30th December	71.43%
Park West Management Services Limited	1	8	10	31st March	62.00%

Joint venture undertakings

At 31st October 2018 the Group had an interest in the following joint venture undertakings which are equity accounted within the consolidated financial statements. The principal activity of all undertakings is that of residential development.

Entity name	Registered office	Place of incorporation	Active / dormant	Year end date	Shareholding (direct or indirect)
Material joint ventures					
Kitewood (Cossall) Limited	1	8	10	31st October	50%
Bonner Road LLP	6	8	10	31st March	50%
Crest A2D (Walton Court) LLP	1	8	10	31st March	50%
Other joint ventures not material to the Group					
Elmsbrook (Crest A2D) LLP	7	8	10	31st March	50%
Crest Nicholson Bioregional Quintain LLP	1	8	10	31st October	50%
Crest/Galliford Try (Epsom) LLP	1	8	10	31st October	50%
English Land Banking Company Limited	1	8	10	31st October	50%
The Century House Property Company Limited	1	8	11	31st October	50%
Crest Nicholson Bioregional Quintain (Gallions) LLP	1	8	11	31st October	50%
Brentford Lock Limited	3	8	10	31st December	50%
Haydon Development Company Limited	4	8	10	30th April	21.36%
North Swindon Development Company Limited	4	8	10	31st October	32.64%

Registered office	Place of incorporation	Active / dormant
1 Crest House, Pyrcroft Road, Chertsey, Surrey KT16 9GN, UK	8 England	10 active
2 Unit 2 & 3 Beech Court, Wokingham Road, Hurst, Reading RG10 0RU, UK	9 Jersey	11 dormant
3 Persimmon House, Fulford, York YO19 4FE, UK		
4 6 Drakes Meadow, Penny Lane, Swindon, Wiltshire SN3 3LL, UK		
5 SG Hambros House, 18 Esplanade, St Helier, Jersey JE4 8RT		
6 Level 6, 6 More London Place, Tooley Street, London SE1 2DA		
7 The Point, 37 North Wharf Road, London W2 1BD		

Joint operations

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

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

The Group is party to a joint arrangement with Passion Property Group Limited, the purpose of which was to develop a site in London. The development was completed in 2014 and there are no material balances in the Group financial statements relating to this joint arrangement as at 31st October 2018. The two parties were jointly responsible for the control and management of the site's development, with each party having prescribed funding obligations and returns. As such this arrangement has been designated as a joint operation.

In line with the Group's accounting policies, the Group has recognised its share of the jointly controlled assets and liabilities, and income and expenditure, in relation to these joint arrangements on a line-by-line basis in the consolidated statement of financial position and consolidated income statement.

Crest Nicholson Employee Share Ownership Trust

The Group operates The Crest Nicholson Employee Share Ownership Trust, which is used to satisfy awards granted under the Group's share incentive schemes; shares are allotted to the Trust or the trust is funded to acquire shares in the open market. The Crest Nicholson Employee Share Ownership Trust falls within the scope of IFRS 10 Consolidated statements, and is consolidated within the Group financial statements, as the Group is considered to have control over the Trust.

CREST NICHOLSON HOLDINGS PLC
COMPANY STATEMENT OF FINANCIAL POSITION
As at 31st October 2018

	Note	2018 £m	2017 £m
ASSETS			
Non-current assets			
Investments	4	1.0	-
Current assets			
Trade and other receivables	5	222.9	297.5
TOTAL ASSETS		223.9	297.5
LIABILITIES			
Current liabilities			
Current income tax liabilities		(2.1)	(1.1)
TOTAL LIABILITIES		(2.1)	(1.1)
NET ASSETS		221.8	296.4
SHAREHOLDERS' EQUITY			
Share capital	6	12.8	12.8
Share premium account	6	74.2	74.1
Retained earnings		134.8	209.5
TOTAL SHAREHOLDERS' EQUITY		221.8	296.4

The Company recorded a profit for the financial year of £10.0m (2017: £14.7m).
The notes on pages 52 to 54 form part of these financial statements.

CREST NICHOLSON HOLDINGS PLC
COMPANY STATEMENT OF CHANGES IN EQUITY
For the year ended 31st October 2018

	Note	Share capital £m	Share premium account £m	Retained earnings £m	Total equity £m
Balance at 1st November 2016		12.7	73.0	270.7	356.4
Profit for the financial year and total comprehensive income		-	-	14.7	14.7
Transactions with shareholders					
Dividends paid	3	-	-	(75.9)	(75.9)
Share capital issued		0.1	1.1	-	1.2
Balance at 31st October 2017		12.8	74.1	209.5	296.4
Profit for the financial year and total comprehensive income		-	-	10.0	10.0
Transactions with shareholders					
Dividends paid	3	-	-	(84.7)	(84.7)
Share capital issued		-	0.1	-	0.1
Balance at 31st October 2018		12.8	74.2	134.8	221.8

1 ACCOUNTING POLICIES

Crest Nicholson Holdings plc (the 'Company') is a public company limited by shares, incorporated, listed and domiciled in England and Wales. The address of the registered office is Crest House, Pyrcroft Road, Chertsey, Surrey KT16 9GN. The Company financial statements have been prepared and approved by the Directors in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101'), in accordance with the Companies Act 2006 as applicable to companies using FRS 101, and have been prepared on the historical cost basis.

The preparation of financial statements in conformity with FRS 101 requires management to make assumptions and judgements that affect the application of policies and reported amounts within the financial statements. Assumptions and judgements are based on experience and other factors that management consider reasonable under the circumstances. Actual results may differ from these estimates.

The financial statements are presented in pounds sterling and amounts stated are denominated in millions (£m). The accounting policies have been applied consistently in dealing with items which are considered material.

These financial statements present information about the Company as an individual undertaking and not about its group. Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

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

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

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

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

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

The Company is the holding company of the principal trading entity of the Group headed by Crest Nicholson Holdings plc (the 'Group'). The Group financial statements, which include all the above exemptions can be obtained from Crest House, Pyrcroft Road, Chertsey, Surrey KT16 9GN. The Company and certain of its subsidiaries are cross-guarantors to the debt facilities of the Group. Accordingly, the Directors have considered the Group's position for the purposes of assessing the use of the going concern basis.

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

There were no new standards, amendments or interpretations that were adopted by the Company and effective for the first time for the financial year beginning 1st November 2017 that had a material impact on the Company.

The principal accounting policies adopted are set out below.

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

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

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

Dividends
Final and interim dividend distributions to the Company's shareholders is recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders.

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

Trade and other receivables
Trade and other receivables are stated at their fair value at the date of recognition and subsequently at amortised cost less impairment. A provision for impairment of trade receivables is made when there is evidence that the Company will not be able to collect the amounts due.

Audit fee
Auditor's remuneration for audit of these financial statements of £11,500 (2017: £10,815) was met by Crest Nicholson plc. No disclosure of other non-audit services has been made as this is included within note 3 of the consolidated financial statements.

Critical accounting estimates and judgements
The preparation of the Company financial statements under FRS101 requires management to make estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses and related disclosures.

In applying the Company's accounting policies, the Directors have made no individual judgements that have a significant impact on the financial statements, apart from those involving estimates, which is described below.

Estimates and associated assumptions affecting the financial statements are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The estimates and underlying assumptions are reviewed on an ongoing basis. Changes in accounting estimates may be necessary if there are changes in the circumstances on which the estimate was based or as a result of new information. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years. Management do not consider there are any significant sources of estimation uncertainty that have a risk of causing a material adjustment to the carrying value of assets and liabilities of the Company.

2 DIRECTORS AND EMPLOYEES

The Company had no employees during either year. Details of Directors' emoluments, which were paid by another Group company, are set out in the Directors' Remuneration Report.

3 DIVIDENDS

Details of the dividends recognised as distributions to equity shareholders in the year and those proposed after the statement of financial position date are shown in note 7 of the consolidated financial statements.

4 INVESTMENTS

	2018	2017
	£m	£m
Investments in shares of subsidiary undertaking at cost at 1st November	-	-
Additions	1.0	-
Investments in shares of subsidiary undertaking at cost at 31st October	1.0	-

Additions in the year relate to Company contributions to The Crest Nicholson Employee Share Ownership Trust.

The Directors believe that the carrying value of the investments is supported by their underlying assets.

5 TRADE AND OTHER RECEIVABLES

	2018	2017
	£m	£m
Amounts due from Group undertakings	222.9	297.5

£222.9m of amounts due from Group undertakings are unsecured, repayable on demand and carry an interest rate of 5.0% (2017: 5.0%).

6 SHARE CAPITAL

The Company share capital is disclosed in note 21 of the consolidated financial statements.

7 CONTINGENT LIABILITIES

There are performance bonds and other arrangements, including those in respect of joint venture partners, undertaken in the ordinary course of business. It is impractical to quantify the financial effect of performance bonds and other arrangements. Management consider the possibility of a cash outflow in settlement of performance bonds and other arrangements to be remote.

In addition, the Company is required from time to time to act as guarantor for the performance by subsidiary undertakings of contracts entered into in the normal course of their business and typically provide that the Company will ensure that the obligations of the subsidiary are carried out or met in the unlikely event that any subsidiary default occurs. The Company considers the likelihood of an outflow of cash under these arrangements to be remote.

8 GROUP UNDERTAKINGS

A list of all the Group's undertakings at 31st October 2018 is given in note 26 of the consolidated financial statements.