28 January 2020

The information contained in this announcement is deemed by the Company to constitute inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) No. 596/2014

Crest Nicholson Holdings plc
Preliminary Results announcement for the year ended 31 October 2019
Good early progress in implementing updated strategy

Crest Nicholson Holdings plc (Crest Nicholson) today announces its Preliminary Results for the year ended 31 October 2019 and an updated strategy:

Highlights[1]

- Sales, including the Group's share from joint ventures, at £1,094.9m (2018: £1,122.0m)
- Home completions down 4% at 2,912 (2018: 3,048) units
- Net cash at year end increase to £37.2m (2018: £14.1m)
- Adjusted operating profit margin[2] at 12.2% (2018: 16.2%)
- Adjusted profit before tax[2] down to £121.1m (2018: £168.7m) in line with previous guidance
- Exceptional charge in respect of fire-risk of £18.4m
- Statutory profit before tax of £102.7m (2018: £168.7m)
- Forward sales at mid-January of £503.5m (2018: £648.3m)
- Significant improvements in customer service
- Total full year dividend maintained at 33.0p per share (2018: 33.0p per share)

Updated Strategy

- Five strategic priorities
  - Building on our reputation and strengths in placemaking and build quality
  - Realising the value from our flexible and long-term land portfolio
  - A greater focus on operational efficiency
    - Simplified ways of working and organisational restructure
    - Introduction of new enhanced house type range and a consistent group wide specification review
    - Reduction in sales-related costs and overheads already underway
  - An ambition to be consistently rated Five-Star for customer service
  - Growing our partnerships business and multi-channel, multi-tenure capability
- Four foundations
  - Safety, Health and Environment – our number one priority
  - Sustainability and Social Value – our responsibilities to our stakeholders
  - People – we will continue to invest in our people
  - Financial Targets – we will rebuild trust in our performance

(1) Financial comparatives for 2018 have been restated to reflect the adoption IFRS15 with effect from 1 November 2018
(2) 2019 figures, adjusted for the £18.4m exceptional item relating to the combustible materials charge, net of £3.5m tax credit where appropriate

New forward financial guidance

As part of our updated strategy we have set ourselves new three-year financial targets to FY2022

- Home completions to increase to 3,500 units (2019: 2,912)
- Outlets to grow to a minimum of 70 (2019: 59)
- Adjusted operating profit margin to improve by a minimum of 250bps (from 2019: 12.2%)
- Administrative expenses to be 5% of sales (2019: 6.0%)
- Return on capital employed to increase to a minimum of 20% (2019: 15.9%)
- Strong cash generation and disciplined capital allocation
- Dividend per share of 33.0p in FY2020, 33.0p + RPI from FY2021 (2019: 33.0p per share)
- Anticipated sales contribution – Private: 60%, Affordable: 20-25%, Bulk: 15-20%

Chief Executive, Peter Truscott commented:

"Today I am pleased to announce the details of our updated strategy and new financial targets. We have already taken decisive action in reducing our sales-related costs and overheads, launched an enhanced house type range including a full specification review, and have made organisational changes to realise our ambitions in our partnerships division.

We have assembled an experienced new leadership team with the necessary skills and capabilities to take Crest Nicholson forward. In 2020 we will continue to work quickly in implementing further changes to improve performance and to create value for shareholders. I look forward to updating you on progress in future communications. Crest Nicholson is a resilient business with a bright future. I am confident that our updated strategy will restore Crest Nicholson to being one of the UK's leading house builders."

Current trading and outlook

We believe the decisive political outcome should provide support for the sector in the near term. While it is too early to form a view on the impact for FY2020 trading we are seeing some encouraging signs. Footfall and visitor numbers on our developments have increased and traffic on our website is up. We remain confident in our ability to deliver on our previous guidance and re-iterate our expectations for FY2020 Adjusted profit before tax at £110m-£120m.

Key Financials

£m (unless otherwise stated)	2019	2018[3]	Change	% Change
Home completions (units)	**2,912**	**3,048**	(136)	**-4%**
Revenue	**1,086.4**	**1,121.0**	(34.6)	**-3%**
Adjusted gross profit[4]	**201.9**	**246.9**	(45.0)	**-18%**
Adjusted gross profit %[4]	***18.6%***	***22.0%***	*(340)bps*	
Administrative expenses	**(65.5)**	**(64.9)**	(0.6)	
Net impairment losses on financial assets	**(3.4)**	**-**	(3.4)	
Adjusted operating profit[4]	**133.0**	**182.0**	(49.0)	**-27%**
Adjusted operating profit %[4]	***12.2%***	***16.2%***	*(400)bps*	
Adjusted profit before tax[4]	**121.1**	**168.7**	(47.6)	**-28%**
Adjusted profit after tax[4]	**97.4**	**136.6**	(39.2)	**-29%**
Profit before tax	**102.7**	**168.7**	(66.0)	**-39%**
Profit after tax	**82.5**	**136.6**	(54.1)	**-40%**
Earnings per share (pence)				
Adjusted basic[4]	**38.0**	**53.3**	(15.3)	**-29%**
Basic	**32.1**	**53.3**	(21.2)	**-40%**
Adjusted diluted[4]	**37.9**	**53.0**	(15.1)	**-28%**
Net cash	**37.2**	**14.1**	23.1	**+164%**

(3) Restated to reflect the adoption of IFRS 15 with effect from 1 November 2018.
(4) 2019 figures, adjusted for the £18.4m exceptional item relating to the combustible materials charge, net of £3.5m tax credit where appropriate.

Corporate Advisers

The Company confirms that with immediate effect its joint corporate brokers and financial advisers are now Barclays Bank PLC and HSBC Bank plc.

Financial Calendar

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

Analyst presentation

There will be an analysts and investor meeting at 8.30am today at 1 Moorgate Place, London, EC2R 6EA. The presentation will be broadcast live on Crest Nicholson website, www.crestnicholson.com from 8.30am today. A playback facility will be available shortly after the presentation has finished via link:
https://www.investis-live.com/crest-nicholson/5df79ae452202e0d003e4d1d/afbl
An audio playback facility will be available at https://www.crestnicholson.com/investor-relations

A conference call facility is available:
Dial in: 020 3936 2999
Access Code: 870942

An audio playback facility will be available at https://www.crestnicholson.com/investor-relations following the presentation

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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

I am delighted to have joined a business that has a strong brand and reputation for building high quality homes and creating attractive, sustainable communities.

Having visited all of our sites and divisions I can see that Crest Nicholson is, fundamentally, a strong business. However, the recent disappointments in financial performance illustrate the need to evolve and change.

Towards the end of the year, I led the new Executive Leadership Team's review of our strategy. We concluded that we want to retain and develop many of the elements that have made Crest Nicholson the business it is today. However, we also identified, and have already implemented, a number of major changes to the way we do things, our structure, and how we operate as a Group.

I am confident that the new Executive Leadership Team has the experience and capabilities it needs to build on these strengths and to introduce new standards and ideas that will take the Company forward, leading to improved operational and financial performance.

I look forward to being able to update you on progress against our updated strategy over the course of the coming year. Finally, I would like to thank Chris Tinker for all his efforts as interim Chief Executive and for the support he gave me on joining in September.

Trading summary

We are disappointed with the financial results achieved in FY2019 against the strategy established in the previous year.

Our strategy in FY2018 set out to de-risk the business amid continued market uncertainty, with a focus on three strategic priorities:

1. Prioritising cash flow and dividends by increasing partnerships and more forward sales to Registered Providers (RPs) and the Private Rented Sector (PRS)
2. Maximising value in the land portfolio
3. Driving operational efficiencies, especially through investment in offsite construction.

Despite the financial performance, we did make some progress against these priorities. Firstly, we continued to build our partnerships business, delivering good levels of forward sales, especially in the first half. We delivered on our commitment to end the year with a stronger level of net cash than in the previous year and we took decisive action over the course of the autumn to reduce sales-related costs and central overheads.

We also took action in two other areas. We regularly review the selling prices and rates of all of our housing stock and we decided to reduce the prices of a number of properties located within the greater London area. The effect of these reductions has created a charge in this year's income statement of £7.0m as we have had to adjust their carrying value on the balance sheet. We feel this is a necessary step to reposition these properties in a challenging sales market in London and it strikes the right balance between realising margin and cash utilisation.

In addition, David Marchant, our Group Production Director, has been undertaking a detailed review of all legacy-sold and for-sale properties in respect of the latest guidance on fire risk. This has rightly been an increasing area of regulatory focus since the tragic incident at Grenfell Tower and the Executive Leadership Team takes this matter very seriously. This year, new Government guidance notes were issued which we have been carefully considering in respect of any investigative or remedial work which may be required to comply with the updated guidance. Accordingly, we have concluded that it is necessary to make a charge to this year's income statement of £18.4m to cover these potential liabilities and work is now underway on several properties.

Safety, Health & Environment (SHE)

SHE is our number one priority. We are taking steps to reinforce this as we strive for continuous improvement in this area. We are setting ourselves a target to be amongst the best in the industry in terms of our SHE performance and culture. SHE is integral to our operations and the Executive Leadership Team and I are fully committed to taking all necessary steps to ensure we realise this ambition.

During the year, we implemented further improvements to our SHE compliance policies and procedures and to our leadership structure, with David Marchant, now the new executive lead for SHE.

As a reminder of the critical importance of maintaining a constant focus in this area, I was deeply saddened to report the tragic loss of one of our subcontractors who was fatally injured on site late last year. Clearly this tragedy is unacceptable and we must maintain our strong focus on safety and risk management across all sites.

We have made commitments in the following areas in respect of Safety, Health & Environment:

- Demonstrating strong leadership throughout the organisation
- Delivering compliance with legislation and our own policies
- Health and well-being
- Supply chain competence and management
- The competence, training and qualifications of our employees
- New reporting and insights
- Environmental management.

An updated strategy and a renewed focus

Our Foundations
Safety, Health & Environment
Sustainability & Social Value
People
Financial Targets

Our Strategic Priorities
Placemaking & Quality
Land Portfolio
Operational Efficiency
Five-Star Customer Service
Multi Channel Approach

When I joined the business in September, I initially spent of lot of time visiting all our sites and listening to our teams. I was immediately struck by the passion and talent that exists within the organisation. I was also impressed by the quality of our land portfolio. It was a major reason for me wanting to join as Chief Executive and my confidence has only grown that this represents a significant opportunity to generate value for customers, communities and shareholders.

However, I and the rest of the new Executive Leadership Team also identified some obvious challenges getting in the way of performance. We observed a bespoke mindset to house type design and specification which had led to inherent procurement inefficiencies. The ratio of sales and marketing costs and central overheads needed reducing in order to reflect our weaker trading performance and align with industry norms. In some regions, we were seeking to command a price premium versus our competition that was unsustainable against a market backdrop of more generous discounts and incentives. This was starting to impact on volumes and was causing stock levels to rise.

Our updated strategy seeks to build on the many positive elements of Crest Nicholson. We want to maintain and enhance our good reputation for placemaking and quality and continue our strong heritage in sourcing and developing both short-term and strategic land. In order for this to be an effective business model capable of delivering the returns our shareholders rightly expect, we must bring much more discipline to our operational efficiency.

I also believe it is essential for Crest Nicholson to be consistently rated five-star for customer service and we have made that ambition very clear internally.

Finally, we have made significant progress in the past few years in building both relationships and capabilities to deliver our housing with partners or other organisations. Our updated strategy sets out to accelerate these plans, recognising that the economic model is often very different and that it must demonstrate strong capital efficiency and reduced risk to justify the lower margin.

Placemaking & Quality

Crest Nicholson enjoys an enviable reputation for its placemaking skills, and we intend to preserve and build on this. In many ways, it is what we are known for.

We define placemaking in subjective terms – aiming to create developments that, through their distinctive design, quality public realm and attention to detail, are simply 'places in which our customers wish to live'. The Government agenda, led by its new National Design Guide, is very much aligned to our strengths in this area.

However, placemaking extends far beyond the physical environment that we create; it also encompasses building strong, sustainable communities. Some of the best examples of where we have delivered this are seen in our Garden Villages, such as Tadpole Garden Village in Swindon, Wiltshire.

We enjoy a reputation for building high quality, well-specified developments using careful methods of construction. We will continue setting ourselves these high standards. However, great placemaking and build quality must be balanced with delivering strong returns. We are a business of significant scale, operating across a number of geographies in the UK, and we must ensure we focus our investment in design and quality on the areas most valued by customers and communities.

Land Portfolio

Crest Nicholson has a large and desirable land portfolio with a strong weighting in Southern England where the demand is high and the supply side is more constrained. The larger proportion of this land is held under option, or is drawn down gradually, representing good capital efficiency for the Company and its shareholders. The Executive Leadership Team believe there is significant future value in this portfolio for our stakeholders, and that enhanced returns can be delivered by overlaying our planned operational efficiencies onto these assets. This is a core part of the Group's future investment proposition.

In recent years the Group has sold an increasing proportion of land to realise immediate value. While some external land sales can be supported by an overwhelmingly strong economic case, and because our land is held in a capital- efficient manner, there is limited need from a cash flow perspective to sell these assets in the short term. We will adopt an approach on our larger sites whereby the land portfolio is utilised firstly for our own operational needs and, only after this, for partnerships and joint ventures or external disposals.

We will need to increase our number of outlets and points of sale. In each case, our initial priority is for one Crest Nicholson sales outlet, or two where the product offering can be differentiated.

In the future, we will assess the demand and returns for bulk sales to institutional investors. Joint venture undertakings and external land sales, each offering different risks and benefits, will be assessed on a case by case basis.

We will also seek to improve the interface between Crest Strategic Projects (CSP) and the divisions when servicing larger sites and handing over the individual parcels.

In summary, the land portfolio is extensive, of high quality and efficient to hold. Our initiatives will add to what is already an excellent asset base.

Operational Efficiency

This is the strategic priority that will have the biggest impact on our earnings growth in the future. Historically, we have defined operational efficiency in terms of building an off-site manufacturing (OSM) capability. OSM will remain an important development for our sector and we will continue to assess its relevance for our delivery model. However, our operational efficiency opportunity is much wider than just OSM and this historically narrow view reflects where we have lost pace with our competitors and their ways of working.

Currently, we are inconsistent with many aspects of our operations, often doing things differently from site to site and from one division to another. This has led to higher build costs than necessary, inconsistent quality and delivery, excessive overheads and selling costs, and inefficient use of working capital. Additionally, this inconsistency means there is limited opportunity to develop best practice through benchmarking.

Significant benefits will be derived from the adoption of our new house type range which is currently being rolled out across the Group. It comprises 24 core house types and builds on some of the benefits of open and broken plan living that was pioneered through the previous Aurora Range. The new range also adds closed plan options within the same building shell. It is designed to be plotted effectively with common depths enabling efficient roof construction and the ability for accommodation to be arranged over two, two and a half, and three floors. An added benefit is the flexibility of the range to be dressed with a wide variety of elevational styles so as to ensure the built design is always individual and appropriate to its local vernacular, supporting our commitments to placemaking and distinctiveness. We will target 80% of our production coming from this new range over time and we have begun the process of re-planning current sites starting with St. Laurence View in Ludlow, Shropshire.

Our build costs will benefit from the introduction of the new house type range and we also anticipate significant savings being derived from a standard group specification. Previously, we specified our product too widely across divisions and our supply chain, leading to excessive costs and insufficient buying power. We will continue to provide a high quality specification within our homes, but we will do so in a more consistent and cost effective manner.

Our delivery processes have become inconsistent and cumbersome, driving complexity and execution challenges. Accordingly, our overhead costs are far higher than our peer group. We have already made significant reductions in this area without impacting on operational performance. Over time, we will continue to reduce overhead costs as our model is simplified.

As with our build costs and overheads, our selling costs are also too high due to a lack of consistency, challenge and benchmarking. Again, action has been taken to address this without impacting the quality of our customer experience. These activities and associated costs will continue to reduce as our product and processes are standardised across our divisions.

Our use of working capital is also inefficient and can improve significantly with greater focus and use of best practice. Build times are inconsistent across sites and can be improved with more focus and challenge.

Many of the above challenges can be addressed by greater uniformity of method and execution. Almost everything identified is already done well somewhere in Crest Nicholson, so the evidence is there and the challenges are not beyond our teams. It is the absence of standardised products and processes that makes performance measurement and improvement across divisions extremely difficult to achieve. In order to drive this Group-wide change in focus, we decided to create the role of Chief Operating Officer and to bring in someone with Tom Nicholson's experience and capabilities to help lead the change.

The final action that we have taken to address this strategic priority is to review our organisational structure. Currently, we have five dedicated divisions operating in clearly defined areas. Alongside this, the Crest Nicholson Regeneration (CNR) division builds and sells homes in these geographies, overlapping with other divisions and tackling the most complex projects. In addition to the build and sales operation, CNR deals with key external partnering arrangements.

In future, the type of projects we deliver will be less specialised in nature. We have therefore announced internally our intention to create a sixth division, based on a newly defined geographical area – Crest Nicholson Southern Counties (CNSC). It will be based in Hampshire and will initially develop the majority of CNR's current projects with a dedicated team.

The balance of the CNR operation, comprising its Major Projects bid-winning specialism and its relationship management and commercial development arms, will become Crest Nicholson Partnerships and Regeneration (CNPR). CNPR will operate a team of sales professionals focused on the third-party investor and affordable homes markets. Essentially, this will create a dedicated business development function with the build and individual sales functions being undertaken by the divisions that have the regional knowledge and insight.

Five-Star Customer Service

To be considered as a leading UK house builder, we must be able to demonstrate commitment to delivering an outstanding customer experience. This is assessed during the process of buying a new Crest Nicholson home and through the quality of the aftercare service that we provide. Excellence in this respect is best acknowledged by being a five-star housebuilder accredited by the Home Builders Federation (HBF). We must strive to achieve this status every year.

While I am pleased with the progress we have made this year, we must do more. Our quality and aftercare service must become more consistent; we have sites that have achieved outstanding results but, on some occasions, we have to acknowledge that we have fallen below the standards that we set for ourselves.

David Marchant, Group Production Director, is taking a lead on this strategic priority at Executive Leadership Team level. He is working on a fundamental review of our delivery of homes and aftercare, with a stronger emphasis on site teams having more direct responsibility for quality, supported by the divisional-based customer service teams in providing aftercare.

Multi-Channel Approach

Our desire to build a multi-channel, multi-tenure business is driven by two factors – how we source our land and how the way our customers choose to live is changing.

We are a better and more resilient business for being able to acquire land from different sources. We already have a large strategic land portfolio, managed by CSP. This capability enables us to acquire land following the granting of planning permission, usually at a discount and usually in the context of a one-to-one price negotiation. It results in enhanced margins and is a capital-efficient method of controlling land. However, this approach to acquisition comes with a high degree of uncertainty of delivery timescales and often sites are large and complex.

Crest Nicholson also has a strong track record of working with partners to acquire land to be developed jointly. Our partners range from Homes England and the Defence Infrastructure Organisation to financial institutions. Again, these sites tend to be large and complex, and in or near urban areas. These partnering arrangements can be very capital efficient for all parties concerned, with the risk being shared. Our reconfigured CNPR entity will be responsible for managing these projects and the relationships that accompany them.

The nature of these developments results in generally complex projects with uncertainty around the time that they will come through to production. Accordingly, we also need to acquire a proportion of our land on the open market. This land is short term in nature and far more predictable from a timing and delivery perspective, but it is more likely to have been purchased following a competitive process and can carry a larger capital investment in the initial land cost. These shorter-term sites have lower associated margins, reflecting the lower level of risk and higher level of certainty.

Broadening our channels to market

	New sales profile	**Historic sales profile***
Open market (private)	60%	70%
Affordable	20 to 25%	20 to 25%
Bulk	15 to 20%	5 to 10%

* Based on average unit numbers for the trading period 1 November 2014 to 31 October 2017.

Our ability to acquire these sites in competition, and then to deliver to at least our target margins, means we must be very efficient as a business. In many ways, this discipline is good for the organisation as the benefit of efficiency enables stronger returns to be delivered from our discounted land.

Although the larger part of our sales will still come from selling individual homes to individual buyers, where margins will be at their highest, these sales tend to be more discretionary, and more cyclical. We will therefore be a stronger business overall, and a better investment proposition, by having more than one route to market.

Bulk sales are typically undertaken at times of market difficulty or stress and, therefore, have a greater chance of being completed on less favourable economic terms. Given the land portfolio we control and the longer term appetite for well capitalised institutional investors to acquire stock across the different points of the cycle, we see an opportunity to develop strategic relationships and dependent revenue streams in all market circumstances. While these sales will, in all likelihood, be at lower prices than could be achieved for individual sales, the advanced cash inflows and certainty yield a stronger return on capital employed for a portion of our future business. Our CNPR team will be responsible for bulk sales and key relationships, with the divisions delivering the build.

We will continue to focus on sales of homes to RPs for the provision of affordable homes of different tenures. The key to maximising revenue streams from this part of our business is through close working with RPs to maximise the grant funding available, as they identify the appropriate homes and tenure models needed. CNPR will manage these relationships and will seek to develop them over the long term.

These different sources of acquiring land and routes to market for our completed homes will diversify our income streams and make us more resilient to changes in the economic cycle over time.

Finally, in order to ensure we move at pace on this strategic priority, I am delighted that we have been able to recruit Kieran Daya to the role of Managing Director for CNPR. Kieran brings a wealth of experience in this area gained as a senior executive in Galliford Try plc's partnerships division.

People

The quality of its people, and the decisions they make, is fundamental to the success of any organisation – and this is certainly the case in the housebuilding sector. Accordingly, 'People' is one of the four foundations of our updated strategy.

Although it has been necessary to make significant changes to the Executive Leadership Team, both as a result of retirements and because of a need to inject new ideas and ways of working into Crest Nicholson, I have been impressed with the quality of the people I have met throughout the Company.

Retaining and developing our valuable pool of talent will ensure the best of Crest Nicholson's legacy is maintained, while at the same time supporting talented individuals in their development by introducing new and better ways of working.

The quality of our teams is a testament to the success of the strong graduate and trainee management schemes that have existed within Crest Nicholson over many years.

In the period ahead, it is important that we reflect the changing ways in which people wish to work. For this reason, the Executive Leadership Team have quickly communicated our plans for a more flexible approach to working for many job roles. This 'Agile Working' approach will help us to recruit and retain a more diverse workforce which will make us a stronger, more resilient business.

We are currently working on a number of initiatives to increase the proportion of female employees in Crest Nicholson, as well as extending this focus to ethnicity, sexual orientation, disability and other minority groups. We will also focus on social mobility challenges and second careers for the senior workforce. We will be a far more effective business if we have a workforce that better reflects the communities in which we operate.

We recognise the considerable challenge across the wider construction sector in recruiting and training a workforce to replace workers who retire or otherwise leave the industry. It is possible that fewer construction workers will come into the UK from the EU in the years ahead. In time, OSM will help in this regard but this is some way from being a mature model that we can quickly transition to. We will work closely with Government to better understand and tackle the constraints to the wide and timely adoption of OSM to supplement traditional ways of working.

Financial Targets

As part of our updated strategy, we have set new financial targets for the business. We understand the importance of re-building trust in our performance.

	Financial year 2019	Financial year 2022
Home completions (units)	2,912	>3,500
Outlets	59	>70
Adjusted operating margin[1,2]	12.2%	Minimum of 250bps growth by FY2022
Admin expenses as % of sales	6%	5%
Return on capital employed	15.9%	>20.0%
Net cash	£37.2m	Strong cash surplus to invest or return
Dividend per share	33.0p	33.0p + RPI from FY2021
	Historic[3]	**Future**
Multi-channel sales contribution	Private: 70% Affordable: 20–25% Bulk: 5-10%	Diversify income at better ROCE Private: 60% Affordable: 20–25% Bulk: 15–20%

(1) Adjusted operating profit margin is an alternative performance measures consisting of statutory operating profit margin adjusted for the impact of the exceptional item relating to the combustible materials provision. See note 4 to the Consolidated Financial Statements for further details.
(2) Adjusted operating profit margin is calculated on the same basis as earnings before interest and tax (EBIT) as referred to in the forthcoming Directors Remuneration Report.
(3) Based on average trading units for the period 1 November 2014 to 31 October 2017.

Peter Truscott
Chief Executive

Financial Review

I am pleased to present my first full-year set of results since joining Crest Nicholson as Group Finance Director in June 2019. During this year of significant change, our trading performance and results have clearly been disappointing, delivering beneath our original expectations. We are taking decisive action to return the business to growth and have an updated strategy with clear ambitions and targets for the future. I look forward to playing my part in delivering on our commitments for our customers and shareholders.

The Group has restated all relevant comparator figures following the adoption of IFRS 15 'Revenue from Contracts with Customers' in the year. See note 29 for the impact of this change.

As in previous years, the business continues to report two alternative performance measures relating to sales and return on capital employed. During the year, management introduced a further alternative performance measure, being "adjusted" performance metrics as a result of the exceptional charge relating to the combustible materials provision.

Sales, including joint ventures, was £1,094.9m (2018: £1,122.0m), down 2.4% on the previous year. This comprised £1,086.4m of statutory revenue (2018: £1,121.0m) and £8.5m of the Group's share of revenue through joint ventures (2018: £1.0m).

Total home completions were 4.5% lower for the year, at 2,912 (2018: 3,048). This comprised open market completions of 2,171 (2018: 2,371), down 8.4%, and affordable completions of 741 (2018: 677), up 9.5%.

Continuing our commitment to re-position more of our developments to lower average selling price (ASP) locations and housing types, open market ASPs declined 2.0% in the year to £388,000.

In the first half of the year, Crest Nicholson delivered a number of bulk sales to Registered Providers (RPs) and Private Rented Sector (PRS) investors, which were supportive to revenue growth.

During the second half of the year, there was increased volatility in the number of site visits, reservations and completions, and elevated cancellation rates as customers continued to cite concerns over political and economic uncertainty stemming from Brexit.

Over the summer, a new Prime Minister was appointed generating speculation of an impending Budget update and possible amendments to Stamp Duty charges. Housing became an active policy discussion point for all parties with possible reform of the current planning system a key feature in the debate.

As we moved into the traditionally stronger autumn selling season, it became increasingly clear that the composition of MPs in Parliament would be unable to agree on a way forward on Brexit, and that a General Election or similar event would be necessary to break the deadlock. In our geographies and at our price points, the resulting uncertainty has led consumers to refrain from buying until the economic and political landscape is clearer.

Our market remains an attractive one. We have a shortfall of housing supply to meet demand in the UK and Crest Nicholson has a strong track record of delivering high quality homes with attractive designs and appearance. We have a strong land portfolio biased to the South of the UK, where economic and population growth has traditionally been strongest. We are hopeful that a more stable political backdrop will now support a more positive sales environment and that the actions we are taking in respect to costs and simplifying our business model will return the business to profit growth.

We generated revenue from land sales and mixed-use commercial property sales in the year of £99.4m (2018: £55.7m). As part of our updated strategy, we have outlined that we intend to deliver a lower level of land sales in the next financial year. As a business with an enviable land portfolio in attractive geographies, we will continue to appraise land sale opportunities as they arise. However, this will only be when the value created through such a transaction will, in all certainty, exceed that of developing it, either ourselves, with a partner or through increasing outlet breadth.

During the year, we experienced project-specific cost challenges in the Midlands division. We continue to experience build cost inflation as the weak value of sterling pushes up prices of imported materials. In the labour market, uncertainty surrounding Brexit has added to the increasing scarcity of skilled resources in the construction sector as EU nationals consider the possible implications and outcomes.

Adjusted gross margin for the year declined to 18.6% (2018: 22.0%). A number of factors contributed to this decline including poorer than expected levels of open market sales, especially in the second half of the year. A lack of sales price growth together with build cost inflation also had a dilutive effect on margin rate. In addition, we reduced selling prices on a number of London-located sites to reflect current trading conditions in the capital. This necessitated a £7.0m charge to reduce the carrying values of those sites. These downward pressures on gross margin were offset by a higher year-on-year level of contribution from land sales.

Adjusted operating profit also fell to £133.0m (2018: £182.0m), down to 12.2% (2018: 16.2%). This reduction was principally driven by lower year-on-year gross profits. We also recorded a charge of £3.2m in the year relating to a provision for future expected credit losses on recoverable interest from the Bonner Road joint venture, representing our latest valuation of that scheme.

Administrative expenses as a percentage of revenue increased to 6.0% (2018: 5.8%). As part of the updated strategy, the business has identified and implemented an immediate reduction in sales-related costs and overheads. These represent £9m of annualised savings to be realised in the next financial year. Additional overhead, specification and build cost savings will be delivered as part of the operational efficiency programme.

Exceptional item
Following the latest Government guidance notes in respect of combustible materials, fire risk and protection and regulatory compliance on completed developments, the Group has recorded an exceptional charge of £18.4m (2018: £nil). The Group has conducted a detailed review of all current and legacy buildings impacted, forecasting remediation costs for each building, where appropriate. Due to the size and nature of the charge management has considered it appropriate to report this as an exceptional item. See note 4 for further information.

Finance expense and taxation
Net financing expense of £11.0m (2018: £12.0m) is £1.0m lower, primarily due to lower levels of borrowing using our revolving credit facility throughout the year, offset by slightly higher rates.

Adjusted income tax expense in the year of £23.7m (2018: £32.1m) represented an effective tax rate of 19.6% (2018: 19.0%).

Profit before taxation
Adjusted profit before tax for the year of £121.1m (2018: £168.7m) was 28.2% lower than the prior year. This was due to pressures on margins during the year, as outlined above. Profit before tax after exceptional items for the year was £102.7m (2018: £168.7m), reflecting the impact of the one-off combustible materials charge outlined above.

Dividend
The Board proposes to pay a final dividend of 21.8 pence per share for the financial year end 31 October 2019 which, subject to shareholder approval, is expected to be paid on 9 April 2020 to shareholders on the register at the close of business on 20 March 2020.

We recognise the importance of our dividend policy to shareholders. The updated strategy has a strong focus on cash generation, supported by a disciplined approach to capital allocation. We believe there is a significant opportunity to optimise the use of cash in the business, particularly in the way we manage our work-in-progress and site completion programmes. Our revised financial targets forecast the generation of a cash surplus over the next three years and, subject to no material deterioration in market conditions, we are committed to paying this dividend in the future as well.

Cash flow and financial position
The Group had net assets at 31 October 2019 of £854.4m (2018: £872.7m), a decrease of 2.1% on the previous year.

Inventories at 31 October 2019 were £1,151.1m (2018: £1,213.2m), down 5.1% year-on-year – reflecting lower levels of work in progress at the year end date. Land inventory continues to represent approximately two-thirds of the inventory balance.

Stocks of completed units have risen to £207.1m (2018: £168.1m), principally due to slower than expected open market sales throughout the year. About one-fifth (2018: one-fifth) of the stock of completed units was represented by show homes. Our updated strategy places a significant focus on better stock and working capital management.

Net cash generated from operating activities amounted to an inflow of £125.2m (2018: £62.3m) as the Group continued its focus on cash generation and maintaining a robust balance sheet. Reduced operating profit meant the return on capital employed (ROCE) achieved in the year decreased to 15.9% (2018: 22.2%).

During 2019, the Group extended its bank revolving credit facilities for a further year to June 2024 (2018: the Group extended its revolving credit facilities for one year to June 2023). Our current financing facilities provide adequate liquidity to allow the business to execute its updated strategy and give the Group appropriate resilience should market conditions become more challenging.

At 31 October 2019, the Group had net cash of £37.2m (2018: £14.1m) and was ungeared (2018: ungeared).

Land portfolio and pipeline
The Group has a strong and attractive land portfolio built over many years through our knowledge, capabilities and relationships with a wide range of stakeholders. The updated strategy focuses on implementing a more efficient operating model that converts our land into developments which deliver attractive returns, by way of either increased margins or ROCE. The opportunity in our short-term land portfolio remains compelling with approximately £1.3bn of embedded gross margin, representing 5.8 years of supply.

	2019		2018	
	Units	GDV[1] – £m	Units	GDV – £m
Short-term housing	16,960	5,417	19,507	6,365
Short-term commercial	–	95	–	263
Total short-term	**16,960**	**5,512**	**19,507**	**6,628**
Strategic land	20,169	6,624	16,837	5,538
Total land pipeline	**37,129**	**12,137**	**36,344**	**12,166**

(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 portfolio.

During the year, we added 1,775 further plots to the short-term land portfolio. This growth predominantly arose in our expanding Midlands division and included transfers from our strategic portfolios at our Surrey-based developments, Longcross and Cranleigh. This was offset by the utilisation of 4,322 plots – 2,912 home completions, 419 units transferred to our joint venture with Sovereign Housing Association, and the remainder being land sales and other movements across several other sites. Accordingly, our short-term land portfolio at 31 October 2019 was 16,960 units (2018: 19,507), down 2,547 on prior year.

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 £319,000 (2018: £326,000), 2.1% lower than prior year.

The updated strategy clearly outlines our prioritisation for developing our land – opening a Crest Nicholson outlet and then additional outlets, PRS developments or bulk deals to RPs, JV developments or an outright disposal of land. We expect to record a lower level of land contribution in 2020 than in 2019. Any of these land transactions will be subject to a disciplined approach of capital allocation and a rigorous monitoring of returns.

Duncan Cooper
Group Finance Director

CREST NICHOLSON HOLDINGS PLC
CONSOLIDATED INCOME STATEMENT
For the year ended 31 October 2019

	Note	2019 Pre-exceptional item £m	2019 Exceptional item (note 4) £m	2019 Total £m	2018 (Restated*) £m
Revenue	3	1,086.4	-	1,086.4	1,121.0
Cost of sales		(884.5)	(18.4)	(902.9)	(874.1)
Gross profit		201.9	(18.4)	183.5	246.9
Administrative expenses		(65.5)	-	(65.5)	(64.9)
Net impairment losses on financial assets	17	(3.4)	-	(3.4)	-
Operating profit	5	133.0	(18.4)	114.6	182.0
Finance income	7	3.6	-	3.6	3.0
Finance expense	7	(14.6)	-	(14.6)	(15.0)
Net finance expense		(11.0)	-	(11.0)	(12.0)
Share of post-tax losses of joint ventures using the equity method	13	(0.9)	-	(0.9)	(1.3)
Profit before tax		121.1	(18.4)	102.7	168.7
Income tax expense	8	(23.7)	3.5	(20.2)	(32.1)
Profit for the year attributable to equity shareholders		97.4	(14.9)	82.5	136.6
Earnings per ordinary share					
Basic	10	38.0p		32.1p	53.3p
Diluted	10	37.9p		32.1p	53.0p

* Restated to reflect the adoption of IFRS 15 with effect from 1 November 2018. See note 29.

CREST NICHOLSON HOLDINGS PLC
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 October 2019

	Note	2019 £m	2018 (Restated*) £m
Profit for the year attributable to equity shareholders		82.5	136.6
Other comprehensive (expense)/income:			
Items that will not be reclassified to the consolidated income statement:			
Actuarial (losses)/gains of defined benefit schemes	16	(17.3)	1.3
Change in deferred tax on actuarial (losses)/gains of defined benefit schemes	15	3.3	(0.2)
Other comprehensive (expense)/income for the year net of income tax		(14.0)	1.1
Total comprehensive income attributable to equity shareholders		68.5	137.7

* Restated to reflect the adoption of IFRS 15 with effect from 1 November 2018. See note 29.
The notes on pages 21 to 64 form part of these financial statements.

CREST NICHOLSON HOLDINGS PLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 October 2019

	Note	Share capital £m	Share premium account £m	Retained earnings £m	Total equity £m
Balance at 31 October 2017 – Originally reported		**12.8**	**74.1**	**730.9**	**817.8**
Change in accounting policy	**29**	**-**	**-**	**0.3**	**0.3**
Balance at 31 October 2017 – Restated*		**12.8**	**74.1**	**731.2**	**818.1**
Profit for the year attributable to equity shareholders		**-**	**-**	**136.6**	**136.6**
Actuarial gains of defined benefit schemes	**16**	**-**	**-**	**1.3**	**1.3**
Change in deferred tax on actuarial gains of defined benefit schemes	**15**	**-**	**-**	**(0.2)**	**(0.2)**
Total comprehensive income for the year		**-**	**-**	**137.7**	**137.7**
Transactions with shareholders:					
Equity-settled share-based payments	**16**	**-**	**-**	**2.5**	**2.5**
Deferred tax on equity-settled share-based payments	**15**	**-**	**-**	**(1.0)**	**(1.0)**
Share capital issued	**23**	**-**	**0.1**	**-**	**0.1**
Dividends paid	**9**	**-**	**-**	**(84.7)**	**(84.7)**
Balance at 31 October 2018		**12.8**	**74.2**	**785.7**	**872.7**
Balance at 31 October 2018 – Originally reported		**12.8**	**74.2**	**791.6**	**878.6**
Change in accounting policy	**29**	**-**	**-**	**(5.9)**	**(5.9)**
Balance at 31 October 2018 – Restated*		**12.8**	**74.2**	**785.7**	**872.7**
Profit for the year attributable to equity shareholders		**-**	**-**	**82.5**	**82.5**
Actuarial losses of defined benefit schemes	**16**	**-**	**-**	**(17.3)**	**(17.3)**
Change in deferred tax on actuarial losses of defined benefit schemes	**15**	**-**	**-**	**3.3**	**3.3**
Total comprehensive income for the year		**-**	**-**	**68.5**	**68.5**
Transactions with shareholders:					
Equity-settled share-based payments	**16**	**-**	**-**	**(0.4)**	**(0.4)**
Deferred tax on equity-settled share-based payments	**15**	**-**	**-**	**0.2**	**0.2**
Purchase of own shares	**23**	**-**	**-**	**(3.8)**	**(3.8)**
Transfers in respect of share options		**-**	**-**	**1.9**	**1.9**
Dividends paid	**9**	**-**	**-**	**(84.7)**	**(84.7)**
Balance at 31 October 2019		**12.8**	**74.2**	**767.4**	**854.4**

* Restated to reflect the adoption of IFRS 15 with effect from 1 November 2018. See note 29.

The notes on pages 21 to 64 form part of these financial statements.

CREST NICHOLSON HOLDINGS PLC
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 October 2019

	Note	2019 £m	2018 (Restated*) £m
ASSETS			
Non-current assets			
Intangible assets	11	29.0	29.0
Property, plant and equipment	12	6.1	4.8
Investments in joint ventures	13	2.0	1.3
Other financial assets**	14	-	7.2
Financial assets at fair value through profit and loss	14	6.2	-
Deferred tax assets	15	6.4	6.0
Retirement benefit surplus	16	-	2.5
Trade and other receivables	17	58.5	59.0
		108.2	109.8
Current assets			
Inventories	18	1,151.1	1,213.2
Other financial assets**	14	-	3.3
Financial assets at fair value through profit and loss	14	1.0	-
Trade and other receivables	17	145.3	109.9
Cash and cash equivalents	19	170.6	184.3
		1,468.0	1,510.7
Total assets		1,576.2	1,620.5
LIABILITIES			
Non-current liabilities			
Interest-bearing loans and borrowings	20	(131.5)	(168.3)
Trade and other payables	21	(149.4)	(143.3)
Deferred tax liabilities	15	-	(0.5)
Retirement benefit obligations	16	(6.2)	-
Provisions	22	(11.8)	(0.9)
		(298.9)	(313.0)
Current liabilities			
Interest-bearing loans and borrowings	20	(1.9)	(1.9)
Trade and other payables	21	(412.9)	(421.4)
Current income tax liabilities		(3.2)	(9.8)
Provisions	22	(4.9)	(1.7)
		(422.9)	(434.8)
Total liabilities		(721.8)	(747.8)
Net assets		854.4	872.7
EQUITY			
Share capital	23	12.8	12.8
Share premium account	23	74.2	74.2
Retained earnings		767.4	785.7
Total equity		854.4	872.7

* Restated to reflect the adoption of IFRS 15 with effect from 1 November 2018. See note 29.
** IFRS 9 changed other financial assets to financial assets at fair value through profit and loss.

The notes on pages 21 to 64 form part of these financial statements.

CREST NICHOLSON HOLDINGS PLC
CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 October 2019

	Note	2019 £m	2018 (Restated*) £m
Cash flows from operating activities			
Profit for the year attributable to equity shareholders		**82.5**	**136.6**
Adjustments for:			
Depreciation	**12**	**2.5**	**1.9**
Net finance expense	**7**	**11.0**	**12.0**
Share-based payment (credit)/expense	**16**	**(0.4)**	**2.5**
Share of post-tax loss of joint ventures using the equity method	**13**	**0.9**	**1.3**
Income tax expense	**8**	**20.2**	**32.1**
Operating profit before changes in working capital and provisions		**116.7**	**186.4**
Increase in trade and other receivables		**(11.5)**	**-**
Decrease/(increase) in inventories		**62.1**	**(125.9)**
Increase in trade and other payables		**2.2**	**57.1**
Contribution to retirement benefit obligations		**(9.0)**	**(9.0)**
Cash generated from operations		**160.5**	**108.6**
Interest paid		**(11.1)**	**(10.3)**
Taxation paid		**(24.2)**	**(36.0)**
Net cash generated from operating activities		**125.2**	**62.3**
Cash flows from investing activities			
Purchases of property, plant and equipment		**(3.8)**	**(2.5)**
Disposal of other financial assets**		**-**	**5.2**
Disposal of financial assets at fair value through profit and loss		**3.5**	**-**
Dividends received from joint ventures		**-**	**0.8**
Net funding to joint ventures		**(15.1)**	**-**
Interest received		**0.6**	**0.4**
Net cash (outflow)/inflow from investing activities		**(14.8)**	**3.9**
Cash flows from financing activities			
Repayment of bank and other borrowings		**(36.9)**	**(1.9)**
Proceeds from new loans		**-**	**30.0**
Debt arrangement and facility fees		**(0.6)**	**(0.6)**
Dividends paid	**9**	**(84.7)**	**(84.7)**
Purchase of own shares		**(3.8)**	**-**
Transfers in respect of share options		**1.9**	**-**
Net proceeds from the issue of shares		**-**	**0.1**
Net cash outflow from financing activities		**(124.1)**	**(57.1)**
Net (decrease)/increase in cash and cash equivalents		**(13.7)**	**9.1**
Cash and cash equivalents at the beginning of the year		**184.3**	**175.2**
Cash and cash equivalents at end of the year	**19**	**170.6**	**184.3**

* Restated to reflect the adoption of IFRS 15 with effect from 1 November 2018. See note 29.
** IFRS 9 changed other financial assets to financial assets at fair value through profit and loss.
The notes on pages 21 to 64 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 the UK. The address of the registered office is Crest Nicholson Holdings plc, Crest House, Pyrcroft Road, Chertsey, Surrey KT16 9GN. The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the 'Group') and include the Group's interest in jointly controlled entities. The parent company financial statements present information about the Company as a separate entity and not about its Group.

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

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 financial assets at fair value through profit and loss, which are as otherwise stated. The parent company financial statements are presented on pages 65 to 68.

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 31 October 2019 the Group held cash and cash equivalents of £170.6m (2018: £184.3m) and cash resources net of borrowings of £37.2m (2018: £14.1m). The Group has operated within its banking covenants throughout the year, has bank facilities of £250.0m expiring in June 2024, with £215.0m remaining available for drawdown under such facilities at 31 October 2019. The Directors reviewed detailed cashflows and financial forecasts for the next year and summary cashflows and financial forecasts for the following two years. Throughout this review period the Group is forecast to operate within its banking covenants and is able to meet its liabilities as they fall due. Therefore, having assessed the principal risks and all other relevant matters, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements of the Group.

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

Adoption of new and revised standards
During the financial year ended 31 October 2019, the Group has adopted and applied the following standards and amendments issued by the International Accounting Standards Board (IASB) that are relevant to its operations for the first time in the year commencing 1 November 2018:

- IFRS 9 'Financial instruments'
- IFRS 15 'Revenue from Contracts with Customers'
- IFRS 2 'Share-based Payment' (amendments) – classification and measurement of share-based payment transactions
- IAS 28 'Investments in Associates and Joint Ventures' (amendments) – long-term interests in associates and joint ventures.
- Annual improvements to IFRSs 2014 – 2016 Cycle

In the current year the Group adopted IFRS 9. The impact on Group profit of adopting IFRS 9 is immaterial with no prior year restatement made in respect of this change. IFRS 9 changed the presentation in the consolidated statement of financial position, reclassifying other financial assets to financial assets at fair value through profit and loss.

Information on the initial application of IFRS 15, including the impact on the financial position and performance of the Group, can be found in note 29.

The adoption of the other amendments in the year did not have a material impact on the financial statements.

Standards and interpretations in issue but not yet effective, or yet to be endorsed by the European Union
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. The Group has carried out a detailed exercise to determine the impact of IFRS 16 on the Group's financial position and performance based on the lease commitments of the Group as at 31 October 2019. The Group will adopt the modified retrospective approach to transition, applying the practical expedients available under this approach. A right of use asset of around £8.7m will be recognised on the consolidated statement of financial position, being a £9.5m asset reduced by the existing £0.8m onerous lease provision transferred from provisions, with a corresponding lease liability of around £9.6m. The impact on net assets on transition to IFRS 16 will therefore be a reduction of around £0.1m. The right of use asset has been calculated with reference to the practical expedient available under IFRS 16. The approximate impact on operating profit for the financial year ending 31 October 2020 is an extra charge of around £0.2m.

The following amendments to standards and interpretations have also been issued but are not yet effective:

- IFRIC 23 'Uncertainty over Income Tax Treatments'
- Amendments to IAS 19 'Employee Benefits' (amendments) – plan amendment, curtailment or settlement
- Annual improvements to IFRSs 2015 – 2017 Cycle
- Amendment to IFRS 9, 'Financial Instruments', on prepayment features with negative compensation and modification of financial liabilities
- Amendments to IFRS 3 'Business Combinations' – definition of a business
- Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' on the definition of material

The Directors do not expect that the adoption of the standards, amendments and interpretations listed above will have a material impact on the financial statements of the Group in future periods.

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 24 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
In the current year, the Group adopted IFRS 15 'Revenue from Contracts with Customers'. The new standard establishes a comprehensive five-step model to determine the amount and timing of revenue recognised from contracts with customers. Further information on the adoption of IFRS 15 and the impact on the financial position and performance of the Group for the prior year can be found in note 29.

Revenue comprises the fair value of the consideration received or receivable, net of value added tax, rebates and discounts. The Group does not recognise revenue on the proceeds received on the disposal of properties taken in part exchange against a new property as they are incidental to the main revenue generating activities of the Group. Surpluses or deficits on the disposal of part exchange properties, which are bought in at their forecast recoverable amount, are recognised directly within gross profit. Proceeds received on the disposal of part exchange properties, which is not included in revenue, are £58.0m (2018: £46.6m). Profit / loss on the disposal of part exchange properties is not material to the results of the Group.

Under IFRS 15 revenue is recognised on house and apartment sales at legal completion. For affordable and other sales in bulk, revenue recognition is dependent on freehold legal title being passed to the investor as it is considered that upon transfer of freehold title that the investor controls the work in progress. Where freehold legal title and control is passed to the investor, revenue is recognised on any upfront sale of land (where applicable) and then on the housing units as the build of the related units progress. 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 previously recognised 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 is recognised on land sales when legal title passes to the buyer. The Group previously recognised revenue on land sales at the point of unconditional exchange of contracts.

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 (where applicable) and then on the development revenue as the build of the related commercial units progress. 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 previously recognised revenue on commercial property sales at the point of unconditional exchange of contracts.

Under IFRS15 revenue is recognised on freehold reversion sales when the purchaser is contractually entitled to the ground rent revenue stream associated with the units purchased. The Group previously did not recognise revenue on the disposal of freehold reversions instead being treated as a reduction in land cost.

Under IFRS15 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 is recognised as revenue when legal title passes to the buyer. The Group previously did 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.

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.

Where the Group performs the role of project manager on joint venture projects and receives a fee for this service, this fee is recognised within cost of sales in the year it is receivable. The Group defers recognition of project management fees in accordance with the Groups interest in the joint venture where the joint venture capitalises the cost of this fee within its work in progress. Deferred project management fee income is recognised by the Group in accordance with revenue recognised on sales made by the joint venture entity.

Exceptional items
Exceptional items are items of income or expenditure which, in the opinion of the Directors, are material or unusual in nature or of such significance that they require separate disclosure on the face of the consolidated income statement in accordance with IAS 1 'Presentation of Financial Statements'. Should these items be reversed, disclosure of this would also be as exceptional items.

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.

Net finance expense
Interest income is recognised on a time apportioned basis by reference to the principal outstanding and the effective interest rate. Interest costs are recognised in the consolidated income statement on an accruals basis in the period in which they are incurred.

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

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 distributions to the Company's shareholders are 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 deficit 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 (deficit)/surplus recognised in the consolidated statement of financial position represents the (deficit)/surplus 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 if new shares are issued. If treasury shares are used the proceeds are credited to retained reserves.

Own shares held by Employee Share Ownership Plan trust (ESOP)
Transactions of the Company-sponsored ESOP trust are included in both the Group financial statements and the Company's own financial statements. The purchase of shares in the Company by the trust are charged directly to equity.

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 consolidated 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. Any profit or loss on the disposal of part exchange properties is recognised within cost of sales in the consolidated income statement.

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.

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

Financial assets
Financial assets are initially recognised at fair value and subsequently classified into one of the following measurement categories:
– measured at amortised cost;
– measured subsequently at fair value through profit or loss (FVTPL); and
– measured subsequently at fair value through other comprehensive income (FVOCI).

The classification of financial assets depends on the Group's business model for managing the asset and the contractual terms of the cash flows. Assets that are held for the collection of contractual cash flows that represent solely payments of principal and interest are measured at amortised cost, with any interest income recognised in the consolidated income statement using the effective interest rate method. Financial assets that do not meet the criteria to be measured at amortised cost are classified by the Group as measured at FVTPL. Fair value gains and losses on financial assets measured at FVTPL are recognised in the consolidated income statement and presented within net operating expenses. The Group currently has no financial assets measured at FVOCI.

Financial assets at fair value through profit and loss
Financial assets at fair value through profit loss (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. In the prior year financial assets at fair value through profit and loss were presented as other financial assets with changes in fair value relating to the expected recoverable amount being recognised in the consolidated income statement, and changes in fair value arising from a change of discount factor being recognised in other comprehensive income and accumulated in equity, until the asset is divested.

Trade and other receivables
Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established based on an expected credit loss model applying the simplified approach, which uses a lifetime expected loss allowance for all trade receivables and other receivables. The amount of the loss is recognised in the consolidated income statement. Current trade and other receivables do not carry any interest and are stated at their amortised cost, as reduced by appropriate allowances for estimated irrecoverable amounts. Non-current trade and other receivables are discounted to present value when the impact of discounting is deemed to be material, with any discount to nominal value being recognised in the consolidated income statement as interest income over the duration of the deferred payment. In the prior year, before the implementation of IFRS 9, trade and other receivables were impaired when there was evidence that the Group would not be able to collect the amounts due.

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

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

Interest-bearing loans and borrowings
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.

Financial liabilities
Financial liabilities are initially recognised at fair value and subsequently classified into one of the following measurement categories:
– measured at amortised cost; and
– measured subsequently at fair value through profit or loss (FVTPL).
Non-derivative financial liabilities are measured at FVTPL when they are considered held for trading or designated as such on initial recognition. The Group has no non-derivative financial liabilities measured at FVTPL.

Land payables
Land payables are recognised in the consolidated statement of financial position from the date of unconditional exchange of contracts. Where land is purchased on deferred settlement terms then the land and the land payable are discounted to their fair value using the effective interest method in accordance with IFRS 9. The difference between the fair value and the nominal value is amortised over the deferment period, with the financing element being charged as interest expense through the consolidated income statement.

Trade and other payables
Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method. Trade and other payables on deferred terms are initially recorded at their fair value, with the discount to nominal value being charged to the consolidated income statement as interest expense over the duration of the deferred period. Before the implementation of IFRS 9 trade and other payables were stated at their nominal amount which was considered to be their fair value.

Contract liabilities
Contract liabilities represent payments on account received from customers in excess of billable work in progress on affordable and other sales in bulk on contracts in which revenue is recognised over time. Contract liabilities are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method. In the prior year contract liabilities were presented as payments on account.

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.

Seasonality
In common with the rest of the UK housebuilding industry, activity occurs throughout the year, with peaks in sales completions in spring and autumn. This creates seasonality in the Group's trading results and working capital.

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 as described below.

Carrying value of inventories
Inventories of work in progress, completed buildings including show homes and part exchange inventories are stated in the consolidated statement of financial position at the lower of cost 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 31 October 2019, the impact on profit before tax and inventories would have been £7.5m lower (2018: £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 31 October 2019 and which are forecast to still be in production beyond the year ending 31 October 2021 (2018: beyond the year ending 31 October 2020), profit before tax in the current year would have been £21.5m (2018: £14.9m) lower.

Combustible materials
The combustible materials provision requires assumptions to be made in the calculation of the costs of interrogation, replacement materials, works to complete and disruption to customers, along with the timing of forecast expenditure. See note 4 for additional details.

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. See note 11 for additional details.

Financial assets at fair value through profit and loss
Financial assets at fair value through profit and loss 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 year end. See note 14 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, pension growth rates and Guaranteed Minimum Pensions, which are dependent on factors outside the control of the Group. To the extent that such assumptions differ to that expected, the pension liability would change. See note 16 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. See note 16 for additional details.

2 SEGMENTAL ANALYSIS

The Executive Leadership Team (per the Strategic Report), which is accountable to the Board, has been identified as the Chief Operating Decision Maker for the purposes of determining the Group's operating segments. The Executive Leadership Team approves investment decisions, allocates Group resources and performs divisional performance reviews. The Group operating segments are considered to be its divisions (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 REVENUE

Revenue type	2019	2018 (Restated*)
	£m	£m
Open market housing including specification upgrades	848.3	947.7
Affordable housing	134.2	111.6
Total housing	982.5	1,059.3
Land and commercial sales	99.4	55.7
Freehold reversions	4.5	6.0
Total	1,086.4	1,121.0

* Restated to reflect the adoption of IFRS 15 with effect from 1 November 2018. See note 29.

Timing of revenue recognition	2019	2018
	£m	£m
Revenue recognised at a point in time	875.3	1,028.5
Revenue recognised over time	211.1	92.5
Total revenue	1,086.4	1,121.0

Proceeds received on the disposal of part exchange properties, which is not included in revenue, were £58.0m (2018: £46.6m). These have been included within cost of sales.

* Restated to reflect the adoption of IFRS 15 with effect from 1 November 2018. See note 29.

Assets and liabilities related to contracts with customers	2019	2018 (Restated*)
	£m	£m
Contract assets (note 17)	70.0	38.1
Contract liabilities (note 21)	(33.6)	(69.7)

* Restated to reflect the adoption of IFRS 15 with effect from 1 November 2018. See note 29.

Contract assets have increased to £70.0m from £38.1m in 2018, reflecting more unbilled work in progress on affordable and other sales in bulk at the year end. This increase is in line with the increased proportion of revenue recognised over time, which has increased to £211.1m from £92.5m in 2018.

Contract liabilities have reduced to £33.6m from £69.7m in 2018, reflecting a lower amount of payments on account received from customers in excess of billable work in progress on affordable and other sales in bulk on contracts in which revenue is recognised over time. The reduction is caused by the timing in 2018 of receipts on certain land and commercial sales.

Based on historical trends, management expects a significant proportion of the contract liabilities total to be recognised as revenue in the next reporting period.

4 EXCEPTIONAL ITEM

Following the latest Government guidance notes in respect of combustible materials, fire risk and protection and regulatory compliance on completed developments, the Group has recorded an exceptional charge of £18.4m (2018: £nil). The Group has conducted a detailed review of all current and legacy buildings to identify those that are impacted and has estimated remediation costs where a legal or constructive obligation to remediate the buildings exists. At the year-end remediation is under way on several buildings.

This is a complex calculation considering many different inputs including the height and square footage of the impacted buildings, costs of interrogation, estimated costs of replacement materials and labour, the extent of the works to be complete and potential disruption to customers. In addition interpretation of these latest guidelines continues to evolve requiring contemporary reviews of the Group's estimates.

As such this provision represents Management's best estimate of these costs at 31 October 2019. Management will continue to assess the magnitude and utilisation of this provision in future financial reporting periods and expects to have completed any remedies within a five-year period.

The combustible materials provision has been included as an exceptional item due to the size of the provision and the high level of estimation required to determine the liability.

5 OPERATING PROFIT BFORE EXCEPTIONAL ITEMS

Operating profit from continuing activities is stated after charging:

	2019 £m	2018 £m
Inventories expensed in the year (Restated*)	843.5	855.4
Inventories net realisable value provided in the year	7.0	0.4
Staff costs (note 6)	68.8	71.3
Depreciation (note 12)	2.5	1.9
Operating lease rentals		
Land and buildings	2.5	2.5
Other operating lease rentals	1.7	1.7
Joint venture project management fees	0.8	0.9

* 2018 restated to reflect the adoption of IFRS 15 with effect from 1 November 2018. See note 29.

Auditors' remuneration	£000	£000
Audit of these consolidated financial statements	57	61
Audit of financial statements of subsidiaries pursuant to legislation	396	283
Other non-audit services	57	56

Fees payable to the Group's auditors for non-audit services included £57,000 (2018: £56,000) in respect of an independent review of the half-year results.

In addition to the above, PricewaterhouseCoopers LLP provide audit services to the Crest Nicholson Group Pension and Life Assurance Scheme and Group joint ventures. The fees associated with the services to the Crest Nicholson Group Pension and Life Assurance Scheme are £20,000 (2018: £23,000) and are met by the assets of the scheme, and the fees associated with services to Group joint ventures are £30,500 (2018: £30,750).

6 STAFF NUMBERS AND COSTS

(a) Average monthly number of persons employed by the Group	2019 Number	2018 Number
Development	1,005	1,016

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)	2019 £m	2018 £m
Wages and salaries	58.6	58.2
Social security costs	7.2	7.6
Other pension costs	3.4	3.0
Share-based payments (note 16)	(0.4)	2.5
	68.8	71.3

(c) Key management remuneration	2019 £m	2018 £m
Salaries and short-term employee benefits	3.4	2.8
Other pension costs	-	0.1
Share-based payments	0.1	1.1
	3.5	4.0

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

(d) Directors' remuneration	2019	2018
	£m	£m
Salaries and short-term employee benefits	1.9	2.0
Payments to Directors for loss of office	0.5	0.3
Other pension costs	-	0.1
Share-based payments	0.2	0.7
	2.6	3.1

During the year £0.1m (2018: nil) of accrued payments to Directors for loss of office were written back as the amount was no longer required.

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

7 FINANCE INCOME AND EXPENSE

	2019	2018
Finance income	£m	£m
Interest income	1.3	1.8
Interest on amounts due from joint ventures	2.1	0.4
Interest on financial assets at fair value through profit and loss (note 14)	0.2	0.8
	3.6	3.0
Finance expense		
Interest on bank loans	10.0	10.7
Revolving credit facility issue costs	0.7	0.7
Interest on deferred land payables	3.5	3.0
Net interest on defined benefit pension plan obligations (note 16)	0.4	0.6
	14.6	15.0
Net finance expense	11.0	12.0

8 INCOME TAX EXPENSE

	2019	2018 (Restated*)
	£m	£m
Current tax		
UK corporation tax on profits for the year	17.8	28.3
Adjustments in respect of prior periods	(0.2)	(0.6)
Total current tax	17.6	27.7
Deferred tax		
Origination and reversal of temporary differences in the current year	2.6	4.4
Total deferred tax (note 15)	2.6	4.4
Total tax in consolidated income statement	20.2	32.1

* Restated to reflect the adoption of IFRS 15 with effect from 1 November 2018. See note 29.

The effective tax rate for the year is 19.7% (2018: 19.0%), which is higher than (2018: the same as) the standard rate of UK corporation tax of 19.0% (2018: 19.0%). The Group expects this profile to continue in future years.

	2019	2018 (Restated*)
Reconciliation of tax charge in the year	**£m**	**£m**
Profit before tax	**102.7**	**168.7**
Tax on profit at 19.0% (2018: 19.0%)	**19.5**	**32.1**
Effects of:		
Expenses not deductible for tax purposes	**1.4**	**1.2**
Enhanced tax deductions	**(0.5)**	**(0.6)**
Adjustments in respect of prior periods	**(0.2)**	**(0.6)**
Total tax in consolidated income statement	**20.2**	**32.1**

* Restated to reflect the adoption of IFRS 15 with effect from 1 November 2018. See note 29.

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.

9 DIVIDENDS

	2019	2018
Dividends recognised as distributions to equity shareholders in the year:	**£m**	**£m**
Prior year final dividend per share of 21.8p (2018: 21.8p)	**56.0**	**56.0**
Current year interim dividend per share of 11.2p (2018: 11.2p)	**28.7**	**28.7**
	84.7	**84.7**

	2019	2018
Dividends declared as distributions to equity shareholders in the year:	**£m**	**£m**
Final dividend for the year ended 31 October 2019 of 21.8p (2018: 21.8p)	**56.0**	**56.0**

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 24 March 2020, 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.

10 EARNINGS PER ORDINARY SHARE

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

	Earnings £m	Weighted average number of ordinary shares Number	Per share amount Pence
Year ended 31 October 2019 - Total			
Basic earnings per share	**82.5**	**256,630,910**	**32.1**
Dilutive effect of share options	**-**	**456,142**	
Diluted earnings per share	**82.5**	**257,087,052**	**32.1**
Year ended 31 October 2019 – Pre-exceptional items			
Basic earnings per share	**97.4**	**256,630,910**	**38.0**
Dilutive effect of share options	**-**	**456,142**	
Diluted earnings per share	**97.4**	**257,087,052**	**37.9**
Year ended 31 October 2018 (Restated*)			
Basic earnings per share	**136.6**	**256,199,678**	**53.3**
Dilutive effect of share options	**-**	**1,508,898**	
Diluted earnings per share	**136.6**	**257,708,576**	**53.0**

* Restated to reflect the adoption of IFRS 15 with effect from 1 November 2018. See note 29.

11 INTANGIBLE ASSETS

Goodwill	**2019 £m**	**2018 £m**
Cost at beginning and end of the year	**47.7**	**47.7**
Accumulated impairment	**(18.7)**	**(18.7)**
At beginning and end of the year	**29.0**	**29.0**

Goodwill arose on the acquisition of Castle Bidco Limited on 24 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 8.50% (2018: 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.

12 PROPERTY, PLANT AND EQUIPMENT

	Fixtures and fittings £m	Computer equipment and software £m	Total £m
Cost			
At 1 November 2017	2.1	7.1	9.2
Additions	0.1	2.4	2.5
Disposals	-	(0.2)	(0.2)
At 31 October 2018	2.2	9.3	11.5
Additions	-	3.8	3.8
At 31 October 2019	2.2	13.1	15.3
Accumulated depreciation			
At 1 November 2017	0.4	4.6	5.0
Charge for the year	0.2	1.7	1.9
Disposals	-	(0.2)	(0.2)
At 31 October 2018	0.6	6.1	6.7
Charge for the year	0.4	2.1	2.5
At 31 October 2019	1.0	8.2	9.2
Net book value			
At 31 October 2019	1.2	4.9	6.1
At 31 October 2018	1.6	3.2	4.8
At 1 November 2017	1.7	2.5	4.2

The Group has contractual commitments for the acquisition of property, plant and equipment of £nil (2018: £nil).

13 INVESTMENTS

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

- Crest Sovereign (Brooklands) LLP: In April 2019 the Group entered into a partnership agreement with Sovereign Housing Association Limited to develop a site in Bristol. The LLP commenced construction in 2019, with sales completion forecast for 2026. 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.
- 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. The LLP is forecast to start construction in 2020, with sales completion forecast for 2024. 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 commenced construction in 2019, with sales completion forecast for 2025. The development will be equally funded by both parties by way of interest-free loans. The Group performs the role of project manager, for which it receives a project management fee.
- Elmsbrook (Crest A2D) LLP: In July 2017 the Group entered into a partnership agreement with A2 Dominion Limited to procure and develop a site in Oxfordshire. The LLP commenced construction in 2018, with sales completion forecast for 2023. The development will be equally funded by both parties by way of interest-free loans. The Group performs the role of project manager, for which it receives a project management fee.

	2019	2018 (Restated*)
Total investments in joint ventures	**£m**	**£m**
Crest Sovereign (Brooklands) LLP	-	-
Bonner Road LLP	-	-
Crest A2D (Walton Court) LLP	**0.8**	**0.8**
Elmsbrook (Crest A2D) LLP	**1.1**	**0.2**
Other non-material joint ventures	**0.1**	**0.3**
Total investments in joint ventures	**2.0**	**1.3**

* Restated to reflect the adoption of IFRS 15 with effect from 1 November 2018. See note 29.

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. See note 30 for further details.

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

2019	Crest Sovereign (Brooklands) LLP	Bonner Road LLP	Crest A2D (Walton Court) LLP	Elmsbrook (Crest A2D) LLP	Other non-material joint ventures	Total
	£m	£m	£m	£m	£m	£m
Summarised statement of financial position						
Current assets						
Cash and cash equivalents	1.5	-	0.3	2.5	1.5	5.8
Inventories	37.0	59.0	30.2	11.4	-	137.6
Other current assets	0.3	-	6.0	0.8	0.3	7.4
Current liabilities						
Financial liabilities	(2.8)	-	(1.5)	(9.6)	(0.7)	(14.6)
Other current liabilities	(0.8)	(0.1)	(3.5)	(3.0)	(0.9)	(8.3)
Non-current liabilities						
Financial liabilities	(36.2)	(68.0)	(29.9)	-	-	(134.1)
Net (liabilities)/assets	(1.0)	(9.1)	1.6	2.1	0.2	(6.2)
Reconciliation to carrying amounts						
Opening net (liabilities)/assets at 1 November 2018	-	(6.5)	1.6	0.3	0.6	(4.0)
(Loss)/profit for the year	(1.0)	(2.6)	0.5	1.8	(0.4)	(1.7)
Capital contribution reserve	-	-	(0.5)	-	-	(0.5)
Closing net (liabilities)/assets at 31 October 2019	(1.0)	(9.1)	1.6	2.1	0.2	(6.2)
Group's share in closing net (liabilities)/assets at 31 October 2019	(0.5)	(4.6)	0.8	1.1	0.1	(3.1)
Losses recognised against receivable from joint venture	0.5	4.6	-	-	-	5.1
Group's share in joint venture	-	-	0.8	1.1	0.1	2.0
Amount due to Crest Nicholson Group (note 17)	19.7	26.4*	9.7	4.8	0.7	61.3
Amount due from Crest Nicholson Group (note 21)	-	-	4.8	-	0.1	4.9
Summarised income statement						
Revenue	-	-	5.7	11.2	-	16.9
Expenditure	-	(0.1)	(4.5)	(9.4)	(0.4)	(14.4)
Operating (loss)/profit before financing expense	-	(0.1)	1.2	1.8	(0.4)	2.5
Finance expense	(1.0)	(2.5)	(0.7)	-	-	(4.2)
Pre-tax and post-tax (loss)/profit for the year	(1.0)	(2.6)	0.5	1.8	(0.4)	(1.7)
Group's share in joint venture (loss)/profit for the year	(0.5)	(1.3)	0.2	0.9	(0.2)	(0.9)

* Stated after expected credit loss of £3.2m. See note 17.

2018	Bonner Road LLP	Crest A2D (Walton Court) LLP	Elmsbrook (Crest A2D) LLP (Restated*)	Other non-material joint ventures	Total (Restated*)
	£m	£m	£m	£m	£m
Summarised statement of financial position					
Current assets					
Cash and cash equivalents	**0.9**	**0.3**	**1.3**	**2.2**	**4.7**
Inventories	**58.2**	**23.9**	**7.2**	**-**	**89.3**
Other current assets	**0.1**	**-**	**0.8**	**0.6**	**1.5**
Non-current assets	**-**	**-**	**-**	**0.1**	**0.1**
Current liabilities					
Financial liabilities	**-**	**(2.3)**	**-**	**(0.2)**	**(2.5)**
Other current liabilities	**(0.2)**	**(0.4)**	**(2.2)**	**(2.1)**	**(4.9)**
Non-current liabilities					
Financial liabilities	**(65.5)**	**(19.9)**	**(6.8)**	**-**	**(92.2)**
Net (liabilities)/assets	**(6.5)**	**1.6**	**0.3**	**0.6**	**(4.0)**
Reconciliation to carrying amounts					
Opening net (liabilities)/assets at 1 November 2017	**(4.2)**	**1.4**	**-**	**2.1**	**(0.7)**
(Loss)/profit for the year	**(2.3)**	**(0.7)**	**0.3**	**0.1**	**(2.6)**
Dividends paid	**-**	**-**	**-**	**(1.6)**	**(1.6)**
Capital contribution reserve	**-**	**0.9**		**-**	**0.9**
Closing net (liabilities)/assets at 31 October 2018	**(6.5)**	**1.6**	**0.3**	**0.6**	**(4.0)**
Group's share in closing net (liabilities)/assets at 31 October 2018	**(3.3)**	**0.8**	**0.2**	**0.3**	**(2.0)**
Losses recognised against receivable from joint venture	**3.3**	**-**	**-**	**-**	**3.3**
Group's share in joint venture	**-**	**0.8**	**0.2**	**0.3**	**1.3**
Amount due to Crest Nicholson Group (note 17)	**29.6**	**11.1**	**3.6**	**0.2**	**44.5**
Summarised income statement					
Revenue	**-**	**-**	**1.9**	**-**	**1.9**
Expenditure	**-**	**-**	**(1.5)**	**0.1**	**(1.4)**
Operating profit before financing expense	**-**	**-**	**0.4**	**0.1**	**0.5**
Finance expense	**(2.3)**	**(0.7)**	**-**	**-**	**(3.0)**
Pre-tax and post-tax (loss)/profit for the year	**(2.3)**	**(0.7)**	**0.4**	**0.1**	**(2.5)**
Group's share in joint venture (loss)/profit for the year	**(1.2)**	**(0.4)**	**0.2**	**0.1**	**(1.3)**

* Restated to reflect the adoption of IFRS 15 with effect from 1 November 2018. See note 29.

Group commitments to joint ventures at 31 October 2019 and 31 October 2018 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 30.

14 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS*

	2019	2018
	£m	£m
At beginning of the year	10.5	14.9
Disposals	(3.5)	(5.2)
Imputed interest	0.2	0.8
At end of the year	7.2	10.5
Of which:		
Non-current assets	6.2	7.2
Current assets	1.0	3.3
	7.2	10.5

* IFRS 9 changed the presentation in the consolidated statement of financial position, reclassifying other financial assets to financial assets at fair value through profit and loss.

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

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

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

Assumptions	2019	2018
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

	2019 Increase assumptions by 1 %/year £m	2019 Decrease assumptions by 1 %/year £m
Sensitivity – effect on value of FVTPL (less)/more		
Discount rate, incorporating default rate	(0.2)	0.2
House price inflation for the next three years	0.0	(0.1)
Timing of receipt	(0.3)	0.4

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 31 October 2019 was £0.2m (2018: £0.8m).

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

15 DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets	Inventories fair value £m	Share-based payments £m	Pension deficit £m	Other temporary differences £m	Total £m
At 1 November 2017	**7.4**	**1.9**	**1.3**	**0.5**	**11.1**
Consolidated income statement movements	**(2.2)**	**(0.4)**	**(1.1)**	**(0.2)**	**(3.9)**
Equity movements	**-**	**(1.0)**	**(0.2)**	**-**	**(1.2)**
At 31 October 2018	**5.2**	**0.5**	**-**	**0.3**	**6.0**
Consolidated income statement movements	**(1.6)**	**(0.5)**	**(1.7)**	**1.2**	**(2.6)**
Equity movements	**-**	**0.2**	**2.8**	**-**	**3.0**
At 31 October 2019	**3.6**	**0.2**	**1.1**	**1.5**	**6.4**

Deferred tax liabilities	Pension surplus £m	Total £m
At 1 November 2017	**-**	**-**
Consolidated income statement movements	**(0.5)**	**(0.5)**
At 31 October 2018	**(0.5)**	**(0.5)**
Equity movements	**0.5**	**0.5**
At 31 October 2019	**-**	**-**

Deferred tax expected to be recovered or settled in less than 12 months is £1.7m (2018: £1.1m), and in more than 12 months is £4.7m (2018: £4.4m).

At the consolidated statement of financial position date the substantively enacted future corporation tax rate for FY20 and beyond is 17.0%. The deferred tax assets have been evaluated at the rates at which they are expected to reverse based on current forecasts (accounting period ends: 31 October 2020: 17.83% and 31 October 2021 and subsequent: 17.0%). 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.

16 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 £3.1m (2018: £2.6m). At the consolidated statement of financial position date there were no outstanding or prepaid contributions (2018: £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 30 April 2010. Accrued pensions in relation to deferred members are revalued at statutory revaluation in the period before retirement. Benefits also increase either at a fixed rate or in line with inflation while in payment. The Scheme provides pensions to members on retirement and to their dependants on death.

The Company pays contributions to improve the Scheme's funding position as determined by regular actuarial valuations. The 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 31 January 2018. The actuarial valuation was carried out in accordance with the requirements of the Pensions Act 2004 and so include deliberate margins for prudence. This contrasts with these accounting disclosures, which are determined using best estimate assumptions.

The results of the actuarial valuation as at 31 January 2018 have been projected to 31 October 2019 by a qualified independent actuary. The figures in the following disclosure were measured using the Projected Unit Method.

The investment strategy in place for the Scheme is to invest in a mix of return seeking, index linked and fixed interest investments. At 31 October 2019, the allocation of the Scheme’s invested assets was 59% in return seeking investments, 18% in corporate bonds, 22% in index linked gilts and 1% 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 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.

	2019 £m	2018 £m	2017 £m
The amounts recognised in the consolidated statement of financial position are as follows:			
Present value of scheme liabilities	**(216.5)**	(195.4)	(202.5)
Fair value of scheme assets	**210.3**	197.9	195.3
Net amount recognised at year end ((deficit)/surplus)	**(6.2)**	2.5	(7.2)

The retirement benefit (obligation)/surplus recognised in the consolidated statement of financial position represents the (deficit)/surplus 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 asset of £1.1m (2018: deferred tax liability £0.5m) 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 (liability)/asset are included in other comprehensive income.

	2019	2018
	£m	£m
Administration expenses	(0.6)	(0.5)
Net interest income/(expense)	0.2	(0.1)
Expense recognised in the consolidated income statement	(0.4)	(0.6)

	2019	2018
	£m	£m
Remeasurements of the net (liability)/asset		
Return on Scheme assets	4.4	(5.9)
(Loss)/gain arising from changes in financial assumptions	(24.5)	1.7
Gain arising from changes in demographic assumptions	2.4	1.1
Experience gain	0.4	4.4
(Loss)/gain recorded in the consolidated statement of comprehensive income	(17.3)	1.3
Total defined benefit scheme (loss)/gain	(17.7)	0.7

	2019	2018
The principal actuarial assumptions used were:	%	%
Liability discount rate	1.95	2.80
Inflation assumption - RPI	3.15	3.40
Inflation assumption - CPI	2.35	2.60
Revaluation of deferred pensions	2.35	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	3.05	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 1.25%	SAPS S2 PMA _LCMI_2017 with smoothing parameter of 8.0 ltr 1.5%
Mortality assumption - female post-retirement	SAPS S2 PFA_L CMI_2017 with smoothing parameter of 8.0 ltr 1.25%	SAPS S2 PFA_L CMI_2017 with smoothing parameter of 8.0 ltr 1.5%

	2019	2018
	Years	Years
Future expected lifetime of current pensioner at age 65		
Male aged 65 at year end	23.5	23.6
Female aged 65 at year end	24.5	24.6
Future expected lifetime of future pensioner at age 65		
Male aged 45 at year end	24.8	25.2
Female aged 45 at year end	26.0	26.4

Changes in the present value of assets over the year

	2019	2018
	£m	£m
Fair value of assets at beginning of the year	197.9	195.3
Interest income	5.6	5.4
Return on assets (excluding amount included in net interest expense)	4.4	(5.9)
Contributions from the employer	9.0	9.0
Benefits paid	(6.0)	(5.4)
Administration expenses	(0.6)	(0.5)
Fair value of assets at end of the year	210.3	197.9

Changes in the present value of liabilities over the year

	2019	2018
	£m	£m
Liabilities at beginning of the year	(195.4)	(202.5)
Interest cost	(5.4)	(5.5)
Remeasurement (losses)/gains		
(Loss)/gain arising from changes in financial assumptions	(24.5)	1.7
Gain arising from changes in demographic assumptions	2.4	1.1
Experience gains	0.4	4.4
Benefits paid	6.0	5.4
Liabilities at end of the year	(216.5)	(195.4)

	2019	2018
The split of the Scheme's liabilities by category of membership is as follows:	£m	£m
Deferred pensioners	(123.4)	(107.1)
Pensions in payment	(93.1)	(88.3)
	(216.5)	(195.4)

	2019	2018
	Years	Years
Average duration of the Scheme's liabilities at the end of the year	17.0	17.0
This can be subdivided as follows:		
Deferred pensioners	21.0	21.0
Pensions in payment	12.0	12.0

The major categories of scheme assets are as follows:

	2019	2018
	£m	£m
Return seeking		
Overseas equities	14.0	13.1
Other (hedge funds, multi-strategy and absolute return funds)	105.9	91.7
	119.9	104.8
Debt instruments		
Corporates	36.1	30.4
Index linked	44.9	40.9
	81.0	71.3
Other		
Cash	1.7	14.2
Insured annuities	7.7	7.6
	9.4	21.8
Total market value of assets	210.3	197.9

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 31 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, 30 June 2022 or the Scheme meeting its funding objective on a self-sufficiency basis. The Group expects to contribute £9.0m (2019: £9.0m) to scheme funding in the year ending 31 October 2020.

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 £8.9m (increase by £9.5m) if all the other assumptions remained unchanged.

If the inflation assumption was 0.25% higher/(lower), the Scheme liabilities would increase by £5.2m (decrease by £4.9m) if all the other assumptions remained unchanged.

If life expectancies were to increase by one year, the scheme liabilities would increase by £10.6m 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	27 Feb 2015	26 Feb 2016	28 Feb 2017	28 Feb 2018	22 Mar 2018	16 April 2019	21 June 2019
Options granted	1,270,176	1,075,943	1,266,364	1,112,762	150,898	1,140,962	278,558
Fair value at measurement date	£4.02	£5.07	£4.67	£3.89	£3.67	£3.15	£3.15
Share price on date of grant	£4.45	£5.62	£5.41	£4.76	£4.54	£4.00	£3.55
Exercise price	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
Vesting period	3 years	3 years	3 years	3 years	3 years	3 years	3 years
Expected dividend yield	3.20%	3.50%	5.09%	6.93%	7.27%	8.20%	8.20%
Expected volatility	30.00%	30.00%	45.00%	35.00%	35.00%	35.00%	35.00%
Risk free interest rate	0.86%	0.43%	0.14%	0.84%	0.92%	0.81%	0.81%
Valuation model	Binomial	Binomial	Binomial	Binomial	Binomial	Binomial	Binomial
Contractual life from	27 Feb 2015	26 Feb 2016	28 Feb 2017	28 Feb 2018	22 Mar 2018	16 April 2019	21 June 2019
Contractual life to	26 Feb 2025	25 Feb 2026	27 Feb 2027	27 Feb 2028	21 Mar 2028	15 April 2029	20 June 2029

	Number of options	Number of options	Number of options	Number of options	Number of options	Number of options	Number of options	Total number of options
Movements in the year								
Outstanding at 1 November 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 31 October 2018	5,358	852,689	938,290	890,900	150,898	-	-	2,838,135
Granted during the year	-	-	-	-	-	1,140,962	278,558	1,419,520
Exercised during the year	(5,358)	(198,170)	-	-	-	-	-	(203,528)
Lapsed during the year	-	(653,001)	(218,443)	(133,935)	(150,898)	(79,713)	-	(1,235,990)
Outstanding at 31 October 2019	-	1,518	719,847	756,965	-	1,061,249	278,558	2,818,137
Exercisable at 31 October 2019	-	1,518	-	-	-	-	-	1,518
Exercisable at 31 October 2018	5,358	-	-	-	-	-	-	5,358

	£m	£m	£m	£m	£m	£m	£m	Total £m
Charge to income for the current year	-	-	(1.0)	(0.2)	-	-	-	(1.2)
Charge to income for the prior year	0.4	0.6	0.2	0.2	-	-	-	1.4

The weighted average exercise price of LTIP options was £nil (2018: £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	**1 Jun 2018**
Options granted	**10,000**
Fair value at measurement date	**£0.00**
Share price on date of grant	**£4.40**
Exercise price	**£0.00**
Vesting period	**2 years**
Expected dividend yield	**N/A**
Expected volatility	**N/A**
Risk free interest rate	**N/A**
Valuation model	**N/A**
Contractual life from	**1 Jun 2018**
Contractual life to	**31 May 2028**

Movements in the year	**Number of options**	**Total number of options**
Outstanding at 1 November 2017	**-**	**-**
Granted during the year	**10,000**	**10,000**
Outstanding at 31 October 2018	**10,000**	**10,000**
Lapsed during the year	**(10,000)**	**(10,000)**
Outstanding at 31 October 2019	**-**	**-**
Exercisable at 31 October 2019	**-**	**-**
Exercisable at 31 October 2018	-	-
	£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 (2018: £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	15 Jul 2014	16 Jul 2015	1 Aug 2016	3 Aug 2017	26 Jul 2018	30 Jul 2019
Options granted	569,998	257,264	1,208,742	453,663	712,944	935,208
Fair value at measurement date	£0.70	£1.03	£1.11	£1.06	£0.52	£0.54
Share price on date of grant	£3.44	£5.63	£3.56	£5.41	£3.77	£3.68
Exercise price	£2.76	£4.51	£2.86	£4.20	£3.15	£2.86
Vesting period	3 years	3 years	3 years	3 years	3 years	3 years
Expected dividend yield	2.50%	3.00%	4.80%	5.10%	8.76%	8.96%
Expected volatility	28.90%	29.00%	45.00%	35.00%	35.00%	35.00%
Risk free interest rate	1.61%	1.16%	0.19%	0.30%	0.85%	0.38%
Valuation model	Binomial	Binomial	Binomial	Binomial	Binomial	Binomial
Contractual life from	1 Aug 2014	1 Aug 2015	1 Sep 2016	1 Sep 2017	1 Sep 2018	1 Sep 2019
Contractual life to	1 Feb 2018	1 Feb 2019	1 Mar 2020	1 Mar 2021	1 Mar 2022	1 Mar 2023

Movements in the year	Number of options	Number of options	Number of options	Number of options	Number of options	Number of options	Total number of options	Weighted average exercise price
Outstanding at 1 November 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 31 October 2018	-	70,821	874,001	223,732	681,751	-	1,850,305	£3.19
Granted during the year	-	-	-	-	-	935,208	935,208	£2.86
Exercised during the year	-	-	(667,791)	-	-	-	(667,791)	£2.86
Lapsed during the year	-	(70,821)	(95,277)	(76,150)	(230,370)	(29,888)	(502,506)	£3.43
Outstanding at 31 October 2019	-	-	110,933	147,582	451,381	905,320	1,615,216	£3.06
Exercisable at 31 October 2019	-	-	110,933	-	-	-	110,933	
Exercisable at 31 October 2018	-	70,821	-	-	-	-	70,821	

	£m	£m	£m	£m	£m	£m	Total £m
(Credit)/charge to income for the current year	-	(0.1)	0.2	(0.1)	0.1	-	0.1
Charge to income for the prior year	-	-	0.3	-	0.1	-	0.4

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	**27 Feb 2015**	**26 Feb 2016**	**28 Feb 2017**	**28 Feb 2018**	**28 Feb 2018**	**28 Feb 2018**	**26 Feb 2019**	**28 Feb 2019**	**28 Feb 2019**
Options granted	**257,219**	**140,185**	**133,761**	**17,720**	**2,457**	**188,122**	**16,040**	**4,012**	**50,676**
Fair value at measurement date	**£4.45**	**£5.62**	**£5.41**	**£5.04**	**£5.04**	**£4.89**	**£3.91**	**£3.91**	**£3.95**
Share price on date of grant	**£4.45**	**£5.62**	**£5.41**	**£5.04**	**£5.04**	**£4.89**	**£3.91**	**£3.91**	**£3.95**
Exercise price	**£0.00**	**£0.00**	**£0.00**	**£0.00**	**£0.00**	**£0.00**	**£0.00**	**£0.00**	**£0.00**
Vesting period	**1 / 3 years**	**1 / 3 years**	**1 / 3 years**	**3 year**	**1 year**	**1 / 3 years**	**3 year**	**1 year**	**1 year**
Expected dividend yield and volatility	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
Risk free interest rate	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
Valuation model	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
Contractual life from	**27 Feb 2015**	**26 Feb 2016**	**28 Feb 2017**	**28 Feb 2018**	**28 Feb 2018**	**28 Feb 2018**	**26 Feb 2019**	**28 Feb 2019**	**28 Feb 2019**
Contractual life to	**26 Feb 2025**	**25 Feb 2026**	**27 Feb 2027**	**26 Feb 2025**	**27 Feb 2027**	**27 Feb 2028**	**25 Feb 2029**	**27 Feb 2029**	**27 Feb 2029**

Movements in the year	**Number of options**	**Number of options**	**Number of options**	**Number of options**	**Number of options**	**Number of options**	**Number of options**	**Number of options**	**Number of options**	**Total number of options**
Outstanding at 1 November 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 31 October 2018	**-**	**83,252**	**89,897**	**-**	**-**	**186,773**	**-**	**-**	**-**	**359,922**
Granted during the year	**-**	**-**	**-**	**-**	**-**	**-**	**16,040**	**4,012**	**50,676**	**70,728**
Exercised during the year	**-**	**(83,252)**	**-**	**-**	**-**	**(50,951)**	**(16,040)**	**(4,012)**	**-**	**(154,255)**
Lapsed during the year	**-**	**-**	**(5,793)**	**-**	**-**	**-**	**-**	**-**	**(18,816)**	**(24,609)**
Outstanding at 31 October 2019	**-**	**-**	**84,104**	**-**	**-**	**135,822**	**-**	**-**	**31,860**	**251,786**
Exercisable at 31 October 2019	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Exercisable at 31 October 2018	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

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

The weighted average exercise price of deferred bonus plan share options was £nil (2018: £nil).

Total share incentive schemes

Movements in the year	**2019 Number of options**	**2018 Number of options**
Outstanding at beginning of the year	**5,058,362**	**5,027,450**
Granted during the year	**2,425,456**	**2,194,903**
Exercised during the year	**(1,025,574)**	**(1,160,902)**
Lapsed during the year	**(1,773,105)**	**(1,003,089)**
Outstanding at end of the year	**4,685,139**	**5,058,362**
Exercisable at end of the year	**112,451**	**76,179**
	£m	**£m**
(Credit)/charge to income for the year	**(0.4)**	**2.5**

The weighted average share price at the date of exercise of share options exercised during the year was £3.69 (2018: £4.77). The options outstanding had a range of exercise prices of £nil to £4.20 (2018: £nil to £4.51) and a weighted average remaining contractual life of 6.6 years (2018: 6.0 years). The gain on shares exercised during the year was £1.9m (2018: £5.4m). Included within the credit to income for the year is a charge of £0.2m relating to options to be issued to Peter Truscott.

17 TRADE AND OTHER RECEIVABLES

	2019	2018 (Restated*)
	£m	£m
Non-current		
Trade receivables	5.2	18.3
Loss allowance on trade receivables	(0.2)	-
Due from joint ventures	56.7	40.7
Loss allowance on amounts due from joint ventures	(3.2)	-
	58.5	59.0
Current		
Trade receivables	56.4	54.9
Contract assets**	70.0	38.1
Due from joint ventures	7.8	3.8
Other receivables	7.6	8.9
Prepayments and accrued income	3.5	4.2
	145.3	109.9

* Restated to reflect the adoption of IFRS 15 with effect from 1 November 2018. See note 29.
** Contract assets in the prior year were presented as amounts recoverable on contracts, in accordance with IFRS 15.

Current trade receivables of £17.2m have been collected as of 3 January 2020 (2018: £16.7m collected as of 4 January 2019). The remaining balance is due according to contractual terms. 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 £8.1m (2018: £4.1m).

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 four (2018: three) joint venture developments which are being project managed by the Group and are repayable according to contractual arrangements. Amounts due from joint ventures are stated net of losses of £5.1m (2018: £3.3m). See note 13 for additional details on the Group's interests in joint ventures.

Non-current amounts due from joint ventures are stated after an allowance of £3.2m has been made (2018: £nil) in respect of expected credit losses. £3.2m (2018: £nil) provision was made during the year, £nil (2018: £nil) was utilised, and £nil (2018: £nil) provision was released during the year.

Current trade and other receivables are stated after an allowance of £0.2m (2018: £nil) has been made in respect of expected credit losses. £0.2m (2018: £nil) provision was made during the year, £nil (2018: £nil) was utilised, and £nil (2018: £nil) provision was released during the year.

Contract assets are recoverable according to contractual terms and the expected credit loss is considered immaterial. See note 3 for further details.

The maturity of non-current receivables is as follows:

	2019	2018
	£m	£m
Due between one and two years	9.3	24.0
Due between two and five years	49.2	34.8
Due after five years	-	0.2
	58.5	59.0

18 INVENTORIES

	2019	2018
		(Restated*)
	£m	£m
Work in progress	917.2	1,011.2
Completed buildings including show homes	207.1	168.1
Part exchange inventories	26.8	33.9
	1,151.1	1,213.2

* Restated to reflect the adoption of IFRS 15 with effect from 1 November 2018. See note 29.

Included within inventories is a fair value adjustment of £16.5m (2018: £24.6m) 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 £8.1m (2018: £10.7m). Total inventories of £843.5m (2018: £857.6m) were recognised as cost of sales in the year. Total inventories are stated net of a net realisable value provision of £7.8m (2018: £0.8m), mainly relating to legacy London sites where the market conditions have been more challenging.

19 MOVEMENT IN NET CASH/(DEBT)

	2019	Movement	2018
	£m	£m	£m
Cash and cash equivalents	170.6	(13.7)	184.3
Bank loans, senior loan notes and other loans	(133.4)	36.8	(170.2)
Net cash	37.2	23.1	14.1

20 INTEREST-BEARING LOANS AND BORROWINGS

	2019	2018
	£m	£m
Non-current		
Revolving credit facility	35.0	70.0
Senior loan notes	100.0	100.0
Revolving credit and senior loan notes issue costs	(3.5)	(3.6)
Other loans	-	1.9
	131.5	168.3
Current		
Other loans	1.9	1.9

There were undrawn amounts of £215.0m (2018: £180.0m) under the revolving credit facility at the consolidated statement of financial position date. During the year the Group repaid £35.0m under the revolving credit facility on the same terms and conditions. See note 24 for additional disclosures.

21 TRADE AND OTHER PAYABLES

	2019	2018 (Restated*)
	£m	£m
Non-current		
Land payables on contractual terms	125.3	123.3
Contract liabilities	1.6	-
Other payables	4.9	6.5
Accruals	17.6	13.5
	149.4	143.3
Current		
Land payables on contractual terms	91.2	86.4
Other trade payables	38.7	38.0
Contract liabilities**	32.0	69.7
Due to joint ventures	4.9	-
Taxes and social security costs	5.5	2.9
Other payables	6.2	11.0
Accruals	234.4	213.4
	412.9	421.4

* Restated to reflect the adoption of IFRS 15 with effect from 1 November 2018. See note 29.
** Contract liabilities in the prior year were presented as payments on account, in accordance with IFRS 15.

Land payables are recognised from the date of unconditional exchange of contracts, and represents amounts due to land vendors for development sites acquired. All land payables are due according to contractual terms. Where land is purchased on deferred settlement terms then the land and the land payable are discounted to their fair value using the effective interest method in accordance with IFRS 9. The difference between the fair value and the nominal value is amortised over the deferment period, with the financing element being charged as interest expense through the consolidated income statement. At 31 October 2019 the difference between the fair value and nominal value of non-current land payables is £6.0m (2018: £7.5m).

Contract liabilities represent payments on account received from customers in excess of billable work in progress on affordable and other sales in bulk on contracts in which revenue is recognised over time. Based on historical trends, management expects a significant proportion of the contract liabilities total to be recognised as revenue in the next reporting period.

Amounts due to joint ventures is interest free and repayable on demand. See note 13 for additional details on the Group's interests in joint ventures.

Other trade payables mainly comprise amounts due to suppliers and subcontractors retentions. Suppliers are settled according to agreed payment terms and subcontractor retentions are released once the retention condition has been satisfied.

Accruals are mainly work in progress related where work has been performed but not yet invoiced.

22 PROVISIONS

	Combustible materials 2019	Commercial properties 2019	Other provisions 2019	Total 2019	Commercial properties 2018	Other provisions 2018	Total 2018
	£m	£m	£m	£m	£m	£m	£m
At beginning of the year	-	2.2	0.4	2.6	3.5	-	3.5
Provided in the year	18.4	-	1.5	19.9	-	0.4	0.4
Utilised in the year	(3.8)	(0.9)	(0.5)	(5.2)	(1.3)	-	(1.3)
Released in the year	-	(0.5)	(0.1)	(0.6)	-	-	-
At end of the year	14.6	0.8	1.3	16.7	2.2	0.4	2.6
Of which:							
Non-current	11.0	-	0.8	11.8	0.9	-	0.9
Current	3.6	0.8	0.5	4.9	1.3	0.4	1.7
	14.6	0.8	1.3	16.7	2.2	0.4	2.6

The Group has recorded a combustible materials exceptional charge in the year of £18.4m (2018: £nil), of which £14.6m (2018: £nil) is remaining as a provision at year end. The Group expects to utilise £3.6m of the remaining provision within one year, and the balance within two to five years. See note 4 for additional details.

Commercial properties reflect 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 dilapidations on Group offices and loss of office provisions for former Executives. In the prior year the provisions mainly relates to a loss of office provision for the former Group Finance Director.

23 SHARE CAPITAL

	Shares issued Number	Nominal value Pence	Share capital £	Share premium account £
Ordinary shares as at 31 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 31 October 2018 and 31 October 2019	**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 342,560,719 (2018: 341,049,337).

During the prior 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**

For details of outstanding share options at 31 October 2019 see note 16.

Own shares held

The Group and Company holds shares within the Crest Nicholson Employee Share Ownership Trust (the 'Trust') for participants of certain share-based payment schemes. These are held within retained earnings. During the year 1,031,671 shares were purchased by the Trust for £3.8m (2018: nil shares, nil cost) and the Trust transferred 1,025,574 (2018: £nil) shares to employees and directors to satisfy options as detailed in note 16. The number of shares held within the Trust (Treasury shares) and on which dividends have been waived, at 31 October 2019 was 144,410 (2018: 138,313). These shares are held within the financial statements at a cost of £0.5m (2018: nil). The market value of these shares at 31 October 2019 was £0.6m (2018: £0.5m).

24 FINANCIAL RISK MANAGEMENT

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

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

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

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 £215.0m (2017: £180.0m) 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 £170.6m (2018: £184.3m) 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 2024, with £215.0m remaining available for drawdown under such facilities at 31 October 2019.

Financial assets at fair value through profit and loss, as described in note 14, of £7.2m (2018: £10.5m) 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 and contract assets 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 17. Amounts due from joint ventures of £61.3m (2018: £44.5m) is funding provided on four (2018: three) 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 £14.9m (2018: £11.2m) 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 17.

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 (2018: none).

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

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

The following are the contractual maturities of the financial liabilities of the Group at 31 October 2019:

2019	**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	**35.0**	**35.1**	**0.1**	**-**	**-**	**35.0**
Senior loan notes	**100.0**	**126.6**	**3.5**	**3.5**	**3.5**	**116.1**
Other loans	**1.9**	**1.9**	**1.9**	**-**	**-**	**-**
Financial liabilities carrying interest	**91.3**	**93.5**	**20.6**	**37.5**	**35.4**	**-**
Financial liabilities carrying no interest	**431.9**	**437.9**	**359.2**	**37.0**	**19.7**	**22.0**
At 31 October 2019	**660.1**	**695.0**	**385.3**	**78.0**	**58.6**	**173.1**

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**	**-**	**-**
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 31 October 2018	**665.9**	**706.5**	**359.3**	**75.3**	**63.5**	**208.4**

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 31 October 2019 it is estimated that an increase of 1% in interest rates applying for the full year would decrease the Group's PBT by £1.0m (2018: £1.4m).

At 31 October 2019, the interest rate profile of the financial liabilities of the Group was:

	2019 £m	**2018 £m**
Sterling bank borrowings, loan notes and long-term creditors		
Floating rate financial liabilities	**36.9**	**73.8**
Financial liabilities carrying interest	**191.3**	**165.6**
Financial liabilities carrying no interest	**431.9**	**426.5**
	660.1	**665.9**

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 38 months (2018: 40 months).

	2019 £m	2018 £m
The maturity of the financial liabilities is:		
Repayable within one year	**377.3**	**350.7**
Repayable between one and two years	**72.1**	**68.4**
Repayable between two and five years	**144.5**	**145.5**
Repayable after five years	**66.2**	**101.3**
	660.1	**665.9**

Fair Values

Financial assets
The Group's financial assets comprise cash equivalents, financial assets at fair value through profit and loss, trade and other receivables and contract assets. The carrying amounts of financial assets equate to their fair value. At 31 October 2019 cash equivalents consisted of sterling cash deposits of £170.6m (2018: £184.3m), with solicitors and on current account, £7.2m (2018: £10.5m) of financial assets at fair value through profit and loss, £139.0m (2018: £120.2m restated to reflect the adoption of IFRS 15 with effect from 1 November 2018. See note 29) of trade, other receivables and contract assets, and £61.3m (2018: £44.5m) of amounts due from joint ventures. Financial assets at fair value through profit and loss are carried at fair value and categorised as level 3 (inputs not based on observable market data) within the hierarchical classification of IFRS 13 Revised.

Financial liabilities
The Group's financial liabilities comprise the revolving credit facility, loan notes, other loans, trade payables, 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:

2019	**Nominal interest rate**	**Face value £m**	**Carrying value £m**	**Fair value £m**	**Maturity**
Revolving credit facility	**3 mth LIBOR + 2.15%**	**35.0**	**35.0**	**35.0**	**2024**
Senior loan notes	**3.15% - 3.87%**	**100.0**	**100.0**	**100.0**	**2024-2029**
Total non-current interest-bearing loans		**135.0**	**135.0**	**135.0**	
LIFF loans	**EU reference rate + 2.2%**	**1.9**	**1.9**	**1.9**	**2020**
Total current interest-bearing loans		**1.9**	**1.9**	**1.9**	

2018	**Nominal interest rate**	**Face value £m**	**Carrying value £m**	**Fair value £m**	**Maturity**
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**	

Financial assets and liabilities by category

	2019	2018 (Restated*)
Financial assets	**£m**	**£m**
Sterling cash deposits	170.6	184.3
Trade receivables	61.4	73.2
Amounts due from joint ventures	61.3	44.5
Contract assets**	70.0	38.1
Other receivables	7.6	8.9
Total cash equivalents and trade and other receivables	**370.9**	**349.0**
Financial assets at fair value through profit and loss	7.2	10.5
Total financial assets	**378.1**	**359.5**

* Restated to reflect the adoption of IFRS 15 with effect from 1 November 2018. See note 29.
** Contract assets in the prior year were amounts recoverable on contracts, in accordance with IFRS 15.

	2019	2018
Financial liabilities	**£m**	**£m**
Revolving credit facility	35.0	70.0
Senior loan notes	100.0	100.0
Other loans	1.9	3.8
Land payments on contractual terms carrying interest	91.3	65.6
Land payments on contractual terms carrying no interest	125.2	144.1
Amounts due to joint ventures	4.9	-
Other trade payables	38.7	38.0
Other payables	11.1	17.5
Accruals	252.0	226.9
Financial liabilities at amortised cost	**660.1**	**665.9**

25 CONTINGENCIES AND COMMITMENTS

There are performance bonds and other engagements, including those in respect of joint venture partners, undertaken in the ordinary course of business. It is impractical to quantify the financial effect of performance bonds and other arrangements. 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.

The Group has made a combustible materials provision in the year following the latest Government guidance notes. This provision is subject to Management estimates on costs and timing. The Group recognises that guidance in this area is evolving over time and that assumptions may require revising, resulting in a further cash outflow. The Group is reviewing the recoverability of costs incurred from third parties where we have a contractual right to recourse. No contingent assets have been recognised.

26 OPERATING LEASES

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

	2019 £m	2018 £m
Land and buildings		
Within one year	1.8	2.5
Less: minimum sub-lease income	(0.2)	(0.4)
Between one and five years	4.1	4.8
Less: minimum sub-lease income	-	(0.1)
After five years	0.4	0.9
	6.1	7.7
Other		
Within one year	1.3	1.7
Between one and five years	0.9	2.1
	2.2	3.8

27 NET DEBT AND LAND CREDITORS

	2019 £m	2018 £m
Cash and cash equivalents	170.6	184.3
Non-current interest-bearing loans and borrowings	(131.5)	(168.3)
Current interest-bearing loans and borrowings	(1.9)	(1.9)
Land payments on contractual terms carrying interest	(91.3)	(65.6)
Land payments on contractual terms carrying no interest	(125.2)	(144.1)
Total net debt and land creditors	(179.3)	(195.6)

28 RELATED-PARTY TRANSACTIONS

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

Transactions between the Group and key management personnel mainly comprise remuneration which is given in note 6. Detailed disclosure for Board members is given within the Directors' Remuneration Report. There were no other transactions between the Group and key management personnel in the year.

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 £nil (2018: £9.3m) and satisfied promissory notes of £nil (2018: £23.9m).

Stephen Stone, former Non-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 £0.1m (2018: £0.1m) and paid fees (mainly relating to warranty insurance costs on new homes built) to the NHBC of £2.9m (2018: £3.9m).

The Group had the following transactions with its joint ventures: (i) the Group received £2.1m (2018: £0.4m) interest on joint venture funding, (ii) the Group received £0.8m (2018: £0.9m) in project management fees, (iii) the amount of outstanding loans due to the Group from joint ventures was £61.3m (2018: £44.5m), (iv) the amount of outstanding loans due from the Group to joint ventures was £4.9m (2018: £nil), and, (v) the Group received a dividend in the prior year of £0.7m.

29 IMPACT OF CHANGES IN ACCOUNTING POLICIES

IFRS 15: Revenue from Contracts with Customers

IFRS 15: Revenue from Contracts with Customers sets out requirements for revenue recognition from contracts with customers, using a five-step model to apportion revenue to individual performance obligations within a contract. The Group has applied IFRS 15 from 1 November 2018 with comparative results being restated using the full retrospective transition method.

Adjustments in respect of purchasers' extras and freehold reversions
The Group previously did not recognise revenue on the disposal of freehold reversions being treated as a reduction in land cost. Under IFRS 15 freehold reversion disposals are treated as part of revenue when the purchaser is contractually entitled to the ground rent revenue stream associated with the units purchased. The Group previously did 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. Under IFRS 15 specification upgrades are treated as part of revenue.

Adjustments in respect of Land sales
The Group previously recognised revenue on land sales at unconditional exchange of contracts. Under IFRS 15 revenue is recognised when title passes to the buyer, which is the point at which the performance obligation is satisfied. The adjustments below relate to land transactions that were unconditionally exchanged at period end, but title had not been passed to the buyer, thus the sale would not be recognised as revenue in the reporting period under IFRS 15.

Adjustments in respect of revenue recognition on affordable and other sales in bulk
The Group previously recognised 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, which is the point at which the performance obligation is satisfied. Where freehold legal title and control 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.

Year ended 31 October 2018

Impact on Consolidated Income Statement	Year ended 31 October 2018 as previously reported	Adjustments in respect of purchasers' extras and freehold reversions	Adjustments in respect of land sales	Adjustments in respect of revenue recognition on affordable and other sales in bulk	Year ended 31 October 2018 as reported
	£m	£m	£m	£m	£m
Revenue	1,136.1	15.4	(25.6)	(4.9)	1,121.0
Cost of sales	(881.4)	(15.4)	18.8	3.9	(874.1)
Gross profit	254.7	-	(6.8)	(1.0)	246.9
Administrative expenses	(64.9)	-	-	-	(64.9)
Operating profit	189.8	-	(6.8)	(1.0)	182.0
Finance income	3.0	-	-	-	3.0
Finance expense	(15.0)	-	-	-	(15.0)
Net finance expense	(12.0)	-	-	-	(12.0)
Share of post-tax results of joint ventures	(1.4)	-	-	0.1	(1.3)
Profit before tax	176.4	-	(6.8)	(0.9)	168.7
Income tax expense	(33.6)	-	1.3	0.2	(32.1)
Profit for the year	142.8	-	(5.5)	(0.7)	136.6
Earnings per ordinary share					
Basic	55.7p	-	(2.1)	(0.3)	53.3
Diluted	55.4p	-	(2.1)	(0.3)	53.0

Impact on Consolidated Statement of Changes in Equity	Year ended 31 October 2018 as previously reported	Adjustments in respect of purchasers' extras and freehold reversions	Adjustments in respect of land sales	Adjustments in respect of revenue recognition on affordable and other sales in bulk	Year ended 31 October 2018 as reported
	£m	£m	£m	£m	£m
Balance at 1 November 2017	817.8	-	(0.3)	0.6	818.1
Profit for the year	142.8	-	(5.5)	(0.7)	136.6
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	-	(5.5)	(0.7)	137.7
Transactions with shareholders:					
Equity-settled share-based payments	2.5	-	-	-	2.5
Deferred tax on equity-settled share-based payments	(1.0)	-	-	-	(1.0)
Share capital issued	0.1	-	-	-	0.1
Dividends paid	(84.7)	-	-	-	(84.7)
Balance at 31 October 2018	878.6	-	(5.8)	(0.1)	872.7

Impact on Consolidated Statement of Financial Position	Year ended 31 October 2018 as previously reported	Adjustments in respect of land sales	Adjustments in respect of revenue recognition on affordable and other sales in bulk	Year ended 31 October 2018 as reported
	£m	£m	£m	£m
ASSETS				
Non-current assets				
Intangible assets	29.0	-	-	29.0
Property, plant and equipment	4.8	-	-	4.8
Investments in joint ventures	1.2	-	0.1	1.3
Other financial assets	7.2	-	-	7.2
Deferred tax assets	6.0	-	-	6.0
Retirement benefit surplus	2.5	-	-	2.5
Trade and other receivables	59.0	-	-	59.0
	109.7	-	0.1	109.8
Current assets				
Inventories	1,186.2	19.3	7.7	1,213.2
Other financial assets	3.3	-	-	3.3
Trade and other receivables	93.9	(0.4)	16.4	109.9
Cash and cash equivalents	184.3	-	-	184.3
	1,467.7	18.9	24.1	1,510.7
Total assets	1,577.4	18.9	24.2	1,620.5
LIABILITIES				
Non-current liabilities				
Interest-bearing loans and borrowings	(168.3)	-	-	(168.3)
Trade and other payables	(143.3)	-	-	(143.3)
Deferred tax liabilities	(0.5)	-	-	(0.5)
Retirement benefit obligations	-	-	-	-
Provisions	(0.9)	-	-	(0.9)
	(313.0)	-	-	(313.0)
Current liabilities				
Interest-bearing loans and borrowings	(1.9)	-	-	(1.9)
Trade and other payables	(371.0)	(26.0)	(24.4)	(421.4)
Current income tax liabilities	(11.2)	1.3	0.1	(9.8)
Provisions	(1.7)	-	-	(1.7)
	(385.8)	(24.7)	(24.3)	(434.8)
Total liabilities	(698.8)	(24.7)	(24.3)	(747.8)
Net assets	878.6	(5.8)	(0.1)	872.7
EQUITY				
Share capital	12.8	-	-	12.8
Share premium account	74.2	-	-	74.2
Retained earnings	791.6	(5.8)	(0.1)	785.7
Total equity	878.6	(5.8)	(0.1)	872.7
Included within trade and other receivables:				
Current contract assets	22.1	(0.4)	16.4	38.1
Included within trade and other payables:				
Current contract liabilities	(19.3)	(26.0)	(24.4)	(69.7)

Impact on Consolidated Cash Flow Statement	Year ended 31 October 2018 as previously reported	Adjustments in respect of land sales	Adjustments in respect of revenue recognition on affordable and other sales in bulk	Year ended 31 October 2018 as reported
	£m	£m	£m	£m
Cash flows from operating activities				
Profit for the year attributable to equity shareholders	142.8	(5.5)	(0.7)	136.6
Adjustments for:				
Depreciation	1.9	-	-	1.9
Net finance expense	12.0	-	-	12.0
Share-based payment expense	2.5	-	-	2.5
Share of post-tax loss of joint ventures	1.4	-	(0.1)	1.3
Income tax expense	33.6	(1.3)	(0.2)	32.1
Operating profit before changes in working capital and provisions	194.2	(6.8)	(1.0)	186.4
Decrease/(increase) in trade and other receivables	2.5	0.4	(2.9)	-
Increase in inventories	(99.7)	(18.8)	(7.4)	(125.9)
Increase in trade and other payables	20.6	25.2	11.3	57.1
Contribution to retirement benefit obligations	(9.0)	-	-	(9.0)
Cash generated from operations	108.6	-	-	108.6
Interest paid	(10.3)	-	-	(10.3)
Taxation paid	(36.0)	-	-	(36.0)
Net cash generated from operating activities	62.3	-	-	62.3
Cash flows from investing activities				
Purchases of property, plant and equipment	(2.5)	-	-	(2.5)
Decrease in other financial assets	5.2	-	-	5.2
Dividends received from joint ventures	0.8	-	-	0.8
Interest received	0.4	-	-	0.4
Net cash inflow from investing activities	3.9	-	-	3.9
Cash flows from financing activities				
Repayment of bank and other borrowings	(1.9)	-	-	(1.9)
Proceeds from new loans	30.0	-	-	30.0
Debt arrangement and facility fees	(0.6)	-	-	(0.6)
Dividends paid	(84.7)	-	-	(84.7)
Net proceeds from the issue of shares	0.1	-	-	0.1
Net cash outflow from financing activities	(57.1)	-	-	(57.1)
Net increase in cash and cash equivalents	9.1	-	-	9.1
Cash and cash equivalents at the beginning of the period	175.2	-	-	175.2
Cash and cash equivalents at end of the period	184.3	-	-	184.3

30 GROUP UNDERTAKINGS

In accordance with s409 Companies Act 2006, the following is a list of all the Group's undertakings at 31 October 2019.

Subsidiary undertakings

At 31 October 2019 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	Voting rights and shareholding (direct or indirect)
Bartley Wood Management Services No.2 Limited	1	8	9	31 March	100%
Bath Riverside Estate Management Company Limited	2	8	10	31 October	100%
Bath Riverside Liberty Management Company Limited	2	8	10	31 October	100%
Block F3 Whitelands Park Limited	1	8	10	31 October	100%
Block L1-L3 Whitelands Park Limited	1	8	10	31 October	100%
Brenville Limited	1	8	10	31 October	100%
Brightwells Residential 1 Company Limited	1	8	10	31 October	100%
Brightwells Residential 2 Company Limited	1	8	10	31 October	100%
Bristol Parkway North Limited	1	8	10	31 October	100%
C N Nominees Limited	1	8	10	31 October	100%
Camberley Res No.1 Limited	1	8	10	31 October	100%
Camberley Res No.2 Limited	1	8	10	31 October	100%
Camberley Res No.3 Limited	1	8	10	31 October	100%
Camberley Res No.4 Limited	1	8	10	31 October	100%
Camberley Res No.5 Limited	1	8	10	31 October	100%
Cardiff Freeport Limited	1	8	10	31 October	100%
Castle Bidco plc*	1	8	9	31 October	100%
Clevedon Developments Limited	1	8	10	31 October	100%
Clevedon Investment Limited	1	8	9	31 October	100%
CN Properties Limited	1	8	10	31 October	100%
Crest (Claybury) Limited	1	8	10	31 October	100%
Crest (Napsbury) Limited	1	8	10	31 October	100%
Crest Construction Limited	1	8	10	31 October	100%
Crest Developments Limited	1	8	10	31 October	100%
Crest Estates Limited	1	8	10	31 October	100%
Crest Homes (Chiltern) Limited	1	8	10	31 October	100%
Crest Homes (Eastern) Limited	1	8	10	31 October	100%
Crest Homes (Midlands) Limited	1	8	10	31 October	100%
Crest Homes (Nominees) Limited	1	8	10	31 October	100%
Crest Homes (Nominees No. 2) Limited	1	8	9	31 October	100%
Crest Homes (Northern) Limited	1	8	10	31 October	100%
Crest Homes (South East) Limited	1	8	10	31 October	100%
Crest Homes (South West) Limited	1	8	10	31 October	100%
Crest Homes (South) Limited	1	8	10	31 October	100%
Crest Homes (Wessex) Limited	1	8	10	31 October	100%
Crest Homes (Westerham) Limited	1	8	10	31 October	100%
Crest Homes Limited	1	8	10	31 October	100%
Crest Homes Management Limited	1	8	10	31 October	100%
Crest Manhattan Limited	1	8	10	31 October	100%
Crest Nicholson (Bath Western) Limited	1	8	10	31 October	100%
Crest Nicholson (Bath) Holdings Limited	1	8	10	31 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	Voting rights and shareholding (direct or indirect)
Crest Nicholson (Chiltern) Limited	1	8	10	31 October	100%
Crest Nicholson (Eastern) Limited	1	8	10	31 October	100%
Crest Nicholson (Epsom) Limited	1	8	10	31 October	100%
Crest Nicholson (Henley-on-Thames) Limited	1	8	9	31 October	100%
Crest Nicholson (Highlands Farm) Limited	1	8	10	31 October	100%
Crest Nicholson (Londinium) Limited	1	8	10	31 October	100%
Crest Nicholson (London) Limited	1	8	10	31 October	100%
Crest Nicholson (Midlands) Limited	1	8	10	31 October	100%
Crest Nicholson (Rainsford Road) Limited	1	8	10	31 October	100%
Crest Nicholson (South East) Limited	1	8	10	31 October	100%
Crest Nicholson (South West) Limited	1	8	10	31 October	100%
Crest Nicholson (South) Limited	1	8	10	31 October	100%
Crest Nicholson (Stotfold) Limited	1	8	9	31 October	100%
Crest Nicholson (Wainscott)	1	8	10	31 October	100%
Crest Nicholson (Wessex) Limited	1	8	10	31 October	100%
Crest Nicholson Developments (Chertsey) Limited	1	8	9	31 October	100%
Crest Nicholson Greenwich Limited	1	8	10	31 October	100%
Crest Nicholson Operations Limited	1	8	9	31 October	100%
Crest Nicholson Overseas Limited	1	8	10	31 October	100%
Crest Nicholson Pension Trustee Ltd	1	8	10	31 January	100%
Crest Nicholson plc	1	8	9	31 October	100%
Crest Nicholson Projects Limited	1	8	10	31 October	100%
Crest Nicholson Properties Limited	1	8	10	31 October	100%
Crest Nicholson Quest Trustee Limited	1	8	10	31 October	100%
Crest Nicholson Regeneration Limited	1	8	10	31 October	100%
Crest Nicholson Residential (London) Limited	1	8	10	31 October	100%
Crest Nicholson Residential (Midlands) Limited	1	8	10	31 October	100%
Crest Nicholson Residential (South East) Limited	1	8	10	31 October	100%
Crest Nicholson Residential (South) Limited	1	8	10	31 October	100%
Crest Nicholson Residential Limited	1	8	10	31 October	100%
Crest Nominees Limited	1	8	10	31 October	100%
Crest Partnership Homes Limited	1	8	10	31 October	100%
Crest Strategic Projects Limited	1	8	10	31 October	100%
Dialled Despatches Limited	1	8	10	31 October	100%
Eastern Perspective Management Company Limited	1	8	10	31 October	100%
Essex Brewery (Walthamstow) LLP	1	8	10	31 October	100%
Grassphalte-Gaze Limited	1	8	10	31 October	100%
Landscape Estates Limited	1	8	10	31 October	100%
Mertonplace Limited	1	8	10	31 October	100%
Nicholson Estates (Century House) Limited	1	8	10	31 October	100%
Nicholson Homes Limited	1	8	10	31 October	100%
Park Central Management (Central Plaza) Limited	1	8	10	31 October	100%
Ellis Mews (Park Central) Management Limited	1	8	9	31 October	100%
Park Central Management (Zone 11) Limited	1	8	10	31 October	100%
Park Central Management (Zone 12) Limited	1	8	10	31 October	100%
Park Central Management (Zone 1A North) Limited	1	8	10	31 October	100%
Park Central Management (Zone 1A South) Limited	1	8	10	31 October	100%
Park Central Management (Zone 1B) Limited	1	8	10	31 October	100%
Park Central Management (Zone 3/1) Limited	1	8	10	31 October	100%

Entity name	Registered office	Place of incorporation	Active / dormant	Year end date	Voting rights and shareholding (direct or indirect)
Park Central Management (Zone 3/2) Limited	1	8	10	31 October	100%
Park Central Management (Zone 3/3) Limited	1	8	10	31 October	100%
Park Central Management (Zone 3/4) Limited	1	8	10	31 October	100%
Park Central Management (Zone 4/41 & 42) Limited	1	8	10	31 October	100%
Park Central Management (Zone 4/43/44) Limited	1	8	10	31 October	100%
Park Central Management (Zone 5/53) Limited	1	8	10	31 October	100%
Park Central Management (Zone 5/54) Limited	1	8	10	31 October	100%
Park Central Management (Zone 5/55) Limited	1	8	10	31 October	100%
Park Central Management (Zone 6/61-64) Limited	1	8	10	31 October	100%
Park Central Management (Zone 7/9) Limited	1	8	10	31 October	100%
Park Central Management (Zone 8) Limited	1	8	9	31 October	100%
Park Central Management (Zone 9/91) Limited	1	8	10	31 January	100%
The Gloucester Docks Trading Company Limited	1	8	10	31 October	100%
Timberform Building Systems Limited	1	8	10	31 October	100%
Toptool Products Limited	1	8	10	31 October	100%
Yawbrook Limited	1	8	10	31 October	100%
Building 7 Harbourside Management Company Limited	2	8	9	29 October	58.33%
Buildings 3A, 3B & 4 Harbourside Management Company Limited	2	8	10	31 December	83.33%
Harbourside Leisure Management Company Limited	1	8	9	30 December	71.43%
Park West Management Services Limited	1	8	9	31 March	62.00%

Joint venture undertakings
At 31 October 2019 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	Voting rights and shareholding (direct or indirect)
Material joint ventures					
Bonner Road LLP	6	8	9	31 March	50%
Crest A2D (Walton Court) LLP	1	8	9	31 March	50%
Crest Sovereign (Brooklands) LLP	5	8	9	30 April	50%
Elmsbrook (Crest A2D) LLP	7	8	9	31 March	50%
Other joint ventures not material to the Group					
Brentford Lock Limited	3	8	9	31 December	50%
Crest/Galliford Try (Epsom) LLP	1	8	9	31 October	50%
Crest Nicholson Bioregional Quintain LLP	1	8	9	31 October	50%
Crest Nicholson Bioregional Quintain (Gallions) LLP	1	8	10	31 October	50%
English Land Banking Company Limited	1	8	9	31 October	50%
Haydon Development Company Limited	4	8	9	30 April	21.36%
Kitewood (Cossall) Limited	1	8	9	31 October	50%
North Swindon Development Company Limited	4	8	9	31 October	32.64%
The Century House Property Company Limited	1	8	10	31 October	50%

Registered office	Place of incorporation	Active / dormant
1 Crest House, Pyrcroft Road, Chertsey, Surrey KT16 9GN, UK	8 England	9 active
2 Unit 2 & 3 Beech Court, Wokingham Road, Hurst, Reading RG10 0RU, UK		10 dormant
3 Persimmon House, Fulford, York YO19 4FE, UK		
4 6 Drakes Meadow, Penny Lane, Swindon, Wiltshire SN3 3LL, UK		
5 Woodlands, 90 Bartholomew Street, Newbury RG14 5EE		
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 31 October 2019. 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 31 October 2019

	Note	2019 £m	2018 £m
ASSETS			
Non-current assets			
Investments	**4**	**0.6**	**1.0**
Current assets			
Trade and other receivables	**5**	**243.9**	**222.9**
TOTAL ASSETS		**244.5**	**223.9**
LIABILITIES			
Current liabilities			
Current income tax liabilities		**(1.6)**	**(2.1)**
TOTAL LIABILITIES		**(1.6)**	**(2.1)**
NET ASSETS		**242.9**	**221.8**
SHAREHOLDERS' EQUITY			
Share capital	**6**	**12.8**	**12.8**
Share premium account	**6**	**74.2**	**74.2**
Retained earnings:			
At 1 November		**134.8**	**209.5**
Profit for the year		**107.1**	**10.0**
Other changes in retained earnings		**(86.0)**	**(84.7)**
At 31 October		**155.9**	**134.8**
TOTAL SHAREHOLDERS' EQUITY		**242.9**	**221.8**

The Company recorded a profit for the financial year of £107.1m (2018: £10.0m).
The notes on pages 67 to 69 form part of these financial statements.
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CREST NICHOLSON HOLDINGS PLC
COMPANY STATEMENT OF CHANGES IN EQUITY
For the year ended 31 October 2019

	Note	Share capital £m	Share premium account £m	Retained earnings £m	Total equity £m
Balance at 1 November 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 31 October 2018		**12.8**	**74.2**	**134.8**	**221.8**
Profit for the financial year and total comprehensive income		**-**	**-**	**107.1**	**107.1**
Transactions with shareholders					
Dividends paid	**3**	**-**	**-**	**(84.7)**	**(84.7)**
Exercise of share options through employee benefit trust		**-**	**-**	**(3.2)**	**(3.2)**
Net proceeds from the issue of shares and exercise share options		**-**	**-**	**1.9**	**1.9**
Balance at 31 October 2019		**12.8**	**74.2**	**155.9**	**242.9**

CREST NICHOLSON HOLDINGS PLC
NOTES TO THE COMPANY FINANCIAL STATEMENTS
For the year ended 31 October 2019

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 Directors reviewed detailed cashflows and financial forecasts for the next year and summary cashflows and financial forecasts for the following two years. Throughout this review period the Company is forecast to be able to meet its liabilities as they fall due. Therefore, having assessed the principal risks and all other relevant matters, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements of the Company.

The 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 1 November 2018 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 are 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.

Financial assets
Financial assets are initially recognised at fair value and subsequently classified into one of the following measurement categories:
– measured at amortised cost;
– measured subsequently at fair value through profit or loss ('FVTPL'); and
– measured subsequently at fair value through other comprehensive income ('FVOCI').

The classification of financial assets depends on the Company's business model for managing the asset and the contractual terms of the cash flows. Assets that are held for the collection of contractual cash flows that represent solely payments of principal and interest are measured at amortised cost, with any interest income recognised in the income statement using the effective interest rate method. Financial assets that do not meet the criteria to be measured at amortised cost are classified by the Company as measured at FVTPL. Fair value gains and losses on financial assets measured at FVTPL are recognised in the income statement and presented within net operating expenses. The Company currently has no financial assets measured at FVOCI.

Trade and other receivables
Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established based on an expected credit loss model applying the simplified approach, which uses a lifetime expected loss allowance for all trade receivables. The amount of the loss is recognised in the income statement.

Financial liabilities
Financial liabilities are initially recognised at fair value and subsequently classified into one of the following measurement categories:
– measured at amortised cost; and
– measured subsequently at fair value through profit or loss ('FVTPL').
Non-derivative financial liabilities are measured at FVTPL when they are considered held for trading or designated as such on initial recognition. The Company has no non-derivative financial liabilities measured at FVTPL.

Own shares held by ESOP trust
Transactions of the Company-sponsored ESOP trust are included in both the Group financial statements and the Company's own financial statements. The purchase of shares in the Company by the trust are charged directly to equity.

Audit fee
Auditor's remuneration for audit of these financial statements of £13,125 (2018: £11,500) was met by Crest Nicholson plc. No disclosure of other non-audit services has been made as this is included within note 5 of the consolidated financial statements.

Critical accounting estimates and judgements
The preparation of the Company financial statements under 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 9 of the consolidated financial statements.

4 INVESTMENTS

	2019 £m	2018 £m
Investments in shares of subsidiary undertaking at cost at 1 November	1.0	-
Additions	2.8	1.0
Disposals	(3.2)	-
Investments in shares of subsidiary undertaking at cost at 31 October	0.6	1.0

Additions and disposals in the year relate to Company contributions/utilisation to/from 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

	2019 £m	2018 £m
Amounts due from Group undertakings	243.9	222.9

Amounts due from Group undertakings are unsecured, repayable on demand and carry an interest rate of 5.0% (2018: 5.0%).

6 SHARE CAPITAL

The Company share capital is disclosed in note 23 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 31 October 2019 is given in note 30 of the consolidated financial statements.