Crest NICHOLSON

Press release

27th January 2015

Crest Nicholson Holdings plc
Annual Results Announcement
for the year ended 31st October 2014

Strong growth in a sustainable housing market

Crest Nicholson Holdings plc (Crest Nicholson) today announces its final results for the year ended 31st October 2014.

Highlights

- On target to achieve revenue growth of 70-80% over 2013 by 2016
- Volume target set at the IPO reached well ahead of schedule with completions up 16% at 2,530 homes (2013: 2,172)
- Open-market average selling prices (ASP) up 15% to £287,000
- Further expansion of operating profit margin to 20.1% (2013: 18.5%*)
- Return on capital employed of 26.0% (2013: 24.1%*) exceeding IPO commitment of 20%
- 3,730 plots added to the short-term land pipeline, across 25 sites; Short-term land pipeline now 6.8 years
- Continued focus on strategic land with 44% of the short term land pipeline strategically sourced
- Forward sales at mid-January of £399.8m (2013: £329.5m), 21% ahead of prior year with 41% of this year's forecast secured (2013: 51%)
- Intention to move dividend cover towards 2.0x over the next three years reflects strong cash generation as the business moves towards natural scale

** 2013: pre-exceptional costs*

Commenting on today's statement, Stephen Stone, Chief Executive said: "Crest Nicholson enters 2015 in a strong position and we are encouraged by the strong start to the year. Improved access to mortgages and real income growth underpins our confidence in the market and in generating high quality returns. As we grow towards our natural scale, we maintain our Southern focus and commitment to building high quality homes where people want to live."

	2014 £m	2013 Pre-exceptional £m	2013 Exceptional costs £m	2013 Total £m	Change (Pre-exceptional) £m	%
Units	**2,530**	**2,172**		**2,172**	**358**	**+16%**
Revenue	**636.3**	**525.7**	525.7	**525.7**	110.6	**+21%**
Cost of sales	**(454.3)**	**(384.5)**		**(384.5)**	(69.8)	
Gross profit	**182.0**	**141.2**		**141.2**	40.8	**+29%**
Administrative expenses	**(53.9)**	**(44.1)**	(5.9)	**(50.0)**	(9.8)	
Operating Profit	**128.1**	**97.1**	(5.9)	**91.2**	31.0	**+32%**
Operating profit %	***20.1%***	***18.5%***		***17.3%***	*160bps*	
Profit before tax	**116.7**	**86.8**	(5.9)	**80.9**	29.9	**+34%**
Profit after tax	**98.8**	**71.5**	(5.5)	**66.0**	27.3	**+38%**
Earnings per share (pence)						
- Basic	**39.3p**	**29.4p**	(2.3)p	**27.1p**	9.9p	**+34%**
- Diluted	**38.7p**	**28.9p**	(2.2)p	**26.7p**	9.8p	**+34%**

For further information, please contact:

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There will be a presentation to analysts today at 9.00am at etc Venues, 8 Eastcheap, London EC3M 1AE hosted by Stephen Stone, Chief Executive, and Patrick Bergin, Finance Director.

An audio playback facility will be available at http://www.crestnicholson.com/investor-relations or by downloading the Crest Nicholson app following the presentation.

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

Chief Executive's review

I am delighted to report that the Group has produced another excellent financial performance in a buoyant housing market in which we focused on bringing forward additional new homes to increase housing supply.

Wholehearted thanks to all our employees who have been instrumental in these results. They bring their expertise to everything we do – working effectively with partners to create masterplans, homes and places that reflect our ambition to provide our customers with high levels of quality and service, good design and sustainable outcomes.

To name just a few highlights, I was delighted with progress at Swindon this year where we have been working with local authorities to deliver the first implementation of a Crest Nicholson Garden Village. Tadpole Garden Village is one of the first developments of its kind in the country and an exemplar of the benefits of low-density family housing. Our work there this year included speedily delivering a fully functioning temporary school which is serving local needs while we go about creating the permanent facilities.

Meanwhile, our Oakgrove development in Milton Keynes was chosen as the location for the launch of the Labour Party's Lyons Housing Review. Being delivered through a public–private sector partnership and having achieved an average of two sales per week over the last 18 months – over 80% of them to MK postcode buyers – Oakgrove illustrates how development can meet the housing needs of an existing community.

Sensitive design and place making can also restore pride to inner city areas and nowhere shows this better than Park Central in the heart of Birmingham. Park Central was judged Best Regeneration Project in the 2014 Housebuilder Awards and we were equally delighted to be judged Sustainable Housebuilder of the Year and Large Housebuilder of the Year in 2014.

Contributing to housing supply

The Group contributes to housing supply through the efficient delivery of sustainable homes and communities, while continuing to pursue imaginative, innovative urban design solutions and ways to build well. We also provide support for policy and standards development through our involvement with organisations and groups including the Zero Carbon Hub (ZCH).

Nevertheless, a severe housing shortage continues to exist, especially in the south-east of England. Political leadership over the long term will be key to doubling provision from current levels of around 120,000 new homes a year to the desired level of 243,000 a year – a major challenge for policymakers, authorities and industry.

Early in 2013, some of the pent-up demand was satisfied through the Government's Help to Buy scheme, which rejuvenated the mortgage market and saw increasing numbers of first-time buyers able to access finance – a trend which continued into 2014.

Managing the effects of high demand

The surge in demand was not without consequences and like the rest of the sector we had to deal with a shortage of bricks, blocks and other materials as suppliers struggled to respond to increasing levels of output. Despite going outside our traditional UK supply base to overcome this, our schedules suffered and were also interrupted by a long period of extremely wet weather in some of our regions.

We were pleased to regain our 5-star rating for customer satisfaction this year. We are working hard to maintain it although we recognise that this may be affected by negative feedback from some customers who unfortunately had to wait for their new home due to inclement weather and shortages in the supply chain.

Every customer expects their new home to be built well, finished to the highest quality and delivered free of defects. These are equal priorities for the business too and the focus on increasing housing supply must not divert from the challenge of improving construction standards, driving quality through our product and providing high levels of customer care.

Upskilling and developing our workforce

A sustainable supply of materials is of course critical to the construction sector but delivering high quality, low carbon new homes also calls for expertise and knowledge, of which the industry is short. It is not just construction skills we depend on but the broader communication skills essential for bringing new development forward to planning consent.

To help address the skills gap across the industry we are developing our own workforce and this year have significantly increased investment in training and career development at all levels. Among several initiatives underway are programmes in Management Excellence, Sales Excellence and Executive Coaching.

We are also working to increase practical knowledge and skills on our sites through our new Quality Manual and inspection processes. These are designed to promote good workmanship and prevent poor practices such as substitution of materials, which can contribute to the performance gap between design and as-built. Reflecting the importance we place on all these areas, during the year we created a Group Training function with two dedicated roles to provide central direction and support.

The drive to attract, retain and develop promising talent is why we have significantly strengthened our graduate programme, including forming strategic links with selected universities so we are able to better identify and engage high quality candidates. Apprentices are just as vital and we have continued to put time and resources into our well-established scheme, which follows the Construction Industry Joint Council guideline for apprentice pay and is set above the minimum wage.

Health, safety and environmental management

As the Board Director with overall responsibility for health and safety I am pleased to report that we achieved a lower accident rate compared to last year. However, our rate rose above our peer group and the construction sector and there will be no let-up in our efforts to improve. We have made a further appointment to the Group Health, Safety and Environmental (HSE) function and also saw a 40% increase in safety training days delivered this year.

Along with safe working practices, good environmental practice is a key priority. The rate of conformity our developments are achieving against our site environmental standards continues to improve.

Outlook: our sustainable business model

The Group is in good shape to leverage its core strengths in land and planning, design and delivery – enabling it to make the most of opportunities for managed expansion.

Our new Chiltern division illustrates this growth strategy. Launched at the end of the financial year, our new division will support more effective business activity within our existing geography.

We anticipate that the supply/demand imbalance in housing will continue and the Group will play its part in increasing housing volumes through selective acquisition of well-located sites to replenish our land pipeline and by bringing residential and mixed use developments forward in a sustainable manner.

Over the longer term, we are putting our 10-year sustainable business roadmap into action, which includes a review of our product portfolio. We are also developing our offering with a view to capitalising on market opportunities targeted to different customer groups, including those in the private rental sector.

Feeding into our 10-year roadmap we have put in place customer-focused workstreams addressing many different aspects, including environmental challenges. By continuing to innovate with our partners and the supply chain, we will play our part in achieving growth within environmental limits, especially given the natural resource and supply constraints we all operate under. Our strong focus on sustainability will continue both through our product and operations; we aim to maintain our sector leadership in this area and will continue to maintain our performance in the NextGeneration benchmark and FTSE4Good indices.

We will continue to invest in creating a workplace where people can excel and focus on developing talented people to lead the Group's future. For this reason especially, I look forward with confidence and a real sense of anticipation to the next stages of Crest Nicholson's journey.

Stephen Stone
Chief Executive

Finance Director's review

Trading performance

Trading performance in the year ended 31st October 2014 has been very strong. Having returned to the public markets in the early part of 2013, the Group set an initial target of increasing housing outputs to more than 2,500 homes per year. This milestone has been reached in a shorter timeframe than envisaged, with housing unit completions for the year of 2,530 (2013: 2,172), representing growth of 16.5% over prior year.

Sales revenues of £636.3m were 21% higher than the prior year, driven by increases in housing revenue. Generally improving economic conditions and improved mortgage access have underpinned a sustained recovery in the housing market, with reservations under the Government's Help to Buy scheme continuing to represent an important source of demand.

Contributions to turnover from land sales and commercial mixed use continue to comprise a small part of overall operations, together accounting for £32.4m of sales (2013: £34.5m). Commercial activity primarily related to the construction of a superstore for Morrisons on our Centenary Quay regeneration site in Southampton.

Sales price gains in a number of locations have generated additional margin, albeit that some of this benefit is shared with land vendors, including the public sector. Build costs continue to show some measure of price appreciation, particularly wage rates for comparatively scarce skilled trades such as bricklaying.

Gross margins for the year were 28.6% (2013: 26.9%), reflecting the net benefit enjoyed by the business from sales price inflation in excess of cost inflation, and the impact of the rising number of plots that have been sourced through the strategic land portfolio.

Operating profits of £128.1m (2013: £97.1m before exceptional costs) were 32% higher than the prior year and operating margins, at 20.1% (2013: 18.5%), reflect the improvement in gross margins. Operating profits at this level are the highest that the Group has reported and provide an excellent foundation for continued investment in housing delivery.

Finance expense and taxation

Net financing expense of £11.4m (2013: £10.3m) is £1.1m higher, primarily due to the accelerated amortisation of arrangement fees from prior financing arrangements as part of a refinancing package in March 2014.

Income tax expense in the year of £17.9m (2013: £15.3m) primarily reflected deferred tax arising from the reversal of temporary differences in the year. The effective tax rate for the year was lower than the standard rate of UK Corporation Tax, in part due to the recognition of previously unrecognised temporary differences.

Earnings per share

Basic earnings per share have risen 34% to 39.3 pence from 29.4 pence in 2013, on a pre-exceptional basis.

Dividend

The Board proposes to pay a final dividend of 10.2 pence per share for the financial year ended 31st October 2014 which, subject to shareholder approval, will be paid on 8th April 2015 to shareholders on the register at close of business on the 13th March 2015.

If approved, the total dividend paid in respect of 2014 earnings of 39.3 pence per share would be 14.3 pence, representing dividend cover of 2.75x. The Board has previously indicated an intention to adopt a progressive dividend strategy and the reduction in dividend cover from 3.0x to 2.75x represents the first step on an intended trajectory towards a cover ratio of 2.0x over our forecast horizon.

Cash flow and financial position

The Group had net assets at 31st October 2014 of £536.5m (2013: £470.3m), an increase of 14% over the prior year.

Inventories have increased by 41%, up from £577.7m at 31st October 2013 to £814.1m at 31st October 2014. During the year, significant investments on the infrastructure required to open up a number of our strategic sites for production have continued and the first legal completions have been achieved at Kilnwood Vale in West Sussex, Monksmoor Park in Northamptonshire and Stour Meadows in Kent. Tadpole Gate, a strategic site near Swindon being developed along Garden Village principles, has also now opened for sale.

In addition, the Group has made a number of land investments – in areas where the prevailing house prices are higher and overall economic prospects are generally stronger – which will underpin revenue growth over the next few years.

Stocks of completed units continue to be at very low levels and amounted to £34.5m (2013: £32.4m).

As a result, net cash flows from operations amounted to £38.8m outflow (2013: £19.5m inflow).

Return on capital employed continues to be a key business metric and the strong operational performance of the business combined with our capital efficient operating model has resulted in the ROCE rising to 26.0% (2013: 24.1%).

Financing

During the year, the Group took advantage of favourable market conditions to re-finance its loan obligations, increasing the level and duration of its banking facilities whilst reducing the overall cost of borrowing.

Amounts drawn under existing facilities of £100m of revolving credit and £40m ancillary with maturity dates in December 2016 were repaid in full. These were replaced with a £200m revolving credit facility and an £80m ancillary facility, with maturity dates in March 2019. The extension of borrowing facilities provides additional funding headroom to ensure that the business is able to take advantage of current opportunities for business growth and development.

At 31st October 2014, the Group had net debt of £19.3m (2013: net cash £42.5m) and the ratio of net debt to equity was 3.6% (2013: net cash).

Land pipeline

The Group's contracted land pipeline is summarised in terms of units and GDV as set out below:

	2014 units	**2014 GDV – £m**	**2013 units**	**2013 GDV – £m**
Short term housing	17,247	4,798	16,388	3,886
Short term commercial	–	221	–	251
Total short term	**17,247**	**5,019**	**16,388**	**4,137**
Strategic land	16,219	4,323	14,325	3,535
Total land pipeline	**33,466**	**9,342**	**30,713**	**7,672**

The short term housing pipeline now represents 6.8 years of supply, down from 7.5 years at 31st October 2013. The average selling price (ASP) of units within the short term portfolio is £278,000, including affordable units supplied pursuant to Section 106 agreements.

Unit numbers have increased by 5%, whilst overall housing GDV has risen 23%. The increase in GDV reflects both historical sales price appreciation and the mix of additions to the pipeline. Selective additions have been made during the year in strong locations where the prevailing ASP is higher than our current levels.

Strategic land continues to be an important source of supply and during the year, six sites and 1,587 plots have been pulled through from the strategic land pipeline into the short term pipeline. Notwithstanding these transfers, overall strategic land numbers have risen as new sites are contracted.

Our healthy land pipeline enables the Group to maintain its focus on investing in opportunities that deliver attractive financial returns; hurdle rates for new site acquisitions were raised during the year in support of this objective.

Patrick Bergin
Group Finance Director

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 and Transparency Rules, the Company is under no obligation to update the information contained in this release.

Past performance cannot be relied on as a guide to future performance.

CREST NICHOLSON HOLDINGS PLC
CONSOLIDATED INCOME STATEMENT
For the year ended 31st October 2014

	Note	2014 £m	2013 Pre-exceptional costs Restated- note 1 £m	2013 Exceptional costs £m	2013 Post-exceptional costs Restated- note 1 £m
Revenue		**636.3**	**525.7**	**-**	**525.7**
Cost of sales		**(454.3)**	**(384.5)**	**-**	**(384.5)**
Gross profit		**182.0**	**141.2**	**-**	**141.2**
Administrative expenses	**3**	**(53.9)**	**(44.1)**	**(5.9)**	**(50.0)**
Operating profit before financing costs	**4**	**128.1**	**97.1**	**(5.9)**	**91.2**
Finance income	**6**	**3.9**	**2.2**	**-**	**2.2**
Finance expense	**6**	**(15.3)**	**(12.5)**	**-**	**(12.5)**
Net financing expense		**(11.4)**	**(10.3)**	**-**	**(10.3)**
Profit before tax		**116.7**	**86.8**	**(5.9)**	**80.9**
Income tax	**7**	**(17.9)**	**(15.3)**	**0.4**	**(14.9)**
Profit for the year attributable to equity shareholders		**98.8**	**71.5**	**(5.5)**	**66.0**
Earnings per ordinary share					
Basic	**9**	**39.3p**			**27.1p**
Diluted	**9**	**38.7p**			**26.7p**

CREST NICHOLSON HOLDINGS PLC
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31st October 2014

	2014 £m	2013 £m
Profit for the year	**98.8**	**66.0**
Other comprehensive income/(expense):		
Items that will never be recycled to the Income Statement:		
Remeasurements of defined benefit liability	**(10.1)**	**0.7**
Deferred tax on remeasurements of defined benefit liability	**0.3**	**(2.4)**
Other comprehensive expense for the year net of income tax	**(9.8)**	**(1.7)**
Total comprehensive income attributable to equity shareholders	**89.0**	**64.3**

The notes on pages 17 to 43 form part of these financial statements.

CREST NICHOLSON HOLDINGS PLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31st October 2014

	Share capital	Share premium	Retained earnings	Total
	£m	£m	£m	£m
Balance at 31st October 2012	**10.0**	**240.3**	**96.8**	**347.1**
Profit for the year	-	-	66.0	66.0
Actuarial gain on pension scheme	-	-	0.7	0.7
Deferred tax on actuarial gain	-	-	(2.4)	(2.4)
Transactions with shareholders:				
Shares issued	1.3	54.7	-	56.0
IPO fees written off against share premium	-	(2.1)	-	(2.1)
Reorganisation in the year	1.3	(1.3)	-	-
Share premium converted in the year	-	(220.0)	220.0	-
Equity settled share-based payments	-	-	4.5	4.5
Deferred tax on equity settled share-based payments	-	-	0.5	0.5
Balance at 31st October 2013	**12.6**	**71.6**	**386.1**	**470.3**
Profit for the year	-	-	98.8	98.8
Actuarial loss on pension scheme	-	-	(10.1)	(10.1)
Deferred tax on actuarial loss	-	-	0.3	0.3
Transactions with shareholders:				
Equity settled share-based payments	-	-	4.0	4.0
Deferred tax on equity settled share-based payments	-	-	(0.2)	(0.2)
Dividends paid	-	-	(26.6)	(26.6)
Balance at 31st October 2014	**12.6**	**71.6**	**452.3**	**536.5**

The notes on pages 17 to 43 form part of these financial statements.

CREST NICHOLSON HOLDINGS PLC
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31st October 2014

ASSETS	Note	2014 £m	2013 £m
Non-current assets			
Intangible assets	10	29.0	29.0
Property, plant and equipment	11	2.2	1.9
Investments	12	0.2	1.9
Other financial assets	13	28.4	31.9
Deferred tax assets	18	40.3	58.1
Trade and other receivables	15	-	4.2
		100.1	127.0
Current assets			
Inventories	14	814.1	577.7
Trade and other receivables	15	48.1	44.0
Cash and cash equivalents		142.0	124.5
		1,004.2	746.2
Total assets		1,104.3	873.2
LIABILITIES			
Non-current liabilities			
Interest bearing loans and borrowings	16	(146.7)	(59.8)
Trade and other payables	17	(82.9)	(75.5)
Retirement benefit obligations	22	(23.7)	(21.5)
Provisions	19	(4.0)	(4.1)
		(257.3)	(160.9)
Current liabilities			
Interest bearing loans and borrowings	16	(14.6)	(22.2)
Trade and other payables	17	(293.1)	(215.1)
Provisions	19	(2.8)	(4.7)
		(310.5	(242.0)
Total liabilities		(567.8)	(402.9)
Net assets		536.5	470.3
SHAREHOLDERS' EQUITY			
Share capital	20	12.6	12.6
Share premium account	20	71.6	71.6
Retained earnings		452.3	386.1
		536.5	470.3

The notes on pages 17 to 43 form part of these financial statements.

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CREST NICHOLSON HOLDINGS PLC
CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31st October 2014

	2014	2013
	£m	£m
Cash flows from operating activities		
Profit for the year	**98.8**	**66.0**
Adjustments for:		
Depreciation charge	**0.9**	**1.3**
Net finance charges	**11.4**	**10.3**
Share-based payment expense	**4.0**	**4.5**
Taxation	**17.9**	**14.9**
Share issue costs expensed in the year	**-**	**3.5**
Operating profit before changes in working capital and provisions	**133.0**	**100.5**
Decrease/(increase) in trade and other receivables	**0.1**	**(6.7)**
Increase in inventories	**(236.4)**	**(108.3)**
Increase in trade and other payables	**72.8**	**44.8**
Increase in other financial assets	**(0.2)**	**(2.8)**
Cash (used by)/generated from operations	**(30.7)**	**27.5**
Interest paid	**(8.1)**	**(8.0)**
Net cash (outflow)/inflow from operating activities	**(38.8)**	**19.5**
Cash flows from investing activities		
Purchases of property, plant and equipment	**(1.2)**	**(1.0)**
Proceeds from sale of other financial assets	**7.0**	**3.6**
Interest received	**0.6**	**0.6**
Net cash inflow from investing activities	**6.4**	**3.2**
Cash flows from financing activities		
Net proceeds from the issue of share capital	**-**	**53.9**
Share capital issue costs	**-**	**(3.5)**
Repayment of other borrowings	**(65.1)**	**(164.8)**
Proceeds from new loans	**144.4**	**68.9**
Debt arrangement and facility fees	**(2.8)**	**(2.8)**
Dividends paid	**(26.6)**	**-**
Net cash inflow/(outflow) from financing activities	**49.9**	**(48.3)**
Net increase/(decrease) in cash and cash equivalents	**17.5**	**(25.6)**
Cash and cash equivalents at the beginning of the year	**124.5**	**150.1**
Cash and cash equivalents at end of the year	**142.0**	**124.5**

The notes on pages 17 to 43 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

Basis of preparation

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

The Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("EU IFRSs") and have been prepared on the historical cost basis except for other financial assets, which are stated at their fair value. The Company has elected to prepare its parent Company financial statements in accordance with UK GAAP; these are presented on pages 44 to 47.

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.

The Group's activities are financed by a combination of ordinary shares, bank borrowings and cash in hand. At 31st October 2014 the Group held cash and cash equivalents of £142.0m (2013: £124.5m) and borrowings net of cash resources of £19.3m (2013: cash resources net of borrowings of £42.5m). The Group has operated within its banking covenants throughout the year, has bank facilities of £200.0m expiring in March 2019, with £65.0m remaining available for drawdown under such facilities at 31st October 2014. The Directors consider that the Group is well placed to manage business and financial risks in the current economic environment and has sufficient resources to continue in operation for the foreseeable future. For these reasons, the Directors consider it appropriate to prepare the financial statements of the Group on a going concern basis.

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

There were no new standards, amendments or interpretations that were adopted by the Group and effective for the first time for the financial year beginning 1st November 2013 that were material to the Group.

Consolidation

(a) Subsidiaries

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

On acquisition of a subsidiary, all of the subsidiary's separable, identifiable assets and liabilities existing at the date of acquisition are recorded at their fair values reflecting their condition at that date. All changes to those assets and liabilities and the resulting gains and losses that arise after the Group has gained control of the subsidiary are charged to the post acquisition income statement or statement of comprehensive income.

(b) Joint ventures

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

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

Where the joint venture does not involve the establishment of a legal entity, the Group recognises its share of the jointly controlled assets and liabilities and income and expenditure on a line by line basis in the statement of financial position and 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. Goodwill allocated to the strategic land holdings is recognised as an asset, being the intrinsic value within these holdings in the acquired entities, which is realised upon satisfactory planning permission being obtained and sale of the land. Goodwill is assessed for impairment at each reporting date. Any impairment loss is recognised immediately in the income statement.

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

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

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

Profit is recognised on a plot-by-plot basis, by reference to the margin forecast across the related development site. Provision is made for any losses foreseen in completing a site as soon as they become apparent.

Seasonality
In common with the rest of the UK house building 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.

Operating leases
Operating lease rentals are charged to the income statement on a straight line basis over the period of the lease.

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

Current tax is the expected tax payable on taxable profit for the period and any adjustment to tax payable in respect of previous periods. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognised for all taxable temporary differences, except those exempted by the relevant accounting standard and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Dividends
Dividends are recorded in the Group's financial statements in the period in which they are approved by the shareholders. Interim dividends are recognised when paid.

Employee benefits
(a) Pensions
The Group operates a defined benefit pension 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 defined benefit schemes, the net obligation is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, such benefits measured at discounted present value, less the fair value of the scheme assets. The rate used to discount the benefits accrued is the yield at the 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 income statement; service costs are spread systematically over the lives of employees and financing costs are recognised in the periods in which they arise. The Group recognises expected scheme gains and losses via the income statement and actuarial gains and losses are recognised in the period they occur directly in other comprehensive income.

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

(b) Share-based payments
In accordance with IFRS 2 '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 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.

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

Property, plant and equipment
Property, plant and equipment are initially recognised at cost.

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

Freehold land is not depreciated.

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

Land options purchased are initially stated at cost. Option costs are written off over the remaining life of the option and also subject to impairment reviews. Impairment reviews are performed on a regular basis and provisions made where considered necessary.

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

Trade and other receivables
Trade and other receivables are stated at their fair value at the date of recognition and subsequently at amortised cost less impairment.

Other financial assets
Other financial assets (which comprise shared equity receivables) are classified as being available for sale and initially recognised at fair value. Changes in fair value relating to the expected recoverable amount are recognised in the income statement; changes in fair value arising from a change of discount factor are recognised in other comprehensive income and accumulated in equity, until the asset is divested. On disposal of these assets, the difference between the carrying value and the consideration received plus cumulative fair value movements previously recognised in equity is recognised in the income statement.

Cash and cash equivalents
Cash and cash equivalents are cash balances in hand and in the bank. For the purpose of the cash flow statement, bank overdrafts are considered part of cash and cash equivalents as they form an integral part of the Group's cash management.

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 income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise or included within interest accruals.

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

Provisions
A provision is recognised in the 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.

Accounting estimates and judgements
Management considers the key estimates and judgements made in the financial statements to be related to:

Carrying value of land, work-in-progress and profit recognition
Inventories of land, work-in-progress and completed units are stated in the statement of financial position at the lower of cost and net realisable value. Due to the nature of development activity and, in particular, the length of the development cycle, the Group has to allocate site-wide development costs such as infrastructure between units being built and/or completed in the current year and those for future years. It also has to make estimates of the cost to complete such developments. These estimates are reflected in the margin recognised on developments in relation to sales recognised in the current and future years and the carrying value of the land and work-in-progress. There is a degree of inherent uncertainty in making such estimates. The Group has established internal controls that are designed to ensure an effective assessment is made of inventory carrying values and the costs to complete developments.

Other financial assets
The fair value of future anticipated cash receipts takes into account the Directors' view of an appropriate discount rate, future house price movements, receipt timings and default rates. Directors review the assumptions at each period end.

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

Pension liabilities
Management has employed the services of an actuary in setting these estimates, however, they recognise the risk that both expected investment returns and ultimate scheme payments may differ substantially from current forecasts.

Deferred tax
Management assess whether there will be sufficient future profits to utilise deferred tax assets recognised at the statement of financial position date.

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

Standards and interpretations effective for the first time
The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1st November 2013:

- IFRS 13 Fair Value Measurement. The standard defines fair value and provides a single IFRS framework for measuring fair value. The adoption of this standard has not had a material effect on the Group's profit for the period or equity.

- IAS 19 (Revised 2011) Employee Benefits. The adoption by the Company of IAS 19 Employee Benefits has resulted in the interest cost and expected return on assets being replaced by a net interest charge/credit on the net defined benefit pension liability/surplus. The comparative period and full year ended 31 October 2013 have been restated for this, see note 6. Net assets are unchanged by this revision.

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

- IFRS 9 Financial instruments and the amendment on general hedge accounting. Effective for the period beginning 1st November 2018.
- IFRS 10 Consolidated Financial Statements. Effective for the period beginning on 1st November 2014.
- IFRS 11 Joint Arrangements. Effective for the period beginning on 1st November 2014.
- IFRS 12 Disclosure of Interests in Other Entities. Effective for the period beginning on 1st November 2014.
- IFRS 14 Regulatory deferral accounts. Effective for the period beginning 1st November 2016.
- IFRS 15 Revenue from Contracts with Customers. Effective for the period beginning 1st November 2017.
- IAS 27 (Revised 2011) Separate Financial Statements. Effective for the period beginning on 1st November 2014.
- IAS 28 (Revised 2011) Associates and Joint Ventures. Effective for the period beginning on 1st November 2014.
- Amendments to IFRS 10, 11 and 12 on transition guidance. Effective for the period beginning on 1st November 2014.
- Amendments to IFRS 10, 12 and IAS 27 on consolidation for investment entities. Effective for the period beginning on 1st November 2014.
- Amendment to IAS 32 on Financial instruments: assets and liability offsetting. Effective for the period beginning on 1st November 2014.
- Amendment to IAS 16 Property, Plant and Equipment. Effective for the period beginning on 1st November 2016.
- Amendment to IAS 38 Intangible Assets. Effective for the period beginning on 1st November 2016.
- Amendment to IAS 36 Impairment of Assets. Effective for the period beginning on 1st November 2014.
- Amendment to IAS 39 Financial Instruments: Recognition and Measurement. Effective for the period beginning on 1st November 2014.

The above standards and the amendments will be adopted in the financial statements in the year they become effective and their adoption is not expected to have a significant effect on the Group's financial statements.

2 SEGMENTAL ANALYSIS

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

3 EXCEPTIONAL ADMINISTRATIVE EXPENSES

Exceptional costs of £5.9m in connection with the IPO in February 2013 were charged as administrative expenses in the preceding year. These costs reflected legal, accounting and advisory costs of the IPO of £3.5m, and a share-based payment charge of £2.4m which crystallised upon listing.

4 OPERATING PROFIT

Operating profit from continuing activities is stated after charging:

	2014	2013
	£m	£m
Staff costs (Note 5)	51.1	46.0
Depreciation	0.9	1.3
Operating lease rentals:		
Hire of plant and machinery	0.2	0.2
Other – including land and buildings	4.3	4.0
Auditors' remuneration:	£000	£000
Audit of these financial statements	41	41
Audit of financial statements of subsidiaries pursuant to legislation	128	125
Non-audit fees:		
Review of half year results	21	21
Fees in relation to IPO	-	893
Other services relating to taxation	27	29

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

5 STAFF NUMBERS AND COSTS

		2014	2013
(a)	**Average number of persons employed by the Group**	**Number**	**Number**
	Development	**711**	**617**

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

		2014	2013
(b)	**Staff costs (including Directors)**	**£m**	**£m**
	Wages and salaries	**40.0**	**35.6**
	Social security costs	**5.2**	**4.3**
	Pension costs	**1.9**	**1.6**
		47.1	**41.5**
	Share-based payments (Note 22)	**4.0**	**4.5**
		51.1	**46.0**

(c) Key management remuneration

Key management comprises the Executive Management Team, which includes the Executive Directors of the Board as they are considered to have the authority and responsibility for planning, directing and controlling the activities of the Group. Key management remuneration, including Directors, comprised:

	2014	2013
	£m	**£m**
Salaries and fees	**2.2**	**2.1**
Taxable benefits	**0.1**	**0.1**
Annual bonus - cash	**1.4**	**1.2**
Pension costs	**0.1**	**0.1**
	3.8	**3.5**
Share-based payments	**1.7**	**3.2**
	5.5	**6.7**

(d) Directors' remuneration

Information relating to Directors' remuneration, incentive plans, share options and pension entitlement appears in the Directors' remuneration report. Directors' remuneration comprised:

	2014	2013
	£m	£m
Salaries and fees	1.2	1.1
Taxable benefits	0.1	0.1
Annual bonus - cash	0.7	0.7
Pension costs	0.1	0.2
	2.1	2.1
Share-based payments	1.0	1.7
	3.1	3.8

6 FINANCE INCOME AND EXPENSE

	2014	2013 Restated *	2013 Previously reported
Finance income	£m	£m	£m
Interest income	0.6	0.6	0.6
Imputed interest on other financial assets	3.3	1.6	1.6
Expected return on defined benefit pension plan assets	-	-	4.8
	3.9	2.2	7.0

	2014	2013 Restated *	2013 Previously reported
Finance expenses	£m	£m	£m
Interest on bank loans and overdrafts	8.1	6.7	6.7
Revolving credit facility issues costs old debt	2.5	1.6	1.6
Revolving credit facility issue costs new debt	0.3	-	-
Imputed interest on deferred land payables	3.3	2.7	2.7
Interest on defined benefit pension plan obligations	-	-	6.3
Net interest on defined benefit pension plan obligations	1.1	1.5	-
	15.3	12.5	17.3

***** Prior year restated to reflect the application of IAS 19R – Employee Benefits. Under IAS 19 the expected return on defined pension plan assets would have been £6.1m and interest on defined benefit pension plan obligations would have been £6.9m. Net interest under IAS 19 would have been £0.8m compared to £1.1m under IAS 19R.

7 INCOME TAX EXPENSE

	2014	2013
	£m	£m
Current tax		
UK Corporation tax on profits for the year	-	-
Total current tax	-	-
Deferred tax		
Reversal of temporary differences in the current year	**22.5**	**18.9**
Deferred tax change in rate	**-**	**4.4**
Deferred tax arising on previously unrecognised temporary differences	**(3.4)**	**(7.6)**
Share-based payments	**(1.2)**	**(0.8)**
Total deferred tax (Note 18)	**17.9**	**14.9**
Total tax in income statement	**17.9**	**14.9**

The total tax charge for the year is lower (2013: tax charge, lower) than the standard rate of UK corporation tax of 21.83% (2013: 23.42%). The differences are explained below:

	2014	2013
	£m	£m
Profit before tax	**116.7**	**80.9**
Tax on profit at 21.83% (2013: 23.42%)	**25.5**	**18.9**
Effects of:		
Expenses not deductible for tax purposes	**0.1**	**2.6**
Enhanced tax deductions	**(2.2)**	**(3.4)**
Income not taxable	**(2.1)**	**-**
Deferred tax change in rate	-	**4.4**
Deferred tax arising on previously unrecognised temporary differences	**(3.4)**	**(7.6)**
Total tax in income statement	**17.9**	**14.9**

8 DIVIDENDS

The following dividends were paid by the Group:

	2014	2013
	£m	£m
Prior year final dividend per share of 6.5p (2013: nil)	16.3	-
Current year interim dividend per share of 4.1p (2013: nil)	10.3	-
	26.6	-

The following dividend was proposed by the Group:

	2014	2013
	£m	£m
Final dividend for the year ended 31st October 2014 of 10.2 pence per share (2013: 6.5 pence per share)	25.6	16.3

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 19th March 2015, and in accordance with IAS 10 'Events after the Reporting Period', has not been included as a liability in these financial statements.

9 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 adjusted to assume the conversion of all potentially dilutive ordinary shares.

	Pre-exceptional earnings	Post-exceptional earnings	Weighted average number of Ordinary shares	Pre-exceptional earnings per share	Post-exceptional earnings per share
	£m	£m	Number	Pence	Pence
Year ended 31st October 2014					
Basic earnings per share	98.8	98.8	251,428,643	39.3	39.3
Dilutive effect of share options	-	-	4,097,336		
Diluted earnings per share	98.8	98.8	255,525,979	38.7	38.7
Year ended 31st October 2013					
Basic earnings per share	71.5	66.0	243,426,592	29.4	27.1
Dilutive effect of share options	-	-	4,005,851		
Diluted earnings per share	71.5	66.0	247,432,443	28.9	26.7

The number of shares for the year ended 31st October 2013 above takes account of the share reorganisation that happened in February 2013.

10 INTANGIBLE ASSETS

Goodwill	2014	2013
	£m	£m
Cost at beginning and end of the year	47.7	47.7
Impairment at beginning and end of the year	(18.7)	(18.7)
At beginning and end of the year	29.0	29.0

Goodwill arose on the acquisition of Castle Bidco Limited on 24th March 2009. Goodwill is allocated to acquired strategic land holdings and is tested annually for impairment. The recoverable amounts are determined by assessing value in use, being the present value of the forecast cash flows from the expected development and sale of properties on the strategic land. The forecast looks at the likelihood and scale of permitted development, forecast build costs and forecast selling prices, using a discount rate of 9.05% (2013: 9.05%), covering a period of 22 years from 2009 (being the minimum period that management expects to benefit from the acquired strategic land holdings) and based on current market conditions.

11 PROPERTY, PLANT AND EQUIPMENT

	2014	2013
	£m	£m
Cost		
At beginning of the year	8.4	9.3
Additions	1.2	1.0
Disposals	(0.4)	(1.9)
At end of the year	9.2	8.4
Accumulated depreciation		
At beginning of the year	6.5	7.1
Charged in the year	0.9	1.3
Disposals	(0.4)	(1.9)
At end of the year	7.0	6.5
Carrying value		
At end of the year	2.2	1.9

12 INVESTMENTS

Joint ventures	Cost of investment/ loans	Share of post acquisition reserves	Total
	£m	£m	£m
At 31st October 2012	**1.4**	**1.5**	**2.9**
Disposal as below	**(1.4)**	**0.4**	**(1.0)**
At 31st October 2013	**-**	**1.9**	**1.9**
Distribution	**-**	**(1.7)**	**(1.7)**
At 31st October 2014	**-**	**0.2**	**0.2**

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

	2014	2013
	£m	£m
Non-current assets	0.1	0.1
Current assets	7.1	14.4
Current liabilities	(14.6)	(15.0)
Non-current liabilities	-	-
	(7.4)	(0.5)
Net liabilities offset against amounts due from joint ventures	7.6	2.4
Net assets	0.2	1.9
Income	0.4	-
Expenditure	(0.4)	-
Profit	-	-

The Group has a 50% interest in Crest/Galliford Try (Epsom) LLP, a Limited Liability Partnership set up to develop three sites in Epsom. The LLP purchased the land and is responsible for developing the infrastructure on the sites. The risks and rewards of development will accrue to the development partners, Crest Nicholson and Galliford Try.
At 31st October 2014, Crest/Galliford Try (Epsom) LLP had negative Capital Employed of £14.0m (2013: £14.0m). The share of net liabilities has been recognised against long-term amounts due from joint ventures

The Group has a 50% interest in Crest Nicholson Bioregional Quintain LLP, a Limited Liability Partnership set up to develop a site in Brighton. The site was substantially completed during accounting year ended 31st October 2010; at 31st October 2014, Crest Nicholson Bioregional Quintain LLP had Capital Employed of £0.3m (2013: £3.7m). During 2014 a distribution of £3.4m was made by the LLP. At 31st October 2014, £nil (2013: £1.4m) was due from Crest Nicholson Operations Limited to Crest Nicholson Bioregional Quintain LLP.

In the preceding year the Group disposed of its 50% interest in the share capital of Greenwich Peninsula N0206 Limited, a Company set up to redevelop a site in Greenwich, London.

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

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

13 OTHER FINANCIAL ASSETS

	2014	2013
	£m	£m
At beginning of the year	**31.9**	**31.1**
Additions	**0.2**	**2.8**
Disposals	**(7.0)**	**(3.6)**
Imputed interest	**3.3**	**1.6**
At end of the year	**28.4**	**31.9**

Other financial assets carried at fair value are categorised as level 3 (inputs not based on observable market data) within the hierarchical classification of IFRS 7 Revised.

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

The fair value of future anticipated cash receipts takes into account Directors' views of an appropriate discount rate, future house price movements, the expected timing of receipts and the likelihood that a purchaser defaults on a repayment. These assumptions are given below and are reviewed at each period end.

	2014	2013
Assumptions		
Discount rate, incorporating default rate	**10.5%**	**10.5%**
House price inflation for the next three years	**3.0%**	**3.0%**
Timing of receipt	**10 to 13 years**	**10 to 13 years**

Sensitivity – effect on value of other financial assets (less)/more	**2014**	**2014**
	Increase assumptions by 1 % / 1 year	**Decrease assumptions by 1 % / 1 year**
	£m	**£m**
Discount rate, incorporating default rate	**(1.1)**	**1.2**
House price inflation for the next three years	**0.8**	**(0.8)**
Timing of receipt	**(1.3)**	**1.2**

The difference between the anticipated future receipt and the initial fair value is charged over the estimated deferred term to financing, with the financial asset increasing to its full expected cash settlement value on the anticipated receipt date. The imputed interest credited to financing for the year ended 31st October 2014 was £3.3m (2013: £1.6m).

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 re-measured 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 are recorded against the carrying value of the assets and recognised directly in the statement of comprehensive income.

14 INVENTORIES

	2014	2013
	£m	£m
Work-in-progress: land, building and development	779.6	545.3
Completed buildings including show houses	34.5	32.4
	814.1	577.7

Included within inventories is £384.0m (2013: £208.4m) expected to be recovered in more than 12 months. Inventories of £437.1m (2013: £367.4m) were recognised as expensed in the year.

15 TRADE AND OTHER RECEIVABLES

	2014	2013
	£m	£m
Non-current		
Trade receivables	-	4.2
Current		
Trade receivables	24.0	11.7
Recoverable on contracts	12.5	15.1
Due from joint ventures	-	2.1
Other receivables	8.7	13.4
Prepayments and accrued income	2.9	1.7
	48.1	44.0

Current trade receivables of £5.7m have been collected since year end (2013: £4.7m). The remaining balance is due according to contractual terms.

16 INTEREST BEARING LOANS AND BORROWINGS

	2014	2013
	£m	£m
Non-current		
Revolving credit facility	135.0	45.0
Revolving credit facility issue costs	(2.4)	(2.5)
Other loans	14.1	17.3
	146.7	59.8
Current		
Other loans	14.6	22.2

17 TRADE AND OTHER PAYABLES

	2014	2013
	£m	£m
Non-current		
Land payables on contractual terms	82.4	74.6
Accruals	0.5	0.9
	82.9	75.5
Current		
Land payables on contractual terms	132.1	45.8
Other trade payables	30.0	27.7
Payments on account	17.5	13.4
Due to joint ventures	3.8	1.4
Taxes and social security costs	1.6	1.4
Other payables	20.7	44.7
Accruals	87.4	80.7
	293.1	215.1

18 DEFERRED TAX ASSETS

	2014	2013
	£m	£m
At beginning of the year	58.1	74.9
Profit and loss movement	(17.9)	(14.9)
Equity movements		
Amount charged to other comprehensive income	0.3	(2.4)
Share-based payments	(0.2)	0.5
	0.1	(1.9)
At end of the year	40.3	58.1

	2014 Recognised	2014 Not recognised	2013 Recognised	2013 Not Recognised
	£m	£m	£m	£m
The deferred tax asset comprises:				
Tax losses	13.9	-	23.7	3.4
Accelerated pension payments	-	-	0.4	-
Inventories fair value	19.9	-	27.5	-
Share-based payments	1.2	-	1.3	-
Other temporary differences	0.5	-	0.7	-
Pension deficit	4.8	-	4.5	-
Deferred tax asset	40.3	-	58.1	3.4

At the time of finalisation of these financial statements, the substantively enacted future corporation tax rates were 21% (FY 2014) and 20% (FY 2015). The deferred tax assets have been evaluated at the rates at which they are expected to reverse based on current forecasts (accounting period ends: 31st October 2015: 20.42%, 31st October 2016: and subsequent: 20.0%).

Tax losses of £13.9m (trading losses £9.0m, non-trading losses £4.9m) and inventories fair value are expected to be recoverable in full and are therefore fully recognised as deferred tax assets in the above amounts.

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

19 PROVISIONS

	Rental and other obligations in respect of commercial properties	Other	Total
	£m	£m	£m
Non-current			
At 31st October 2012	**4.9**	**2.2**	**7.1**
Credited to the income statement	**(0.8)**	**(2.2)**	**(3.0)**
At 31st October 2013	**4.1**	**-**	**4.1**
Credited to the income statement	**(0.1)**	**-**	**(0.1)**
At 31st October 2014	**4.0**	**-**	**4.0**
Current			
At 31st October 2012	**0.7**	**6.2**	**6.9**
Charged/(credited) to the income statement	**1.8**	**(4.0)**	**(2.2)**
At 31st October 2013	**2.5**	**2.2**	**4.7**
Charged/(credited) to the income statement	**0.3**	**(2.2)**	**(1.9)**
At 31st October 2014	**2.8**	**-**	**2.8**

The rental and other obligations in respect of commercial properties provision covers the shortfall on commercial head leases, rates and related service charges for the period the Group anticipates liability. The Group has head leases expiring up to September 2020. Other provisions relate to the unwind of investment fair value on joint ventures that arose on the acquisition of Castle Bidco Ltd in 2009 and unwound fully in the year.

20 SHARE CAPITAL

	Shares issued Number	Nominal value Pence	Share capital £	Share premium account £
As at 31st October 2012	**10,123,832**		**10,007,055**	**240,273,042**
Reorganisation in the year	**215,848,910**		**1,291,582**	**(1,291,669)**
New share capital	**25,454,545**	**5**	**1,272,727**	**52,653,843**
Share premium reduction in the year	**-**		**-**	**(220,000,000)**
Ordinary shares as at 31st October 2013	**251,427,287**	**5**	**12,571,364**	**71,635,216**
New share capital	**4,026**	**5**	**201**	**9,743**
Ordinary shares as at 31st October 2014	**251,431,313**	**5**	**12,571,565**	**71,644,959**

In the preceding year the Company reorganised its share capital in preparation for its admission to trading on the London Stock Exchange. Crest Nicholson Holdings plc ordinary share capital of 251,427,287 shares was admitted to the premium listing segment of the Official List of the UK Listing Authority on 18th February 2013.

During the year the Company issued 4,026 new ordinary shares of 5 pence each to satisfy share options under the SAYE scheme which became exercisable at a price of 247 pence per share.

For details of outstanding share options at 31st October 2014 see Note 22.

21 FINANCIAL RISK MANAGEMENT

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

Capital management

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

Financial risk

The main risks associated with the Group's financial instruments are credit risk, liquidity risk, market risk and 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.

Surplus cash is placed on deposit with banks with a minimum credit rating, in accordance with Group policy. The security and suitability of these banks is monitored by treasury on a regular basis.

Trade and other receivables are mainly amounts due from housing associations and commercial property sales, which are within credit terms. Management considers that the credit ratings of these various debtors are good and therefore credit risk is considered low.

The maximum exposure to credit risk at 31st October 2014 is represented by the carrying amount of each financial asset in the statement of financial position. The Group has no substantial exposure to any individual third party.

Liquidity risk

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

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

The following are the contractual maturities including estimated cash flows of the financial liabilities of the Group at 31st October 2014:

2014	Carrying value	Contractual cash flows	Within 1 year	1-2 years	2-3 years	More than 3 years
	£m	£m	£m	£m	£m	£m
Revolving credit facility	135.0	136.5	136.5	-	-	-
Get Britain Building loans	19.3	19.9	14.8	5.1	-	-
LIFF loans	9.4	10.4	0.3	2.1	2.1	5.9
Other financial liabilities carrying interest	55.7	57.3	28.9	28.4	-	-
Financial liabilities carrying no interest	209.5	222.5	158.2	26.2	5.4	32.7
At 31st October 2014	**428.9**	**446.6**	**338.7**	**61.8**	**7.5**	**38.6**

Get Britain Building loans and 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 loans of £2.7m at 31st October 2013 from a joint venture partner were repaid during the year. Other financial liabilities carrying interest are land acquisitions using promisory 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.

2013	Carrying value	Contractual cash flows	Within 1 year	1-2 years	2-3 years	More than 3 years
	£m	£m	£m	£m	£m	£m
Revolving credit facility	45.0	45.5	45.5	-	-	-
Get Britain Building loans	36.8	38.6	20.1	13.3	5.2	-
Other loans	2.7	2.7	2.7	-	-	-
Other financial liabilities carrying interest	27.6	28.9	0.7	28.2	-	-
Financial liabilities carrying no interest	165.2	180.0	121.5	13.5	7.0	38.0
At 31st October 2013	**277.3**	**295.7**	**190.5**	**55.0**	**12.2**	**38.0**

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments.

Interest rate risk

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.

For the year ended 31st October 2014 it is estimated that an increase of 1% in interest rates applying for the full year would decrease the Group's profit before taxation by £1.2m (2013: £1.2m).

At 31st October 2014, the interest rate profile of the financial liabilities of the Group was:

Sterling Bank borrowings, loan notes and long term-creditors	**2014**	**2013**
	£m	**£m**
Floating rate financial liabilities	**163.7**	**84.5**
Financial liabilities carrying interest	**55.7**	**27.6**
Financial liabilities carrying no interest	**209.5**	**165.2**
	428.9	**277.3**

For financial liabilities that have no interest payable but for which imputed interest is charged, consisting of land creditors, the weighted average period to maturity is 71 months (2013: 66 months).

The maturity of the financial liabilities is:	**2014**	**2013**
	£m	**£m**
Repayable within one year	**331.8**	**185.5**
Repayable between one and two years	**58.4**	**50.2**
Repayable between two and five years	**22.0**	**22.1**
Repayable after five years	**16.7**	**19.5**
	428.9	**277.3**

Fair Values

Financial assets

The Group's financial assets comprise cash equivalents, other financial assets and trade and other receivables. The carrying amounts of financial assets equate to their fair value. At 31st October 2014 cash equivalents consisted of sterling cash deposits of £142.0m (2013: £124.5m), with solicitors and on current account, £28.4m (2013: £31.9m) of other financial assets and £48.1m (2013: £48.2m) of trade and other receivables.

Financial liabilities

The Group's financial liabilities comprise term loans, other loans, trade payables, payments on account, loans from joint ventures and accruals. The carrying amount of the revolving credit facility, other loans, trade payables, payments on account, loans from joint ventures and accruals 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 statement of financial position date.

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

2014	**Nominal interest rate**	**Face value 2014 £m**	**Carrying value 2014 £m**	**Fair value 2014 £m**	**Year of maturity**
Revolving credit facility	3 mth LIBOR + 3.75%	**135.0**	**135.0**	**135.0**	**2019**
Get Britain Building loans	EU Reference rate + 2.2% to 4.0%	**4.7**	**4.7**	**4.7**	**2016**
LIFF loans	EU Reference rate + 2.2%	**9.4**	**9.4**	**9.4**	**2019**
Total non-current interest bearing loans		**149.1**	**149.1**	**149.1**	
Get Britain Building loans	EU Reference rate + 2.2% to 4.0%	**14.6**	**14.6**	**14.6**	**2015**
Total current interest bearing loans		**14.6**	**14.6**	**14.6**	

2013	Nominal interest rate	Face value 2013 £m	Carrying value 2013 £m	Fair value 2013 £m	Year of maturity
Revolving credit facility	3 mth LIBOR + 4.25%	**45.0**	**45.0**	**45.0**	**2016**
Get Britain Building loans	EU Reference rate + 2.2% to 4.0%	**17.3**	**17.3**	**17.3**	**2015**
Total non-current interest bearing loans		**62.3**	**62.3**	**62.3**	
Get Britain Building loans	EU Reference rate + 2.2% to 4.0%	**19.5**	**19.5**	**19.5**	**2014**
Other loans	6.75%	**2.7**	**2.7**	**2.7**	**2016**
Total current interest bearing loans		**22.2**	**22.2**	**22.2**	

22 EMPLOYEE BENEFITS

(a) Retirement benefit obligations

Defined contribution scheme

The Group operates a defined contribution scheme for new employees. The assets of the scheme are held separately from those of the Group in an independently administered fund. The service cost of this scheme for the year was £1.7m (2013: £1.4m). At the statement of financial position date there were no outstanding or prepaid contributions (2013: £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 membership and act in the interest of the scheme and all relevant stakeholders, including the members and the Company. The Trustees are also responsible for the investment of the scheme's assets.

The scheme closed to future accrual from 30th April 2010. Accrued pension 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 in relation to the funding deficit 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 next actuarial valuation is due to be carried out with an effective date of 31st August 2015. These actuarial valuations are carried out in accordance with the requirements of the Pensions Act 2004 and so include deliberate margins for prudence. This contrasts with these accounting disclosures, which are determined using best estimate assumptions.

A formal actuarial valuation was carried out as at 31st August 2012. The results of that valuation have been projected to 31st October 2014 by a qualified independent actuary. The figures in the following disclosure were measured using the Projected Unit Method.

The investment strategy in place for the scheme is to invest in a mix of return seeking, index linked and fixed interest investments. At 31st October 2014, the allocation of the scheme's invested assets was 51% in return seeking investments, 22% in corporate bonds and other bond investments, 17% in index linked gilts and 4% in cash. There is also a very small holding in property.

The amounts recognised in the statement of financial position are as follows:	**2014**	**2013**	**2012**
	£m	**£m**	**£m**
Present value of scheme liabilities	**(173.4)**	**(160.0)**	**(147.9)**
Fair value of scheme assets	**149.7**	**138.5**	**118.0**
Net amount recognised at year end	**(23.7)**	**(21.5)**	**(29.9)**

A deferred tax asset of £4.8m (2013: £4.5m) has been recognised in the 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 employee benefits expense in the statement of comprehensive income. Remeasurements of the net defined benefit liability are included in other comprehensive income.

	2014	**2013**
	£m	**£m**
Service cost:		
Administration expenses	**0.3**	**0.4**
Net interest expense	**0.8**	**1.1**
Charge recognised in the income statement	**1.1**	**1.5**
Remeasurements of the net liability:		
Return on scheme assets	**(1.1)**	**(10.8)**
Loss arising from changes in financial assumptions	**10.8**	**10.4**
Experience loss/(gain)	**0.4**	**(0.3)**
Charge/(credit) recorded in other comprehensive income	**10.1**	**(0.7)**
Total defined benefit scheme cost	**11.2**	**0.8**

The principal actuarial assumptions used were:	**2014**	**2013**
Liability discount rate	3.9%	4.4%
Inflation assumption - RPI	3.2%	3.3%
Inflation assumption - CPI	2.4%	2.5%
Rate of increase in salaries	0.0%	0.0%
Revaluation of deferred pensions:	2.4%	2.5%
Increases for pensions in payment:		
benefits accrued in respect of GMP	3.0%	3.0%
benefits accrued in excess of GMP Pre 97	3.0%	3.0%
benefits accrued Post 97	3.1%	3.2%
Proportion of employees opting for early retirement	0.0%	0.0%
Proportion of employees commuting pension for cash	100.0%	100.0%

	2014	2013
Mortality assumption - pre retirement	SAPS S1 PxA CMI_2011 ltr1.5%	SAPS S1 PxA CMI_2011 ltr1.5%
Mortality assumption - male post retirement	SAPS S1 PMA CMI_2011 ltr 1.5%	SAPS S1 PMA CMI_2011 ltr 1.5%
Mortality assumption - female post retirement	SAPS S1 PFA CMI_2011 ltr 1.5%	SAPS S1 PFA CMI_2011 ltr 1.5%
Future expected lifetime of current pensioner at age 65:		
Male aged 65 at year end:	23.2	23.2
Female age 65 at year end:	25.7	25.7
Future expected lifetime of future pensioner at age 65:		
Male aged 45 at year end:	24.8	24.8
Female age 45 at year end:	27.2	27.2

Changes in the present value of assets over the year:	**2014 £m**	**2013 £m**
Fair value of assets at beginning of the year	138.5	118.0
Interest income	6.1	5.2
Return on assets (excluding amount included in net interest expense)	1.1	10.8
Contributions from the employer	9.0	9.2
Benefits paid	(4.7)	(4.3)
Administration expenses	(0.3)	(0.4)
Fair value of assets at end of the year	149.7	138.5
Actual return on assets over the year	7.3	15.9

Changes in the present value of liabilities over the year:

	2014 £m	**2013 £m**
Liabilities at beginning of the year	160.0	147.9
Interest cost	6.9	6.3
Remeasurement (gains)/losses (restated):		
Actuarial gains and losses arising from changes in financial assumptions	10.8	10.4
Other experience items	0.4	(0.3)
Benefits paid	(4.7)	(4.3)
Liabilities at end of the year	173.4	160.0

The split of the scheme's liabilities by category of membership is as follows:	**2014 £m**	**2013 £m**
Active members	109.6	98.2
Deferred pensioners	63.8	61.8
Pensions in payment	173.4	160.0

	2014 Years	**2013 Years**
Average duration of the scheme's liabilities at the end of the year	18.0	19.5
This can be subdivided as follows:		
Deferred pensioners	21.0	24.0
Pensions in payment	12.0	12.0

The major categories of scheme assets are as follows:

	2014 £m	**2013 £m**
Return seeking		
UK Equities	15.6	22.5
Overseas Equities	31.1	28.1
Other (Hedge Funds, MultiStrategy and Absolute Return Funds)	24.5	30.5
Return seeking subtotal	71.2	81.1
Debt instruments		
Corporates	39.3	21.5
Index Linked	23.3	19.8
Debt instrument subtotal	62.6	41.3
Other		
Property	0.7	2.4
Cash	6.3	4.7
Insured annuities	8.9	9.0
Other subtotal	15.9	16.1
Total market value of assets	149.7	138.5

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

The Company expects to contribute £9.0m in the year ending 31st October 2015.

Sensitivity of the liability value to changes in the principal assumptions:

If the discount rate was 0.25 percent higher (lower), the scheme liabilities would decrease by £7.3m (increase by £7.8m) if all the other assumptions remained unchanged.

If the deferred revaluation assumption was 0.25 percent higher (lower), the scheme liabilities would increase by £2.8m (decrease by £2.7m) if all the other assumptions remained unchanged.

If the pension increase assumption was 0.25 percent higher (lower), the scheme liabilities would increase by £2.7m (decrease by £2.6m) if all the other assumptions remained unchanged.

If life expectancies were to increase by 1 year, the scheme liabilities would increase by £6.3m if all the other assumptions remained unchanged.

(b) Share-based payments

The Group operates a long-term incentive plan (LTIP), employee share option scheme (ESOS), save as you earn scheme (SAYE) and a deferred bonus plan, all of which are detailed below:

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 are subject to performance criteria and vest over three years. Awards may be satisfied by shares held in the employee benefit trust, the issue of new shares or the acquisition of shares in the market.

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. There are no performance criteria but recipients must remain employed by the Group on the applicable vesting date.

Save as you earn
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.

Deferred bonus plan
Under the terms of certain bonus schemes, some parts of bonus payments must be deferred in to shares. The first options under this scheme were issued in 2014 in respect of 2013 year end.

Details of the share plans are as follows:

Date of grant	Options issued	Vesting conditions	Exercise price	Options outstanding	Contractual life
Long-term incentive plan					
8th March 2013	2,226,041	3 years' service, average ROCE and PBT over the vesting period dictates vesting entitlement	-	2,026,405	8th March 2013 to 7th March 2023
14th February 2014	1,246,861	3 years' service, average ROCE and PBT over the vesting period dictates vesting entitlement	-	1,200,020	14th February 2014 to 13th February 2024
Employee share option scheme					
6th March 2013	615,000	2 years' service	-	539,000	6th March 2013 to 5th March 2023
Deferred bonus plan					
14th February 2014	155,752	1 year's service	-	155,752	14th February 2014 to 13th February 2024
Save as you earn					
22nd May 2013	805,805	3 years' service	£2.47	695,720	1st August 2013 to 1st February 2017
15th July 2014	569,998	3 years' service	£2.76	559,697	1st August 2014 to 1st February 2018

The number of share options is as follows:

	2014	**2013**
	Number of options	**Number of options**
Outstanding at the beginning of the year	**4,456,894**	**-**
Granted during the year	**1,972,611**	**4,809,477**
Exercised during the year	**(943,004)**	**(223,653)**
Lapsed during the year	**(309,907)**	**(128,930)**
Outstanding at the end of the year	**5,176,594**	**4,456,894**

Share-based payments expense recognised as staff costs in the income statement:

	2014	**2013**
	£m	**£m**
LTIP	**2.6**	**1.1**
ESOS	**0.7**	**3.0**
SAYE	**0.2**	**0.1**
Deferred bonus plan	**0.5**	**0.3**
	4.0	**4.5**

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The inputs into the models for the various grants in the current year were as follows:

Date of grant	Type of instrument	Valuation model	Options Outstanding on 31st October 2014 Number	Share price on date of grant £	Exercise price £	Expected volatility %	Vesting period Years	Expected life Years	Risk free rate %	Expected annual dividend %	Fair value £
8th Mar 2013	LTIP	Binomial	2,026,405	2.80	-	33.00	3.00	3.00	0.40	2.50	2.62
14th Feb 2014	LTIP	Binomial	1,200,020	3.78	-	28.90	3.00	3.00	0.40	2.50	3.49
6th Mar 2013	ESOS	See below	539,000	2.69	-	-	-	-	-	-	-
14th Feb 2014	Deferred bonus plan	See below	155,752	3.78	-	-	-	-	-	-	-
22nd May 2013	SAYE	Binomial	695,720	3.37	2.47	32.00	3.00	3.00	0.55	2.50	0.82
15th Jul 2014	SAYE	Binomial	559,697	3.38	2.76	28.90	3.00	3.00	1.61	2.50	0.70

The ESOS represents the balance of shares from the previous management incentive plan which vested at Admission and are valued at the admission price or share price on date of grant.
Under the deferred bonus plan parts of bonus payments must be deferred in to shares, and the share option number is based on the share price on date of grant.
Expected volatility has been calculated on the historic share price movements of comparable companies, given that Crest Nicholson Holdings plc has only been listed since February 2013.

23 CONTINGENT LIABILITIES

There are performance bonds and other engagements, including those in respect of joint venture partners, undertaken in the ordinary course of business from which it is anticipated that no material liabilities will arise.

24 OPERATING LEASES

At 31st October 2014 total outstanding commitments for future minimum lease payments under non-cancellable operating leases were:

	2014	2013
	£m	**£m**
Land and buildings		
Within one year	**3.0**	**3.0**
Less: minimum sub-lease income	**(1.0)**	**(1.2)**
Between two and five years	**8.7**	**7.8**
Less: minimum sub-lease income	**(0.9)**	**(1.8)**
After five years	**2.4**	**4.0**
	12.2	**11.8**
Other		
Within one year	**1.3**	**1.2**
Between two and five years	**1.3**	**1.5**
	2.6	**2.7**

25 RELATED PARTY TRANSACTIONS

The Company's Non-Executive Directors have associations other than the Company. From time to time the Group may buy products or services from organisations with which a Non-Executive Director has an association. Where this occurs, it is on normal commercial terms and without the direct involvement of the Non-Executive Director.

The Group has historical joint venture arrangements with subsidiaries of Quintain Estates and Developments plc on arm's length terms. William Rucker (Chairman of the Company) is also Chairman of Quintain Estates and Developments plc.

The Group has entered into the following related party transactions:

(i) Transactions with joint ventures, which are disclosed in Note 12. The Group has provided book-keeping services to certain joint ventures which have been recharged at cost.

(ii) The Board and certain key management are related parties. Detailed disclosure for Board members is given within the Directors' remuneration report.

(iii) Stephen Stone, Chief Executive, is a Non-Executive Director of the Home Builders Federation (HBF). The Group paid subscription and other fees during the year to the HBF of £105k (2013: £137k).

(iv) Pam Alexander, Independent Non-Executive Director, is a Non-Executive Director of The Academy of Urbanism Ltd. The Group paid subscription and other fees during the year to The Academy of Urbanism Ltd of £17k (2013: £10k).

CREST NICHOLSON HOLDINGS PLC
COMPANY STATEMENT OF FINANCIAL POSITION
As at 31st October 2014

	Note	2014	2013
		£000	**£000**
Fixed assets			
Investments	**4**	**-**	**-**
Current assets			
Debtors	**5**	**416,048**	**398,472**
Net current assets		**416,048**	**398,472**
Total assets less current liabilities		**416,048**	**398,472**
Net assets		**416,048**	**398,472**
Capital and reserves			
Called up share capital	**6**	**12,571**	**12,571**
Share premium account	**7**	**71,645**	**71,636**
Profit and loss account	**7**	**331,832**	**314,265**
Equity shareholders' funds	**7**	**416,048**	**398,472**

The notes on pages 45 to 47 form part of these financial statements.
There are no recognised gains and losses for the year other than the profit for the year (2013: nil)

NOTES TO THE COMPANY FINANCIAL STATEMENTS

For the year ended 31st October 2014

1 ACCOUNTING POLICIES

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

Basis of preparation

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

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

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account. The company recorded a profit for the year of £44,138,000 (2013: £43,457,000).

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

The principal accounting policies adopted are set out below.

Investments

Investments in Group undertakings are included in the statement of financial position at cost less any provision for impairment.

Taxation

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

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

Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the shareholders or paid, whichever is earliest.

2 STAFF NUMBERS AND COSTS

The Company has no employees during either year.

3 DIVIDENDS

Details of the dividends recognised as distributions to equity shareholders in the period and those proposed after the statement of financial position date are as shown in Note 8 of the consolidated financial statements.

4 FIXED ASSET INVESTMENTS

Fixed asset investments relates to the investment in Castle Bidco Limited of £1. The subsidiary undertakings that are significant to the Group and traded during the period are shown in Note 12 of the consolidated financial statements.

5 DEBTORS

	2014	2013
Amounts falling due within one year:	£000	£000
Amounts due from Group undertakings	**416,048**	**398,472**

6 SHARE CAPITAL

	Shares issued Number	Nominal value Pence	Share capital £	Share premium account £
As at 31st October 2012	**10,123,832**		**10,007,055**	**240,273,042**
Reorganisation in the year	215,848,910		1,291,582	(1,291,669)
New share capital	25,454,545	5	1,272,727	52,653,843
Share premium reduction in the year	-		-	(220,000,000)
Ordinary shares as at 31st October 2013	**251,427,287**	**5**	**12,571,364**	**71,635,216**
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In the preceding year the Company reorganised its share capital in preparation for its admission to trading on the London Stock Exchange. Crest Nicholson Holdings plc ordinary share capital of 251,427,287 shares was admitted to the premium listing segment of the Official List of the UK Listing Authority on 18th February 2013.

During the year the Company issued 4,026 new ordinary shares of 5 pence each to satisfy share options under the SAYE scheme which became exerciseable at a price of 247 pence per share.

7 RECONCILIATION OF SHAREHOLDERS' FUNDS

	Share capital	Share premium	Profit and loss account	Total
	£000	£000	£000	£000
At 31st October 2012	**10,007**	**240,273**	**50,808**	**301,088**
Reorganisation in the year	**1,286**	**(1,286)**	**-**	**-**
New share capital	**1,278**	**54,722**	**-**	**56,000**
IPO fees written off against share premium	**-**	**(2,073)**	**-**	**(2,073)**
Share premium reduction in the year	**-**	**(220,000)**	**220,000**	**-**
Profit for the year	**-**	**-**	**43,457**	**43,457**
At 31st October 2013	**12,571**	**71,636**	**314,265**	**398,472**
New share capital	**-**	**9**	**-**	**9**
Dividends paid	**-**	**-**	**(26,571)**	**(26,571)**
Profit for the year	**-**	**-**	**44,138**	**44,138**
At 31st October 2014	**12,571**	**71,645**	**331,832**	**416,048**

8 CONTINGENT LIABILITIES

There are performance bonds and other arrangements, including those in respect of joint venture partners, undertaken in the ordinary course of business from which it is anticipated that no material liabilities will arise.

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

9 RELATED PARTIES

The Company is exempt from disclosing transactions with wholly owned subsidiaries in the Group. Other related party transactions are included within those given in Note 25 of the Group financial statements.