Crest Nicholson
Annual integrated report
31st October 2014

Creating value

Creating great places to live

Meeting our customers' needs

Supporting a sustainable future

For our customers, communities and business

Contents

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Integrated reporting

Welcome to Crest Nicholson's first integrated report. It describes a way of doing business that's been part of our 50-year history and still is today. It's an approach that seeks to balance financial and non-financial factors in decision making – driving economic growth and delivering value, while creating a social and environmental legacy to be proud of.

Highlights 2014

Delivered best ever results

2,530	£636.3m
Units completed up 16%	Sales revenue up 21%
£128.1m	20.1%
Operating profit up 32%	Operating margin up 160 basis points
New	
Chiltern division launched	

Achieved strong shareholder returns

39.3p	26.0%
Basic earnings per share up 34%	Return on average capital employed

Boosted recruitment and talent pipeline

Increased	67
Investment in training and development	Internal promotions
17	69
Graduates at year end	Apprentices at year end

Recognised as a leader in place making and sustainability

A winning business	Leading performance
Sustainable Housebuilder of the Year (2014 Housebuilder Awards)	NextGeneration Gold award: 2nd out of 25 top house builders for 7th successive year
Homebuilder of the Year (2014 *Sunday Times* British Homes Awards)	Secured a place within the FTSE4Good Index Series

This is the first Crest Nicholson report to be prepared in accordance with the International Integrated Reporting Council's (IIRC) Framework. As such, it represents the start of our integrated reporting journey, which we will be continuing in future reports.

Well designed

Laying the foundations for vibrant new homes and places means understanding local housing needs, knowing what customers want, then providing it through great design.

Well located, well planned

We focus on acquiring sites where we can bring forward a distinctive vision with our partners, from masterplan through to consent and delivery.

Well built

Complex construction goes into creating low carbon homes. We're continuing to drive for high standards of build quality for our customers.

Creating value

Creating great places to live

Pictured:
Park Central, Birmingham

So much more than bricks and mortar, our new homes and developments are built from expert planning and design.

See our business model Page 10

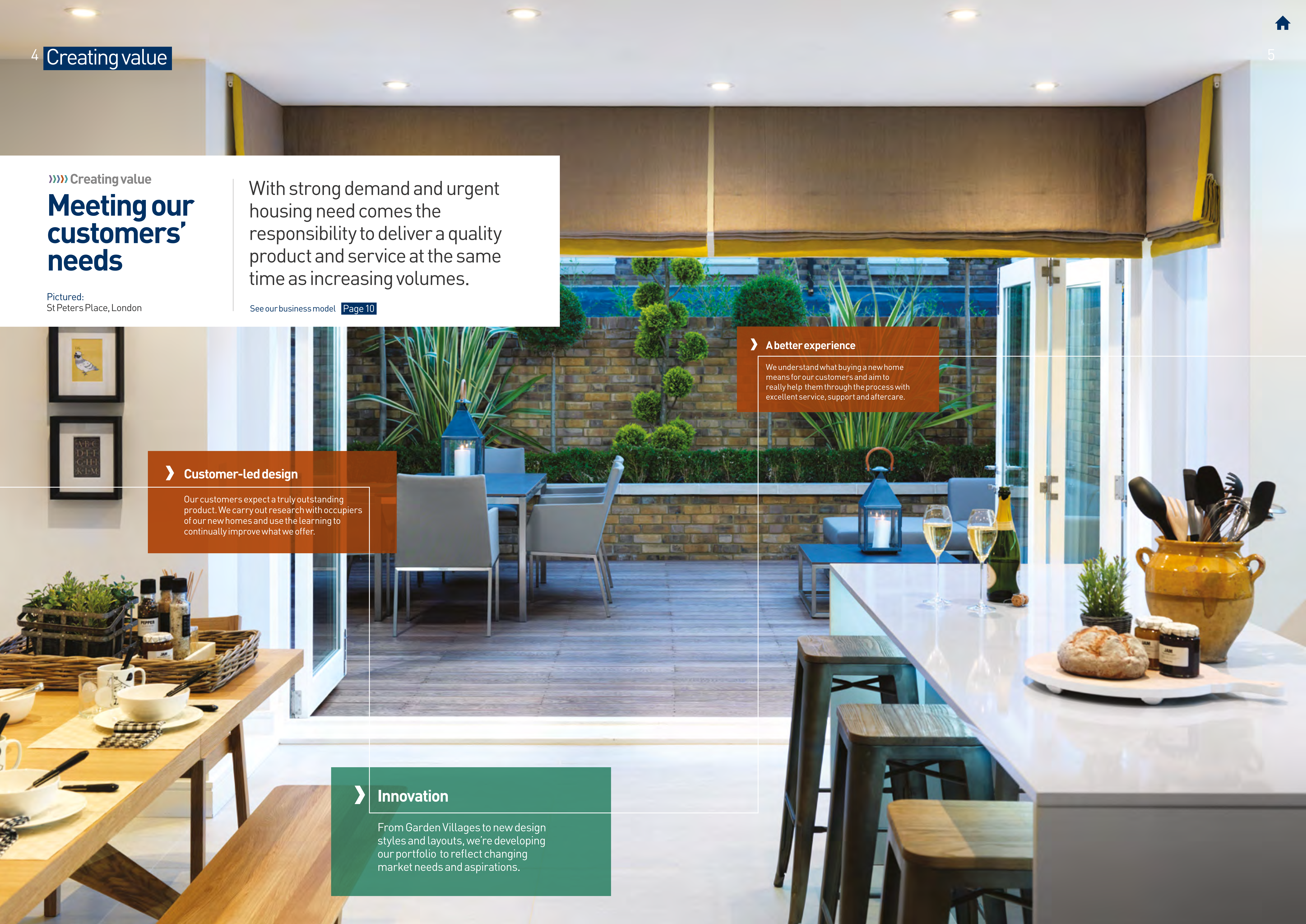
Creating value

Meeting our customers' needs

Pictured:
St Peters Place, London

With strong demand and urgent housing need comes the responsibility to deliver a quality product and service at the same time as increasing volumes.

See our business model Page 10



A better experience

We understand what buying a new home means for our customers and aim to really help them through the process with excellent service, support and aftercare.

Customer-led design

Our customers expect a truly outstanding product. We carry out research with occupiers of our new homes and use the learning to continually improve what we offer.

Innovation

From Garden Villages to new design styles and layouts, we're developing our portfolio to reflect changing market needs and aspirations.

A sense of identity

Significant financial contributions to local infrastructure, such as roads, new schools or sports facilities, help to create places where people really want to live.

Long-term management

Innovative mechanisms for managing shared open space and other amenities within our developments are part of our plans from day one.

Well connected places

Through holistic masterplanning, we ensure our developments are well located with good transport access.

Creating value

Supporting a sustainable future

Planning for the long term is key to place making and supports communities to establish, grow and thrive.

Pictured:
Monksmoor Park, Daventry

See our business model Page 10

Strategic report

How we do business

Who we are

Crest Nicholson has been building high quality new homes and creating great places for 50 years and is a leading developer with a passion not just for delivering homes but also for establishing vibrant, sustainable communities.

What we deliver

Our portfolio includes design-led housing developments and large-scale urban regeneration schemes with a blend of residential and commercial uses.

How we deliver

We aim to deliver excellent, innovative design, high levels of customer service and quality development that creates sustainable value in local communities.

Our mission

Crest Nicholson's driving ambition is to be the market leader in the design and delivery of sustainable housing and mixed use communities. We aim to improve the quality of life for individuals and communities, now and in the future, by providing better homes, workplaces, retail and leisure spaces where people want to live, work and play.

Creating value

At every step of the process we aim to create value for all our stakeholders through our unique blend of experience and skills.

Land

High quality, diverse and well-located land portfolio in the southern half of the UK.

Expert knowledge and skills in bringing land forward to successful planning outcomes.

Well-constructed strategic land pipeline adding to our sustainable land supply.

Planning and design

Expertise and partnership skills to achieve even the most complex of planning consents, with and for local stakeholders.

Creating vibrant communities with a high quality blend of product and tenure.

Outstanding masterplans including supporting social infrastructure and public realm.

Construction

Championing best practice and driving high standards in quality of build.

Well-managed sites leading the industry in considerate construction, health and safety, and waste management.

Working with our supply chain to build long-term relationships that deliver value.

Customer service

Meeting our customers' needs for homes and places that people really want to live in.

Offering experienced support and buying advice throughout the house buying process.

Providing the best possible customer experience from initial contact to aftercare.

Legacy and stewardship

Innovative infrastructure to support the creation of new communities, e.g. Community Interest Companies to own and manage communal assets.

Enduring and affordable management solutions that help secure the long-term future of the places we create.

Providing financial contributions to the adoption of local public infrastructure.

Creating great places to live

What comes out of our business model is value

Revenue – our main revenue stream is the sale of new homes to private individuals and institutions such as housing associations.

Jobs – we generate jobs during construction, and there are also local economic benefits for the wider community from development.

Community benefits – development activity contributes to new social infrastructure, including schools, medical surgeries, neighbourhood centres and sports facilities.

Enhanced local environments – through ecologically sensitive development, we aim to enhance open green space and natural habitat.


Harbourside, Bristol


Highbrook Park, south Gloucestershire

Experienced management, nurturing talent and developing long-term partnerships → to deliver sustainable results

Resources and relationships we rely on

Financial resources – working capital and a healthy balance sheet.

Natural resources – land and materials to build with. The Group's long and well-located land pipeline is a key asset.

Human and intellectual resources – employee and supply chain skills, knowledge and experience; and relationships with customers, local authority partners, landowners and communities.

Factors influencing our business model

We keep our business model under review in response to external factors such as changing government policy, market trends and evolving regulation. For example, the planning system is a major factor in the cost and complexity of development and can add to the length of time that elapses before a site becomes revenue-generating. Throughout this report we discuss such external factors in more detail.

Our Group

A leading residential developer with an established 50-year heritage.

772
employees at year end

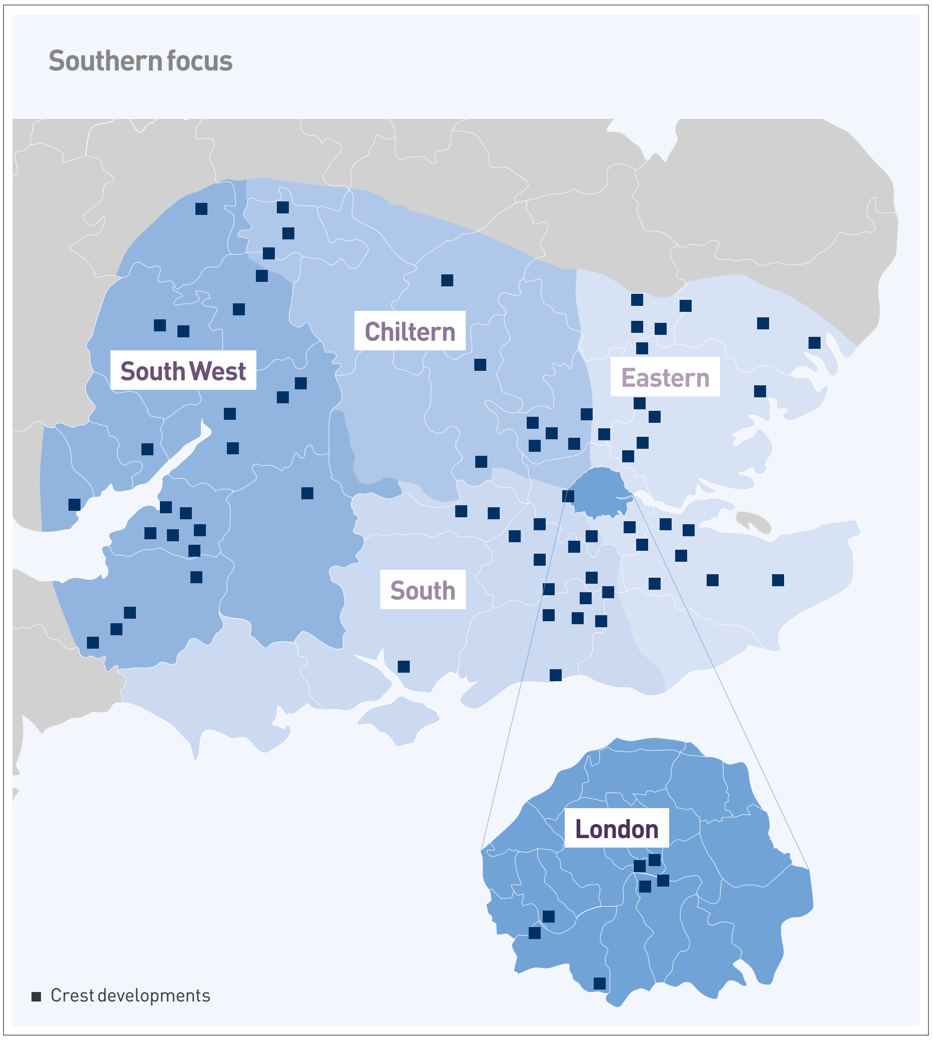
£181.1m
invested in communities

5
regional house building divisions

Strategically positioned

The Group's core operations are focused on the southern half of the UK with an emphasis on creating high quality, well-designed homes and sustainable communities. Combined with a significant land pipeline, our southern bias provides a distinctive offer among the listed house builders.

Our diverse portfolio meets the needs of a wide range of purchasers, from first-time buyers to investors, with a bespoke product range that includes a mix of apartments and houses, ranging from one-bedroom apartments to five-bedroom detached homes.



Group structure

Board of Directors

Executive Management Team

Regional house building divisions
Eastern
South
South West
Chiltern
London

Major Projects Division
Crest Nicholson Regeneration

Strategic Land Division
Crest Strategic Projects

Structured for delivery

Skills and experience, a scalable, regional delivery model and local knowledge keep us attuned to the needs of communities and ensure that our developments remain sensitive to their individual surroundings.

- Five regional house building divisions – Eastern, South, South West, Chiltern*, London.

*Launched November 2014.

- Major Projects Division (Crest Nicholson Regeneration) – specialising in larger-scale partnership developments with public and private vendors, including residential and mixed use schemes.
- Strategic Land Division (Crest Strategic Projects) – focusing on sourcing unallocated sites for medium to long-term development by the Group's other divisions.

A winning business – some of our awards this year

Housebuilder Awards 2014
- Sustainable Housebuilder of the Year.
- Housebuilder of the Year (Large).
- Best Regeneration Project for Park Central.

British Homes Awards 2014
- Homebuilder of the Year.

Housing Designer Awards 2014
- Bath Riverside, winner in the completed schemes category and project category

NextGeneration Gold Award for sustainability leadership
- Second out of 25 top house builders with a score of 82% (all-company average: 34%).

NHBC Awards: Health and Safety and Pride in the Job
- Our site managers won several Regional and National Awards for health and safety, and we also had 12 Quality Award winners.

Chairman's statement

In another significant year for the Group, we have seen record financial results achieved through delivering quality and excellence in a market buoyed by strong demand.

Results and dividend

£98.8m consolidated profit

- The Group's consolidated profit after taxation (pre-exceptional costs) for the financial year ending 31st October 2014 was £98.8m (2013: £71.5m).

Proposed dividend of 10.2 pence

- The Directors propose to pay a dividend of 10.2 pence for the year ended 31st October 2014, which, together with the interim dividend of 4.1 pence per share paid in October 2014, brings the total dividends in the year to 14.3 pence (2013: 6.5 pence).

The Group's results show that it has once again been proactive and effective in bringing forward new homes and new communities to meet this need: in 2014 delivering 2,530 new homes – a significant uplift on the prior year – and increasing operating profits by more than 30% to £128.1m.

The Help to Buy shared equity scheme has played an important role in helping primarily first-time buyers onto the property ladder, providing access to more affordable mortgages and in turn supporting much-needed housing delivery.

"I am confident that the Board's experience and knowledge provide the necessary support and direction for the Group to continue delivering long-term value creation for all our stakeholders."

A continuing focus on the southern half of the UK and investment in quality locations where the economy is strong and average selling prices are higher remains the Group's proven strategy for driving value and providing consistently attractive returns to its shareholders.

Having regard to the Group's financial position and trading prospects over the medium term, the Board proposes a final dividend of 10.2 pence per share (2013: 6.5 pence). The dividend is covered 2.75x by earnings. As the business matures in scale, the Board believes that a progressive reduction in the level of dividend cover, towards 2.0x earnings, would be appropriate.

The Group aims to create the widest possible value through its sustainable business model, which balances environmental and social drivers alongside economic ones. Allied to its excellent delivery capability and distinctive proposition focused on customer needs, high quality design and sustainable legacy, this positions the Group well in its markets, maintaining it on a path of well-managed growth.

Creating value

The Oaks, in the sought-after location of East Grinstead, offers a sensitively designed collection of three-bedroom cottages and four- and five-bedroom family homes, all set within established woodland.

There are of course challenges to be managed and, in today's rising market, the Board is well aware of potential impacts in an industry that relies heavily on the labour, skills and workmanship of our subcontractors to build new homes of quality. The Board is also alert to potential economic uncertainty both in the UK and globally, and potential changes to the political landscape in the wake of the General Election in 2015.

I remain confident, however, that the Board's experience and knowledge provide the necessary support and direction for the Group to continue delivering long-term value creation for all our stakeholders. We look forward to maintaining a strong operational and financial performance in 2015, buoyed by healthy indications for consumer sentiment and mortgage availability. Recent changes to the stamp duty system will also undoubtedly boost activity by removing a degree of consumer uncertainty and helping to solve the affordability challenge so many purchasers are facing.

Without a talented workforce none of this would be possible and I would like to thank the Board and all employees most sincerely for their dedicated and professional contribution to a year of record achievement.

William Rucker
Chairman

The Board's key focus

As part of its review and approval of strategy, key financials and governance matters, the Board's work this year included:

- Strategy testing, including risk scenarios, competitive positioning and 10-year sustainable business model
- Development of opportunities, including a new division and further engagement with the private rental sector
- Succession planning, skills and leadership development, including increased focus on diversity
- Oversight of plans and performance in customer service, quality standards and product innovation
- Consideration of key accounting policies.

For further details of Board activity, see the Corporate governance section. Page 67

Creating value

Award-winning Park Central in Birmingham: our investment of £270m has helped to transform this former sink estate into a genuine mixed tenure community, with 25% of units dedicated to affordable housing.

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.

Our performance

Strong delivery and reservation performance

- 16.5% increase in housing unit completions.
- Forward sales up 8.4%.
- Earnings per share up 34%.

Healthy land pipeline

- Investment in strong locations with higher average selling prices delivering attractive returns.
- 23% increase in land Gross Development Value.
- More than 50% of strategic land is well advanced in the planning process (within local plan or draft allocation).

Measured expansion aligned to the cyclical housing market

- Launch of new Chiltern division, providing additional management capacity to support outlet growth.

Production schedules impacted by supply chain capacity and extreme weather

- Materials in short supply and extreme rainfall led to some unavoidable delays on our sites.

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.

2,530
new homes delivered

20.1%
operating margin

30%
of our purchasers were first-time buyers

72%
of all Help to Buy purchasers were first-time buyers

Creating value

Through our relaunched graduate programme we are supporting young recruits to develop the broad range of skills that are needed to take the industry forward.

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.

Creating value

House building is increasingly complex and calls for a broader range of skills and knowledge than ever before.

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.

FTSE4Good

Secured a place within the FTSE4Good index series.

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 our 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

Creating value

Designed and set around the historic abbey with its waterfront, parkland and woodland areas, Ingress Park in Greenhithe delivers a strong sense of place and community.

Our changing landscape

The housing market has seen the steepest rate of growth in 40 years.

Creating value

At Bolnore Village, Haywards Heath, old and new are carefully balanced in an ecologically sensitive design that respects the rural landscape and surrounding ancient woodland.

Market review

Housing market

Figures released by the Home Builders Federation (HBF) as of September 2014 showed very positive indicators of current and future house building activity compared to the last few years, with indicators suggesting increases in the region of 25% – the steepest rate of growth in 40 years. However, the number of housing starts is still far short of the levels required.

The strong demand for new homes was evident throughout 2014, particularly from first-time buyers who were supported with increased access to finance through the Government's Help to Buy equity loan scheme, which stimulated mortgage provision and the wider housing market.

Sales levels moderated slightly in the latter part of 2014, due in part to tighter affordability stress tests and other responsible lending criteria which came into force from April onwards following the Mortgage Market Review. Sales volumes have now settled into a more normal seasonal pattern, with a good overall reservation rate being achieved.

Housing market outlook

The Board is aware of and monitors macro-economic risks including UK, Eurozone and global impacts (see Principal risks and uncertainties, page 61). Notwithstanding these, prospects for the housing market are favourable, helped by cross-party support for new housing delivery, good mortgage access, improved consumer confidence, recent changes to the SDLT (stamp duty) regime and ongoing economic recovery – although market activity may be affected by purchaser uncertainty over potential policy changes in the wake of a General Election.

The Group has very few homes in its development pipeline that would be expected to sell for values in excess of £2m and therefore does not anticipate any adverse impact from the possible introduction of a 'mansion tax' at that level.

The main constraints on volume delivery and growth relate to supply chain/production capacity (materials, labour, skills) and the clearance of sometimes onerous planning conditions to allow site starts.

On a visit to our Centenary Quay development in Southampton, Chancellor of the Exchequer George Osborne met first-time buyer Stephen Bennett, who is stepping onto the housing ladder via the Government's Help to Buy scheme. 72% of all our Help to Buy sales this year were to first-time buyers.

However, the Group's rate of sale (significantly above historical norms), a plentiful land supply with plots being drawn from both short-term and strategic land pipelines, and sales prices offsetting pressures from rising build and materials costs are all positive indicators for the next trading year.

Commercial/mixed use

The Group retains in-house commercial and mixed use development skills to design and deliver the supporting mixed uses on its larger developments and the ground floor commercial uses on its town and city centre apartment blocks. The value of this activity taken together with revenue from residential land sales will not usually exceed 10% of Group revenues.

Milestones achieved during the year include the letting and sale of the final part of the District Centre at Oakgrove, Milton Keynes; a significant new Morrisons food store at Centenary Quay, Southampton; and consent for the first 200 homes and a significant new business park at Longcross near Chobham, Surrey.

Regulatory context

Planning

The planning regime has a major impact on the location, form, scale and rate at which new housing sites can be brought forward. The Government's National Planning Policy Framework (NPPF), published two years ago to streamline and improve the planning system, is now beginning to take effect. Approximately 230,000 houses were consented in England in the last 12 months: a rate not achieved since 2007.

Despite this, the rise in the rate of consents is lowest in the South East and the number of consented sites (rather than plots) remains low. This is not necessarily helpful to either house builders or policymakers as most demand remains in the South East and overall delivery is determined by the number of housing outlets rather than the number of consented plots.

The NPPF provides a framework for community focused plans in the form of neighbourhood planning but there are challenges affecting delivery and viability. The ongoing delays with many Local Plans makes their relationship to neighbourhood plans difficult to manage but our planning teams are continuing to develop their approach and we remain committed to genuine local engagement.

Overall, planning remains a significant entry barrier to the house building industry in terms of time, cost and complexity. This is a huge challenge to policymakers as, without an increase in the small and medium-sized enterprises (SME) sector (which has reduced from 12,000 companies to about 3,000 over the last 25 years), housing delivery will continue to fail to meet demand.

The Group remains strongly focused on increasing the supply and value of its short- and long-term development pipeline and most of its land for 2015 and 2016 housing delivery is already permissioned.

Other regulatory drivers

The red tape challenge and the desire to remove impediments to housing delivery has prompted the Coalition Government to try to streamline regulation in several areas.

Housing standards

The Government is consulting to harmonise and reduce the number of different local standards that councils apply. Space is one such area and Crest Nicholson would welcome harmonisation even at the larger sizes proposed, as long as there is an adequate transition process. However, it should also be recognised that meeting a higher national space standard could impact affordability and viability in some lower value parts of the country.

Housing market trends

Household formation
Increasing by an average of 243,000 a year (2011–2031)

Our product R&D and land acquisition is focused on current and future needs:

Ageing population
Personal wealth concentrated in older groups.

Household composition
A fifth of women and a third of men aged 20–34 live with their parents: up 40% since 2002.

On the move
A highly mobile young generation.

High proportion of people who cannot afford to buy
Average house price in England is around 5x average salary.

60+ age groups: understanding the need for a product that is not sheltered (space, amenities, etc.).

20+ age groups: developing our apartment designs.

Volume products: new traditional and contemporary ranges on an increasing number of our larger sites such as Oakgrove Village.

Affordability and mobility: developing our suburban private rental sector offering.

Community Infrastructure Levy (CIL)

CIL was intended to increase the transparency of development and replace the contributions currently made through s106 agreements. Take-up by local authorities has been slower than planned, and the CIL has proved complex in practice as the economics of local housing markets and site typologies vary widely. For example, an acceptable levy on a simple greenfield site may well prohibit development on a complex brownfield site. The CIL payment can also add significantly to upfront development costs making cash flow for smaller developers more challenging.

Zero carbon

The Government maintains that it is committed to a zero carbon standard for all new homes consented after 2016, but this target is very challenging given that policy-making is running well behind what would be considered a reasonable timeframe for the level of change the industry will face. Greater definition is needed quickly around Allowable Solutions (the likely regime for off-site carbon mitigation) and the related cost per tonne of carbon, which directly impact the design and carbon abatement cost of future homes. The Group continues to play an active part in zero carbon policy formation and remains focused on planning how it will meet the Government's carbon reduction timeline and objectives.

Labour leader Ed Miliband and his team selected our Oakgrove development in Milton Keynes as the launch venue for the party's Housing Review. Prepared by Sir Michael Lyons, the report presents 39 recommendations on changes needed to increase housing provision.

One of the key themes is to further encourage local communities to bring forward more land for development in exchange for local residents being given priority rights to purchase the homes. With 81% of purchasers being drawn from MK postcodes and 51% of purchasers being first-time buyers, Oakgrove already showcases many of the Lyons Review principles.

Flood and Water Management Act 2010

The Act provides for the management and reduction of flood risk associated with extreme weather. The Group complies with planning requirements to undertake a flood risk assessment and carry out mitigation measures in line with statutory requirements. A key area still to be enacted relates to adoption. Until the legislation is fully enacted in 2015 and responsibilities are clarified, ponds, swales and other forms of mitigation required by the Environment Agency are left unadopted by local authorities, leading to potential additional charges for home owners.

Dialogue and partnering

Crest Nicholson engages and partners with its stakeholders to balance needs and create value. We take a full role in supporting the development of housing policy in order to increase the supply and affordability of high quality, sustainable housing.

Effective partnering has been key to bringing forward Phase 1 of Tadpole Garden Village (see page 33) and also helped secure our appointment by the Defence Infrastructure Organisation as development managers for Arborfield Garrison in Berkshire and Wyton Airfield in Cambridgeshire. Both of these are significant public sector sites which in time will deliver 6,500 homes.

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Who we engage with

Customers and communities

- Masterplanning and consultation processes.
- Research and product/service development.
- Customer Charter and complaints handling.

Employees

- Employee survey.
- Ongoing engagement, e.g. meetings, roadshows, intranet.

Development partners and landowners

- Effective partnering to bring projects forward.
- Land acquisition strategy balancing risk and reward.

Government and industry

- Policy outworking and future policy – advice to Government and Department for Communities and Local Government.
- Good design and sustainable development – Town and Country Planning Association (TCPA), Academy of Urbanism.
- Low carbon – Homes and Communities Agency (HCA), UK Green Building Council, ZCH (including Group Technical and Quality Director secondment to the ZCH).
- Voice of the industry – HBF.

Investment community

- Site visits, presentations.
- Transparency – financial and non-financial disclosure, e.g. inclusion in FTSE4Good Index Series; submission to Carbon Disclosure Project.

Supply chain

- AIMC4 research consortium supply chain engagement.
- Partnership approach to procurement and project work.
- Education and knowledge-sharing to increase skills and capacity.

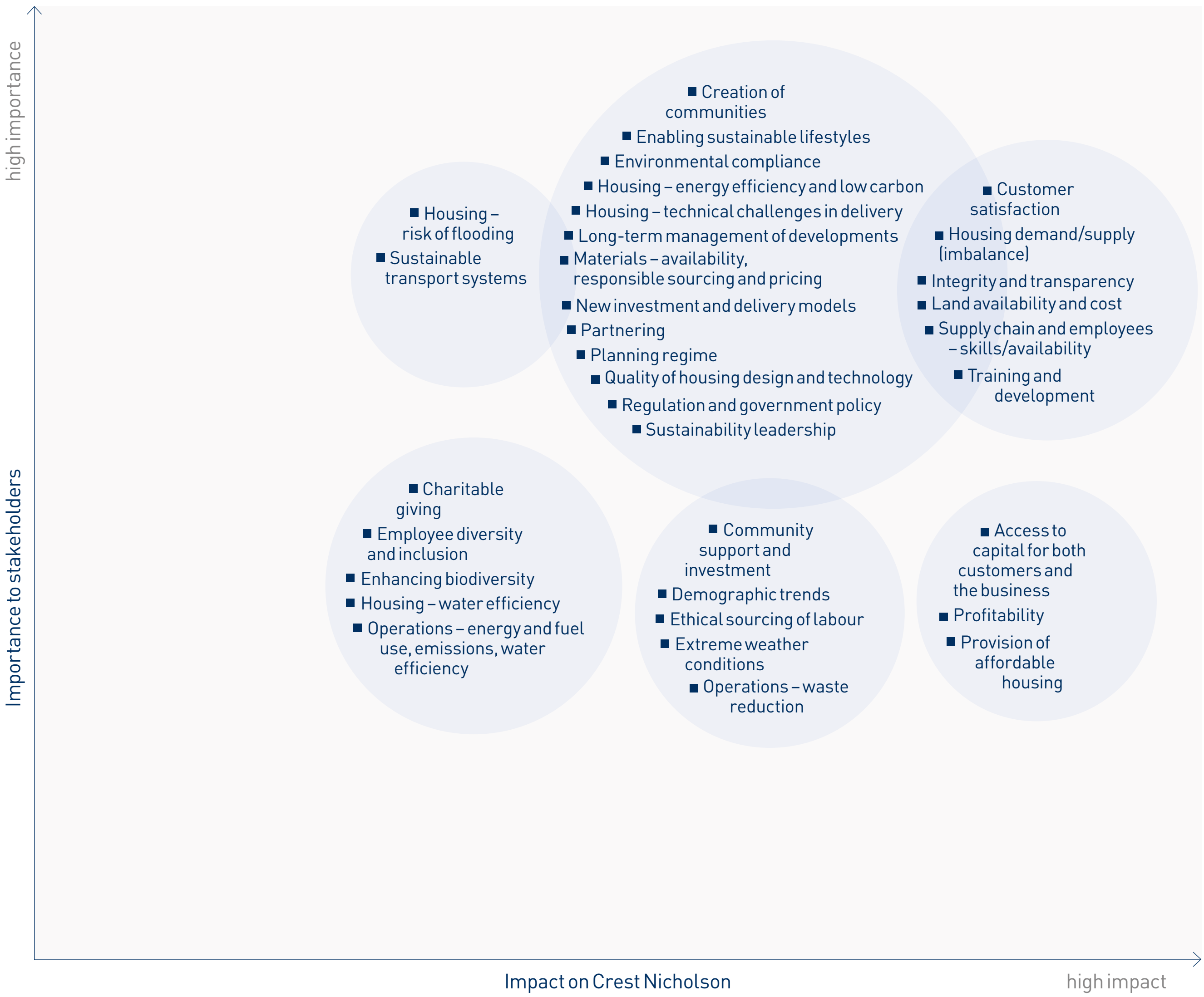
Engaging on material issues

In 2012, we consulted with stakeholders to identify topics of impact and importance, resulting in an initial list of material issues. This year, we reviewed and refined the list in consultation with a smaller representative group, which has resulted in the matrix shown below.

Methodology

Using desk research and media scans we refined our 2012 list and invited stakeholders to comment on it as a whole, including rating each topic on a scale of 0 to 5 according to its impact on Crest Nicholson and its importance to stakeholders. As part of this process, structured questionnaires and interviews were carried out with 14 of our managers/directors and 11 representatives from customer, partner and industry organisations. Their aggregated ratings informed the final selection of items and guided the positioning of each topic on the matrix, which is designed to be an at-a-glance summary of issues that are material to the Group.

Our risk register (see Principal risks and uncertainties, page 61), supported by this materiality analysis, has guided our decisions about which topics to include in our report and the levels of priority attached to these topics within the Group's business strategy.



Strategy

Strategy summary

To grow the business to a level that sustains long-term value creation for all our stakeholders by delivering quality homes that meet our customers' needs.

1 Managed growth of the business Page 27

- Over the near to medium term, grow the business to its natural scale and at a level attuned to the cyclical housing market, through measured expansion in our existing operating regions.
- Over the longer term, focus on stability and maintaining value creation.

2 Delivering to customers and communities Page 28

- Meet the needs of our customers by creating high quality, well-designed homes and places that contribute to well-being and quality of life, and that deliver a lasting economic, social and environmental legacy.

3 Skills and leadership Page 28

- Develop a strong culture of organisational learning, build leadership capacity for the future.

4 Responsible resource management Page 29

- Operate our business and deliver our new homes and places in an environmentally responsible way.

5 Partnership and supply chain Page 29

- Partner with landowners, government, our supply chain and other key stakeholders to bring forward sites and drive efficient delivery.

In detail

Key: S Short term (1–2 years) M Medium term (2–5 years) L Long term (5–10 years)

1 Managed growth of the business

- S M L Selectively growing the business and driving strong levels of earnings by adopting a disciplined approach to returns.
- S M L Increasing outlet numbers within our existing areas of operation.
- S M L Developing additional revenue streams through a diversified portfolio, including targeting the private rental sector.
- S M L Maintaining a balanced risk and reward profile in relation to land.
- S M L Maintaining managed and sustainable growth.
- S M L Looking to return cash to shareholders in favourable market conditions.
- S M L Continue to review product range in light of changing demographics and financial status of core markets.

Targets

- Reach £1bn of revenue within the next three years, with changes in the mix of product and locations driving the increase, along with growth in volumes.

Metrics

- Unit numbers.
- Average selling price.
- Sales revenue.
- Operating margin.
- Return on capital employed.
- Earnings per share.
- Land units and gross development value.

Risk factors

- Adverse economic climate.
- Shortage of materials and skilled labour.
- Government policy changes (e.g. removal of Help to Buy).
- House price inflation in excess of wage inflation, stretching affordability.
- Planning regime.
- Build cost inflation.

Resource requirements

- Investment in skills and capacity building.
- Access to capital.

Examples

- Launch of new Chiltern division.
- Selective additions to land pipeline including high-value sites in Cambridge, Marlow and Putney.

Creating value

Quality design and place making exemplified: Port Marine, Portishead.

2 Delivering to customers and communities

- S M L Exploring imaginative solutions for place making, building on our Garden Village principles and providing well-designed homes to meet the needs of different customer groups.
- S M L Creating great places that support sustainable lifestyles and well-being, with green open space, good connectivity and accessible local infrastructure.
- S M L Maintaining excellent customer service and aftercare.
- S M L Driving quality and value through high standards of design and construction.
- S M L Consulting and engaging with local residents and stakeholders, enabling their full participation in neighbourhood plans and development proposals.
- S M L Developing innovative, affordable legacy solutions (e.g. Community Interest Companies) to help neighbourhoods grow and thrive.

Targets	Metrics	Risk factors	Resource requirements	Examples
■ Retain 5-star customer service rating. ■ Maintain 9 out of 10 for customer recommendation rating.	■ HBF/NHBC customer service rating. ■ Customers recommending Crest Nicholson to a friend. ■ Proximity of developments to public transport and local amenities. ■ Qualitative data on public and green open space. ■ Number of alternative management solutions. ■ Number of plots planned as Garden Villages.	■ Customer service affected by delays and/or quality issues. ■ Varied neighbourhood planning processes affecting delivery.	■ Staff and supply chain with strong design, production and consultation skills. ■ Quality procedures and inspection.	■ Our first neighbourhood plan in Henley. ■ Industry awards and benchmarks, e.g. Sustainable Housebuilder of the Year and Building for Life 12 (BfL12) at Bishop's Brook, Wells. ■ Community Interest Company at Monksmoor Park.

3 Skills and leadership

- S M L Establishing strong foundations for learning and continuous improvement within the organisation and supply chain.
- S M L Developing our workforce and leadership capacity through a focus on training and mentoring across the board, from management level to apprentice and graduate level.
- S M L Showing leadership and driving improvement in health and safety.
- S M L Embedding mechanisms for performance monitoring, feedback and learning to support business improvement.

Targets	Metrics	Risk factors	Resource requirements	Examples
■ Apprentices to be at least 10% of employee base.	■ % of vacancies filled by internal promotions. ■ Number of apprentices. ■ Number of graduates. ■ Training hours, total and by discipline. ■ Accident rate.	■ Recruiting and retaining skilled staff in a buoyant market.	■ Investment in training. ■ Investment in recruitment and employee engagement to increase capacity.	■ Delivering Professional Excellence training. ■ Graduate training programme.

4 Responsible resource management

S M L Reducing operational impacts in our main spheres of influence, focusing on carbon, waste, energy and water.

S M L Working with supply chain partners to eliminate high-risk materials and reduce fuel use on site.

S M L Adapting our products to a changing climate and developing masterplans that enhance local ecology and biodiversity.

S M L Building our evidence base to understand lifestyle and behaviour impacts on the performance and carbon footprint of our new homes.

Targets	Metrics	Risk factors	Resource requirements	Examples
■ 10% reduction in office energy and water use per person by the end of 2017. ■ Reduce volume of waste produced per 1,000 square feet delivered by 10% by the end of 2015.	■ % reduction in waste. ■ % homes built on brownfield land. ■ BREEAM Green Guide rating. ■ % of sites with ecological enhancement.	■ Policy changes and impacts, e.g. zero carbon timeline and adoption bodies within the Flood and Water Management Act. ■ European legislation. ■ Untested methods of construction. ■ Uncertainty in scientific data on climate change. ■ Limited market for fossil-fuel alternatives.	■ Investment in innovation to deliver low carbon homes in line with 2016 timeline. ■ Partnering with suppliers and subcontractors. ■ Development plans and on-site staff and subcontractors to deliver Group-wide ecology and biodiversity framework.	■ Our 'Make Waste History' campaign and on-site waste reduction initiatives.

5 Partnership and supply chain

S M L Working in partnership with landowners and government to maintain a land pipeline for both short-term and long-term housing delivery.

S M L Working with our supply chain and subcontractors to innovate and improve build standards, materials and sustainable sourcing.

S M L Developing innovative, mutually beneficial relationships with suppliers and partners to secure labour, skills and materials, to build capacity and ensure quality construction.

S M L Exploring the potential for more off-site, fast-track construction for improved efficiency.

Targets	Metrics	Risk factors	Resource requirements	Examples
■ 95% of directly supplied timber to be certified (FSC preferred) by 2016.	■ % increase in certified timber.	■ Skills, labour and materials in short supply, affecting production.	■ Management capability within the Group well matched to partnership requirements.	■ Refreshed supplier partnerships and framework agreements to increase capacity.

Creating value

Our sales advisors play a vital role in supporting our customers through the home-buying process.

Performance

1 Managed growth of the business

We said we would...

Key priorities from our last report

- Consider opportunities to expand the business.
- Examine options in relation to the private rental sector.
- Continue to research and understand customers' needs, ensuring that our product range and market positioning address emerging trends.

We did...

Strong delivery performance

Increased volumes	Strong growth in net asset value	Long land pipeline	Average open-market selling price
>16% increase in housing unit completions	£536.5m 14% increase	£9.3bn gross development value	£287,000 up 15%

Strategically positioned for the future

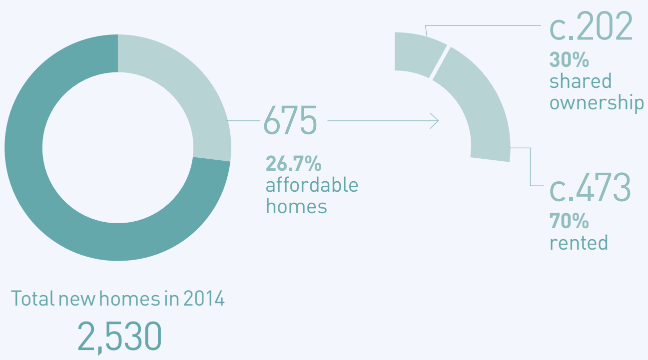
Expand business towards natural scale	Portfolio quality and range	New revenue streams	Attractive returns
New Chiltern division launched.	Contracting under a range of commercial bases. Garden Village concepts for larger sites.	Continued to engage in the private rental sector.	Earnings per share: 39.3 pence – up 34%. Return on capital employed: 26.0% – up 190 basis points.

Key metrics for Managed growth
Page 27

Creating value

Kilnwood Vale, between Crawley and Horsham, is the setting for a new mixed use, sustainable residential neighbourhood only a 10-minute drive from Gatwick Airport.

New homes delivered in 2014



Increasing delivery of affordable homes

This year the Group delivered 2,530 new homes (housing legal completions), up 16.5% on the prior year. 203 Build to Rent homes were contracted and are in delivery.

Land and planning

Selective additions have been made to the short-term land pipeline, which has increased the gross development value of the housing portfolio by 23% to £4,798m, reflecting the investment in strong locations with higher average selling prices (ASPs).

In the year to date, 19 new sites and 2,173 plots have been acquired, along with a further six sites and 1,587 plots, which have been converted from the strategic land portfolio over the same period.

At 5th September 2014, all land required to meet our 2015 forecasts had been secured with planning in place; land for 2016 unit delivery was also wholly secured, mostly with planning. As a result, the volume and ASP projections in our medium term forecasts are significantly underpinned, in line with guidance provided at the time of our half-year announcement.

Our strategic land pipeline continues to develop, increasing by 1,894 plots in the year to date, net of the impact of transfers and re-plans. Of a total of 16,219 strategic plots, over 50% are allocated within a Local Plan or included in a draft allocation. Four other strategic sites had planning applications submitted within the year.

Our healthy land pipelines enable the Group to maintain its focus on investing in opportunities that deliver attractive financial returns. Hurdle rates for new land acquisitions have recently been increased in support of this objective.

Featured development

Visionary new development with community at its heart: Tadpole Garden Village, Swindon

Tadpole Garden Village is one of the first developments of its kind in the country and showcases the benefits of low-density family housing using Garden Village principles updated for today's needs.

Our vision for a distinct community

- An innovative development of nearly 1,700 homes set within 179 hectares of countryside and green open space.
- Community infrastructure to include a primary school, shops, playing fields, community building and surgeries.
- Phase 1 Tadpole Gate to comprise 97 high specification houses.
- Phase 2 homes in Arts and Crafts style set in tree-lined avenues and linked by pedestrian and cycle networks.
- Comprehensive ecology plans, include retaining hedgerows and trees and more significant green open areas along site boundaries.

Creating a legacy to be proud of

Imaginative design and a harmonious mix of homes, open space, social space and architecture will help to set new benchmarks in design, community life and infrastructure. A sense of ownership, responsibility and civic pride will also come from the close involvement of community groups and partners. A Community Investment Company has been set up to provide a mechanism for affordable, long-term management of the green spaces and public realm.

Delivering a new school

We have helped Swindon Borough Council overcome a local shortage of primary school spaces by providing early access to the school site on the development. The new school, Tadpole Academy, is due to open by September 2015 but is currently being run from the nearby Red House Community Centre. Prior to term starting, we provided the school with access to a commercial unit for the running of some summer classes.

Balanced growth: our new division

The Group's new Chiltern division, based in St Albans, Hertfordshire, opened for business at the end of the financial year. The new division has been pump-primed with a number of operational sites, as well as securing its own new projects and will provide additional management bandwidth to support outlet growth in 2015.

Looking forward

The fundamentals of the housing market are sound, aided by economic recovery, mortgage access and Government support through Help to Buy, with interest rate movements unlikely to derail momentum. Improving the supply of consented land underpins our strategy of managed growth and Crest Nicholson is well positioned to deliver stretching but achievable ambitions for the next three years.

Sustainable business roadmap

a **New business workstream** b c d e

As part of our 10-year roadmap, this workstream will explore new business and channels to markets, including counter-cyclical business opportunities, taking into account our changing marketplace.

2 Delivering to customers and communities

We said we would...	**Key priorities from our last report** ▪ Meet and anticipate market trends. ▪ Raise our customer satisfaction rating from 4-star to 5-star. ▪ Launch strategic workstreams on product development (responding to trends and future needs) and creating great places as part of our 10-year sustainable business strategy.

We did...

Customer satisfaction	Awards	Product development
5-star rating regained.	Major awards for sustainable house building, place making and regeneration.	Traditional and contemporary housing ranges added to portfolio. Delivered our first Code 5 low carbon home.

Design and quality	Strategic workstreams
Design reviews and build quality inspections strengthened.	Developed initial two-year action plans and secured capital budget for workstreams on product development and creating great places.

Key metrics for Delivering to customers and communities
Page 28

Creating value
Our Highbrook Park development near Bristol caters for a wide range of needs, from first-time buyers to those looking to purchase a larger home.

Customer satisfaction and service

One of the Board's focus areas has been to regain a 5-star customer satisfaction rating in the HBF industry survey and we were pleased to achieve this during the year. Having said this, there is no room for complacency and we are working hard to maintain and raise our scores.

"The buying process was absolutely great. The home demonstration where they explained all the features of the house was a real added bonus. We felt fully supported through the entire process."
– Crest Nicholson customer

Driving quality in product, service and aftercare

At the same time as increasing housing supply, we must continue to deliver homes that meet customers' expectations for outstanding quality of finish. This was a clear challenge this year and supply chain pressures also led to some delays in delivering on time to our customers, which may well be reflected in next year's customer satisfaction rating.

We are working hard to address areas of concern to our customers. We have strengthened our quality assurance processes, including specifying a standard above the industry norm for paintwork, and have improved our Quality Manual (see page 53) so it clearly sets out the standards we expect of our subcontractors.

Enhanced internal reporting and more regular communication between customer service and production teams are also part of our drive to ensure fast, effective resolution. Our customers can raise any issues with us through a dedicated phone service manned 24 hours a day.

Creating great places

Where people really want to live

Building a new generation of garden cities enjoys cross-party support, in recognition of the importance of addressing Britain's chronic housing crisis. We have continued to evolve our Garden Village concept in partnership with stakeholders and are now seeing the principles come to life on larger strategic sites like Tadpole Farm, which we were delighted to launch this year as the first Crest Nicholson Garden Village (see case study, page 33).

One of the Group's contributions this year to the public debate about meeting housing need was to support the creation of the *Garden Cities Myth-Buster*, a research-based guide published by the TCPA that aims to offer clarity around some common misconceptions, such as land use.

As the guide explains, decisions about where to build the homes that people need is not a question of using either greenfield or brownfield land but a matter of choosing the most sustainable locations for new and renewed communities, based on a wide range of economic, social and environmental factors. This is borne out in our Garden Village principles, which are designed to be equally applicable to our greenfield and brownfield developments, and work at many scales and densities.

Sustainable business roadmap

a | **b Creating great places workstream** | c | d | e

As part of our 10-year roadmap, we are reviewing the context and scope of creating a great place to live and considering carefully how our principles and practices can be applied consistently across the Group to inspire the creation of great places, irrespective of the location, size and topography.

Where quality and good design go together

We have continued to focus on improving designs, processes and quality, factoring in external drivers such as building regulations and emerging housing standards:

- **Building for Life 12**
  – these widely recognised principles remain our key benchmark for assessing good design.
- **Space**
  – Government is consulting on a national space standard. We continue to develop our house designs and have already increased the size of our two- and three-bed units.
- **Design appraisals**
  – we carry out formal design reviews and sign-offs at every key stage to maintain the integrity of the design concept.
- **Reviewing our house designs for the future**
  – over 82% of our short-term portfolio (c.15,000 homes) is bespoke product, with less than 18% using 'standard' or 'modified standard' house types. We are exploring this balance to ensure we design and deliver the right product for the right development.
- **Landscape design**
  – we have improved our approach with much earlier involvement from landscape architects.

For further details on maintaining and improving build quality Page 53

The Crest Nicholson Garden Village concept

Vision
Leadership
Community
Engagement

Character

Quality design
Landscape-led masterplanning and high quality design incorporating homes with landscaped front gardens and on-plot parking.

Street scene
Focus on the importance of the street scene through attractive buildings, public art, street furniture, the use of materials, strong landscaping and tree-lined streets.

Well connected
Neighbourhoods that are easy to understand and move around, with a wide range of interlinked uses and generous green spaces.

Lifestyle

Infrastructure
Provision of infrastructure for the community, including schools, leisure, technology, affordable homes and community buildings.

Healthy living
Opportunities for healthy living and personal well-being for people of all ages through growing food and gardening, walking and cycling, children's play and sport.

Travel choices
Travel choices and good connections to jobs, services and facilities on site and in the wider community, and the natural environment.

Legacy

Long-term management
Long-term management of high quality green spaces and public realm for the community.

Technology
The use of technology for promoting awareness of community events and lifestyle choices.

Civic pride
Investment in the community to encourage a sense of ownership, responsibility and civic pride through community groups and buildings, and partner involvement.

Crest Nicholson Garden Village case study Page 33

Creating value
Our Garden Village principles are interwoven into the vision for Monksmoor Park, Daventry.

Delivering to customers and communities

»»» Creating value

AIMC4 at Noble Park, Epsom: customer-focused planning, design and technology go into creating homes that are highly energy efficient and very comfortable to live in.

18%

lower average carbon emissions from our new homes than current regulations demand

(Based on SAP v2005. Against SAP v2009, the improvement was 17%.)

Where great, low impact homes come as standard

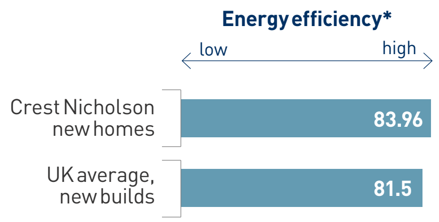
Applying our learning from the AIMC4 project, we have made improvements to our building fabric, including thicker insulation in wall cavities, improved specification of windows and reduced thermal bridging to minimise heat loss.

This 'fabric first' approach has advantages over the use of renewables, including less maintenance or complication for our customers, since the building's fabric lasts for the lifetime of the home, which may not be the case for renewable energy technologies or their components. One result is that fewer of the homes we built this year had renewable or low carbon energy sources (28% of all our new homes in 2014 compared to 42% last year).

Crest Nicholson's new homes deliver excellent energy performance, reflected in our high Standard Assessment Procedure (SAP) rating (an average of 83.96 out of 100) – which has continued to improve and continues to outperform the national average for new homes (81.5 out of 100).

Achieving compliance with the Code for Sustainable Homes level 3 brings additional environmental improvements, including water butts, cycle storage and recycling facilities. Of our homes this year 59% (1,481) were built to Code level 3 or above – including one exemplar Code 5 home at our site in Sovereign Gate, Cheshunt.

Our new homes built in 2014



* Average SAP energy rating out of 100, based on the Government's SAP versions 2005 and 2009. In 2013, our averages were 83.34 (SAP v2005) and 83.89 (SAP v2009).

59% homes built to the Code for Sustainable Homes level 3 and above

80% homes delivered with Smart Meters

28% of our 2014 build completions use renewable or low carbon energy sources

97% of our homes were specified for 105 litres water consumption per person per day: 30% more water efficient than the national average

95% were delivered with internal recycling bins designed in

95% are within 1,500m of a railway station, bus stop or local amenities

58% have access to a cycle route

The impact of lifestyle choices

Our detailed evaluation of the five low carbon AIMC4 homes we delivered at Noble Park, Epsom has provided valuable feedback from the customers living in them. The occupants find their new homes spacious and pleasant to live in and report being comfortable in all seasons, indicating that we are getting the balance right between airtightness and fresh air quality.

The occupants are also overwhelmingly satisfied with their fuel bills – gas and electricity bills for our AIMC4 homes are 45% lower than the national average dual fuel bill. However, when it comes to running the home for optimum energy and cost efficiency, the study data varies to a factor of 10 – clear confirmation that individual choices such as working from home or leaving windows open have a larger impact on energy usage than the low energy design features. This reinforces our focus on occupant-centred design and effective communication with purchasers to help them reap the full benefits of a highly energy efficient home.

Delivering to customers and communities

Sustainable business roadmap

a b **Product development workstream** d e

Through activities starting in 2015, we are future-proofing our product range. We will start by carrying out research into world-leading examples of future housing solutions. This will be followed by an invitation to selected leading architects to present their ideas for new house and apartment types, with a view to partnering with them. We will also be revisiting conventional house design principles and considering the use of space below ground and in the roof.

Where development benefits communities

Our development activities generate significant investment in communities. These investments are defined within our s106 agreements with councils or, where the CIL has been adopted, through CIL payments to local authorities. These contributions are agreed as part of planning permission to reduce pressure on existing local infrastructure and to help mitigate the wider impacts of the development.

Each s106 agreement specifies what the investment is to be used for and when such contributions or works are to be delivered. By far the largest level of contribution arises through the requirement to deliver affordable housing on site – or through the payment of contributions for affordable housing to be provided by councils off site. In addition, the developments deliver works such as landscaping and leisure facilities for the wider benefit of the community.

14%

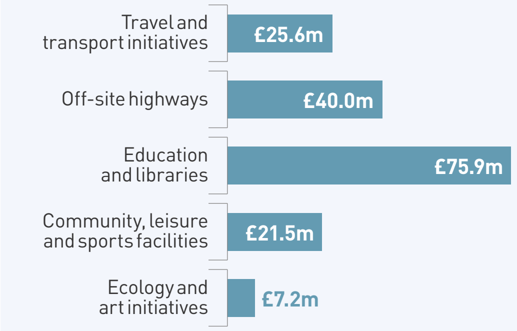
of our annual turnover goes into social infrastructure

Average annual spend: s106/CIL, delivery of works, affordable housing contribution.

£181.6m

combined s106 contributions and CIL payments

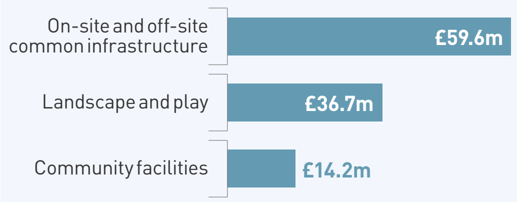
Our most significant contributions



£118.1m

cost of works delivered

Major works

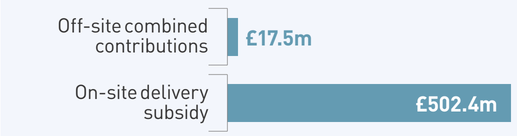


Balance of the works: further ecological mitigation, public art, archaeology, carbon offsetting, car clubs, health facilities.

£502.4m

commitment to affordable housing delivery

Level of Group contributions



Figures as at October 2014: developments within our short-term land pipeline.

Finberry, Ashford

Delivering community infrastructure

Projects already delivered or underway in 2014 include the following (see also the case studies on Tadpole Garden Village, page 33, and Monksmoor Park, page 42):

Centenary Quay, Southampton: children's nursery and library – a 100-space nursery was opened in September 2014 (approximate cost £1m). We have also invested more than £680,000 to provide a neighbourhood library.

Kaleidoscope, Cambridge: community centre – after 18 months of local marketing and communications work with our partners, a group of residents has come forward wishing to register as a charitable organisation with a view to managing the centre sustainably over the long term.

Bath, Riverside: visitor centre – as part of the award-winning district energy centre generating low carbon heating for 1,000 homes, we have invested around £150,000 to create a visitor centre to host educational visits for schools, the local community and interest groups.

Snowfields Yard: day centre for homeless people – with our investment of £1.5m for the refurbishment of existing premises, the Manna Society can continue to operate its vital soup kitchen providing hot meals and respite for the homeless.

Finberry, Ashford: public art – three artworks were installed on site in May 2014 at a cost of £110,000. Combined with enhanced landscaping, these have enriched the development and its identity.

Featured development

Natural beauty, artfully designed homes
Monksmoor Park, Daventry

Our vision for Monksmoor is based on Garden Village principles – a beautiful, sustainable, culturally rich place to live where homes are made available for all.

Plans for a vibrant new community

- 175 new Arts and Crafts-inspired homes set within 4.5 hectares around a village green.
- New primary school, selection of local shops, and nature trails and paths throughout.
- Ecologically sensitive design will preserve established hedgerows and provide hundreds of new trees.
- Funding delivery of a Travel Plan for local residents.
- Site-wide art strategy and design competition for more than 10 pieces of artwork in collaboration with the Design Council CABE and Daventry District Council.

Underpinning the future

The Monksmoor Park Community Interest Company (CIC) has been set up to own and manage all the communal assets on the site on behalf of the residents. With this type of ownership structure, in time the residents will be empowered to manage the green spaces and community buildings in a way that suits the community.

Crest Nicholson has contributed more than £100,000 to help fund the CIC in the early years. Residents will also pay an annual service charge to the CIC, with full transparency to members on how their funds are spent.

The Monksmoor Park Community website enables residents to find information about the wider development, see forthcoming events and keep in touch, helping to create a real sense of community. Crest Nicholson is sponsoring the new Daventry Park Run for health and well-being – a free, weekly 5km run open to all.

Where local people have a say in the future

Good masterplanning reflects local needs and priorities and we go to great lengths to communicate a vision and take on board feedback from a wide range of people.

Neighbourhood Plans are a recent addition to the planning regime. Communities are not only using this power to choose where new housing should go but also to grant planning permission and protect local green spaces. To date, more than 1,150 communities across the country have embarked on neighbourhood planning.

Given this scale of activity, we need to be not only aware but familiar with the varying approaches and how we need to engage in the process. With this in mind we convened a neighbourhood planning seminar and invited leading experts and policymakers to speak about challenges and opportunities, including political and consultation aspects, promotion of a site, and legal matters.

The first neighbourhood plan with which we are involved is at draft stage and relates to a site in Henley-on-Thames where there is an opportunity to bring forward 190 new homes.

Finberry: local involvement and engagement
In partnership with Ashford Borough Council we won the 'Exemplary Planning to Deliver Housing' category in the Royal Town Planning Institute South East Awards 2014, reflecting high quality engagement with the local community.

3 Skills and leadership

We said we would...

Key priorities from our last report

- Increase investment in training, development and succession planning.
- Develop our culture of customer care through training for frontline employees.
- Look to link reward for outstanding performance more explicitly to customer experience.

We did...

Boosting jobs and skills	Talent development	Increased focus on training at all levels	Remuneration
Increased graduate intake and relaunched our programme. Continued to invest in apprenticeships.	Management Excellence programme and Executive Coaching underway.	Appointed Group Training Manager, launched new programmes and increased number of training hours delivered.	See the Directors' remuneration report, pages 83 to 100.

Key metrics for Skills and leadership
Page 28

Becoming a learning organisation

Over the year we have been putting in place foundations for learning and continuous improvement in response to increasing customer expectations, shifting regulation and other external drivers. These foundations also help us meet our goal to be an employer of choice that attracts, develops and retains talented staff for the future. We have launched the organisational learning workstream (see page 45) to explore how we address and support organisational learning within the business.

This year the focus has been on laying the ground for a comprehensive training programme, beginning with the strategic appointment of a dedicated Group Training Manager who will be supported by the Group HR Director.

We also put in place two major training initiatives this year – Promoting Sales Excellence for sales advisors and Management Excellence, a three-day leadership and management programme, which we rolled out to 95 managers across the business.

This year we also introduced Executive Coaching to support the development of our most senior leaders. It aims to assist with succession planning by identifying and growing potential leaders, who will secure the future growth and profitability of the business.

For the first time, the business will benefit from a comprehensive Training Directory, which was compiled during the second half of the year with input from the whole business and launched in November 2014. The Training Directory provides access to a full range of new and existing qualifications and courses, covering all aspects of design, planning and construction, together with finance, IT, health and safety, sustainability and HR. The Training Directory also includes a comprehensive Professional Skills Framework and a range of learning solutions, which support the measurement and development of behavioural competencies.

The focus on training is reaching all parts of the organisation, including looking at improving the inductions we provide for site managers. Given their pivotal role on site, we have identified a need for more consistent baseline training, which is being rolled out from November 2014.

Investing in our sales teams

In today's housing market, sales advisors require greater knowledge and commercial skills than ever before. Having identified the need for a consistent approach to attracting and retaining talented advisors, 2014 saw us launch and roll out our Promoting Sales Excellence (PSE) programme Group-wide.

PSE is a bespoke framework designed to provide a clear, signposted pathway to development and progression for our sales advisors. It incorporates nationally recognised sales qualifications and is acting as a key draw for potential recruits. Our PSE training programme has been awarded finalist status in the national Training Journal awards.

Supporting and developing technical skills

Our technical departments and teams are vital to the success of our projects and need wide knowledge to help the Group meet more challenging regulations and requirements.

Some of our initiatives include working closely with our key consultants panel to share and develop learning, training in quality procedures for our technical teams, and developing processes and methods to make complex information more user-friendly.

We have also set up workshops with the regional technical and commercial teams to understand how we need to adapt to future challenges and ensure that our teams are fully briefed on changing regulations and technology, from zero carbon requirements to off-site manufacture and building information modelling (BIM).

“Property has always been something I have been interested in and the graduate scheme offered the opportunity to work in all departments before deciding on a departmental discipline. During my time here I've worked closely with senior people who have kept a close eye over my career progression and offered support and advice along the way.”

– Jonathan Greenfield, Development Manager, joined Crest Nicholson's graduate programme in 2009

Engagement, progression and reward

Sitting at the heart of our training strategy is a clear focus on developing, rewarding and valuing our workforce. The business seeks to identify and grow talented people and promote internal succession, resulting in 67 employees being promoted within the business this year.

Our staff survey in October 2013 highlighted that the workforce is highly engaged, with an engagement score of 90%. The survey results reinforced many strengths of the Group from our employees' perspective, including leadership, varied and challenging work, team spirit and pride in the Company. Action plans in each region are addressing identified areas for improvement on a local level.

We have carried out a full review of our Personal Development Review process and we have launched Delivering Professional Excellence as a result: combining an improved format with a clearer, more accessible and comprehensive training strategy for the wider business.

We have also launched MyReward, an online benefits portal enabling employees to easily see the range and value of benefits and make selections such as buying or selling holiday entitlement and making pension and healthcare choices.

Sustainable business roadmap

a b c **d Organisational learning workstream** e

As part of our 10-year roadmap we are putting in place formal structures and behavioural expectations so that the business will be better able to learn from positive and negative experiences, share knowledge and generate business improvement. In this way, we aim to create efficiencies, improve innovation, reduce costs and create a working environment that improves staff satisfaction and retention.

12.5
hours of training provided (average per employee)

17
graduates on our programme

67
internal promotions

Boosting jobs and skills

A lack of skilled labour is one of the key problems facing the industry. Following a skills summit hosted by the HBF and attended by the Housing Minister and Skills Minister, a plan has been agreed for the industry and government to work together to recruit tens of thousands of new workers in the coming years – including thousands of apprentices, graduates and ex-military personnel, to add to the number of school-leavers joining the sector.

In a traditionally male industry, we also need to find ways to encourage more women to come into the sector and follow a rewarding career.

Our gender profile

	Male	Female	% Female
Board Directors	5	1	17%
Executive Management Team	6	0	0%
Senior Managers	162	49	23%
Workforce	359	192	35%

During the year, the Board's Nomination Committee worked to develop diversity principles and intends to further embed diversity into the operation of the business during 2015.

Graduate recruits

We have doubled our graduate intake (14 joined us during the year), and welcomed the new joiners on a launch day spent with the entire Executive Management Team. Our revamped programme is designed to be both stretching and supportive with well-structured technical and management training. It includes a major end-of-year challenge where teams of graduates from across our regions develop proposals that go forward to the Board with the potential to be incorporated within a live development.

Our next steps include engaging with and strengthening relationships with key universities in the South and Midlands regions, to help us identify improved ways of attracting graduates into the industry. We have introduced an improved recruitment campaign and assessment process aimed at attracting and identifying high calibre graduates, in order to develop a talent pipeline for future business growth.

Apprentices

We take on a significant number of apprentices every year (30 joined during 2014). Our programme follows Construction Industry Joint Council guidelines for pay and our apprentices receive above minimum wage.

Over time I've gained knowledge and experience. Coming from a trade background to what's now a managerial position, I can understand both points of view and this helps me to solve problems with confidence."

After qualifying at college as a roofer, Charlotte Collins started as a Carpentry Apprentice with Crest Nicholson and is now a Trainee Site Manager.

Following my apprenticeship I wanted more responsibility and options for self-improvement, so I successfully applied for the role of Trainee Site Manager. I now spend a lot more time with customers and this is one of the most rewarding and challenging aspects of the job."

Jack Cross also began with us as a Carpentry Apprentice.

Safety first

Health and safety management, inspection and training are carried out by the Group's Health, Safety and Environment Team under Stephen Stone, who is the Director responsible for health and safety.

We have held our Annual Injury Incidence Rate steady and achieved a reduction against last year, but are disappointed to see our rate rise above our peer group and the construction sector. The surge in house building activity, shortages of skilled labour and adverse weather conditions have contributed.

There were no health and safety prosecutions during the year. One Improvement Notice was issued and two Notices of Contravention were served relating to a housekeeping matter and an occupational health matter. All matters were effectively resolved.

Creating value

We have invested in our apprentice scheme over many years and apprentices now make up about 10% of our workforce.

69

apprentices on our scheme

50%

reduction in Annual Injury Incidence Rate since 2008

Featured development

Creating a thriving community
Oakgrove Village, Milton Keynes

Oakgrove Village is a vibrant new mixed tenure, mixed use neighbourhood three miles east of Milton Keynes.

A new community to meet local housing need

- Oakgrove will offer 1,105 new homes, 30% affordable.
- 50,000 square feet of commercial space.
- A new primary school, neighbourhood centre and Waitrose store.
- Green space and wildlife corridors.

Low carbon homes in a delightful setting

Each home combines attractive features with energy saving initiatives, including 'A' rated appliances, low energy lighting and highly thermally efficient double glazed PVCu windows.

Beautifully designed green space is linked by intimate courtyards, pedestrian walkways and cycle paths.

A number of play areas are dotted around for children to enjoy – also serving an important purpose as a place where parents and carers can meet regularly, fostering a sense of community.

Landscaping, ecology and flood defence

The wildlife corridor running directly through Oakgrove, made up of ponds and woodland, has been introduced to safely harbour protected species on the site, which include Great Crested Newts. The Ouzel River runs along the western edge of Oakgrove and a site-wide flood defence system is in place.

The Board has strengthened risk management further by appointing an additional specialist to the Group Health, Safety and Environment Team. The total number of days of safety training provided this year rose by 40%.

Focus areas for the future will include the management of temporary work; reducing slips, trips and falls; fire safety; and traffic management.

Health matters

We reached a milestone this year in health checks for forklift drivers; 22 of our 25 employed drivers underwent a health assessment that we offer through a specialist provider and all were deemed 'fit to work'. The remaining three employees will go through the process in 2015.

Going forward, we will be reviewing and updating our approach to the management of silica dust, noise, vibration, dermatitis, hazardous substances and manual handling, and will be including our supply chain contractors in this process.

Human rights

Our business operates wholly within the UK, and buys goods and services from UK suppliers and subcontractors. We are committed to upholding human rights in all our activities. We openly support the International Labour Organization Conventions and do so through our human resource practices and policies and via our contractual arrangements, through which we encourage supply chain standards of our subcontractors and suppliers to meet the Conventions.

4 Responsible resource management

We said we would...

Key priorities from our last report

- Review our carbon footprint targets taking into account the full scope of our activities.
- Continue to drive carbon reduction through energy efficiency, travel, and customer and employee engagement.
- Promote responsible operations to safeguard the environment and natural resources.

We did...

Operational carbon footprint	Landscaping and ecology	Waste
Continued to improve accuracy and scope of site data. 4% reduction in carbon emissions per person from office energy use.	Minimum standards framework and biodiversity action plans launched. Landscaping award for Bath Riverside.	Focused on reducing the volume of construction waste we produce on our sites.

Key metrics for Responsible resource management
Page 29

Growth within environmental limits

Achieving economic growth within environmental limits is a collective challenge. One of the most significant contributions we can make is through our product – for details of our low carbon homes and developments, see Delivering to customers and communities, page 34.

In our own operations, we aim for resource efficiency and operational excellence with a focus on carbon, energy, water and waste in construction sites and offices. In relation to land, our most fundamental resource, we focus on acquiring well-located sites with the potential not only for creating viable new communities but where we can also create and support enhancements to local ecology and green spaces.

Responsible land use

We have a significant opportunity to bring benefit through responsible use of land, environmental stewardship and ecological enhancement.

Landscape design and ecological enhancement go hand in hand on our sites and this year, in partnership with ecologists, we have created our new Minimum Standards Framework for Ecology and Biodiversity, which we will be piloting in 2015.

Our new framework sets out standards for all types of development of varying density and reflects our focus on providing green open space and wildlife habitats. It requires each development to have a Biodiversity Action Plan (BAP) at two stages – during the process of acquiring land and before starting on site. The site-specific BAPs must align with local authority BAPs to ensure we're meeting local and regional priorities.

Creating value
Our show home garden at Sovereign Gate, Cheshunt, is sensitively designed to provide relaxing spaces and ecological benefits.

We also continue to enhance our soft and hard landscaping as an integral part of our designs. For example, we are now teaming up with leading nurseries so that we can reserve mature trees in advance, which help to create established habitats and attractive entrances to our developments.

70%

of our plots were designed for the protection or enhancement of natural habitats

Bishop's Brook, Wells: water management, ecology and landscaping

Bishop's Brook consists of 143 homes and was previously a brownfield, former factory site. Following 18 months of design development, the Environment Agency gave approval for us to reinstate Keward Brook – the original watercourse that had existed before the factory development. As a result, the site was reclassified as high flood risk with a 1 in 100 or greater annual probability of river flooding, requiring us to put in place further measures without compromise either to ecology or high quality urban design.

The solution is a sensitively designed detention pond to attenuate on-site surface water – designed to discharge into Keward Brook at set flood events through a complex hydrobrake. The detention pond and the brook provide green open space and new wildlife habitats, enhancing the ecological value of the site.

MAKE WASTE HISTORY
Change starts with you

Reducing the volume of waste generated on our sites is a key priority.

Energy, carbon and water

We have continued our focus on energy and water efficiency at our offices and a detailed action plan is being progressed. At our sites, we are exploring different reduction initiatives and related targets, as well as improving our data collection and accuracy.

Our development sites – This is the second year that emissions from our sites have been included in our carbon footprint and we have continued to improve the quality and scope of data in order to measure our performance more precisely.

Our normalised Scope 1 and 2 emissions have increased by 4% to 3.02 tCO_2e/1,000 square feet (2013: 2.91). This reflects higher electricity and gas consumption on site and a full 12 months' worth of site data, including the higher-consuming winter period. In comparison, 2013 consumption had to be extrapolated and did not include the winter period. Despite the overall increase, we achieved an absolute reduction in the quantity of diesel consumed on site.

Our offices – In our offices, we have reduced carbon emissions associated with energy consumption per person to 0.87 tCO_2e. This is a 4% reduction per person when compared with 2013 (0.91) and is a significant step towards our target of reducing office energy consumption per person by 10% by the end of our financial year 2017.

Further information on our total carbon footprint, including Scope 3 emissions, is detailed in the Sustainability section of our website.

6%

reduction in construction waste per 1,000 square feet built

Cutting out waste

As a result of our Make Waste History campaign, we have seen a volume reduction of 6% in construction waste per 1,000 square feet built during 2014. Among the many initiatives already in place on our sites are waste segregation, packaging take-back schemes, monthly waste dashboards, and greater accountability and control. Our focus is to reduce the amount of waste generated in the first place, and we have set a reduction target of 10% (volume per 1,000 square feet) for the end of 2015.

Environmental compliance

We improved our rate of conformity with our site environmental standards for the third-year running to 90.6%. Going forward, we will update our existing environmental standards, create new ones where required and produce more educational videos to support our employees in their learning and understanding.

We have continued to put effort into producing effective training and communications and this year produced our first ever educational video about the correct management of diesel storage areas. The footage was professionally filmed on our own site featuring our own staff and contractors.

5 Partnership and supply chain

We said we would...

Key priorities from our last report

- Be a partner of choice for landowners, public sector agencies and others.
- Develop true partnering arrangements to secure materials and labour, and raise quality.
- Continue to focus on sourcing certified timber.

We did...

Bringing sites forward	Procurement	Build quality	Responsible sourcing
Continued to partner with many public and private sector stakeholders.	Long-term trading arrangements in place with key suppliers.	Rolled out new Quality Manual and reinforced inspection procedure.	Launched a three-year action plan for timber sourcing.

Key metrics for Partnership and supply chain
Page 29

»»» Creating value
Longcross near Chobham, Surrey is one of a number of major sites providing a sustainable source of value creation for years to come.

Being a partner of choice

We partner with many local authorities, the HCA and several private sector vendors on an open book and transparent basis. For example:

- Longcross near Chobham, Surrey was acquired as part of a 50/50 joint venture with Aviva, our funding partner. This 300-acre former Defence Evaluation and Research Agency site was first constructed during and immediately after the Second World War and is sensitively set in the greenbelt. The northern part of the site was granted consent in 2014 for the first 200 well-designed homes and a significant new business park of one million square feet. Taken together with the southern site, which is now within the emerging draft core strategy, Longcross offers the Group the opportunity to drive significant business value in the years to come.
- With Bath and North East Somerset Council and public and private sector vendors, we are delivering the £500m Bath Riverside development. The first 300 of 2,000 homes are now complete.

»»» Creating value
Architectural quality, ecology, landscaping and water management are all integral to the design of our Bath Riverside development.

- We continue in our role as development managers for the redevelopment of the 2,000-home Arborfield Garrison, having been selected by the Defence Infrastructure Organisation (DIO).
- During the year we were also selected by the DIO as development manager for Wyton Airfield, Cambridgeshire, to deliver a new town of 4,500 homes including open market, Ministry of Defence and private rental housing.
- The Group remains an approved partner on the HCA's Delivery Partner Panel in all our principal operating areas outside the centre of London.

Recognising that larger sites can be exposed to macro-economic fluctuations, the Group has developed commercial models that help to share risk with the land vendor, in exchange for sharing some of the upside potential from a development. As a result we secure meaningful proportions of our land from our strategic land portfolio (44%), from the public sector (c.18%), and from private vendors in 'one-to-one' negotiations (c.15%). As a consequence of this strategy, the Group is typically acquiring only 20 to 25% of its land through multi-party, open-market competitive tenders.

The blend of land sources and the different commercial approaches adopted mean that the business enjoys the benefit of control over a 6.8-year short-term land pipeline, but is also able to deliver strong returns.

Supply chain risk and opportunity

Following the economic downturn of six years ago, the construction sector lost about half its capacity and a quarter of a million construction jobs. House building has also undergone rapid technical change, including evolving regulation for energy and carbon performance, and a proliferation of housing standards that vary by locality.

While some factors such as continually shifting regulations are outside its control, the construction industry has been slow to adapt to change and investment in innovation has been low. With our subcontractors and suppliers, we are working hard to address a number of industry-wide issues, looking particularly at how we secure our supply of labour and materials; improve build quality; reduce the potential for defects; and improve efficiency.

With knowledge gained working for the ZCH on the design versus as-built (DvAB) evidence gathering project, we are very well placed to address many of the challenges the industry faces in delivering an excellent standard of new homes.

Genuine partnering

We aim to become the developer of choice for subcontractors and suppliers, and this is a key strand of our supply chain workstream, which began towards the end of 2014.

We are looking at how we can partner with the supply chain, including mutually beneficial procedures, payment terms and contractual arrangements. We have already been managing current risks by working closely with select subcontractors to strengthen relationships and secure essential services. Group-wide framework agreements are in place for key materials to guarantee a quantity of supply and we are planning 12 months ahead with suppliers of bricks and blocks.

With other key materials such as roof trusses, joists, stairs and ventilation, we are bringing suppliers into the design process earlier and are also looking to build longer term strategic alliances with key subcontractors and suppliers.

We are also exploring how off-site manufacture may be able to assist in delivering larger components to reduce the reliance on site-level skills and the potential impact of bad weather. In turn, this will assist in delivering the right quality, on time, which not only benefits Crest Nicholson and its customers but also means that the trades will receive regular work to an agreed schedule.

Subcontracted work has been particularly volatile this year and to create more stability we have been going individually to key suppliers at a local level, and engaging them very early in agreements designed to drive quality and value for both sides.

The AIMC4 project is a prime example of innovative partnering: the consortium members, including Crest Nicholson, have delivered low carbon, fabric first homes through a groundbreaking process of supplier engagement and lean construction.

Improving build quality and standards

Current construction methods are very reliant on labour and skills and involve many components that are assembled on site. Over the long term we are considering innovative methods and materials that can reduce this complexity but in the meantime we are focused on raising build quality by defining and communicating our standards and ensuring these are met.

This year we launched the Crest Nicholson Quality Manual and a strengthened inspection and sign-off procedure for build stages. The manual sets out our benchmark quality standard – and 'Gold Standards' – for workmanship and materials, and is concise and pictorial, with clear notes for specific trades and subcontractors. The content focuses on the pitfalls affecting build quality and finish to help site teams identify issues contributing to the DvAB performance gap.

The Quality Manual is sent to all subcontractors at tender stage so that returns are priced against the workmanship standards it sets out. It is then used by the site management team during inspections and as a benchmark when signing off each stage of the build.

For further details of how we are supporting and developing technical skills across the Group, see page 43.

35.75 out of 50

Considerate Constructors score (UK average: 35.50 out of 50) – one site achieved 44 out of 50, our highest ever score

Low carbon design and construction

As a member of the AIMC4 consortium supported by the Government's Technology Strategy Board, we have been pioneering the volume production of low carbon homes. We are now building on what we have learned in readiness for the next steps on the zero carbon journey.

A key goal of AIMC4 was to meet Code level 4 energy requirements through fabric and building services solutions only (without the use of renewables). This means that the carbon savings delivered are mainly in the fabric of the home – in effect, for the life of the building and not just the life of a technology or component.

The experience of delivering our five AIMC4 homes at Noble Park confirms that skills in low carbon design and build are scarce among trades and contractors. It also confirms our strategy of continuous learning so that our own teams are well equipped for procuring, specifying and delivering innovative new homes.

Full details of the project outcomes and learning can be found at: www.aimc4.com but there are a number of areas that the Group, in partnership with the consortium and suppliers, is taking forward:

Going forward, the Government's zero carbon requirements are still evolving but Crest Nicholson is well placed to respond. We will continue to focus on building fabric first homes to meet the higher reaches of energy requirements, while also looking to complement this approach using green energy solutions, such as photovoltaic where relevant.

Adapting designs for a changing climate

A highly insulated building envelope may bring a risk of occasional discomfort during the hottest weather if this is not considered at the design stage. We have continued to assess the overheating risk through dynamic heating analysis on some sites then changing the solar transmission of glazing, introducing solar shading and carrying out other adjustments.

Our evaluation of our AIMC4 homes (see page 39) is evidence that we are getting the balance right, with the data showing that the AIMC4 customers were very satisfied and comfortable living in their homes during all seasons.

Low carbon learning		Initiatives
Workmanship, skills and knowledge	'Traditional' house building follows many principles from the Victorian era, restricting the efficient delivery of innovative homes. Common practices among contractors such as substituting materials can contribute to the performance gap and affect quality.	Education and training both internally and with suppliers. Quality Manual developed as a 'how to build well' foundation guide for trades and contractors. Benchmark inspections focused on quality and correct build. We are also looking at a range of innovative methods and materials to take house building forward.
Cost challenges	The AIMC4 homes can be delivered in thin joint masonry and open panel timber frame at relatively low volume and at an extra-over cost (compared to a 2009 Code 3 home) but there is potential to reduce costs further over time through volume delivery and lean construction.	
Technical design innovation	Delivering a highly insulated wall does not increase its thickness significantly but a high quality wall that is easily repeatable and commercially viable is a major challenge for a fabric first solution. Off-site manufacture may hold the key.	

Responsible procurement

Our Sustainable Procurement Policy sets out our commitment to specify sustainable materials and work with our supply chain to promote social responsibility and environmental stewardship.

Timber is a key material and, in 2013, 82% of our directly supplied timber was verified as coming from well-managed, certified sources (FSC or PEFC), compared to 98% the previous year. An ongoing challenge is that we do not have the same visibility when it comes to contractors' use of timber. We have put in place a three-year action plan, including stretching targets for the percentage of FSC-certified timber procured through both our supply chain and contractors.

Sustainable business roadmap

a b c d e **Supply chain workstream**

Through our supply chain workstream we're looking at risks and opportunities related to capacity and innovation. These include the impact of regulation on design, components and material; the availability of materials and non-traditional alternatives; consideration of alternative construction methods to improve delivery and reduce risk; and teaming with strategic supply chain partners on product development.

Featured development

Creating value through positive partnering

Best regeneration project: Housebuilder Awards 2014
Park Central, Birmingham

The successful £270m regeneration of Lee Bank into a flourishing community is a story of positive partnership between Crest Nicholson Regeneration, Birmingham City Council and Optima Community Association.

Regeneration vision

- A 59-acre site of nearly 2,000 homes centred around eight acres of public parkland.
- 300,000 square feet of commercial space, bringing with it 1,500 new jobs.
- A truly mixed tenure community.
- Medical centre and school.
- On-site amenities, fostering a sense of place.

What's been delivered

Having delivered 1,281 new homes to date, 25% of which have been affordable, the project has been, and continues to be, a resounding success.

Kevin Roach, Director of Regeneration Services for Optima Community Association, says: "Park Central is a model of high quality and creative design-led redevelopment that has created a vibrant and friendly community. The community aspect is important to Optima and the council. Crest Nicholson has supported this ambition throughout the life of the redevelopment by funding community activities and involving our residents in the process."

Zareena Ahmed-Shere, Development Project Manager for Birmingham City Council, says: "Park Central's tremendous success is attributable to the close collaboration, cooperation and commitment of all three project partners. In line with the project's vision, the area is transformed beyond recognition. Once a crime-ridden estate, Park Central is now a thriving community that residents are able to take pride in. Crest Nicholson's latest addition, Central Plaza, carries forth the stunning architecture, with panoramic views over 'Moonlit' and 'Sunset' neighbourhood parks."

Key performance indicators

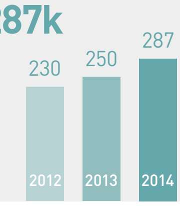
A year of record financial results with continuing strong focus on balanced, sustainable value creation measured through economic, social and environmental performance.

The following selection of indicators link to key themes of our strategy.

1
Managed growth of the business

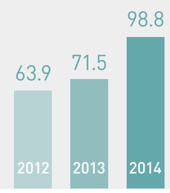
Average open-market selling price (£k)

£287k



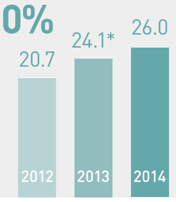
Net profit (£m)

£98.8m



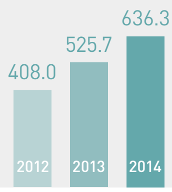
Return on average capital employed (%)

26.0%



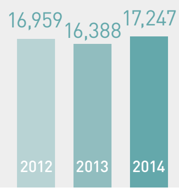
Sales revenue (£m)

£636.3m



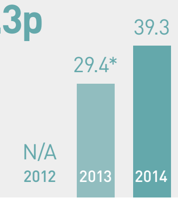
Short-term land units

17,247



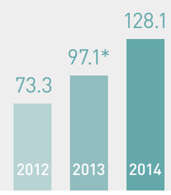
Basic earnings per share (pence)

39.3p



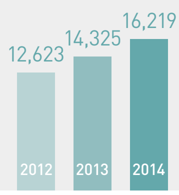
Operating profit (£m)

£128.1m



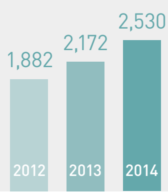
Strategic land units

16,219



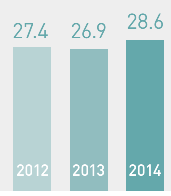
Units completed

2,530



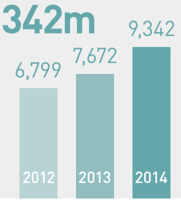
Gross profit margin (%)

28.6%



Land pipeline gross development value (£m)

£9,342m

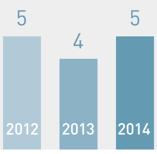


* Before £5.9m exceptional costs relating to the Initial Public Offering in February 2013 (pre-exceptional costs).

2 Delivering to customers and communities

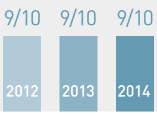
Customer service (independent rating)

★★★★★



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

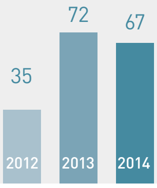
9/10



3 Skills and leadership

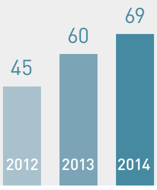
Number of vacancies filled by internal promotions

67



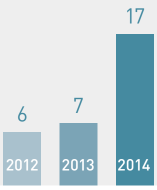
Number of apprentices

69



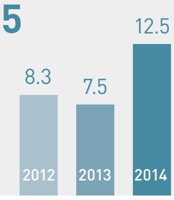
Number of graduates

17



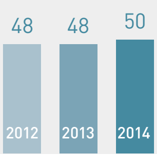
Average training hours per employee

12.5



Reduction in Annual Injury Incidence Rate** (%)

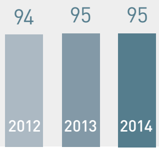
50%



4 Responsible resource management

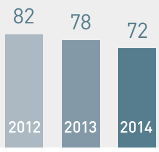
Construction waste diverted from landfill (%)

95%



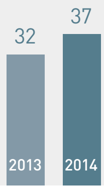
Homes built on brownfield land (%)

72%



Sites with ecological enhancement or protection

37



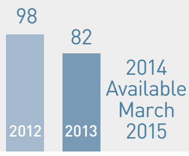
BREEAM Green Guide Rating

All elements in Crest Nicholson's National Construction specification achieve a rating of C or above, with the exception of one (of three) specifications for a separating floor. Roof, external walls, windows and insulation specifications achieve either A or A+ ratings. Green Guide Rating not assessed prior to 2014.

5 Partnership and supply chain

Certified timber sourced*** (%)

Available March 2015



**Compared to 2008 baseline.

***Percentage of directly procured, credibly certified (FSC preferred).

Creating value

At Habourside, Bristol, the regeneration of what is now one of the most aspirational addresses in the South West is almost complete.

Governance and leadership

Driving success

Our Board and Executive Management Team

Board

1 **William Rucker**
Non-Executive Chairman

2 **Stephen Stone**
Chief Executive

3 **Patrick Bergin**
Group Finance Director

4 **Pam Alexander, OBE**
Independent Non-Executive Director

5 **Malcolm McCaig**
Independent Non-Executive Director

6 **Jim Pettigrew**
Senior Independent Non-Executive Director

Executive Management Team

2 **Stephen Stone**
Chief Executive

3 **Patrick Bergin**
Group Finance Director

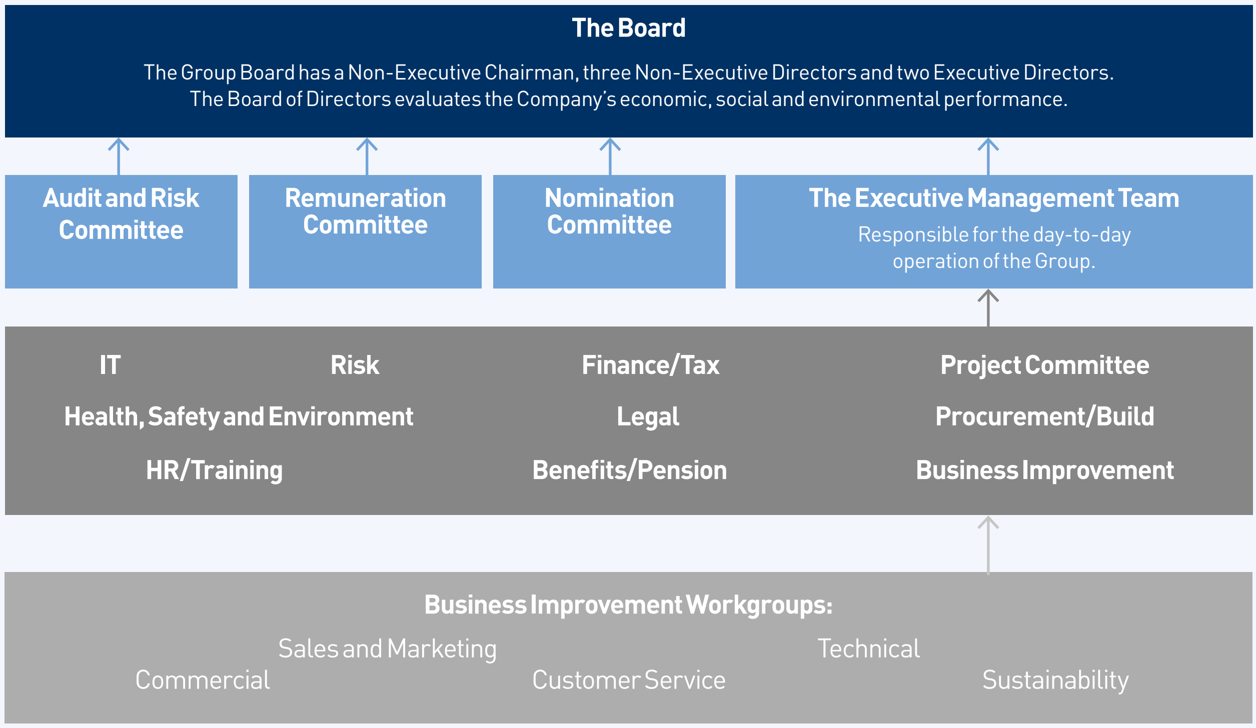
7 **Chris Tinker**
Regeneration Chairman

8 **Steve Evans**
Group Production Director

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

10 **Kevin Maguire**
Group Company Secretary

Governance structure



Key principles

Our full Corporate governance report is provided on pages 67 to 103. Below is a summary of the key points.

Governance structure

Our governance framework allows informed and balanced discussions by senior management that take account of economic, social and environmental factors. All divisions operate through their own local management boards, each of which is accountable to the Executive Management Team. Group policies are reviewed by the Board and Executive Management Team as required to ensure currency and focus.

Performance-linked remuneration

Our policy is based on clear and simple market-competitive remuneration and incentive schemes with straightforward, reasonable metrics and performance criteria. Bonuses are linked to relevant financial and non-financial metrics and share-based schemes are linked to shareholder growth and return.

The non-financial performance metric relates to customer satisfaction results and represents 15% of the Executive Director's bonus.

The Remuneration Committee continues to keep policy and structures attuned to the business strategy and aligned to the objectives of shareholders. For the full report of the Remuneration Committee, see page 83.

Ethics and compliance

The house building industry is a highly regulated sector covered by a wide range of legislation in planning, construction, buildings performance, advertising, marketing, health and safety, and environmental management. We always look to exceed the minimum standards of compliance required by regulations and provide regular disclosure of financial and non-financial performance.

As a responsible employer, we operate a range of ethical and equal treatment policies, and operate a whistleblowing policy enabling employees to report any concerns in confidence.

Principal risks and uncertainties

Risk management overview

The aim of risk management is to identify and document all inherent risks that could affect the achievement of our objectives. Risk management is a regular focus for all parts of the business with the emphasis on continuous improvement. In the regional divisions, each divisional management board undertakes a regular assessment of its exposure to financial, operational and strategic risks and the measures that have been put in place to manage those risks.

Risks are initially reported through the divisional board and subsequently incorporated into the Group risk matrix. Each risk is classified and prioritised for further attention using the approved risk acceptance thresholds and categories.

Significant risks arising from divisional assessments are monitored by the Executive Management Team, the Audit and Risk Committee and the Board.

Creating value

Firepool Lock, Taunton offers 240 homes including a mix of one- and two-bedroom apartments, two-bedroom coach houses and three- and four-bedroom houses.

Principal risks and uncertainties

The table summarises current areas of focus identified by the Board. For further details of risk management controls and procedures, see the Corporate governance section, page 67.

Area	Risk	Strategy areas	Controls and mitigation	Ownership	High/ Medium/ Low	Change over year
Exposure to economic impacts arising from: a reduction in the Government's stimulus package; residual Eurozone issues; geo-political events	Higher unemployment or fear of unemployment undermines consumer confidence and reduces propensity to purchase a new home	Managed growth of the business	Maintain review of economic and political environment and consider potential responses to changes in trading conditions	Board	M	→
Build cost inflation	Increased build costs, stimulated by rising activity, are disproportionate to changes in sale prices Suppliers seek to 'price in' sales price inflation	Managed growth of the business	Significant work packages subject to comprehensive tender process and review Dialogue with suppliers and subcontractors to highlight benefits of volume, certainty and prompt payment, as well as price	Executive Management Team/Group Production Director	H	↗
Land cost inflation	Increased land costs, stimulated by rising activity, are disproportionate to changes in sale prices Land vendors seek to 'price in' sales price inflation	Managed growth of the business	Long land pipeline reduces pressure to buy sites Apply Group hurdle rates to investment decisions	Board/ Executive Management Team/Group Land and Planning Director	H	↗
Rapid and extensive changes to planning system introduce uncertainty, delays and potential challenges to viable development	Principles of 'localism' in planning matters encourage challenge and resistance to development. Central government responds only when impact on delivery becomes apparent	Managed growth of the business	Work closely with key regulators and decision-makers to establish key principles to be consistently upheld Incorporate planning uncertainties into assessment of land opportunities	Executive Management Team	M	→
Business insufficiently equipped to handle rising regulatory burden and zero carbon timeline	Shortages of key skills impact delivery; supply chain unable to meet regulatory needs Cost of solutions not optimised	Managed growth of the business	Ensure adequate training and skills transfer mechanisms are in place Work with supply chain to foster a greater appreciation of issues and develop cost-effective solutions	Executive Management Team	L	→

Area	Risk	Strategy areas	Controls and mitigation	Ownership	High/ Medium/ Low	Change over year
Help to Buy incentive scheme removed or scaled back	Removal of Help to Buy could lead to volume reduction of 10–15% Reduced overall mortgage access impacts demand, sales values and rates of sale, and undermines confidence in the market	Managed growth of the business	Alternative incentives available, though less compelling Maintain policymaker awareness of construction sector economic contribution Encourage lender community to focus on credit-worthiness Continue to develop alternative volume options Continue sales training to prepare for a tougher market in due course	Executive Management Team	M	→
Reputational damage arising from a major product failure or significant environmental or health and safety issue	Injury to persons, potential loss of life Serious damage to sites and/or environment, with consequential reputational damage and costs	Delivering to customers and communities	Board leadership and scrutiny of health, safety and environment Assess risks and integrate them into management processes from pre-acquisition stage Dedicated teams in place with comprehensive procedures and controls	Board/CEO	L	→
Recruitment and retention of staff with requisite skills more difficult in competitive market	Shortages of key staff in critical business areas introduces cost and delay in bringing developments forward	Skills and leadership	Ensure that the Group is a desirable employer, offering competitive packages, career progression and strong training and development processes	Executive Management Team	M	→
Extreme weather events adversely impact developments and delivery	Changes in weather patterns adversely impact deliverability of sites Remedial solutions costly Delivery delay	Responsible resource management	Consider extreme weather impacts when designing product Enhance landscaping and mitigation measures to address consequences of extreme weather	Executive Management Team	L	→
Supply of materials and/or labour fails to match desired production levels	Supply chain issues constrain output and efficiency in currently strong market Adverse customer experience as build completion forecasting is difficult and subject to variation	Partnership and supply chain	Dialogue with major suppliers Advance planning and call-off by Divisions Examine alternative production approaches, e.g. timber frame as opposed to blocks Maintain strong apprenticeship programme	Group Production Director	H	↗

Finance Director's review

A strong performance in a good market.

Creating value

St Peters Place, Hammersmith, London combines classically inspired architecture with the highest quality modern craftsmanship.

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 the 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. Full details are shown in Note 9 to the financial statements, on page 122.

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 (ROCE) 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 while 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%, while 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

Approval

The strategic report for the financial year 2014 as presented on pages 8 to 66 was approved by the Board of Directors on 27th January 2015 and signed on its behalf by:

Kevin Maguire
Group Company Secretary

Corporate governance

In this section

Board of Directors

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

Throughout the year, the Board had four Non-Executive Directors and two Executive Directors. Photos of our Board and Executive Management Team can be found on page 59; and their personal biographies can be found below.

Our Group Board

William Rucker

Non-Executive Chairman: Appointed to the Board in September 2011.

Other company directorships: Quintain Estates & Development plc (Chair), Chief Executive of Lazard in the UK.

Experience and qualifications:

William is a Chartered Accountant with many years' experience in banking and financial services. He is Chief Executive of Lazard in the UK, and brings a wealth of knowledge and experience of financial markets, corporate finance and strategy to his leadership of the Board.

Stephen Stone

Chief Executive: Appointed to the Board in November 1999, becoming COO in 2002 and CEO in 2005.

Other company directorships: Home Builders Federation (HBF).

Experience and qualifications:

Stephen is a Chartered Architect with over 30 years' experience in various positions in the construction and house building industry. Stephen leads the Executive Management Team in running the business, and is the director responsible for health and safety. Stephen represents the Group with investors, the Government, HBF and the industry throughout the year.

Patrick Bergin

Group Finance Director: Appointed to the Board in October 2011.

Experience and qualifications:

Patrick joined the Group in 2006 and was appointed as Group Finance Director in 2011. He is a Chartered Accountant with 20 years' experience and has worked in a range of industries in various finance roles.

Malcolm McCaig

Independent Non-Executive Director: Appointed to the Board in April 2009.

Committees: Audit (Chair), Nomination, Remuneration.

Other company directorships: OneSavings Bank plc, Punjab National Bank (International) Ltd, QBE Europe, Renaissance Capital Ltd, Tradition (UK) Ltd, Unum Ltd.

Other professional experience and community involvement: Trustee of the City of Glasgow College Foundation.

Experience and qualifications:

Malcolm is a former partner of Deloitte and a former partner of Ernst & Young. In addition, he has held senior executive positions in banking and insurance firms. He is an expert in risk management, and his other specialisms including governance, audit and finance. Malcolm has chaired 12 audit and risk committees during his seven years as Non-Executive Director. At Crest Nicholson, Malcolm leads the Audit and Risk Committee in the role of Chairman, providing insight and analysis to the Board.

Pam Alexander, OBE

Independent Non-Executive Director: Appointed to the Board in December 2011.

Committees: Audit, Nomination, Remuneration.

Other company directorships: Covent Garden Market Authority (Chair), The Academy of Urbanism Ltd.

Other professional experience and community involvement: Trustee of the Design Council and Chair of CABE at the Design Council, member of the London Mayor's Design Advisory Group, Trustee of the Brighton Dome and Festival Ltd.

Experience and qualifications:

Pam has worked with developers, housing associations and governments planning and delivering housing and regeneration schemes, and on policy and regulatory matters. Having held senior positions in the public, private and not-for-profit sectors, including Chief Executive positions at English Heritage and the South East England Development Agency (SEEDA) and Chair of Peabody Trust, Pam has a broad range of experience in the design, delivery and environmental aspects of the industry.

Jim Pettigrew

Senior Independent Non-Executive Director: Appointed to the Board in February 2013.

Committees: Remuneration (Chair), Audit, Nomination (Chair).

Other company directorships: Edinburgh Investment Trust Public Ltd Company (Non-Executive Chair), Clydesdale Bank Plc (Non-Executive Chair), RBC Europe Ltd (Deputy Chair), Aberdeen Asset Management PLC, Non-Executive Director.

Other professional experience and community involvement: Deputy President of the Institute of Chartered Accountants of Scotland, member of the Association of Corporate Treasurers.

Experience and qualifications:

Jim Pettigrew is a Chartered Accountant. He qualified with Ernst & Young before undertaking a number of senior finance roles in Scotland, subsequently joining ICAP plc as Chief Financial Officer from 1999 to 2006, and later Ashmore Group plc. Jim later spent time as Chief Executive of CMC Markets plc and has extensive experience in finance and investment. Jim's financial, investment and strategic expertise provide additional perspective and guidance to the Group Board in his role as Senior Independent Non-Executive Director.

Our Executive Management Team

Stephen Stone
Chief Executive

Patrick Bergin
Group Finance Director

Chris Tinker

Regeneration Chairman: Joined the Executive Management Team in 2007.

Other company directorships: Enterprise M3 Local Enterprise Partnership.

Experience and qualifications:

Chris, a Chartered Builder, joined the Group in 1988. Through the 1990s he was instrumental in the acquisition and master-planning of several of the Group's major residential projects, leading to his appointment in 2002 as Managing Director of Crest Nicholson Developments.

Chris joined the Executive Management Team in 2007 and is Regeneration Chairman, responsible for the Major Projects division, as well as the Group's sustainability strategy. Chris also sits on the HCA's Design & Sustainability Board.

Steve Evans

Group Production Director: Joined the Executive Management Team in January 2011.

Experience and qualifications:

Steve re-joined the Group in 2009 having previously served with Crest Nicholson from 1995 for nine years. He is currently Group Production Director and was previously Managing Director of the Eastern Region. Prior to re-joining the Group in 2009 he was Chief Executive of the Anderson Group.

Steve oversees the Group's overall production programme and works with the divisional build teams to maximise production programmes and build efficiency.

Robin Hoyles

Group Land and Planning Director: Joined the Executive Management Team in December 2011.

Experience and qualifications:

Robin joined the Group in May 2011 and was appointed to the Executive Management Team later that year. He was previously with Countryside Properties for more than 17 years as Managing Director of their Special Projects division. He is a solicitor and prior to joining Countryside was in private practice in London.

Kevin Maguire

Group Company Secretary: Joined the Executive Management Team in January 2009.

Committees: Secretary to Audit, Nomination and Remuneration Committees.

Experience and qualifications: Kevin joined the Group in March 2008 and became Company Secretary in January 2009. Since joining Crest Nicholson, Kevin has been involved in a range of significant corporate transactions. Having a legal background, he is a Chartered Secretary and previously held roles in retail, pensions and technology.

Conventions used

The Board refers to the main board of the Company. The Executive Management Team refers to the executive team, including the Executive Directors of the Board.

Group Chairman's introduction

"The Board recognises the importance of appropriate governance practices that support the Group's sustainable business model, objectives and goals."

Key initiatives this year

- Diversity workstream launched for the Board and workforce generally.
- Non-Executive Director recruitment process underway.
- Tender process conducted for the appointment of our external auditor.
- Incentive scheme provisions extended in relation to recovery and withholding.

Compliance with the UK Corporate Governance Code

The Board considers that it and the Company complied with the code provisions and applied the main principles of the UK Corporate Governance Code ('Code') throughout the year. The Code (published in September 2012) can be found on the FRC website (www.frc.org.uk).

We describe how we have applied those main principles in this section of the annual integrated report and the Committee reports on pages 70 to 100.

Corporate Governance Statement

We comply with the corporate governance statement requirements pursuant to the FCA's Disclosure and Transparency Rules by virtue of the information included in this Corporate governance section of the annual integrated report, together with any cross-references therein.

I am pleased to introduce the Corporate governance section of our report, which is intended to provide shareholders with an understanding of the Group's governance arrangements and how they have operated during the financial year.

While good practice is already well established within Crest Nicholson, corporate governance is a continual process to which the Board is fully committed. Our Group diversity initiative, for example, reflects our ongoing focus on maintaining strong leadership and wide, relevant experience at all levels of the organisation.

Our governance framework will be strengthened by the forthcoming appointments of two Independent Non-Executive Directors, one of whom will succeed Malcolm McCaig as Chair of the Audit and Risk Committee. Malcolm will step down from the Board at the 2015 Annual General Meeting after six years' service. On behalf of the Board I would like to thank Malcolm for his extensive service to the Board and effective chairmanship of the Audit and Risk Committee over the last six years.

I would like to thank all my colleagues on the Board for their support and hard work through the year. Their expertise and dedication have been instrumental in guiding the business to record-breaking results and will be equally valuable in the next stages of the Group's development.

William Rucker
Chairman

In relation to the IIRC Framework for integrated reporting, we confirm that members of the Board and of the Executive Management Team have been closely involved in the preparation of this annual integrated report and consider that it complies with the IIRC Framework. The Board acknowledges its overall responsibility for the accuracy and integrity of the report's contents.

Board effectiveness

In this section

Board responsibilities

Supported by advice and information from the Executive Management Team, the Group Board is responsible for and has reserved certain matters for itself including the following approvals and oversight:

Budget and finance	Strategy and operations	Corporate governance
Setting annual budget and tracking performance against budget during the year.	Long-term strategic direction and objectives.	Board composition, committee structure, director remuneration.
Approval of financial statements including shareholder distributions.	Overall management and planning.	Accounting and reporting.
Changes to debt or capital structures other than existing facilities, and major capital contracts.	Resource allocation.	Risk management and control.

Board composition and roles

Board composition	Provides for
An appropriate balance of Non-Executive and Executive Directors: ■ Non-Executive Chairman. ■ Three Independent Non-Executive Directors. ■ Chief Executive and Group Finance Director.	**Effective management, control and direction:** ■ Clear division between Chairman and Chief Executive roles. ■ Entrepreneurial leadership. ■ Values and standards setting. ■ Fulfilment of obligations to shareholders and stakeholders.

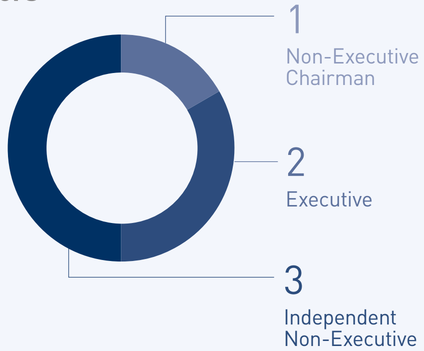
Non-Executive Directors

The Group benefits from the wide-ranging experience and professional backgrounds of the Non-Executive Directors, which cover finance, corporate governance and risk management, together with design, property and commercial knowledge. Biographies are set out on page 68.

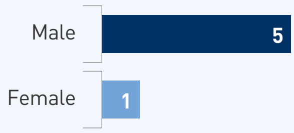
The Non-Executive Directors provide independent judgement and play a key part in risk management, review and challenge of financial assumptions, reporting and business assurance. The Non-Executive Directors also determine the policy for Executive remuneration.

Board effectiveness

Split of Directors



Gender split



Length of tenure at date of this report

	Time of tenure
William Rucker	3 years and 4 months
Jim Pettigrew	1 year and 11 months
Malcolm McCaig	5 years and 9 months
Pam Alexander	3 years and 1 month
Stephen Stone	16 years
Patrick Bergin	3 years and 3 months

A clear division of roles

Within the Board, there is a clear division between the roles of the Chairman and the Chief Executive.

The Chairman of the Company is not considered to be independent for the purposes of the UK Corporate Governance Code as a result of his role as the Chief Executive of Lazard in the UK (a financial advisor to the Company, from time to time) and his interest in the ordinary shares of the Company. However, the Directors believe that his knowledge and understanding of the Group's business will continue to be an asset to the Group in the future. In addition, safeguards are in place to minimise any potential conflicts of interest including the appointment of a Senior Independent Non-Executive Director.

Group Chairman – William Rucker

- Is primarily responsible for overseeing the Board's work, activity and output
- Leads the Board in structuring and communicating strategy
- Oversees the conduct of Board meetings to achieve appropriate Director involvement and effective decision making, ensuring that relevant attendees contribute to the level required by the debate.

Chief Executive – Stephen Stone

- Oversees the implementation of the Company's long and short-term plans in accordance with the Board's agreed strategy
- Leads the Executive Management Team in the day-to-day running of the Group
- Keeps the Board fully informed of the conduct of the business and its finances
- Ensures the Company is appropriately organised, staffed and resourced.

Board activity and meetings

The Board meets at least six times per year with other meetings arranged as necessary. The Board receives regular management reports and briefing material in preparation for its meetings.

There is regular dialogue between Board members via email and conference calls as required throughout the year. The Executive Management Team members are all invited to attend regular Board meetings and do attend, other than in exceptional circumstances. The Board finds this additional input, analysis and perspective invaluable and in the recent internal review of Board effectiveness, this was highlighted as a key part of the Board's effective operation. The Board will meet without the other members of the Executive Management Team where appropriate.

Board activity for the year

Budget and finance

- Reviewed and approved the budget for the financial year.
- Reviewed and received regular updates on key financial metrics including progress against forecast and cash management.
- Refinanced the Group's banking facilities.
- Reviewed the dividend policy.
- Reviewed and approved certain significant land acquisitions.

Strategy and operations

- Tested and reviewed overall strategy including risk scenarios and sensitivity analysis.
- Debated, evaluated and approved strategic opportunities in relation to a new division and further engagement with the private rental sector.
- Reviewed the Group's positioning in relation to its peers.
- Visited business units, meeting those teams and visiting sites.
- Reviewed training and development provision, including meeting graduates and apprentices.

Corporate governance

- Reviewed and agreed outcomes and actions from the internal Board evaluation programme.
- Approved the Audit and Risk Committee's recommendation to appoint PricewaterhouseCoopers LLP (PwC) as external auditor for the 2014/15 financial year.
- Approved the approach to Board and Company diversity.
- Reviewed the composition of the Board.
- Offered significant investors the opportunity to meet the Chairman/ Senior Independent Non-Executive Director (in addition to any meeting with management) to focus on corporate governance matters.

Meetings attendance

	Main Board	Audit and Risk Committee	Remuneration Committee	Nomination Committee
Total number of meetings	6	5	4	3
William Rucker[1]	Chair 6			3
Pam Alexander[1]	6	5	4	3
Patrick Bergin[1]	6			
Malcolm McCaig[1]	6	Chair 5	4	3
Jim Pettigrew[2]	6	5	Chair 4	Chair 2
Stephen Stone[1]	6			3

Delegation of responsibilities

The Board delegates day-to-day management of the business to the Chief Executive and Executive Management Team while maintaining oversight and control.

With regard to the land pipeline, the Group's material asset, the Board delegates authority to the Executive Management Team to acquire the majority of new sites as the Board deems necessary, while retaining oversight of all acquisitions. The Board retains approval of all significant or unusual acquisitions.

Appropriate management responsibility is delegated to divisional management boards with input and oversight from the Executive Management Team. This structure provides effective decision making, with clear authority levels, documented procedures and a regular review of financial performance and forecasts. Divisional management reports monthly to the Executive Management Team.

The Executive Management Team undertakes all day-to-day decision making under the supervision of the Chief Executive. This includes agreeing the acquisition and sale of the Group's assets in the ordinary course of business, personnel changes, project planning and strategy implementation. The Executive Management Team also provides guidance to the Board on matters reserved for the Board.

[1] 100% attendance.

[2] Jim Pettigrew was unable to attend one meeting due to existing business arrangements. Malcolm McCaig took the Chair for this meeting.

Independence and conflicts of interest

The Board monitors conflicts of interest on an ongoing basis. Directors do, from time to time, have other interests that may overlap with or relate to interests of the Group. For example, Non-Executive Directors could be involved in other businesses from which we may buy products and services or might have interests in areas of the country where we operate. Where any of these contracts are material, they are disclosed as related-party transactions on page 78.

Board evaluation

As required by the UK Corporate Governance Code, the Board evaluates its own performance and that of its Committees and individual Directors every year, and will carry out an external evaluation every three years.

Given the proximity to the Company's Initial Public Offering (IPO) and other governance priorities in 2013, the Board undertook an internal evaluation in 2014. The external evaluation will take place during 2015 in line with the previously stated commitment to undertake this in 2014 or 2015.

This year's internal evaluation took the form of a structured interview, led by the Chairman and Company Secretary, to establish views and assess the performance of the Board, its Committees and each Director. As well as constitution, composition, operation, performance and training, the evaluation included a review of Directors' abilities to allocate sufficient time to discharge responsibilities effectively, as this was a matter raised by investor relations groups in 2013. During the year a number of Non-Executive Directors reduced their external commitments.

The evaluation concluded that the Board was working well under the leadership of William Rucker, as evidenced by the overall Board dynamic and the quality of debate and challenge. The findings were consolidated and presented to the Nomination Committee and Board for review, with recommendations taken forward. These include refining the structure and content of Board meetings, with an additional focus on specialist topics and external speakers, and expanding the diversity of the Non-Executive Directors' skill base into other areas.

Reviewing the Board composition

During the year the Nomination Committee, in conjunction with the Chairman, considered the overall composition of the Board in relation to the requirements of the Code, including consideration of the benefits of all aspects of diversity in order to maintain an appropriate range and balance. As part of this review, and following six years of service, Malcolm McCaig will step down from the Board at the Company's Annual General Meeting on 19th March 2015. Malcolm has played an important role as Independent Non-Executive Director, seeing the Company through its transition from private to public ownership, bringing a wealth of knowledge and experience to the Board and leading the Audit and Risk Committee through periods of significant change.

Taking into account the overall structure of the Board and the balance of skills required in the medium term, it was agreed that two new Non-Executive Directors would be recruited. Details of the ongoing recruitment process are outlined in the Nomination Committee report.

All the Directors (other than Malcolm McCaig) submit themselves for re-election at the AGM to be held on 19th March 2015.

Shareholders and stakeholders

Investor relations

The Company provides relevant materials to investors via its website and mobile app, and meets regularly with significant shareholders. The meetings are mainly undertaken by the Chief Executive and Group Finance Director throughout the year, often after full-year or interim results.

As part of enhancing our investor relations programme, significant investors have been offered an opportunity to meet with the Chairman/Senior Independent Director to discuss governance matters. Shareholder feedback is taken into account in the formulation of policies, including remuneration, and in the setting of appropriate performance thresholds.

Our investor relations programme is an important area of activity and the Board will continue to examine means to further develop its investor relations during the forthcoming year.

Donations

Employees have continued to support the Group's nominated charity, Variety, the Children's Charity, and have raised £93,061.62 (2013: £53,233) to support this cause during the year.

There were no political donations made during the year.

Employment policy

The Group maintains and operates an Equal Opportunities Policy, and seeks to ensure that all employees and prospective employees receive equal and proper treatment at all times regardless of gender, marital status, sexual orientation, religious belief, colour, race, nationality, ethnic origin, age or disability. The Group values diversity and equality, and selects employees based on their aptitude and abilities. Where employees have or develop particular long-term health issues or disabilities, the Group works with those employees to ensure their role, skills and development opportunities remain suitable and appropriate for their circumstances so that they can continue and progress in their employment with the Group.

The Group interacts with its employees through the appropriate levels of management and seeks employees' opinions about the Group's operations and behaviour through internal feedback and staff surveys. A staff survey was carried out in 2013, the results of which have driven a number of improvements including a specific training platform, a new Delivering Professional Excellence appraisal programme and a refreshed and consolidated total reward online benefits platform. All of these changes contribute directly to the support of our workforce. The next staff survey will take place in 2015.

During the year the Group re-launched its share incentive schemes, and 39% of eligible employees elected to join the 2014 Sharesave scheme, many taking advantage of the increase in the HMRC savings limit.

Nomination Committee report

“The Committee has continued to focus on ensuring continuity and strength in depth in leadership at the most senior levels of the Company.”

It has been a busy year for the Nomination Committee as we have worked towards meeting the targets we set ourselves last year. This includes a continued focus on succession planning, coaching and formal talent development. The Committee also started a recruitment process during the year, which followed an internal evaluation of the Board's composition.

I would like to thank Committee members for their valuable contribution in all these areas, which are outlined in more detail in the report below. Information on Committee membership and attendance in the year can be found on page 73.

Jim Pettigrew
Chairman of the Nomination Committee

Key initiatives this year

The Nomination Committee's key activities focused on:

- succession planning and talent development
- Board composition and diversity
- recruitment to the Board.

Responsibilities and terms of reference

- Reviewing structure, size and composition of the Board.
- Carrying out a wide-ranging search for potential candidates and preparing appropriate job specifications when seeking new Board members.
- Ensuring appropriate induction for new Directors.
- Making recommendations in respect of the re-election of Directors retiring by rotation, continuation in office and the appointment of Directors to other offices.
- Conducting performance evaluation of Directors, Non-Executive Directors and senior management as appropriate.
- Succession planning.
- Resolving Directors' conflicts of interest issues.

Looking ahead

The Committee's key aims for next year are to:

- continue with its review of the measurable objectives for achieving diversity in the boardroom and at all levels within the business
- formally document its policies and processes on diversity in its different forms, with action plans where appropriate
- continue with talent development and succession planning projects
- undertake an externally facilitated evaluation of the Board.

Board appointments

Following a review of the Board composition carried out during the year, the Committee appointed an external search consultancy, Norman Broadbent (a firm having no affiliations with the company), to identify possible candidates to join the Board. The firm was provided with a specific mandate setting out potential areas where the Board felt its skills could be enhanced.

The Committee has applied a rigorous selection process, including assessment of candidates against role requirements and the existing Board dynamic. The search firm spent significant time talking with each Board member to develop a Role Profile and a measured and considered list of requirements to underpin the search.

Diversity

During the year the Committee initiated a workstream to develop diversity not only in the boardroom but throughout the business. Although the Group committed to adopting a formal Diversity Policy during the year, we have not yet done so – instead opting to first research the existing position in order to develop frameworks and an action plan to ensure the effectiveness of such a policy in improving opportunities and business results.

The Committee believes in encouraging diversity of business skills and experience, recognising that these exist across age groups, geographic areas, cultural backgrounds and gender. While gender is rightly a regular topic in the diversity arena, the Committee and Board believe that the debate is much wider. We nevertheless recognise the significance of this aspect of diversity and acknowledge the role that people with the right skills and experience of either gender can play in the boardroom.

Succession planning

Board succession remains a key agenda item for the Committee. With a focus on ensuring that the Group continues to benefit from the right balance of experience at the most senior levels, the Committee developed and implemented a succession planning framework for timely identification of potential successors, including specific coaching for members of the Executive Management Team. The approach is being carried through into succession planning for the wider senior management team.

The Committee continued to review the work of the Talent Review Group in implementing a formal programme to identify and develop emerging talent.

Re-election of Directors

All Directors, other than Malcolm McCaig, will submit themselves for re-election at the AGM to be held on 19th March 2015. Following the evaluations of individual Director performance overall Board performance and the proposed new appointments, the Committee confirms that the Board has the appropriate balance of skills, experience, independence and knowledge and that shareholders should support the re-election of the Directors.

Audit and Risk Committee report

"The Audit and Risk Committee has closely monitored the Group's risk management framework to safeguard against potentially significant risks."

Key initiatives this year

The Audit and Risk Committee discharged its responsibilities in relation to compliance policies, financial management, internal control and external audit:

- reviewed approaches towards profit recognition and the valuation of shared equity loans
- revised Group risk register taking account of significant factors such as counterparty risk
- examined internal audit reports with a focus on finance, land acquisition and human resources
- supervised the tender process for the external auditor appointment.

Responsibilities and terms of reference

The Committee's terms of reference set out its role and the authority delegated to it by the Board. The Committee's key responsibilities are summarised below.

Financial reporting

- Monitoring the integrity of the Group's financial statements and any formal announcements relating to its financial performance.
- Reviewing significant financial reporting judgements contained in the financial statements and announcements.

External audit

- Considering the scope of the annual audit and the extent of the non-audit work undertaken by the external auditor.
- Advising on the appointment of the external auditor; reviewing and monitoring the auditor's independence and objectivity, and the effectiveness of the audit process.

Internal control

- Reviewing the effectiveness of the Group's system of internal control, including its arrangements in relation to whistleblowing.
- Reviewing the Group's procedures for detecting fraud, systems and controls for the prevention of bribery and the adequacy and effectiveness of the Group's anti-money laundering systems and controls.

The Audit and Risk Committee had a very productive year fulfilling its responsibilities to the Board and assisting the business to operate within a well-managed framework of management and control. This report describes the Committee's main activities, including an overview of the audit tender process, which resulted in the recommendation to appoint PwC as external auditor at the Company's 2015 AGM.

Ensuring the integrity of the Group's financial statements including the half-year report was once again an important aspect of the Committee's programme, as was the Committee's risk management review including revision of the key risks register. As part of this work the Committee received regular reports from the Group's internal audit function and monitored the implementation of recommendations, providing guidance and challenge where appropriate. Additionally, the Committee reviewed relevant Group policies for related-party transactions, non-audit services provided by the external auditor, bribery and corruption, and whistleblowing.

Following six years of service with the Group it is with regret that I depart the Audit and Risk Committee and the Board, but it is also with a tremendous sense of achievement as I look back on Crest Nicholson's journey over the past six years.

I would like to thank my fellow Committee members for their continued support during the year. A full account of the Committee's activity is provided below.

Malcolm McCaig
Chairman of the Audit and Risk Committee

Committee membership and meetings

The Committee is made up of:

Malcolm McCaig (Chairman)

Jim Pettigrew

Pam Alexander

There have been no changes to the Committee's membership during the year. However, Malcolm McCaig is due to step down at the 2015 AGM. In accordance with the UK Corporate Governance Code (the 'Code') all members of the Committee are Independent Non-Executive Directors.

In consideration of the year under review, the Board is satisfied that both Malcolm McCaig and Jim Pettigrew have recent and relevant financial experience as required by the Code. Mr McCaig is a former partner with Deloitte. He is a technical specialist in risk management, finance, corporate governance, regulatory compliance, audit and IT. Mr Pettigrew is a qualified Chartered Accountant and the Vice-President of the Institute of Chartered Accountants of Scotland. He has held a number of commercial finance roles including Treasurer and Deputy Chief Financial Officer for Sedgwick Group plc and Chief Financial Officer for ICAP plc.

The Committee met five times during the year (details of attendance are set out on page 73). The Company Chairman, Chief Executive, Group Finance Director and other senior personnel attend by invitation. The Group internal auditor and external auditor also attend each meeting by invitation and meet with the Committee at least once a year without Executive Management. The Committee is supported by Kevin Maguire (Group Company Secretary).

Committee activity

During the period, the Committee:

Reviewed and approved

- its terms of reference, independence and financial literacy
- the performance of KPMG as external auditor, including its independence, and approved its reappointment and remuneration in relation to the audit for the financial year ending 31st October 2014
- amendments to accounting policies
- statutory accounts for the year ended 31st October 2013, together with the related representation letter, going concern statement and related public announcements
- the half-year results together with related public announcements
- a revised corporate risk register relating to the Group's corporate risks, including counterparty risk
- the recruitment of a new Group internal auditor
- the internal audit plan for 2014/15
- internal audit reports in relation to finance, land acquisition and human resources processes. The Committee monitored the implementation of recommendations arising from these reviews, as well as securing greater progress with the adoption of recommendations from earlier reports
- the policy on the use of the external auditor for non-audit services
- the whistleblowing policy
- the Company's response to the Bribery Act and associated policies
- supervised the tender of the external auditor position, which resulted in the recommendation to appoint PwC as external auditor at the Company's 2015 AGM.

Significant issues

Profit recognition

As part of its oversight of significant accounting policies, the Committee has continued to consider the Group's approach to profit recognition. As further explained in Note 1 to the Financial statements, the approach to carrying value and profit recognition is driven by the forecasted project margin (based on actual and forecast sales prices and build costs), which drives the profit recognised on completed sales and supports the carrying value of the remaining work in progress. For any undeveloped land and sites trading unprofitably or with a risk of trading unprofitably, the risk is that net realisable value (selling price less costs to sell) will be below cost. This demands regular assessment of assumptions in relation to sales prices and build costs. Management ensures that where any sites have low or negative margins, appropriate and sufficient provisions are made.

The external auditor reports to the Committee on the work they have carried out during the year, including testing management's controls over reviewing and updating selling prices and cost forecasts; and comparing management's estimates of sales prices and build costs to actual sales prices and cost trends.

The Committee is satisfied that the internal controls in place ensure the effective assessment of inventory carrying values and the costs to complete developments.

Shared equity loans

As in prior years, another important area of focus has been the valuation of shared equity loans granted under schemes such as Easybuy and Homebuy Direct. As more fully explained in Note 13, shared equity loans are classified as available-for-sale assets under the International Financial Reporting Standards. Such assets are required to be held at fair value in the statement of financial position. The carrying value of Easybuy and Homebuy loans is based on a number of assumptions, such as the timing and value of the recoverable amounts, and the discount rate. In the absence of suitable information on actual market prices to use as a valuation basis, management have adopted a valuation model, which forecasts cash flows and then discounts at a suitable rate to estimate current fair value.

The external auditor has reviewed the valuation model's assumptions for reasonableness and consistency. In addition, with the support of a valuation specialist, the external auditor has tested the process and systems used by management for recording and tracking the portfolio of assets, and has carried out a sensitivity analysis in comparison to market data.

Management confirmed to the Committee that the approach had been applied consistently during the current year and none of the Committee's other enquiries, nor the external auditor's work, identified any errors or inconsistencies that were material in the context of the financial statements as a whole.

Financial reporting

Management confirmed to the Committee that they were not aware of any material misstatements made intentionally to achieve a particular presentation. The external auditor reported to the Committee that they found no material misstatements in the course of their work. The Committee confirms that it is satisfied that the external auditor has fulfilled their responsibilities with diligence and professional scepticism.

After reviewing the presentations and reports from management and consulting with the auditor where necessary, the Committee is satisfied that the financial statements appropriately address the critical judgements and key estimates (both in respect to the amounts reported and the disclosures). The Committee is also satisfied that the significant assumptions used for determining the value of assets and liabilities have been appropriately scrutinised and challenged, and are sufficiently robust.

At the request of the Board, the Committee has considered whether, in its opinion, the annual integrated report and accounts was fair, balanced and understandable and whether it provides the information necessary for shareholders to assess the Group's performance, business model and strategy. The Committee is satisfied that, taken as a whole, the annual integrated report and accounts is fair, balanced and understandable. In forming this opinion the Committee considered whether the annual integrated report and accounts:

- provided a comprehensive review of the Group's activities and strategy
- reflected appropriate events over the year and acknowledged the issues the Group faces
- highlighted the continuation of positive growth
- accurately described the market and key risks faced by the Group
- included both the key positive and negative points.

External auditor

Last year, we advised that KPMG and its predecessor firms had held the position of external auditor for many years. Given the length of KPMG's tenure and changes to the Code, the Committee assessed the viability and merits of a tender process early in the year and it was agreed that a tender for the position of external auditor should be carried out.

Appointment of external auditor

A project team was established, which was led by the Audit and Risk Committee in conjunction with the Group Financial Controller. The project team included all members of the Committee as well as the Group Finance Director, with involvement from the Company Chairman, Chief Executive and Group Company Secretary where appropriate. A description of the tender process is set out below:

- seven firms were invited to participate, including three 'mid-tier' accountancy firms. Two of the firms declined to participate in the process
- Requests for Proposal were submitted to five firms in May with meetings held between members of the project team and each firm during June and July
- following receipt of detailed responses, two firms (one being a 'mid tier' accountancy firm and the other being a 'Big Four' firm) were shortlisted and presented formally to the Committee and other key stakeholders in September.

The shortlisting process allowed the project team to meet the relevant people from both firms and understand each firm's offer before the formal presentations.

The Committee met to discuss the merits of each proposal and formal pitch and while it was felt that both firms were very strong candidates, after extensive debate it was concluded that, overall, PwC would provide the best external auditing services in terms of quality, professionalism and overall experience.

The Committee resolved to recommend to the Board for their consideration the appointment of PwC as the external auditor following completion of the 2013/14 financial year audit, subject to shareholder approval at the AGM in March 2015.

The Committee would like to thank each firm that participated in the tender and to thank KPMG for its significant contribution to the Group over the years.

Effectiveness review

Notwithstanding the intended change of external auditor, the Committee believes it is paramount to report on the assessment made of the effectiveness of KPMG for the period.

The annual assessment took the form of a survey that sought insight from management and Committee members on the overall effectiveness of the external auditor and the audit process – paying particular attention to the audit team, planning and scope, identification of areas of audit risk, execution, the role of management, communications and support.

Overall, the audit process and the audit team performed as expected and in some areas the processes and people were notably strong – including the overall quality of the planning and execution, and the strength and commitment of the audit partner. Any areas where it is believed that improvement could be made will be discussed with the incoming audit firm and monitored.

Risk management and internal control

The Committee is responsible for reviewing the effectiveness of the Group's internal controls and risk management systems. The Committee also reviews and approves the statements to be included in the annual integrated report concerning internal controls and risk management.

During the year the Committee's terms of reference were clarified in respect of its risk management mandate and its name changed to the Audit and Risk Committee.

The Board as a whole oversees the Group's control framework ensuring clearly defined processes, and is responsible for determining the nature and extent of the significant risks it is willing to accept to achieve its strategic objectives. Certain of these responsibilities have been delegated to the Audit and Risk Committee.

Risk management is therefore a regular agenda item for the Committee and the Committee is comfortable that the Group has established sound risk management and internal control systems in accordance with the Code. This is supported by the annual review of the effectiveness of the Group's systems of internal control, which confirmed that there are no significant failings or weaknesses. Where areas of improvement were identified, processes are in place to ensure that the necessary action is taken and that progress is monitored.

The Committee also considered the internal control recommendations raised by the external auditor during the course of the external audit and the Company's response to dealing with such recommendations.

The Group's system of internal controls is designed to manage, rather than eliminate, the risk of not achieving business objectives and can only provide reasonable, and not absolute, assurance against material misstatement or loss.

Risk management framework

The risk management framework consists of risk assessments made at both divisional and Group level. At divisional level each management board will undertake a regular assessment of its exposure to financial, operational and strategic risks and the measures that have been put in place to manage those risks. The significant risks highlighted within each divisional management team are then incorporated into the Group risk matrix, which is reviewed and monitored by the Committee.

The Committee approves the internal audit programme and monitors the implementation of any recommendations made. The Committee receives regular reports from the internal audit function, which identifies risk and assesses the relevant internal controls to ensure they suitably match the risks and that the controls are appropriately designed and operating as intended.

For an overview of principal risks and the Group's approach to their mitigation and management, please see the Principal risks and uncertainties section, page 61.

Whistleblowing

The Committee is responsible for the Group's arrangements in relation to whistleblowing and for ensuring clear procedures are in place to allow its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The policy encourages employees to report any concerns or malpractice and helps facilitate an open and honest working environment.

All employees have access to the Chairman of the Committee if they wish to raise concerns directly with him.

Directors' remuneration report

"The Group's clearly defined strategic objectives of increasing the volume of homes built and sold, driving return on capital employed and maintaining industry-leading margins have not changed and consequently our remuneration framework has remained consistent with what was introduced last year."

Key initiatives this year

- Further engagement with shareholders.
- Commissioned a remuneration report to benchmark Director and senior management team remuneration.
- Challenge and determination of 2014 awards.
- Continued our popular Sharesave scheme in 2014.
- Set incentive plan measures and targets for 2015.
- Improved recovery (clawback) and withholding (malus) provisions to certain variable pay components.
- Carried out a competitive selection process to appoint a new remuneration advisor.

On behalf of the Board I am pleased to present our 2014 Directors' remuneration report.

This year, we have included an 'at a glance' section to support ease of understanding of the interaction between policy and our in-year remuneration.

The Committee believes that a remuneration policy should support and underpin business strategy, as well as align the interests of our Directors with those of our shareholders, and this is demonstrated by the strength of the positive vote we received at our AGM in March 2014 for our remuneration policy.

The discretion contained within the framework of the policy allows the Committee the necessary flexibility to avoid inequitable outcomes where performance is not properly reflected in a scheme outcome. We published clarification on our use of discretion following feedback from investor relations groups and this clarity has now been added to our policy as well.

Our clearly defined strategic objectives of increasing the volume of homes built and sold, maintaining a strong return on capital employed and maintaining industry-leading margins have not changed and consequently our remuneration framework has remained consistent with last year. However, since the approval of the Policy at our 2014 AGM, the Committee has responded to the 2014 Corporate Governance Code, which was published in September 2014 with additional recovery and withholding provisions for bonus and long term awards in respect of 2015 onwards.

The Committee understands that, along with training and career development, the Company must provide sustainable levels of remuneration to attract, retain and motivate high quality employees, while also recognising that it operates in a highly competitive market for talent.

During the year, PwC was retained to provide a remuneration report to benchmark Director and senior management team remuneration against market practice by other UK house builders and this was then considered along with Company and personal performance, inflation and earnings forecasts, and the state of the marketplace generally. The Committee concluded that there should be no structural pay adjustments for Directors and that base salary increase should be 2.5% in respect of senior management (including the Executive Directors) and 3% for other employees generally based on consideration of cost of living indices, industry and market benchmarking and the overall financial performance of the Group.

The Committee believes in pay for performance, and at least 50% of senior executives' annual bonuses are linked to one or more financial metrics, together with non-financial measures. All non-financial measures are based on relevant operational or business objectives and are assessed and set by the Committee. The measures used for the Executive Directors in 2014 are set out on page 85 and, for 2015 onwards, will now include recovery provisions in respect of the cash (undeferred) element of any bonus.

In respect of 2014, the Executive Directors reached the cap in their annual bonus scheme earning 125% of salary. The scheme targeted strong growth in earnings before interest, taxes, depreciation and amortisation (EBITDA) and regaining the Group's 5-star customer service rating. The Committee believes the bonus earned reflects performance but will be carefully considering metrics in 2015 to ensure they remain sufficiently challenging.

The long-term incentive plan (LTIP) has been designed to reflect the delivery of our strategic objectives. We intend to use the same metrics as 2014 for awards in 2015 and have considered feedback from certain shareholders carefully in setting targets. We will also be introducing recovery provisions for awards made in 2015 onwards in addition to the withholding provisions that are already a feature of our plan.

Following the selection of PwC as auditor to the Company for 2015, PwC stood down from their role as remuneration advisor at 31st October 2014 and, following a selection process, New Bridge Street (an AON Hewitt company) has been appointed in their place.

The Committee remains satisfied that the remuneration arrangements continue to align with the Group's strategy and believes that they will provide an excellent base for our business to further develop and grow towards our goals, but welcomes all comments from shareholders.

Jim Pettigrew
Chairman of the Remuneration Committee

Remuneration at a glance

The table below provides a high-level summary of Crest Nicholson's remuneration framework for Executive Directors.

	Our remuneration policy Approved at 2014 AGM. Small improvements for 2015.	**Remuneration in 2014** In line with approved policy.	**Remuneration in 2015** How we intend to implement our policy in the coming year.
Base salary	Base salary set by reference to similar roles in a group of other UK house builders. Inflation-related increases to reflect wider workforce.	Stephen Stone: £515,082. Patrick Bergin: £288,400.	**2.5% increase** Stephen Stone: £527,959. Patrick Bergin: £295,610.
Annual bonus	Maximum bonus opportunity of 125% of salary. At least half our measures based on one or more financial metrics. 33% of bonus deferred into shares.	2014 bonus based on EBITDA (85%) and customer service (15%). Performance against targets resulted in bonuses of 125% of salary. 2014 targets disclosed in this report.	2015 bonus scheme to be based on profit before tax (PBT) (a change from EBITDA) of 85% and customer service of15%. 2015 targets to be disclosed in the 2015 remuneration report. Introduction of recovery provisions.
Long-term incentive plans	Maximum opportunity of 300% of salary with normal maximum awards of 150% of salary based on set performance measures.	Awards granted of 150% of salary. Performance conditions over three years of average ROCE and increase in PBT per share.	Awards granted of 150% of salary. Performance conditions over three years of average ROCE and increase in PBT per share. Introduction of recovery provisions.
Shareholding requirement	Minimum shareholding levels of: ■ CEO: five times salary ■ GFD: two times salary.	Both Executive Directors have met their minimum shareholding requirement. Full details of Directors' shareholdings are set out on pages 94 to 96.	No change to the minimum shareholding requirement.
Recruitment and loss of office	Recruitment policy focused on recruiting the right people but not overpaying. Loss of office policy focused on not rewarding failure and maintaining an equitable outcome for the Company.	No new Directors joined the Company in the year and no payments were made for any loss of office.	Remuneration will be set for new Non-Executive Directors as they are appointed.
The Committee	During the year the Committee met on four occasions. Full details of the Committee's activities can be found on page 99. Change of remuneration advisor from PwC to New Bridge Street (an AON Hewitt company) from November 2014 after change of Company auditor.		
Considering your views	Our remuneration policy was strongly endorsed by our investors, with a 95% vote in favour at the 2014 AGM. Our 2013 annual report on remuneration received a 62% vote in favour. Further shareholder engagement took place in the year to understand and seek to address shareholder concerns in future decisions. Further details are provided in our Statement of consideration of shareholder views on page 91.		
2014 single figure	Stephen Stone: £1,312,323. See page 92.	Patrick Bergin: £714,514. See page 92.	

Remuneration policy in this report

- Future policy table – in full.
- Use of discretion – in full.
- Implementation of policy in following year – in full.
- Approach to recruitment – summary.
- Loss of office – summary.
- Employees in the Group.
- Shareholder views.

For the Statement of implementation of remuneration policy in the following financial year please see page 97.

Our full remuneration policy is available at www.crestnicholson.com/investor-relations

Element/Link to strategy		Operation (including maximum opportunity)
Base salary	Help recruit, motivate and retain the best people in the marketplace. Recognise individuals' experience, responsibility and performance.	Salaries are normally reviewed annually with changes effective from 1st January taking into account personal performance, company performance, inflation and earnings, forecasts and the state of the marketplace generally. Base salary is set with reference to similar roles in a group of UK house builders. Where appropriate, comparators from other sectors may be considered as part of the benchmarking process. The exact positioning of salary depends on a variety of factors including the specific nature of the role (particularly where this is not directly comparable to roles outside the Group), individual experience and performance, cost of living increases, inflation, Group performance and market practice in other UK house builders or other comparator group considered. A new Director may be appointed at a salary that is less than the prevailing market rate but increased in the year subject to satisfactory performance. The Committee may also increase a Director's salary should there be a change in the scope of their role; the complexity of the business or market, or the size/value of the business that the Committee believes justifies a further adjustment of salary.
Fees for Non-Executive Directors	Reflect the time commitment and responsibilities of the roles.	Fees are reviewed on an annual basis, taking into consideration market practice and are set with reference to sector, FTSE 250 and general Non-Executive Director benchmarking data as appropriate. Fees are approved by the Board upon a recommendation from the Executive Directors. Non-Executive Directors' fees are paid in cash and are not performance related. There are no benefits or incentive schemes for Non-Executive Directors.
Benefits	To provide a competitive level of benefits and encourage the well-being and engagement of employees.	Core benefits include: ■ private medical insurance – family cover ■ company car or car allowance ■ income protection ■ personal accident insurance ■ life assurance ■ annual health check ■ holiday and sick pay ■ professional advice in connection with their directorship, if required. The cost of these benefits varies over time depending on their cost in the market. Where the Company offers a flexible benefits approach (where the value of one benefit may be exchanged for another) to employees generally a Director would have the option to participate. The Company may also operate share incentive plans including Sharesave, SIP and HMRC tax-approved all-employee schemes from time to time, and other than all-employee schemes where Directors would be entitled to participate, the Committee will determine any participation by a Director. These benefits are not provided to Non-Executive Directors. However, where the Company is able to provide any benefits to a Non-Executive Director with their meeting the cost (but at the Group's negotiated rate) the Company may do so. Benefits are designed to be competitive and are reviewed from time to time against market practice with any appropriate changes being made. Where a new benefit or benefit structure is introduced for employees of the Group generally or changed in the year as part of the benefit programme offered to employees generally, the Committee would expect to include the Director in such benefit change or provide equivalent compensation but not in such a way that would disproportionately increase a Director's overall remuneration package.
Pension	Provide retirement planning and protection to employees and their families during their working life.	Directors may participate in the Crest Nicholson defined contribution pension scheme, or where deemed appropriate to receive cash in lieu of all or some of such benefit. This may be changed during a financial year, and would be reported within the next Directors' remuneration report. Currently, Stephen Stone receives a 24.5% cash supplement in lieu of pension benefit and Patrick Bergin receives a pension contribution equal to 15% of salary. Where a Director receives contributions to their pension scheme by the Company, the Company may offer the Director an opportunity to elect to contribute up to 5% of their bonus to that pension and receive a further matching contribution of up to 5% from the Company.

Directors' remuneration policy

Our remuneration policy for Executive Directors was approved by shareholders at our AGM on 20th March 2014. To comply with the Corporate Governance Code 2014 we have updated our remuneration policy to introduce recovery (clawback) for variable pay components: annual bonus, deferred bonus plan and the long-term incentive plan effective for awards made in 2015 onwards, and in the case of the cash element of annual bonus, for payments made in 2016 in respect of 2015 performance.

The circumstances under which withholding (malus) provisions may be applied under LTIP and deferred bonus plans have also been extended for future awards.

The Company's current remuneration policy is produced below for information.

Performance framework
The Committee considers and sets appropriate individual Director salary levels each year having regard to the factors noted in the salary policy. Salary is not linked to specific financial or non-financial performance measures. No withholding or recovery provisions apply in relation to salary.
Fees are set by reference to the policy element. No withholding or recovery provisions apply in relation to fees.

Element/Link to strategy		Operation (including maximum opportunity)
Annual bonus	Rewards individuals on achievement of pre-defined, Committee-approved corporate financial objectives linked to the key goals of the Company. Motivates employees towards superior performance and in so doing improves the performance of the business in specifically targeted areas.	The annual bonus scheme participation levels (including maximum opportunities) are determined by the Committee on an annual basis, and payments are determined by the Committee following the end of the year based on performance against the metrics set. The maximum bonus opportunity is capped at 125% of salary for Directors, with on-target performance receiving 50% of salary and performance below target receiving no payment. Two-thirds of the bonus is paid in cash (non-pensionable), with the remaining one-third deferred as conditional share awards for up to three years. See deferred bonus plan element.
Deferred bonus plan	Deferred element encourages longer-term shareholding and links part of the annual bonus payments to the further success of the Company and shareholders' interests.	One-third of annual bonus will be deferred and made into the grant of conditional share awards or nil-cost options (the 'deferred share awards') which vest after up to three years from grant. This applies to bonuses earned in respect of the 2013/14 financial year and subsequent financial years. For bonuses earned in respect of performance in the 2012/13 year, deferral will be for one year. Amounts equivalent to any dividends or shareholder distributions may be made in respect of deferred share awards at vesting if the Committee so determines.
Long-term incentive plan (LTIP)	Incentivises long-term shareholder value creation. Drives and rewards achievement of key long-term Company objectives over which participants have line of sight.	LTIP awards may take the form of nil-cost options, conditional share awards, or restricted shares at the discretion of the Committee. LTIP awards vest on the third anniversary of grant subject to the performance measure and provided the Director remains in office with the Company. The maximum award level under the plan rules for the LTIP is 300% of salary. Executive Directors have received awards of 300% of salary for the first LTIP grant following admission to the London Stock Exchange. However, the Committee's intention is for award levels to be at a maximum of 150% of salary for all future awards, with the Committee retaining the flexibility to make awards up to the 300% cap in exceptional circumstances including, for example, recruitment. Awards currently take the form of nil-cost options. Amounts equivalent to any dividends or shareholder distributions may be made in respect of awards at vesting if the Committee so determines.
Share options	Certain share options were granted to Directors prior to the Company's IPO and vested on admission.	These options do not have performance criteria and were made pursuant to the Company's management incentive plan when it was a private company. All options are vested on IPO and are exercisable.
Minimum shareholding requirement	Encourages long-term commitment and alignment with shareholder interests.	Executive Directors are required to retain a significant shareholding, which may be built up over a period of five years from the later of February 2013 or the date they become a Director. Deferred share awards under the deferred bonus plan may be counted towards meeting the guideline.

Performance framework

Performance is assessed using financial and non-financial measures by the Committee at its discretion. At least half of the bonus will be linked to one or more financial metrics. All non-financial metrics will be based on relevant operational, business or personal objectives.

The measures used for the 2014 year are set out on page 93 and the measures used in subsequent years will be disclosed in the report for that year.

The Committee may, in exceptional circumstances, amend a bonus awarded (regardless of other performance criteria) if the Committee believes that it does not properly reflect overall business performance or an individual's contribution.

No clawback or recovery provisions apply in relation to the cash element of any bonus awarded in respect of performance prior to 2015. The cash element of awards made in respect of performance from 2015 onwards will be subject to recovery provisions for two years from payment in the event of misconduct, material misstatement of accounts, material failure of risk management, material breach of health and safety or environmental regulations, serious reputational damage arising from awardholders misconduct, error in calculation or events which are similar in nature or outcome to those above.

Withholding (downwards adjustment) provisions apply under the deferred bonus plan as set out below.

Deferred bonus thereafter affected by movement in the Company's share price.

Deferred share awards are subject to withholding (adjustment downwards) at the Committee's discretion in event of misconduct, material misstatement of accounts, material failure of risk management, material breach of health and safety or environmental regulations, serious reputational damage arising from awardholders misconduct, error in calculation or events which are similar in nature or outcome to those above.

Awards vest in proportion to the weighting placed against the performance measure with each measure operating individually and all measured over the same three-year period. The Committee currently uses PBT as 50% of the measure and ROCE for the remaining 50%.

The PBT measure is based on annualised nominal cumulative PBT growth per share and the ROCE measure is based on average ROCE, in both cases measured over the three-year period. The Remuneration Committee reviews the measures, their relative weightings and targets prior to each award and makes changes as is deemed appropriate. Regardless of achievement of the performance condition, the Committee has discretion to withhold (adjust downwards) LTIP awards where performance does not support full vesting.

The current use and split of PBT and ROCE are considered to be appropriate measures to incentivise operating discipline and returns for shareholders. The specific performance targets are set with the aim of setting stretching targets which incentivise and reward improved performance.

LTIP awards are subject to withholding (downward adjustment) at the Committee's discretion in the event of a material misstatement of accounts, material failure of risk management, material breach of health and safety or environmental regulations, serious reputational damage arising from awardholders misconduct. From 2015, misconduct, error in calculation or events which are similar in nature or outcome to those above have been added. For LTIP awards granted in 2015 onwards, recovery (clawback) may also apply if such an event occurs within 2 years of an award vesting or in the case of an option, when it first becomes exercisable.

All awards have vested and will be satisfied by the Company upon exercise. No reduction, clawback or recovery provisions apply in respect of shares acquired on exercise.

Minimum shareholding levels for Executive Directors are a minimum of five times salary for the CEO and a minimum of two times salary for the GFD.

Other aspects of our remuneration policy
We summarise below our approved policy for the recruitment or termination of the appointment of an Executive Director. Our full policy, including details of our treatment of each element of remuneration in these scenarios, is available on our website at www.crestnicholson.com/investor-relations/.

Recruitment remuneration – a summary of our policy
The Committee's approach to recruitment remuneration for an external appointment is to take account of that individual's remuneration package in their prior role, the market positioning of the package and their skills and experience. However, the Committee will not pay more than necessary to facilitate the recruitment of that individual and, where appropriate, the Committee will obtain external benchmarking or professional guidance from its remuneration advisors.

The ongoing salary, annual bonus and incentive opportunities for an individual recruited would be in line with the policy as for other Executive Directors. However, the Committee reserves the right, where the applicable plan rules permit, to use its discretion to make a payment or award to an individual that does not fall within any of the elements set out in the policy. Further, any remuneration arrangements specifically established for the recruitment of an individual would be no more generous in terms of quantum than the awards that the individual had forfeited at a previous employer.

The Committee will only make such payments under such discretion where it believes it is in the best interests of the Group and its shareholders, and will make full disclosure of the arrangements and the rationale behind them in the subsequent remuneration report.

Loss of office – a summary of our policy
The Committee firmly believes that there should be no reward for failure, and will take into account the individual circumstances of any termination, including the reason, contractual obligations and incentive plan rules when considering any loss of office scenario. Although the Committee has reserved the right to apply discretion in exceptional circumstances to make a payment to an Executive Director outside the scope of the loss of office policy, the Committee is firmly against rewards for failure and such discretion would not be used to make additional ex-gratia payments to departing Directors.

Such discretion would only be used for payments made in good faith in relation to very specific legal circumstances, such as in the discharge of an existing legal obligation in respect of salary, benefits and other contractual entitlements, damages for breach of obligation and a settlement or compromise of any claim arising in connection with the termination of a person's office or employment. In any event the Committee will only make such payments where it considers it to be in the best interests of the Group and its shareholders with full disclosure of any such payments in the following year's remuneration report.

Our approach to discretion – in full
Incentive plans, including annual bonus, LTIP, and deferred bonus plan, will be operated in line with the rules of each scheme or plan together with any relevant laws and regulations. However, it is important that the Committee retains appropriate discretion (as is customary) over the administration and operation of the incentive plans.

Discretion will include, but is not limited to, the following in relation to incentive schemes:

- who is invited to participate or receive grants of awards
- the size and timing of award grants or payments
- discretion required when changes or adjustments are required in special circumstances (e.g. change of control, rights issues, special corporate or dividend events, or change in business strategy)
- the annual review of performance measures and weighting, and targets for the annual bonus and incentive schemes (including LTIP) from year to year
- the determination of vesting (or payment), and the treatment of leavers and vesting for leavers
- the annual review of performance measures and weighting, and targets for incentive plans over time
- as permitted by HMRC and other regulations, in respect of Sharesave and any share incentive plans.

In relation to incentive schemes including annual bonus and LTIP, the Committee may adjust performance targets and/or measures if these have ceased to be appropriate provided that such adjusted targets or measures will not be materially less difficult to satisfy. Any use of the above discretions would, where relevant, be explained in future remuneration reports and may, as appropriate, be the subject of consultation with the Company's major shareholders. Additional clarification in respect of the use of discretion in respect of recruitment and loss of office policies are included in the section above and were published on our website in March 2014 in response to feedback from investor relations groups.

Remuneration policy for other employees – in full

Our remuneration policy applies specifically to the Company's Executive and Non-Executive Directors. The Committee believes that it is appropriate for the reward of all members of the Group's senior management to be linked to the Company's performance and aligned with the growth of shareholder value. In view of this, the long-term incentive scheme for Executive Directors cascades throughout Crest Nicholson's senior management, at a reduced opportunity level commensurate with the seniority and level of responsibility of participants.

Senior managers also participate in an annual bonus scheme with specific performance targets linked to their area of responsibility and their business unit's performance. Below this level, incentive schemes are operated for management and non-management employees with opportunities and performance conditions varying between business unit and by role.

We seek to align all our employees with the performance of the Company, and all employees are eligible to participate in the Crest Nicholson Sharesave scheme. Take up under this scheme in 2013 was 63% and 39% in 2014 across the Company, demonstrating the commitment our employees have to the future success of the business.

Statement of consideration of employment conditions elsewhere in the Group – in full

When making remuneration decisions for Executive Directors, the Committee considers the wider economic environment and conditions within the Company. In particular, the Committee is sensitive to pay and employment conditions across the wider workforce and carefully considers the broader employee salary increase budget when making reward decisions for Directors, for example in awarding employees generally a 3% increase for 2015 but limiting the increase to 2.5% for senior employees, including the Executive Directors.

The Committee considers wider industry benchmarking material in the context of monitoring its overall position on Director and employee pay. The Company carries out periodic employee engagement surveys that provide employees with the opportunity to share their view on a number of employment-related areas, including their remuneration. However, it has not consulted with employees in respect of its Directors' remuneration policy.

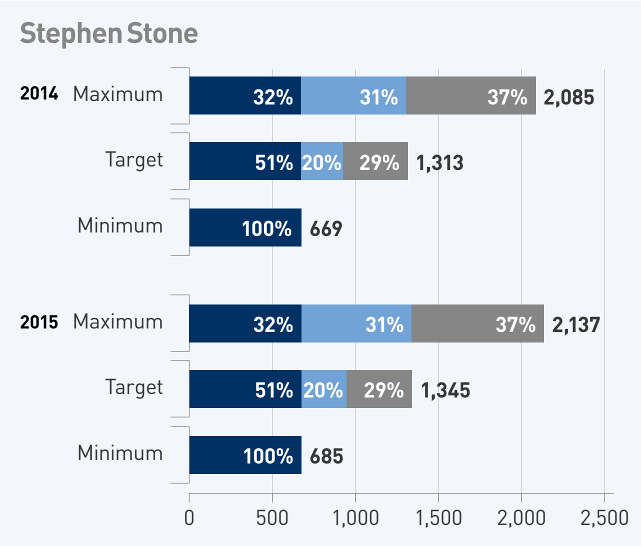
Statement of consideration of shareholder views

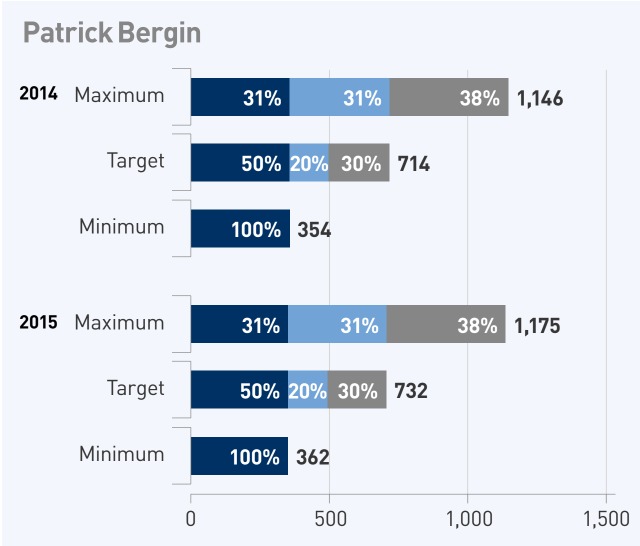
Dialogue with prospective shareholders in the lead up to the IPO was an intrinsic part of its success and underpinned our remuneration policy. The share incentive and bonus schemes were designed with simplicity and shareholder preference in mind and we received no adverse comment from shareholders about our proposed plans/schemes. We have established greater dialogue with shareholders during the year, and have had no comment from shareholders about our policy. Further information about shareholder views is set out in our section Statement of voting at Annual General Meeting on page 100.

Illustration of application of remuneration policy

The composition and structure of the remuneration package for Executive Directors in three performance scenarios is set out in the charts below. These show that the proportion delivered through long-term incentives is in line with our policy and changes significantly across the performance scenarios. As such, the package promotes the achievement of long-term performance targets and drives the alignment of Executive Directors' and shareholders' interests. The initial graphs show how remuneration would have looked in the first year that our policy applied (2014) as required by the regulations. We have also included graphs below to show how remuneration will look in 2015.

Illustration of application of remuneration policy: Graphs





Key and assumptions Fixed Bonus LTIP

Minimum: Fixed remuneration consisting of current annualised salary, pension (plan contribution or cash supplement) and benefits.

Target: Fixed remuneration as detailed above, plus 50% of salary as target bonus opportunity, plus vesting of 50% of the maximum LTIP award.

Maximum: Fixed remuneration together with the maximum annual bonus opportunity, and vesting of 100% of LTIP award.

Share price movement, dividend accrual and share options which have vested but not yet been exercised are excluded.

Annual report on remuneration

Single total figure of remuneration (audited)

The tables below set out 2014 remuneration for Executive and Non-Executive Directors. Notes that assist the understanding of the matters in the two following tables are set out thereafter.

£000	Salary and fees	Benefits	Bonus	Incentive plans	Pension	**Total 2014**	Salary and fees	Benefits	Bonus	Incentive plans	Pension	**Total 2013**
Note	1	2	3	4	5		1	2	3	4	5	
Executive												
Stephen Stone	513	30	644	–	126	**1,313**	498	29	625	12,836	122	**14,110**
Patrick Bergin	287	23	361	–	43	**714**	280	23	350	3,911	42	**4,606**
Non-Executive												
William Rucker	140					**140**	140			8,108		**8,248**
Jim Pettigrew	60					**60**	60					**60**
Malcolm McCaig	50					**50**	50					**50**
Pam Alexander	50					**50**	50					**50**

Notes:

1. **Salary and fees:** The salary figure shown in the table above reflects the actual salary or fees paid in the financial year and may reflect periods at different basic salaries.
2. **Benefits:** The figure shown includes car benefit, private medical insurance, Group income protection, personal accident and life assurance and an annual health check.
3. **Annual bonus:** Bonus expected to be awarded for year under review including any amounts due to be deferred.
4. **Incentive plans:** This refers to current incentive plans and, in respect of 2013, the management incentive plan established when the Company was private. Full details are set out in our 2013 Annual Report.
5. **Pension:** Salary supplement 24.5% in respect of Stephen Stone; employer pension contribution of 15% in respect of Patrick Bergin. An error was made in the payment of Stephen Stone's salary supplement resulting in an under payment of £2,490 in 2013 and £6,051 in 2014 – the underpayments will be paid in February 2015 and the figures above include the underpayment amounts relevant to that financial year.

Annual bonus targets and outcomes

The table below sets out the 2014 targets and outcomes relating to the annual bonus figures shown in the single figure in the previous table. The Committee was satisfied that these payments fairly reflected Group performance in the year, which was a strong year of profit growth, as was the intention of the scheme.

We stated in the last remuneration report that we would disclose the 2014 bonus targets in our report and these are set out below:

	Performance required				
Measure	Threshold	On-target	Maximum	Actual	Payout level for measure
EBITDA	£116.1m	£116.1m	£123.6m	£129.1m	85%
Customer service	90%	90%	90%	90.1%	15%

A sliding scale was set for the measure in respect of the year, applying to the CEO and GFD in the same way. No bonus would have been paid for failing to meet target, with a bonus of 50% of salary being payable on meeting the EBITDA target, with incremental increases of 10% of salary for every £1 million in excess of the EBITDA target and an overall 15% reduction of bonus associated with customer service.

The customer service metric selected was at least 90% in the NHBC Customer Satisfaction Score published by NHBC in March 2014. The threshold required to be a '5-star' builder under the HBF national survey of house builders is 90% and the Company lost this status in 2013; the Directors were consequently targeted with regaining that status. Details of how the Committee intends to use a metric which averages scores over the financial year in 2015 can be found in the Implementation of the policy in 2015 section on page 98.

A full breakdown of the bonus payments and deferral is set out below:

	Total		Paid in cash		Deferred as shares	
	£	% of salary[1]	£	% of bonus[1]	£	% of bonus[1]
Stephen Stone	643,853	125	431,381	67	212,471	33
Patrick Bergin	360,500	125	241,535	67	118,965	33

[1] Calculated based on salary at 31 October 2014.

Although the Committee believes that the bonus payments in the year were merited, and supported by performance, the Committee intends to continue to focus on the need to ensure that the bonus scheme is appropriately challenging, and will reflect this in the 2015 scheme.

While the Committee is introducing recovery and withholding conditions for incentive schemes moving forward, these do not apply to the cash element of payments or awards in respect of 2014, even though those payments will be made during 2015.

Scheme interests awarded during the financial year (audited)

Executive Directors were invited to participate in the long-term incentive plan in 2014. An award of 150% of salary was made to Executive Directors in accordance with our remuneration policy.

The following table sets out the 2014 awards granted to Executive Directors under the LTIP.

2014	Award	Type	Number of shares	Face value of salary £	Percentage of salary[1]	Performance condition	Performance period
CEO	Performance	Nil-cost options	202,894	772,620	150%	50% PBT growth 50% average ROCE	Three years (1st November 2013 – 31st October 2016)
GFD	Performance	Nil-cost options	113,602	432,596	150%	50% PBT growth 50% average ROCE	Three years (1st November 2013 – 31st October 2016)

[1] Face value calculated based on the closing middle market share price of 380.8 pence on 13th February 2014, the day before grant.

Vesting schedule for 2014 awards

Measure	Threshold (25% vesting of that measure)	Target (50% vesting of that measure)	Maximum (100% vesting of that measure)
PBT (50%): Cumulative annual nominal growth in profit before tax per share over three years	18%	20%	22%
ROCE (50%): Average return on capital employed over three-year period	20%	21%	22%

Total pension entitlements (audited)

Executive Directors are eligible to participate in the Crest Nicholson Pension Plan, a defined contribution arrangement, and Patrick Bergin is a member of the plan. Stephen Stone does not participate in the plan and receives cash in lieu of pension benefit.

The Group has a closed defined benefit pension scheme ('DB Scheme') which closed to new members in 2001 and closed to future accrual in 2010. The following table sets out the accrued benefit for each Director in the DB Scheme. Although the accrued benefits will continue to increase in accordance with the revaluation rules of the DB Scheme, no further benefit can be accrued.

Name	Date pensionable service commenced	Scheme normal retirement date	Accrued pension at 31st October 2014 £000	Pensionable service (complete years and months)	Normal retirement age	Increase in accrued pension (net of inflation) during the year	Transfer value of increase (net of inflation and employee contributions)
Stephen Stone	1st Dec 1995	31st Jan 2014	£128,612 pa	15 years 5 months	60	Nil	Nil
Patrick Bergin	N/A – Patrick Bergin has never been a member of the scheme						

In respect of ongoing pension benefit, Stephen Stone receives a salary supplement of 24.5% of salary in lieu of pension (£125,582.51) in 2014. Patrick Bergin receives pension contributions of 15% of salary (£43,050.00) in 2014 subject to personal contributions of 5% of salary.

Directors' shareholdings (audited)

Share ownership plays a key role in the alignment of our Executives with the interests of shareholders, and helps to maintain commitment over the longer term.

Our remuneration policies require our Executive Directors to build up and maintain a significant shareholding in Crest Nicholson of five times salary in the case of the CEO and two times salary in the case of the GFD. Both exceed their shareholding requirements.

Directors' shareholdings at the end of the financial year

The table below sets out the number of shares held or potentially held by Directors (including their connected persons where relevant) as at 31st October 2014. There have been no changes to Directors' interests between 31st October 2014 and 27th January 2015.

	Shares held including connected persons at 31st October 2014	Outstanding share awards under all employee share plans at 31st October 2014	Shareholding (excluding options) as a percentage of salary and share price of 335.5 pence at 31st October 2014
Stephen Stone	4,667,603	799,767	3,040%
Patrick Bergin	1,199,837	450,835	1,396%
William Rucker	3,685,447	-	N/A
Jim Pettigrew	25,000	-	N/A
Malcolm McCaig	-	-	N/A
Pam Alexander	-	-	N/A

Executive Directors' scheme interests at the end of the financial year

Stephen Stone

Scheme	Outstanding share options/ awards at 31st October 2013	Date of grant	Unvested shares	Vested shares	Granted	Exercised	Lapsed	Outstanding share options/ awards at 31st October 2014	Market price on award (£)	Exercise price (£)	Market price at exercise /vesting (£)	Gain receivable (£000)	Date exercisable or capable of vesting	Expiry date
LTIP	535,800	8th March 2013	535,800	-	-	-	-	535,800	2.80	Nil	-	-	-	-
Sharesave	3,643	22nd May 2013	3,643	-	-	-	-	3,643	3.09	2.47	-	-	-	-
DBP	-	14th Feb 2014	-	-	54,170	-	-	54,170	3.81	Nil	-	-	-	-
LTIP	-	14th Feb 2014	-	-	202,894	-	-	202,894	3.81	Nil	-	-	-	-
Sharesave	-	15th July 2014	-	-	3,260	-	-	3,260	3.44	2.76	-	-	-	-

Patrick Bergin

Scheme	Outstanding share options/ awards at 31st October 2013	Date of grant	Unvested shares	Vested shares	Granted	Exercised	Lapsed	Outstanding share options/ awards at 31st October 2014	Market price on award (£)	Exercise price (£)	Market price at exercise /vesting (£)	Gain receivable (£000)	Date exercisable or capable of vesting	Expiry date
MIP	283,284	11th Feb 2013	-	-	-	283,284	-	-	Nil	Nil	3.77	1,068	-	-
LTIP	300,000	8th March 2013	300,000	-	-	-	-	300,000	2.80	Nil	-	-	-	-
Sharesave	3,643	22nd May 2013	3,643	-	-	-	-	3,643	3.09	2.47	-	-	-	-
DBP	-	14th Feb 2014	-	-	30,330	-	-	30,330	3.81	Nil	-	-	-	-
LTIP	-	14th Feb 2014	-	-	113,602	-	-	113,602	3.81	Nil	-	-	-	-
Sharesave	-	15th July 2014	-	-	3,260	-	-	3,260	3.44	2.76	-	-	-	-

MIP refers to the management incentive plan which was established when the Company was private. These share options did not have any performance criteria and vested at the Company's IPO in February 2013 and are detailed in our 2013 Annual Report. In addition, the DBP and Sharesave schemes do not have any performance criteria attached to them.

Where an exercise price is nil, a nominal £1 is due to the Company upon each exercise.

Loss of office payments or payments to past Directors (audited)

There have been no payments to past Directors during the year.

Directors' service contracts and letters of appointment

Details of Directors' service contracts and letters of appointment are set out below:

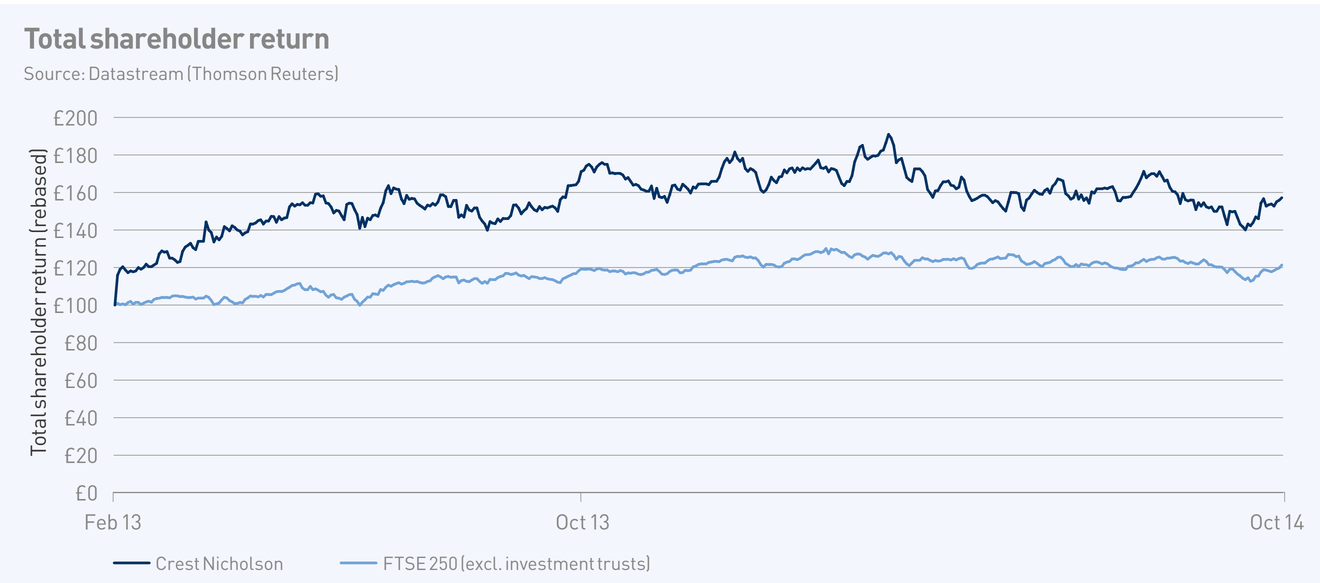
	Date of current contract	Date elected or re-elected at AGM	Payment in lieu of notice	Pension	Notice (Executive/Company)
Stephen Stone	12th Feb 2013	20th March 2014	Salary and benefits	24.5% cash allowance	6 months/12 months
Patrick Bergin	12th Feb 2013	20th March 2014	Salary	15% pension contribution	6 months/12 months

Executive Directors also receive life assurance, private health insurance, income protection and company car benefit of £1,000 per month. Mr Stone also receives a fuel allowance of £1,200 per year.

	First appointment to Board	Date of current letter of appointment	Date elected or re-elected at AGM
William Rucker	13th September 2011	12th February 2013	20th March 2014
Jim Pettigrew	11th February 2013	11th February 2013	20th March 2014
Malcolm McCaig	6th April 2009	12th February 2013	20th March 2014
Pam Alexander	5th December 2011	12thFebruary 2013	20th March 2014

Performance graph and table

The graph below illustrates the Company's total shareholder return (TSR) performance relative to the constituents of the FTSE 250 Index (excluding investment companies) from the start of conditional share dealing. This index has been selected because the Company is a member and we believe it is an appropriate comparator index. The Company formally joined that index on 24th June 2013. The graph shows the performance of a hypothetical £100 invested over that period.



This graph shows the value, by 31st October 2014, of £100 invested in Crest Nicholson on 12th February 2013 (the date of listing), compared with the value of £100 invested in the FTSE 250 Index (excluding investment trusts) on the same date.

Change in CEO remuneration

The table below sets out total CEO remuneration for 2014 and 2013, together with the percentage of maximum annual bonus awarded in that year and the percentage of maximum long-term incentive plan vested in that year.

In accordance with the requirements of the disclosure rules, the remuneration of the CEO of Crest Nicholson Holdings plc for each of the three financial years prior to listing (calculated in line with the methodology used to calculate the single figure) is provided as a suitable corresponding sum.

£000	2014	2013[2]	2012	2011	2010	2009
CEO total remuneration	1,313	14,110	1,043	979	809	528
Annual bonus – % of maximum	100%	100%	80%	75.60%	0%[1]	0%
Incentive plan award – % of maximum	N/A[3]	100%	100%	N/A	N/A	N/A

[1] Although a bonus was paid in 2010 equal to 50% of salary and included in the remuneration figure above for that year, there was no bonus scheme in place and the bonus payment was discretionary.

[2] The total CEO salary and benefits remuneration in the 2013 year was £1,274,507 before inclusion of incentive plan shares and options included in the 2013 figure above.

[3] No incentive plans vested or ended in 2014.

Percentage change in CEO remuneration

The table below sets out the percentage change between 2013 and 2014 for salary, benefits and annual bonus for the CEO compared with employees generally. To ensure the comparability of these figures, and to minimise distortions, the employee group used for comparison does not include employees who joined or left employment during the comparison periods or who had been promoted. This seeks to avoid artificially increasing or decreasing the comparison by employee changes and is the methodology applied in our 2013 report. The change in benefits in the year reflects a reduction in cost but not a reduction in actual benefit provided.

	CEO	Employees
Salary	3%	3%
Benefits	-1.4%	-1.4%
Annual bonus	3%	32.5%

Relative importance of spend on pay

The table below shows how staff remuneration costs compare to distributions made to shareholders in 2014 and 2013. The table includes data for all employees including those who have been promoted in the year, had salary changes, are new starters, or received incentive-based remuneration and pay in respect of individuals who left in the year but had some service.

The change in spend on pay in the period is due to a number of factors, principally the increase in headcount, increases to pay generally (including specific market-rate adjustments) and an increase in financial performance leading to increased annual bonus payments. The level of distributions to shareholders has also increased and will continue to do so in line with our dividend policy.

The measures shown above are those specified by the applicable disclosure requirements. Total spend on pay including all employees is as set out in Note 5 to the accounts.

	2014 (£m)	2013 (£m)	Change (£m)	Change (%)
Total spend on pay	39.1	33.2	5.9	17.8
Distributions to shareholders by way of dividend and share buyback[1]	26.7	Nil	-	-

[1] Based on when cash was distributed to shareholders.

Statement of implementation of remuneration policy in the following financial year

In 2015, the Committee intends to implement the Executive and Non-Executive Director remuneration policies as follows:

Base salary

Executive Directors

The Committee has determined the following 2015 base salaries, effective from 1st January 2015. The increases are in line with increases given generally across the Company (2.5% for senior employees; 3% for employees generally) and are based on consideration of cost of living indices, industry and market benchmarking and the overall financial performance of the Group.

	1st January 2015 salary	1st January 2014 salary	Change
Stephen Stone	£527,959	£515,082	2.5%
Patrick Bergin	£295,610	£288,400	2.5%

Non-Executive Directors

Non-Executive Director fees for 2015 will be as follows:

	2015 fee	2014 fee
William Rucker	£140,000	£140,000
Jim Pettigrew	£60,000	£60,000
Malcolm McCaig	£50,000	£50,000
Pam Alexander	£50,000	£50,000

Where Non-Executive Directors are appointed during the year, the level of fees will be set in line with our current framework. We may also introduce additional fees for the role of Committee chair if deemed appropriate.

Pension and benefits

The Committee intends that the implementation of policy in relation to pension and benefits will be unchanged for 2015. Stephen Stone will receive a 24.5% cash supplement in lieu of pension benefit and Patrick Bergin will receive a pension contribution equal to 15% of salary.

Annual bonus

The annual bonus scheme for 2015 will be in line with our remuneration policy – capped at 125% of salary and subject to PBT and customer service performance measures. These measures are substantively the same as in 2014 and reflect specific financial and operational targets which relate to the delivery of the Group's overall business strategy and performance.

For 2015, we have moved from EBITDA to PBT as the relevant profit metric. The Committee feels that PBT is a more appropriate profit metric as it recognises other items such as the financing costs of the Group, which EBITDA does not. Now the Company is firmly established in the public market and aspects of its accounting presentation have normalised, PBT is the most appropriate metric and is usually slightly more challenging than an EBITDA measure. The use of PBT also aligns the Directors with other parts of the business and with elements of the LTIP.

2015 measure	Weighting for both CEO and GFD
PBT	85%
Customer satisfaction	15%

The specific targets for the 2015 year are considered to be commercially sensitive. However, the Committee intends to disclose these retrospectively in next year's remuneration report to the extent that they do not remain commercially sensitive.

For 2015, the Committee intends to increase the stretch-target required to trigger an additional element of bonus.

In addition, for 2015 the Committee intends to modify the customer service metric so that customer service scores are averaged over the financial year rather than by reference to one point in the year.

One-third of annual bonus will be deferred and made as conditional share awards or nil-cost options under the deferred bonus plan, which will vest or first become exercisable three years from the date of grant. In accordance with the Corporate Governance Code 2014, the (un-deferred) cash element of bonuses paid in respect of the 2015 year will be subject to recovery provisions for two years in the event of misconduct, material misstatement of accounts, material failure of risk management, material breach of health and safety or environmental regulations, serious reputational damage arising from misconduct, error in calculation or events which are similar in nature or outcome to those above. Awards under the deferred bonus plan in respect of 2015 will be subject to withholding provisions for three years from grant on the same basis. In all cases recovery and withholding provisions are exercisable at the Committee's discretion.

Long-term incentive plan

Our LTIP continues to be a substantive method of remuneration which underpins the long-term success of the Company. The Committee intends to make awards under the LTIP to Executive Directors in 2015, in line with our remuneration policy, as set out on pages 86 to 87 and such awards will be at 150% of salary.

The performance measures for these awards are unchanged from the awards granted in 2014 and are based equally on growth in PBT per share and ROCE as independent measures. The below summarises the rationale for these measures.

Growth in PBT per share	The use of this metric underpins the Company's aim to increase profitability.
Return on capital employed	The use of this metric underpins the Company's aim to work efficiently and to maximise returns for shareholders.

The 2015 vesting schedule is set out below with straight line vesting between these points:

Measure	Threshold (25% vesting of that measure)	Target (50% vesting of that measure)	Maximum (100% vesting of that measure)
PBT (50%): Cumulative annual nominal growth in profit before tax per share over three years	18%	20%	22%
ROCE (50%): Average return on capital employed over three-year period	24%	26%	28%

The Committee has considered the measures, the performance levels and other conditions such as withholding and recovery provisions carefully and sought to establish challenging but achievable targets to maximise return for shareholders having taken into account the feedback received and the requirements of the 2014 Corporate Governance Code.

LTIP awards are subject to withholding (downward adjustment) at the Committee's discretion in the event of a material misstatement of accounts, material failure of risk management, material breach of health and safety or environmental regulations, serious reputational damage arising from awardholders misconduct. From 2015, misconduct, error in calculation or events which are similar in nature or outcome to those above have been added. For LTIP awards granted in 2015 onwards, recovery may also apply if such an event occurs within 2 years of an award vesting or in the case of an option, when it first becomes exercisable.

Remuneration Committee

The Remuneration Committee comprises three independent Non-Executive Directors. Members and attendance in the year are set out in the table below: Mr Pettigrew holds 25,000 shares in the Company acquired during 2014 on the open market.

Committee member	Position	Eligible meetings	Meetings attended
Jim Pettigrew	Chairman	4	4
Malcolm McCaig	Member	4	4
Pam Alexander	Member	4	4

In 2014, the meetings of the Committee covered the following key areas:

- benchmarking of senior management remuneration
- consideration and approval of the 2014 LTIP, and 2014 Sharesave scheme
- determination of the 2014 LTIP grant level and targets
- determination of 2014 bonus awards
- consideration of structures and measures for the 2015 annual bonus, including recovery and withholding across variable pay components
- consideration of shareholder feedback following the 2014 AGM
- engagement with shareholders on remuneration matters
- selection and appointment of new remuneration advisor.

Advisors

The Committee regularly consults with the Chief Executive on matters concerning remuneration and the Company Secretary acts as Secretary to the Committee; neither are present when their own reward is determined.

External advice was received in the year from PwC (fees £25,000), who also provided advice to the Company in relation to our pension scheme (fees £5,000). The Committee is satisfied that the advice received by PwC in relation to Executive remuneration matters during the year was objective and independent. PwC is a member of the Remuneration Consultants' Group which operated a code of conduct in relation to remuneration consulting in the UK.

Following the recommendation to appoint PwC as the Company's statutory auditor, the Committee initiated a competitive selection process to identify a new independent advisor. Following this process, the Committee appointed New Bridge Street (an AON Hewitt Company), effective from 1st November 2014. New Bridge Street is a member of the Remuneration Consultants' Group and a signatory to that Group's code of conduct.

The Company also uses a division of AON, AON Surety in connection with the placement of surety bonds and guarantees. The Company does not pay any direct remuneration to AON Surety, who are remunerated by relevant insurers. The Committee believes that this in no way affects New Bridge Street's independence.

Statement of voting at Annual General Meeting

The table below sets out the votes received for our remuneration policy and our 2013 Directors' remuneration report at the 2014 AGM.

	Shares voted in favour	In favour %	Shares voted against	Against %	Votes withheld
Directors' remuneration report	99,408,887	62%	62,037,786	38%	829,838
Remuneration policy	153,476,397	95%	8,789,364	5%	10,750

The strong vote in favour of our remuneration policy at our 2014 AGM reflects the broad view of our investors that our remuneration framework for Executive Directors is appropriate for our business and our future strategic ambitions.

A limited number of issues were brought to the attention of the Company during the year in relation to voting at the AGM, some around remuneration. There was no pattern of concern from shareholders, with most being concerned about a particular point unique to themselves.

The issues raised by our shareholders included the level of LTIP award (300%) in the Company's first year; the quantum of awards under the previous management incentive plan established when the Company was private, and the targets associated with the long-term incentive plan that were less than the outturn from the prior year. The Committee has reflected carefully on the comments received and has sought to build on these in the forward-looking remuneration decisions it has made this year; specifically its LTIP Target Level for ROCE is not lower than 2014's performance.

In the year, the Company wrote to its largest institutional shareholders to establish greater dialogue on governance issues including remuneration. The Chairman of the Company and/or Chairman of the Remuneration Committee met with those shareholders who wished to engage and the feedback received was positive, which supported the strong vote in favour of our remuneration policy.

Approval

This report and policy was approved by the Board of Directors on 27th January 2015 and signed on its behalf by

Jim Pettigrew
Chairman of the Remuneration Committee

Compliance and other disclosures

Directors' report

The Directors' report for the year ended 31st October 2014 comprises pages 68 to 103, together with other sections of the report as referenced below:

- a full description of the activities of the Group including performance, important events affecting the Company in the year, indicative information in respect of the likely future developments in the Company's business, and matters relating to research and development, can be found in the Strategic report on pages 8 to 66
- the Group's exposure to credit risk, liquidity risk, market risk and interest rate risk is commented in the notes to the financial statements on pages 129 to 131.

Articles of Association

The Articles of Association regulate the internal affairs of the Company and cover such matters as Board and shareholder meetings, the appointment and replacement of Directors, the powers and duties of Directors, borrowing powers and the issue and transfer of shares. The Articles of Association of the Company are available from the Registrar of Companies in the UK, Companies House or on request from the Company. The Articles of Association can be amended by special resolution of the shareholders.

Share capital

At 31st October 2014, the Company had issued share capital of 251,431,313 ordinary shares of £0.05. During the period 4,026 shares were issued under the terms of the Company's Save As You Earn scheme at a price of 247 pence per share.

Restriction on transfer of securities

Subject to the provisions of relevant statutes, and without prejudice to any rights attached to any existing shares or class of shares:

- any share may be issued with such rights or restrictions as the Company may by ordinary resolution determine or, subject to and in default of such determination, as the Board shall determine. Subject to the Articles and to relevant statutes, the unissued shares of the Company (whether forming part of the original or any increased capital) are at the disposal of the Board
- in any general meeting, on a show of hands, every member who is present in person shall have one vote and on a poll every member present in person or by proxy shall have one vote for every share of which they are the holder.

At the AGM held in March 2014, the Company's shareholders delegated the following powers in relation to the issue or market purchase by the Company of its shares:

- authority to allot shares in the Company up to an aggregate nominal amount of £4,190,454 and this standard authority will expire on 30th April 2015 or at the conclusion of the next AGM, whichever is earlier
- authority to make market purchases of its own shares up to a maximum aggregate number of 25,142,728 and this standard authority will expire on 20th September 2015 or at the conclusion of the next AGM, whichever is earlier.

The Directors will seek to renew the authorities at the AGM to be held on 19th March 2015.

At 31st October 2014, the Company's Employee Benefit Trust (EBT) held 678,813 ordinary shares in the Company for the purposes of satisfying awards under the Company's share and incentive plans. The EBT has waived rights to a dividend now and in the future.

At 16th January 2015 the following percentage interests in the ordinary share capital of the Company, disclosable under the Disclosure and Transparency Rules (DTR 5) have been notified to the Directors.

	% of issued share capital
Standard Life Investments	13.01%
Threadneedle Investments	11.13%
Barclays plc	8.89%
Ruffer Group	5%
Legal & General Investment Mgt	4.97%

Profits and dividends

The Group's consolidated profit after taxation (pre-exceptional costs) for the financial year ending 31st October 2014 was £98.8m (2013: £71.5m).

The Directors propose to pay a dividend of 10.2 pence for the year ended 31st October 2014, which, together with the interim dividend of 4.1 pence per share paid in October 2014, brings the total dividends in the year to 14.3 pence (2013: 6.5 pence).

Compliance and other disclosures

Re-election of Directors

All the Directors (other than Malcolm McCaig) submit themselves for re-election at the AGM to be held on 19th March 2015. The Board confirms that, following the new appointments in the year and the evaluations of individual Director performance and Board performance as a whole, the Board has the appropriate balance of skills, experience, independence and knowledge and the Company should support the re-election of the Directors.

Directors' indemnities

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

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

Policies and procedures

Policies and procedures, including operating and financial controls, are detailed in policies and procedures manuals. There are strict approval processes in relation to the acquisition of land and the commencement of development projects and all sites go through a rigorous approval and assessment process at Group level.

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

The Group operates and maintains a number of policies and procedures to prevent bribery and corruption, including an Anti-Bribery and Corruption Policy, a Gifts and Entertainment Policy and guidance around bribery risk areas. The Group also undertakes appropriate training in relation to these policies.

Central functions

Strong central functions support the Board, Executive Management Team and divisional businesses. These functions include Legal and Company Secretarial, Group Finance, Human Resources, Health and Safety, Sustainability, IT and Marketing.

Each central function contributes in its area to ensure compliance, oversight, support and education with the relevant legal and regulatory requirements. In addition, the principal treasury-related risks, decisions and control processes are managed by the Group Finance function.

Essential contracts

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

Change of control

The Company has in place a number of agreements with its lending banks, joint venture partners, government authorities (such as the HCA) and customers, which contain certain termination rights that would have effect on a change of control. The Directors believe these agreements to be commercially sensitive and consider that their disclosure would be seriously prejudicial to the Company; accordingly they do not intend disclosing specific details of these. In addition, all the Company's share schemes contain provisions which, in the event of a change of control, would result in outstanding options and awards becoming exercisable, subject to the rules of the relevant schemes. There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid.

Greenhouse gas emissions report

Global greenhouse gas (GHG) emissions data	2014 1st November 2013 to 31st October 2014	2013 1st November 2012 to 31st October 2013
Combustion (tCO_2e)	4,479	4,046[1]
Electricity (tCO_2e)	1,983	1,580
Emissions intensity[2] (tCO_2e/1,000sqft)	3.02	2.91

1 Site diesel and LPG data have been restated for 2013.

212,143,032 square feet – which comprises the sum of both full and, in proportion, partial build complete delivery during the financial year 2014 (1st November 2013 to 31st October 2014). In 2013 we delivered 1,935,755 square feet.

Definitions applying: 'Emissions' means emissions into the atmosphere of a greenhouse gas as defined in section 92 of the Climate Change Act 2008, which are attributable to human activity; 'Tonne of carbon dioxide equivalent' has the meaning given in section 93(2) of the Climate Change Act 2008.

Methodology

We have reported on all the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. These sources fall within our consolidated financial statements. We do not have responsibility for any emission sources that are not included in our consolidated financial statements.

This is the second year for which we have reported on the GHG emissions associated with our construction sites. For our operational joint ventures we have included GHG emissions from our own site compounds for the parts of the sites we are developing, and the homes delivered by ourselves.

In 2013, the final legislative requirements for reporting were not issued until well over halfway through Crest Nicholson's financial year and hence some of the data reported was collected over a proportion of the reporting period. For the 2013 report, data collected over a partial period (1st May – 31st October) was factored up using a linear proportionality to represent a 12-month period. In 2014, we collected data for the full 12 months. Our sites consume more energy over the winter months and this is the main reason why our reported GHG emissions have increased since 2013. We received consumption data for 95% of our homes completed and have extrapolated to cover all homes completed in the 2014 financial year.

We have used the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (revised edition) and emission factors from UK Government's GHG Conversion Factors for Company Reporting 2014.

Verification statement by Verco Advisory Services

Verco Advisory Services Ltd has reviewed Crest Nicholson's GHG calculations using the World Resources Institute (WRI) and World Business Council for Sustainable Development (WBCSD) Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard.

Based on its review of Crest Nicholson's GHG emissions inventory for 1st November 2013 to 31st October 2014, Verco has determined that there is no evidence that the GHG assertion is not materially correct. Furthermore, Verco finds no evidence that Crest Nicholson's assertion is not a fair and accurate representation of Crest Nicholson's actual emissions.

Verco finds that the information submitted by Crest Nicholson is consistent with the WRI/WBCSD GHG Protocol's methodology and reporting guidance, and conforms to generally accepted GHG accounting standards.

Disclosure of information to the auditor

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

Appointment of auditor

During the financial year the Company conducted a tender of the external auditor contract. Further information on the tender process can be found on page 81. Following the tender process, the Board resolved to recommend the appointment of PricewaterhouseCoopers LLP as external auditor to the Company. Resolutions to appoint PricewaterhouseCoopers LLP will be proposed at the 2015 AGM.

Approval

The Directors' report was approved by the Board of Directors on 27th January 2015 and signed on its behalf.

Kevin Maguire
Group Company Secretary

Financial statements

In this section

Statement of Directors' responsibilities in respect of the Directors' report and the financial statements

The Directors are responsible for preparing the annual integrated report and accounts and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent Company financial statements in accordance with UK Accounting Standards.

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

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

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

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic report, Directors' report, Directors' remuneration report and Corporate governance statement that complies with that law and those regulations.

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

Responsibility statement of the Directors in respect of the annual integrated report and accounts

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole
- the Strategic report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the annual integrated report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

After reviewing the Group's and Company's budget for the next financial year, its financial statements and business plans, the Directors are satisfied that, at the time of approving the financial statements, it is appropriate to adopt the going concern basis in preparing the financial statements.

By Order of the Board

Patrick Bergin
Group Finance Director
27th January 2015

Independent auditor's report to the members of Crest Nicholson Holdings plc only

Opinions and conclusions arising from our audit

1 Our opinion on the financial statements is unmodified

We have audited the financial statements of Crest Nicholson Holdings plc for the year ended 31st October 2014 set out on pages 109 to 143. In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31st October 2014 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with UK Accounting Standards; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

2 Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements the risks of material misstatement that had the greatest effect on our audit were as follows:

Profit recognition and valuation of work-in-progress (Gross profit £182.0m; Work-in-progress £814.1m)

Refer to:
Audit and Risk Committee report Page 78
Accounting policies Page 113
Financial disclosures Note 14

- The risk: The Group recognises profit by reference to the margins forecast across the related development sites. Accordingly, the recognition of gross profit on sales of completed buildings and serviced land and the carrying value of work-in-progress both depend upon the Group's estimation of future selling prices and build costs. Forecasting future sales prices is inherently uncertain due to changes in market conditions. Build costs can vary with market conditions and may also be incorrectly estimated due to errors in build cost modelling and unforeseen events during construction. As work-in-progress is held at the lower of cost and net realisable value, errors in estimation may result in the Group failing to identify when net realisable value is below cost and therefore a failure to record the necessary reduction in carrying value. As gross margin is recognised for completed sales in relation to selling prices and build costs across the relevant site phase, the margin recognition is also at risk of error.
- Our response: Our audit procedures on these areas included tests of the Group's controls over reviewing and updating selling price and cost forecasts, around the setting of budgets and the authorisation and recording of costs. We identified higher risk sites based on risk indicators (including larger value sites based on gross development value which are trading at the year-end, low margin sites, slow selling sites and sites with production delays); we compared expected margins for these sites across the period from site acquisition to October 2014 in order to assess the historical accuracy of the Group's forecasting process. Our additional procedures on these sites included: assessing whether the Group has updated future sales prices in comparison to actual sales prices achieved; comparing sales price trends recorded in the budgets to published indices; making enquiries of the Directors to assess whether cost forecasts have been updated for identified risks; challenging the Group's updates to forecast build costs in comparison to construction cost trends; and inspection of contractors' quotes and contracts in relation to build costs. We assessed the adequacy of the Group's disclosures in relation to areas of judgement and estimate in relation to these balances.

Valuation of available-for-sale (shared equity) assets (other financial assets £28.4m)

Refer to:
Audit and Risk Committee report Page 78
Accounting policies Page 113
Financial disclosures Note 13

- The risk: Available-for-sale financial assets are carried at fair value. The portfolio of such assets held by the Group comprises long-term receivables from shared equity schemes. The valuation method for these assets is not based on observable market data, hence the Group uses a valuation model for which a number of estimates and judgements have to be made, including expected house price movements, the credit risk of borrowers, the expected timings of receipts and the discount rate. Changes in the assumptions used could have a material effect on the output of the valuation model and hence on the carrying value of the available-for-sale assets in the financial statements.
- Our response: Our audit procedures included: comparing the significant assumptions used in the valuation model to our own research on private transactions in mortgage and secured loans portfolios (with assistance from our own valuation specialist) and house price forecasts published by chartered surveyors; inspecting the Group's records of settled receivables and assessing how the experience to date had been included as part of the reassessment of assumptions; re-performing the Group's sensitivity analysis on the valuation and challenging the range of assumptions used by the Group for the sensitivity analysis in comparison to our research findings. We also assessed whether the Group's disclosures about the sensitivity of the outcome of the valuation to changes in key assumptions appropriately reflected the risks inherent in the valuation of available-for-sale assets.

3 Our application of materiality and an overview of the scope of our audit

The materiality for the Group financial statements as a whole was set at £6m. This has been determined with reference to a benchmark of Group profit before taxation, of which it represents 5.1%.

We agreed with the Audit and Risk Committee to report to it all uncorrected misstatements we identified through our audit with a value in excess of £0.3m, in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds. If management corrected material misstatements identified during the course of the audit, we considered whether those corrections should be communicated to the Audit and Risk Committee to assist it in fulfilling its governance responsibilities.

The Group audit team performed the audit of the Group's five components (plus joint ventures and dormant subsidiaries) at the Group level as if it was a single aggregated set of financial information. The audit was performed using the materiality above and covered 100% of total Group revenue; Group profit before taxation; and total Group assets.

4 Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate governance statement set out on pages 68 to 103 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

5 We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual integrated report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the Directors' statement that they consider that the annual integrated report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy; or
- the Audit and Risk Committee report does not appropriately address matters communicated by us to the Audit and Risk Committee.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 105, in relation to going concern; and
- the part of the Corporate governance statement on pages 71 to 103 relating to the Company's compliance with the nine provisions of the 2010 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope of report and responsibilities

As explained more fully in the Directors' responsibilities statement set out on page 105, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Bill Holland (Senior Statutory Auditor)
for and on behalf of KPMG LLP,
Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

27th January 2015

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

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 113 to 138 form part of these financial statements.

Consolidated statement of changes in equity

For the year ended 31st October 2014	Share capital £m	Share premium £m	Retained earnings £m	Total £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 113 to 138 form part of these financial statements.

Consolidated statement of financial position

As at 31st October 2014	Note	2014 £m	2013 £m
ASSETS			
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 113 to 138 form part of these financial statements.

These financial statements were approved by the Board of Directors on 27th January 2015.

By Order of the Board
S Stone
P Bergin
Directors

Consolidated cash flow statement

For the year ended 31st October 2014	2014 £m	2013 £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 bank and 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 113 to 138 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 139 to 142.

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 considers 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, 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 that 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 assesses 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 19R 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 31st 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 on 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 on 1st November 2016.
- IFRS 15 Revenue from Contracts with Customers. Effective for the period beginning on 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 £m	2013 £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

Auditor's 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

(a) Average number of persons employed by the Group

	2014 Number	2013 Number
Development	711	617

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

(b) Staff costs (including Directors)

	2014 £m	2013 £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 £m	2013 £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 £m	2013 £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 £m	2013 Restated* £m	2013 Previously reported £m
Finance income			
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**
Finance expenses			
Interest on bank loans and overdrafts	8.1	6.7	6.7
Revolving credit facility issue 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 £m	2013 £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 £m	2013 £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 £m	2013 £m
Prior year final dividend per share of 6.5 pence (2013: nil)	16.3	-
Current year interim dividend per share of 4.1 pence (2013: nil)	10.3	-
	26.6	**-**

The following dividend was proposed by the Group:

	2014 £m	2013 £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 £m	Post-exceptional earnings £m	Weighted average number of ordinary shares Number	Pre-exceptional earnings per share Pence	Post-exceptional earnings per share 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

	2014 £m	2013 £m
Goodwill		
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 £m	2013 £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

	Cost of investment/ loans £m	Share of post acquisition reserves £m	Total £m
Joint ventures			
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 £m	2013 £m
Non-current assets	0.1	0.1
Current assets	7.1	14.4
Current liabilities	(14.6)	(15.0)
	(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.

Subsidiary undertakings

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

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

13 OTHER FINANCIAL ASSETS

	2014 £m	2013 £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

	2014 Increase assumptions by 1%/year £m	2014 Decrease assumptions by 1%/year £m
Sensitivity – effect on value of other financial assets (less)/more		
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 is recorded against the carrying value of the assets and recognised directly in the statement of comprehensive income.

14 INVENTORIES

Work-in-progress	2014 £m	2013 £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 £m	2013 £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 £m	2013 £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 £m	2013 £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 £m	2013 £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 £m	2014 Not recognised £m	2013 Recognised £m	2013 Not recognised £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 Limited in 2009.

19 PROVISIONS

	Rental and other obligations in respect of commercial properties £m	Other £m	Total £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 £m	Contractual cash flows £m	Within 1 year £m	1–2 years £m	2–3 years £m	More than 3 years £m
Revolving credit facility	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 promissory notes. The timing and amount of future cash flows given in the table above is based on the Directors' best estimate of the likely outcome.

2013	Carrying value £m	Contractual cash flows £m	Within 1 year £m	1–2 years £m	2–3 years £m	More than 3 years £m
Revolving credit facility	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:

	2014 £m	2013 £m
Sterling bank borrowings, loan notes and long-term creditors		
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).

	2014 £m	2013 £m
The maturity of the financial liabilities is:		
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 members and act in the interest of the scheme and all relevant stakeholders, including the members and the Company. The Trustees are also responsible for the investment of the scheme's assets.

The scheme closed to future accrual from 30th April 2010. Accrued 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.

	2014 £m	2013 £m	2012 £m
The amounts recognised in the statement of financial position are as follows:			
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 £m	2013 £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%
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 ltr1.5%	SAPS S1 PMA CMI_2011 ltr1.5%
Mortality assumption – female post-retirement	SAPS S1 PFA CMI_2011 ltr1.5%	SAPS S1 PFA CMI_2011 ltr1.5%
Future expected lifetime of current pensioner at age 65:		
Male aged 65 at year end	23.2	23.2
Female aged 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 aged 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:		
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% 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% 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% 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 into 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 Number of options	**2013** Number of options
Outstanding at 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 end of the year	**5,176,594**	**4,456,894**

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

	2014 £m	**2013** £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 into 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 £m	2013 £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).

Company statement of financial position

As at 31st October 2014	Note	2014 £000	2013 £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 140 to 142 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).

These financial statements were approved by the Board of Directors on 27th January 2015.

By Order of the Board
S Stone
P Bergin
Directors

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 earlier.

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 £000	2013 £000
Amounts falling due within one year:		
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**
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 exerciseable at a price of 247 pence per share.

7 RECONCILIATION OF SHAREHOLDERS' FUNDS

	Share capital £000	Share premium £000	Profit and loss account £000	Total £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.

Historic summary

For the year ended 31st October	Note		2014	2013	2012	2011
Income statement						
Revenue		£m	636.3	525.7	408.0	319.1
Gross profit		£m	**182.0**	**141.2**	**111.8**	**91.3**
Gross profit		%	28.6	26.9	27.4	28.6
Operating profit before joint ventures	1	£m	128.1	97.1	73.3	56.4
Operating profit before joint ventures	1	%	20.1	18.5	18.0	17.7
Share of post tax loss of joint ventures		£m	-	-	(1.8)	(1.4)
Operating profit after joint ventures	1	£m	128.1	97.1	71.5	55.0
Net finance expense		£m	11.4	10.3	9.4	82.0
Profit / (loss) before taxation	1	£m	116.7	86.8	62.1	(27.0)
Income tax (expense)/income		£m	(17.9)	(15.3)	1.8	67.5
Profit after taxation attributable to equity shareholders	1	£m	98.8	71.5	63.9	40.5
Basic EPS	1	Pence	39.3	29.4	N/A	N/A
Statement of financial position						
Shareholders' funds		£m	536.5	470.3	347.1	287.0
Net (cash) / borrowings		£m	19.3	(42.5)	30.3	42.8
Capital employed closing		£m	555.8	427.8	377.4	329.8
Gearing		%	3.6	(9.0)	8.7	14.9
Return on average capital employed	2	%	26.0	24.1	20.7	21.1
Return on average equity	3	%	19.6	17.5	20.2	43.1
Housing						
Units completed		Units	2,530	2,172	1,882	1,520
Average selling price – open market		£000	287	250	230	224
Short-term land		Units	17,247	16,388	16,959	14,772
Strategic land		Units	16,219	14,325	12,623	14,259
Land pipeline gross development value		£m	9,342	7,672	6,799	6,256

Notes

1 2013 figures before exceptional costs of £5.9m in connection with the IPO in February 2013.
2 Return = operating profit before joint venture results and exceptional costs.
3 Return = profit after taxation and before exceptional costs.

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