Crest Nicholson
Annual integrated report
31st October 2015

BUILDING VALUE

Our contribution to housing delivery

Highlights 2015

DELIVERED

ANOTHER RECORD YEAR OF RESULTS

£804.8m

Sales revenue ↗ 26%
2014: £636.3m

20.3%

Operating margin ↗ 20 basis points
2014: 20.1%

£163.3m

Operating profit ↗ 27%
2014: £128.1m

INCREASING

DELIVERY OF QUALITY NEW HOMES

2,725

Units completed ↗ 8%
2014: 2,530

RETURNING

VALUE TO SHAREHOLDERS

49.3p

Basic earnings per share ↗ 25%
2014: 39.3p

26.8%

Return on average capital employed
↗ 80 basis points
2014: 26.0%

IMPROVING

LOCAL INFRASTRUCTURE

£164.4m

Combined Section 106 contributions and Community Infrastructure Levy (s106/CIL) payments. 19% of our annual turnover goes into social housing and infrastructure

BOOSTING

EMPLOYMENT AND SKILLS

41

New apprentices

11

New graduates

20

Candidates enrolled in our Site Management Academy

LEADING

IN SUSTAINABILITY

1st place

In the NextGeneration benchmark of top 25 housebuilders, with a top score of 83% (2014: 2nd place, with a score of 82%)

FTSE4Good

Maintained our position in the FTSE4Good Index Series

EXPERTISE TO CREATE GREAT PLACES

Expert knowledge and skills go into creating great places to live. It's this expertise that delivers homes not houses, and places not postcodes – where people can belong and where communities can take shape and thrive.

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ABOUT THIS REPORT

This, our second integrated report, summarises our wider value proposition. It describes our financial and non-financial performance and the ways in which we interact with people and the environment to generate value and control risks.

The report complies with all relevant strategic reporting requirements for UK listed companies, as well as International Integrated Reporting Council (IIRC) principles. We also follow the Global Reporting Initiative G4 guidelines and provide further sustainability information on our website.

Visit us online www.crestnicholson.com

Download our Investor Relations Briefcase app for iPhone or iPad

Follow us and feed back

PLACES
NOT POSTCODES

Pictured Penarth Heights, Glamorgan

VIBRANT NEW COMMUNITIES

Providing new schools

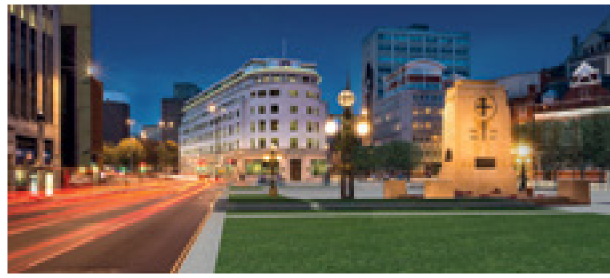
◄ ▼ The new Tadpole Farm Church of England Primary Academy forms an integral part of our development in Swindon and provides places for 420 children. This will be joined by the Great Western Academy, which on completion will take 1,200 pupils aged 11 to 18.

2,000 new homes

▲ Outline planning secured for our next Garden Village at Arborfield near Wokingham in Berkshire. The first works involved the remediation and preparation of the site for the new secondary school, ensuring that the development will be underpinned from the outset with new high quality education and social infrastructure.

Regenerating city centres

▼ We have restored and enhanced the celebrated art deco Electricity House in Bristol, originally designed by noted architect Sir Giles Gilbert Scott. This landmark building forms part of the wider regeneration in BS1.



New Private Rented Sector model

We are focused on mixed tenure and balanced communities with a range of private, social and Private Rented Sector (PRS) homes. In 2015 we launched the UK's first institutionally pre-funded PRS scheme as part of our Bath Riverside regeneration project.

LEADING THE SECTOR

Designs of the future

▲ We're working with leading architects on new housing concepts, including innovative uses of space to create flexible living environments that respond and adapt to changing lifestyles.

Build to Rent

▼ Centenary Quay in Southampton is the first government-funded Build to Rent (BTR) scheme on public sector land. We delivered the first 76 private rental units there this year and handed over completed dwellings to A2 Dominion, the new landlord, in autumn 2015.

CHAMPIONING INNOVATION

Pictured Bath Riverside, Bath

BUILDING

CAPABILITY

DEVELOPING EXPERTISE

11 additional graduates in 2015

▲ Our graduates are given practical experience across all areas of our business and undergo a formal training programme, guided by a mentor from the Executive Management Team.

Investing in apprentices

▼ We invest more than £1m per annum in our apprentice programme (including salaries). In 2015, 21 participants (80.7% of the total intake) completed their apprenticeship – well above the national average.

Supporting training

▼ 621 employees have participated in our Delivering Professional Excellence programme which included a review of their training needs and future development.

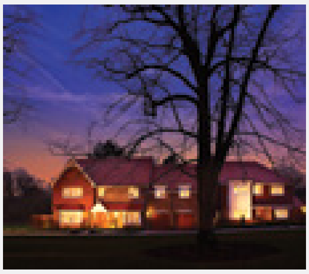
GROUP OVERVIEW

Crest Nicholson is a leading developer with a history of creating well-designed sustainable communities for over 50 years. The Group has a well-regarded capability for delivering schemes of varying size and scale, from small housing-led residential developments to larger urban regeneration schemes and Garden Villages.

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, and retail and leisure spaces where people want to live, work and play.

A diverse portfolio of projects



Our product portfolio ranges from homes for first-time buyers through to large family homes, and includes a mix of houses, apartments and commercial facilities as part of our larger developments.

OUR REGIONAL FOCUS

We operate across the South of England through a divisional structure (see map). Two further business units complement the regional divisions and provide specialist skills:

Crest Nicholson Regeneration (Major Projects)

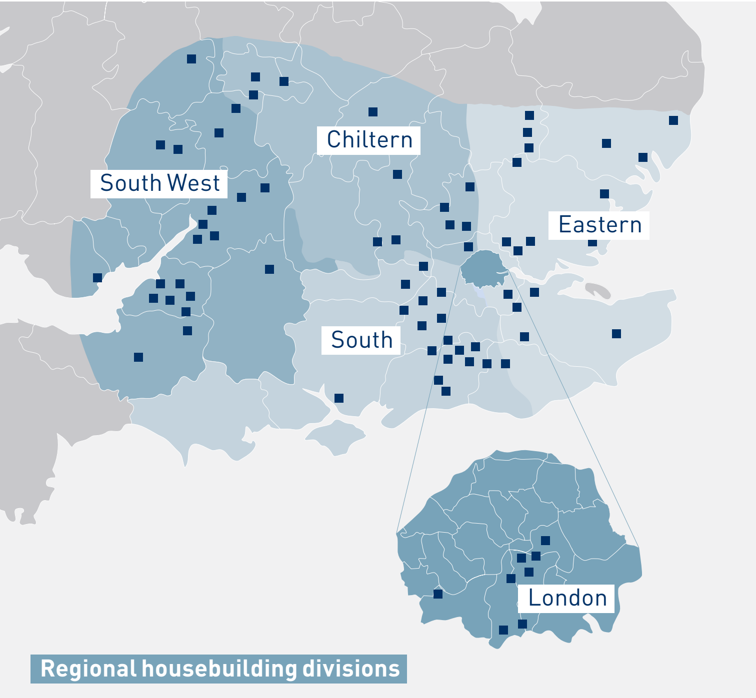
Specialises in large-scale developments with public and private partners, incorporating residential and mixed use projects.

Crest Strategic Projects (Strategic Land)

Sources unallocated sites and secures valuable planning permissions over time for medium to long-term development to be delivered through our divisions.

840
employees at year end

2,421
contractors (average number)



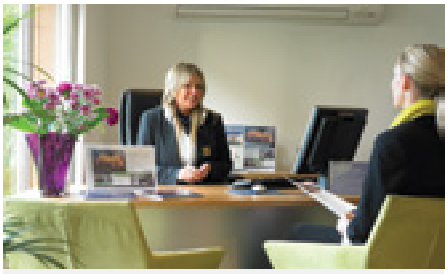
OUR BUSINESS IS BUILT ON THREE CORE PRINCIPLES:

Design and innovation

Our strong design ethos can be seen in visionary masterplans, and high quality homes and places that create a lasting legacy.

Sustainability

We work to balance social, economic and environmental factors in our decision making to ensure we create value for all our stakeholders and minimise our environmental impact.



Customer care

We aim to meet and exceed our customers' expectations and provide them with support throughout the buying process and beyond.

RECOGNITION FROM OTHERS

Once again the Group's approach was recognised in a number of industry awards, including the following.

NextGeneration Gold Award – number one for sustainability in our sector
First out of 25 top housebuilders with a score of 83% (industry average: 37%).

Housebuilder Awards 2015
Winner, Large Housebuilder of the Year.
Winner, Best Community Initiative – Visionary Community Interest Company at Tadpole Garden Village.
Winner, Best Design for Four Storeys or More – The Townhouse Collection, Bath Riverside.
Highly Commended, Sustainable Housebuilder of the Year.
Highly Commended, Best Regeneration Initiative – Bath Riverside.

NHBC Pride in the Job Awards 2015
Six of our site managers received Quality Awards.

NHBC Health and Safety Awards 2015
In the industry's leading health and safety awards, three site managers were 'Commended' and one was 'Highly Commended'.

Considerate Constructors Award
National Site Award Winner – Centenary Quay.

The British Excellence in Sales and Marketing Awards
Runner-up – Sales Development Programme of the Year.

50 stars of sustainability
Senior Site Manager Mark Follos was listed in *Building* magazine's '50 stars of sustainability'.

BUSINESS MODEL

Our model is built on creating value for all our stakeholders. To grow our business sustainably we focus on long-term value creation – using our unique blend of experience and skills to deliver quality homes that meet our customers' needs.

RESOURCES AND RELATIONSHIPS WE RELY ON

Financial resources

Working capital and a healthy statement of financial position.

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.

HOW WE CREATE VALUE

LAND

- High quality, diverse and well-located plots
- Skills and experience in identifying opportunities
- Robust strategic land pipeline

PLANNING AND DESIGN

- Partnership working to achieve often complex planning consents
- Vibrant communities with a high quality blend of product and tenure
- Expertise in masterplanning and design

CONSTRUCTION

- Championing best practice in build quality
- Well-managed sites with leading environmental and safety practice
- Effective, long-term supplier relationships

CUSTOMER SERVICE

- Meeting customers' needs with homes and places they want to live in
- Support through the home-buying process and beyond
- Continuing to focus on the customer experience

LEGACY AND STEWARDSHIP

- Create community assets
- Innovative, affordable solutions for long-term management of assets
- Financial support for public infrastructure

FACTORS THAT INFLUENCE 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. See page 20 for more detail on external factors.

EXAMPLES OF VALUE CREATION

Employment and economic growth

The industry estimates that every new home built creates 2.4 direct and additional jobs in the supply chain Home Builders Federation (HBF).

279
new starters directly employed

£583.5m
supply chain contribution charged against revenue

£44.5m
wages and salaries paid

£29.9m
tax contribution

New homes and community infrastructure

2,725
units delivered

£790.3m
commitment to affordable housing subsidy (off site and on site)

19%
of our annual turnover goes into social housing and infrastructure

Skills for the future

21.5 hours
average hours of training per employee

621
employees participated in the Delivering Professional Excellence programme

9%
of our workforce are apprentices

Low impact new homes

32%
of our homes have at least one type of renewable energy

15.65%
lower average carbon emissions from our new homes than current regulations demand

CHAIRMAN'S STATEMENT

In a buoyant market, the Group has delivered its best ever financial results and maintained a leading position in the sector.

William Rucker Non-Executive Chairman

RESULTS AND DIVIDEND

£124.1m

The Group's consolidated profit after taxation for the financial year ended 31st October 2015 was £124.1m (2014: £98.8m).

13.3p

The Directors propose to pay a final dividend of 13.3 pence per share (2014: 10.2 pence) for the financial year ended 31st October 2015 which, together with the interim dividend of 6.4 pence per share paid in October 2015, brings the total dividends for the year to 19.7 pence (2014: 14.3 pence).

Demand for new housing continues to be strong, as purchasers pursue their aspirations of home ownership or seek to move to a home more suited to their current needs. With a backdrop of good mortgage access, rising employment and government policy increasingly focused on dealing with the UK's housing shortage, there are great opportunities to continue to deliver homes and create communities in places where people want to live.

The Group made great progress in implementing its strategy for sustainable business growth. It delivered 2,725 new homes while broadening its product profile and investing in training and development. This was reflected in strong revenue and earnings growth and a robust operating margin of 20.3%.

Taking into account the Group's financial position and the medium-term market outlook, the Board proposes a final dividend of 13.3 pence per share (2014: 10.2 pence). The dividend is covered 2.5 times by earnings.

Independent evaluation of Board effectiveness in 2015 was both positive and beneficial. The Board was also delighted to welcome Sharon Flood as a Non-Executive Director. Sharon will bring her extensive strategic and financial management experience to the Audit and Risk Committee and replaces Malcolm McCaig who made an important contribution to the Group over six years.

As part of its work to provide a high quality of direction and oversight, the Board held a number of its meetings within divisions during the year. This provided valuable insights and reinforced its existing confidence in the Group's core strengths, underpinned by the quality and commitment of its teams.

I am impressed with the strategies the Group has in place to meet both challenges and opportunities – enhancing skills and capacity, transforming processes and methods to deliver quality, cost and environmental gains, and innovating the product mix to meet new needs. I am confident that this work will build on the current excellent results and provide a platform for continuing success in 2016 and beyond.

My thanks go to all employees, the management team and my fellow Board members for their contributions to a highly successful year.

William Rucker
Chairman

BOARD FOCUS IN 2015

In 2015, we:

- Tested the business strategy and mapped risks
- Monitored implementation of the strategy with a focus on key areas, including customer satisfaction and quality
- Welcomed a new Non-Executive Director
- Held an externally facilitated Board evaluation
- Reviewed the Group health and safety systems and identified areas for improvement
- Held Board meetings within divisions and extensively engaged with management teams.

For more information on the Board, see the Corporate Governance section on page 65. >

Board of Directors and Executive Management team site visit to Park Avenue, Sunbury ▼

Park Avenue in Lower Sunbury, Middlesex

BALANCED

COMMUNITIES

Kaleidoscope in Cambridge

CHIEF EXECUTIVE'S REVIEW

In favourable market conditions we have maintained our focus on place making through high quality masterplanning, design innovation and effective partnering.

Stephen Stone Group Chief Executive

How has the Group performed this year?

This year's financial results are a record achievement for the Group and I am grateful to our employees for their significant contribution. I am pleased to report that we remain on track to hit our targets of £1bn of revenue by 2016, and £1.4bn of revenue and 4,000 homes by 2019.

The business continues to focus its operations in the South of England, building well-designed homes in good quality locations, with an emphasis on high quality design and sustainability. We are conscious of the desire of both individual purchasers and policy-makers to see an increase in the supply of new homes and we are working to ensure that Crest Nicholson makes a valuable contribution to meeting housing needs.

1. PRS transactions include separate land sale and unit development elements, which may be accounted for in different periods and therefore can distort the average selling price (ASP) ratios. 'Excluding PRS impact' is after adjusting to remove any such distortion.

AT A GLANCE

Unit completions
↑ 8% 2,725 (2014: 2,530)

Open market average sale price excluding PRS impact[1]
↑ 10% £309,000 (2014: £282,000)

Land pipeline Total Gross Development Value
↑ 12% £10,466m (2014: £9,342m)

Forward sales
↑ 32% £328.9m (2014: £249.4m)

Key growth targets
→ £1bn revenue by 2016
→ £1.4bn revenue and 4,000 homes by 2019

▲ Finberry, in Ashford, Kent

> The five-year outlook in the sector remains strong, with good sales rates and access to mortgage finance for first-time buyers through the government-backed Help to Buy scheme.

To help deliver on our targets, we have refocused resources on new zones in London and expanded the capacity of the Group's operating regions with our new Chiltern division, and taken serious strides to establish a PRS offer underpinned by financial institutions.

Alongside strong financial performance, I am delighted to report that we have once more demonstrated our sector leadership in sustainability. This year we were ranked as the top performing company in the NextGeneration benchmark of the 25 largest housebuilders, after having maintained second place for the previous seven years. We have also maintained our position in the FTSE4Good Index and significantly improved our score in the Carbon Disclosure Project – in recognition of our high levels of transparency and action on climate change far in advance of the industry average.

We delivered 2,725 units in 2015, an increase of 8%. Bringing forward new homes is our core focus but this is only part of the picture. The fantastic new school for Tadpole Garden Village, the transformed Electricity House in Bristol city centre, our award-winning Finberry development in Ashford and the investment we are making in our people are all examples of much wider value creation.

As always, effective partnering with public sector agencies, councils and local communities enabled us to bring a variety of projects forward. For example, with the Homes and Communities Agency (HCA) we are progressing the fourth phase of our regeneration project at Centenary Quay in Southampton, and we are working with the Defence Infrastructure Organisation (DIO) as lead developer for a new Garden Village community at the former airfield at RAF Wyton in Cambridgeshire – set to be a significant development in the UK. Also with the DIO, we have secured outline planning for a Garden Village at the Arborfield Garrison site in Berkshire.

FTSE4Good

Crest Nicholson is positioned within the 86th percentile of the FTSE4Good Index Series, scoring highly in the Corporate Governance, Climate Change and Water Use categories.

A key growth constraint is the industry's skills gap – how are you managing this?

The Group has invested in apprenticeships for many years and we have further pledged to hire and support 200 apprentices by 2020. We have also put significant effort and resource into developing our graduate programme, which is now an industry-leading example. Our first Site Management Academy is another initiative we are proud of. It's an innovative programme designed to create 20 new site managers a year and provide a talented pipeline of future build managers and production directors.

Our investment in people is an investment in the future, benefiting the Group, individuals and the sector. I'm delighted that our approach has contributed to a 90% engagement score in our 2015 employee survey, with positive endorsement of our focus on training and development.

How are you anticipating and responding to market needs?

We already have a broad product range that incorporates new build, refurbishment and regeneration projects, but we continue to monitor emerging trends in demographics, income and affordability.

Our efforts to develop a PRS offer is a key example that has been very productive this year. Following the contract for sale in April of 97 PRS units at Bath Riverside, we contracted to deliver to M&G Real Estate a further 227 units at Kilnwood Vale near Crawley for private rental – our first purpose-designed suburban PRS model.

A supportive government policy framework, including continuing the emphasis on apprenticeships, upskilling and support for first-time buyers, will continue to be important in enabling us to respond effectively to changing market dynamics.

Can you tell us about the importance of design and customer service to Crest Nicholson?

Our design ethos and customer focus are core to Crest Nicholson and add real value to the business. Good design starts with the location – ensuring our development fits into and enhances the local context – then flows into form, function and materials with close attention to detail in delivering to our customers.

Disappointingly, our commitment to quality has not translated into the highest possible customer satisfaction levels this year. As a company traditionally rated 5-star in the HBF survey, we were extremely disappointed with our 4-star rating in 2015 – a result that was influenced by delays and quality challenges on some projects, linked to supply chain issues. While recognising that the 2–3% decline in our overall score is a slight one, we are determined to regain our 5-star status. To underpin this target, customer service performance continues to be a metric within bonus schemes across the Group, including those of the Executive Directors (for further details see the remuneration report, page 84).

▶ Monksmoor Park near Daventry, Northamptonshire

▼ St Peter's Place, London W6

Our supply chain is crucial to quality and delivery. Some of the innovations we're exploring include off-site manufacturing and partnering agreements to provide greater assurance of high quality and timely completion (see page 59).

Have the changes to the structure of the company proved to be successful?

In 2014 we created the Chiltern division and promoted a number of internal candidates to the divisional board. A regional chairman was appointed to oversee the start-up of Chiltern and to provide support and guidance to two other divisions where managing director appointments were recently made. The Chiltern division has exceeded expectations: five new sites were acquired in the year and a strong team has been established.

Our London division has also had success developing sites in areas of greater affordability, such as outer London boroughs with strong commuter links where we can use our existing resources and expertise.

What are you doing on environmental matters and health and safety?

Waste reduction and resource efficiency are key priorities addressed through our Make Waste History programme. In 2015 we mapped all our waste streams to identify their root causes and created a league table of waste reduction. This is generating healthy internal competition and enabling our construction sites to benchmark performance. We also see a strong role for technology and are trialling a tablet-based system for improving site management, scheduling and resource efficiency. Our continuing focus is recognised in the Group being rated first among the top 25 housebuilders in the NextGeneration sustainability benchmark.

As the director with overall responsibility for health and safety, I have reviewed our processes in discussion with the Board and our health and safety team this year. A number of priorities and programmes have been determined to drive improvement (see pages 48 to 49).

In summary, how do you see the market outlook?

The five-year outlook in the sector remains strong, with good sales rates and access to mortgage finance for first-time buyers through the government-backed Help to Buy scheme. Land conditions are positive, despite ongoing constraints in the planning system, and sales price inflation is currently covering build cost inflation as demand outstrips supply. Overall, we are seeing no shortage of land-buying opportunities coming forward and the gross development values of both our short and long-term land pipelines continue to grow.

A key constraint on sector growth will be production capacity, which is why we place such emphasis on a progressive relationship with our supply chain, employee development and upskilling, and innovations across the board that bring efficiency gains.

I am confident that our current business strategy and the Group's core strengths provide a strong platform for successfully meeting our growth targets through a continuing focus on delivering a high quality product mix that responds to evolving customer needs.

Stephen Stone
Chief Executive

STRATEGY SUMMARY

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

1

Page 32

MANAGED GROWTH OF THE BUSINESS

- 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 area.
- Over the longer term, focus on stability and maintaining value creation.

2

Page 37

DELIVERING TO OUR CUSTOMERS AND COMMUNITIES

- 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

Page 44

SKILLS AND LEADERSHIP

- Develop a strong culture of organisational learning and build leadership capacity for the future.
- Continue to invest in the youth of today.

4

Page 50

RESPONSIBLE RESOURCE MANAGEMENT

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

5

Page 56

PARTNERSHIP AND SUPPLY CHAIN

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

→ Our strategy in action: see pages 32 to 60.

OPERATING ENVIRONMENT REVIEW

We operate in a complex environment and manage a range of factors that have a potential impact on the Group.

High demand in our operating area

Housing demand continues to outstrip supply in London and the South of England, sustained by a strong job market, an increasingly competitive mortgage market, the ongoing availability of the government-backed Help to Buy scheme and increasing consumer confidence. This positive backdrop has led to growing levels of housing delivery and contributed to the Group's excellent financial performance this year.

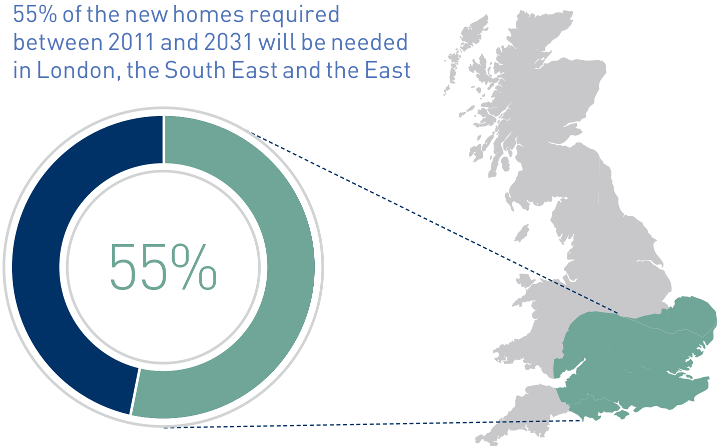
We experienced strong sales rates across all markets, followed by a slowdown for higher value homes following the introduction of new Stamp Duty Land Tax (SDLT) tax bands. Looking ahead, unless the Government reviews SDLT levels for higher value homes, the business anticipates that the slower sales rate for higher value properties will continue.

According to 2012-based projections, 55% of the new homes required between 2011 and 2031 will be needed in London, the South East and the East, underpinning the likelihood of continuing high demand in our main operating areas and leaving us on track to meet our 2016 and 2019 targets.

Customer expectations – of design and living environment, the use of space in the home and levels of service provided – remain high and will continue to evolve in line with changing demographics and lifestyles.

Projected housing demand

55% of the new homes required between 2011 and 2031 will be needed in London, the South East and the East



Source: Department of Communities and Local Government/TCPA.

What's constraining housebuilding?

(% identifying key constraints)

Source: *Housebuilder's* Housing Market Intelligence Report.

▲ Bath Riverside, Bath

Affordability

With house price inflation staying ahead of wage growth, affordability remains a challenge for prospective buyers, the UK economy and the sector as a whole.

The Group has continued its strategy of delivering balanced communities through the right mix of product types and innovations in funding mechanisms and services. This has included further expansion of our PRS offering into suburban sites, while in London we have started to acquire and develop sites in outlying boroughs that will offer more affordable homes to our customers.

In 2015 we launched the UK's first institutionally funded PRS pre-sale scheme in Bath.

The Government has extended the Help to Buy scheme to 2021 and announced its intention to introduce a new Starter Home product in 2016 to help first-time buyers onto the property ladder, and is seeking to reduce the cost of social housing by cutting rents by 1% per annum for the next four years. We will work with Government and Local Planning Authorities (LPAs) to introduce the new starter homes onto our developments as well as re-negotiating Section 106 (s106) tenure mixes with LPAs, where housing delivery is undermined by new lower rent levels.

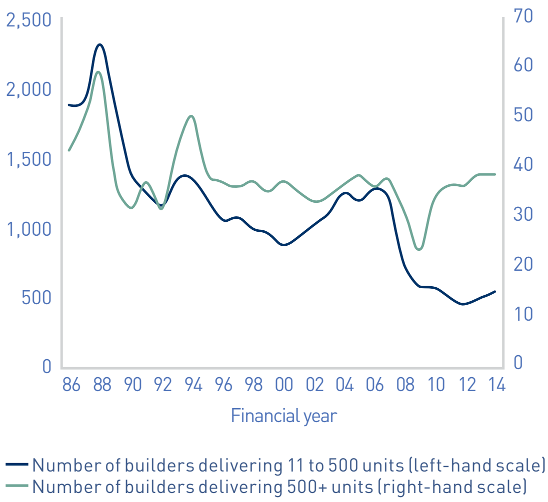
Opportunities and threats facing the industry

Top five opportunities	
1	Government attitude to housebuilding
2=	Government considering reduced regulatory burden
2=	Opportunity to increase market share/profile
4	Low stock/scarcity of supply
5	Opportunity for small builders to return to market

Top five threats	
1	Government attitude to housebuilding
2	Rising interest rates
3	Banks further restrict mortgages/financing
4	A return to recession
5	Material shortages

Source: *Housebuilder's* Housing Market Intelligence Report.

Registered builders by size



Source: *Housebuilder's* Housing Market Intelligence Report.

Delivery challenges in the housing sector

While larger housing developers, including Crest Nicholson, are increasing supply, housing output from small and medium-sized enterprises (SMEs) continues to falter as a consequence of the complexity and uncertainty of the planning system.

In addition, the Government's change of emphasis away from rented tenures and towards a home-ownership model is prompting a wide-scale review of the Registered Provider model, reducing its capacity to deliver in the short term.

Over the past four years only 54% of required homes in England and 34% in London have been delivered.

TCPA analysis (November 2015) based on Department for Community and Local Government (DCLG) projections 2012–37

We are part of an industry-wide move to explore new ways of housebuilding to improve sector delivery. New materials and technologies, off-site manufacturing to boost existing capacity and a much closer relationship with suppliers are key focus areas. These are also part of our response to climate change policy and extreme weather risks, which impact on housing specification as well as the timing of build and delivery.

The industry is also facing a skills gap. As well as a shortfall of skilled and experienced construction workers, there are particular challenges when it comes to recruiting senior-level candidates. We continue to invest in recruitment and development, including apprentice and graduate programmes, our Site Management Academy and our Management Excellence programme.

◀ The Broadway, Tooting High Street, London SW17

Planning framework

Planning authorities continue to experience budget cuts, reducing their capacity to manage applications and develop local plans. The emphasis on consenting fewer larger sites has constrained outlet growth across the sector. The General Election in May 2015 also saw planning stall during a four-month period.

The influence of neighbourhood planning has continued to grow. This has proved problematic and slow where no National Planning Policy Framework-compliant local plan is in place and adopted. We continue to emphasise the need for neighbourhood plans to be subservient to local plans.

Planning permissions are generally being granted at over 250,000 plots per annum, though not always in the area of need.

To help mitigate these challenges, we are focused on working effectively with Government and LPAs and on ensuring that our consultation and masterplanning processes are as robust and professional as possible. We put planning performance agreements in place on larger sites, with added funding agreed where LPAs are otherwise resource constrained but show willingness to expedite quicker planning.

Land supply

The short-term land market remains positive. There is no discernible shortage of high quality sites being identified and coming forward to the market at good margins commensurate with the risks involved.

The strategic land market is more competitive due to a growing number of 'land promoters'. We are responding by showing our excellent track record of success in planning and place making, demonstrating our experience in creating places that add value and meet our landowners' aspirations. For further details on our land pipeline, see page 29.

HORIZON-SCANNING

To support the implementation of our business strategy, we are continuing to research and explore emerging longer-term challenges and opportunities in a number of key areas.

Creating great places to live

We are reviewing what a great place to live means and how it can best be created, including applying Group principles and practices consistently regardless of the local environment and context, and putting in place arrangements that will deliver an affordable and reliable legacy. See page 40.

Responding to trends and customers' future needs through product development

We are aiming to design new forms of housing to address changing markets, needs and lifestyles. This has started with research into future housing systems and customer expectations. The next step is to work with selected architects and suppliers to generate and detail new housing concepts where the use of space and technology will enhance the quality and responsiveness of the living environment. See page 39.

New business and channels to market

We are exploring new business opportunities and channels to market, including innovative PRS products and housing forms to meet the market needs of an ageing population. We are also exploring how to increase delivery and diversity of product through twin outletting of traditional and contemporary forms of housing on the same sites. See page 35.

Supply chain and natural resources

We are looking at future capacity constraints and levels of innovation in the supply chain, including anticipating the future impact of regulation on design, components and materials use, construction methods and systems. A major area for exploration is off-site manufacturing techniques to minimise reliance on a stretched supply chain and to improve the quality of our homes. In parallel, we are exploring the development of new partnership mechanisms with suppliers and contractors. See page 53.

Learning and continuous improvement

We are defining and implementing formal learning protocols to support behaviour change and improve the way we operate, targeting greater efficiency and innovation, reduced costs, and higher employee satisfaction, motivation and retention. See page 45.

BUSINESS BENEFITS OF OUR CREATING GREAT PLACES TO LIVE WORKSTREAM

- Increased recognition and reputation
- Increased profitability
- Developing resilience to recessionary markets

DIALOGUE AND PARTNERING

It's crucial that we understand and respond to the interests of a wide range of stakeholders in the course of our business.

DEVELOPMENT PARTNERS AND LANDOWNERS

Key interests	Our approach
Ability to work within the planning system.	We have an excellent track record for bringing developments successfully through planning.
Quality of development and ability to generate competitive land value.	The case studies that we give to our partners illustrate our focus on delivering quality and value.
Partnership culture and reliability.	We demonstrate our reliability and expertise through open partnering, building trust through strong relationships with agents and public sector partners alike.

CUSTOMERS AND COMMUNITIES

Key interests	Our approach
Timing and extent of physical and social infrastructure (new roads, surgeries and schools).	We take pride in positive engagement with local residents, including liaising with community representatives to ensure that concerns about under-investment in infrastructure are addressed from the outset.
Character and density of proposed development.	We continue to design homes of a character and scale that fit in with the local environment.
Product quality and service levels: ongoing support and a helpful manner.	Recent initiatives include commissioning a new customer services manual, enhanced customer services training, improved pre-operational planning, use of technology by site managers, and supply chain engagement to minimise delays and risks to quality.

EMPLOYEES

Key interests	Our approach
Career development, opportunity and training.	We continue to invest in employee engagement and progressive employment policies that provide equal opportunities.
Mentoring and support.	We have introduced a range of new and improved training and career development programmes for all levels of the organisation.
Conditions of work.	Our employee survey is a key tool for dialogue. This is supplemented by team meetings, training, roadshows and the corporate intranet.

GOVERNMENT AND INDUSTRY

Key interests	Our approach
Increasing the delivery rate of new homes and the quality and sustainability of developments to make housing more acceptable to communities.	We are aligned with government policy and recognised for delivering high quality developments and a continued growth in units per annum.
Defining minimum national standards on space, security and accessibility.	We collaborate to formulate responses to policies and contribute to emerging design and sustainability standards. Our involvement includes the Town and Country Planning Association, UK Green Building Council, HCA and Zero Carbon Hub.
Developing and regulating standards on energy and resource efficiency and carbon.	We are an active voice of the industry, leading and working on various HBF boards and committees.
Maintaining a healthy industry and broadening the SME sector.	Our engagement with government is welcomed and we separately provide input to the Department for Environment, Food & Rural Affairs (Defra), Department for Energy and Climate Change (DECC) and DCLG on emerging policy and regulation.

INVESTORS

Key interests	Our approach
Clear strategy.	As a public company, primary responsibility is to our investors and we maintain a programme of presentations and investor meetings, as well as site visits.
Governance, ethics and transparency.	We commissioned an externally facilitated evaluation of Board effectiveness this year. We aim to provide transparent disclosure through our annual integrated report and via sustainability indices (FTSE4Good, Carbon Disclosure Project, NextGeneration).
Share value.	We have set out a clear plan of managed growth and are investing in the development of our managers and executives.

SUPPLY CHAIN

Key interests	Our approach
Consistency and a secure pipeline of work.	We continue to engage strategically with our supply chain on shared challenges, including building production capacity and addressing skill shortages.
Shared purpose.	We share our vision, knowledge and good practice with contractors and suppliers working with us on our construction sites.
Positive payment terms and wider terms and conditions.	We aim for partnership approaches and contract terms that bring mutual benefits.
Collaboration and innovation.	We collaborate with our supply chain through forums, including Advanced Industrialised Methods for the Construction of Homes (AIMCh) and Building Research Establishment (BRE); see page 53 for more information.

IDENTIFYING MATERIAL ISSUES

In 2012 we formally consulted with our stakeholders and reviewed this work in 2014, assessing all the comments from stakeholders and looking at the wider market environment. Following this we interviewed representatives of stakeholder groups, who were invited to comment on topics of interest and rate them in order of importance. Finally, we used all these findings to map issues into an initial materiality matrix, identifying which were of high importance to both our stakeholders and the business. This work was also informed by the Group's risk management process and risk register.

This year we have once again reviewed our materiality analysis and have mapped the issues more closely to the five pillars of our business strategy.

KEY ISSUES GROUPED UNDER OUR FIVE STRATEGIC PILLARS

1 MANAGED GROWTH OF THE BUSINESS

- Housing demand/supply (imbalance)
- Land availability and cost
- Access to capital for customers and the business
- Profitability
- New investment and delivery models

2 DELIVERING TO OUR CUSTOMERS AND COMMUNITIES

- Quality and customer satisfaction (includes quality of housing design and technology)
- Creation of diverse communities (includes affordable housing)
- Enabling sustainable lifestyles (includes flood risk and sustainable transport)
- Long-term management of developments

3 SKILLS AND LEADERSHIP

- Availability and use of technical skills (includes supply chain and employees)
- Training and development
- Succession planning

4 RESPONSIBLE RESOURCE MANAGEMENT

- Availability, price and use of responsible materials (includes housing – energy efficiency and low carbon)
- Compliance

5 PARTNERSHIP AND SUPPLY CHAIN

- Being a partner of choice
- Strong relationships with regulators, planning departments and government

FINANCE DIRECTOR'S REVIEW

Patrick Bergin Group Finance Director

On track to deliver our targets.

Trading performance

Trading performance in the year ended 31st October 2015 has continued in the strong vein established from the middle of calendar year 2013. Having reached our initial post-Initial Public Offering (IPO) volume target of 2,500 homes last year, the business has continued to expand in both volume and average sale price (ASP) terms.

Sales revenues of £804.8m were 26% higher than the £636.3m reported for the prior year, primarily driven by increases in housing revenue. Unit volumes were up 8% at 2,725 (2014: 2,530) and overall ASPs up 14%. Open-market unit completions rose by 16%, whereas affordable completions were lower than the prior year, due to the timing of completions of certain apartment projects.

Contributions to turnover from land sales and commercial mixed use continue to comprise a small part of overall operations, but were nonetheless up strongly on the prior year, together accounting for £56.1m of sales (2014: £32.4m). Land sales of parcels of our larger sites form part of our routine approach to funding strategic infrastructure. Commercial activity primarily related to the balance of a construction contract for a superstore on our Centenary Quay regeneration site in Southampton and the sale of commercial space at our Tileman House development in Putney.

Sales price inflation through the year has been on a positive trend, albeit that the overall levels of price increases are not as sharp as during 2014. Build cost inflation has followed a similar pattern, with materials cost inflation moderating significantly. Given the overall shortage of skilled labour serving the industry, we continue to see rising wage and salary costs.

Gross margins for the year were 27.5% (2014: 28.6%), reflecting an anticipated movement in project mix, with a lower contribution from higher margin projects. Nonetheless, gross margins remain healthy, supported by net inflation gains and the benefits of increased acquisition margins and a growing proportion of units sourced from strategic land.

Operating profits of £163.3m (2014: £128.1m) were 27% higher than the prior year. Operating margins, at 20.3% (2014: 20.1%), reflect the reduction in administrative expenses as a percentage of sales, as the growing business drives greater overhead efficiency.

Finance expense and taxation

Net financing expense of £9.5m (2014: £11.4m) is £1.9m lower than the prior year, primarily due to the benefits of paying lower margins on the amended revolving credit facility and the benefit of interest credits arising as a result of shared equity loan redemptions.

Income tax expense in the year of £29.9m (2014: £17.9m) represented an effective tax rate of 19.4% (2014: 15.3%). The effective tax rate for the year ended 31st October 2014 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 25% to 49.3 pence from 39.3 pence in 2014. Full details are shown in Note 8 to the consolidated financial statements.

Dividend

The Board proposes to pay a final dividend of 13.3 pence per share for the financial year ended 31st October 2015 which, subject to shareholder approval, will be paid on 8th April 2016 to shareholders on the register at the close of business on 11th March 2016.

If approved, the total dividend paid in respect of 2015 earnings of 49.3 pence per share would be 19.7 pence, an increase of 38% over the 14.3 pence paid in respect of 2014 and representing dividend cover of 2.5 times, in line with the Board's stated intention to reduce dividend cover to 2.0 times by 2017.

	2015		2014	
	Units	GDV - £m	Units	GDV - £m
Short-term housing	16,064	5,106	17,247	4,798
Short-term commercial	-	249	-	221
TOTAL SHORT TERM	16,064	5,355	**17,247**	**5,019**
Strategic land	17,712	5,111	16,219	4,323
TOTAL LAND PIPELINE	**33,776**	**10,466**	**33,466**	**9,342**

Cash flow and financial position

The Group had net assets at 31st October 2015 of £630.7m (2014: £536.5m), an increase of 18% over the prior year.

Inventories have increased by 11%, up from £814.1m at 31st October 2014 to £904.5m at 31st October 2015, reflecting the growth trajectory in the business. Land inventory is broadly level with prior years, as land acquisitions in the year have focused on supporting our growing Chiltern division and replenishing usage in our more mature operations.

Stocks of completed units continue to be at very low levels and amounted to £40.7m (2014: £34.5m). A significant proportion of stock of completed units is represented by show homes.

Net cash flows from operations amounted to an inflow of £23.5m (2014: £38.8m outflow), reflecting strong working capital average in the year. As a consequence, the return on average capital employed achieved by the business in the year increased to 26.8% (2014: 26.0%).

Financing

During the year, the Group amended and extended its loan obligations, increasing the level and duration of its banking facilities while reducing the overall cost of borrowing.

The £200m revolving credit facility and £80m ancillary facility, with maturity dates in March 2019, were amended to £240m revolving credit facility and £120m ancillary facility, with maturity dates in January 2020. The extension of borrowing facilities provides additional funding headroom to support the established strategy for business growth and development.

At 31st October 2015 the Group had net debt of £30.6m (2014: £19.3m) and the ratio of net debt/equity was 4.9% (2014: 3.6%).

Land pipeline

The Group's contracted land pipeline is summarised in terms of units and gross development value (GDV) as set out above.

The short-term housing pipeline now represents 5.9 years of supply, down from 6.8 years at 31st October 2014. The average selling price (ASP) of all units within the short-term portfolio, including affordable units and units being sold for private rental, is £318,000, which is 14% higher than the £278,000 at 31st October 2014.

This increase in ASP reflects both historic sales price appreciation and the mix of additions to the pipeline. We are continuing to identify and secure sites in strong locations where the prevailing ASP is higher than our current levels.

Strategic land continues to be an important source of supply. During the year four sites and 534 plots have been pulled through from the strategic into the short-term land pipeline. Notwithstanding these transfers, overall strategic land pipeline 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. Having raised hurdle rates for new site acquisitions last year, additional requirements for higher margins were formalised in the summer of 2015 for projects that exhibited greater complexity or other risks.

Patrick Bergin
Group Finance Director

KEY PERFORMANCE INDICATORS

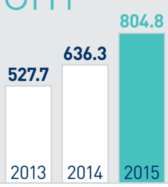
A year of record financial results with continuing strong focus on balanced, sustainable value creation measured through economic, social and environmental performance.

We have made changes to some key performance indicators (KPIs) this year to more closely reflect the business and to provide a robust basis for measuring progress.

1 MANAGED GROWTH OF THE BUSINESS

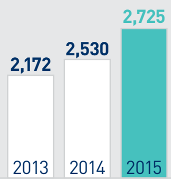
Sales revenue
£804.8m

Target: £1bn sales revenue by 2016 and £1.4bn by 2019

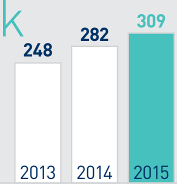


Units completed
2,725

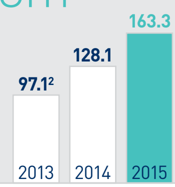
Target: 4,000 homes by 2019



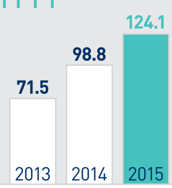
Average open market selling price[1]
£309k



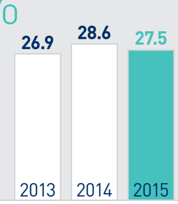
Operating profit
£163.3m



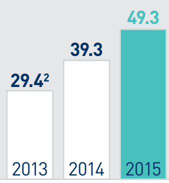
Net profit
£124.1m



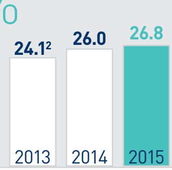
Gross margin
27.5%



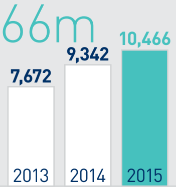
Basic earnings per share
49.3p



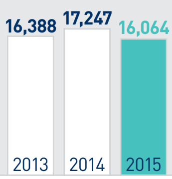
Return on average capital employed
26.8%



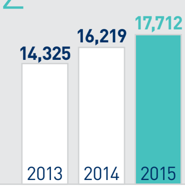
Land pipeline Total Gross Development Value
£10,466m



Short-term land units
16,064



Strategic land units
17,712



1. Excluding PRS impact – PRS transactions include separate land sale and unit development elements, which may be accounted for in different periods and therefore can distort the ASP ratios. Excluding PRS impact is after adjusting to remove any such distortion.
2. Before exceptional costs of £5.9m relating to the Initial Public Offering in February 2013.
3. The following KPIs have been removed or replaced: 'Homes built on brownfield land', 'Building Research Establishment Environmental Assessment Methodology (BREEAM) Green Guide rating'.
4. Standard Assessment Procedure (SAP) energy rating out of 100, based on SAP2009. Includes design SAP scores from 52 plots.
5. This is a new set of KPIs that better reflects our supply chain engagement. Note: our 'Certified timber sourced' indicator now appears separately on our website as data from our audit of timber suppliers is not available in time for this report.
6. Annual agreements covering panel fee structure, payment terms, allocation of work, and other items such as service level agreements and quarterly panel reviews.
7. Annual agreements covering panel fee structure, covering key contractual terms, payment terms, allocation of work, environmental responsibility, health and safety, integrity, and other items.
8. Including group trading agreements that reduce repetitive competitive tendering. Covering supply rates, payment terms, and other items such as service level agreements, stock levels and waste collection or reduction.

2 DELIVERING TO OUR CUSTOMERS AND COMMUNITIES

Customer satisfaction rating (HBF survey)

★★★★

2013	2014	2015
4	5	4

Target: 5 stars

People who would recommend Crest Nicholson to a friend

9/10

(independent survey)

2013	2014	2015
9/10	9/10	9/10

3 SKILLS AND LEADERSHIP

Average training hours per person

21.5

2013	2014	2015
7.5	12.5	21.5

Apprentices in total workforce

9%

Target: 10%

2013	2014	2015
9%	9%	9%

Number of internal promotions

77

2013	2014	2015
72	67	77

Annual Injury Incident Rate (AIIR)

52% reduction

2014: 50% reduction
2013: 48% reduction
(baseline 2008)

New graduates

11

2013	2014	2015
7	17	11

4 RESPONSIBLE RESOURCE MANAGEMENT[3]

CO_2e per 1,000 sq ft delivered (tCO_2e)

3.72

2013	2014	2015
4.5	4.3	3.7

CO_2e per average number of employees (tCO_2e)

12.54

2013	2014	2015
14.2	13.0	12.5

Home energy efficiency – SAP energy rating

83.62[4]

2013	2014	2015
83.89	83.96	83.62

Construction waste volume per 1,000 sq ft delivered

40.65

2015: 2% reduction
2014: 6% reduction
(baseline 2013)

2013	2014	2015
41.80	39.22	40.65

Developments with ecological enhancement or protection

63%

(37 out of 59 developments)

2013	2014	2015
68	69	63

5 PARTNERSHIP AND SUPPLY CHAIN[5]

% of our housebuilding detailed design consultants appointed under design framework agreements[6]

95%

Target for FY15 was: 90%

% of our housebuilding sub-contractors covered by sub-contract framework arrangements[7]

25%

Long-term target: at least 75%

% of our housebuilding material direct suppliers covered by partnership agreements[8]

80%

Target for FY 15 was: 75%

STRATEGY IN ACTION

1 MANAGED GROWTH OF THE BUSINESS

We aim to grow our business to a level that sustains long-term value creation by delivering quality homes and mixed use communities that meet market needs. In 2015 we continued on our path to achieve £1bn of revenue by 2016, targeting unit sales of 2,700–2,900 and an average selling price of £340k–350k.

HOW WE PERFORMED IN 2015

Our vision	Performance in 2015
Maintain managed, sustainable growth to deliver key targets of £1bn of revenue by 2016, and £1.4bn of revenue and 4,000 homes by 2019.	8% increase in unit completions. 26% increase in sales revenue. 10% increase in average open market sale price. Affordable homes represent 22% of our short-term portfolio.
Selectively grow the business and drive strong levels of earnings by adopting a disciplined approach to returns.	25% increase in basic earnings per share.
Increasing outlet numbers within our existing areas of operation.	5% increase in sales outlets (operated from 44 full-year equivalent sales outlets).
Developing additional revenue streams through a diversified portfolio, including targeting the PRS.	Homes on several PRS schemes completed. First institutionally backed PRS scheme launched.
Maintaining a balanced risk and reward profile in relation to land.	Formalised new hurdle rate matrix to reflect risk and reward balance in assessing land opportunities. 25.6% of plots delivered in 2015 came from the strategic land pipeline and 24.6% off public sector land.
Looking to return cash to shareholders in favourable market conditions.	Dividend increased by 38%.
Continue to review product range in light of changing demographics and financial status of core markets.	Progressed projects looking at new designs, new uses of space and homes for the future.

109

PRS units delivered in FY15

DELIVERY OF AFFORDABLE HOMES

In 2015 the Group delivered 574 new affordable homes (housing legal completions), compared to 675 in 2014. Under emerging planning policy the level of affordable housing is gradually being squeezed by the regulated requirement to pay higher levels of the Community Infrastructure Levy (CIL) and s106 contributions. This trend is expected to continue while the effectiveness of CIL is being reviewed by the Government.

New PRS model

To encourage the supply of available homes within the PRS, the Government has introduced the BTR fund, which supports the build, management and letting of homes for private rental.

We delivered the first 76 PRS units on Centenary Quay (being the country's first contracted BTR units under the HCA's scheme) and the first 33 units from the second phase of BTR units at Bristol Harbourside.

Significantly, we also launched our partnership with M&G Real Estate to create our first institutionally pre-funded PRS development – in Bath – consisting of 97 apartments and supporting community space.

NEW HOMES
FOR PRIVATE RENTAL

▶ Bristol Harbourside
▼ Centenary Quay in Southampton

STRATEGY IN ACTION: MANAGED GROWTH OF THE BUSINESS

£5.1bn GDV

strategic land

£5.4bn GDV

short-term land

Land and planning

We have continued to add to our short-term land pipeline, increasing the GDV by 8% to £5.4bn. This has been boosted by the success of our Chiltern division, which acquired five new sites in 2015, and our greater focus on outer London boroughs where we can acquire and deliver more sites with greater affordability potential for our customers. In 2015 we acquired 18 new sites and 2,111 plots, alongside 4 sites and 534 plots converted from the strategic land portfolio. The GDV of land acquisitions and conversions – at £900m – more than replaces the housing revenues of c.£750m achieved in the year.

At 31st October 2015 all land required to meet our forecasts for the following year is in hand, together with c.80% of the land required for 2017. As a result, the volume and average sale price projections in our medium-term forecasts are well supported and fully in line with our half-year announcements.

The units and associated value in our strategic land pipeline are particularly strong at the end of 2015, with 17,712 units under control, with a GDV of £5,111m – an increase of 18% over 2014. Over 80% of these units are now either in an emerging local plan or assessed as having a better than 60% chance of securing planning permission.

CASE STUDY: Arborfield Garden Village – from barracks to homes

2,000

▼ new homes at Arborfield Garrison, Berkshire

As appointed Development Manager for the DIO, we have created a masterplan for a Garden Village community consisting of up to 2,000 homes – a proportion of which are affordable homes – on the site of the former Arborfield Garrison in Berkshire.

We have secured detailed planning permission for the first 133 dwellings and anticipate delivering the first homes for occupation late in 2016.

The vision for a sustainable community

The plan also includes a foodstore and other retail facilities, a community and health centre, nursery provision, new primary and secondary schools, and public open space.

Working in partnership with the DIO, planning officers, parish councils, education providers, local stakeholders and interest groups, we obtained outline planning approval in March 2015 from Wokingham Borough Council.

A new school

Construction began on the new £32.5m secondary school in October 2015, after extensive review with the community and the Bohunt Education Trust as the new school provider. The school will initially accommodate 180 Year 7 pupils and on completion will take 1,200 pupils aged 11 to 18.

CASE STUDY: Leading on affordability

18%

of UK households are in the PRS[1]

Privately rented properties account for 18% of the UK's households. Growth in demand is driven by the 23–34 age group, with affordability being a key factor. To meet these requirements and accelerate housing delivery where it is most needed, we are developing new funding models and housing types, including a tailored PRS product for suburban and urban sites.

This enables us to more rapidly establish a 'place' that broadens the tenure base of larger developments and offers additional facilities within the PRS component, such as leasing and maintenance offices for the operator, and communal lounges and gyms for tenants. For the business, there is also significant potential for design and delivery efficiencies, economies of scale and cash flow advantages.

We have secured three public sector sites that provide for PRS projects. The first of these – Centenary Quay in Southampton – is the first government-funded BTR scheme on public sector land, consisting of 102 PRS homes that delivered 76 units in 2015, with the balance due for completion in 2016. Further schemes at Arborfield Garrison, Berkshire, and the former airfield at RAF Wyton, Cambridgeshire, will be brought forward in the next two years.

This year we also announced the launch of the UK's first institutionally backed PRS scheme. With the backing of M&G Real Estate, we will develop 97 apartments and a community space within the larger Bath Riverside regeneration scheme in the heart of the city. A further scheme of 227 PRS units at Faygate, Crawley, has been designed in conjunction with M&G as the country's first such suburban scheme. Planning permission is anticipated in the spring of 2016 with delivery progressing soon thereafter.

▲ Bath Riverside, Bath

1. Source: Office for National Statistics, 2011 Census.

STRATEGY IN ACTION: MANAGED GROWTH OF THE BUSINESS

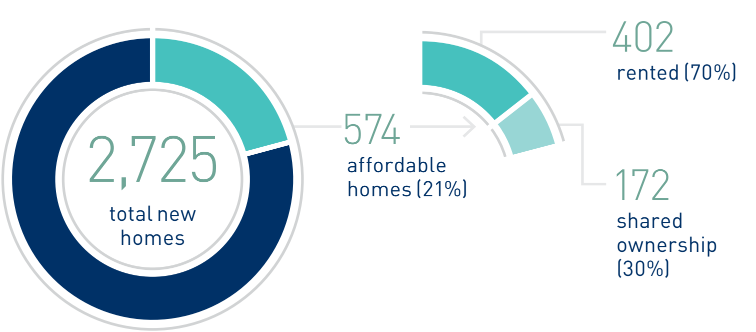
Land and planning (continued)

Of particular note is our growing partnership with the DIO through which we are working with local authorities to create communities on former military sites. Of these, during 2015 we successfully secured outline planning permission for the new 2,000-dwelling Garden Village community at Arborfield Garrison near Wokingham where works have now commenced, and were contracted as Development Manager for the 4,500 dwelling new community to be brought forward for delivery on the former airfield at RAF Wyton.

While our land pipeline remains strong, we recognise the continued resourcing challenges facing local planning departments. In many cases, this is making the process of obtaining planning consents more lengthy and involved than it has been and should be in practice. We are factoring in these constraints when securing land opportunities and forecasting the timing of the first occupations on a site.

For further details of our land pipeline, see page 29.

New homes delivered in 2015



Balanced growth through a balanced structure

We have made changes to our management structure this year to provide a platform for future business development. To support these changes, we appointed our first housebuilding Regional Chairman at executive management level. We have also worked to ensure that our new Chiltern division has become rapidly operational, initially supported with some resource from our South-West division. The Eastern and South divisions were also refreshed as Chiltern allowed us to open up new opportunities for talented managers across the Group. Chiltern has delivered above expectation, bringing forward five sites, and our divisions have responded well to the new structure.

Maintaining growth

We expect the Group's strong performance to continue into 2016, underpinned by favourable market conditions and an element of policy stability following the General Election. With affordability a key concern of customers, policy-makers and the housing sector, we are pleased that the Government has extended its Help to Buy scheme to 2021 in support of first-time buyers.

While sales price and build cost inflation are steady and land market conditions are benign, we are taking the opportunity to invest in future-proofing the business by developing our product mix, investing in our people and skills, reshaping our supply chain, and driving innovation in design, construction methods and materials. In this way we aim to sustain our long-term financial success at the same time as managing environmental impacts and adding value to our communities.

2 DELIVERING TO OUR CUSTOMERS AND COMMUNITIES

We're committed to continuously improving what we offer our customers through our product quality and mix, support through the home-buying process and standards of aftercare.

HOW WE PERFORMED IN 2015

Our vision	Performance in 2015
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.	Continued to gain industry recognition and retain high demand for our variety of product mix, including Tadpole Garden Village, Ouzel Island (family homes), Bath Riverside (Private Rented Sector) and Snowsfield Yard (mixed use).
Creating great places that support sustainable lifestyles and well-being, with green open space, good connectivity and accessible local infrastructure.	Our approach to place making is recognised by industry experts. In the 2015 Housebuilder Awards we won the main category of Housebuilder of the Year and were Highly Commended in the sustainability, regeneration and community categories.
Achieving and retaining 5-star customer service rating and 9/10 recommendation rating.	4-star customer service score (HBF survey). 9 out of 10 customers would recommend Crest Nicholson to a friend. We have focused our divisions on regaining 5-star builder status through delivering increased quality and customer service.
Driving quality and value through high standards of design and construction.	Invested in initiatives looking at new processes, controls, materials and construction methods. Strengthened our internal Quality Team to provide additional support and training to divisional teams to complement the site inspection regime.
Consulting and engaging with local residents and stakeholders, enabling their full participation in neighbourhood plans and development proposals.	Continued to fully engage with communities on our plans and proposals. This has contributed to successful projects that benefited from the input of local people.
Developing innovative, affordable legacy solutions, for example, Community Interest Companies (CICs) to help neighbourhoods grow and thrive.	The Tadpole Garden Village CIC – one of two CICs we set up in 2014 – was voted Best Community Initiative in the 2015 Housebuilder Awards.

STRATEGY IN ACTION: DELIVERING TO OUR CUSTOMERS AND COMMUNITIES

CUSTOMER SATISFACTION AND SERVICE

We know that achieving the highest possible satisfaction ratings depends on delivering well-built, well-designed homes and a great customer experience overall. We are disappointed that our challenge in delivering some homes on time and to an appropriate quality contributed to the Group achieving a 4-star rating in the 2015 HBF annual survey published each year in March.

The delays that some customers experienced were a reflection of our own challenges in maintaining quality and continuity of supply in a market where we are endeavouring to meet increasing levels of demand. Although our actual score remained high overall – 89.6% in 2015, compared to 90.1% in 2014 – we are working across the business to return to a 5-star rating, including strongly focusing our divisions on quality and customer experience. Our comprehensive Quality Manual sets a clear benchmark for every part of the Group to work to, providing a platform for our engagement with contractors and supporting our objective of high standards of quality, delivered on time, every time.

We have also established an additional customer services working group led by our Group Training Manager. This analysed in detail what the best experience looks like for our customers and then, with the help of 12 focus groups, assessed our existing standards and processes and where these could be improved to deliver the best experience.

▲ Ouzel Island, part of our Oakgrove development in Milton Keynes

Key initiatives focused on further improving quality, delivery and service

- → With our supply chain, we're looking at new and efficient housebuilding methods and are also focusing on procurement strategies that benefit our customers, supplier businesses and the Group as a whole.
- → To strengthen quality assurance (QA) we've appointed a Group Quality Executive supported by a QA manager.
- → We've reshaped the way we incentivise our sub-contractors and employees to ensure that targets are met. This includes the way bonuses are linked to divisional performance and the development of partnership agreements with the supply chain.
- → We're making changes to our pre-operational processes, focusing on effective design at concept stage and appropriate planning and delivery targets for new projects.
- → We're supporting our site managers and teams with training to build competency around their day-to-day role.
- → We're developing quality monitoring and progress tracking tools on our sites so that teams can share information more easily on the move. This includes a tablet-based system linked to the central IT system enabling site managers to track and record quality as work proceeds.

15.65%

lower average carbon emissions from our new homes than current regulations demand[1]

FUTURE HOME PROJECT: INNOVATION IN DESIGN

While regulatory standards provide a minimum baseline, to be successful over the long term we need to innovate to offer the very best in space planning and construction, using materials with a low environmental impact wherever possible.

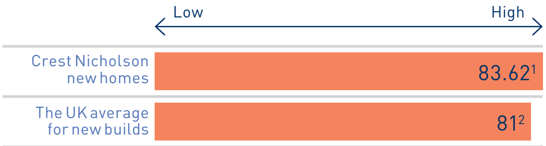
In the context of demographic change, future housing demand and evolving lifestyles, we are exploring design, components and materials in order to create adaptive housing systems that offer our customers new and better uses of space while delivering cost, material and process efficiencies for the business.

With this in mind we embarked on our ambitious Future Home project in 2015 and opened this up to the architectural profession. Six architects submitted presentations and one has been invited to take its proposals forward and design a new range of houses that will be tested with consumers before construction.

Providing better storage is a crucial element and we are looking at solutions where the whole ground floor is open plan and/or the space can be reconfigured as the customer wishes. This work feeds directly into our response to the new National Space Standards and Accessibility Requirements, which together define the provision and use of space within new homes. Our key requirement is that solutions meet current regulations while being adaptive and forward looking to 2020 and beyond.

OUR NEW HOMES BUILT IN 2015

Energy efficiency: SAP energy rating



[1] SAP energy rating out of 100, based on SAP2009 and including SAP scores from 52 plots. The slight decrease compared to 2014 (83.96) is due to the fact that a greater proportion of our homes were assessed using SAP2009, which is the latest version of the methodology.
[2] SAP rating from 2013. 2015 DECC Energy Efficiency Statistical Summary report, page 19.

32%
of our homes have at least one type of renewable or low carbon energy. (2014: 28%)

This increase is being driven by the growing provision of Combined Heat and Power energy solutions.

86%
of our homes have smart meters. (2014: 80%)

The number of smart meters we fitted with import/export functionality rose significantly from 36 in 2014 to 61 in 2015.

more than 99%
of our homes are specified for 105 litres per person per day. (2014: 97%)

This is 30% more water efficient than the national average.

94%
of our homes have private, internal recycling facilities. (2014: 95%)

22%
of our developments have sustainable transport initiatives including access to cycle routes and car-share clubs. (2014: 20%)

93%
of our plots are within 500m of a bus service. (2014: 82%)

35%
of our homes are Lifetime Homes. (2014: 26%)

1. Average improvement in Target Emissions Rate (TER) under the Government's SAP version 2009 – this includes design SAP scores from 52 plots. Against SAP2005 the improvement is 23.75%, which includes design SAP scores from five plots.

STRATEGY IN ACTION: DELIVERING TO OUR CUSTOMERS AND COMMUNITIES

GARDEN VILLAGES: INNOVATION IN MASTERPLANNING

We apply the principles of our Garden Village concept on larger strategic sites, including Arborfield Garden Village and Tadpole Garden Village (pages 34 and 42).

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.

CONTRIBUTING TO SOCIAL INFRASTRUCTURE AND AFFORDABLE HOUSING

19% of our annual turnover goes into social housing and infrastructure[1]

Our most significant contributions:

£164.4m Combined s106 contributions and CIL payments

Travel and transport initiatives	£24.7m
Offsite highways	£38.6m
Education and libraries	£73.3m
Community, leisure and sports facilities	£20.8m
Ecology and art initiatives	£7.0m

Major works:

£106.8m Cost of works to be delivered

On-site and off-site common infrastructure	£57.6m
Landscape and play	£35.5m
Community facilities	£13.7m

Affordable housing delivery:

£790.3m Commitment to affordable housing delivery

Off-site combined contributions	£18.8m
On-site delivery subsidy	£771.5m

Figures as at 31st October 2015: all plots within our short-term land pipeline.

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

CASE STUDY: Snowsfield Yard, London – community-focused development

37

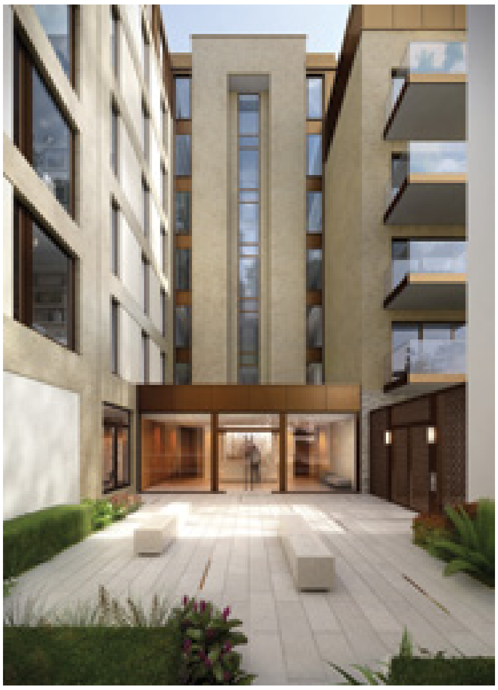
new homes at Snowsfield Yard, London

We are transforming land at Melior Street in south-east London into a new mixed use community of 37 new homes – nine of which will be affordable, across a seven-storey building – together with shops and restaurants. In developing our proposals, we set out to nurture the entrepreneurial spirit of the area with a vision for a new community as vibrant as the locality itself.

The freehold has belonged to the Roman Catholic Diocese of Southwark since the 19th century and the new proposals comprise a church, a community hall and the Manna Centre for homeless people, which is located in a second property owned by the Diocese. We worked with the Church to ensure that the new proposals incorporated a new set of premises for the Manna Centre, enabling it to continue to serve the local area and beyond.

This complex project had many vocal stakeholders, all passionate about their neighbourhood. All relevant parties including local residents were consulted, with key concerns addressed and transformed into selling points of the scheme. For example, the Bermondsey Village Action Group wanted to see the four ground-floor commercial units occupied by independent tenants, rather than chains, and this was reflected in the plans.

In developing the proposals, our focus was on maintaining a balance between meeting local needs, reflecting the tight-knit community feel of the location and appealing to prospective buyers. Having received planning permission from Southwark Borough Council, construction began in 2015 with a completion date of autumn 2016 for the first phase of apartments.



STRATEGY IN ACTION: DELIVERING TO OUR CUSTOMERS AND COMMUNITIES

CASE STUDY: Tadpole Garden Village – a visionary community

Winner
Best Community Initiative, Housebuilder Awards 2015

Tadpole Garden Village near Swindon, Wiltshire, is an innovative greenfield mixed use development, including 1,695 new homes and community, retail, education and small business facilities – bringing to life our concept of garden villages for the 21st century (see page 40).

In preparing the masterplan, we committed to a collaborative approach going well beyond the Council's requirements. In addition to the formal engagement, regular discussions at all stages ensured that the community had constant input. We also held workshops for interested parties to comment on the Design Code.

To ensure successful long-term management, we developed a not-for-profit CIC for the Tadpole estate. All residents and associated users will become members, giving them a stake in the community assets. We fund the CIC in the early stages alongside annual contributions from members. All the community assets will be owned by the CIC and all the revenues they generate will be returned to the CIC and its members. We have committed to educating the current members of the CIC and identifying stakeholders who will eventually become Directors of the company. A community mobiliser has been recruited to assist in this process.

Our community engagement also bore fruit in identifying a partnership with Wiltshire Wildlife Trust to create a 40 hectare nature park, which will be owned by the CIC – putting Tadpole Garden Village far above the minimum requirement for green open space. For further details on ecology, see page 52.

Delivering new schools

With existing local schools at full capacity, we were pleased to be able to accelerate delivery of a new primary school as an integral part of our Tadpole Garden Village development. The new primary school opened its doors to pupils in October 2015 and we are now working with the Education Funding Agency and New College to deliver a secondary school, which is scheduled to open in 2018 to the north-east of the existing development.

A VIBRANT NEW QUARTER

Innovative and sustainable design

▼ Key features of the design include green wall technology, soil remediation and the creation of floating habitats.

CASE STUDY: **Bristol Harbourside**

A 15-year programme has established Bristol Harbourside with housing, new business premises, restaurants and cafés, leisure facilities and public spaces, transforming disused former docks into a vibrant urban environment.

A key part of the vision was to open up and enhance views while providing a variety of streets and public open spaces – integrating art and ecology, and improving connectivity.

Opening access to the waterfront

▲ Access has been unlocked to an important stretch of waterfront facilitating a circuit around the harbour.

Public spaces and pedestrian routes

◀ The design has reconnected the city with the harbour and opened up views of the cathedral. Linked pedestrian routes complete the Brunel Mile, the area between Brunel's Temple Meads Station and the SS Great Britain.

Highly Commended

Landscape Institute Awards 2015 (Design for Large Scale Development).

STRATEGY IN ACTION

3 SKILLS AND LEADERSHIP

Our employee survey showed high levels of engagement and a desire for opportunities to learn and develop. We are continuing to develop leadership potential and skills through investment in internal programmes and by working with our supply chain to help build the capability the industry needs.

HOW WE PERFORMED IN 2015

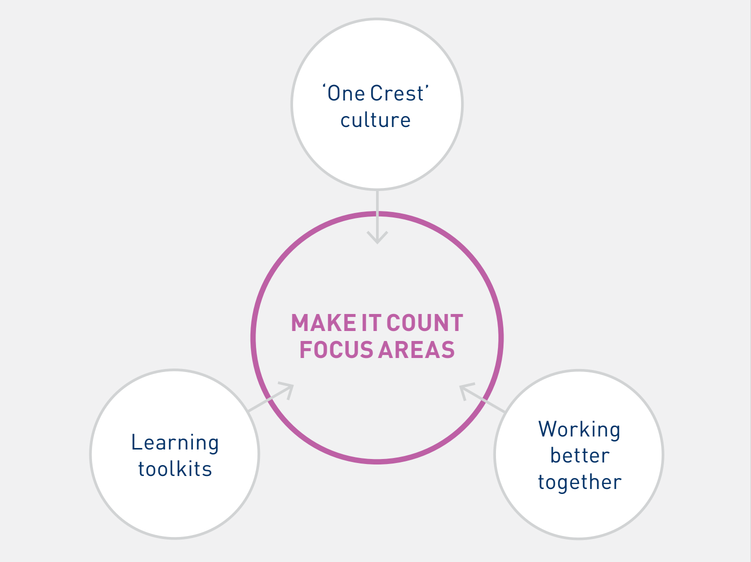
Our vision	Performance in 2015
Establishing strong foundations for learning and continuous business improvement.	We have developed a learning strategy and guidelines which provide a framework for our divisions to use when generating their learning plans.
Developing our workforce and leadership capacity through a focus on training and mentoring at all levels.	41 new apprentices. 11 new graduates. 77 internal promotions. 21.5 average training hours per employee. 28 more employees started the Management Excellence programme in 2015. 20 candidates enrolled in the Site Management Academy.
Showing leadership and driving improvement in health and safety.	Nearly 52% reduction in Annual Injury Incidence Rate vs 2008 baseline.
Apprentices to make up 10% of the total workforce.	Apprentices make up 9% of our workforce.

EMPLOYEE SURVEY

Our 2015 Employee Survey records a high level of engagement with an overall engagement score of 90% (2013: 90%; industry average: 76%). 83% of our staff responded and scores rose in a number of areas, including treating staff well and providing support. The most improved scores were in the area of training and development, with positive feedback on the enhanced programme the Group has put in place. Feedback indicates that employees believe they have the right opportunities to learn and develop at work.

We fed the survey results back to employees through a series of roadshows, where areas needing more focus were discussed – in particular, communication and knowledge sharing. Learning and development remain key going forward, and we will feed the survey results and follow-ups into our attraction, recruitment and retention strategy through 2016–17.

Our Make it Count strategy



▲ Apprentices make up 9% of our workforce

LEARNING TO BE A LEARNING ORGANISATION

We ran a second employee survey this year which focused specifically on exploring employees' approach to learning and how organisational processes support or impede that learning. 74% of staff responded.
One area of feedback focused on the need to learn from collective experience and avoid replicating errors. Building on this exercise, we conducted 25 in-depth 'learning exchange' interviews with staff across our divisions to further add to our understanding of the survey findings. Following this exercise, we developed our Make it Count strategy and divisional learning plans.

MAKING LEARNING COUNT

Our Make it Count strategy supports our employees to learn from experiences, apply best practice that exists within the Group and help the business to deliver its goals. Make it Count has three focus areas:

1. Creating a 'One Crest' culture to align the entire organisation to the same goals, objectives and agendas.
2. Learning toolkits: formal and informal ways to help identify lessons learnt and minimise any repetition of errors.
3. Working better together: ensuring open doors between teams, departments and divisions to allow knowledge to be shared and skills to be developed.

STRATEGY IN ACTION: SKILLS AND LEADERSHIP

41

new apprentices this year

OUR SKILLS JOURNEY

Our training focus has shifted towards development and goal-setting supported by new processes and tools. This includes our training directory, introduced in 2014 and updated this year. Business growth and the launch of the Chiltern division have opened up more opportunities for our employees to progress to more senior positions with the support of our management development programmes.

We are continuing to develop a structured and comprehensive approach for every part of the skills journey – from recruitment and retention to professional development.

Developing an appetite for our industry – the work experience hub

To engage with students and highlight the many benefits of a career in our industry, we're developing work experience hubs for roll-out in 2016, starting with a hub linked to our Centenary Quay development in Southampton. This will be the first of its kind in the UK and offer 14 to 16-year-olds information about what we do, careers guidance and the opportunity to learn practical skills in plumbing, electrics and carpentry. We plan to set up further hubs as an integral part of our development work across the UK.

Starting out – apprentice and graduate programmes

We invest more than £1m per annum in our apprentice programme, including salaries and training costs. The performance of each candidate is measured in association with their sponsoring college, ensuring that all the practical and taught elements of the apprenticeship are completed. In 2015, 80.7% of the total intake successfully completed their apprenticeship (compared to 83% in 2014), which is well above the national average.

Around 85–90% of candidates move on to work with sub-contractors but we also see an unspecified number leaving the industry. We have started to track more closely the journey of our apprentices beyond their time with Crest Nicholson, with the aim of improving the model.

Richard Matthews, apprentice plumber

"I really like the programme and the hours are great. If you have a problem there are loads of people you can talk to who will help resolve the issue. At college you learn the college way, but it's not the same as actually being on site. I did two months at college without working and didn't understand anything. When I learned and worked at the same time I was able to pick skills up faster, which is making me a better plumber.

Maisie Lapham, apprentice decorator

"I like practical skills and the apprenticeship is a great opportunity to learn a trade and work at the same time. Crest Nicholson is a good company with high standards. They offer help and training and there are lots of possible career routes after the apprenticeship is complete. I really like working here and want to move on to be an assistant site manager.

We launched our graduate programme in 2014 with 17 candidates, followed by a further 11 in 2015. The programme is structured around a journey through all aspects of the business. As well as practical experience, formal workshops are delivered by board members, heads of department and divisional directors.

All graduates from both intakes have stayed with the Group and progressed well in their roles. One recruit went on to buy their first piece of land for us straight after finishing the programme.

Sinéad Joyce, one of 11 new graduates who joined us this year

The graduate programme is structured to give practical experience of the full range of different departments, from finance to build, alongside formal workshop learning. Another huge benefit is that each of us has a mentor from the Executive Management Team who advise and tailor our graduate programme.

Over the 12 months, we were formed into teams to devise plans for a new house type for the company. This involved collaborative work and interaction with different departments across the Group to understand and apply new construction methods and building regulations. We presented our ideas back to the main Board and I'm confident that some will find a home!

The programme has helped me gain a comprehensive understanding of my future profession and acquire the skills and knowledge I need to develop within the business.

CASE STUDY: Site Management Academy

▲ Twenty people enrolled in our new Site Management Academy, launched this year by Chief Executive Stephen Stone

In 2015 we launched our first Site Management Academy, an industry-leading training programme that will produce new site and build managers and production directors every year. It is open to all our current, final year apprentices, new recruits, existing employees and sub-contractors looking to develop their careers. The programme has the full backing of the Chartered Institute of Building (CIOB) and the Construction Industry Training Board (CITB).

The Academy curriculum combines classroom study at partner colleges with on-site learning and includes supplementary Crest Nicholson workshops on community liaison, customer relations, site planning and layout. Each candidate has their own mentor from the executive team. Once the course is completed, each graduate receives the equivalent of a CIOB level 4 or Higher Apprenticeship. Each trainee will also benefit from an experienced mentor, who will share their skills and demonstrate best practice.

STRATEGY IN ACTION: SKILLS AND LEADERSHIP

JOBS, SKILLS AND CAREERS

279
new starters

77
internal promotions

28
more employees started our Management Excellence programme

21.5 hours
of training per employee provided on average

550
person days health and safety training (2014: 290)

↗ 70% increase

PROMOTING EXCELLENCE

In 2014 we launched our Delivering Professional Excellence programme to understand the skills and training required by each employee and to support them in building competency. To date, more than 90% of our employees have had at least one session to review their needs and agree action. We also provide a nine-month Management Excellence programme for employees aspiring to more senior roles. Again, this includes formal skills assessment before and after the programme. Following assessment of needs, employees can access workshops delivered by external specialists on a range of professional and management topics and are also able to access training programmes from our continually updated directory.

MAKING THE MOVE INTO EXECUTIVE ROLES

The competition for experienced executives and Directors is a challenge within the sector. As well as ensuring that we are an employer of choice, we also focus on developing the skills and capabilities of our own managers so that they can move into executive roles.

Our programme for junior managers provides a first step for candidates moving into more senior management roles. Making the next step to director level requires a different set of skills, so in 2014 we launched our Management Excellence programme with 90 candidates (a further 28 went through in 2015).

Each candidate undertakes a three-day Management Excellence programme over nine months delivered by independent experts and focused on key manager level skills including communication. Candidates discuss and score their own strengths and weaknesses through a 360° appraisal, then go on to identify strategies for building their capabilities. After six to nine months the process is repeated with input from peers, and candidates' performance is reviewed. We are delighted with the uplift in all Management Excellence scores over this period.

Our Management Excellence programme, is part of our approach to ensuring that the business continues to benefit from the right balance of senior management experience. For further details of the Group's succession planning framework, see the Nomination Committee report on page 76.

OUR GENDER PROFILE

	Male	Female	% Female
Board Directors	4	2	33%
Senior management	50	11	18%
Total workforce	562	278	33%

HEALTH AND SAFETY

Well-managed construction sites achieving high standards of health, safety and environmental performance are of paramount importance. Management, inspection and training is carried out by a dedicated Health, Safety & Environment (HS&E) function under the direction of our CEO. The Board has devoted time this year to reviewing our health and safety processes and priorities and has set objectives and management programmes for next year (see Key priorities on page 49).

Performance summary

Annual Incidence Injury Rate 2015	
Crest Nicholson	405
Industry (HSE)	412
Peer group (HBF)	351

There were zero prosecutions, prohibition notices and improvement notices during the year (2014: zero). Six inspections were carried out by the Health and Safety Executive (HSE) and three notices of contravention were issued, resulting in fees totalling £9,337 (2014: six inspections, two notices of contravention, fees totalling £682).

Key priorities in 2016

We aim for continuous improvement and consistent conformance in all parts of our business and across our supply chain. Health and safety is led from the top of the company and we will continue to build on our Directors' knowledge and understanding to support this. Standards will continue to be reinforced with our contractors, particularly in risk assessments and method statements. We will also continue to focus on improving the quality of our written records and the way nonconformities and incidents are escalated. A specific risk area we will be focusing on is reducing the likelihood of people falling at the same level.

HUMAN RIGHTS

As an organisation that only operates within the UK, we adopt human resource processes that follow UK law and best practice guidelines as well as abiding by the International Labour Organization (ILO) labour standards and conventions. We require all materials and labour supplied by the suppliers and sub-contractors we employ on our building sites to demonstrate that their own minimum supply chain labour employment standards meet the ILO conventions, and we reserve the right to carry out supply chain audits to ensure this minimum standard is met. Our contractual agreements further explicitly state that all suppliers and sub-contractors must have the legal right to work in the UK and that the companies meet all current employment legislation and provide all statutory employment benefits.

Health and safety campaigns and initiatives

1 **New regulations** came into force so presentations were delivered across the Group by the Health, Safety and Environmental Director and external consultants to ensure conformity with the Construction (Design and Management) Regulations 2015.

2 **A well-received 'Thumbs Up' campaign** with our groundwork contractors promoting and improving pedestrian safety on our construction sites. Briefings, posters and sandwich boards remind drivers and operators to give a Thumbs Up to confirm that their vehicle will remain stationary until the pedestrian has safely passed by.

3 **Health checks were completed** for all 23 of our directly employed forklift truck drivers. This confirmed that our drivers are fit to carry out their role.

STRATEGY IN ACTION

4 RESPONSIBLE RESOURCE MANAGEMENT

Responsible resource management applies not only to our own operations but to the products and materials we procure and the homes we build.

HOW WE PERFORMED IN 2015

Our vision	Performance in 2015
Working with supply chain on resource management, business efficiency and quality.	We are investigating new building systems and materials and looking at advanced industrial methods of construction, seeking to trial these in early 2016.
Adapting our products to a changing climate and enhancing local natural environments.	100% of homes assessed for the risk of excessive solar gain. Requirement introduced to undertake dynamic overheating analysis where perceived risk of overheating is identified, eg where glazing to floor areas is greater than 30%. 63% of sites have ecological enhancement or protection (37 out of 59 sites).
Developing our products to meet customer needs while considering environmental impact as part of the design journey.	We are developing a new range of house types to be launched to our divisions in 2016. Modern, functional, aesthetically pleasing, efficient to build, these will also consider carbon footprint, energy efficiency and waste during the design journey.
Reduce greenhouse gas emissions (tCO_2e per head and per 1,000 sq ft delivered).	4% reduction in scope 1, 2 and 3 emissions (tonnes CO_2e per average number employed, vs 2014). 14% reduction in scope 1, 2 and 3 emissions (tonnes CO_2e per 1,000 sq ft, vs 2014). For emissions report see page 103.
Office energy and water use: targeting a 10% reduction per person by end 2017.	16% reduction in normalised office energy use (kWh per average number employed, vs 2014). 23% reduction in normalised office water use (m^3 per average number employed, vs 2014).
Reduce volume of construction waste produced per 1,000 sq ft delivered by 10% (compared to a 2013 baseline).	3% reduction compared to the 2013 baseline.
95% of directly supplied timber to be certified (Forest Stewardship Council (FSC) preferred) by 2016.	We are completing our audit of timber-based products procured during year ended 31st October 2015 and will publish the results on our website when figures become available in the spring of 2016.

35.6/50

Considerate Constructors score (UK average: 35.5 out of 50)

9%

reduction

in our normalised carbon emissions from our development sites (2.55 tCO_2e per 1,000 sq ft, compared with 2.81 in 2014)

17%

reduction

in tCO_2e per person (office energy consumption)

MANAGING RESOURCES IN OUR SITES AND OFFICES

Energy, carbon emissions and waste are critical areas where we continue to focus a great deal of effort to achieve reductions. Water consumption is also a priority that we manage within our programme.

Our development sites

Energy and carbon emissions

Audits carried out under the Energy Savings Opportunity Scheme (ESOS) have resulted in action plans specific to each division and a number of measures across all our sites. For instance, we have reduced the duration that our site compounds depend on energy-intensive diesel generators and implemented an LED lighting policy for all showhomes. In addition, monthly carbon footprint graphs are now generated for every site and displayed in communal areas. This is generating competition among sites to improve energy efficiency.

In the year, we have seen an increase in our reported diesel consumption. However, this is primarily due to the improved quality and scope of our data collection.

As a result of our focus on increasing our energy efficiency on our sites, and despite the increase in reported diesel, our normalised carbon emissions from our development sites have reduced by 9% (2.55 tCO_2e per 1,000 sq ft, compared with 2.81 in 2014).

Waste

We set out to achieve a 10% reduction in the volume of waste that we produce per 1,000 sq ft built by the end of 2015. We achieved a 3% reduction when compared to our 2013 baseline year. Our Make Waste History campaign and regional forums are still in their infancy, so their impact is yet to be fully reflected in our waste performance. Despite not achieving our target this year, we are confident that our Make Waste History programme will continue to drive down our waste over the longer term.

Driving up environmental standards

We carry out health, safety and environmental audits at all our construction sites. In our last round of visits in June and July 2015, 35 sites across all divisions were audited against Group environmental standards. 31 of them achieved a compliance score of 90% and over, with only one site failing to achieve 85% – the Group's minimum benchmark. This was a significant improvement on 2014, when 21 sites met or exceeded 90% compliance and 6 sites scored less than 85%.

Our offices

Energy and carbon emissions

We have reduced carbon emissions associated with energy consumption in our offices to 0.72 tCO_2e per person (2014: 0.87). This is a reduction of 17% per person, which far exceeds our original target of reducing office energy consumption per person by 10% by 2017. In part this is due to a drop in our electricity consumption in our head office where we installed more LED lights, our ongoing Make Waste History campaign, and the closing of one of our gas accounts in our old Midlands office. We will continue to monitor our progress before reviewing the original target in order to ensure our reductions are sustainable and long term.

Waste

Across our head office, South-West and Eastern divisional offices – where we are sole tenants of the buildings we occupy – waste has fallen by 1%, from 56.3 tonnes to 55.5 tonnes. In 2015 all waste from our head office in Chertsey was either recycled or sent to energy-from-waste facilities; none was sent to landfill.

Water

We've reduced overall water use in our head office by 16% due to improved control measures in washrooms.

STRATEGY IN ACTION: RESPONSIBLE RESOURCE MANAGEMENT

Business travel and commuting

Our business travel and commuting carbon emissions decreased by 3% (91 tCO$_2$e). The key reason for this reduction is an improvement in our reporting methodology. In the year we have also upgraded our IT systems in offices allowing employees the opportunity to use video conferencing to reduce travel between meetings.

LAND: MANAGING A PRECIOUS RESOURCE

Responsible use of land, environmental stewardship and ecological conservation are a core part of our vision. To support this we have created a Minimum Standards Framework for Ecology and Biodiversity (piloted at four development sites in 2015), a new Scope of Services for our ecologists and improved processes and checks.

The Framework defines ecological and biodiversity standards for all types of development, focusing on creating or enhancing wildlife habitats and foraging areas as well as green open spaces. Each

CASE STUDY: Make Waste History

MAKE WASTE HISTORY
Change starts with you

As part of our Make Waste History campaign, we have reviewed the different types of waste we produce and examined the main reasons why waste arises, which can include changes to design specifications, damage during deliveries and inefficient materials scheduling. All our construction sites segregate their waste for recycling and re-use and many have packaging take-back schemes.

Each site has its own targets and its performance over the year is published internally through a monthly league table to help drive improvement. Each division has also developed a Make Waste History action plan to share ideas and draw on industry best practice.

▶ Using our Priority One system to share information and track progress

Despite these and other initiatives, we only reduced construction waste by 3% this year (vs 2013 baseline) compared to a 6% reduction in 2014, leaving us short of our stretching target of a 10% reduction in 2015.

As our Make Waste History campaign and initiatives are further rolled out and embedded across the Group we expect to see our performance improve.

We are committed to maintaining our strong focus on waste reduction, including launching a tablet-based system called Priority One, which allows managers to see all aspects of on-site operations and schedule cleaning-up notices to improve cleanliness and housekeeping. The work we are doing to reshape our supply chain, including exploring more efficient methods of construction (see page 59), will also contribute to more effective use of resources and reductions in waste.

240,000

homes required every year

development is required to undergo a risks and opportunities assessment during land acquisition followed by the creation of a Biodiversity Action Plan (BAP) before starting on site. Each BAP is site-specific and supports local and national priorities.

During 2015 we held workshops with ecologists and development teams to gain feedback on the new process and Framework, which has been improved as a result. Further workshops were held with all divisions in late 2015 to launch the Framework. Clear roles and responsibilities are supported by guidance on how to implement the requirements and improve the ecological benefit of our developments.

INNOVATION AND RESOURCE EFFICIENCY THROUGH THE SUPPLY CHAIN

Although the Government's zero carbon timetable has moved out to 2020, the challenge of delivering 240,000 low impact homes a year remains, requiring new ways of working across the supply chain and a paradigm shift in the way houses are designed and built.

2016 targets:

95%

of timber direct supplies and 86% of indirect supplies certified to FSC or equivalent

Through our participation in AIMCh, an industry-led research project supported by the government-backed Innovate UK, we are playing a leading role in the low and zero carbon agenda.

AIMCh is building on innovations already delivered through AIMC4 – a pioneering project part-funded by Innovate UK. With the AIMC4 consortium we successfully delivered homes to the Fabric Energy Efficiency Standard using a fabric first approach and innovative materials, products and processes.

Part of the work of AIMCh is to challenge the status quo even further. After mapping existing supply chain processes and drawing on housebuilding methods from outside the UK, the project will create a SimCity-like model to visualise the transformations needed for net gains in volume, cost, quality and compliance.

The ultimate aim of AIMCh is to partner with off-site manufacturers to put the findings of the research into practice and bring a new model of industrialised housebuilding to life. Crest Nicholson's engagement with suppliers to reshape its own supply chain (see page 59) is helping to inform this programme.

SOURCING SUSTAINABLE TIMBER

Many of the products that go into building our homes are made of timber. As a significant buyer of timber, we know how important it is to obtain it from a responsibly managed source. Sustainable timber production is a global issue; an area the size of England is lost to illegal deforestation every year. European policy-makers have recognised the threats from forest mismanagement and through the EU Timber Regulation aim to stop illegally harvested timber entering our markets.

As part of our three-year action plan (launched in 2014), we aim to have 95% of our directly supplied timber (through suppliers) and 86% of our indirectly supplied timber (through sub-contractors) certified to FSC or equivalent standard by 2016. We are currently reviewing our performance over the year to determine whether we've achieved our targets. This annual audit will be concluded in the spring with results published on our website.

Following a wholesale review of our timber procurement procedures in 2014, in 2015 we implemented a rigorous quarterly audit of our direct suppliers' and sub-contractors' certification evidence, which allows us to resolve any issues in a timely fashion and supports more regular communication with our supply chain about the importance of sourcing sustainable timber products for Crest Nicholson.

STRATEGY IN ACTION: RESPONSIBLE RESOURCE MANAGEMENT

NATURE AT THE HEART OF THE COMMUNITY

CASE STUDY: Tadpole Garden Village

Our site at Tadpole Garden Village in Wiltshire is superbly set within peaceful open countryside. It was previously arable farmland and includes woodland, hedgerows and scrubland. Most of the arable land is being managed as grassland, using late cutting to encourage it to revert to species-rich meadowland.

Making space for nature

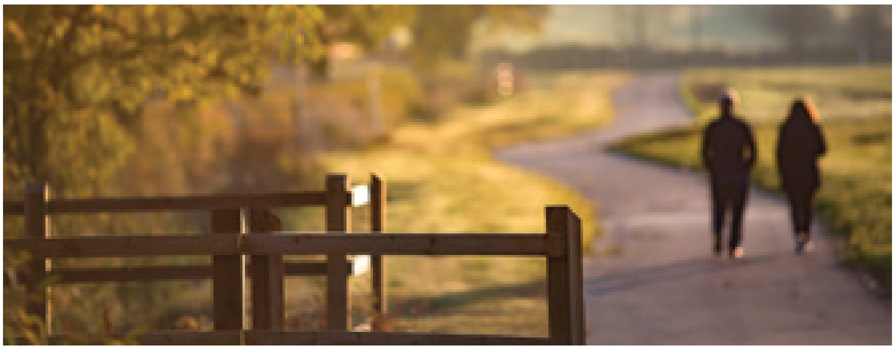
▲ Within the site, we're providing nesting and roosting boxes for barn owls, bats and small birds. The bat population is also being assisted with a continuous line of carefully managed hedgerows and woodland, providing them with shelter and connectivity. As our ecological assessment revealed existing badger setts on the site, we survey activity before each phase of development and monitor known setts.

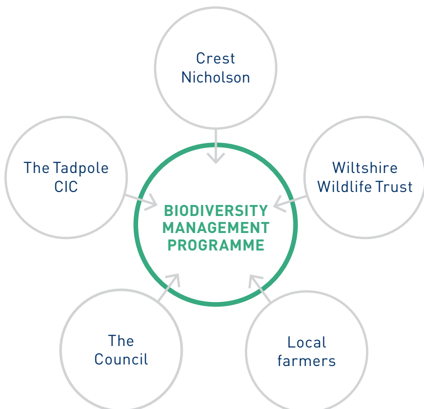
Green open space to enjoy

▼ With nearly 170 acres of green space, including a new town park, a common, playing fields, allotments and children's play areas, Tadpole Garden Village is a place for both wildlife and people, providing enhanced habitats for a variety of species as well as beautiful spaces and landscapes for our customers to enjoy.

Monitoring progress

▼ Once the site has been developed, we will be monitoring progress using our Ecology Framework. A Biodiversity Management Plan also helps in maintaining habitats and supporting species long term, in partnership with the Wiltshire Wildlife Trust, local farmers, the council and the Tadpole CIC.





RESOURCE EFFICIENCY ON OUR SITES

CASE STUDY: Centenary Quay

We pride ourselves on well-managed construction sites that use resources efficiently. At Centenary Quay, our £500m regeneration project in Southampton, the message is reinforced in ongoing communication with workers and contractors, including eye-catching Make Waste History posters and guidance materials. The topic is also on the agenda at weekly site meetings held with the trades.

On-site measures

Bins and skips are colour coded to promote waste separation and a photo is taken of every skip leaving the site. This helps to ensure that each skip is fully used and that the materials have been properly segregated. There is also a take-back scheme on the site for plasterboard, cardboard and pallets.

Since the start of 2015 the site has reduced its skip costs from a high of £11,221 in March to just under £4,000 in September, and its average volume of waste has fallen by 56%.

Centenary Quay has leapt up our waste reduction league table, now featuring as one of our top-rated construction sites for waste management.

£7,000
saved in skip costs

56%
reduction in average volume of waste

STRATEGY IN ACTION

5

PARTNERSHIP AND SUPPLY CHAIN

We work in partnership with stakeholders in government, the industry and the supply chain to build long-term relationships and generate value for the Group and its customers.

HOW WE PERFORMED IN 2015

Our vision	Performance in 2015
Working in partnership with landowners and government to maintain a land pipeline for both short-term and long-term housing delivery.	Total GDV of our land pipeline increased by 12% to £10,466m. Our appointment as Development Manager for the redevelopment of the former airfield at RAF Wyton furthers our partnership with the DIO.
Working with our supply chain and sub-contractors to innovate and improve in all areas, including fast-track construction, efficiency, build standards, materials and sustainable sourcing.	We are exploring innovative construction systems and materials, working closely with the supply chain to understand how we can improve procedures and create efficiencies – for example, through our architects panel and our participation in the AIMCh project. We are also looking at alternative procurement and construction methods for the future.
Developing innovative, mutually beneficial framework agreements with panels of consultants to secure professional services, strengthen building capacity and promote leadership among panel members.	95% of our housebuilding detailed design consultants have been appointed under design framework agreements, and 80% of our housebuilding material direct suppliers are covered by partnership agreements.
Working with specialist suppliers that also perform a design function to help reduce the construction risk by ensuring that the design and specification is fully co-ordinated at the right stage.	We have two major partnership agreements with 'design suppliers', who work with our consultants and divisions to ensure that high risk areas of the project are properly designed, specified and constructed. This reduces business exposure to defects and helps improve customer satisfaction.

GOVERNMENT AND INDUSTRY PARTNERSHIPS

We have continued to advocate sound policy, best practice and innovation. Our Board members, executives and other senior management advise government bodies such as the DCLG and DECC.

Our Group Technical & Quality Director was seconded to the Zero Carbon Hub, a non-profit organisation that advises government on delivering zero carbon homes in England. Over a six-month period, he led the evidence gathering stage of the Performance Gap project. In addition, our Group Technical & Quality Director sits on the HBF National Technical and Sustainability Committee and the NHBC's Standards Committee.

We actively supported and partnered with organisations in and around our industry. This included membership of the UK Green Building Council, the NextGeneration benchmark, Forum for the Future, and the HCA Design and Sustainability Committee. It also includes collaboration with the Town and Country Planning Association and the NHBC Foundation Expert Panel to promote research into Sustainable Design and Technologies.

Our partnerships with local government are crucial for the success of our development projects. Key partnerships in 2015 included:

- **Centenary Quay, Southampton** This significant mixed use development in the Woolston area of Southampton has been devised in close consultation with local stakeholders to ensure that it is a fully integrated extension of the existing neighbourhood. It will provide 1,620 homes, 25% of which are affordable and more for private rental. It has also provided 150,000 sq ft of mixed commercial space, including a library, nursery and food superstore. The scheme initially benefited from a £2m HCA green infrastructure grant, government loan funding and, in phase 3, BTR funding for the delivery of 102 BTR units. In the fourth phase of this landmark development in partnership with the HCA, we exchanged contracts in 2015 to develop the next 185 dwellings and related mixed uses.
- **Ifield Road, Crawley** In September 2015, working in conjunction with Crawley Borough Council (CBC), we acquired a significant brownfield site in the centre of the town. The site received planning permission for a residentially led mixed use scheme of 216 homes, including 86 affordable units (40% of the total provision) that were all presold to CBC.
- **St Clement's Heights, Sydenham** We are transforming a five-acre site owned by the St Clement Danes Holborn Estate Charity into a much needed mixed development. It includes 46 private new homes and 50 rebuilt one and two-bedroom almshouses for sheltered and retirement use. Our London team worked closely with the charity, residents and Lewisham Borough Council to create a new vision for Sydenham Hill.
- **Ouzel Island, Oakgrove Village, Milton Keynes** Bordered by a wildlife corridor and the Ouzel Valley park, these 18 large 'lifestyle' family homes have set new standards for design and use of space. Our Regeneration Division worked closely with the HCA as landowner and with Milton Keynes Borough Council to create top quality homes in an environment with high ecological value.

STRATEGY IN ACTION: PARTNERSHIP AND SUPPLY CHAIN

PARTNERSHIP AND PLANNING

CASE STUDY: **Wyton Garden Village**

The DIO appointed Crest Nicholson as Development Manager for the mixed use redevelopment of the former airfield at RAF Wyton in Cambridgeshire in December 2014. Our role is to create the overall vision, and fund and manage the planning, infrastructure delivery and land sales on behalf of the DIO, with direct development of up to half the site. Throughout 2015 we have been progressing the project with regular reporting to the DIO, working towards the submission of planning applications in 2016.

A 21st century Garden Village

The vision for Wyton is to deliver a 21st century Garden Village – a great place with a local identity where a sustainable community of 4,500 homes will flourish. It will blend into the existing working and living communities of RAF Wyton and Wyton on the Hill.

Enhancing the natural environment

The Garden Village is designed to respect the nearby historic town of St Ives, enhancing the natural environment while protecting the historic character of the area. It will provide quality mixed tenure homes and associated schools, shops and employment, with good public transport connections to Huntingdon, St Ives and Cambridge.

Repurposing existing infrastructure

As a former airfield, the site contains significant areas of concrete runways and taxiways. We intend to retain this existing infrastructure as part of the heritage of the site and to create a pathway for the new guided busway to support an efficient commuting route into Cambridge.

BUILDING SUPPLIER RELATIONSHIPS

By developing strategic relationships we can bring suppliers into our processes at an earlier stage for better teamwork, knowledge-sharing and planning.

We have developed different types of strategic supplier agreements suitable for different needs – from the provision of consultancy services to materials supply and sub-contract labour. These provide an enhanced level of business certainty for the supplier companies and a basis for the Group to deliver quality development in a timely way while reducing supply risks in key materials.

> Architects panel meetings are held on a regular basis to share knowledge and solutions to changes in legislation and building practices. The continuous development of building details, design specifications and best practice guides means that Crest Nicholson is in a strong place to ensure that traditional building practices are challenged and developed to provide a better product for their customers. The framework panel of consultants helps to develop these details and ensures they are used throughout their designs.
>
> Matthew Williams, Director, HGP Architects

RESHAPING OUR SUPPLY CHAIN

Over the past few years the industry has been experiencing the challenges of maintaining a skilled labour force and an adequate supply of materials to meet the high demand for housing. These have contributed to timing and quality issues on some of our projects. Added to this, we operate in a complex operating environment in which space and other standards are evolving and resource scarcity remains a global issue. To meet the challenges we are seeking transformation in construction methods, processes and materials. Our aim is to provide a high quality product in a climate of high demand that meets our customers' current and future lifestyle needs and expectations.

Research and innovation

We are consulting widely with our suppliers and industry bodies while researching alternative building systems and assessing the risks attached to different materials and products. In parallel, we are considering the range of skills required to deal with new building systems and ways of working.

In conjunction with the supply chain, a key focus area is to standardise design and associated materials and systems for greater efficiency in delivery and better communication across the various disciplines involved in development.

STRATEGY IN ACTION: PARTNERSHIP AND SUPPLY CHAIN

Kilnwood Vale in Faygate, near Crawley, West Sussex

Another of our research areas is industrialised methods of production – for example, through modular units or elements manufactured off site to reduce weather dependency and promote efficiency on site. This work considers a number of construction systems such as timber frame, structured insulated panels (SIPs), cross-laminated timber (CLT), large panel aircrete products and light gauge steel. Some of these systems would include factory fitted windows, plasterboard and external finishes, while all would embrace smarter use of software and communications technologies.

In combination, these will promote time savings, reduce construction waste and contribute to buildings with high levels of comfort and energy efficiency that operate with sensible running costs and reduce the performance gap between design versus as-built (DvAB).

Applying the learning

In 2015 we started applying what we had learned and are working on a number of initiatives, including our Future Home project and the AIMCh research programme (see page 53).

Some of the specific changes that we have made within the supply chain include:

- Assessment of sustainability performance is now built into all our supplier pre-qualification questionnaires (PQQs).
- A strengthened quality management team at senior and mid-management level within the Group.
- 'Design Tool-Box Talks' with sub-contractors to identify challenges and opportunities and ensure that they are happy with the design intent and its execution on site.
- Additional training for site managers to ensure that they are familiar with and embrace new approaches to design and production systems.
- New commercial arrangements with consultants and sub-contractors and suppliers in order to achieve a better balance between delivery and quality.
- We are also undertaking work to accommodate pending guidance and rules on space and Building Information Modelling (BIM). The latter will mandate that all government-funded construction projects should use a collaborative approach to design that incorporates 3D modelling.

PRINCIPAL RISKS AND UNCERTAINTIES

The understanding and management of risk is fundamental if we are to maintain a healthy business and achieve the aims of our sustainable growth strategy.

Risk management overview

Risk management is a key component of corporate governance, from the Board, through the Executive Management Team and across all divisions of the Group. Our fundamental aim is to assess and manage risk, in order to maintain continuous improvement.

At divisional level, each management board undertakes a regular assessment of its exposure to financial, operational and strategic risks. All necessary operational and resource changes are then made to ensure that the risks are managed and business continuity is maintained.

The Group risk register draws on information provided by the divisions and the work of the Group Board, which assesses the wider market environment. Each risk is classified and prioritised for action using approved acceptance thresholds.

The Group's principal risks are monitored by the Executive Management Team, the Audit and Risk Committee and the Board. The following tables set out the Group's principal risks and these have been grouped into our five strategic pillars.

Viability statement

In accordance with provision C.2.2 of the UK Corporate Governance Code 2014, the Directors have assessed the viability of the Group over the three-year period from 1st November 2015 to 31st October 2018.

This period of assessment has been selected as detailed trading and cash flow forecasts are maintained and scrutinised through to this date. In addition, the Group owns or controls a high proportion of the land required to meet unit forecasts for the next three years and is therefore able to forecast cash flows across this period with reasonable confidence. Group banking facilities extend to January 2020 and sufficient headroom exists within these to fund our projected activities.

The assessment has been made having regard to our current position, while also considering the impact of severe but plausible adverse trading conditions arising from the principal risks set out on pages 62 to 64, on the solvency and liquidity of the Group. Among these risks, the potential for a macro-economic downturn (with consequent increases in unemployment) and/or significantly reduced mortgage access would most directly impact on our viability assessment.

The assessment is also based on our expectation that current market conditions will not be subject to more significant adverse variation than has been modelled as a downside scenario.

Based on the results of this assessment, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment to 31st October 2018.

For further details of risk management controls and procedures, see the Corporate Governance section on page 65. >

Key
→ No change
↗ Increase

KEY RISKS, BY STRATEGY AREA

MANAGED GROWTH OF THE BUSINESS

Risk area	Risk	Controls and mitigation	Ownership	High Medium Low[1]	Change over year
Adverse macro-economic climate, caused by: Global economic slow-down and market volatility; geopolitical instability; political uncertainty around UK EU referendum	Higher unemployment or fear of unemployment undermines consumer confidence and reduces propensity to purchase a new home or ability to secure a mortgage	Maintain review of economic and political environment and consider potential responses to changes in trading conditions	Board	M	→
Loss of income at housing associations due to budget changes to rents	Returns on our strategic land holdings could be undermined	Cascade s106 mechanisms to restore viability and continue to develop a balanced portfolio	Executive Management Team	M	→
Pressure on cash headroom and generation due to: Ongoing strong market demand; commitments to development obligations; high London land values; high work-in-progress costs for new sites; investment in Chiltern division	Cash resources may be over-committed, leading to business disruption, reputational issues, covenant breaches and dividend loss	Robust cash management and borrowing/spending controls Access to funding and use of alternative payment mechanisms	Group Finance Director	M	→
Build cost inflation	Increased build costs absorb or exceed higher sales prices Margin squeeze leads to investor dissatisfaction Suppliers seek to 'price in' sales price inflation	Use alternative suppliers and production methods Robust contract arrangements to control costs Leverage volume through long-term partnerships with strategic suppliers	Executive Management Team/Group Production Director	H	→
Rapid and extensive changes to planning system introduce uncertainty, delays and potential challenges to viable development	Delays in obtaining planning consents and operational starts Land becomes unviable due to increased planning cost burden	Work closely with key regulators and national/local decision makers Regularly review the Strategic Land Portfolio and forecast operational starts Seek prior planning approval on significant projects Influence new CIL viability testing and appraise costs	CEO/ Regeneration Chairman/ Group Land and Planning Director	H	↗
Costs not adequately controlled and managed	Inadequate forecasting and sudden cost changes can erode margins Pressure to maintain margins and control costs can impact on product quality	Regular cost and forecast reviews Greater adherence to Agresso procedures Quality standards set, met and reviewed	Group Finance Director/ Group Production Director	M	→
Litigation relating to legacy risks, future environmental risks and counter-party risks in existing contracts	Dealing with the consequences where risks are uninsured Legal defence costs	Maintain appropriate insurance cover Introduce Environmental Management Plans (EMPs) Periodic review of key contractual obligations	Executive Management Team	M	→

1. High/medium/low refers to inherent risk ratings before controls and mitigation.

1 MANAGED GROWTH OF THE BUSINESS

Risk area	Risk	Controls and mitigation	Ownership	High Medium Low	Change over year
Help to Buy incentive scheme	While Help to Buy scheme has been extended, a change in its eligibility criteria could reduce mortgage access Reduced overall mortgage access impacts demand, sales values and rates of sale, and undermines confidence in the market	Alternative incentives are less compelling Maintain policy-maker awareness of construction sector economic contribution High quality sales training to prepare for a tougher market in due course	Executive Management Team	M	→
Rising complexity of projects	Cost over-runs on complex projects can affect margins Latent defects can generate extra costs and reputational damage, where new materials and systems have been deployed Heightened expectations can result in rushed projects and subsequent problems	Project committee oversight and risk-based review by Group Technical & Quality Director Consultative and partnership approach at planning/ designing stage Robust Crest Nicholson project management New hurdle rate matrix addressing complexity and other risks	Executive Management Team	M	→
Bribery, corruption and fraud	Claims can lead to reputational damage Costly and inefficient land procurement Compliance costs	Training for all employees Policy and guidelines on Bribery Act 2010 Guidance on acceptable land purchase behaviour	Board	L	→
Cyber security breach	Loss of operational systems and data Subject to external financial crime Disruption to services	Robust virus protection and internet security Web checking of internet traffic 'Demilitarised zone' linking servers correctly and directly Annual cyber-security breach tests	Executive Management Team	L	→

2 DELIVERING TO OUR CUSTOMERS AND COMMUNITIES

Risk area	Risk	Controls and mitigation	Ownership	High Medium Low	Change over year
Reputational damage from a major product failure or significant environmental, health or safety issue	Injury or potential loss of life Remediation costs Loss of projects and associated revenues Damage to Crest Nicholson brand Potential civil or criminal prosecution	Board leadership and scrutiny of health, safety and environment Assess risks and integrate them into management processes from pre-acquisition stage Training for all employees Guidance on land purchase	Board	L	→

KEY RISKS, BY STRATEGY AREA CONTINUED

3 SKILLS AND LEADERSHIP

Risk area	Risk	Controls and mitigation	Ownership	High Medium Low	Change over year
Employee retention and succession management	Shortages of key staff in critical business areas introduces cost and delay in bringing developments forward Skills and experience lost are difficult to replace in a buoyant market Loss of knowledge within the business	Improved apprentice and graduate programmes Ensure competitive pay, benefits and incentives Improve management development programmes Succession planning	Executive Management Team	M	→
Experience gaps lead to poor outcomes	Customer satisfaction erodes due to delays or quality issues Increased employee turnover can create instability and uncertainty Business and finance targets threatened	New and refreshed divisional structure with new Regional Chairman Good land pipeline and strong market Executive management and coaching creating more internal candidates	Executive Management Team	M	→

5 PARTNERSHIP AND SUPPLY CHAIN

Risk area	Risk	Controls and mitigation	Ownership	High Medium Low	Change over year
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	Dialogue with major suppliers Advance planning and call-off by divisions Spread risk across suppliers, e.g., kitchen supply-and-fit contracts Examine alternative production approaches, e.g., timber frame as opposed to blocks Maintain strong apprenticeship and graduate programmes	Group Production Director	H	→

Approval

The strategic report for the financial year 2015 as presented on pages 8 to 64 was approved by the Board of Directors on 26th January 2016 and signed on its behalf by:

Kevin Maguire
Group Company Secretary

GOVERNANCE

INTRODUCTION

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 **Sharon Flood**
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 **Tim Beale**
Regional Chairman

11 **Kevin Maguire**
Group Company Secretary

Our Corporate Governance report is intended to provide shareholders with an understanding of the Group's governance arrangements and how they have operated during the year. Here are some of the highlights of our governance arrangements.

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. Our divisions are supported by strong central functions, with individual departmental heads who report to the Executive Management Team. The Executive Management Team is accountable to the Board who maintain oversight and control. Group policies and procedures are regularly reviewed by the Executive Management Team and the Board to ensure currency and focus.

We have updated our governance structure chart (see below) to reflect the individual facets of our business and the various layers of management under which the business operates.

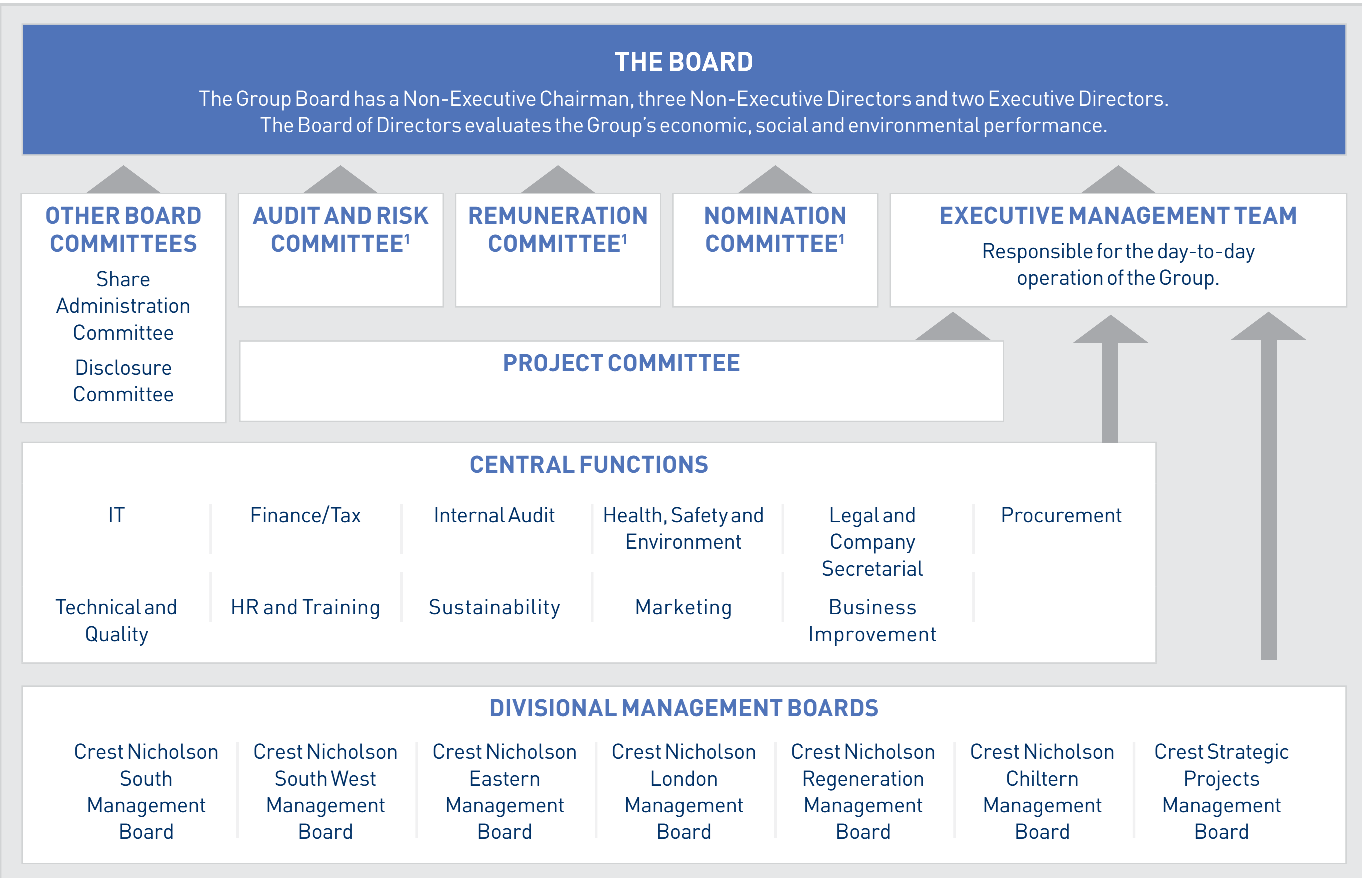
Performance-linked remuneration

Our remuneration 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 Chief Executive and Group Finance Director's bonuses are based partly (15%) on customer satisfaction results, as are bonus schemes across the Group.

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 84.

Leadership and effectiveness

The Board as a whole is responsible for the long-term success of the Group. By providing entrepreneurial leadership, the Board sets the Group's strategic aims and ensures that the necessary financial and human resources are in place to meet its objectives. The Board has an appropriate combination of Executive and Non-Executive Directors, ensuring that no individual can dominate the Board's decision making.



1. For more information on the terms of reference visit our website at: www.crestnicholson.com/investor-relations/corporate-governance/board-committees.

BOARD OF DIRECTORS

The Board is responsible for setting and monitoring Group strategy, reviewing performance, reviewing risk and setting the Group's risk appetite, 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.

During the year the Board consisted of four Non-Executive Directors and two Executive Directors. Photos of our Board and Executive Management Team can be found on page 66, and their profiles can be found below.

OUR GROUP BOARD

William Rucker

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

Other company directorships: 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 January 1999, becoming COO in 2002 and CEO in 2005.

Other company directorships: Home Builders Federation (HBF).

Other professional experience and community involvement: Member of the Construction Leadership Council.

Experience and qualifications: Stephen is a Chartered Architect with over 30 years' experience in various positions in the construction and housebuilding industry. Stephen leads the Executive Management Team and is the director responsible for health and safety. Stephen represents the Group when engaging with investors, the Government, the Home Builders Federation and the industry.

Patrick Bergin

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

Experience and qualifications: Patrick joined the Group in 2006 and was appointed Group Finance Director in 2011. He is a Chartered Accountant with over 20 years' experience and has worked in financial roles across a range of industries.

Jim Pettigrew

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

Committees: Remuneration (Chair), Audit and Risk, 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: 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. He subsequently joined 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. With his financial, investment and strategic expertise, Jim provides additional perspective and guidance in his role as Senior Independent Non-Executive Director.

Pam Alexander, OBE

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

Committees: Audit and Risk, Nomination, Remuneration.

Other company directorships: Covent Garden Market Authority (Chair), Future Cities Catapult Limited, The Academy of Urbanism (until 31st December 2015), Crossrail Limited (from 1st December 2015).

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

Experience and qualifications: Pam is leading major regeneration and infrastructure schemes in London and has worked for many years with developers, housing associations and Government, planning and delivering housing and regeneration schemes, and on policy and regulatory matters. Pam has held senior positions in the public, private and not-for-profit sectors, including Chief Executive of English Heritage, and the South East England Development Agency (SEEDA), as well as Chair of the Peabody Trust.

Sharon Flood

Independent Non-Executive Director: Appointed to the Board on 1st April 2015.

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

Other company directorships: St DuPont (Chair), Network Rail and Network Rail Infrastructure Limited.

Other professional experience and community involvement: Trustee of the Science Museum Group.

Experience and qualifications: Sharon is a Fellow of the Chartered Institute of Management Accountants and was recently Group Chief Financial Officer at Sun European Partners LLP (an international private equity advisory firm). Prior to this Sharon was Finance Director of John Lewis department stores from 2005 to 2010, before which she held a number of senior finance and strategy roles. Sharon has a good understanding of the UK housing market through her six-year appointment as a Director of the housing charity Shelter, latterly as Chair of the Audit, Risk and Finance Committee.

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 is a Chartered Builder and joined the Group in 1988. Through the 1990s he was instrumental in the acquisition and masterplanning 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 responsible for the Major Projects division, as well as the Group's sustainability strategy. Chris also sits on the HCA's Design and Sustainability Board.

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 the Audit and Risk, 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.

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 and build efficiency.

Tim Beale

Regional Chairman: Joined the Executive Management Team in January 2015.

Experience and qualifications: Tim joined the Group in June 2002 and prior to his appointment as Regional Chairman in January 2015 he was Managing Director of our South West Division. During this time Tim oversaw the transformation of the division into a major component of the Group's activities. Tim is a Chartered Town Planner and is responsible for the Group's South, Chiltern and South West operations.

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.

CHAIRMAN'S INTRODUCTION

I am pleased to introduce our Corporate Governance 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.

William Rucker Non-Executive Chairman

While good practice is already well established within Crest Nicholson, corporate governance is a continual process to which the Board is fully committed. Our succession planning framework guides us on the timely identification of potential successors. It includes coaching for senior management, as well as a commitment to continually improve the skills of our workforce and create future leaders for the Group. It is a key mechanism for demonstrating our commitment to the future of Crest Nicholson and the industry as a whole.

As set out in the Strategic Report, in 2015 we welcomed Sharon Flood to the Board. Sharon's appointment as Non-Executive Director strengthens the finance experience and risk management capability of the Board and its Committees. Sharon has succeeded Malcolm McCaig as Chair of the Audit and Risk Committee following Malcolm's departure in March 2015.

Finally, thank you to all my colleagues for their diligence and hard work throughout the year. Their expertise, dedication and valuable input has been instrumental in guiding the business to another set of excellent financial results and will be essential in leading the Group towards its growth objectives.

William Rucker
Chairman

KEY INITIATIVES THIS YEAR

- PRS Strategy.
- Continued focus on Health and Safety.
- Increased focus on operational initiatives and divisional interaction with the Board.
- Externally facilitated Board evaluation.
- Risk review.
- Customer satisfaction.

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

The Board considers that it and the Company complied with the provisions and applied the main principles of the UK Corporate Governance Code ('UK Code') throughout the year. The revised UK Code, published in September 2014, applies to the Company during the year. A copy of the UK Code can be found on the Financial Reporting Council website (https://www.frc.org.uk). We describe how we have applied the main principles of the UK Code in this section and in the Committee reports on pages 76 to 100.

CORPORATE GOVERNANCE STATEMENT

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

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 LEADERSHIP

In this section

BOARD RESPONSIBILITIES

Supported by advice and information from the Executive Management Team, the 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 and committee structure.
Approval of financial statements, including shareholder distributions.	Overall management and planning.	Risk management and internal control.
Changes to debt or capital structures (other than existing facilities).	Resource allocation.	Director remuneration.
Major capital contracts.		Accounting and reporting.

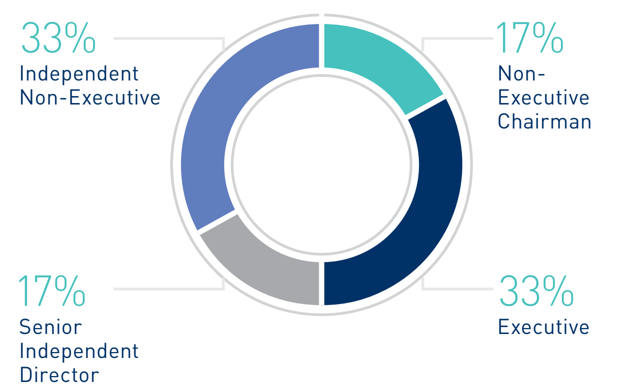
BOARD COMPOSITION AND ROLES

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

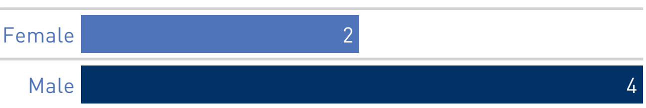
NON-EXECUTIVE DIRECTORS

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 pages 68 to 69. 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.

Split of Directors



Gender split



Length of tenure at date of this report	Time of tenure
William Rucker	4 years and 4 months
Jim Pettigrew	2 years and 11 months
Sharon Flood	9 months
Pam Alexander	4 years and 1 month
Stephen Stone	17 years
Patrick Bergin	4 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. Upon his appointment to the Board, the Chairman of the Company was not considered to be independent for the purposes of the UK Code. This results from 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 with a Senior Independent Non-Executive Director sitting on the Board.

Group Chairman – William Rucker

- Is primarily responsible for overseeing the Board's work, activity and output.
- Leads the Board in setting risk appetite and 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.

Chief Executive – Stephen Stone

- Oversees the implementation of the Group'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 Group 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 regular Board meetings and do attend, other than in exceptional circumstances. The Board will meet without members of the Executive Management Team when and if appropriate.

Activity for the year

Budget and finance	Strategy and operations	Corporate governance
Reviewed and approved the budget for the financial year.	Tested and reviewed overall strategy, including risk scenarios and sensitivity analysis.	Implemented the outcomes and actions from last year's internal Board evaluation.
Reviewed and received regular updates on key financial metrics, including progress against forecast and cash management.	Debated, evaluated and approved strategic opportunities in relation to the PRS.	Participated in an externally facilitated Board evaluation.
Amended and restated the Group's banking facilities.	Reviewed the Group's positioning in relation to its peers.	Considered the prospects of the Group and its ability to continue in operation and meet its liabilities as they fall due.
Reviewed and amended the dividend policy.	Visited business units, meeting divisional teams and visiting sites.	Offered significant investors the opportunity to meet the Chairman/ Senior Independent Non-Executive Director (in addition to meetings with management) to focus on corporate governance matters, and met those taking up the offer.
Reviewed and approved certain significant land acquisitions.	Continued to keep training and development under review, including the implementation of the Site Management Academy.	

Meetings attended	Main Board	Audit and Risk Committee	Remuneration Committee	Nomination Committee
Total number of meetings	6	3	4	2
William Rucker	Chair 6			
Stephen Stone	6			
Patrick Bergin	6			
Pam Alexander	6	3	4	2
Malcolm McCaig (resigned 19th March 2015)	2	Chair 1	2	2
Sharon Flood (Appointed 1st April 2015)	3	Chair 2	1	
Jim Pettigrew	6	3	Chair 4	Chair 2

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, while retaining oversight of all acquisitions. The Board retains approval of acquisitions over a certain value or anything outside the ordinary course of business.

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.

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 those of the Group. For example, Non-Executive Directors could be involved in other businesses from which we buy products and services or may have interests in areas of the country where we operate. If any of these contracts are material, they are disclosed as related-party transactions on page 150.

BOARD EFFECTIVENESS

Board Evaluation

During the year the Board undertook an externally facilitated Board Evaluation led by Prism Boardroom. Prism Boardroom is independent of the Group but is part of the Equiniti Group that also provides share registry and related services to the Company.

The review process, which was carried out by a range of one-to-one interviews with Board members and certain members of the Executive Management Team, focused on the operation of the Board and its principal Committees and considered aspects such as individual Director performance, Board/Committee effectiveness, process and composition.

The process concluded that the Group has a well-run Board that functions efficiently, with an open and inclusive atmosphere in the Boardroom with no individuals or Groups of individuals exercising undue influence. There is a good relationship between Executive and Non-Executive Directors with good debate and constructive challenge. The regular visits to divisional business units were considered a positive part of the Board's activity during the year.

The review process has highlighted a number of areas for the Board to consider and it is in the process of determining the actions arising that will be taken into account during the Board's operation in the coming year.

The Board considers that the review process shows that each Director continues to contribute effectively and demonstrate commitment to the role, including commitment of time for Board and Committee meetings and any other duties.

In addition to the externally facilitated Board evaluation, each Board committee has carried out an internally facilitated review of its effectiveness. The outcome of the review process confirmed each committee is performing in line with the authority delegated to it by the Board and where there were areas for consideration, these will be brought forward during the coming year.

Reviewing the Board composition

The Nomination Committee, in conjunction with the Chairman, considers the overall composition of the Board in relation to the requirements of the UK Code. This includes consideration of the benefits of all aspects of diversity, in order to maintain an appropriate range and balance. Following a review of the current Board composition it was agreed that the Board contained the right mix of experience, knowledge and backgrounds. It was also thought appropriate to let the current Board mature and develop before progressing further appointments. There are therefore no current plans to appoint further Non-Executive Directors at this time. All Directors will submit themselves for election or re-election at the Annual General Meeting (AGM) to be held on 17th March 2016.

For more information on Board effectiveness please see the Nomination Committee report on page 76.

SHAREHOLDERS AND STAKEHOLDERS

Investor relations

The Group 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. In line with our approach last year, 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 when formulating policies, including remuneration and the setting of appropriate performance thresholds.

Donations

Employees have continued to support the Group's nominated charity, Variety, the Children's Charity. They raised £183,287 (2014: £93,061) to support this cause during the year. No political donations were made during the year.

Employment policy

Crest Nicholson values equality and diversity in employment and we select and promote employees based on their aptitudes and abilities, not their sex, sexual orientation, marital status, race, nationality, ethnic or national origin, age or disability. Everyone is different and has something unique to offer.

Our Equality and Diversity Policy ensures that all employees and job applicants are accorded equal opportunities for recruitment, remuneration, access to benefits, training and promotion, together with an ongoing emphasis on monitoring and developing the diversity of our workforce.

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. The 2015 staff survey showed overwhelmingly that our employees are proud to work for Crest Nicholson. In addition, the Group operates an all-employee Sharesave scheme and, as a whole, 62% of our employees are in one or more years of the scheme.

The Delivering Professional Excellence appraisal system continues to ensure that all employees have the opportunity to learn and grow within their roles. In May 2015 the Group was proud to launch its Site Management Academy, a programme designed to create future site managers, build managers and production directors.

NOMINATION COMMITTEE REPORT

It has been a positive year for the Nomination Committee as we have worked towards meeting our self-imposed targets from last year. This includes a continued focus on succession planning, coaching and formal talent development, in line with the Group's wider response to training, skills and coaching.

Jim Pettigrew
Chairman of the Nomination Committee

I would like to thank the Committee members, including long-term member Malcolm McCaig who stepped down at the AGM on 19th March 2015, for their valuable contribution in all these areas. I would also like to take this opportunity to welcome Sharon Flood as a Committee member and look forward to working with both her and Pam Alexander as we strive towards our key aims for the coming year, which are outlined in the report below.

Jim Pettigrew
Chairman of the Nomination Committee

COMMITTEE MEMBERSHIP AND MEETINGS

The Committee is made up of:
Jim Pettigrew (Chair)
Sharon Flood
Pam Alexander

Following her appointment to the Board, Sharon Flood became a member of the Committee. There were no other changes to the membership of the Committee, with Pam Alexander and Jim Pettigrew (as Chair) continuing their membership throughout the period. Jim will chair all meetings unless they relate to the appointment of his own successor. In accordance with the UK Code all members of the Committee are Independent Non-Executive Directors.

The Committee met formally twice during the year (details of attendance are set out on page 73). However, a number of informal meetings, conference calls and discussions took place between Committee members generally, and with search consultants and potential candidates throughout the recruitment process for a new Non-Executive Director.

The Group Chairman and Chief Executive may attend meetings of the Committee, by invitation. The Committee is supported by Kevin Maguire (Group Company Secretary).

KEY INITIATIVES THIS YEAR

- → Selection and induction process for Sharon Flood.
- → Succession planning and talent development.
- → Externally facilitated Board evaluation.
- → Senior management training and coaching.
- → Formalised annual business plan for the Committee's work.
- → Approval of the 2015 Corporate Governance plan.

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 talent development and succession planning projects.

Monitor the implementation of the Board evaluation recommendations.

Approve the 2016 Corporate Governance plan.

Board appointments

During the year Sharon Flood was appointed to the Board after a rigorous selection process. The Committee used an external search consultancy, Norman Broadbent, to identify possible candidates. Norman Broadbent is a signatory to and supports the Voluntary Code of Conduct for executive search firms and has no affiliation with Crest Nicholson. The firm was given a mandate setting out skill areas that would maintain and enhance Board effectiveness. A list of candidates from a range of backgrounds was prepared and the Committee agreed a shortlist to be interviewed. Following a number of meetings between members and prospective candidates, the Committee went on to recommend Sharon Flood's appointment as a Non-Executive Director of the Board. Sharon Flood will formally stand for election at the AGM to be held on 17th March 2016.

Director induction and development

On appointment, all Non-Executive Directors are provided with a detailed and tailored induction programme. During the year Directors receive technical, regulatory and operational updates at Board meetings to ensure they are kept abreast of the key issues affecting the business. In addition, as part of the annual effectiveness review, all Directors are asked if they have specific training requirements. All Directors have access to advice from the Group Company Secretary and independent professional advisors, at the Group's expense, where this is required in the course of their duties.

During the year Sharon Flood joined the Board. Upon appointment Sharon received a tailored induction programme, which consisted of the following:

An induction pack – providing information on recent Board and Committee activities, the Company's constitution and details of the Corporate Governance framework under which we operate.

Audit and Risk Committee – as Sharon was succeeding Malcolm McCaig as Chair of the Audit and Risk Committee it was important that she had access to key information about the Committee, including its annual plan, terms of reference, recent activity and focus for the year.

Sharon had the opportunity to meet members of the Executive Management Team and other senior managers – meetings were held with all members of the Executive Management Team as well as the Group Internal Auditor and Group Business Process Improvement Director. These provided Sharon with the opportunity to understand each individual's position, role and history with Crest Nicholson.

Ongoing development – our annual Board programme facilitates the ongoing development of our Non-Executive Directors through regular divisional board presentations, site visits, updates on specific areas such as Health, Safety and Environment, and the business's approach to emerging longer-term challenges and opportunities.

Diversity

During the year the Committee continued a workstream to develop diversity in the boardroom and throughout the business. Having reviewed the Group's position against the market and our industry, our existing Equal Opportunities Policy was revised to make the Group's approach to diversity and equality more explicit. Information on our new Equality and Diversity Policy is available on our website: www.crestnicholson.com/investor-relations/corporate-governance/values-and-behaviour#EqualOpportunities.

The Committee believes in encouraging diversity of business skills and experience; recognising that these exist across all age groups, geographic areas, cultural backgrounds and gender. While gender is rightly a regular Board topic, the Committee and Board believe that the debate is much wider. It therefore remains a key feature of the Committee's work. We recognise the fundamental 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. Female representation on the Board is now at 33%. The Group's training and recruitment strategy plays a pivotal role in increasing gender diversity. For further information on the Group's gender profile please see page 48.

Succession planning

Board succession remains a key agenda item for the Committee. In order to ensure 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. 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 within the business.

Election and re-election of Directors

Sharon Flood will submit herself for election as Non-Executive Director at the AGM to be held on 17th March 2016. In accordance with the UK Code, all other Directors will also submit themselves for re-election. Following the evaluations of individual Director and overall Board performance, the Committee confirms that the Board has the appropriate balance of skills, experience, independence and knowledge, and that shareholders should support the election and re-election of the Directors. Individual profiles for each Director can be found on pages 68 to 69.

The letters of appointment of all Non-Executive Directors are available for inspection at the Company's registered office during normal office hours. Copies will be available at our 2016 AGM. All Non-Executive Directors are appointed for an initial term of three years, following which the Company will review the appointment and if satisfied recommend their re-appointment for a further three years. More information on the Non-Executive Directors current letters of appointment can be found on page 96 within the Directors' remuneration report.

AUDIT AND RISK COMMITTEE REPORT

This is my first report as Chair of the Audit and Risk Committee, having joined the Board in April 2015. I am pleased to report that the Committee has had a very busy year fulfilling its responsibilities and assisting the business to operate within a well-managed framework of risk management and control, in line with the recent developments of the UK Code.

Sharon Flood Chair of the Audit and Risk Committee

This report describes the Committee's main activities, including the work that went into preparing our Viability statement and details of an independent assessment of our risk management framework and internal controls to ensure they meet the standards required in the revised UK Code.

During the year the Committee worked to ensure the integrity of the Group's financial statements, including formal announcements in relation to financial performance. The Committee also sought to ensure the smooth transition of the external auditor following the appointment of PricewaterhouseCoopers LLP (PwC).

As part of its 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 the content and application of relevant Group policies for related-party transactions, non-audit services provided by the external auditor, bribery and corruption, and whistleblowing.

I would like to thank my fellow Committee members for their support during the year. A full account of the Committee's activity is provided on pages 80 to 83.

Sharon Flood
Chair of the Audit and Risk Committee

KEY INITIATIVES THIS YEAR

- Assessed the Company's prospects and reviewed and recommended to the Board an appropriate period for the longer-term Viability statement.
- Oversaw an independent review of the Group's risk management framework and key internal controls.
- Reviewed the effectiveness and scope of the Group's internal audit function and how this fits within the Group's overall risk management framework.
- Oversaw the transition between external auditors.

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 statutory audit of the annual and consolidated accounts, including monitoring and reviewing the effectiveness of the audit process.

Advising on the appointment of the external auditor; reviewing and monitoring the auditor's independence and objectivity, including the extent of any non-audit services provided by the external auditor.

Internal control

Reviewing the effectiveness of the Group's system of internal control, internal audit and risk management systems.

Reviewing the Group's procedures for detecting fraud, its systems and controls for the prevention of bribery, and the adequacy and effectiveness of the Group's anti-money laundering systems and controls.

COMMITTEE MEMBERSHIP AND MEETINGS

The Committee is made up of:
Sharon Flood (Chair), Jim Pettigrew, Pam Alexander

During the year Malcolm McCaig resigned from the Board and therefore stepped down as Chair of the Committee. Malcolm was succeeded by Sharon Flood, who was appointed to the Board on 1st April 2015 and chaired the Committee for the remainder of the year. There were no other changes to the membership of the Committee, with Pam Alexander and Jim Pettigrew continuing their membership throughout the period. In accordance with the UK Code, all members of the Committee are Independent Non-Executive Directors.

In consideration of the year under review, the Board is satisfied that both Sharon Flood and Jim Pettigrew have recent and relevant financial experience as required by the UK Code. Sharon Flood is a qualified Chartered Management Accountant and has extensive financial management experience, most recently holding the position of Group Chief Financial Officer at Sun European Partners LLP (an international private equity investment advisory firm), and prior to this Finance Director of John Lewis department stores. Jim Pettigrew is a qualified Chartered Accountant and the 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 three times during the year (details of attendance are set out on page 73). The Group 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).

SIGNIFICANT ACCOUNTING ISSUES

As part of its role the Committee considers the suitability of accounting policies and the appropriateness of the judgements and estimates that have been applied by management. Our accounting policies can be found in Note 1 to the consolidated financial statements and the significant issues considered by the Committee are set out below.

Margin forecasting and 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 consolidated financial statements, the approach to 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. This demands regular assessment of assumptions in relation to sales prices and build costs.

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; as well as comparing management's estimates of sales prices and build costs to actual sales prices and cost trends.

The Committee has challenged management and is satisfied that the controls in place are appropriate.

Inventory may not be valued at the lower of cost and net realisable value (NRV)

Inventory is the most significant item on the balance sheet. Inventory is held at cost and therefore, due to the cyclical nature of the housing industry, there is a risk that the NRV (selling price less costs to sell) of the inventory is lower than cost and held at the incorrect value. This is of particular importance for any undeveloped land and sites trading unprofitably or with a risk of trading unprofitably, where there is a greater risk that NRV will be below cost.

Management ensures that where any sites have low or negative margins, appropriate and sufficient provisions are made.

The Committee is satisfied that the internal controls in place ensure the effective assessment of inventory carrying values.

Valuation of 'other financial assets' – 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 fully explained in Note 12 to the consolidated financial statements, 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 has 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.

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 external 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.

Viability statement

In light of the recent developments to the UK Code, the Committee specifically considered the prospects of the Group, and made a recommendation to the Board for an appropriate period over which the Group's prospects should be assessed. Our longer-term Viability statement can be found on page 61 within our Principal risks and uncertainties section.

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.

During the year, the Committee:
Reviewed and approved
Its terms of reference, independence and financial literacy
Amendments to accounting policies
Statutory accounts for the year ended 31st October 2014, together with the related representation letter and going concern statement
The half-year results together with related public announcements
The internal audit plan for 2015/16
The external auditor's plan and approach for the FY15 statutory audit
Internal audit reports in relation to build costs, costs to completion and operational commencement. The Committee also monitored the implementation of recommendations arising from internal audit reviews
The policy on the use of the external auditor for non-audit services
The whistleblowing policy, anti-bribery and other associated policies.
The Committee also oversaw:
The transition of external auditor from KPMG LLP to PwC, and reviewed and approved PwC's ongoing independence and remuneration in relation to the audit for the financial year ending 31st October 2015.
An independent assessment of the Group's risk management framework, control environment and sources of assurance to inform the Committee and Board on the adequacy of the Group's control and assurance activities in mitigating key risks.

EXTERNAL AUDITOR

Last year we advised that KPMG LLP and its predecessor firms had held the position of external auditor for many years. Following a formal external auditor tender process, the Board recommended the appointment of PwC to its shareholders for approval at the AGM in March 2015. We are pleased to confirm that shareholders approved the appointment of PwC as the new statutory auditor for the Company and the Group.

During the year PwC underwent a thorough induction to the business, which included a number of transition meetings with Group and divisional management. This has enabled PwC to build a detailed understanding of our business, our performance and our aspirations.

Non-audit services

During the year PwC did not provide any non-audit services to the Group. However, PwC provided advice to the Trustees of the Crest Nicholson Group Pension and Life Assurance Scheme (the Group's defined benefit pension scheme) in relation to the employers covenant, and this advice was paid for by the Group, as agreed between the Trustees and the Group as employer for the scheme. In addition, PwC provides audit services to the Group's defined benefit pension scheme and the fees associated with these services are met by the assets of the scheme. For further information see Note 3 to the consolidated financial statements.

Where non-audit services are to be provided by PwC, both the Group and PwC will ensure robust processes are in place to prevent auditor independence from being compromised. The Group operates a strict policy on the provision of non-audit services which has recently been updated so it is aligned with the new EU regulatory framework on statutory audit.

Effectiveness review

The Committee is responsible for overseeing the effectiveness of the external auditors and this is principally carried out by way of an annual review of audit effectiveness at the conclusion of the year-end audit, usually around February. This was PwC's first audit cycle and a review of their effectiveness will be carried out in Spring 2016, the outcome of which will be reported to shareholders in next year's integrated annual report and accounts.

The Committee has informally considered PwC's position throughout the year and confirm that PwC have a good understanding of the business and its values and are a strong team providing support on technical matters, where necessary.

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.

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 principal risks it is willing to accept to achieve its strategic objectives. It is the role of management to implement and take day-to-day responsibility for Board policies on risk management and internal control. However, the Board retains overall responsibility in this area and needs to satisfy itself that management has understood the risks, implemented and monitored appropriate policies and controls, and is being provided with timely information so that it can discharge its own responsibilities in this regard.

The Board has carried out a robust assessment of the principal risks facing the Group and how those risks affect the prospects of the Group.

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

Independent risk management and internal control review

During the year the Board commissioned an external review of the risk management framework and key controls that are in place within the business.

The objective of the review was to provide the Board with an independent assessment of the processes through which risks are identified and of the adequacy of the existing controls and assurance activities in mitigating key risks.

A description of our risk management and internal control framework is set out below.

Key themes arising from the review:

- The risk management structure in the business is sound and operates effectively.
- Control activities were identified for all risks contained on the Group risk register.
- Where areas of improvement were identified, which primarily related to increasing the consistency of approach across different business divisions, a plan of action has been put in place and will be a key focus for the Board during 2015/16.

Risk management and internal control 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 incorporated into the Group risk register, which is produced by the Executive Management Team and reviewed and monitored by the Committee and the Board. Risk is an inherent consideration in all strategic and operational planning and the Board specifically considers risk as part of its annual strategy review. If key issues do arise during the year they are escalated to the Executive Management Team for resolution.

The Committee approves the internal audit programme, including the scope for each review to be undertaken during the year, and monitors the implementation of any recommendations. 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. The Committee also considers the internal control recommendations raised by the external auditor during the course of the external audit and the Group'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.

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.

During the year it was agreed that the services of an external provider will be employed for making notifications under the whistleblowing policy. The existing procedure of internal escalations will remain, and will be encouraged, but employees now have access to an external service if needed.

DIRECTORS' REMUNERATION REPORT

On behalf of the Board I am pleased to present our 2015 Directors' remuneration report. This year we have again included an 'at a glance' section to support ease of understanding of the interaction between policy and our in-year remuneration.

Jim Pettigrew
Chairman of the Remuneration Committee

We welcomed Sharon Flood to the Committee during the year following her appointment to the Board, and Sharon's skills, knowledge and experience will be extremely helpful to the Committee going forward.

The role of the Remuneration Committee is to ensure that the Group's remuneration strategy drives performance and is aligned to its strategic objectives of delivering long-term value to its shareholders and customers by maximising profit before tax (PBT); maintaining growth in line with the Group's target of 4,000 units per annum by 2019; and focusing on quality, service and delivery.

The Committee believes in the importance of having a clear link between the performance of the Company and how our Directors and senior executives are remunerated. This is demonstrated by the remuneration policy outcomes on page 92 showing that variable pay makes up nearly half of Executive remuneration when the Group is on target.

I'm delighted to say that the Group produced an excellent operational result in 2015. However, we were disappointed that delivery delays primarily due to supply chain issues meant that we were not a 5-star rated housebuilder during the year and this had an impact on the bonus awards made in respect of the year, reducing them by 15% for the Executive Directors. The Group continues to strive to regain its 5-star status and the Committee intends to continue with this metric within the Directors' bonus scheme, as well as bonus schemes throughout the Group.

KEY INITIATIVES THIS YEAR

- Further engagement with shareholders.
- Commissioned and considered a report to benchmark the remuneration of our Directors and senior employees.
- Challenge and determination of 2015 awards.
- Continued our popular Sharesave scheme in 2015.
- Set incentive plan measures and targets for 2016.

For the 2016 year, we intend to maintain the same metrics of growth in PBT per share, and return on capital employed (ROCE) for our Long-Term Incentive Plan (LTIP) awards as they continue to represent key strategic priorities and are clear and transparent metrics. In respect of the annual bonus we also intend to leave the scheme broadly unchanged, other than an increase in the level of additional profit required to reach the next bonus threshold, to increase the relative challenge of the target. We also intend to reflect on the recent Government changes to pension saving, and ensure these remain appropriate for Directors.

While keeping in mind the importance of pay linked to performance, the Committee understands that to recruit, retain and motivate employees, fixed elements of pay, notably base salary and benefits, must be in line with what would be paid at another company of a comparable size, complexity and geography. As part of the ongoing monitoring of these elements, New Bridge Street, our remuneration advisor, was asked to provide a benchmarking report covering senior management for the Committee to ensure that our remuneration package remains competitive. As a result of this no substantive changes were made to Directors' salaries or benefits. However, the Committee has applied the overall annual salary increases in the business (3% for employees generally, 2.5% for senior employees) to the Directors in light of market trends and the overall financial performance of the Group.

The Committee will continue to keep Executive remuneration arrangements under review during 2016 to ensure that they continue to align with the Group's strategy, and engage with shareholders on Executive remuneration matters to ensure that our policy is operated in their long-term interests. We will also be considering whether any changes are appropriate to our remuneration policy before it is voted on again by shareholders in 2017.

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	**Remuneration in 2015** In line with approved policy	**Remuneration in 2016** 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 housebuilders. Inflation-related increases to reflect wider workforce.	Stephen Stone: £527,959. Patrick Bergin: £295,610.	2.5% increase. Stephen Stone: £541,158. Patrick Bergin: £303,000.
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.	2015 bonus based on PBT (85%) and customer service (15%). Performance against targets resulted in bonuses of 102% of salary. 2015 targets disclosed in this report. Introduction of recovery provisions.	2016 bonus scheme to be based on PBT of 85% and customer service of 15%. 2016 targets to be disclosed in the 2016 remuneration report. Recovery provisions apply to cash element.
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. Introduction of recovery provisions.	Awards to be granted of 150% of salary. Performance conditions over three years of average ROCE and increase in PBT per share. Recovery provisions apply to the award.
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 95.	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 Group.	Mr McCaig resigned as Non-Executive Director at the 2015 AGM. Ms Flood joined as Non-Executive Director and Chair of the Audit and Risk Committee from 1st April 2015. No payments were made outside of the policy or in respect of loss of office. Full details are set out on page 96.	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.		
Considering your views	Our annual report on remuneration was strongly endorsed by our investors, with a 98.6% vote in favour at the 2015 AGM. Our 2014 remuneration policy received a 95% vote in favour. Ongoing shareholder engagement took place in the year to further 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.		
2015 single figure	Stephen Stone: £1,223,380. See page 92.	Patrick Bergin: £663,458. See page 92.	

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 our remuneration policy was updated to introduce recovery (clawback) for variable pay components: annual bonus, deferred bonus plan and the LTIP effective for awards made from 2015 onwards. In the case of the cash element of annual bonus, this applies to 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 Group's current remuneration policy is produced below for information.

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 housebuilders. 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 housebuilders 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.

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)
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.
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 2015 year are set out on page 94, 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 that 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 that 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 that 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 https://www.crestnicholson.com/investor-relations/corporate-governance/remuneration-policies.

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 Group'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 Group'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 Group'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 Group, and all employees are eligible to participate in the Crest Nicholson Sharesave scheme (SAYE). Take-up under this scheme in 2013 was 63%, 39% in 2014 and 33% in 2015 across the Group, and taking employees as a whole, this means that 62% of our employees are in one or more years of the scheme demonstrating the commitment our employees have to the 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 Group. 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 2016, with senior employees, including the Executive Directors, receiving an increase of 2.5%.

The Committee considers wider industry benchmarking material in the context of monitoring its overall position on Director and employee pay. The Group 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

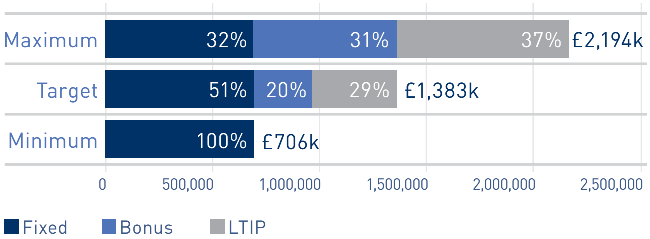
Dialogue with prospective shareholders in the lead-up to the Group's IPO was an intrinsic part of its success and underpinned our remuneration policy. The share incentive and bonus schemes were designed with simplicity and shareholder preference in mind, and we received no adverse comment from shareholders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

Illustration of application of remuneration policy

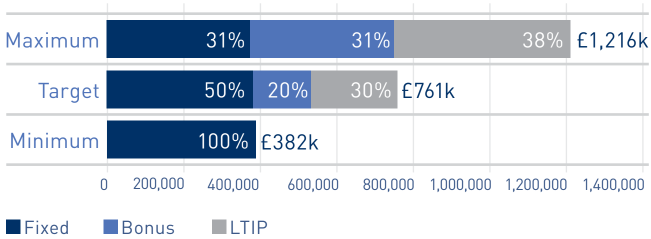
The composition and structure of the remuneration package for Executive Directors in three performance scenarios is set out in the charts on page 92. These show that the proportion delivered through long-term incentives is in line with our policy and changes significantly across the performance scenarios. As such, the package promotes the achievement of long-term performance targets and drives the alignment of Executive Directors and shareholders' interests. It should be noted that the charts show what could be earned based on the remuneration policy as set out in the table on pages 86 to 89 and will be different to the values shown in the single figure table on page 92.

Illustration of application of remuneration policy: Graphs

Stephen Stone



Patrick Bergin



Key and assumptions
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 that have vested but not yet been exercised are excluded.

ANNUAL REPORT ON REMUNERATION

Single total figure of remuneration (audited)

The table below sets out 2015 remuneration for Executive and Non-Executive Directors. Notes that assist the understanding of the matters in the following table are set out thereafter.

£000	Salary and fees[1]	Benefits[2]	Bonus[3]	Incentive plans[4]	Pension[5]	Total 2015	Salary and fees[1]	Benefits[2]	Bonus[3]	Incentive plans[4]	Pension[5]	Total 2014
Executive												
Stephen Stone	526	30	539	-	129	**1,223**	513	30	644	-	126	**1,313**
Patrick Bergin	294	23	302	-	44	**663**	287	24	361	-	43	**714**
Non-Executive												
William Rucker	140					**140**	140					**140**
Jim Pettigrew	60					**60**	60					**60**
Pam Alexander	50					**50**	50					**50**
Sharon Flood	32					**32**	N/A					**N/A**
Malcolm McCaig	19					**19**	50					**50**

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. Where salaries are adjusted for benefits which are provided via salary exchange, such salaries are quoted as the gross figure disregarding the effect of salary exchange.
2. **Benefits:** The figure shown includes car benefit, private medical insurance, group income protection, personal accident, 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 incentive awards that vested or first became exercisable in the relevant year.
5. **Pension:** Salary supplement 24.5% in respect of Stephen Stone; employer pension contribution of 15% via salary exchange in respect of Patrick Bergin.

Annual bonus targets and outcomes

The table at the top of page 93 sets out the 2015 targets and outcomes relating to the annual bonus figures shown in the single figure in the table above. The Committee was satisfied that these payments fairly reflected Group performance in the year.

We stated in the last remuneration report that we would disclose the 2015 bonus targets in our report and these are set out below:

Measure	Performance required: Threshold	Performance required: On-target	Performance required: Maximum	Actual	Payout level for measure (Maximum payout level for measure)
PBT	£144.3m	£144.3m	£154.3m	£154.0m	82% (85%)
Customer Service	90%	90%	90%	86.6%	0% (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 PBT target, with incremental increases of 10% of salary for every £1.25 million in excess of the PBT target and an overall 15% reduction of bonus associated with customer service.

The customer service metric selected was an average of at least 90% in the NHBC Customer Satisfaction Score published by NHBC in respect of completions during the four quarters from July 2014 to June 2015, those customers being surveyed in the months following those quarters. The threshold required to be a '5-star' builder under the HBF national survey of house builders is 90% and the Directors are targeted with achieving that status.

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	£	% of bonus
Stephen Stone	538,518	102	360,807	67	177,711	33
Patrick Bergin	301,522	102	202,020	67	99,502	33

1. Calculated based on salary at 31st October 2015.

The Committee believes that the bonus payments in respect of the year are supported by performance, reflecting the strong increase in profit over target but also taking into account customer service performance.

The 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 that are similar in nature or outcome to those above. Share awards granted 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.

Scheme interests awarded during the financial year (audited)

Executive Directors were invited to participate in the Long-term Incentive Plan in 2015. An award of 150% of salary was made to Executive Directors in accordance with our remuneration policy.

The following table sets out the 2015 awards granted to Executive Directors under the LTIP.

	Award	Type	Number of shares	Face value of award[1]	% of salary	Performance condition	Performance period
Stephen Stone	Performance	Nil-Cost options	178,083	£791,935.10	150	50% PBT growth 50% average ROCE	Three years (1/11/14 – 31/10/17)
Patrick Bergin	Performance	Nil-Cost options	99,711	£443,414.82	150	50% PBT growth 50% average ROCE	Three years (1/11/14 – 31/10/17)

1. Face value calculated based on the closing middle market share price of 444.7 pence on 26th February , the day before the grant.

Vesting schedule for 2015 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	24%	26%	28%

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. In respect of ongoing pension benefit, Stephen Stone receives a salary supplement of 24.5% of salary in lieu of pension (£128,824 in 2015). Patrick Bergin receives pension contributions of 15% of salary (£44,161.25 in 2015) subject to personal contributions of 5% of salary, contributed via salary exchange.

The Group has a closed defined benefit pension scheme ('DB Scheme'), which was closed to new members in 2001 and closed to future accrual in 2010. Stephen Stone is a member of the DB Scheme but crystallised his retirement benefits during the year. As such, Stephen Stone no longer has any prospective benefits under the DB Scheme.

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 2015. There have been no changes to Directors' interests between 31st October 2015 and 26th January 2016.

Measure	Total share interests at 31st October 2015	Shares held, including connected persons at 31st October 2015	Outstanding share awards at 31st October 2015	Shareholding (excluding options) as a percentage of salary and share price of 544.0 pence at 31st October 2015
Stephen Stone	5,039,061	4,067,603	971,458	4,191%
Patrick Bergin	1,463,329	916,362	546,967	1,686%
William Rucker	3,685,447	3,685,447	N/A	N/A
Jim Pettigrew	25,000	25,000	N/A	N/A
Pam Alexander	N/A	N/A	N/A	N/A
Sharon Flood	N/A	N/A	N/A	N/A

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

Stephen Stone

Scheme	Outstanding share options/ awards at 31st October 2014	Date of grant	Granted	Exercised	Lapsed	Outstanding share options/ awards at 31st October 2015	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	2.80	Nil			8th March 2016	7th March 2023
SAYE	3,643	22nd May 2013				3,643	3.09	2.47			1st August 2016	31st July 2023
DBP[1]	54,170	14th Feb 2014	1,694	55,864			3.81	Nil	4.3525	243.1	14th Feb 2015	13th Feb 2024
LTIP	202,894	14th Feb 2014				202,894	3.81	Nil			14th Feb 2017	13th Feb 2024
SAYE	3,260	15th July 2014				3,260	3.44	2.76			1st August 2017	31st July 2024
LTIP		27th Feb 2015	178,083			178,083	4.45	Nil			27th Feb 2018	26th Feb 2025
DBP		27th Feb 2015	47,778			47,778	4.45	Nil			27th Feb 2018	26th Feb 2025

Patrick Bergin

Scheme	Outstanding share options/ awards at 31st October 2014	Date of grant	Granted	Exercised	Lapsed	Outstanding share options/ awards at 31st October 2015	Market price on award (£)	Exercise price (£)	Market price at exercise /vesting (£)	Gain receivable (£000)	Date exercisable or capable of vesting	Expiry date
LTIP	300,000	8th March 2013				300,000	2.80	Nil			8th March 2016	7th March 2023
SAYE	3,643	22nd May 2013				3,643	3.09	2.47			1st August 2016	31st July 2023
DBP[1]	30,330	14th Feb 2014	949	31,279			3.81	Nil	4.3525	136.1	14th Feb 2015	13th Feb 2024
LTIP	113,602	14th Feb 2014				113,602	3.81	Nil			14th Feb 2017	13th Feb 2024
SAYE	3,260	15th July 2014				3,260	3.44	2.76			1st August 2017	31st July 2024
LTIP		27th Feb 2015	99,711			99,711	4.45	Nil			27th Feb 2018	26th Feb 2025
DBP		27th Feb 2015	26,751			26,751	4.45	Nil			27th Feb 2018	26th Feb 2025

1. During the year, under the rules of the plan, the Committee exercised its discretion to award additional shares in respect of dividend distributions made to shareholders since the Date of Grant. These additional awards were calculated based on the closing middle market share price of 353.5 pence on 14th March 2015 and 323.9 pence on 26th September 2015, the record date for the respective dividend payments, and reflects the monetary amount that would have been paid to them as shareholders had their options been exercised.

Notes to the tables above

- The DBP and SAYE do not have any performance criteria attached to them. The LTIP do have performance criteria attached to them in accordance with the remuneration policy set out on pages 86 to 89.
- Where an exercise price is nil, a nominal £1 is due to the Company upon each exercise.
- There were no awards that vested or became capable of first exercise during the year and which had not been exercised.

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

There have been no payments for loss of office or payments made 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 February 2013	19th March 2015	Salary and benefits	24.5% cash allowance	6 months/12 months
Patrick Bergin	12th February 2013	19th March 2015	Salary	15% pension contribution	6 months/12 months

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

Details of the service contracts and letters of appointment in place as at 31st October 2015 for Directors are as follows:

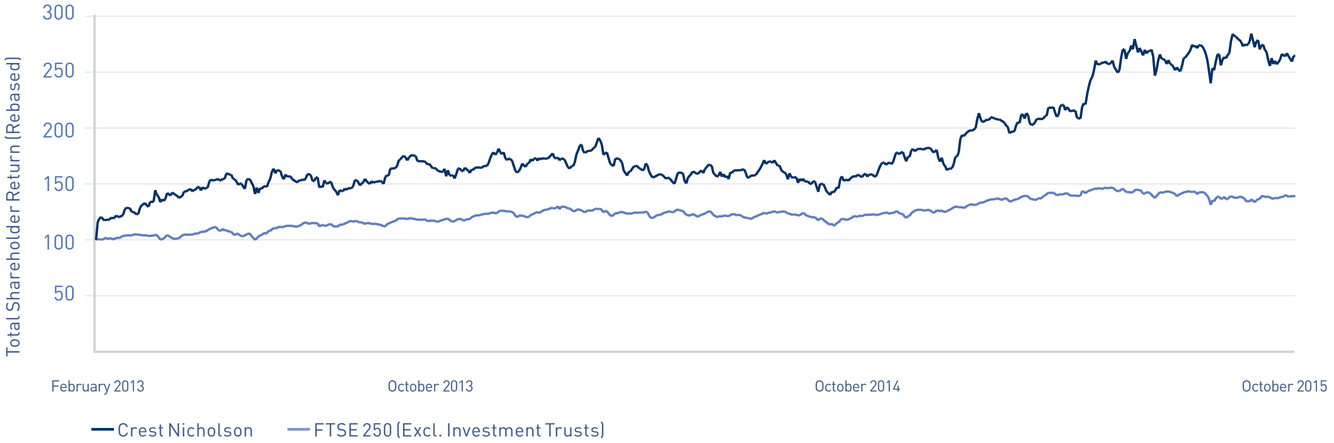
Measure	First appointment to Board	Date of current letter of appointment	Date elected or re-elected at AGM	Unexpired term of appointment
William Rucker	13th September 2011	12th February 2013	19th March 2015	3 months[1]
Jim Pettigrew	11th February 2013	11th February 2013	19th March 2015	3 months[1]
Pam Alexander	5th December 2011	12th February 2013	19th March 2015	3 months[1]
Sharon Flood	1st April 2015	18th March 2015	N/A	2 years, 5 months

1. The Company will be renewing these letters of appointment for a further three-year term from the 11th and 12th February 2016.

Performance graph and table

The graph below illustrates the Company's total shareholder return 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.

Total Shareholder Return



This graph shows the value, by 31st October 2015, 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.
Source: Datastream (Thomson Reuters)

Change in CEO remuneration

The table below sets out total CEO remuneration for 2015 and prior years, 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.

£000	2015	2014	2013	2012	2011	2010	2009
CEO total remuneration	1,223	1,313	14,110[2]	1,043	979	809	528
Annual bonus – % of maximum	82%	100%	100%	80%	76%	0%[1]	0%
Incentive plan award – % of maximum	N/A[3]	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 or 2015.

Percentage change in CEO remuneration

The table below sets out the percentage change between 2014 and 2015 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 past remuneration reports. The change in benefits in the year reflects a reduction in cost but not a reduction in actual benefit provided.

	CEO	Employees
Salary	2.6%	2.9%
Benefits	(0.3%)	(0.3%)
Annual bonus	(16.4%)	(8.9%)

Relative importance of spend on pay

The table below shows how staff remuneration costs compare to distributions made to shareholders in 2015 and 2014. The table holds data for all employees, including those who have been promoted in the year, had salary changes, are new starters, or received incentive-based remuneration, as well as pay in respect of individuals who left in the year but had some service.

The change in spend on pay in the year is due to a number of factors, principally the growth in headcount, increases to pay generally (including specific market-rate adjustments) and an improved financial performance leading to higher 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 4 to the accounts.

	2015 £m	2014 £m	Change £m	Change %
Total spend on pay	48.3	39.1	9.2	24
Distributions to shareholders by way of dividend and share buyback	41.7	26.7	15	56

STATEMENT OF IMPLEMENTATION OF REMUNERATION POLICY IN THE FOLLOWING FINANCIAL YEAR

In 2016 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 2016 base salaries, effective from 1st January 2016. 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 industry and market trends in the context of cost of living indices and the overall financial performance of the Group.

	1st January 2016 salary	1st January 2015 salary	Change
Stephen Stone	£541,158	£527,959	2.5%
Patrick Bergin	£303,000	£295,610	2.5%

Non-Executive Directors

Non-Executive Director fees for 2016 will be as follows:

	2016 fee	2015 fee
William Rucker	£140,000	£140,000
Jim Pettigrew	£60,000	£60,000
Pam Alexander	£50,000	£50,000
Sharon Flood	£50,000 + £5,000 in respect of role as Chair of Audit and Risk Committee	£50,000 + £5,000 in respect of role as Chair of Audit and Risk Committee

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 is mindful that the Government has made a number of changes in the last year to the rules and allowances around pension saving, and the Group will be addressing the implications of these during the forthcoming year. This may result in changes to the pension provision for Executive Directors.

However, at present Stephen Stone will continue to receive a 24.5% cash supplement in lieu of pension benefit and Patrick Bergin will receive a pension contribution equal to 15% of salary.

During 2015 the Company introduced flexible benefits for all employees including Executive Directors. This includes the ability to buy or sell annual leave. Flexible benefits will also be operated in 2016.

Other benefits are expected to remain unchanged.

Annual bonus

The annual bonus scheme for 2016 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 the same as in 2015 and reflect specific financial and operational targets that relate to the delivery of the Group's overall business strategy and performance.

2016 measure	Weighting for both CEO and GFD
PBT	85%
Customer satisfaction	15%

The specific targets for the 2016 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.

In 2015, in respect of the PBT element, 50% of salary was awarded for hitting target, with an additional 10% of salary for every £1.25m of profit in excess of target. The Committee has decided to increase the additional threshold from £1.25m to £1.3m for 2016, which adds a greater degree of challenge.

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. The (undeferred) cash element of bonuses paid in respect of the 2016 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 that are similar in nature or outcome to those above. Awards under the deferred bonus plan in respect of 2016 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 that underpins the long-term success of the Company. The Committee intends to make awards under the LTIP to Executive Directors in 2016, in line with our remuneration policy, as set out on pages 86 to 89, and such awards will be at 150% of salary.

The performance measures for these awards are unchanged from those granted in 2015 and are based equally on growth in PBT per share and ROCE as independent measures. The table below summarises the rationale for these measures.

2016 measure	Rationale
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 2016 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 PBT per share over three years	16%	18%	20%
ROCE (50%): Average return on capital employed over three-year period	26%	28%	30%

The Committee has considered the measures, the performance levels and other conditions, such as withholding and recovery provisions, carefully. It has sought to establish challenging but achievable targets in order 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, or serious reputational damage arising from award holders' misconduct. From 2015, misconduct, error in calculation or events that are similar in nature or outcome to those above were added. For LTIP awards granted in 2015 onwards, recovery may also apply if such an event occurs within two 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: Jim 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
Pam Alexander	Member	4	4
Sharon Flood	Member	2	1
Malcolm McCaig (resigned 19th March 2015)	Member	2	2

In 2015 the meetings of the Committee covered the following key areas:

- benchmarking of senior management remuneration
- consideration and approval of the 2015 LTIP and 2015 Sharesave scheme
- determination of the 2015 LTIP grant level and targets
- determination of 2015 bonus awards
- determination of 2015 annual salary increases for the Group
- consideration of structures and measures for the 2016 annual bonus, including recovery and withholding across variable pay components
- consideration of shareholder feedback following the 2015 AGM
- engagement with shareholders on remuneration matters.

Advisors

The Committee regularly consults with the Chief Executive on matters concerning remuneration, and the Group 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 New Bridge Street (total fees £15,595). The Committee appointed New Bridge Street (an AON Hewitt Company) following a competitive selection process in FY14 to replace PwC due to their appointment as the Company's statutory auditor, effective 1st November 2014. New Bridge Street is a member of the Remuneration Consultants' Group, which operates a code of conduct in the UK.

The Committee is satisfied that the advice received by New Bridge Street in relation to Executive remuneration matters during the year was objective and independent.

The Group also uses a division of AON, AON Risk Solutions, in connection with the placement of surety bonds and guarantees. The Group does not pay AON Risk Solutions directly, who are remunerated by relevant insurers. In addition, the Group uses a division of AON Hewitt for certain pension scheme advice; during the year the Group paid fees of £10,170 in respect of such advice.

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 the 2014 Directors' remuneration report at the 2015 AGM.

	Shares voted in favour	In favour %	Shares voted against	Against %	Votes withheld
Directors' remuneration report	183,187,121	98.62	2,572,293	1.38	62,345

The strong vote in favour of our remuneration policy (95%) at the 2014 AGM reflects the investor view that our remuneration framework for Executive Directors is appropriate for our business and our future strategic ambitions; this is also supported by ongoing dialogue with major shareholders. The Committee was also further encouraged by votes in favour of our 2014 remuneration report at 98%.

The Committee has continued to consider comments received in prior years concerning LTIP awards and targets in formulating 2016 metrics.

In the year the Group engaged with some of its largest institutional shareholders concerning governance issues, including remuneration. The Chairman of the Group and/or Chairman of the Remuneration Committee met with shareholders and the feedback received was positive, which supported the strong vote in favour of our remuneration report.

Approval

This report and policy was approved by the Board of Directors on 26th January 2016 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 2015 comprises pages 66 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 Group in the year, indicative information in respect of the likely future developments in the Group's business, and matters relating to research and development, can be found in the Strategic report on pages 8 to 64.
- the Group's exposure to credit risk, liquidity risk, market risk and interest rate risk is commented in the notes to the consolidated financial statements on pages 134 to 136.

In accordance with the UK Financial Conduct Authority's Listing Rules, LR 9.8.4c, the information to be included in the annual report and accounts, where applicable, is set out in the Directors' report.

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.

Powers of Directors

Subject to the provisions of relevant statutes and the Company's articles of association, the Directors may exercise all the powers of the Company whether relating to the management of the business or not.

Share capital

At 31st October 2015 the Company had issued share capital of 251,661,200 ordinary shares of £0.05. During the period 229,887 ordinary shares in the Company were issued as follows:

- 167,536 shares under the terms of the Company's deferred bonus plan
- 55,779 shares under the terms of the Company's LTIP
- 6,572 shares under the terms of the Company's SAYE scheme at prices between 247 pence and 276 pence.

Rights attaching to shares and restrictions on transfer

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
- 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.
- there are no specific restrictions on transfer of shares, other than where these are imposed by laws or regulations. The Company is not aware of any arrangements between shareholders that may result in restrictions on the transfer of securities or voting rights.

Power to issue or buy back own shares

At the AGM held in March 2015 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 £4,190,554 and this standard authority will expire on 30th April 2016 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 25,143,331 and this standard authority will expire on 19th September 2016 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 17th March 2016. At 31st October 2015 the Company's Employee Benefit Trust (EBT) held 139,813 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 22nd January 2016 the following percentage interests in the ordinary share capital of the Company, disclosable under the Disclosure and Transparency Rules (DTR 5), were notified to the Directors.

	% of issued share capital
Standard Life Investments	12.14%
Threadneedle Investments	11.74%
Legal & General Investment Mgt	3.96%

Profits and dividends

The Group's consolidated profit after taxation for the financial year ended 31st October 2015 was £124.1m (2014: £98.8m). The Directors propose to pay a dividend of 13.3 pence for the year ended 31st October 2015, which, together with the interim dividend of 6.4 pence per share paid in October 2015, brings the total dividends for the year to 19.7 pence (2014: 14.3 pence).

Election and re-election of Directors

The Board may appoint any person to be a Director (so long as the total number of Directors does not exceed the limit prescribed in the articles). Any such Director shall hold office until the next AGM and shall then be eligible for election.

All current Directors submit themselves for either election or re-election at the AGM to be held on 17th March 2016. The Board confirms that, following the appointment of Sharon Flood 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 election and 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 access to an external provider. 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, among others, 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 that, 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	2015 1st November 2014 to 31st October 2015	2014 1st November 2013 to 31st October 2014
Scope 1 emissions (tCO_2e)	5,027	4,479
Scope 2 emissions (tCO_2e)	2,134	1,983
Scope 1 and 2 combined emissions intensity[1] (tCO_2e/1,000 sq ft)	2.68	3.02

1. Normalised by 2,667,403 sq ft – which comprises the sum of both full and, in proportion, partial build complete delivery during the financial year 2015 (1st November 2014 to 31st October 2015). In 2014 we delivered 2,143,032 sq ft.

Definitions applying: 'Emissions' means emissions into the atmosphere of a greenhouse gas as defined in section 92 of the Climate Change Act 2008(a), 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 third 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 2015 we received consumption data for 82% of our homes completed and have extrapolated to cover all homes completed in the 2015 financial year. Site consumption data was audited against utility bills.

We have used the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (revised edition) and emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2015.

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 2014 to 31st October 2015, 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

PricewaterhouseCoopers LLP were appointed at the 2015 Annual General Meeting and are willing to seek re-appointment this year. Resolutions to re-appoint PricewaterhouseCoopers LLP will be proposed at the 2016 AGM.

Approval

The Directors' report was approved by the Board of Directors on 26th January 2016 and signed on its behalf.

Kevin Maguire
Group Company Secretary

FINANCIAL STATEMENTS

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

The Directors are responsible for preparing the Annual Report, the Directors' remuneration report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and the parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' remuneration report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The Directors consider that the Annual 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.

Each of the Directors, whose names and functions are listed on page 68, confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Strategic report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

Having assessed the principal risks and the other matters discussed in connection with the Viability statement, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

On behalf of the Board

Patrick Bergin
Group Finance Director
26th January 2016

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CREST NICHOLSON HOLDINGS PLC

Report on the financial statements

OUR OPINION

In our opinion:

- Crest Nicholson Holdings plc's Group financial statements and Company financial statements (the 'financial statements') give a true and fair view of the state of the Group's and of the Company's affairs as at 31st October 2015 and of the Group's profit and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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.

WHAT WE HAVE AUDITED

The financial statements, included within the Annual Integrated Report (the 'Annual Report'), comprise:

- the consolidated and Company statements of financial position as at 31st October 2015;
- the consolidated income statement and the consolidated statement of comprehensive income for the year then ended;
- the consolidated cash flow statement for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Integrated Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRS as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

OUR AUDIT APPROACH

Context

Crest Nicholson Holdings plc is a British housebuilder listed on the London Stock Exchange. In this first year of our audit tenure our planning process involved meeting with Group and Divisional Management and the Board to understand the business, its challenges, opportunities and associated risks. The Group is wholly UK based with a focus on the South of England and the audit of all operations was performed by the UK Group audit team.

The Group is particularly susceptible to external factors and changes in the wider housing development sector including customer demand, supply chain availability, build cost inflation and government initiatives. This was particularly relevant for our work in the areas of margin forecasting and the valuation of inventory.

- Overall Group materiality: £7.7m which represents 5% of PBT.

- We conducted an audit of the complete financial information of four of the five geographical housebuilding operating Divisions, together with the Major Projects Division. Specific balances and financial line items were audited at the remaining reporting units based on their nature and size.
- The reporting units where we performed an audit of complete financial information accounted for 61% of Group profit before tax ('PBT') and 89% of revenue.

- Margin forecasting and recognition.
- Valuation of inventory at the lower of cost and net realisable value ('NRV').
- Valuation of 'other financial assets'.

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)').

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of Management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as 'areas of focus' in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Area of focus	How our audit addressed the area of focus
Margin forecasting and recognition	
Refer to Note 1 (Accounting policies) and page 80 (Significant Accounting Issues) The Group's margin recognition framework is based on the margin forecast for each development. These margins, which drive the recognition of costs as each unit is sold, reflect estimated selling prices and costs for each development. This process is effectively a method of allocating the total forecast costs, representing both land and build costs, of a development over each individual unit. There is a risk that the margin forecast for the site and the margin subsequently recognised on each unit sale is not appropriate and reflective of the actual final profit that will be recognised on a development. We consider the appropriate margin recognition across the life of the site to be the most significant financial reporting risk for the Group principally due to the high level of Management judgement involved in the accounting for the Group's developments given that sales prices and build costs are inherently uncertain and are influenced by changes in external market factors, such as the availability of mortgages or build cost inflation.	We evaluated and tested Management's forecasting and monitoring controls for the developments, noting that Management's forecasts are prepared, monitored and updated in accordance with the stated controls. We assessed the appropriateness of certain underlying assumptions within the forecasts, including sales prices, land costs and build costs and assessed Management's historic forecasting accuracy. We did not identify any developments where we considered the underlying assumptions in the forecast to be inappropriate. We checked, by recalculating the margins, that the system correctly calculates the margin following each cost or sales price amendment made by Management, noting no exceptions. We checked the consistent application of the margin recognition framework through analysing the margins recognised on key sites compared to the development forecast margin. We obtained evidence for adjustments made to margins through cost of sales. We did not identify any significant divergences from the Group's margin recognition framework.

Area of focus	How our audit addressed the area of focus
Valuation of inventory at the lower of cost and NRV	
Refer to Note 1 (Accounting policies) and page 80 (Significant Accounting Issues) Inventory is the most significant balance on the consolidated statement of financial position and is held at the lower of cost and NRV. The NRV of each development is forecast and monitored as described in the area of focus above and is therefore subject to the same key assumptions. Due to the influence of the same external factors and the cyclical nature of the housing industry, with periodic downturns in customer demand, there is a risk that the calculation of the development's NRV, being the margin the development is forecast to make over its lifecycle based upon forecast sales prices and build costs, may be subject to estimation error leading to inventory being held at the incorrect value and an unrecorded impairment charge.	We obtained a detailed understanding of Management's process for preparing a forecast for each development, consistent with the risk associated with the margin forecasting and recognition process. The site forecast, which is used to recognise margin in the consolidated income statement, also gives the NRV of the site. Consistent with the risk associated with the margin forecasting and recognition, we tested Management's controls over the approval of the initial forecasts and the monitoring of updates required to the forecasts over the course of the development's life, noting no instances where controls were not operating as stated. We tested the appropriateness of the inputs into the development forecasts, for example by comparing sales prices and costs to comparable sites, noting no inappropriate underlying inputs. We assessed the historical accuracy of Management's forecasting by analysing the changes to margins over the course of the development's life and adjustments made to margins made through cost of sales. We understood the composition of the inventory balance, specifically the level and ageing of completed but unreserved units, to understand if completed stock is held at the appropriate NRV. We understood Management's plans for selling these units and the level of any post year-end sales to determine if there were any valuation issues. We evaluated the margins on all major sites and for sites where we identified potential NRV issues, for example due to specific issues or underperformance, we discussed the valuation with Management and corroborated it to other audit evidence. Based upon the procedures performed we did not identify any sites where we determined that impairments were required in the year.
Valuation of 'other financial assets'	
Refer to Note 1 (Accounting policies), Note 12 (Other Financial Assets) and page 81 (Significant Accounting Issues) 'Other financial assets' are held at fair value and comprise both short-term and long-term receivables from two shared equity schemes. The valuation of these assets is not based on observable market data and is highly subjective to Management judgement and estimates including expected house price movements, credit risk of borrowers, discount rates (which incorporate purchaser default rates), recoverability and expected timing of receipt. Changes in the assumptions used can have a material impact on the value of these assets.	We evaluated and tested the mechanics of the calculation with the assistance of our expert valuations team to check the correct application of the underlying assumptions and accuracy of the calculation, noting no material exceptions. We tested movements in the underlying loans during the year, such as redemptions and obtained examples of the original loan agreements to verify terms of the loans used within the calculation. Through discussion with Management and review of the calculation we understood the key assumptions included within the calculation including expected house price movements, credit risk of borrowers, discount rates, recoverability and expected timing of receipt. We corroborated and challenged these assumptions by comparing those selected by Management to historic trends, comparable discount rates used by similar companies, and our own independent research on house prices and redemption rates. In addition to re-performing Management's sensitivities we performed our own sensitivities based upon our own independent research to ascertain the extent to which reasonable adverse changes would, either individually or in aggregate, materially change the valuation of the assets. Our sensitivities noted no reasonable likely scenario that would result in a material change to the valuation. In addition, we also performed a comparison of Management's valuation against the external offers to purchase the portfolio that were received in the year to further assess the appropriateness of Management's valuation.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group is structured into five core geographically based housebuilding operating Divisions, a Major Projects Division (Crest Nicholson Regeneration), which specialises in larger scale partnerships with public and private vendors and a Strategic Projects Division, which focuses on sourcing sites for longer-term development. The development of certain sites are carried out through various joint arrangements. These joint arrangements are equity accounted or a share of the joint revenues, expenses, assets and liabilities are recognised as appropriate.

The Group financial statements are ultimately a consolidation of 12 reporting units representing the Group's operating businesses within these geographic-based Divisions and the centralised functions.

The reporting units vary in size and we identified five reporting units, being four of the five core geographically based housebuilding operating Divisions and the Major Projects Division, which required an audit of their complete financial information due to their individual size. These five reporting units were all audited by the Group engagement team and where applicable, included the audit of the joint arrangements.

The reporting units where we performed an audit of the complete financial information accounted for 61% of the Group's profit before tax and 89% of the Group's revenue.

Audits of specific financial statement line items were performed on certain balances in a further five reporting units, to provide additional coverage over certain financial statement line items, including the Strategic Projects Division (as this is where the strategic sites, including options, are held), the Group's overhead company and the Group's financing company (specifically external financing, which is held by this entity).

As this was our first year audit, we visited each of the seven Divisions identified above, visited a selection of developments within the Group and performed a thorough review of the audit work papers of the previous auditors.

Our audit work at these reporting units, together with the additional procedures performed at Group level on the consolidation, joint venture adjustments, tax, pensions and the 'other financial assets', gave us the evidence we needed for our opinion on the Group and Company financial statements as a whole.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall Group materiality	£7.7m.
How we determined it	5% of profit before tax.
Rationale for benchmark applied	We believe that profit before tax is the primary measure used by the shareholders in assessing the performance of the Group, and is a generally accepted auditing benchmark.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.4m as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the Directors' statement, set out on page 105, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the Directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the Directors' statement, the Directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the Group and Company have adequate resources to remain in operation, and that the Directors intend them to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's and Company's ability to continue as a going concern.

Other required reporting

CONSISTENCY OF OTHER INFORMATION

Companies Act 2006 opinion

In our opinion, 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.

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:	
▪ information in the Annual Integrated Report is: – materially inconsistent with the information in the audited financial statements; or – apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group and Company acquired in the course of performing our audit; or – otherwise misleading.	We have no exceptions to report.
▪ the statement given by the Directors on page 105, in accordance with provision C.1.1 of the UK Corporate Governance Code (the 'UK Code'), that they consider the Annual Integrated Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company acquired in the course of performing our audit.	We have no exceptions to report.
▪ the section of the Annual Integrated Report on page 79, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.	We have no exceptions to report.

The Directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:	
▪ the Directors' confirmation on page 83 of the Annual Integrated Report, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.	We have nothing material to add or to draw attention to.
▪ the disclosures in the Annual Integrated Report that describe those risks and explain how they are being managed or mitigated.	We have nothing material to add or to draw attention to.
▪ the Directors' explanation on page 61 of the Annual Integrated Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw attention to.
Under the Listing Rules we are required to review the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and the Directors' statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.	

ADEQUACY OF ACCOUNTING RECORDS AND INFORMATION AND EXPLANATIONS RECEIVED

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

DIRECTORS' REMUNERATION

Directors' remuneration report – Companies Act 2006 opinion

In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other Companies Act 2006 reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

CORPORATE GOVERNANCE STATEMENT

Under the Listing Rules we are required to review the part of the Corporate Governance statement relating to 10 further provisions of the Code. We have nothing to report having performed our review.

Responsibilities for the financial statements and the audit

OUR RESPONSIBILITIES AND THOSE OF THE DIRECTORS

As explained more fully in the Statement of Directors' responsibilities 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.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Integrated Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Sonia Copeland (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
26th January 2016

CONSOLIDATED INCOME STATEMENT

For the year ended 31st October 2015	Note	2015 £m	2014 £m
REVENUE		**804.8**	**636.3**
Cost of sales		(583.5)	(454.3)
GROSS PROFIT		**221.3**	**182.0**
Administrative expenses		(58.0)	(53.9)
OPERATING PROFIT	**3**	**163.3**	**128.1**
Finance income	5	5.0	3.9
Finance expense	5	(14.5)	(15.3)
Net financing expense		(9.5)	(11.4)
Share of post-tax results of joint ventures using the equity method	11	0.2	-
PROFIT BEFORE TAX		**154.0**	**116.7**
Income tax expense	6	(29.9)	(17.9)
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY SHAREHOLDERS		**124.1**	**98.8**
Earnings per ordinary share			
Basic	8	49.3p	39.3p
Diluted	8	48.4p	38.7p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st October 2015	2015 £m	2014 £m
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY SHAREHOLDERS	**124.1**	**98.8**
Other comprehensive income/(expense):		
Items that will never be recycled to the income statement:		
Actuarial gains/(losses) of DB Schemes	8.5	(10.1)
Change in deferred tax on actuarial gains/(losses) of DB Schemes	(3.3)	0.3
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR NET OF INCOME TAX	**5.2**	**(9.8)**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO EQUITY SHAREHOLDERS	**129.3**	**89.0**

The notes on pages 116 to 154 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st October 2015	Note	Share capital £m	Share premium account £m	Retained earnings £m	Total equity £m
BALANCE AT 31ST OCTOBER 2013		**12.6**	**71.6**	**386.1**	**470.3**
Total comprehensive income for the year		-	-	89.0	89.0
Transactions with shareholders:					
Equity-settled share-based payments	21	-	-	4.0	4.0
Deferred tax on equity-settled share-based payments		-	-	(0.2)	(0.2)
Dividends paid	7	-	-	(26.6)	(26.6)
BALANCE AT 31ST OCTOBER 2014		**12.6**	**71.6**	**452.3**	**536.5**
Total comprehensive income for the year		-	-	129.3	129.3
Transactions with shareholders:					
Equity-settled share-based payments	21	-	-	5.0	5.0
Deferred tax on equity-settled share-based payments		-	-	1.6	1.6
Dividends paid	7	-	-	(41.7)	(41.7)
BALANCE AT 31ST OCTOBER 2015		**12.6**	**71.6**	**546.5**	**630.7**

The notes on pages 116 to 154 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st October 2015	Note	2015 £m	2014 £m
ASSETS			
Non-current assets			
Intangible assets	9	29.0	29.0
Property, plant and equipment	10	2.6	2.2
Investments	11	0.5	0.2
Other financial assets	12	23.0	28.4
Deferred tax assets	17	20.9	40.3
Trade and other receivables	14	34.3	-
		110.3	**100.1**
Current assets			
Inventories	13	904.5	814.1
Other financial assets	12	1.2	-
Trade and other receivables	14	49.0	48.1
Cash and cash equivalents	24	187.4	142.0
		1,142.1	1,004.2
TOTAL ASSETS		**1,252.4**	**1,104.3**
LIABILITIES			
Non-current liabilities			
Interest-bearing loans and borrowings	15	(210.6)	(146.7)
Trade and other payables	16	(105.6)	(82.9)
Retirement benefit obligations	21	(7.5)	(23.7)
Provisions	18	(4.1)	(4.0)
		(327.8)	**(257.3)**
Current liabilities			
Interest-bearing loans and borrowings	15	(7.4)	(14.6)
Trade and other payables	16	(279.7)	(293.1)
Current income tax liabilities		(5.7)	-
Provisions	18	(1.1)	(2.8)
		(293.9)	**(310.5)**
TOTAL LIABILITIES		**(621.7)**	**(567.8)**
NET ASSETS		**630.7**	**536.5**
SHAREHOLDERS' EQUITY			
Share capital	19	12.6	12.6
Share premium account	19	71.6	71.6
Retained earnings		546.5	452.3
TOTAL EQUITY		**630.7**	**536.5**

The notes on pages 116 to 154 form part of these financial statements.

These financial statements were approved by the Board of Directors on 26th January 2016.

On behalf of the Board

S Stone
PJ Bergin
Directors

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st October 2015	Note	2015 £m	2014 £m
Cash flows from operating activities			
PROFIT FOR THE YEAR		**124.1**	**98.8**
Adjustments for:			
Depreciation	10	1.2	0.9
Net finance expense	5	9.5	11.4
Share-based payment expense	21	5.0	4.0
Share of post-tax profit of joint ventures using the equity method	11	(0.2)	-
Income tax expense	6	29.9	17.9
OPERATING PROFIT BEFORE CHANGES IN WORKING CAPITAL AND PROVISIONS		**169.5**	**133.0**
(Increase)/decrease in trade and other receivables		(35.3)	0.1
Increase in inventories		(90.4)	(236.4)
Increase in trade and other payables		4.1	81.8
Decrease in retirement benefit obligations		(9.0)	(9.0)
Increase in other financial assets		-	(0.2)
CASH GENERATED FROM/(USED BY) OPERATIONS		**38.9**	**(30.7)**
Interest paid		(8.9)	(8.1)
Taxation paid		(6.5)	-
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES		**23.5**	**(38.8)**
Cash flows from investing activities			
Purchases of property, plant and equipment		(1.6)	(1.2)
Decrease in other financial assets		8.1	7.0
Interest received		1.1	0.6
NET CASH INFLOW FROM INVESTING ACTIVITIES		**7.6**	**6.4**
Cash flows from financing activities			
Repayment of bank and other borrowings	15	(13.8)	(65.1)
Proceeds from new loans	15	71.0	144.4
Debt arrangement and facility fees		(1.2)	(2.8)
Dividends paid	7	(41.7)	(26.6)
NET CASH INFLOW FROM FINANCING ACTIVITIES		**14.3**	**49.9**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**45.4**	**17.5**
Cash and cash equivalents at the beginning of the year		142.0	124.5
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	24	**187.4**	**142.0**

The notes on pages 116 to 154 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, listed and domiciled in England and Wales. The address of the registered office is Crest Nicholson Holdings plc, Crest House, Pyrcroft Road, Chertsey, Surrey KT16 9GN. The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the 'Group') and include the Group's interest in jointly controlled entities. The parent Company financial statements present information about the Company as a separate entity and not about its Group.

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

The Group financial statements have been prepared and approved by the Directors in accordance with IFRS and interpretations issued by the IFRS Interpretations Committee ('IFRS IC') as adopted by the European Union (together 'EU IFRS'), and with those parts of the Companies Act 2006 applicable to companies reporting under EU IFRS, and have been prepared on the historical cost basis except for other financial assets, which are stated at their fair value. The Company has elected to prepare its parent Company financial statements in accordance with UK GAAP; these are presented on pages 155 to 158.

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

The Group's activities are financed by a combination of ordinary shares, bank borrowings and cash in hand. At 31st October 2015 the Group held cash and cash equivalents of £187.4m (2014: £142.0m) and borrowings net of cash resources of £30.6m (2014: £19.3m). The Group has operated within its banking covenants throughout the year, has bank facilities of £240.0m expiring in March 2020, with £34.0m remaining available for drawdown under such facilities at 31st October 2015. Therefore, having assessed the principal risks and all other relevant matters, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements of the Group.

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 2014 that had a material impact on the Group.

Consolidation

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

(a) Subsidiaries

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

The acquisition method of accounting is used by the Group to account for the acquisition of subsidiaries. On acquisition of a subsidiary, all 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. Accounting policies of acquired subsidiaries are changed where necessary, to ensure consistency with policies adopted by the Group.

(b) Joint ventures

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

(c) Joint operations

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

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the acquired entity at the date of the acquisition. Goodwill arising on acquisition of subsidiaries and businesses is capitalised as an asset. The goodwill balance has been allocated to the strategic land holdings within the Group. Goodwill is assessed for impairment at each reporting date. Any impairment loss is recognised immediately in the consolidated income statement.

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

Revenue and profit recognition

Revenue comprises the fair value of the consideration received or receivable, net of value-added tax, rebates and discounts but excludes the sale of properties taken in part exchange. Surpluses or deficits on the disposal of part exchange properties are recorded directly within gross margin.

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

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

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

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

Seasonality

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

Operating leases

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

Taxation

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

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

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

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 DB Scheme (closed to new employees since October 2001 and to future service accrual since April 2010) and also makes payments into a defined contribution scheme for employees.

In respect of 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 consolidated income statement; service costs are spread systematically over the lives of employees, and financing costs are recognised in the periods in which they arise. The Group recognises expected scheme gains and losses via the consolidated income statement and actuarial gains and losses are recognised in the period they occur directly in other comprehensive income, with associated deferred tax.

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

(b) Share-based payments

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

Property, plant and equipment

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

Fixtures and fittings	10%
Computer equipment	33%

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

Inventories

Inventories are stated at the lower of cost and NRV. Land includes land under development, undeveloped land and land option payments. Work-in-progress comprises direct materials, sub-contract work, labour costs, site overheads, associated professional fees and other attributable overheads, but excludes interest costs.

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

Land inventories and the associated land payables are recognised in the 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

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

Management considers the key 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 NRV. 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. See Note 12 for additional details.

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

Goodwill

The carrying value of goodwill is substantially dependent on the ability of the Group to successfully progress its strategic land holdings. Changes to the planning regime could undermine current assumptions 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, management recognises 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 2014, none of which has had a significant effect on the Group's financial statements:

- IFRS 10 Consolidated Financial Statements.
- IFRS 11 Joint Arrangements.
- IFRS 12 Disclosure of Interests in Other Entities.
- IAS 27 (Revised 2011) Separate Financial Statements.
- IAS 28 (Revised 2011) Associates and Joint Ventures.
- Amendment to IAS 32 Financial Instruments: Assets and Liability Offsetting.
- Amendment to IAS 36 Impairment of Assets.
- Amendment to IAS 39 Financial Instruments: Recognition and Measurement.
- Amendments to IFRS 10, 11 and 12 on Transition Guidance.
- Amendments to IFRS 10, 12 and IAS 27 on Consolidation for Investment Entities.

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 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 2018.
- Amendment to IFRS 10 Consolidated Financial Statements. Effective for the period beginning on 1st November 2016.
- Amendment to IFRS 11 Joint Arrangements. Effective for the period beginning on 1st November 2016.
- Amendment to IAS 1 Presentation of Financial Statements. Effective for the period beginning on 1st November 2016.
- Amendment to IAS 16 Property, Plant and Equipment. Effective for the period beginning on 1st November 2016.
- Amendment to IAS 19 Employee Benefits. Effective for the period beginning on 1st November 2015.
- Amendment to IAS 27 Separate Financial Statements. Effective for the period beginning on 1st November 2015.
- Amendment to IAS 28 Investments in Associates and Joint Ventures. Effective for the period beginning on 1st November 2016.
- Amendment to IAS 38 Intangible Assets. Effective for the period beginning on 1st November 2016.

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

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

3 OPERATING PROFIT

Operating profit from continuing activities is stated after charging:

	2015 £m	2014 £m
Staff costs (Note 4)	57.3	51.1
Depreciation (Note 10)	1.2	0.9
Operating lease rentals:		
Land and buildings	3.0	3.0
Other operating lease rentals	1.2	1.2
Auditors' remuneration:	£000	£000
Audit of these consolidated financial statements	43	41
Audit of financial statements of subsidiaries pursuant to legislation	125	128
Non-audit fees:		
Review of half-year results	30	21
Other services relating to taxation	-	27

In addition to the above, PwC provided advice to the Trustees of the Group's Defined Benefit pension scheme, the cost of this advice of £0.1m was paid for by the Group, as agreed between the Trustees and the Group as employer for the scheme. PwC also provides audit services to the Crest Nicholson Group Pension and Life Assurance Scheme. The fees associated with these services of £15,775 (2014: £15,275) are met by the assets of the scheme.

4 STAFF NUMBERS AND COSTS

(a) Average monthly number of persons employed by the Group

	2015 Number	2014 Number
Development	792	711

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

(b) Staff costs (including Directors and key management)

	2015 £m	2014 £m
Wages and salaries	44.5	40.0
Social security costs	5.4	5.2
Other pension costs	2.4	1.9
Share-based payments (Note 21)	5.0	4.0
	57.3	**51.1**

(c) Key management remuneration

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

	2015 £m	2014 £m
Salaries and short-term employee benefits	3.9	3.7
Other pension costs	0.1	0.1
Share-based payments	2.2	1.7
	6.2	**5.5**

(d) Directors' remuneration

Directors' remuneration comprised:

	2015 £m	2014 £m
Salaries and short-term employee benefits	1.9	2.0
Other pension costs	0.1	0.1
Share-based payments	1.2	1.0
	3.2	**3.1**

Further information relating to Directors' remuneration, incentive plans, share options and pension entitlement appears in the Directors' remuneration report, which is presented on pages 84 to 100.

5 FINANCE INCOME AND EXPENSE

	2015 £m	2014 £m
Finance income		
Interest income	1.1	0.6
Imputed interest on other financial assets (Note 12)	3.9	3.3
	5.0	**3.9**
Finance expense		
Interest on bank loans and overdrafts	8.9	8.1
Revolving credit facility issue costs pre refinancing amortisation	-	2.5
Revolving credit facility issue costs post refinancing amortisation	0.7	0.3
Imputed interest on deferred land payables	3.6	3.3
Net interest on defined benefit pension plan obligations (Note 21)	1.3	1.1
	14.5	**15.3**
NET FINANCE EXPENSE	**9.5**	**11.4**

6 INCOME TAX EXPENSE

	2015 £m	2014 £m
Current tax		
UK corporation tax on profits for the year	12.2	-
TOTAL CURRENT TAX	**12.2**	**-**
Deferred tax		
Origination and reversal of temporary differences in the current year	17.6	21.3
Prior year adjustment	0.1	-
Deferred tax arising on previously unrecognised temporary differences	-	(3.4)
TOTAL DEFERRED TAX (NOTE 17)	**17.7**	**17.9**
TOTAL TAX IN INCOME STATEMENT	**29.9**	**17.9**

The total tax charge for the year is lower (2014: lower) than the standard rate of UK corporation tax of 20.42% (2014: 21.83%). The differences are explained below:

	2015 £m	2014 £m
PROFIT BEFORE TAX	**154.0**	**116.7**
Tax on profit at 20.42% (2014: 21.83%)	31.4	25.5
Effects of:		
Expenses not deductible for tax purposes	0.1	0.1
Enhanced tax deductions	(2.4)	(2.2)
Income not taxable	-	(2.1)
Deferred tax change in rate	0.7	-
Prior year adjustment	0.1	-
Deferred tax arising on previously unrecognised temporary differences	-	(3.4)
TOTAL TAX IN INCOME STATEMENT	**29.9**	**17.9**

7 DIVIDENDS

Amounts recognised as distributions to equity shareholders in the year:

Dividends recognised as distributions to equity shareholders in the year:	2015 £m	2014 £m
Prior year final dividend per share of 10.2 pence (2014: 6.5 pence)	25.6	16.3
Current year interim dividend per share of 6.4 pence (2014: 4.1 pence)	16.1	10.3
	41.7	**26.6**

Dividends declared as distributions to equity shareholders in the period:	2015 £m	2014 £m
FINAL DIVIDEND FOR THE YEAR ENDED 31ST OCTOBER 2015 OF 13.3 PENCE PER SHARE (2014: 10.2 PENCE PER SHARE)	**33.4**	**25.6**

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 17th March 2016, and in accordance with IAS 10 'Events after the Reporting Period', has not been included as a liability in these financial statements.

8 EARNINGS PER ORDINARY SHARE

Basic earnings per share is calculated by dividing profit attributable to equity shareholders by the weighted average number of ordinary shares in issue during the year.

For diluted earnings per share, the weighted average number of shares is increased by the average number of potential ordinary shares held under option during the period. This reflects the number of ordinary shares that would be purchased using the difference in value between the market value of shares and the share option exercise price. The market value of shares has been calculated using the average ordinary share price during the year. Only share options that have met their cumulative performance criteria have been included in the dilution calculation.

The earnings and weighted average number of shares used in the calculations are set out below.

	Earnings £m	Weighted average number of ordinary shares Number	Per share amount Pence
Year ended 31st October 2015			
Basic earnings per share	124.1	251,530,176	49.3
Dilutive effect of share options	-	4,985,822	
Diluted earnings per share	124.1	256,515,998	48.4
Year ended 31st October 2014			
Basic earnings per share	98.8	251,428,643	39.3
Dilutive effect of share options	-	4,097,336	
Diluted earnings per share	98.8	255,525,979	38.7

9 INTANGIBLE ASSETS

	2015 £m	2014 £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 (cash-generating units) within the Group. The recoverable amount is equal to the higher of value in use and fair value less costs of disposal. The Directors have therefore assessed value in use, being the present value of the forecast cash flows from the expected development and sale of properties on the strategic land. The forecast looks at the likelihood and scale of permitted development, forecast build costs and forecast selling prices, using a discount rate of 9.05% (2014: 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. The recoverable value of the cash-generating units is substantially in excess of the carrying value of goodwill. Sensitivity analysis has been undertaken by changing discount rates, profit margins and other variables applicable to the cash-generating units. None of the sensitivities, either individually or combined, resulted in the fair value of the goodwill being reduced to below its current book value amount.

10 PROPERTY, PLANT AND EQUIPMENT

	2015 £m	2014 £m
Cost		
At beginning of the year	9.2	8.4
Additions	1.6	1.2
Disposals	(0.4)	(0.4)
AT END OF THE YEAR	**10.4**	**9.2**
Accumulated depreciation		
At beginning of the year	7.0	6.5
Charged in the year	1.2	0.9
Disposals	(0.4)	(0.4)
AT END OF THE YEAR	**7.8**	**7.0**
Carrying value		
AT END OF THE YEAR	**2.6**	**2.2**

Property, plant and equipment consists of computer equipment, £1.8m (2014: £1.3m) and office fittings and furniture £0.8m (2014: £0.9m).

11 INVESTMENTS

Interests in joint ventures

Below are the joint ventures that the Directors consider are material to the Group. All material joint ventures place of business is in Great Britain, are 50% owned and are accounted for using the equity method.

Entity	2015 £m	2014 £m
Crest Nicholson Bioregional Quintain LLP	0.2	0.2
Kitewood (Cossall) Limited	0.3	-
Bonner Road LLP	-	-
Crest/Galliford Try (Epsom) LLP	-	-
	0.5	**0.2**

- Crest Nicholson Bioregional Quintain LLP was set up to develop a site in Brighton. The site was completed in 2010.
- In April 2015 the Group acquired a 50% interest in the ordinary share capital of Kitewood (Cossall) Limited, which was set up to develop a site in London. The company purchased the land and works have commenced for the construction of 123 apartments, currently forecast for completion in 2017. The Group provides funding to the company to facilitate construction, and also receives a project management fee.
- Bonner Road LLP; in August 2015 the Group entered into a partnership agreement with Your LifeSpace Ltd to procure and develop a site in London. The LLP will apply for planning during 2016 on the site for residential purposes, with construction currently forecast to commence in 2017. The development will be jointly funded by both partners equally, accruing interest on loaned sums, and will share profits equally. The Group will receive a project management fee.
- Crest/Galliford Try (Epsom) LLP was 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. All works are currently forecast to be completed in 2016.

Summarised financial information for joint ventures

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

	Crest Nicholson Bioregional Quintain LLP		Kitewood (Cossall) Limited		Bonner Road LLP		Crest/Galliford Try (Epsom) LLP		TOTAL	
	2015 £m	2014 £m	2015 £m	2014 £m	2015 £m	2014 £m	2015 £m	2014 £m	2015 £m	2014 £m
SUMMARISED STATEMENT OF FINANCIAL POSITION										
Current assets										
Cash and cash equivalents	0.3	0.1	-	-	-	-	-	0.1	0.3	0.2
Other current assets	-	0.1	12.3	-	52.0	-	0.7	13.9	65.0	14.0
Non-current assets	0.1	0.2	-	-	-	-	-	-	0.1	0.2
Current liabilities										
Financial liabilities	-	-	-	-	-	-	(13.7)	-	(13.7)	-
Other current liabilities	(0.1)	(0.1)	(0.6)	-	(0.2)	-	(2.1)	(29.1)	(3.0)	(29.2)
Non-current liabilities										
Financial liabilities	-	-	(11.1)	-	(52.0)	-	-	-	(63.1)	-
NET ASSETS/ (LIABILITIES)	**0.3**	**0.3**	**0.6**	**-**	**(0.2)**	**-**	**(15.1)**	**(15.1)**	**(14.4)**	**(14.8)**
Reconciliation to carrying amounts:										
Opening net assets/ (liabilities) at 31st October 2014	0.3	3.7	-	-	-	-	(15.1)	(15.1)	(14.8)	(11.4)
Profit/(loss) for the year	-	-	0.6	-	(0.2)	-	-	-	0.4	-
Dividends paid	-	(3.4)	-	-	-	-	-	-	-	(3.4)
CLOSING NET ASSETS/ (LIABILITIES) AT 31ST OCTOBER 2015	**0.3**	**0.3**	**0.6**	**-**	**(0.2)**	**-**	**(15.1)**	**(15.1)**	**(14.4)**	**(14.8)**
Group's share and proportion of control in joint venture	50%	50%	50%	50%	50%	50%	50%	50%		
Group's share in joint venture	0.2	0.2	0.3	-	(0.1)	-	(7.6)	(7.6)	(7.2)	(7.4)
Fully provided in Group accounts	-	-	-	-	-	-	7.6	7.6	7.6	7.6
Recognised against receivable from joint venture	-	-	-	-	0.1	-	-	-	0.1	-
Group's share in joint venture	**0.2**	**0.2**	**0.3**	**-**	**-**	**-**	**-**	**-**	**0.5**	**0.2**
Amount due from Crest Nicholson Group	-	-	-	-	-	-	-	-	-	-
Amount due to Crest Nicholson Group	-	-	8.0	-	25.9	-	-	-	33.9	-

	Crest Nicholson Bioregional Quintain LLP		Kitewood (Cossall) Limited		Bonner Road LLP		Crest/Galliford Try (Epsom) LLP		TOTAL	
	2015 £m	2014 £m	2015 £m	2014 £m	2015 £m	2014 £m	2015 £m	2014 £m	2015 £m	2014 £m
SUMMARISED INCOME STATEMENT										
Revenue	-	0.8	3.2	-	-	-	4.6	-	7.8	0.8
Expenditure	-	(0.8)	(2.1)	-	-	-	(4.6)	1.1	(6.7)	0.3
Operating profit before financing costs	**-**	**-**	**1.1**	**-**	**-**	**-**	**-**	**1.1**	**1.1**	**1.1**
Interest expense	-	-	(0.3)	-	(0.2)	-	-	(1.1)	(0.5)	(1.1)
Income tax expense	-	-	(0.2)	-	-	-	-	-	(0.2)	-
Profit/(loss) for the period	**-**	**-**	**0.6**	**-**	**(0.2)**	**-**	**-**	**-**	**0.4**	**-**
Group's share and proportion of control in joint venture	50%	50%	50%	50%	50%	50%	50%	50%		
Group's share in joint venture	-	-	0.3	-	(0.1)	-	-	-	0.2	-
COMMITMENTS AND CONTINGENT LIABILITIES IN RESPECT OF JOINT VENTURES										
Commitments – joint ventures	-	-	-	-	-	-	-	-	-	-
Commitment to provide funding	-	-	5.4	-	4.0	-	-	-	9.4	-
Contingent liabilities – joint ventures	-	-	-	-	-	-	-	-	-	-

Subsidiary undertakings

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

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

A full list of the Group's undertakings is set out in Note 26.

12 OTHER FINANCIAL ASSETS

	2015 £m	2014 £m
At beginning of the year	28.4	31.9
Additions	-	0.2
Disposals	(8.1)	(7.0)
Imputed interest	3.9	3.3
AT END OF THE YEAR	**24.2**	**28.4**
Of which:		
Non-current assets	23.0	28.4
Current assets	1.2	-
	24.2	**28.4**

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 13 Revised.

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

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

	2015	2014
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 15 years	10 to 13 years

	2015 Increase assumptions by 1%/year £m	2015 Decrease assumptions by 1%/year £m
Sensitivity – effect on value of other financial assets (less)/more		
Discount rate, incorporating default rate	(0.9)	0.9
House price inflation for the next three years	0.5	(0.5)
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 2015 was £3.9m (2014: £3.3m).

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

13 INVENTORIES

	2015 £m	2014 £m
Work-in-progress: land, building and development	863.8	779.6
Completed buildings including show homes	40.7	34.5
	904.5	**814.1**

Included within inventories is a fair value provision of £66.9m (2014: £90.7m) which arose on the acquisition of Castle Bidco Limited in 2009 and will unwind to cost of sales in future years as the units against which the original fair value provision was recognised are sold. Inventories of £390.0m (2014: £384.0m) is estimated to be recovered in more than 12 months. Inventories of £565.4m (2014: £437.1m) were recognised as expensed in the year.

14 TRADE AND OTHER RECEIVABLES

	2015 £m	2014 £m
Non-current		
Trade receivables	0.4	-
Due from joint ventures	33.9	-
	34.3	**-**
Current		
Trade receivables	25.2	24.0
Recoverable on contracts	13.6	12.5
Other receivables	7.9	8.7
Prepayments and accrued income	2.3	2.9
	49.0	**48.1**

Current trade receivables of £11.2m have been collected since year end (2014: £5.7m). The remaining balance is due according to contractual terms. Receivables are stated after provision for doubtful debts of £nil (2014: £nil).

15 INTEREST-BEARING LOANS AND BORROWINGS

	2015 £m	2014 £m
Non-current		
Revolving credit facility	206.0	135.0
Revolving credit facility issue costs	(2.9)	(2.4)
Other loans	7.5	14.1
	210.6	**146.7**
Current		
Other loans	**7.4**	**14.6**

There were undrawn amounts of £34.0m (2014: £65.0m) under the revolving credit facility at the statement of financial position date. See Note 20 for additional disclosures.

16 TRADE AND OTHER PAYABLES

	2015 £m	2014 £m
Non-current		
Land payables on contractual terms	96.0	82.4
Other payables	8.0	-
Accruals	1.6	0.5
	105.6	**82.9**
Current		
Land payables on contractual terms	64.4	104.4
Other trade payables	33.3	30.0
Payments on account	18.2	17.5
Due to joint ventures	-	3.8
Taxes and social security costs	2.3	1.6
Other payables	11.1	20.7
Accruals	150.4	115.1
	279.7	**293.1**

During the year the Group clarified its description of land payables on contractual terms to only include direct land vendor liabilities. Other indirect land-related liabilities (mainly s106 obligations) have been classified within accruals. 2014 comparatives have been reclassified resulting in a move of £27.7m from land payables on contractual terms to accruals; total payables are unchanged.

17 DEFERRED TAX ASSETS

	2015 £m	2014 £m
At beginning of the year	40.3	58.1
Income statement movement	(17.7)	(17.9)
Equity movements	(1.7)	0.1
AT END OF THE YEAR	**20.9**	**40.3**
The deferred tax asset comprises:		
Tax losses	1.1	13.9
Inventories fair value	14.3	19.9
Share-based payments	3.3	1.2
Other temporary differences	0.8	0.5
Pension deficit	1.4	4.8
DEFERRED TAX ASSET	**20.9**	**40.3**

At the statement of financial position date the substantively enacted future corporation tax rates were 20% (FY2015 to FY2016), 19% (FY2017 to FY2019) and 18% beyond. The deferred tax assets have been evaluated at the rates at which they are expected to reverse based on current forecasts (accounting period ends: 31st October 2016: 20%, 31st October 2017: 19.42%, 31st October 2018: 19%, 31st October 2019: 19%, 31st October 2020: 18.42% and 31st October 2021 and subsequent: 18%).

Inventories fair value represents temporary differences on the carrying value of inventory fair valued on the acquisition of Castle Bidco Limited in 2009. These temporary differences are expected to be recoverable in full and are therefore recognised as deferred tax assets in the above amounts.

The Directors believe that future taxable profits will be sufficient to fully utilise the deferred tax losses.

18 PROVISIONS

	Rental and other obligations in respect of commercial properties £m	Other £m	Total £m
Non-current			
At 31st October 2013	4.1	-	4.1
Utilised in the year	(0.1)	-	(0.1)
At 31st October 2014	4.0	-	4.0
Charged to the income statement	0.1	-	0.1
AT 31ST OCTOBER 2015	**4.1**	**-**	**4.1**
Current			
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
Credited to the income statement	(1.6)	-	(1.6)
Utilised in the year	(0.1)	-	(0.1)
At 31st October 2015	**1.1**	**-**	**1.1**

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 the lease being onerous. 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 Limited in 2009 and unwound fully in the prior year.

19 SHARE CAPITAL

	Shares issued Number	Nominal value Pence	Share capital £	Share premium account £
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**
New share capital	229,887	5	11,495	15,944
ORDINARY SHARES AS AT 31ST OCTOBER 2015	**251,661,200**	**5**	**12,583,060**	**71,660,903**

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

	Shares issued Number	Exercise price Pence	Share capital £	Share premium account £
2013 LTIP	47,360	-	2,368	-
2014 LTIP	8,419	-	421	-
2013 SAYE	6,373	247	319	15,423
2014 SAYE	199	267	10	521
2013 deferred bonus plan	160,624	-	8,031	-
2014 deferred bonus plan	6,912	-	346	-
	229,887		**11,495**	**15,944**

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

For details of outstanding share options at 31st October 2015 see Note 21.

20 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.

The Group's capital comprises shareholders' funds and net borrowings. A five-year summary of this can be found in the unaudited historical summary on page 159, in addition to its return on average capital employed.

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

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

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.

The Group has cash deposits of £187.4m (2014: £142.0m) which are held by providers of its banking facilities. These are primarily provided by HSBC Bank Plc, Barclays Bank Plc, Lloyds Bank Plc and The Royal Bank of Scotland, being four of the UK's leading financial institutions. The security and suitability of these banks is monitored by treasury on a regular basis.

Other financial assets, as described in Note 12, of £24.2m (2014: £28.4m) are receivables on extended terms granted as part of a sales transaction and are secured by way of a legal charge on the relevant property and therefore credit risk is considered low.

The carrying value of trade and other receivables are mainly amounts due from housing association sales, land sales and commercial sales and equate to the Group's exposure to credit risk, which is set out in Note 14. Amounts due from joint ventures of £33.9m (2014: £nil) is funding provided on two joint venture developments, which are being project managed by the Group and are subject to contractual arrangements. Within trade and other receivables the other largest single amount outstanding at the year end is £6.2m (2014: £4.2m), which is within agreed terms.

In managing risk the Group assesses the credit risk of its counterparties before entering into a transaction. No credit limits were exceeded during the reporting period, and management does not expect any material losses from non-performance of any counterparties, including in respect of receivables not yet due. No material financial assets are past due, or are considered to be impaired as at the statement of financial position date (2014: none).

Liquidity risk

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

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

The following are the contractual maturities of the financial liabilities of the Group at 31st October 2015:

2015	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	206.0	207.6	1.6	-	-	206.0
Get Britain Building loans	5.5	5.6	5.6	-	-	-
LIFF loans	9.4	10.2	2.2	2.1	2.0	3.9
Other financial liabilities carrying interest	73.6	77.4	29.8	23.6	24.0	-
Financial liabilities carrying no interest	291.2	302.8	235.3	31.4	14.9	21.2
At 31st October 2015	**585.7**	**603.6**	**274.5**	**57.1**	**40.9**	**231.1**

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 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.

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	1.5	-	-	135.0
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*	301.2	314.2	249.4	26.7	5.4	32.7
At 31st October 2014	**520.6**	**538.3**	**294.9**	**62.3**	**7.5**	**173.6**

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, and the Get Britain Building and LIFF loans are subject to the EU Reference rate. The Group accepts a degree of interest rate risk, and monitors rate changes to ensure they are within acceptable limits and in line with banking covenants.

For the year ended 31st October 2015 it is estimated that an increase of 1% in interest rates applying for the full year would decrease the Group's PBT by £1.8m (2014: £1.2m).

At 31st October 2015 the interest rate profile of the financial liabilities of the Group was:

	2015 £m	2014 £m
Sterling bank borrowings, loan notes and long-term creditors		
Floating rate financial liabilities	220.9	163.7
Financial liabilities carrying interest	73.6	55.7
Financial liabilities carrying no interest*	291.2	301.2
	585.7	**520.6**

For financial liabilities that have no interest payable but for which imputed interest is charged, consisting of land payables, the weighted average period to maturity is 60 months (2014: 71 months).

	2015 £m	2014 £m
The maturity of the financial liabilities is:		
Repayable within one year*	266.6	288.6
Repayable between one and two years	53.2	58.3
Repayable between two and five years	48.9	22.0
Repayable after five years	217.0	151.7
	585.7	**520.6**

* During the year the Company clarified its description of land payables on contractual terms to only include direct land vendor liabilities. Other indirect land-related liabilities (mainly s106 obligations) have been classified within accruals. The 2014 comparatives have been reclassified, resulting in a move of £27.7m from land payables on contractual terms to accruals, and accruals have been added to the 2014 comparatives.

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 2015 cash equivalents consisted of sterling cash deposits of £187.4m (2014: £142.0m), with solicitors and on current account, £24.2m (2014: £28.4m) of other financial assets, £47.1m (2014: £45.2m) of trade, other receivables and amounts recoverable on contracts, and £33.9m (2014: £nil) of amounts due from joint ventures.

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:

2015	Nominal interest rate	Face value £m	Carrying value £m	Fair value £m	Maturity
Revolving credit facility	3 mth LIBOR + 2.50%	206.0	206.0	206.0	2020
LIFF loans	EU reference rate + 2.2%	7.5	7.5	7.5	2019
TOTAL NON-CURRENT INTEREST-BEARING LOANS		**213.5**	**213.5**	**213.5**	
Get Britain Building loans	EU reference rate + 2.2% to 4.0%	5.5	5.5	5.5	2016
LIFF loans	EU reference rate + 2.2%	1.9	1.9	1.9	2016
TOTAL CURRENT INTEREST-BEARING LOANS		**7.4**	**7.4**	**7.4**	

2014	Nominal interest rate	Face value £m	Carrying value £m	Fair value £m	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**	

Financial assets and liabilities by category

	2015 £m	2014 £m
Financial assets		
Sterling cash deposits	187.4	142.0
Trade receivables	25.6	24.0
Amounts due from joint ventures	33.9	-
Recoverable on contracts	13.6	12.5
Other receivables	7.9	8.7
TOTAL LOANS AND RECEIVABLES	**268.4**	**187.2**
Other financial assets	24.2	28.4
TOTAL AVAILABLE-FOR-SALE FINANCIAL ASSETS	**24.2**	**28.4**
TOTAL FINANCIAL ASSETS	**292.6**	**215.6**

	2015 £m	2014 £m
Financial liabilities		
Revolving credit facility	206.0	135.0
Other loans	14.9	28.7
Land payments on contractual terms	160.4	186.8
Amounts due to joint ventures	-	3.8
Other trade payables	33.3	30.0
Other payables	19.1	20.7
Accruals	152.0	115.6
FINANCIAL LIABILITIES AT AMORTISED COST	**585.7**	**520.6**

There were no gains or losses recorded on financial assets or liabilities in the year; the amount of interest income and expense on each of the above can be seen in Note 5.

21 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 contributions to this scheme for the year were £1.9m (2014: £1.7m). At the statement of financial position date there were no outstanding or prepaid contributions (2014: £nil).

Defined benefit scheme

The Company sponsors the Crest Nicholson Group Pension and Life Assurance Scheme, a funded DB Scheme in the UK. The scheme is administered within a trust that is legally separate from the Company. Trustees are appointed by both the Company and the scheme's members and act in the interest of the scheme and all relevant stakeholders, including the members and the Company. The trustees are also responsible for the investment of the scheme's assets.

The scheme closed to future accrual from 30th April 2010. Accrued pensions in relation to deferred members are revalued 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 last actuarial valuation was carried out with an effective date of 31st January 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.

The results of the actuarial valuation as at 31st January 2015 have been projected to 31st October 2015 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 2015, the allocation of the scheme's invested assets was 76% in return seeking investments, 4% in corporate bonds, 18% in index linked gilts and 2% in cash. Details of the investment strategy can be found in the scheme's Statement of Investment Principles, which the trustees update as the policy evolves.

	2015 £m	2014 £m	2013 £m
The amounts recognised in the statement of financial position are as follows:			
Present value of scheme liabilities	(165.3)	(173.4)	(160.0)
Fair value of scheme assets	157.8	149.7	138.5
NET AMOUNT RECOGNISED AT YEAR END	**(7.5)**	**(23.7)**	**(21.5)**

A deferred tax asset of £1.4m (2014: £4.8m) has been recognised in the consolidated statement of financial position.

The amounts recognised in comprehensive income are:

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

	2015 £m	2014 £m
Administration expenses	0.5	0.3
Net interest expense	0.8	0.8
CHARGE RECOGNISED IN THE INCOME STATEMENT	**1.3**	**1.1**
Remeasurements of the net liability:		
Return on scheme assets	1.6	(1.1)
Loss arising from changes in financial assumptions	1.2	10.8
Gain arising from changes in demographic assumptions	(7.1)	-
Experience (gain)/loss	(4.2)	0.4
(CREDIT)/CHARGE RECORDED IN OTHER COMPREHENSIVE INCOME	**(8.5)**	**10.1**
TOTAL DEFINED BENEFIT SCHEME (CREDIT)/COST	**(7.2)**	**11.2**

The principal actuarial assumptions used were:

	2015 %	2014 %
Liability discount rate	3.9	3.9
Inflation assumption – RPI	3.2	3.2
Inflation assumption – CPI	2.4	2.4
Rate of increase in salaries	0.0	0.0
Revaluation of deferred pensions	2.4	2.4
Increases for pensions in payment:		
Benefits accrued in respect of GMP	3.0	3.0
Benefits accrued in excess of GMP pre-1997	3.0	3.0
Benefits accrued post-1997	3.1	3.1
Proportion of employees opting for early retirement	0.0	0.0
Proportion of employees commuting pension for cash	100.0	100.0

	2015 %	2014 %
Mortality assumption – pre-retirement	AC00	SAPS S1 PxA CMI_2011 ltr1.5%
Mortality assumption – male post-retirement	SAPS S2 PMA CMI_2014 ltr 1.5%	SAPS S1 PMA CMI_2011 ltr 1.5%
Mortality assumption – female post-retirement	SAPS S2 PFA CMI_2014 ltr 1.5%	SAPS S1 PFA CMI_2011 ltr 1.5%
Future expected lifetime of current pensioner at age 65:		
Male aged 65 at year end	22.6 years	23.2 years
Female aged 65 at year end	24.7 years	25.7 years
Future expected lifetime of future pensioner at age 65:		
Male aged 45 at year end	24.7 years	24.8 years
Female aged 45 at year end	27.0 years	27.2 years

Changes in the present value of assets over the year:

	2015 £m	2014 £m
Fair value of assets at beginning of the year	149.7	138.5
Interest income	6.0	6.1
Return on assets (excluding amount included in net interest expense)	(1.6)	1.1
Contributions from the employer	9.0	9.0
Benefits paid	(4.8)	(4.7)
Administration expenses	(0.5)	(0.3)
FAIR VALUE OF ASSETS AT END OF THE YEAR	**157.8**	**149.7**

Changes in the present value of liabilities over the year:

	2015 £m	2014 £m
Liabilities at beginning of the year	173.4	160.0
Interest cost	6.8	6.9
Remeasurement (gains)/losses:		
Actuarial losses arising from changes in financial assumptions	1.2	10.8
Actuarial gains arising from changes in demographic assumptions	(7.1)	-
Experience (gains)/losses	(4.2)	0.4
Benefits paid	(4.8)	(4.7)
LIABILITIES AT END OF THE YEAR	**165.3**	**173.4**

The split of the scheme's liabilities by category of membership is as follows:

	2015 £m	2014 £m
Deferred pensioners	94.1	109.6
Pensions in payment	71.2	63.8
	165.3	**173.4**

	2015 Years	2014 Years
Average duration of the scheme's liabilities at the end of the year	17.0	18.0
This can be subdivided as follows:		
Deferred pensioners	21.0	21.0
Pensions in payment	12.0	12.0

The major categories of scheme assets are as follows:

	2015 £m	2014 £m
Return seeking:		
UK equities	13.7	15.6
Overseas equities	23.7	31.1
Other (hedge funds, multistrategy and absolute return funds)	76.2	24.5
RETURN SEEKING SUBTOTAL	**113.6**	**71.2**
Debt instruments:		
Corporates	6.7	39.3
Index linked	26.4	23.3
DEBT INSTRUMENT SUBTOTAL	**33.1**	**62.6**
Other:		
Property	-	0.7
Cash	2.6	6.3
Insured annuities	8.5	8.9
OTHER SUBTOTAL	**11.1**	**15.9**
TOTAL MARKET VALUE OF ASSETS	**157.8**	**149.7**

All scheme assets with the exception of cash and insured annuities are quoted assets.

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

The Group expects to contribute £0.75m per month until 30th November 2017, and £0.75m per month from 1st December 2017 until 31st August 2021, subject to scheme funding.

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

If the discount rate was 0.25% higher/(lower), the scheme's liabilities would decrease by £6.7m (increase by £7.1m) if all the other assumptions remained unchanged.

If the inflation assumption was 0.25% higher/(lower), the scheme's liabilities would increase by £3.8m (decrease by £3.7m) if all the other assumptions remained unchanged.

If life expectancies were to increase by one year, the scheme's liabilities would increase by £5.7m if all the other assumptions remained unchanged.

(b) Share-based payments

The Group operates an LTIP, employee share option scheme (ESOS), SAYE scheme and a deferred bonus plan.

Expected volatility for all plans/schemes (where applicable) is based on the historical share price movements of Crest Nicholson Holdings plc since the Company listed in February 2013 (2014: expected volatility (where applicable), based on historical share price movements of comparable companies, given that Crest Nicholson Holdings plc was only listed in February 2013).

Long-Term Incentive Plan

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

	2015	2015	2015	Total	2014	2014	Total
Date of grant	8th Mar 2013	14th Feb 2014	27th Feb 2015		8th Mar 2013	14th Feb 2014	
Options granted	2,226,041	1,246,861	1,270,176		2,226,041	1,246,861	
Fair value at measurement date	£2.62	£3.49	£4.02		£2.62	£3.49	
Share price on date of grant	£2.80	£3.81	£4.45		£2.80	£3.81	
Exercise price	£0.00	£0.00	£0.00		£0.00	£0.00	
Vesting period	3 years	3 years	3 years		3 years	3 years	
Expected dividend yield	2.50%	2.50%	3.20%		2.50%	2.50%	
Expected volatility	33.00%	28.90%	30.00%		33.00%	28.90%	
Risk free interest rate	0.40%	0.40%	0.86%		0.40%	0.40%	
Valuation model	Binomial	Binomial	Binomial		Binomial	Binomial	
Contractual life from	8th Mar 2013	14th Feb 2014	27th Feb 2015		8th Mar 2013	14th Feb 2014	
Contractual life to	7th Mar 2023	13th Feb 2024	26th Feb 2025		7th Mar 2023	13th Feb 2024	
Movements in the year							
Options at beginning of the year	2,026,405	1,200,020	-	3,226,425	2,140,612	-	2,140,612
Granted during the year	-	-	1,270,176	1,270,176	-	1,246,861	1,246,861
Exercised during the year	(47,360)	(8,419)	-	(55,779)	-	-	-
Lapsed during the year	(50,334)	(89,487)	(49,341)	(189,162)	(114,207)	(46,841)	(161,048)
OPTIONS AT END OF THE YEAR	**1,928,711**	**1,102,114**	**1,220,835**	**4,251,660**	**2,026,405**	**1,200,020**	**3,226,425**
EXERCISABLE AT END OF THE YEAR	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Charge to income	£1.7m	£1.2m	£0.7m	£3.6m	£1.7m	£0.9m	£2.6m

The weighted average exercise price of LTIP options was £nil (2014: £nil).

Employee share option scheme

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

	2015	2015	Total	2014	2014	2014	Total
Date of grant	6th Mar 2013	17th Aug 2015		11th Feb 2013	6th Mar 2013	6th Mar 2013	
Options granted	615,000	1,500		1,070,131	92,500	615,000	
Fair value at measurement date	£0.00	£0.00		£0.00	£0.00	£0.00	
Share price on date of grant	£2.69	£5.68		£2.20	£2.69	£2.69	
Exercise price	£0.00	£0.00		£0.00	£0.00	£0.00	
Vesting period	3 years	2 years		1 year	2 years	3 years	
Expected dividend yield	N/A	N/A		N/A	N/A	N/A	
Expected volatility	N/A	N/A		N/A	N/A	N/A	
Risk free interest rate	N/A	N/A		N/A	N/A	N/A	
Valuation model	N/A	N/A		N/A	N/A	N/A	
Contractual life from	6th Mar 2013	17th Aug 2015		11th Feb 2013	6th Mar 2013	6th Mar 2013	
Contractual life to	5th Mar 2023	16th Aug 2025		10th Feb 2023	5th Mar 2023	5th Mar 2023	
Movements in the year							
Options at beginning of the year	539,000	-	539,000	846,478	92,500	597,000	1,535,978
Granted during the year	-	1,500	1,500	-	-	-	-
Exercised during the year	(539,000)	-	(539,000)	(846,478)	(92,500)	-	(938,978)
Lapsed during the year	-	-	-	-	-	(58,000)	(58,000)
OPTIONS AT END OF THE YEAR	**-**	**1,500**	**1,500**	**-**	**-**	**539,000**	**539,000**
EXERCISABLE AT END OF THE YEAR	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Charge to income	£0.3m	-	£0.3m	-	£0.1m	£0.6m	£0.7m

The weighted average exercise price of employee share options was £nil (2014: £nil).

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. There are no performance conditions.

	2015	2015	2015	Total	Weighted average exercise price 2015
Date of grant	22nd May 2013	15th Jul 2014	16th Jul 2015		
Options granted	805,805	569,998	257,264		
Fair value at measurement date	£0.82	£0.70	£1.03		
Share price on date of grant	£3.09	£3.44	£5.63		
Exercise price	£2.47	£2.76	£4.51		
Vesting period	3 years	3 years	3 years		
Expected dividend yield	2.50%	2.50%	3.00%		
Expected volatility	32.00%	28.90%	29.00%		
Risk free interest rate	0.55%	1.61%	1.16%		
Valuation model	Binomial	Binomial	Binomial		
Contractual life from	1st Aug 2013	1st Aug 2014	1st Aug 2015		
Contractual life to	1st Feb 2017	1st Feb 2018	1st Feb 2019		
Movements in the year					
Options at beginning of the year	695,720	559,697	-	1,255,417	£2.60
Granted during the year	-	-	257,264	257,264	£4.51
Exercised during the year	(6,373)	(199)	-	(6,572)	£2.48
Lapsed during the year	(72,233)	(91,804)	(9,974)	(174,011)	£2.74
OPTIONS AT END OF THE YEAR	**617,114**	**467,694**	**247,290**	**1,332,098**	**£2.95**
EXERCISABLE AT END OF THE YEAR	**-**	**-**	**-**	**-**	
Charge to income	£0.2m	£0.1m	-	£0.3m	

	2014	2014	Total	Weighted average exercise price 2014
Date of grant	22nd May 2013	15th Jul 2014		
Options granted	805,805	569,998		
Fair value at measurement date	£0.82	£0.70		
Share price on date of grant	£3.09	£3.44		
Exercise price	£2.47	£2.76		
Vesting period	3 years	3 years		
Expected dividend yield	2.50%	2.50%		
Expected volatility	32.00%	28.90%		
Risk free interest rate	0.55%	1.61%		
Valuation model	Binomial	Binomial		
Contractual life from	1st Aug 2013	1st Aug 2014		
Contractual life to	1st Feb 2017	1st Feb 2018		
Movements in the year				
Options at beginning of the year	780,304	-	780,304	£2.47
Granted during the year	-	569,998	569,998	£2.76
Exercised during the year	(4,026)	-	(4,026)	£2.47
Lapsed during the year	(80,558)	(10,301)	(90,859)	£2.50
OPTIONS AT END OF THE YEAR	**695,720**	**559,697**	**1,255,417**	**£2.60**
EXERCISABLE AT END OF THE YEAR	**-**	**-**	**-**	
Charge to income	£0.2m	-	£0.2m	

Deferred bonus plan

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

	2015	2015	2015	Total	2014	Total
Date of grant	14th Feb 2014	27th Feb 2015	27th Feb 2015		14th Feb 2014	
Options granted	155,752	138,112	119,107		155,752	
Fair value at measurement date	£3.81	£4.45	£4.45		£3.81	
Share price on date of grant	£3.81	£4.45	£4.45		£3.81	
Exercise price	£0.00	£0.00	£0.00		£0.00	
Vesting period	3 years	3 years	1 year		3 years	
Expected dividend yield	N/A	N/A	N/A		N/A	
Expected volatility	N/A	N/A	N/A		N/A	
Risk free interest rate	N/A	N/A	N/A		N/A	
Valuation model	N/A	N/A	N/A		N/A	
Contractual life from	14th Feb 2014	27th Feb 2015	27th Feb 2015		14th Feb 2014	
Contractual life to	13th Feb 2024	26th Feb 2025	26th Feb 2025		13th Feb 2024	
Movements in the year						
Options at beginning of the year	155,752	-	-	155,752	-	-
Granted during the year	4,872	138,112	119,107	262,091	155,752	155,752
Exercised during the year	(160,624)	-	(6,912)	(167,536)	-	-
Lapsed during the year	-	-	(5,959)	(5,959)	-	-
OPTIONS AT END OF THE YEAR	**-**	**138,112**	**106,236**	**244,348**	**155,752**	**155,752**
EXERCISABLE AT END OF THE YEAR	**-**	**-**	**-**	**-**	**-**	**-**
Charge to income	£0.1m	£0.4m	£0.3m	£0.8m	£0.5m	£0.5m

The weighted average exercise price of deferred bonus plan share options was £nil (2014: £nil).

Total share incentive schemes

	2015	2014
Movements in the year		
Options at beginning of the year	5,176,594	4,456,894
Granted during the year	1,791,031	1,972,611
Exercised during the year	(768,887)	(943,004)
Lapsed during the year	(369,132)	(309,907)
OPTIONS AT END OF THE YEAR	**5,829,606**	**5,176,594**
EXERCISABLE AT END OF THE YEAR	**-**	**-**
Charge to income	£5.0m	£4.0m

The weighted average share price at the date of exercise of share options exercised during the year was £4.08 (2014: £3.78).

22 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.

23 OPERATING LEASES

At 31st October 2015, total outstanding commitments for future minimum lease payments under non-cancellable operating leases were:

	2015 £m	2014 £m
Land and buildings		
Within one year	2.5	3.0
Less: minimum sub-lease income	(0.7)	(1.0)
Between two and five years	8.1	8.7
Less: minimum sub-lease income	(1.1)	(0.9)
After five years	2.8	2.4
	11.6	**12.2**
Other		
Within one year	1.4	1.3
Between two and five years	1.9	1.3
	3.3	**2.6**

24 MOVEMENT IN NET DEBT

	2015 £m	Movement £m	2014 £m
Cash and cash equivalents	187.4	45.4	142.0
Bank loans	(218.0)	(56.7)	(161.3)
NET DEBT	**(30.6)**	**(11.3)**	**(19.3)**

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 Development plc on normal trading terms. William Rucker (Chairman of the Company) was also Chairman of Quintain Estates and Development plc until 25th September 2015.

The Group has entered into the following related-party transactions:

i) Transactions with joint ventures, which are disclosed in Note 11. The Group has provided book-keeping services to certain joint ventures which have been recharged at cost £24k (2014: £24k).

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 HBF. The Group paid subscription and other fees during the year to the HBF of £90k (2014: £105k).

iv) Pam Alexander, Independent Non-Executive Director, is a Non-Executive Director of The Academy of Urbanism. The Group paid subscription and other fees during the year to The Academy of Urbanism of £17k (2014: £17k).

26 GROUP UNDERTAKINGS

In accordance with s409 Companies Act 2006, the following is a list of all the Group's undertakings at 31st October 2015.

Subsidiary undertakings

At 31st October 2015 the Group had an interest in the below subsidiary undertakings, which are included in the consolidated financial statements.

Entity name	Registered office	Place of incorporation	Year end date	Shareholding (direct or indirect)
Bartley Wood Management Services No.2 Limited	1	5	31st March	100%
Bath Riverside Estate Management Company Limited	2	5	31st October	100%
Bath Riverside Liberty Management Company Limited	2	5	31st October	100%
Block F1 Whitelands Park Limited	1	5	31st October	100%
Block F2 Whitelands Park Limited	1	5	31st October	100%
Block F3 Whitelands Park Limited	1	5	31st October	100%
Block L1–L3 Whitelands Park Limited	1	5	31st October	100%
Brenville Limited	1	5	31st October	100%

Entity name	Registered office	Place of incorporation	Year end date	Shareholding (direct or indirect)
Bristol Parkway North Limited	1	5	31st October	100%
CN Nominees Limited	1	5	31st October	100%
Camberley (Commercial) Limited	1	6	31st October	100%
Camberley Res No.1 Limited	1	5	31st October	100%
Camberley Res No.2 Limited	1	5	31st October	100%
Camberley Res No.3 Limited	1	5	31st October	100%
Camberley Res No.4 Limited	1	5	31st October	100%
Camberley Res No.5 Limited	1	5	31st October	100%
Cardiff Freeport Limited	1	5	31st October	100%
Castle Bidco Limited*	1	5	31st October	100%
Clevedon Developments Limited	1	5	31st October	100%
Clevedon Investment Limited	1	5	31st October	100%
CN Properties Limited	1	5	31st October	100%
Crest (Claybury) Limited	1	5	31st October	100%
Crest (Napsbury) Limited	1	5	31st October	100%
Crest Construction Limited	1	5	31st October	100%
Crest Construction Management Limited	1	5	31st October	100%
Crest Developments Limited	1	5	31st October	100%
Crest Estates Limited	1	5	31st October	100%
Crest Homes (Chiltern) Limited	1	5	31st October	100%
Crest Homes (Eastern) Limited	1	5	31st October	100%
Crest Homes (Midlands) Limited	1	5	31st October	100%
Crest Homes (Nominees) Limited	1	5	31st October	100%
Crest Homes (Northern) Limited	1	5	31st October	100%
Crest Homes (South East) Limited	1	5	31st October	100%
Crest Homes (South West) Limited	1	5	31st October	100%
Crest Homes (South) Limited	1	5	31st October	100%
Crest Homes (Wessex) Limited	1	5	31st October	100%
Crest Homes (Westerham) Limited	1	5	31st October	100%
Crest Homes Limited	1	5	31st October	100%
Crest Homes Management Limited	1	5	31st October	100%
Crest Manhattan Limited	1	5	31st October	100%
Crest Nicholson (Bath Western) Limited	1	5	31st October	100%
Crest Nicholson (Bath) Holdings Limited	1	5	31st October	100%
Crest Nicholson (Chiltern) Limited	1	5	31st October	100%

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

Entity name	Registered office	Place of incorporation	Year end date	Shareholding (direct or indirect)
Crest Nicholson (Eastern) Limited	1	5	31st October	100%
Crest Nicholson (Epsom) Limited	1	5	31st October	100%
Crest Nicholson (Londinium) Limited	1	5	31st October	100%
Crest Nicholson (London) Limited	1	5	31st October	100%
Crest Nicholson (Midlands) Limited	1	5	31st October	100%
Crest Nicholson (Rainsford Road) Limited	1	5	31st October	100%
Crest Nicholson (South East) Limited	1	5	31st October	100%
Crest Nicholson (South West) Limited	1	5	31st October	100%
Crest Nicholson (South) Limited	1	5	31st October	100%
Crest Nicholson (Wainscott)	1	5	31st October	100%
Crest Nicholson (Wessex) Limited	1	5	31st October	100%
Crest Nicholson Developments (Chertsey) Limited	1	5	31st October	100%
Crest Nicholson Greenwich Limited	1	5	31st October	100%
Crest Nicholson Operations Limited	1	5	31st October	100%
Crest Nicholson Overseas Limited	1	5	31st October	100%
Crest Nicholson plc	1	5	31st October	100%
Crest Nicholson Projects Limited	1	5	31st October	100%
Crest Nicholson Properties Limited	1	5	31st October	100%
Crest Nicholson Properties Scarborough No.2 Limited	1	6	31st October	100%
Crest Nicholson Quest Trustee Limited	1	5	31st October	100%
Crest Nicholson Regeneration Limited	1	5	31st October	100%
Crest Nicholson Residential (London) Limited	1	5	31st October	100%
Crest Nicholson Residential (Midlands) Limited	1	5	31st October	100%
Crest Nicholson Residential (South East) Limited	1	5	31st October	100%
Crest Nicholson Residential (South) Limited	1	5	31st October	100%
Crest Nicholson Residential Limited	1	5	31st October	100%
Crest Nominees Limited	1	5	31st October	100%
Crest Partnership Homes Limited	1	5	31st October	100%
Crest Strategic Projects Limited	1	5	31st October	100%
Dialled Despatches Limited	1	5	31st October	100%
Eastern Perspective Management Company Limited	1	5	31st October	100%
Grassphalte-Gaze Limited	1	5	31st October	100%
Landscape Estates Limited	1	5	31st October	100%
Mertonplace Limited	1	5	31st October	100%
Nicholson Estates (Century House) Limited	1	5	31st October	100%

Entity name	Registered office	Place of incorporation	Year end date	Shareholding (direct or indirect)
Nicholson Estates GN Tower No.2 Limited	1	6	31st October	100%
Nicholson Homes Limited	1	5	31st October	100%
Park Central Management (Central Plaza) Limited	1	5	31st October	100%
Ellis Mews (Park Central) Management Limited	1	5	31st October	100%
Park Central Management (Zone 11) Limited	1	5	31st October	100%
Park Central Management (Zone 12) Limited	1	5	31st October	100%
Park Central Management (Zone 1A North) Limited	1	5	31st October	100%
Park Central Management (Zone 1A South) Limited	1	5	31st October	100%
Park Central Management (Zone 1B) Limited	1	5	31st October	100%
Park Central Management (Zone 3/1) Limited	1	5	31st October	100%
Park Central Management (Zone 3/2) Limited	1	5	31st October	100%
Park Central Management (Zone 3/3) Limited	1	5	31st October	100%
Park Central Management (Zone 3/4) Limited	1	5	31st October	100%
Park Central Management (Zone 4/41 & 42) Limited	1	5	31st October	100%
Park Central Management (Zone 4/43/44) Limited	1	5	31st October	100%
Park Central Management (Zone 5/53) Limited	1	5	31st October	100%
Park Central Management (Zone 5/54) Limited	1	5	31st October	100%
Park Central Management (Zone 5/55) Limited	1	5	31st October	100%
Park Central Management (Zone 6/61–64) Limited	1	5	31st October	100%
Park Central Management (Zone 7/9) Limited	1	5	31st October	100%
Park Central Management (Zone 8) Limited	1	5	31st October	100%
Park Central Management (Zone 9/91) Limited	1	5	31st January	100%
Riverside Dacorum No.2 Limited	1	6	31st October	100%
The Gloucester Docks Trading Company Limited	1	5	31st October	100%
Timberform Building Systems Limited	1	5	31st October	100%
Toptool Products Limited	1	5	31st October	100%
Yawbrook Limited	1	5	31st October	100%
Building 7 Harbourside Management Company Limited	1	5	31st October	58.33%
Buildings 3A, 3B & 4 Harbourside Management Company Limited	1	5	31st December	83.33%
Harbourside Leisure Management Company Limited	1	5	31st December	71.43%
Park West Management Services Limited	1	5	31st October	62.00%

Joint venture undertakings

At 31st October 2015 the Group had an interest in the following principal joint venture undertakings, which are equity accounted within the consolidated financial statements. The principal activity of all undertakings is that of residential development.

Entity name	Registered office	Place of incorporation	Year end date	Shareholding (direct or indirect)
Material joint ventures				
Crest Nicholson Bioregional Quintain LLP	1	5	31st October	50%
Kitewood (Cossall) Limited	1	5	31st October	50%
Bonner Road LLP	1	5	31st March	50%
Crest Nicholson/Galliford Try (Epsom) LLP	1	5	31st October	50%
Other joint ventures not material to the Group				
The Century House Property Company Limited	1	5	31st October	50%
Crest Nicholson Bioregional Quintain (Gallions) LLP	1	5	31st October	50%
Brentford Lock Limited	3	5	31st December	50%
Haydon Development Company Limited	4	5	30th April	21.36%
North Swindon Development Company Limited	1	5	31st October	32.64%

Registered office:
1 Crest House, Pyrcroft Road, Chertsey, Surrey KT16 9GN, UK.
2 Unit 2 & 3 Beech Court, Wokingham Road, Hurst, Reading RG10 0RU, UK.
3 Persimmon House, Fulford, York YO19 4FE, UK.
4 6 Drakes Meadow, Penny Lane, Swindon, Wiltshire SN3 3LL, UK.

Place of incorporation:
5 Great Britain.
6 Jersey.

Joint operations

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

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

The Group is party to a joint arrangement with Passion Property Group Limited, the purpose of which was to develop a site in London. The development was completed in 2014 and there are no material balances in the Group financial statements relating to this joint arrangement as at 31st October 2015. The two parties were jointly responsible for the control and management of the site's development, with each party having prescribed funding obligations and returns. As such, this arrangement has been designated as a joint operation.

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

COMPANY STATEMENT OF FINANCIAL POSITION

As at 31st October 2015	Note	2015 £m	2014 £m
Fixed assets			
Investments	4	-	-
Current assets			
Debtors	5	393.6	416.0
NET CURRENT ASSETS		**393.6**	**416.0**
TOTAL ASSETS LESS CURRENT LIABILITIES		**393.6**	**416.0**
NET ASSETS		**393.6**	**416.0**
Capital and reserves			
Called up share capital	6	12.6	12.6
Share premium account	7	71.6	71.6
Profit and loss account	7	309.4	331.8
TOTAL SHAREHOLDERS' FUNDS	**7**	**393.6**	**416.0**

The notes on pages 156 to 158 form part of these financial statements.

There are no recognised gains and losses for the year other than the profit for the year (2014: nil).

These financial statements were approved by the Board of Directors on 26th January 2016.

On behalf of the Board

S Stone
PJ Bergin
Directors

NOTES TO THE COMPANY FINANCIAL STATEMENTS

For the year ended 31st October 2015

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, on a going concern basis and in accordance with the Companies Act 2006.

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 £19.3m (2014: £44.1m).

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.

Adoption of Financial Reporting Standard (FRS) 101 'Reduced disclosure framework'

Following the publication of FRS100 Application of Financial Reporting Requirements by the Financial Reporting Council, the Company is required to change its accounting framework for its parent Company financial statements, which is currently UK GAAP, for its financial year commencing 1st November 2015. The Company intends to adopt Financial Reporting Standard 101 'Reduced disclosure framework' for its parent Company financial statements unless it receives objections in writing from shareholders holding in aggregate 5% or more of the total allotted shares in the Company before the Company's AGM on 17th March 2016.

Investments

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

Taxation

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

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

Dividends

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

Audit fee

Auditors' remuneration for audit of these financial statements of £9,500 (2014: £9,500) was met by Crest Nicholson plc. No disclosure of other non-audit services has been made as this is included within Note 3 of the consolidated financial statements.

2 STAFF NUMBERS AND COSTS

The Company has no employees during either year. Details of Directors' emoluments which were paid by another Group company are set out in the remuneration report on pages 84 to 100.

3 DIVIDENDS

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

4 INVESTMENTS

Fixed asset investments relate to the investment in Castle Bidco Limited of £1. The subsidiary undertakings are shown in Note 26 of the consolidated financial statements.

5 DEBTORS

	2015 £m	2014 £m
Amounts falling due within one year:		
Amounts due from Group undertakings	**393.6**	**416.0**

Amounts due from Group undertakings are unsecured, repayable on demand and carry an interest rate of 5.0% (2014: 12.0%).

6 CALLED UP SHARE CAPITAL

	Shares issued Number	Nominal value Pence	Called up share capital £	Share premium account £
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**
New share capital	229,887	5	11,495	15,944
Ordinary shares as at 31st October 2015	**251,661,200**	**5**	**12,583,060**	**71,660,903**

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

	Shares issued Number	Exercise price Pence	Called up share capital £	Share premium account £
2013 LTIP	47,360	-	2,368	-
2014 LTIP	8,419	-	421	-
2013 SAYE	6,373	247	319	15,423
2014 SAYE	199	267	10	521
2013 deferred bonus plan	160,624	-	8,031	-
2014 deferred bonus plan	6,912	-	346	-
	229,887		**11,495**	**15,944**

During the previous 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.

7 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share capital £m	Share premium account £m	Profit and loss account £m	Total shareholders' funds £m
At 31st October 2013	12.6	71.6	314.3	398.5
Dividends paid	-	-	(26.6)	(26.6)
Profit for the year	-	-	44.1	44.1
At 31st October 2014	**12.6**	**71.6**	**331.8**	**416.0**
Dividends paid	-	-	(41.7)	(41.7)
Profit for the year	-	-	19.3	19.3
At 31st October 2015	**12.6**	**71.6**	**309.4**	**393.6**

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.

HISTORICAL SUMMARY (UNAUDITED)

For the year ended 31st October 2015

	Note		2015 £m	2014 £m	2013 £m	2012 £m	2011 £m
Income statement							
Revenue		£m	804.8	636.3	525.7	408.0	319.1
Gross profit		£m	221.3	182.0	141.2	111.8	91.3
Gross profit		%	27.5	28.6	26.9	27.4	28.6
Operating profit before joint ventures	1	£m	163.3	128.1	97.1	73.3	56.4
Operating profit before joint ventures	1	%	20.3	20.1	18.5	18.0	17.7
Share of post tax profit/(loss) of joint ventures		£m	0.2	-	-	(1.8)	(1.4)
Operating profit after joint ventures	1	£m	163.5	128.1	97.1	71.5	55.0
Net finance expense		£m	9.5	11.4	10.3	9.4	82.0
Profit/(loss) before taxation	1	£m	154.0	116.7	86.8	62.1	(27.0)
Income tax (expense)/income		£m	(29.9)	(17.9)	(15.3)	1.8	67.5
Profit after taxation attributable to equity shareholders	1	£m	124.1	98.8	71.5	63.9	40.5
Basic EPS	1	Pence	49.3	39.3	29.4	N/A	N/A
Statement of financial position							
Shareholders' funds		£m	630.7	536.5	470.3	347.1	287.0
Net borrowings / (cash)		£m	30.6	19.3	(42.5)	30.3	42.8
Capital employed closing		£m	661.3	555.8	427.8	377.4	329.8
Gearing		%	4.9	3.6	(9.0)	8.7	14.9
Return on average capital employed	2	%	26.8	26.0	24.1	20.7	21.1
Return on average equity	3	%	21.3	19.6	17.5	20.2	43.1
Housing							
Units completed		Units	2,725	2,530	2,172	1,882	1,520
Average selling price – open market		£000	311	287	250	230	224
Short-term land		Units	16,064	17,247	16,388	16,959	14,772
Strategic land		Units	17,712	16,219	14,325	12,623	14,259
Land pipeline gross development value		£m	10,466	9,342	7,672	6,799	6,256

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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