

50 2,172 24.1 24.9p £97.1	18.5% 16,388
£525.7 60 2 ND 2013 40 7.0p	66% 15 34 £7,672m
35-40% 20% 15% 25-30%	4,451 78% 26% 37/50
£491m	5,000 ^{m2} 7.5 15%
82% 6	4-Star £2.4m
12,000	102 24 7.69%
15 208	70 409 6.65 78
243,00 24.1% 18.1p	£491m 28.5 31
55% 2,172 250 60% 10	79% 10 5.85%
52 1,600 £144,700 2,800	14,451 20.1 11
40% 64% 128,000	40% 64 7.24%
10 3% £71.9m	16,388 1,100 2
	£525.7 1,580 9
	49% 11 100 18
	£10.3m 3,558 2
	18 9/10 £71.5m
34% 29 £250k	£5.9m 10.28%
9% 300 17,120	£372.2 26% 32
70 83% 2,000 1	£408.0m 16% 208
15.6% 132 12 70 409 15	5 83% 2.65 1,000 95%
£460,652 £53,233	£525.7m 29% £8.3
100 £124,457	82% 102 11%

CREST NICHOLSON STRENGTH IN OUR NUMBERS

CONTENTS

STRATEGIC REPORT

50 Years of business and growth	4
Highlights	5
Chairman's Statement	8
Our Business	10
The Marketplace	12
Understanding housing needs	12
Increasing the supply of new homes	13
Housing demand and market fundamentals	15
Chief Executive's Review	16
Strong financial performance	16
Delivering through partnership	19
Customers at the heart of our business	20
Working in our communities	20
Developing and supporting our people	23
Keeping our people safe	27
Embedding sustainability	28
Driving value through low carbon design and innovation	29
Operating within environmental limits	29
Building a sustainable future	30
Group strategy	32
Sustainable business strategy	42
Key Performance Indicators	46
Principal risks and uncertainties	50
Finance Director's Review	54

GOVERNANCE

Board of Directors	60
Directors' Report	64
Corporate Governance	76
Directors Remuneration report	84
Nomination Committee report	108
Audit Committee report	112

FINANCIAL STATEMENTS

Statement of Directors' responsibilities in respect of the Directors' report and the Financial Statements	120
Independent auditor's report to the members of Crest Nicholson Holdings plc only	122
Consolidated Income Statement	124
Consolidated Statement of Comprehensive Income	125
Consolidated Statement of Changes in Equity	125
Consolidated Statement of Financial Position	126
Consolidated Cash Flow Statement	128
Notes to the consolidated Financial Statements	130
Company Statement of Financial Position	159
Notes to the Company Financial Statements	160
Historic Summary	163
Group Directory	164



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Sustainability Report 2013

Download our latest Sustainability Report from www.crestnicholson.com/sustainability/reports

STRATEGIC REPORT

→ Business reviews by our senior management

→ Group strategy

→ Key financial, social and environmental indicators

→ Principal risks and uncertainties

50 YEARS OF BUSINESS AND GROWTH

At the heart of Crest Nicholson is a driving ambition 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, both now and in the future, by providing better homes, work places, retail and leisure spaces within which they aspire to live, work and play.

The Group boasts a 50 year heritage – just one among many numbers that highlight the strength of our business, as demonstrated by our financial results.

Financial stability and longevity are not our only measures of success. Delivering well-designed homes and communities, and a legacy we can all be proud of, requires a balanced approach that measures and manages socio-economic and environmental impacts in the pursuit of economic growth. Only in this way can we create enduring value for all our stakeholders. In our 2013 Annual Report we strive to convey this balanced approach to business, in which all our employees play a vital role.

HIGHLIGHTS

2,172

UNITS COMPLETED

15.4% Increase



2012: 1,882

£525.7m

SALES REVENUE

28.8% Increase



2012: £408.0m

£97.1m

OPERATING PROFIT*

32.5% Increase



2012: £73.3m

18.5%

OPERATING MARGIN*

50 bps Increase



2012: 18.0%

24.1%

RETURN ON AVERAGE
CAPITAL EMPLOYED*

340 bps Increase



2012: 20.7%

29.4 pence

BASIC EARNINGS
PER SHARE*

3.2% Increase



2012: 28.5 pence

2ND



IN NEXT GENERATION
INDUSTRY BENCHMARK

A LEADING SUSTAINABLE HOUSEBUILDER



Consistent top performer,
ranked 2nd for 6th year running

BEST

MIXED-USE DEVELOPMENT:
PORT MARINE, PORTISHEAD



Sunday Times British
Homes Awards

60

APPRENTICESHIPS

33.4% Increase



2012: 45

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

50 YEARS
OF BUSINESS
AND GROWTH

50

YEARS OF BUILDING HOMES
& CREATING COMMUNITIES



COMPANY FOCUS

In 2013 Crest Nicholson celebrated its 50th birthday. This milestone was also marked by a successful return to the London Stock Exchange in February 2013, marking the start of a new chapter in the Group's history.

CHAIRMAN'S STATEMENT



I am delighted to be introducing the Crest Nicholson 2013 Annual Report at the end of what has been an excellent year for the business and all its stakeholders.

In 2013, the Group celebrated 50 years of trading, almost 40 of which have been on the public markets. In February of last year, after a period in private ownership, Crest Nicholson was once more admitted to trading on the London Stock Exchange following a successful Initial Public Offering (IPO).

Business performance in 2013 has been very strong, with 2,172 homes delivered, a 15% increase on the prior year. The financial performance of the business has been similarly impressive, with strong operating margins delivered from projects across the southern half of the UK. The Board intends to propose a final dividend of 6.5p per share which we expect to use as the base for future dividend payments.

During 2013 we have delivered on our strategic objectives of increasing volumes, driving return on capital employed and maintaining industry-leading margins. It is central to our business mission

to deliver well-designed homes within developments that have been conceived to provide not only a high-quality product for our customers, but which also respect our environment and provide an enduring legacy. As we reflect on 50 years of serving the past and present needs of our customers, the Board

has also to reflect on how the business model will need to evolve in the future. In this report, we propose to set out our thoughts in this regard and will describe a number of steps that we are taking to evaluate our competitive position in the market and to address some of the opportunities and challenges that we believe the future will hold.

In making these assessments, we will consider the environmental, economic and social factors that are shaping our society and how we can drive best value in a sustainable way, working within the limits that these influences may exert on our business. This theme of sustainability is integral to many of our considerations and you will see that we have reflected this in our reporting, no longer presenting a separate sustainability section but rather embedding the themes as appropriate in the sections that follow.



"In February of last year, after a period in private ownership, Crest Nicholson was once more admitted to trading on the London Stock Exchange following a successful Initial Public Offering"

Noble Park, Epsom

An enduring business is built on the efforts of a committed workforce and Crest Nicholson is continuing to focus on developing its people. Our apprenticeship and graduate schemes have been strengthened and extended and we are increasing our investment in training, to retain and develop potential directors of the future. I thank all Crest Nicholson's employees for their dedication and support.

As part of the Group's development, I am pleased to report an addition to the Board with the appointment of Jim Pettigrew as a Senior Independent Non-Executive Director and chair of the Nomination and Remuneration committees.

I am grateful to the Board for its support over the past year and am confident that we have a team that will continue to be effective in promoting the success of Crest Nicholson for many years to come.



THE BOARD'S KEY FOCUS



In 2013, the Board focused on:

- Delivery of Group IPO and refinancing
- Refining the approach of the business to risk management
- Developing the next phases of the Group's 10-year sustainable business strategy
- Researching key market drivers over the medium-term
- Continuous improvement in health and safety practice and process



Focus areas for 2014 include:

- Consideration of opportunities to expand the business
- Management training, development and succession planning
- Examination of our business options in relation to the private rental sector
- Implementation of the Group's 10-year sustainable business strategy
- Improving customer satisfaction

→ More on corporate governance: page 76.

We have made a strong start to the 2014 financial year, following what was an excellent 2013 for Crest Nicholson. Our forward sales for current and future years at mid-January were 51% ahead of the prior year, with 51% of this year's forecast secured (2012: 45%).

Average selling prices will show further increases this year, driven significantly by product mix, although sales price gains are

also being achieved and are helping to sustain margins in a competitive build cost environment.

The land market continues to yield opportunities and the long land bank that the business enjoys positions us well to select sites for purchase that meet our hurdle rates.

As consumer sentiment and credit availability have improved, constraints on growth are increasingly determined by the supply chain, the shelf-life of mortgage offers and the planning process. Nonetheless, the trading environment is healthy and we look forward to continuing to deliver in 2014.

William Rucker
Chairman



"We are increasing our investment in training, to retain and develop potential directors of the future"

OUR BUSINESS

Crest Nicholson is a leading residential developer, one of the top 10 listed house-builders, building homes across the southern half of the UK.

Over the last 50 years, Crest Nicholson has built its reputation through the delivery of design-led, well-conceived master plans providing both high quality new homes for our customers and creating sustainable community legacies.

Adding Value

The business model recognises that a large amount of value is added to land during the planning process. Crest Nicholson has enjoyed a strong reputation in securing planning consents and as a consequence, sources a significant portion of our short-term land bank (35-40%) by gaining planning consents on unconsented, strategic land holdings.

The Group has a strong partnership ethos and has worked very successfully with the public sector and other private partners on a number of projects to increase housing delivery. Recognising that larger sites can be exposed to the macro-economic cycle, the Group has developed commercial models which help to share risk with the land vendor, in exchange for sharing some of the upside potential from a development. As a result the business secures meaningful proportions of our land bank from the public sector (c.20%), and from private vendors in 'one-to-one' negotiations (c.15%).

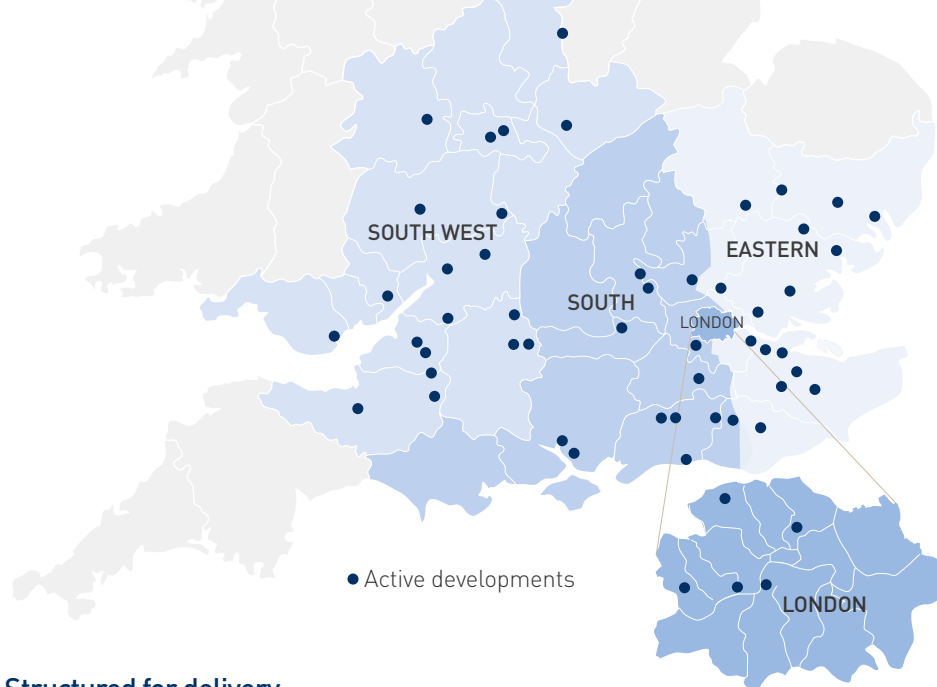
As a consequence of this land acquisition strategy, the Group is typically acquiring only 25-30% of its land through multi-party, open-market competitive tenders.

The blend of land sources and the different commercial approaches adopted mean that the business enjoys the benefit of control over a 7.5 year short-term land bank, but is also able to deliver strong returns.

Strategically positioned

The Group's core operational focus is concentrated in the southern half of the UK, where we believe that economic prospects are generally better and where pricing has exhibited greater resilience in more difficult times.

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



Structured for delivery

The business is managed by a skilled and experienced team of professionals, with a hands-on central Executive Management Team and a regional delivery model. This approach provides us with experienced, central controls over critical business decisions but also local knowledge and expertise to ensure that we remain aligned to the needs of the local communities within which we operate and that our developments remain sensitive to their individual surroundings.



Four regional house building divisions

Eastern, South, South West, London.

Major Projects Division (Crest Nicholson Regeneration)

Specialising in larger-scale partnership developments with public and private vendors, including residential and mixed-use schemes.

Strategic Land Division

Focusing on sourcing large sites for medium- to long-term development by the Group's other divisions.

The Crest Nicholson Group operates through its Board with day-to-day executive management operations delegated to the Executive Management Team of Crest Nicholson.

All divisions operate through their own local management boards, each of which is accountable to the Executive Management Team, to whom (together with the Board) authority for land acquisitions is ultimately reserved.

For full details of our corporate governance standards and processes, see page 76.

Further Information

www.crestnicholson.com

THE MARKETPLACE

- Whilst there are initial signs of recovery from historic low levels, housing supply remains at only 50% of household formation.
- Government support for the housing market and the generally improving economic outlook has added impetus to the strong demand for new homes.
- The Group is well positioned, through its southern bias and consented land bank and has continued to focus on increasing supply at higher than average rates of sale.

UNDERSTANDING HOUSING NEEDS

The 2011 census revealed an abrupt break with longer-term trends in household formation in England with almost 1 million fewer one person households in 2011 than had previously been projected. To understand the picture more fully, we funded a Town and Country Planning Association (TCPA) study into new estimates of housing demand and need in England.

Despite changing demographics and evolving trends in household composition, the study shows yearly household formation increasing by 243,000 on average, from 2011 to 2031. It also projects that 25% of all new housing will be required in London and 60% across the four southern regions that form the Group's principal operating areas. Also revealed is the changing nature of households, including a fall in one person households and a marked rise in two person households.



FUTURE FOCUS

We will continue to research and understand customer needs, ensuring that our product range and market positioning address the changing composition of households and other emerging trends.

Bristol Harbourside, Bristol

INCREASING THE SUPPLY OF NEW HOMES

After two decades of under supply and just over 128,000 new build housing completions in 2011-12, the country faces a serious housing shortage.

Over the last 25 years, the sector has seen significant changes influencing delivery. Today, there are only nine major house builders, Crest Nicholson included, compared to 13 in 1988. This group collectively delivers around 55% of all new homes. Even more dramatically, the number of regional and small house builders has fallen over the same period from 12,000 to 2,800.

The uncertainty, cost and complexity of the planning system undoubtedly led to a consolidation in the industry as the larger developers attempted to secure sustainable land banks. Smaller

developers, faced with similar planning pressures and increasing regulation, simply left the industry. Whilst the National Planning Policy Framework (NPPF) is starting the overdue process of

simplification, there is evidence that planning still acts as a material barrier to entry, placing increased supply in serious doubt.

Against this backdrop, Crest Nicholson grew housing completions by 15% in the year to October 2013 and continues to seek to increase the supply of homes to the market. Larger sites are being developed at a faster rate and new phases being brought forward to start as soon as planning conditions have been cleared. Multi-outletting of larger schemes will also deliver increased supply.

Over recent years Crest Nicholson has demonstrated a strong capability in obtaining planning consents. However, there are a number of significant concerns. The reliance by central government on local plans to increase housing delivery is unlikely to provide for the significant

levels of housing growth that are required. In 2013 only 52 Local Plans had been adopted and few are considered to be up to date. Extensive pre-commencement planning conditions continue to unnecessarily delay the start-up of sites. Despite the simplification inherent in the

Taylor Review of Planning, other associated factors such as the challenges inherent in properly addressing the European Habitat Directives, and which are not easily simplified, will continue to add to planning cost and complexity.

15%

INCREASE IN CREST NICHOLSON NEW BUILD COMPLETIONS



FUTURE FOCUS

Crest Nicholson continues to work at many levels with government, local authorities and industry groups to explore ways to make the planning system more effective, thereby removing one of the major barriers to growth.

A man and a woman, Tim and Nadine, are standing in front of a dark blue door set into a brick wall. The man is on the left, wearing a dark jacket and jeans, looking towards the camera. The woman is on the right, wearing a blue puffer jacket with a fur-lined hood and jeans, also looking towards the camera. A small potted plant is visible to the right of the door. The background is a brick wall with a light fixture on the left.

571

BUYERS HELPED WITH
GOVERNMENT BACKED
INCENTIVE SCHEMES



PEOPLE FOCUS

Tim and Nadine, used Help to Buy to help them purchase their new home at The Oaks, East Grinstead, so they could be closer to work.

HOUSING DEMAND AND MARKET FUNDAMENTALS

The aspiration for home ownership in the UK remains high, with the latest Council of Mortgage Lenders research showing that 79% of adults would like to be home owners in 10 years' time, compared to 64% who currently are. Notwithstanding this, the UK has seen a 3% increase in the private rented sector over the last 3 years.

Effective demand for new housing is driven by employment, consumer confidence and access to mortgage finance. Levels of unemployment have been reducing and the 7.4% unemployment

rate for the three months to October 2013 was the lowest for over four years. Improving employment prospects and rising consumer confidence has created a strong surge of interest in new homes, in contrast to the five previous years.

Following the financial crisis of 2008 which led to restricted mortgage access and a lack of high loan-to-value products, property developers and government, working



CENTENARY QUAY, SOUTHAMPTON

At Centenary Quay, Southampton, where the Group is developing 1,600 homes in partnership with the Homes and Communities Agency (HCA), Help to Buy accounted for just over 40% of all reservations in the six month period to the end of October 2013. The average sales price was £144,700. All purchasers were first time buyers who didn't have access to a large deposit but who demonstrated that they could afford the associated mortgage repayments. The purchasers represented a broad cross section of Southampton employees including a pharmacist, teacher, train driver, cruise worker and computer programmer.

individually and together, produced a range of shared equity and mortgage indemnity guarantee schemes to assist purchasers who could only raise a small deposit but who could service mortgage repayments.

Over the year, the Government's Help to Buy scheme has proved very successful in supporting such purchasers. Set to last until the spring of 2016, this enables buyers to access mortgage products with lower monthly payments and at competitive rates of interest.

Given the continuing imbalance between demand and supply, and steady increases in the House price-to-earnings ratio, rental continues to be an important form of tenure. The government is now working with the industry to potentially kickstart an institutionally-backed private Build to Rent market.

The Group operates on well-located sites in the southern half of the UK, where economic prospects have been generally stronger and levels of employment higher, and as a consequence tends to enjoy rates of sale above the sector average. The scale of many of these sites makes them potentially appropriate for delivering homes for private rent and the Group is working with potential partners to explore the associated opportunities.



FUTURE FOCUS

We will work closely with local authorities to identify and respond urgently to the anticipated housing needs generated by a significant increase in diverse new communities. A failure to meet housing demand will continue to undermine affordability and the future prosperity of our communities.

CHIEF EXECUTIVE'S REVIEW



- Strong growth in revenues and earnings, driven by increased outlet breadth and a favourable trading environment.
- Partnership approach continuing to yield results.
- We continue to provide opportunities for first time buyers to enter the property market with a number of schemes which help to ease affordability.
- We have remained focused on developing the next generation of industry talent and increased our apprenticeship intake by 33%.

Crest Nicholson's return to the stock market as a FTSE 250 listed company was a highlight of a very good 2013.

STRONG FINANCIAL PERFORMANCE

As set out in the discussion on The Marketplace on page 12, the Group is well positioned to take advantage of opportunities presented by strong demand for new housing. Delivering 2,172 units this year (2012: 1,882), Crest Nicholson is one of just nine major house builders.

The Group has performed very well in an improving market. Sales rates across the year have averaged 0.90 sales per outlet week (2012: 0.67), a 34% improvement on the prior year. This improvement was particularly marked in the second half of the year, following the introduction of the Government's Help to Buy scheme, and has driven some of the increase in volumes for 2013.



2,172

NEW HOMES DELIVERED

Noble Park, Epsom

Bath Riverside, Bath

18.5%

**OPERATING
MARGIN**

The stimulus from government schemes has served to reduce mortgage pricing and increase loan availability, creating the consumer confidence which has then supported the delivery of more new homes to meet pent-up housing demand.

Good reservation rates in the second half of the year have underpinned a strong opening forward sales position for 2014.

Revenues were 29% higher than last year, primarily reflecting the strong housing market. As expected, open-market Average Selling Prices (ASP's) were up 9% at £250k (2012: £230k), reflecting the mix of product being sold as well as increases in sales prices.

Resilient gross margins at 26.9% (2012: 27.4%) and a reducing overhead cost as a percentage of sale have resulted in operating profit margins (pre-exceptional costs) increasing to 18.5% (2012: 18.0%). These results, combined with effective cash management, generated a strong return on average capital employed at 24.1% (2012: 20.7%).

**FUTURE FOCUS**

We will continue to utilise our core strengths in master-planning and design to drive strong shareholder returns, through the development of well-designed sustainable homes and communities in primary locations across the southern half of the UK.

DELIVERING THROUGH PARTNERSHIP

Effective partnering with the public and private sector has been key to increasing our delivery of desirable homes and communities. Over this period, we have continued to respond positively to major changes in the operating environment including the localism agenda, revisions to planning policy and a rapidly evolving market, and have been able to find ways forward with our partners to bring projects to life that had been stalled by the economic downturn.



PARTNER OF CHOICE

Our distinctive approach to master-planning and sustainable development has made us a lead partner for the public sector in several major brownfield projects:

Arborfield Garrison

This year we were announced as Development Manager by the Defence Infrastructure Organisation (formerly Defence Estates) for the transformation of this site into a thriving new community. This is one of the most significant residential led development opportunities in the South East of England. With an estimated Gross Development Value (GDV) of £600m, the project will deliver 2,000 much needed homes and supporting infrastructure.

Centenary Quay

In partnership with the HCA and Southampton City Council, Centenary Quay became the first site to secure funding under the government's Build to Rent scheme to deliver homes for the private rented sector. We are also partnering with University College London on a two-year post-construction and post-occupancy study (supported by the UK government backed Technology Strategy Board) to understand the efficiency of the district heating system and gather customer feedback on comfort, control and design.

While commercial and mixed-use development has not enjoyed the same levels of market activity as housing, Crest Nicholson's credentials and our commercial project management skills equip us to maintain and extend our presence in this segment.

For example, Longcross is a 300 acre site near Chobham sensitively set in an ecologically rich landscape. Acquired in conjunction with Aviva, it is intended to be one of our future backbone sites. If consented, the site will provide 1,500 well designed homes and a new business park,

and offers the Group the opportunity to drive significant business value.

Industry-wide, housing starts in England have been on the rise and at the end of the third quarter 2013 had reached 117,120, 15.6% above the same

period in 2012. This has resulted in a number of material supply challenges including extended delivery times in blocks and bricks and some cost pressures as the volume of work increases. Material supply challenges should correct as the supply chain gains confidence and gears up production. In addition, we foster a partnership approach and engagement with consultants and suppliers at early project stages, helping us to identify and address supply issues in a mutually beneficial way.



FUTURE FOCUS

Partnership will remain core to delivery now and in the future. With the TCPA we are developing the concept of the 'Garden Village': our vision of exemplary urban design that helps address housing need challenges in a sustainable manner.

CUSTOMERS AT THE HEART OF OUR BUSINESS

This year, we helped 571 buyers to acquire their new home with the help of government-backed incentive schemes.

Our goal is to grow our understanding of our customers' evolving needs and ensure that during the home-buying process and beyond, they are fully supported. Having held a five-star rating for three years, we were disappointed to be awarded four stars in the Home Builders Federation (HBF)/National House Builders Council (NHBC) Customer Satisfaction Survey.



FUTURE FOCUS

Continue to pursue operational excellence and develop our culture of customer care – including increasing training for front line employees, new internal customer service awards and reward linked more explicitly to customer experience.

We took immediate measures to address this at the start of the year, including addressing some weaker areas of production performance in one of our divisions and intensifying our efforts on quality of finish. As a result we have already observed improving performance in customer feedback.

WORKING IN OUR COMMUNITIES

We aim to be a positive presence in the local communities where we operate. This begins with planning and design, where we work to build consensus through genuine, open engagement and consultation. During construction, we aim for very high standards of environmental protection and cleanliness, with minimal disruption to local residents. This is reflected in our Considerate Contractors Scheme (CCS) score of 37/50, recognised by CCS as 'Very Good' and above the industry average.

Wherever we operate we want to add value to communities and develop ongoing relationships. We regularly engage with local schools and groups – welcoming visits to our sites or going into classrooms to share information and safety advice. We also support community projects with fundraising and sponsorship and are proud to have become sponsors of London Irish Rugby Club and we continue to work closely with the club on the redevelopment of their training ground in Sunbury on Thames.

We remain committed to raising funds for Variety, the Children's Charity, and have raised a total of £460,652 to date including £53,233 in 2013.



HABITAT FOR HUMANITY

To mark our 50th anniversary year, we partnered with international charity Habitat for Humanity, setting ourselves a target to raise sufficient funding to build 50 new homes for people in need throughout the world. We beat the target, raising a total of £124,457 – enabling almost 100 new homes to be provided. In celebration of this work the Group sponsored 12 employees from across the business, including three apprentices and two graduates, to travel to Malawi to work on one of the building projects.

A photograph showing three volunteers from Habitat for Humanity Malawi working on a brick wall. In the foreground, a woman with blonde hair, wearing a white hard hat and a white t-shirt with the Habitat for Humanity logo, is using a trowel to apply mortar to a brick. In the background, two other volunteers, also wearing white hard hats and t-shirts, are working on the wall. One is standing and the other is crouching. The wall is made of red bricks and is surrounded by wooden poles. A yellow level is visible on the right side of the wall. The background shows some trees and a clear sky.

12

EMPLOYEES HELP BUILD MUCH
NEEDED HOMES IN MALAWI



Nadine, Apprentice Painter/Decorator

DEVELOPING AND SUPPORTING OUR PEOPLE

We are proud of the talent, commitment and energy of our employees, and in turn we ensure transparency, openness and investment in skills, with a commitment to engaging our people in the vision and direction of the Group.

Our apprentice and graduate programmes are very well established, offering routes into the industry for individuals with vocational as well as more academic qualifications. These programmes are important for Crest Nicholson's future as well as helping to replenish skills that the sector has, in part, lost over the past few years. We took on many more young recruits this year; graduates and apprentices now represent almost 11% of our workforce.



FUTURE FOCUS

A key priority of the Group is to increase training and development to strengthen the skill base across our whole workforce.

We aim to be an employer of choice in order to attract, retain and develop the right people, which is essential to maintaining the high quality delivery of sustainable homes and developments which ultimately contributes to our financial success.

We have always invested in our people, even through difficult times, and the time is right to take this to the next level in order to identify and develop the next generation of leaders from amongst our existing employees.

Our workforce profile

	Male	% Male	Female	% Female
Board directors	5	83	1	17
Senior managers	70	82	15	18
Workforce	409	66	208	34



HUMAN RIGHTS

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

A man wearing a white hard hat and safety glasses is working on a large blue gear in a factory setting. He is wearing a dark blue long-sleeved shirt and yellow work gloves. The background is slightly blurred, showing industrial equipment.

60

APPRENTICES ARE
WORKING WITH US



PEOPLE FOCUS

Connor, Apprentice is undertaking his NVQ Level 3 in carpentry as part of his placement at our Park Central development in Birmingham. Connor is part of our apprenticeship programme which aims to combine practical on the job training with a formal qualification.



Port Marine, Portishead

KEEPING OUR PEOPLE SAFE

Health and safety is of paramount importance to us and as Director with overall responsibility, I can report that we held our Annual Injury Incidence Rate steady, and again outperformed our peer group and the construction sector as a whole in this headline indicator. There were no prosecutions, fines or improvement notices issued in the year. One enforcement action relating to a work at height contravention was speedily resolved using our response procedures.

48%

REDUCTION IN ANNUAL INJURY INCIDENCE RATE SINCE 2008

The Board has further strengthened its proactive approach to risk management by appointing a further specialist to the Group health and safety function and by integrating site environmental risk management into this multi-disciplinary team. We have also reviewed our escalation procedures to ensure appropriate Director-level response and oversight of serious incidents.



FUTURE FOCUS

We will continue to challenge ourselves in all aspects of health and safety and are seeking to improve performance across all our sites.



AIMC4 Homes, Noble Park, Epsom

EMBEDDING SUSTAINABILITY

Sustainability is core to the Group's strategy and we endeavour to balance the three dimensions – social, environmental and financial – in our decision making process at strategic, operational and project level.

Engaging with local people is integral to this process. We engage genuinely and openly in order to understand local people's priorities and how new development can support these – for example through the provision of community buildings and green infrastructure at our Bolnore Village

development in Haywards Heath. Embedding sustainability also means operating within environmental limits, and we have continued to focus efforts on efficient use of resources and reducing our climate-related impacts.

49%

OF OUR NEW HOMES
BUILT TO CODE LEVELS 3 AND 4

One of the most significant sustainability impacts we can make as a business is through our product. This year we increased the number of homes built to higher levels of the Code for Sustainable Homes with 49% built to Code levels 3 and 4. The number of homes we built to Code level 4 increased from 15% in 2012 to 26%, demonstrating our progression to increasingly higher sustainability standards.

In the Next Generation sustainability benchmark, we were pleased to maintain our consistent performance, holding 2nd position for the 6th consecutive year and increasing our score to 87%.

DRIVING VALUE THROUGH LOW CARBON DESIGN AND INNOVATION

Strong demand for our homes, evident in our excellent sales performance, is a result of high quality master-planning and design, seen in developments such as Oakgrove Village in Milton Keynes where we are delivering a completely new housing led mixed-use development of 1,100 new homes and 5,000m² of commercial and community buildings, in partnership with the HCA.



FUTURE FOCUS

While awaiting publication of the Government's revised policy for zero carbon homes, we will take forward the learning from our systematic low-carbon research, which includes the AIMC4 project and post-occupancy studies.

Another landmark this year was seeing homeowners move into our five AIMC4 homes, which we have delivered through our participation in the AIMC4 consortium – a unique research project supported by the UK Government's Technology Strategy Board.

Following the stretching technical and construction achievements to realise Code 4 energy performance,

through fabric-first solutions, the AIMC4 homes now face the real test of occupier monitoring and feedback over 12 months. The knowledge gained will underpin our ambition to ensure that our customers gain the full benefits of living in sustainable, low carbon homes that support a flexible modern lifestyle.

OPERATING WITHIN ENVIRONMENTAL LIMITS

In 2007 we set a target to reduce our operational carbon footprint (emissions associated with offices, business travel and commuting) by 25% by 2020. Against the 2007 baseline we have achieved a 16% reduction.

This year we have greatly increased the scope and robustness of our data, which for the first time includes all emissions associated with site activity. In summary, our Scope 1 and Scope 2 emissions represent 2.65 tonnes of carbon equivalent per 1,000 square feet of delivery (see Directors' Report page 64 for our externally verified emissions data).

Next year we will review our targets and reset the baseline year taking into account the full scope of our activities. Our carbon reduction strategy will continue to focus on energy efficiency, travel, and customer and employee engagement.

Resource efficiency remains a key priority. Through the Crest Nicholson Waste Panel which we convened with external experts, suppliers and colleagues, which is independently chaired

by the National Industrial Symbiosis Programme (NISP), we have continued to work with our supply chain and are making good progress to reduce packaging and other waste on our sites. We can now

more accurately measure site level performance, and have developed incentivised contracts and revised processes to cut waste, deliver cost efficiencies and benefit the environment.

16%

REDUCTION IN CARBON EMISSIONS SINCE 2007¹



Construction underway at Kilnwood Vale, Faygate

BUILDING A SUSTAINABLE FUTURE

Our business is strongly positioned, with a long land bank and an ability to drive significant volume from a broad range of sales outlets across the south of England. Rates of sale have improved since the end of 2012 and we expect the currently strong trading environment to persist throughout 2014.

We will continue to innovate and exploit opportunities to drive shareholder value and increase delivery in line with government policy. This will include significant efforts, already underway in 2013,

to secure growth through the private rental sector under the Government's Build to Rent scheme.

We are also actively looking at opening up another division within our current areas of operation, to help deliver growth in unit volumes in the medium-term.

95% OF CONSTRUCTION WASTE
DIVERTED FROM LANDFILL

As the business grows and opens new sales outlets, these will continue to include a proportion of larger 'backbone' sites, providing a long-term supply of future, emerging and mature developments where our design, sustainability and master-planning credentials come to the fore and provide a competitive advantage.



Underpinning this, our increased focus on developing the skill base across the entire workforce will ensure Crest Nicholson continues to nurture the aptitudes required to differentiate itself in the market. Notwithstanding the achievements and progress outlined in this review, as a successful business we cannot afford to stand still.



“We will continue to innovate and exploit opportunities to drive shareholder value and increase delivery in line with government policy.”

Our experienced management team has spent some time reflecting on the strengths that the business enjoys today and how we may need to adapt to sustain a robust position in the future. The Group’s strategy and our approach to its evolution are discussed in more detail on page 32.

Our success has been built on core principles of design and innovation, customer focus and sustainability. Many aspects of our current competitive positioning will continue to be a source of value for our stakeholders. In addition, our ability to identify and respond to emerging trends and needs lays the groundwork for a sustainable future.

Today, though, we can look back with pride on an extremely good year in the Group’s history, with the business very well placed and confident of its direction. Our employees have once again been instrumental in this success and I thank them wholeheartedly for their hard work and professional contribution.

Stephen Stone
Chief Executive

GROUP STRATEGY

Evolving our long-term vision for a sustainable business whilst maintaining focus on our current objectives:

- Managed growth of the business
- Selectively growing the land bank and increasing our outlets
- Improving the Group's capital structure
- Being a partner of choice
- Meeting and anticipating market trends
- Pursuing operational excellence
- Industry leadership in housing policy development.

Alongside the strategic objectives above which were set out at our IPO, we are evolving a 10-year sustainable business strategy that stretches our thinking beyond the near to medium-term. This will equip us with the right plans to enable us to thrive and prosper in today's challenging environment and accelerated pace of change. For further details, please see page 42.

OUR GROUP AMBITION

Is to create well-designed, high-quality, sustainable homes and inspiring places in which communities can grow and thrive.

HOW DO WE ACHIEVE THIS?

By understanding what our customers want and considering society's emerging needs, the business delivers value today and invests in the future for all our stakeholders.

OUR KEY STRENGTHS



Sustainable developments with an enduring positive legacy



High-quality planning, design and construction



True partnering at all stages of the development process



Responsible, transparent operations to safeguard people and the environment



Rowan Park, Mitcham

MANAGED GROWTH OF THE BUSINESS

→ 15% growth achieved through significantly increased housing output from Major Projects and London divisions.

→ Near-term sales volumes will be driven by a rising number of outlets, higher than average sales rates and multi-outletting on larger sites.

→ Medium-term growth will be driven by increased outlet numbers and incremental opportunities which may include the private rental sector.

The Group's operating model has a high degree of involvement from executive management in all its key aspects. Accordingly, the Group is targeting managed growth – a natural scale of activity generating consistent cash returns from a business model that is sustainable.

In the near term, sales volumes will be driven by an increasing number of outlets and sales rates which reflect the

beneficial impact of government initiatives, particularly the Help to Buy scheme. On larger projects, the business is increasingly seeking to deploy multiple outlets, by establishing two or more distinctive production phases with independent sales operations.

In the medium-term, assuming that current government initiatives cease as planned, it is probable that sales rates will gravitate towards long-term average levels. Volume growth in such circumstances would need to come from an increase in outlet numbers and from incremental business such as the private rental sector (PRS).

The Group is committed to exploring opportunities in relation to the provision of plots from the portfolio into PRS. Institutional involvement in this area is a policy goal for government and we are very well placed to participate, with a number of major projects which could contribute units to a PRS model at an efficient scale.

SELECTIVELY GROWING THE LAND BANK TO DRIVE VOLUME AND MAINTAIN OUTLET BREADTH

- Maximise opportunity for differentiation and returns through strong land bank of larger, backbone sites presenting multiple channels to market.
- Supplement the differentiated, larger project offer with smaller outlets for sales breadth.
- Maintain longer-term and partnership approaches to land securement that help balance risk and reward.

The business continues to invest in both its short-term and strategic land banks, to ensure a growing number of sales outlets to drive volumes and also a future pipeline of higher-margin strategic land is pulled into the portfolio.

During the year, 19 additional sites were contracted, with 1,895 plots. Although the number of plots is slightly lower than this year's completions, the GDV of additions at £607m is significantly higher than the £491m of housing

revenues recognised this year, reflecting an ASP on acquisitions of £320,000.

The strategic portfolio increased in unit terms by 1,702, with 10 additional options added and one consented site outside of our core area of operation disposed of in the year.

The change in our land banks during the year is described in greater detail on page 56.

Full year average outlet numbers held up well during the year in spite of faster rates of sale and the acquisitions made in the year are helping to sustain these numbers.

The partnership approach to land acquisition yielded results during the year – for further details, see Partner of Choice, page 19.

IMPROVING THE GROUP'S CAPITAL STRUCTURE

The strategic objective of improving the Group's capital structure was achieved initially through our December 2012 re-financing and then subsequently through our IPO in February 2013.

The cyclical nature of the house-building industry requires a sound equity base to underpin land investment, with debt finance primarily applied to fund working capital.

Strong levels of earnings driven from a high-margin land bank are expected to further enhance shareholder equity and maintain moderate debt to equity ratios whilst supporting business growth.

Bath Riverside, Bath

BEING A PARTNER OF CHOICE

- Continue to be a development partner of choice to both the public and private sectors.
- Partner transparently with local authorities, policymakers, local communities and other stakeholders in consensual solutions to meet local needs.
- Maintain focus on design-led master-planning, and develop frameworks with agencies such as the TCPA and the Academy of Urbanism for 'Garden Village' developments and sustainable urban extensions.

The Group continues to partner with many local authorities, the HCA and private sector in high-quality development on an open book and transparent basis. This includes our strong partnership with Bath and North East Somerset Council with whom we are promoting and delivering the £500m Bath Riverside scheme.

During the year the Group was selected as development manager for the redevelopment

of the 2,000 dwelling Arborfield Garrison by The Defence Infrastructure Organisation (see page 19 for further details).

As part of our long-term relationship with Aviva, we began development work on Kennet House, an office-to-residential conversion in Reading, and started master-planning the £600m southern site at Longcross in Surrey with a view to making a 1,300 dwelling application.

The Group remains an approved partner on the HCA's Delivery Partner Panel in all our principal operating areas.

Central to our ongoing success and prosperity will be continuing to develop masterplans in conjunction with local stakeholders. We continue to work closely with the TCPA with a view to deliver great place-making and legacy management under the umbrella of 'Garden Villages'. Schemes at Tadpole Farm, Swindon and Monksmoor Farm, Daventry are being brought forward as case study schemes, to help us learn how to capture the best of town and country in our developments.

Through consultation and engagement with existing communities and policy makers, the business has the opportunity not only to create inspiring places to live in, but developments welcomed for the contribution they make to the wider community and infrastructure.



1,600

HOMES DELIVERED
IN PARTNERSHIP



DEVELOPMENT FOCUS – CENTENARY QUAY

Together with our partners the Homes and Communities Agency, Southampton City Council, Spectrum and Radian we are bringing the waterfront back to life at the former Vosper Thornycroft shipyard in Woolston, Southampton.

MEETING AND ANTICIPATING MARKET TRENDS

→ Continue to research and evaluate long-term market trends.

→ Product development reflecting changing tenures and demographics.

The Group will continue to exploit areas of current competitive advantage and take a systematic approach to understanding changing customer aspirations and the wider socio-economic context, as outlined in our evolving

10-year vision on page 42. One significant market trend is the changing nature of property tenures, with funding for affordable housing subject to variation. Other emerging factors include the likely traction for an institutional private rental sector model, and the potential for greater provision of services as part of the new-homes offering.

Gathering feedback from stakeholders in the development process, particularly customers but also suppliers and other partners, will help to ensure that Crest Nicholson continues to be a learning organisation. Feedback loops will drive innovation, and support a culture of continual improvement that is essential to a sustainable business.

PURSUING OPERATIONAL EXCELLENCE

→ Understand and manage the risks associated with natural resource constraints.

→ In our operations, focus areas to include waste reduction, resource efficiency, energy efficiency and carbon reduction.

→ In design and master-planning, focus areas to include ecological sensitivity, home energy performance, climate change mitigation and adaptation.

→ Invest in workforce skills and promote supply chain capacity.

Our business relies upon finite natural resources, notably land, fuel, water and timber. We must understand and manage the risks, both within our supply chain and in the areas in which we develop.

Operational efficiency is a key part of our response, and efforts to reduce materials usage and waste remain high on the agenda. The business will set itself targets to ensure that resources are used more efficiently and harmful emissions are controlled. We also have a significant opportunity to bring benefit through environmental

stewardship and enhancement. In our selection of locations and in master-planning, we will retain a strong focus on ecological sensitivity and the development of strategies to mitigate potentially adverse impacts.

Skills and capacity in both our workforce and the supply chain will continue to be a high priority, with access to reliable and economic supplies of key resources from suppliers a pre-requisite for profitable growth.



Ixia, Hackney



PEOPLE FOCUS

Chancellor George Osborne joins Chief Executive Stephen Stone at Denby Bank, on the outskirts of Ripley, to promote the government's latest housing measures. Working with government to shape housing policy is vital if we are to increase the industry's ability to deliver much-needed new homes and in turn create the jobs and skills that are vital for the future of the economy.

INDUSTRY LEADERSHIP IN HOUSING POLICY DEVELOPMENT

- Advise government and DCLG on the outworking of government policies and seek to shape future policies with a view to increasing both the supply and affordability of housing.
- Work with influential charities and professional bodies such as the TCPA and the Academy of Urbanism to help influence housing policy to support good design and sustainable development.
- Support the HCA, the UK Green Building Council and the Zero Carbon Hub in their work to promote and lead the industry towards low carbon, sustainable solutions.
- Participate fully in the policy forming and operations of the HBF.

The diagram shows the breadth and depth of Crest Nicholson's participation in the many representative bodies and governmental forums which shape the house building industry.

This level of representation enables the Group to contribute senior level experience and skills to both policy formulation and the technical outworking of the various policy initiatives.



SUSTAINABLE BUSINESS STRATEGY

In a rapidly changing operating environment, our focus is on developing a sustainable business strategy for the next 10 years, so that we continue to deliver market leading developments, demonstrate sustainable leadership and ultimately create value for customers, shareholders and wider society over the longer-term.

Key drivers

With support from Forum for the Future, we have identified the most significant factors likely to have a long-term influence on our business. These have been tested and refined through engagement with key external and internal stakeholders:

- Increasing customer expectations for high-quality design, product and service
- Localism
- Increasing societal demand for transparency, including open, responsible and ethical business practices
- Business access to capital – attracting investors and shareholders
- Access to capital for potential customers
- New investment and delivery models
- Regulated requirement for affordable housing i.e. supply, funding and tenure mix of affordable homes
- Supply chain skills and capacity
- Lifestyle, connectivity and mobility
- Demographic trends
- Impacts of climate change
- Availability of natural resources and the cost of materials in the UK
- Regulatory demand for energy efficient and low carbon homes.



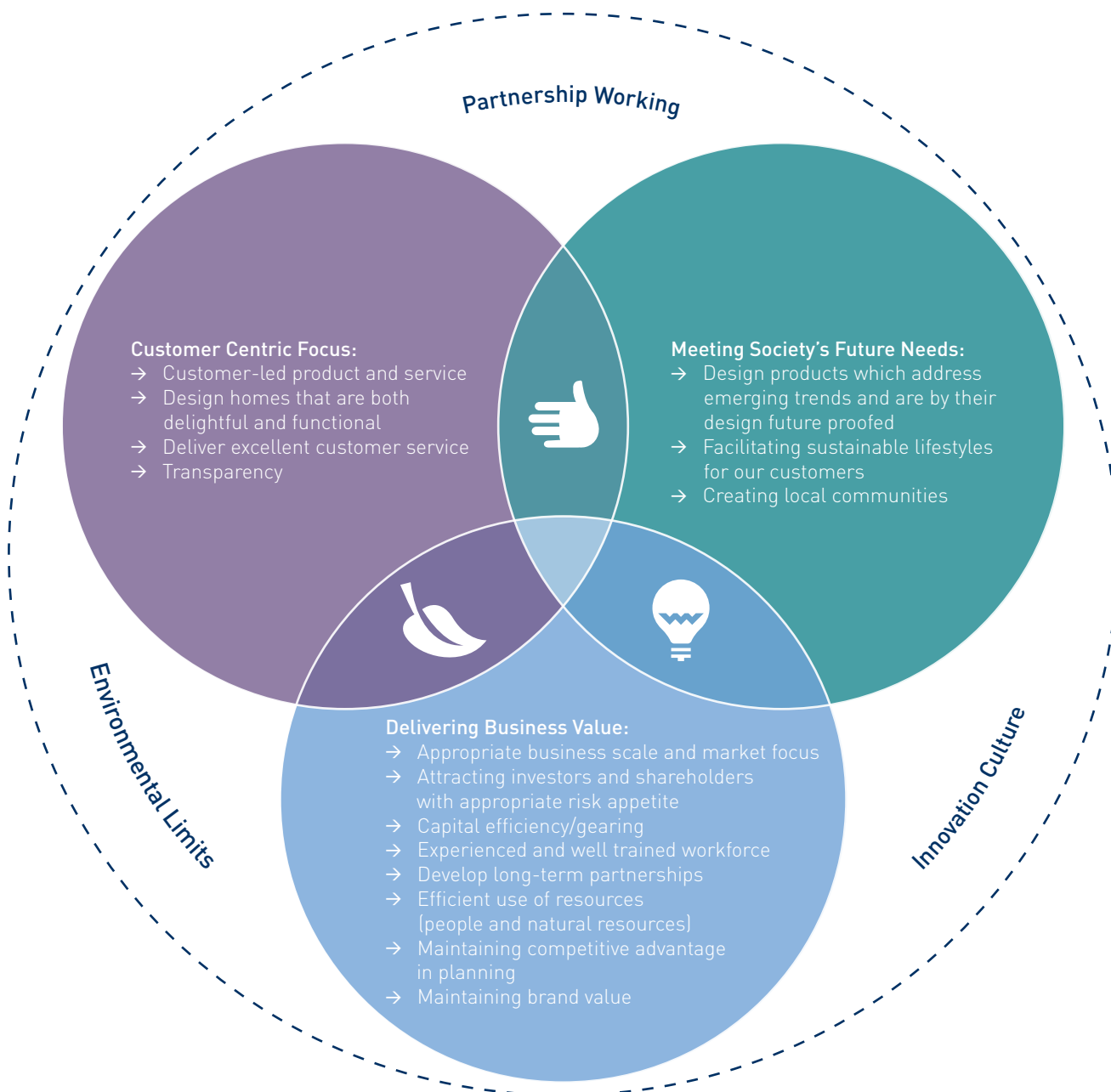
Kaleidoscope, Cambridge

Evolving our framework

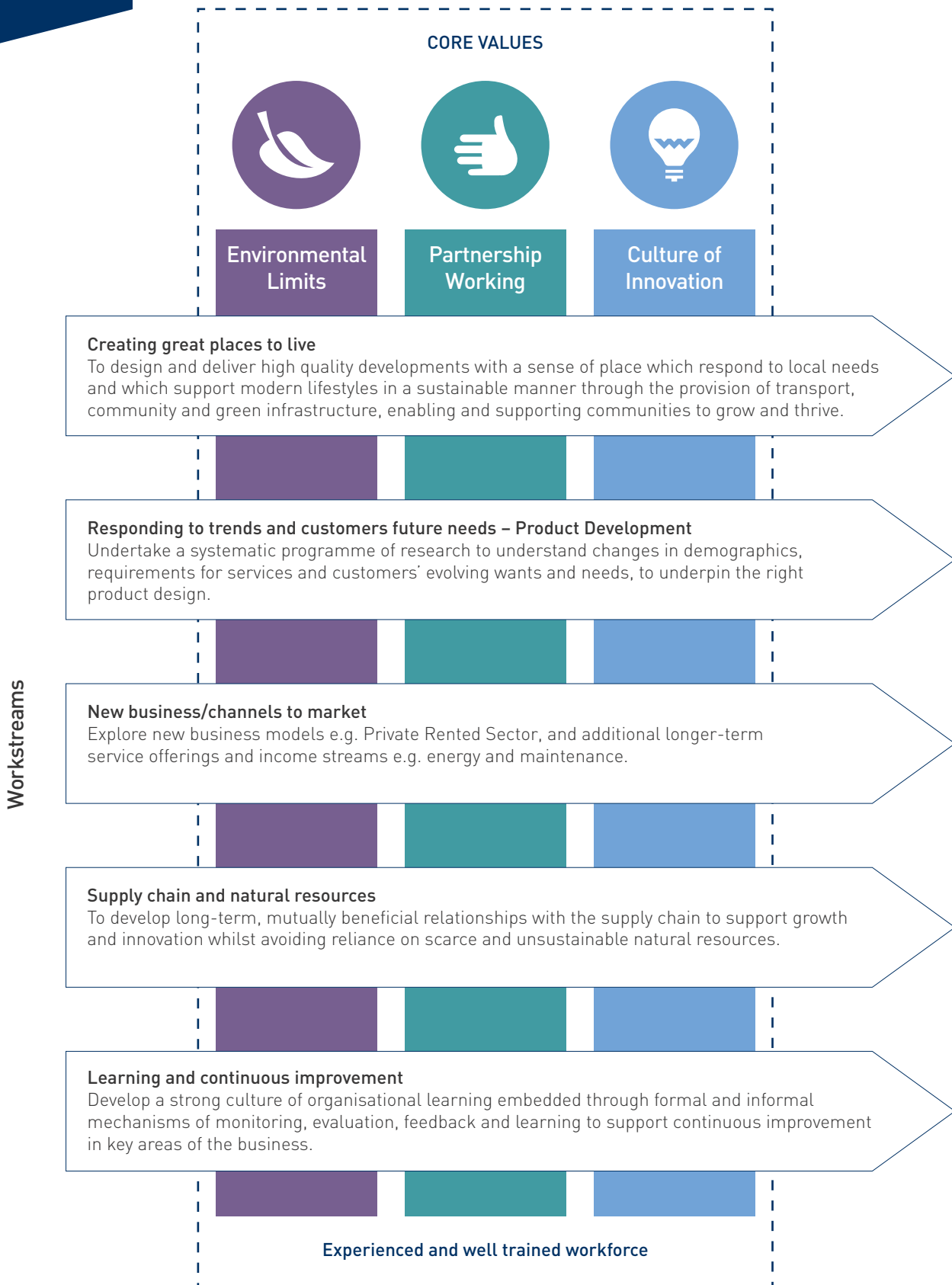
Our framework is based upon three strategic themes: Business Value, Customer-Centric Focus and Society's Future Needs. These are underpinned by the core values in Crest Nicholson's approach to business of Innovation Culture, Partnership Working, and Respect for Environmental Limits.

A strong culture of innovation will be particularly vital over the next 10 years. We have already demonstrated our capacity to embrace and lead on change – from delivering well-designed low carbon homes to ground-breaking supply chain collaborations that tackle inefficiency and waste. The pace of change is increasing and we must be agile in our response, creating the right culture where innovation supports the development of the long-term strategy.

As part of refining our vision, we have identified five priority work-streams for further examination. These focus on the areas in which we are seeking to drive business value and differentiation through to 2023. Each of these work-streams is underpinned by a 10-year roadmap of research, reflection and activity and connected to short, medium and long-term milestones that we are currently developing.



OUR STRATEGIC FRAMEWORK



KEY PERFORMANCE INDICATORS

We have achieved a year of strong results, positioning us well for the future. Selected financial and non-financial indicators, which relate to our strategic objectives are presented together here. They give a balanced view of key economic, social and environmental performance.

MANAGED GROWTH OF THE BUSINESS

24.1%

RETURN ON AVERAGE
CAPITAL EMPLOYED*



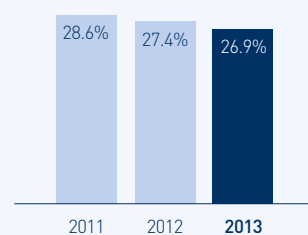
£97.1m

OPERATING PROFIT*



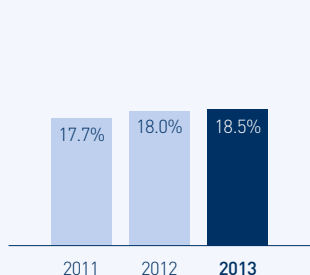
26.9%

GROSS PROFIT MARGIN



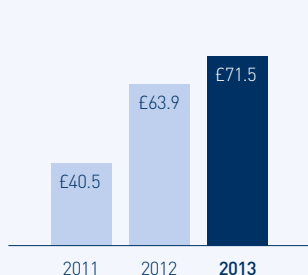
18.5%

OPERATING MARGIN*



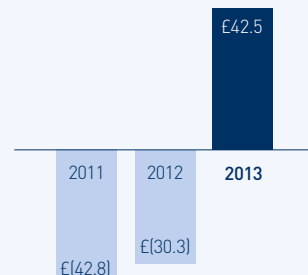
£71.5m

NET PROFIT



£42.5m

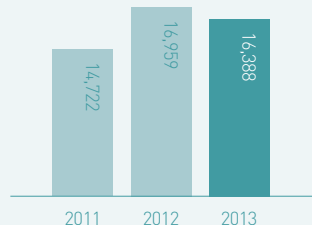
NET (DEBT)/CASH



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

SELECTIVELY GROW THE LAND BANK

16,388

SHORT-TERM LAND
BANK UNITS

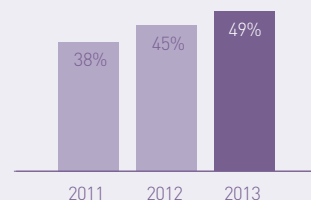
PURSUE OPERATIONAL EXCELLENCE

4-star

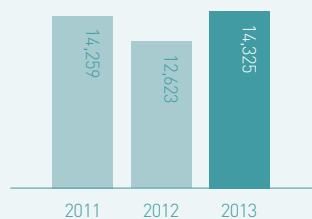
CUSTOMER SERVICE
(INDEPENDENT RATING)

MEET AND ANTICIPATE MARKET TRENDS

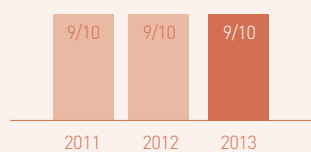
49%

HOMES DELIVERED TO
CODE FOR SUSTAINABLE
HOMES LEVEL 3 AND ABOVE

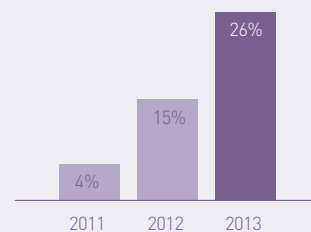
14,325

STRATEGIC LAND
BANK UNITS

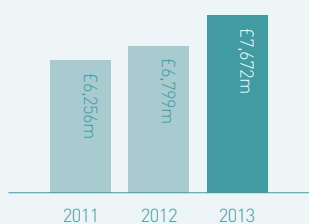
9/10

PEOPLE WHO WOULD
RECOMMEND CREST
NICHOLSON TO A FRIEND
(INDEPENDENT SURVEY)

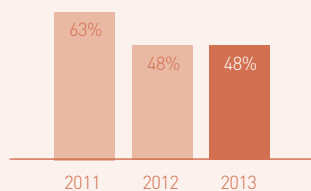
26%

HOMES DELIVERED
TO CODE LEVEL 4

£7,672m

LAND BANK GROSS
DEVELOPMENT VALUE

48%

REDUCTION IN ANNUAL
INJURY INCIDENCE RATE
SINCE 2008ANOTHER AWARD-
WINNING YEAR

Our people

NHBC Health & Safety – six awards for our site managers, more than any other developer

NHBC Pride in the Job – seven site managers received awards and one outstanding manager received a Seal of Excellence

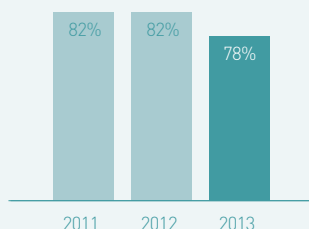
HBF award of Chief Executive of the Year for our CEO Stephen Stone



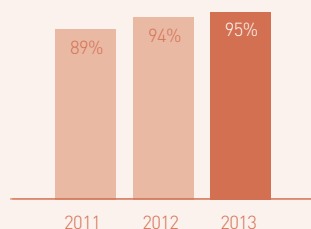
Sustainability

Next Generation benchmark – Consistent top performer maintaining 2nd position for the 6th year running

78%

HOMES BUILT ON
BROWNFIELD LAND

95%

WASTE DIVERTED
FROM LANDFILL



No. 1

PORT MARINE, VOTED BEST MIXED-USE DEVELOPMENT



DEVELOPMENT FOCUS – PORT MARINE

At Port Marine, Portishead we have master-planned the regeneration of this former industrial quarter. This flagship mixed-use scheme has demonstrated an exemplary approach to design and innovation, which has been acknowledged by the Sunday Times British Homes Awards.

PRINCIPAL RISKS AND UNCERTAINTIES

For further details of risk management controls and procedures, see the Governance section, page 76. The following provides an overview of our approach and itemises the Group's principal risks and mitigation.

Summary of approach

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

Risks are first documented in a divisional risk register and subsequently incorporated into the Group risk matrix. Each risk is classified and prioritised for further attention using the approved risk acceptance thresholds and categories.

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

Key areas of focus

The Board has identified the current key areas of focus. (For further detailing of principal environmental and social risks, please see our separate Sustainability Report).

Firepool Lock, Taunton

Area	Risk	Mitigation	Ownership
The macro-economic climate continues to be exposed to impacts arising from a reduction in the government's economic stimulus package, residual Eurozone issues and potential impact of geo-political events	Higher unemployment or fear of unemployment undermines consumer confidence and reduces propensity to purchase a new home	Maintain review of economic and political environment and consider potential responses to changes in trading conditions	Board
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 difficult and subject to variation	Dialogue with major suppliers Advance planning and call-off by Divisions Examination of alternative production approaches; e.g. timber frame as opposed to blocks Maintain strong apprenticeship programme	Group Production Director
Development costs	Increases in land and build costs, stimulated by rising activity levels, are disproportionate to changes in sales prices Land vendors and suppliers seek to 'price in' sales price inflation	Long land bank reduces pressure to buy sites; Group hurdle rates applied to investment decisions Dialogue with suppliers and sub-contractors to highlight benefits of volume, certainty and prompt payment as well as price	Executive Management Team/ Group Production Director
Rapid and extensive changes to planning system reduce clarity and introduce delays and potential challenges to viable development	Principles of 'localism' in planning matters encourage challenge and resistance to development. Central government respond only when consequences for delivery become apparent	Work closely with key regulators and decision makers, to establish key principles which will be consistently upheld Incorporate planning uncertainties into assessment of land opportunities	Executive Management Team

Cavendish Grange, Milton Keynes

Area	Risk	Mitigation	Ownership
Recruitment and retention of staff with requisite skills more difficult in competitive market	Shortages of key staff in critical business areas introduces cost and delay in bringing developments forward	Ensure that the Group is a desirable employer, offering competitive packages, career progression and strong training and development processes	Executive Management Team
Reputational damage arising from a major product failure or significant environmental or Health and Safety issue	Injury to persons, potential loss of life Serious damage to sites and/or environment, with consequential reputational damage and costs	Board leadership and scrutiny of health, safety and environment Risks assessed and integrated into management processes from pre-acquisition stage. Dedicated teams in place with comprehensive procedures and controls	Board/CEO



Area	Risk	Mitigation	Ownership
Extreme weather events adversely impact developments and delivery	Changes in weather patterns adversely impact deliverability of sites Remedial solutions costly Delivery delay	Consideration of extreme weather impacts when designing product Enhance landscaping and mitigation measures to address consequences of extreme weather e.g. surface water flooding	Executive Management Team
Business insufficiently equipped to handle rising regulatory burden and zero-carbon timeline	Shortages of key skills impact delivery; supply chain unable to meet regulatory needs Cost of solutions not optimised	Ensure adequate training and skills transfer mechanisms in organisation Work with supply chain to develop a greater appreciation of issues and in developing cost-effective solutions	Executive Management Team

FINANCE DIRECTOR'S REVIEW



Crest Nicholson's financial performance in 2013 has been very strong, reflecting the improved growth trajectory of the Group.

TRADING PERFORMANCE

Overall revenues of £525.7m were 29% ahead of the £408.0m achieved in 2012.

Housing revenues of £491.2m (2012: £372.2m) were 32% up on prior year, whilst unit completions of 2,172 (2012: 1,882) were up by 15%. Higher ASP's contributed significantly to revenue growth, reflective of the change in product and location mix, including the first unit contributions from our new London-centric division.

Revenues from Commercial and Land Sales combined amounted to £34.5m (2012: £35.9m), continuing to provide a useful contribution to overall business performance. Within the Commercial sphere, a new food store was delivered on our Oakgrove site and let to Waitrose, providing a valuable amenity for the emerging community.

32%

INCREASE IN HOUSING REVENUES

Gross margins held fairly steady at 26.9% (2012: 27.4%), assisted by robust pricing in our core areas of operation, whilst the increase in business scale drove a reduction in administrative expenses as a percentage of sales, from

9.5% in 2012 to 8.4% in 2013, before exceptional costs.

Exceptional costs of £5.9m in connection with the IPO of the Group in February 2013 have been charged to administrative expenses, reflecting legal, accounting and advisory costs of the IPO of £3.5m and a share-based payment charge of £2.4m which crystallised upon listing.

The combination of gross margin resilience and the reduction in overhead cost as a proportion of turnover as the business grows resulted in a strong improvement in pre-exceptional operating margin for 2013 to 18.5% (2012: 18.0%).

Finance expense and Taxation

Net financing expense is slightly higher at £10.3m in the year (2012: £9.4m), with changes in the imputed interest on other financial assets and on deferred land payables the principal drivers. The cost of servicing bank loans and overdrafts reduced from £10.4m in 2012, to £8.3m in 2013, reflecting the debt re-financing that was entered into in December 2012 and the additional equity raised by the Group as part of the IPO.

Clarion Gate, Chelmsford

Income tax expense in the year of £15.3m (2012: £1.8m income) primarily reflected deferred tax arising from the reversal of temporary differences in the year, with additional changes in deferred tax due to reductions in the rate of Corporation Tax. The effective tax rate for the year was lower than the standard rate of UK Corporation Tax, primarily due to the recognition of previously unrecognised temporary differences.

In 2012 the Group had a net tax credit, arising from the recognition of deferred tax assets in respect of previously unrecognised temporary differences.

Earnings Per Share

The change in taxation, from a net credit in 2012 to an expense in 2013, means that a 40% increase in pre-exceptional profit before tax translates to a more modest increase in Earnings Per Share (EPS). Basic EPS on a pre-exceptional basis of 29.4p is 3.2% higher than the 28.5p comparative for 2012. Full details are shown in Note 9 to the financial statements.

Dividend

The Board proposes to pay a final dividend of 6.5p per share for the financial year ended 31st October 2013, which subject to shareholder approval, will be paid on 9th April to shareholders on the register at the close of business on 14th March.

Cash Flow and Financial Position

The Group had Net Assets at 31st October 2013 of £470.3m, (2012: £347.1m), an increase of £123.2m.

The increase comprised £66.0m of retained earnings, £3.3m net movement in equity plus the benefit of the £53.9m of equity raised at IPO.

Strong cash generation from housing completions has enabled the Group to continue to invest in growing our operational footprint, in line with our business strategy.

The investment that the business has made in land and work-in-progress is reflected in a £108.3m rise in inventories. Infrastructure expenditure has increased, as a number of recently converted strategic sites are brought into production, whereas stocks of completed units have reduced, being £32.4m at 31st October 2013 (2012: £41.0m), reflective of faster sales rates in the second half of this year.

The Group continues to focus on Return on average Capital Employed (ROCE) as a key business metric and our strong operating profit performance combined with ongoing capital efficiency have generated an increase in ROCE from 20.7% in 2012 to 24.1% in 2013.

Orchard Gate, Shoreham-by-Sea

Financing

During the year, the Group successfully re-financed certain of its loan obligations and raised additional equity capital through its IPO in February. Term loans of £152.0m with a maturity date of September 2015 were repaid in full. These loans were partially replaced with a borrowings facility of £100m, raised under a Revolving Credit Facility with an expiry date of December 2016.

As part of the February IPO, additional equity capital of £53.9m (net of issue costs) was raised, further strengthening the equity base of the business.

At 31st October 2013, the Group had net cash of £42.5m (2012: net debt of £30.3m).

The ungeared (net cash) position at 31st October 2013 compares with a net debt/equity ratio of 8.7% at 31st October 2012.

Land Bank

The Group's contracted land bank is summarised in terms of units and GDV as follows:

	2013		2012	
	Units	GDV £m	Units	GDV £m
Short-term housing	16,388	3,886	16,959	3,646
Short-term commercial	-	251	-	235
Total short-term	16,388	4,137	16,959	3,881
Strategic land	14,325	3,535	12,623	2,918
Total under contract	30,713	7,672	29,582	6,799



Plots in the short-term land bank have declined marginally, as the Group has continued to adopt a policy of broadly replacing the units that are sold in the year. At 31st October 2013, the short-term land bank of 16,388 plots represents 7.5 years of supply (2012: 9.0 years).

The GDV of the short-term land bank has increased by 6.6%, with higher ASPs in the portfolio offsetting the decrease in unit numbers. These ASPs (including both open-market and affordable units) were £237k at 31st October 2013, up 10% on £215k at the end of October 2012.

The strategic land bank has been bolstered by three significant additions in the year, at Chippenham, Warwick and Arborfield, near Reading (see page 19) as well as a number of smaller sites under option.

Planning consents were achieved during the year on two smaller sites, furthering a now established record of pull-through from strategic land bank into the short-term portfolio.

ASPs in the strategic land bank have risen to £247k, a 7% increase on the £231k reported for October 2012.

Patrick Bergin
Finance Director

The Strategic Report was approved by the Board of Directors on 28th January 2014.
By Order of the Board.

Kevin Maguire
Company Secretary
28th January 2014

GOVERNANCE

→ Board of Directors

→ Directors' Report

- Corporate Governance
 - Chairman's introduction
 - Structure and role of the Board
 - Remuneration Committee report
 - Nomination Committee report
 - Audit Committee report

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.

BOARD OF DIRECTORS

The Crest Nicholson Group operates through its Board with day-to-day executive operation delegated to the Executive Management Team.

Responsibilities of the board

The Board is responsible for setting and monitoring Group strategy, reviewing performance, protecting the business from reputational damage, ensuring adequate funding, formulating policy on key issues and reporting to its shareholders. The Board has risk and oversight of 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.

The Board has four Non-Executive Directors and two Executive Directors.

100+

YEARS INDUSTRY EXPERIENCE WITHIN THE EXECUTIVE MANAGEMENT TEAM

Board

- 01 **William Rucker**
Non-Executive Chairman
- 02 **Stephen Stone**
Chief Executive
- 03 **Patrick Bergin**
Group Finance Director
- 04 **Malcolm McCaig**
Independent Non-Executive Director
- 05 **Pam Alexander, OBE**
Independent Non-Executive Director
- 06 **Jim Pettigrew**
Senior Independent Non-Executive Director

Executive Management Team

- 02 **Stephen Stone**
Chief Executive
- 03 **Patrick Bergin**
Group Finance Director
- 07 **Chris Tinker**
Regeneration Chairman
- 08 **Steve Evans**
Group Production Director
- 09 **Robin Hoyles**
Group Land and Planning Director
- 10 **Kevin Maguire**
Group Company Secretary



BOARD

William Rucker

Non-Executive Chairman

William Rucker was appointed as Chairman in September 2011. He is Chief Executive of Lazard in the UK and Chairman of Quintain Estates & Development plc.

Stephen Stone

Chief Executive

Stephen Stone joined the Group in 1995. He was appointed to the Board in 1999, becoming Chief Executive on 1st November 2005. Stephen is the Board member responsible for health and safety. He is a Chartered Architect with over 30 years' experience in the construction and house building industry and in 2011 he joined the HBF Board.

Patrick Bergin

Group Finance Director

Patrick Bergin joined the Group in 2006. He was appointed as Group Finance Director in 2011. He is a Chartered Accountant with almost 20 years' experience and has worked in a range of industries and companies including Touche Ross (now Deloitte), Reed Elsevier and The BOC Group, in various finance roles.

Malcolm McCaig

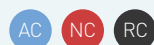
Independent Non-Executive Director



Malcolm McCaig joined the Board in April 2009. He is Chairman of Caley Limited and Barbon Insurance Group. He also holds a number of other independent Director roles, including OneSavings Bank PLC, London Capital Group Holdings PLC, Unum Ltd, and Renaissance Capital Ltd. He is a former partner with Deloitte as well as a former partner with Ernst & Young. Malcolm has technical specialisms in risk management, finance and audit, corporate governance, regulatory compliance, and IT.

Pam Alexander, OBE

Independent Non-Executive Director



Pam Alexander joined the Board in December 2011. Pam has worked with developers and housing associations and advised government ministers on housing and regeneration across England as a senior policy maker in the Department of the Environment, Deputy Chief Executive of the Housing Corporation, Chief Executive of English Heritage and then of the South East England Development Agency (SEEDA) and Chair of Peabody.

Pam is currently Chair of Covent Garden Market Authority and of the Thanet Regeneration Board, a Non-Executive Director of the Design Council, Design Council Cabe Ltd, the Academy of Urbanism and Brighton Dome and Festival Ltd, and a member of the Mayor of London's Design Advisory Group, the New London Architecture Sounding Board and the Southern Cluster Forum.




Jim Pettigrew

Senior Independent Non-Executive Director



Jim Pettigrew qualified as a Scottish Chartered Accountant (CA) with Ernst & Young, before undertaking a number of commercial finance roles in Scotland, and subsequently joining Sedgwick Group PLC as Group Treasurer and Deputy Chief Financial Officer. In addition, he was the Chief Financial Officer for ICAP PLC from 1999 to 2006, and later Ashmore Group PLC as part of the team that floated the business on the London Stock Exchange.

He later spent time as Chief Executive of CMC Markets plc, and is currently Chairman of Edinburgh Investment Trust plc, Deputy Chairman Royal Bank of Canada Europe, Chairman of the Audit Committee at Aberdeen Asset Management plc and Clydesdale Bank plc, Chairman of Risk Committee at Hermes and Non-Executive director at AON UK Ltd. Jim is an LLB and is presently Vice President of the Institute of Chartered Accountants of Scotland, and a member of the Association of Corporate Treasurers and a Fellow of the RSA.

-  Audit Committee
-  Nomination Committee
-  Remuneration Committee

EXECUTIVE MANAGEMENT TEAM

Stephen Stone
Chief Executive

Patrick Bergin
Group Finance Director

Kevin Maguire
Group Company Secretary

Kevin Maguire joined the Group in March 2008 and became Company Secretary in January 2009. Having a legal background, he is a Chartered Secretary and previously held roles in retail, pensions and technology.

Kevin's responsibilities include legal and corporate compliance, corporate governance and supporting the day-to-day operation of the Board.

Chris Tinker
Regeneration Chairman

Chris Tinker, a Chartered Builder, joined the Group in 1988. Through the 1990s he was instrumental in the acquisition and master-planning of several of the Group's major residential projects, leading to his appointment in 2002 as Managing Director of Crest Nicholson Developments. Chris joined the Executive Management Team in 2007 and is now Regeneration Chairman and is also responsible for sustainability strategy. He is also a Director of the Enterprise M3 Local Enterprise Partnership and advisor to the HCA's Design and Sustainability Advisory Group.

Steve Evans
Group Production Director

Steve Evans was appointed to the Executive Management Team in January 2011. He had previously served with the Group from 1995 for nine years. He is currently Group Production Director and was previously Managing Director of the Eastern Region. Prior to rejoining the Group in 2009 he was Chief Executive of the Anderson Group.

Robin Hoyles
Group Land and Planning Director

Robin Hoyles joined the Group in May 2011 and was appointed to the Executive Management Team in December 2011. 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.

DIRECTORS' REPORT

The Directors present their annual report with the consolidated accounts of the Company for the year ended 31st October 2013.

BUSINESS ACTIVITIES

The Company is incorporated in England and Wales under number 6800600. In February 2013 the entire ordinary share capital of 251,427,287 shares were admitted to the premium listing segment of the Official List of the UK Listing Authority and to trading on the London Stock Exchange's main market for listed securities ("Admission").

A full description of the activities of the Group including performance, important events affecting the company in the year, indicative information in respect of likely future developments in the business of the Company and matters relating to research and development can be found in the Strategic Report in pages 3 to 57.

The Group's exposure to credit risk, liquidity risk, market risk and interest rate risk is commented on in the notes to the financial statements in pages 130 to 158.

Results and dividend

The Group's consolidated profit after taxation (pre-exceptional costs) for the financial year ending 31st October 2013 was £71.5m (2012: £63.9m).

The Directors propose to pay a dividend of 6.5p for the year ended 31st October 2013 (2012: nil).

£71.5m

THE GROUP'S CONSOLIDATED
PROFIT AFTER TAXATION (2012: £63.9m)

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 set out that the business and powers of the Company are managed and exercised by the Board. The rights and obligations attaching to the Company's shares are set out in the Articles of Association of the Company which 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.



Park Central, Birmingham

Share capital

At 31st October 2013, the Company had issued share capital of 251,427,287 ordinary shares of £0.05. There were a number of share capital movements, including a share capital reorganisation during the financial year and these are set out in Note 20 to the consolidated financial statements. Each ordinary share in the Company has one vote.

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

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

As part of the share reorganisation undertaken for, and conditional upon, Admission, the Company purchased and cancelled 18,000 deferred shares of £0.005 on 18th February 2013 at par totalling £90.

The Company's shareholders authorised the Company (conditional on Admission) to make certain market purchases of ordinary shares, and to allot new shares both up to certain limits approved by the Shareholders. These authorities expire at the 2014 Annual General Meeting (AGM) and renewal of these authorities will be sought.

At 31st October 2013, the Company's Employee Benefit Trust (EBT) held 1,617,791 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.

At 31st October 2013 the following percentage interests in the ordinary share capital of the Company, disclosable under the Disclosure and Transparency Rules (DTR 5) have been notified to the Directors.

Shareholder	Shareholding
Värde Partners, Inc.	20.10%
Deutsche Bank AG	10.28%
Barclays Plc	7.69%
Blackrock, Inc.	7.24%
York Capital Management Global Advisors, LLC	5.85%
Legal & General Group Plc	5.65%

The rights attaching to the ordinary shares of the Company held by these shareholders are identical in all respects to the rights attaching to all the ordinary shares of the Company.

Between 31st October 2013 and 24th January 2014, the Directors have been notified of the following:

Shareholder	Shareholding
Barclays Plc	7.42% ¹

¹ The shareholder made a notification that they their holding had gone below 7%, and later that holding again went above 7%.

The Directors interest in shares is given in the Directors Remuneration Report. The Company is not directly or indirectly owned or controlled by any foreign government or any other legal entity.

DIRECTORS

The Directors during the year were:

Non-Executive Chairman

Mr William Rucker

Non-Executive Directors

Mr Jim Pettigrew (appointed 11th February 2013)
(Senior Independent Non-Executive Director)

Mr Malcolm McCaig

Ms Pam Alexander OBE

Executive Directors

Mr Stephen Stone

Mr Patrick Bergin

Biographies of the Directors are detailed on pages 62 to 63. There were no contracts of significance during the financial year in which a Director of the Company is, or was, materially interested.

Split of Directors					
Non-Executive	4	Independent Non-Executive	3	Executive	2

Gender Split			
Male	5	Female	1

Length of Tenure at date of this report	
William Rucker (Chairman)	2 years 4 months
Jim Pettigrew (Senior Independent Non-Executive Director)	0 years 11 months
Malcolm McCaig	4 years 10 months
Pam Alexander	2 years 1 month
Stephen Stone	15 years and 8 years 3 months as Chief Executive ¹
Patrick Bergin	2 years 3 months

¹The Company was incorporated in January 2009. However, Stephen Stone joined the Group's Board in 1999 and has been the Chief Executive of the Group since November 2005.

Details regarding Executive Directors service contracts and matters relating to compensation for loss of office can be found in the Directors Remuneration Report on page 94.

Re-election of Directors

All the Directors submit themselves for re-election at the AGM to be held on 20th March 2014.

The Nominations Committee confirmed to the Board that the contributions made by the Directors offering themselves for re-election at the AGM in March 2014 continue to be effective and that the Company should support their re-election.

CONFLICTS OF INTEREST

The Board monitors conflicts of interest on an on-going basis. Directors do, from time to time, have other interests which may overlap or relate to interests of the Group. For example, Non-Executive Directors are involved in other businesses from which we may buy products and services or might be indirectly interested in areas of the country where we operate. Where any of these contracts are material, these are disclosed as related party transactions on page 158.

Directors' Indemnities

It is the Company's practice to indemnify its Directors and Officers to the extent permitted by law and the Articles 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.

INVESTOR RELATIONS

The Company maintained a regular dialogue with its shareholders during its time as a private company, including its major shareholders including in preparation for, and through the process leading up to Admission. In preparing for its IPO, the Directors spent considerable time meeting with and educating investors about the Group's operations and prospects. This involved a range of means of engagement, including conference calls, one-to-one and group meetings and site visits. Since Admission, the Company has continued this dialogue with shareholders, including specifically major shareholders to understand their views on the direction of the business.

A number of investor and analyst events have been held in the year:

- Half-year results roadshow in June 2013
- Site visits in September 2013
- Conference calls following Trading Update and Interim Management Statement
- Participation in investor conferences

Various relevant materials are made available to investors via the Investor Relations section of our website (www.crestnicholson.com/investorrelations) and via our Investor Relations "App" available from the Apple Store.

We maintain regular dialogue with our relationship banks including an annual presentation. We also actively engage with existing relationship banks and with new banks when considering future financing needs. As part of this dialogue those banks express their views on overall governance and the Board takes these comments in to account as part of its borrowing framework.

The AGM will also provide shareholders with an opportunity to meet the Board, ask questions of the Board and the Committee Chairman and receive an update on activity and performance of the Group.



DONATIONS

Employees have continued to support the Group's nominated charity, Variety, the Children's Charity and have raised £53,233 (2012: £66,530) to support this cause during the year. As part of the Group's 50th anniversary year, the Group also supported and raised money for HopeBuilders, an initiative by Habitat for Humanity. The Group raised £124,457 during the year for HopeBuilders through a series of events.

There were no political donations made during the year.

EMPLOYMENT POLICY

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

The Group interacts with its employees through the various levels of management and seeks employees' opinions about various aspects of the Group's operations and behaviour through internal feedback and staff surveys. A staff survey was carried out in 2013 and the results of this will allow the Group to understand employee views as it considers the effects of on-going business operations.

Intranet, e-mail and postal communications are all used as appropriate to share news of achievements and initiatives in the course of each year, allowing prompt communication as news and issues develop. During the year the Group was able to introduce share incentive schemes following Admission, and 63% of eligible employees elected to join the Sharesave scheme.

SUSTAINABILITY

The Group publishes a Sustainability Report, which it submits for external benchmarking and which can be found on the Group's website. Sustainability is at the core of the Group's strategy and product, and the Group embeds sustainability in all its activities and operations, as reflected in the content of this Annual Report.

BUSINESS ASSURANCE

The Group has a Business Assurance function to review the operation of internal controls and risk management throughout the Group. The objective is to provide management with independent assurance that risks have been adequately identified, internal controls have been suitably designed to match business risks and that they are operating as intended. These activities are overseen by the Audit Committee and more detail can be found in the Audit Committee Report on page 112.

POLICIES AND PROCEDURES

Policies and procedures, including operating and financial controls, are detailed in policies and procedure manuals. There are strict approval processes in place 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 whistle blowing policy where Directors, management and staff can report in confidence any concerns they may have of malpractice, financial irregularity, breaches of any Group procedures, or other matters. The policy details the appropriate lines of communication and includes the availability of the Audit Committee Chairman as a point of contact. The arrangements in place are reviewed by the Audit 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, policy and process review and other processes in relation to these policies to ensure adequate procedures are in place to prevent bribery.

CENTRAL FUNCTIONS

Strong central functions, including Legal and Company Secretarial, Human Resources, Health and Safety, Sustainability, IT and Marketing provide support and consistency to the rest of the Group. 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.

Oakgrove Village, Milton Keynes

HEALTH AND SAFETY

The Group believes and acknowledges that health and safety is a critical part of managing our business and staff. Policy management, inspection and training are carried out by the Group's health and safety team under Stephen Stone, who is the Director responsible for health and safety. The Group's health and safety team work with Divisions and the Group to encourage and develop high-quality practice and education to ensure that our sites remain as accident and incident free as possible. The Group embraces appropriate health and safety policies and practices throughout its operations.

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 which would have effect on a change of control. The Directors believe these agreements to be commercially sensitive and that their disclosure would be seriously prejudicial to the Company; accordingly they do not intend disclosing specific details of these. In addition, all of the Company's share schemes contain provisions which in the event of a change of control, would result in outstanding options and awards becoming exercisable, subject to the rules of the relevant schemes. There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid.

GREENHOUSE GAS EMISSIONS REPORT

Global greenhouse gas (GHG) emissions data for period 1st November 2012 to 31st October 2013

	Tonnes of carbon dioxide equivalent (tCO ₂ e)
Combustion of fuel and operation of facilities (Scope 1 emissions)	3,558
Electricity, heat, steam and cooling purchased for own use (Scope 2 emissions) Crest Nicholson purchases electricity only	1,580
Emissions intensity based on the floor area of homes built over this period ¹	2.65 tonnes CO ₂ e / 1,000 sq ft

¹1,935,755 square feet – which comprises the sum of both full and, in proportion, partial build complete delivery during the financial year 2013: 1st November 2012 to 31st October 2013

Methodology

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

This is the first 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. The final legislative requirements for reporting were not issued until well over halfway through Crest Nicholson's financial year and hence some of the data reported has been collected only over a proportion of the reporting period. For this first report, data collected over a partial period has been factored up using a linear proportionality to represent a 12 month period.

We have used the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (revised edition) and emission factors from UK Government's GHG Conversion Factors for Company Reporting 2013.

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 2012 to 31st October 2013, 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.

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.



Shaftesbury Gate, Battersea

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 he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

AUDITOR

Due to an internal reorganisation at KPMG, KPMG Audit plc will resign as auditor at the forthcoming AGM. The Board propose that KPMG LLP be appointed as auditor to the Company.

By Order of the Board

Kevin Maguire

Company Secretary

Crest House
Pyncroft Road
Chertsey
Surrey
KT16 9GN

28th January 2014

132

HECTARES OF COMMUNITY
INFRASTRUCTURE &
2,500 NEW HOMES



DEVELOPMENT FOCUS – KILNWOOD VALE

Kilnwood Vale in Faygate is a thriving new community emerging in the heart of the South East. Crest Nicholson is using its longstanding large scale delivery capability to develop this mixed-use and highly sustainable community.

CORPORATE GOVERNANCE



GROUP CHAIRMAN'S INTRODUCTION

The changes to the Group's profile and position since listing has required detailed review of its Corporate Governance standards and processes. During an extremely busy year that has included preparations for listing, maiden half year results and as part of its ongoing commitment to high standards of corporate governance, the Board has worked to implement additional processes and practices in support of this objective.

Our corporate governance framework has also been supported by the addition of Jim Pettigrew to the Board as Senior Independent Non-Executive Director. Jim brings with him a range of financial and business experience, as well as experience in listed companies and in shareholder relations. Jim together with our other Non-Executive Directors will support me in leading the Board.

I would like to thank my colleagues on the Board for their support and hard work through the year and their energy and enthusiasm for the challenges of the forthcoming year.

William Rucker
Chairman



"The Board has worked throughout the year to implement additional processes and practices in support of high standards of corporate governance."

The Oaks, East Grinstead

STRUCTURE AND ROLE OF THE BOARD

The composition of the Board is designed to ensure effective management, control and direction of the Group – providing entrepreneurial leadership, setting values and standards and ensuring obligations to shareholders and stakeholders are understood and met. The Board has an appropriate balance of Non-Executive and Executive Directors consisting of a Non-Executive Chairman and three Non-Executive Directors together with the Chief Executive and Group Finance Director.

The Board is responsible for:

- The strategic direction and operation of the Group
- Ensuring necessary financial and human resources are in place
- Accounting to shareholders and stakeholders for the performance and behaviours of the business
- Maintaining robust controls around risk and corporate governance.

The Board is supported by the other members of the Executive Management Team, and Board members take advice and guidance from their respective areas of expertise throughout the year.

The Board's Non-Executive Directors demonstrate a range of experience and professional backgrounds that enables them to make a valuable contribution to the Group and to provide independent judgement and challenge to the Board. Constructive challenge is a key part of measured and appropriate decision making and the Non-Executive Directors play a key part in the risk control framework through the Audit Committee, as well as providing review and challenge of financial assumptions, reporting and business assurance workstreams. The Non-Executive Directors also determine the policy for Executive remuneration.

The Non-Executive Directors have a current and relevant balance of financial, corporate and risk skills and experience together with design, property and commercial knowledge that supplements and complements the Executive Directors' and Executive Management Team's combined industry experience.

Biographies of the members of the Board and the Executive Management Team are set out on pages 62 to 63.

BOARD EFFECTIVENESS

Within the Board, there is a clear division between the role of the Chairman and Chief Executive. The Chairman of the Company is not considered to be independent for the purposes of the UK Corporate Governance Code as a result of his role as the Chief Executive of Lazard in the UK (a financial advisor to the Company) 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.

The Chairman is primarily responsible for overseeing the Board's work, activity and output. He leads the Board in structuring and communicating strategy, overseeing the conduct of Board meetings to ensure appropriate involvement from each Director in order to contribute to an effective decision-making process. The Chairman will also ensure that relevant attendees at meetings contribute to the level required by the debate.

Jim Pettigrew was appointed on 11th February 2013 as Senior Independent Non-Executive Director. He provides a sounding board for the Chairman and serves as an intermediary for the other Directors when necessary. He is available to shareholders if they have concerns which normal contact channels have failed to resolve or which are inappropriate for such channels. The Senior Independent director leads the Non-Executive Directors in their annual appraisal of the Chairman's performance.


The Board delegates the principal day to day management of the business to the Chief Executive and Executive Management Team reserving the overall oversight and control to itself. Matters reserved for the Board include:

- Ensuring adequacy of systems of internal control and risk management
- Approval of long-term objectives and commercial strategy
- Changes to debt or capital structures (other than use of existing facilities)
- Approval of financial statements, including distributions to shareholders
- Major capital contracts (an appropriate authority is delegated to the Executive Management Team for land acquisitions)
- Board composition, committee structure and director remuneration
- Corporate Governance.

Organisational Structure and Delegation

The Board recognises that its material asset is its land bank. Whilst the Board delegates an appropriate authority to the Executive Management Team to undertake acquisitions of the majority of new sites as it deems necessary, the Board retains oversight of all acquisitions through regular reporting and approval of all significant or unusual acquisitions.

A key part of the system of internal control is the delegation of management responsibility for the Group's land and property investment, development and operating activities, together with supporting functions, to Divisional management teams as appropriate. The Group's Regional Divisions have divisional management boards, which oversee their operations with direct input and oversight from the Executive Management Team. These management boards form an integral part of the overall internal control process.



Harts Wood, Haywards Heath

Each Regional Division and the Company have management structures in place to enable effective decision making, with clear authority levels, supported by documented procedures and a regular review of financial performance, including comparisons against budget and forecasts. Divisional Management report monthly to the Executive Management Team.

The Executive Management Team undertakes all day to day decision making of the Group 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 design and implementing the Group's strategy. The Executive Management Team will also provide guidance to the Board on matters reserved for the Board.

Meetings

The Board meets at least six times per year with ad-hoc meetings arranged as necessary for timely decision-making, approval or action. As part of the meeting framework the Board receives regular management reports and briefing material as required by the meeting calendar and other operational events. The ability for the Board to respond dynamically to requirements is a key part of its operational efficiency and success, relying on the use of technology including e-mail and conference calls where appropriate.

During the year the Board (including all members of the Executive Management Team) held an off-site strategy day. This took the format of an externally facilitated session, with review and discussion focusing on the future direction of the business, its sustainability agenda and priorities, the evolving debates, lessons of the past and upcoming challenges. This was supplemented by further internal and external speakers on topics including people and talent development, capital markets, peer analysis and overall discussion of direction and near-term decisions.

The Company Secretary

The Company Secretary's role to the Board includes:

- Assisting and advising the Chairman in all governance aspects including compliance with the UK Corporate Governance Code and among other regulations, the Listing Rules
- Ensuring the proper, proportionate and timely provision of information to the Chairman and Board
- Providing or arranging any induction or training programmes required in the course of a year by the Board collectively or Directors individually
- Overseeing and administering procedures for Managing Directors' conflicts, directors interests and assisting the Directors with any issues around Directors duties and seeking professional advice at the Company's expense if required

The Directors have access to the Company Secretary for any corporate or Group matters including acting as a conduit to other parts of the business in the case of Non-Executive Directors.

The Non-Executive Directors spend appropriate time (both in and out of meetings) with the Executive Management Team and any other members of management that are appropriate to maintaining their knowledge and understanding of the business, sharing their experiences and keeping the Board sufficiently close to the regular operations of the business.

The Board held six regular meetings during the year, with the following attendance by Directors:

	Nov 2012	Jan 2013	Mar 2013	May 2013	Jul 2013	Sep 2013
William Rucker	✓	✓	✓	✓	✓	✓
Jim Pettigrew (appointed 11 th February 2013)	N/A	N/A	X ¹	✓	✓	✓
Malcolm McCaig	✓	✓	✓	✓	✓	✓
Pam Alexander	✓	✓	✓	✓	✓	✓
Stephen Stone	✓	✓	✓	✓	✓	✓
Patrick Bergin	✓	✓	✓	✓	✓	✓

¹Given the timing of Mr Pettigrew's appointment, the Company was unable to move the scheduled Board meeting to so that Mr Pettigrew could attend.

The Executive Management Team are all invited to attend Board meetings and other than in exceptional circumstances, always attend and participate in discussions. The Board finds this additional participation helpful as part of the review and decision making processes. However the Board will meet without the Executive Management Team where appropriate.

COMMITTEES OF THE BOARD

The Board devolves certain other areas of responsibility to Board Committees principally consisting of the Audit Committee, Nomination Committee and Remuneration Committee. Details of the areas of responsibility and activity can be found in the respective committee reports on pages 84 to 117.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board has overall responsibility for the system of internal control which seeks to manage rather than eliminate the risk of failure to achieve an outcome or business objectives. It can only provide reasonable and not absolute assurance against material misstatement or loss. The Board and Audit Committee have reviewed the effectiveness of the internal control system during the year and the Board confirms that no significant failings or weaknesses were identified.

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

During the period since the Company's IPO, we complied with the code provisions and applied the main principles of the UK Corporate Governance Code ("Code"). The Code can be found on the FRC website (www.frc.org.uk).

Prior to the Company's IPO the Company was not fully compliant with the Code and the necessary arrangements and changes were put in place to enable the Company to become compliant from Admission.

We describe how we have applied those main principles in this section of the annual report and the Committee Reports on pages 84 to 117.

CORPORATE GOVERNANCE STATEMENT

We comply with the corporate governance statement requirements pursuant to the FCA's Disclosure and Transparency Rules by virtue of the information included in this "Corporate Governance" and the Directors Report sections of the annual report together with any cross references therein.

9/10

CUSTOMERS WOULD RECOMMEND
US TO A FRIEND



PEOPLE FOCUS

Donna, Sales Advisor has been with Crest Nicholson for over 12 years. She is one of a committed team of Sales Advisors who are focused on ensuring that our purchasers receive the very best in customer care throughout their home buying process.

DIRECTORS REMUNERATION REPORT



Welcome to my first letter as chair of the Remuneration Committee (the “Committee”) at Crest Nicholson, and indeed, the first letter as a listed company and one reporting under the new Remuneration Reporting Regulations.

The early part of the year in particular was a busy one for the Committee (under the then Chairmanship of Malcolm McCaig), addressing the recurring items of Committee matters together with preparation for the Company’s life on the premium segment of the Official List of the London Stock Exchange.

Remuneration Philosophy

In setting the remuneration policy and schemes in conjunction with the preparation for stock market listing, the Committee has focused on clear and simple market competitive remuneration and incentive schemes. The alignment of executive remuneration structures with the objectives of the shareholders has been the principal focus. Clearly, at the time of the Company’s IPO, the capital markets were particularly challenging and there had been few recent successful IPOs. With this in mind, the Committee created the structure which is currently in place to ensure clear, reasonable metrics and performance criteria. The proposed policy is consistent with the approach set out in the IPO Prospectus.

The Committee must keep the development of remuneration structures attuned to the business strategy. As the business grows in line with its IPO expectations and as it adapts to improving market conditions, the Committee will keep a strong focus on retention of key executives and alignment with shareholders.

Alignment with shareholders

The management incentive plan which was in place prior to the Company's IPO has its origins going back to the Company's initial restructure in 2009. Its fundamental focus was to incentivise, retain and reward management for meeting shareholder objectives and maximising value in recent turbulent times for the housing market, and for the Group itself.

Following the IPO, the Company has taken the opportunity to launch and operate both a long-term incentive plan (LTIP) for key executives and a Save as You Earn (SAYE) scheme for wider staff – both schemes were launched in the immediate months after IPO to prioritise engagement of the wider employee base together with key executives, and to enable them to share in the future success of the Company performance and share price growth.

Rewarding performance, but recognising the importance of underlying base pay

Performance linked remuneration has always been a key part of the Company's remuneration strategy, with bonuses being linked to relevant financial metrics and share based schemes being linked to shareholder growth and return. However, it is essential that the Company maintains strong and competitive underlying base pay if it is to retain the calibre of management necessary for the Company's constant aim to deliver specialist market leading products and financial performance.

As such, the Committee has annually reviewed salaries of its senior management and made appropriate and proportionate market adjustments. A similar review was carried out in November 2013 to set 2014 salaries.

The Committee's aim is to keep underlying base pay and benefits fair, proportionate and competitive but not excessive, with the performance based remuneration making up the other aspects of remuneration packages. The house building industry is highly competitive and the Committee must therefore be mindful of the need to attract and retain the best calibre of candidates.

Approach to disclosure

The Committee has been mindful of the existing and emerging debates in the sphere of corporate and executive remuneration. Equally, the Committee has overseen these matters during a time of significant transition for the Company both in terms of level of public reporting (moving from private to public standards), and a heightened focus of attention on the quanta, metrics and structure. At the same time, the Company has reported its material current Director appointment and remuneration arrangements in its IPO Prospectus and the Committee looks to build upon this transparency through this report.

In conclusion, 2013 was a milestone year for the Company and I would like to thank my fellow Committee members and those that have assisted us including all our employees for their hard work and support over this busy period.

Jim Pettigrew

Chairman of the Remuneration Committee

DIRECTORS' REMUNERATION POLICY

The Committee will be requesting shareholder approval of the following remuneration policy at the AGM on 20 March 2014 to cover a period of three years. The policy shall apply from the date approval is obtained.

Element/ Link to strategy	Operation (including maximum opportunity)	Performance Framework
Base salary Help recruit, motivate and retain the best people in the market place. Recognise individual's experience, responsibility and performance.	<p>Salaries are normally reviewed annually with changes effective from 1st January taking into account:</p> <ul style="list-style-type: none"> • personal performance • company performance • inflation and earnings forecasts • the state of the market place generally • increases elsewhere in the Group. <p>Base salary is set with reference to similar roles in a group of UK house builders. Where appropriate, comparators from other sectors may be considered as part of the benchmarking process.</p> <p>The exact positioning of salary depends on a variety of factors including the specific nature of the role (particularly where this is not directly comparable to roles outside the Group) individual experience and performance, cost of living increases, inflation, Group performance and market practice in other UK house builders or other comparator group considered. A new Director may be appointed at a salary which is less than the prevailing market rate but increased in the year subject to satisfactory performance.</p> <p>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 which the Committee believes justifies a further adjustment of salary.</p>	<p>The Committee considers and sets appropriate individual director salary levels each year having regard to the factors noted in the salary policy.</p> <p>Salary is not linked to specific financial or non-financial performance measures.</p> <p>No claw back or recovery provisions apply in relation to salary.</p>
Fees for Non-Executive Directors Reflect the time commitment and responsibilities of the roles.	<p>Fees are reviewed on an annual basis, taking into consideration market practice and are set with reference to sector, FTSE250 and general Non-Executive Director benchmarking data as appropriate.</p> <p>Fees are approved by the Board upon a recommendation from the Executive directors.</p> <p>Non-Executive Directors' fees are paid in cash and are not performance related. There are no benefits or incentive schemes for Non-Executive Directors.</p>	<p>Fees are set by reference to the policy element.</p> <p>No claw back or recovery provisions apply in relation to fees.</p>

Element/ Link to strategy	Operation (including maximum opportunity)	Performance Framework
Benefits To provide a competitive level of benefits and encourage the well-being and engagement of employees.	<p>Core benefits include:</p> <ul style="list-style-type: none"> • 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. <p>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.</p> <p>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.</p> <p>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.</p> <p>Benefits are designed to be competitive and are reviewed from time to time against market practice with any appropriate changes being made.</p> <p>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 Directors overall remuneration package.</p>	Not applicable.

Element/ Link to strategy	Operation (including maximum opportunity)	Performance Framework
Pension Provide retirement planning and protection to employees and their family 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 contribution 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.	Not applicable.
Annual bonus Rewards individuals on achievement of pre-defined, Committee approved corporate financial objectives linked to key goals of the Group. Motivate employees towards superior performance and in so doing improve 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 end, based on performance against the performance metrics set. The maximum bonus opportunity is capped at 125% salary for Directors with on-target performance receiving 50% salary and performance below target receives 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.	Performance is assessed using financial and non-financial measures assessed by the Committee in its discretion. At least half of the bonus will be linked to one or more financial metrics. All non-financial metrics will be based on relevant operational, business or personal objectives. The measures used for the 2014 year are set out on page 91 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 claw back or recovery provisions apply in relation to the cash element of any bonus. Downwards adjustment provisions apply under the Deferred Bonus Plan as set out below.
Deferred Bonus Plan Deferred element encourages longer-term shareholding and links part of annual bonus payments to the further success of the Group and shareholders' interests.	One third of annual bonus will be deferred and made in to 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 2013/2014 financial year and subsequent financial years. For bonuses earned in respect of performance in the 2012/2013 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.	Deferred bonus thereafter affected by movement in the Company's share price. Deferred Share Awards are subject to adjustment downwards at the Committee's discretion in event of material misstatement of accounts or misconduct.

Element/ Link to strategy	Operation (including maximum opportunity)	Performance Framework
<p>Long-term Incentive Plan</p> <p>Incentivise long-term shareholder value creation.</p> <p>Drives and rewards achievement of key long-term Company objectives over which participants have line of sight.</p>	<p>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.</p> <p>The maximum award level under the plan rules for the LTIP is 300% of salary.</p> <p>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.</p> <p>Awards currently take the form of nil-cost options.</p> <p>Amounts equivalent to any dividends or shareholder distributions may be made in respect of awards at vesting if the Committee so determines.</p>	<p>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 profit before tax (PBT) as 50% of the measure and return on capital employed (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.</p> <p>The Remuneration Committee reviews the measures, their relative weightings and targets prior to each award and makes changes as is deemed appropriate. 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.</p> <p>No claw back or recovery provisions apply in relation to LTIPs. LTIP awards will be subject to downward adjustment at the Committee's discretion in the event of material mis-statement of accounts, misconduct or in circumstances where the financial performance of the Group does not support full vesting.</p>
<p>Share Options</p> <p>Certain share options were granted to Directors prior to the Company's IPO and vested on Admission.</p>	<p>These options do not have performance criteria and were made pursuant to the company's Management Incentive Plan when it was a private company.</p> <p>All Options vested on IPO and are exercisable.</p>	<p>All awards have vested and will be satisfied by the Company upon exercise.</p> <p>No reduction, claw back or recovery provisions apply in respect shares acquired on exercise.</p>
<p>Minimum shareholding requirement</p> <p>Encourages long-term commitment and alignment with shareholder interests.</p>	<p>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.</p> <p>Deferred share awards under the Deferred Bonus Plan may be counted towards meeting the guideline.</p>	<p>Minimum shareholding levels for Executive Directors are:</p> <ul style="list-style-type: none"> • CEO: minimum of five times salary • GFD: minimum of two times salary.

HOW THE COMMITTEE WILL USE ITS DISCRETION

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
- Discretions required when dealing with a change of control
- 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 Directors Remuneration Reports and may, as appropriate, be the subject of consultation with the Company's major shareholders.

REMUNERATION POLICY FOR OTHER EMPLOYEES

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

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

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

STATEMENT OF IMPLEMENTATION OF REMUNERATION POLICY IN THE FOLLOWING FINANCIAL YEAR

In 2014 the Committee intends to implement the Executive and Non-Executive Director remuneration policies as follows:

Base salary

The Committee has determined the following 2014 base salaries, effective from 1st January 2014, and in line with the disclosed remuneration policy on pages 86 to 97 of this report:

	2014 salary £	2013 salary £	Change %
Stephen Stone	515,082	500,080	3
Patrick Bergin	288,400	280,000	3

In determining these increases the Committee considered benchmarking analysis and trend information to assess the relative roles across comparable companies. The Committee felt that in the context of the current remuneration structure that the increase in salary for 2014 should be in accordance with the annual increase awarded to employees generally.

Pension and benefits

The Committee intends that the implementation of policy in relation to pension and benefits will be unchanged for 2014, and in line with the disclosed policy on pages 86 to 97 of this report.

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

Annual Bonus

The annual bonus scheme for 2014 will be in line with the policy on pages 86 to 97, capped at 125% of salary and subject to earnings before interest, tax, depreciation and amortisation (EBITDA) and customer service performance metrics. These measures have been selected to reflect specific financial and operational targets which relate to the delivery of the Group's overall business strategy and performance.

The performance measures and weightings are set out below and apply in the same proportions for CEO and GFD:

Measure	Weighting
EBITDA	85%
Customer Satisfaction	15%

The specific targets for the 2014 year are considered to be commercially sensitive. However, the Committee intends to disclose these retrospectively in next year's Directors Remuneration Report to the extent that they do not remain commercially sensitive.

One third of annual bonus will be deferred and made as conditional share awards or nil-cost options (the "Deferred Share Awards") which will vest three years from the date of grant. For bonuses earned in respect of performance in the 2012/2013 year, deferral will be for one year as a transitional arrangement during the year of IPO.

Deferred Share Awards are subject to adjustment downwards at the Committee's discretion in the event of material misstatement of accounts or misconduct.

The Committee will use its discretion outlined on page 90 in operating incentive plans.

Long-term Incentive Plan

The Committee intends to make awards under the LTIP to Executive Directors in 2014, in line with the disclosed policy on pages 86 to 97. These awards are expected to be at 150% of salary, reflecting the level at which the Committee intends to make such awards in future.

The performance measures for these awards are unchanged from the awards granted in 2013 and are based equally on growth in post-exceptional PBT per share and return on average capital employed, as independent measures. The 2014 vesting schedule is set out below with straight line vesting between these points:

	PBT per share, growth over 3 years	Payout (PBT element)	Average ROCE for 3 year period	Payout (ROCE element)
Threshold	Cumulative growth 18% nominal p.a.	25%	20%	25%
Target	Cumulative growth 20% nominal p.a.	50%	21%	50%
Maximum	Cumulative growth 22% nominal p.a.	100%	22%	100%

The Committee will use its discretion outlined on page 90 in operating incentive plans.

Non-Executive Directors

Non-Executive Director fees for 2014 will be as follows:

	2014 fee	2013 fee
William Rucker	£140,000	£140,000
Jim Pettigrew	£60,000	£60,000
Malcolm McCaig	£50,000	£50,000
Pam Alexander	£50,000	£50,000

APPROACH TO RECRUITMENT REMUNERATION

The table below sets out the components that would be considered for inclusion in the remuneration package of an Executive Director on appointment and the approach the Committee will adopt in respect of each element.

The Committee reserves the right, where the applicable plan rules permit, to use its discretion to make a payment to an individual which does not fall within any of the elements set out below. The Committee will only do this 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.

Area	Policy and operation
Overall	<p>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. Where necessary, the Committee will obtain external benchmarking or professional guidance from its remuneration advisors.</p> <p>For an internal appointment, the Committee may initially position remuneration below the market level and increase overall pay levels over a period of time to achieve alignment with market levels for the role, subject to Company and individual performance.</p>
Base salary	The salary level will be set taking into account the responsibilities of the role and be consistent with salaries paid for similar roles in comparable organisations. The direct comparability or otherwise of those other roles will be a material factor.
Pension and benefits	The Executive Director will be eligible to participate in Crest Nicholson's benefit plans and the Crest Nicholson Pension Plan or salary supplement scheme in accordance with the policy set out on pages 86 to 97.
Annual bonus	The Executive Director will be eligible to participate in the discretionary annual bonus scheme as set out in the policy table. The maximum opportunity will be 125% of salary, consistent with this policy.
Long-term incentives	The Executive Director will be eligible to participate in the long-term incentive scheme set out in the remuneration policy table. The opportunity level will be consistent with the policy on pages 86 to 97 and would not normally exceed 150% of salary. The Committee may, in exceptional circumstances, make an award of up to 300% of salary; however, any such arrangements would be made within the context of minimising the cost to the company and ensuring value for money to shareholders.
Replacement awards	<p>The Committee may grant the Executive Director replacement awards. Should replacement awards be made, any awards granted would be no more generous in terms of quantum or vesting period than the awards due to be forfeited.</p> <p>In determining the quantum and structure of these commitments, the Committee will seek to replicate the fair value of the award and, as far as practical, the timing and performance of the remuneration foregone.</p> <p>For an internal appointment, any variable pay element awarded in respect of the prior role may be allowed to pay out according to its terms, adjusted to take account of the appointment if this is appropriate. Any other obligations existing prior to appointment may continue, but will be presented for shareholder approval at the earliest opportunity.</p>
Other	The Committee may agree that the Company will meet certain relocation or other transitional expenses deemed appropriate.

SERVICE CONTRACTS AND POLICY ON PAYMENT FOR LOSS OF OFFICE

Loss of office policy

The table below sets out the Committee's policy on termination arrangements for Executive Directors:

Area	Policy and operation
Overall	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. The Committee reserves the right to apply its discretion in exceptional circumstance to make a payment to an Executive Director outside the scope of this policy, but will only do this if it is in the best interests of the Group and its shareholders. Full disclosure will always be made of any such payments in the following year's Directors Remuneration Report.
Contractual payments	Crest Nicholson may terminate service contracts immediately by making a payment in lieu of notice consisting of base salary and any contractual benefits for the unexpired period of notice. This payment may be made as either a lump sum or as instalments over the period. If Crest Nicholson elects to make this payment by instalments, the Executive is under a duty to seek alternative employment and where practical any remuneration received from a new role will be offset against the payment.
Annual bonus	In the event of termination for a reason other than resignation, gross misconduct or material performance or conduct concerns, a Director may be entitled at the discretion of the Committee to a bonus in respect of the year in which his employment terminates. Any payment would be reduced on a pro-rata basis to reflect the portion of the bonus year worked and subject to an assessment of performance over the period.
Deferred Bonus Plan	The treatment of unvested long-term incentive awards is governed by the rules of the relevant Deferred Bonus Plan. Individuals would be defined as good or bad leavers, with good leavers being those leaving under pre-determined circumstances such as retirement, redundancy, ill-health, death or disability, or those deemed by the Board in its absolute discretion to be good leavers given the circumstances surrounding termination. All other leavers would be bad leavers. If an individual is categorised as a good leaver then, at the Board's discretion, they will either continue to hold the award which will vest on the normal vesting date, or the Board may use its discretion to accelerate vesting. In both cases the number of shares would be pro-rated to reflect the reduced service period. If an individual is determined to be a bad leaver, their awards will lapse in full.
Long-term incentives	The treatment of unvested long-term incentive awards is governed by the rules of the relevant incentive plan. Individuals would be defined as good or bad leavers, with good leavers being those leaving under pre-determined circumstances such as retirement, redundancy, ill-health, death or disability, or those deemed by the Board in its absolute discretion to be good leavers given the circumstances surrounding termination. All other leavers would be bad leavers. If an individual is categorised as a good leaver then, at the Board's discretion, they will either continue to hold the award which will vest on the normal vesting date, or the Board may use its discretion to accelerate vesting, reflecting the extent to which performance targets have been met or are likely to be met. In both cases the number of shares would be pro-rated to reflect the reduced service period. If an individual is determined to be a bad leaver, their awards will lapse in full.

Current Directors service contracts

Executive Directors have twelve months' notice of termination by Crest Nicholson and six months' notice from the Executive's side. The Committee expects that Director notice periods will be set in accordance with prevailing governance codes of practice.

All Executive Directors are entitled to receive a salary and to participate in any bonus scheme operated for Crest Nicholson Holdings plc executives from time to time. Executive Directors are also entitled to participate in life assurance scheme, private health insurance and permanent health insurance and to receive a car benefit to the value of £1,000 per month. Mr Stone also receives a fuel allowance of £1,200 per year.

The table below highlights key differences between the service contracts of current Executive Directors:

	Stephen Stone	Patrick Bergin
Date of contract	14 th February 2007. This was replaced by an amended and restated contract dated 12 th February 2013.	28 th October 2011. This was replaced by an amended and restated contract dated 12 th February 2013.
Payment in lieu of notice	Entitlement to payment in lieu of notice of salary and all contractual benefits.	Entitlement to payment in lieu of notice of salary only.
Pension	Entitlement to pension allowance of 24.5% of salary.	Entitlement to participation in Crest Nicholson Pension Plan, with an employer contribution equal to 15% of salary (subject to a personal contribution of 5% of salary).

Non-Executive Directors are appointed for an initial period of three years and are subject to annual reappointment in accordance with the UK Corporate Governance Code. They do not have service contracts and have no entitlement to compensation in the event of loss of office. Non-Executive Directors may terminate their appointment at any time by giving not less than three months' written notice.

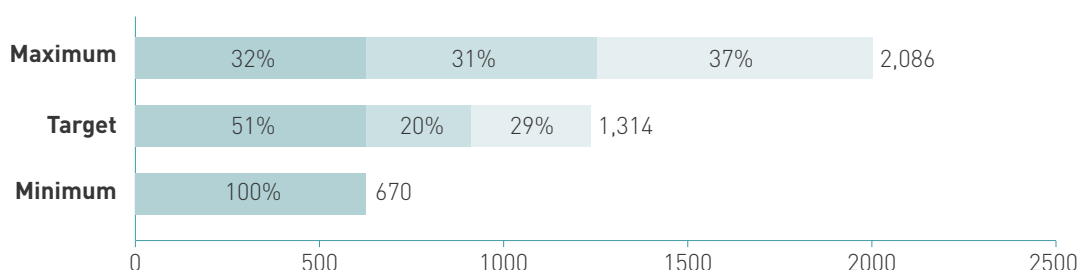
Dates of contract or appointment for Directors are set out in the table below:

Director	Date of contract or appointment
Stephen Stone	14 th February 2007. This was replaced by an amended and restated contract dated 12 th February 2013.
Patrick Bergin	28 th October 2011. This was replaced by an amended and restated contract dated 12 th February 2013.
William Rucker	13 th September 2011. This was replaced by a letter of appointment dated 12 th February 2013.
Jim Pettigrew	11 th February 2013
Malcolm McCaig	6 th April 2009. This was replaced by a letter of appointment dated 12 th February 2013.
Pam Alexander	30 th November 2011 appointed from 5 th December 2011. This was replaced by a letter of appointment dated 12 th February 2013.

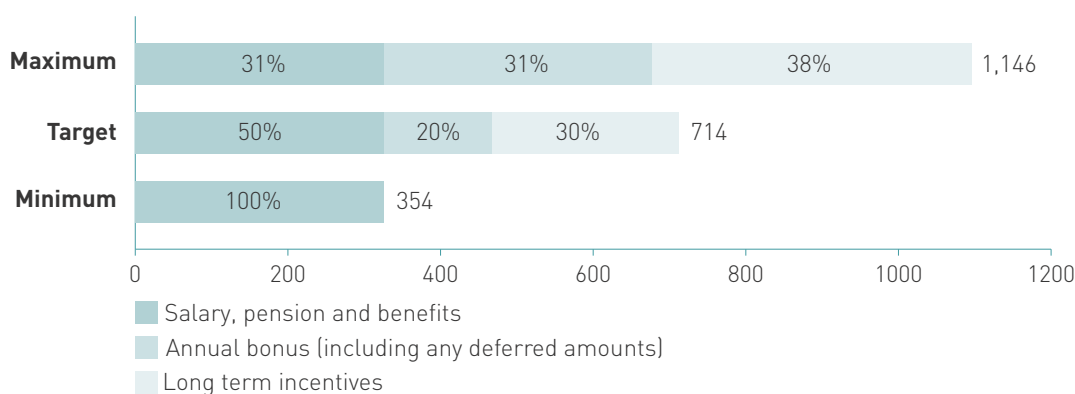
ILLUSTRATION OF APPLICATION OF REMUNERATION POLICY

The composition and structure of the remuneration package for Executive Directors in three performance scenarios is set out in the charts below. These show that the proportion delivered through long-term incentives is in line with our remuneration 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.

Stephen Stone (£000)



Patrick Bergin (£000)



The assumptions made for the scenarios are as follows:

- Minimum: This represents fixed remuneration consisting of current annualised salary, pension (plan contribution or cash supplement) and benefits
- Target: This represents fixed remuneration as detailed above, plus 40% of the maximum bonus opportunity plus vesting of 50% of the maximum LTIP award
- Maximum: This represents fixed remuneration together with the maximum annual bonus opportunity and vesting of 100% of LTIP award
- Share price movement is excluded
- No dividend accrual is included
- Share options which have already vested but have not been exercised are not included

No allowance has been made for share price appreciation, in accordance with the requirements of the remuneration reporting regulations. Non-Executive Directors do not receive performance related pay. Their fees are disclosed on page 93.

STATEMENT OF CONSIDERATION OF EMPLOYMENT CONDITIONS ELSEWHERE IN THE GROUP

When making remuneration decisions for Executive Directors the Committee considers the wider economic environment and conditions within the Company. In particular, the Committee is sensitive to pay and employment conditions across the wider workforce and carefully considers the broader employee salary increase budget when making reward decisions for Directors. The Committee considers wider industry benchmarking material in the context of monitoring its overall position on Director and employee pay.

The Company carries out periodic employee engagement surveys which provide employees with the opportunity to share their view on a number of employment related areas, including their remuneration but has not consulted with employees in respect of the Directors Remuneration Policy.

STATEMENT OF CONSIDERATION OF SHAREHOLDER VIEWS

Dialogue with prospective shareholders in the lead up to the IPO was an intrinsic part of its success. 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. There has been no specific further consultation with shareholders in the immediate period since IPO as we continue to follow the strategy outlined in the IPO Prospectus but as the company's shareholder base equalises and develops in the medium-term, major shareholders will be consulted on remuneration matters from time to time as appropriate.

The Committee believes that this remains proportionate given the relative infancy of the plans, and intends on seeking feedback from investors in developing and reviewing Crest Nicholson's remuneration policy, and on listening to and taking into consideration investor views throughout the year.

As Crest Nicholson has not yet held an AGM since listing, no voting outcomes are available. In line with the reporting rules, we will publish details of remuneration related voting outcomes in next year's Directors Remuneration Report in addition to any disclosures required under the Listing Rules and Disclosure and Transparency Rules.

ANNUAL REPORT ON REMUNERATION

Single total figure of remuneration (subject to audit)

The tables below sets out 2013 remuneration for Executive and Non-Executive Directors. Notes which assist understanding of the matters in the two following tables are set out thereafter.

	Base salary ¹		Benefits ²		Annual Bonus ⁴		Management incentive plan (performance shares and options) ⁵		Retirement benefits ³		Total	
	2013 £	2012 £	2013 £	2012 £	2013 £	2012 £	2013 £	2012 £	2013 £	2012 £	2013 £	2012 £
Stephen Stone	498,047	485,900	29,388	28,900	625,100	390,306	12,835,904	–	119,531	137,660	14,107,970	1,042,766
Patrick Bergin	280,000	220,000	22,759	20,502	350,000	176,000	3,911,448	–	42,000	33,000	4,606,207	449,502

Details of total fees paid to Non-Executive Directors and the Chairman (including the Chairman's participation in the Management Incentive Plan) during 2013 are set out in the table below:

	Basic fee ⁶		Management incentive plan ⁵		Total	
	2013 £	2012 £	2013 £	2012 £	2013 £	2012 £
William Rucker	140,000	140,000	8,107,983	–	8,247,983	140,000
Jim Pettigrew	43,500	–	–	–	43,500	–
Malcolm McCaig	50,000	50,000	–	–	50,000	50,000
Pam Alexander	50,000	50,000	–	–	50,000	50,000

Notes to the tables above:

- Base salary:** The salary figure shown in the table above reflects the actual salary paid in the financial year, and therefore includes 2 months at 2012 salary levels (£478,883 for the CEO and £220,000 for the GFD) and 10 months at 2013 salary levels (£500,080 for the CEO and £280,000 for the GFD).
- Benefits:** Benefits figure shown includes car benefit, family healthcare, permanent health insurance, personal accident and life insurance and annual health check.
- Retirement benefits:** This includes the salary supplement of 24.5% of salary for the CEO and the employer contribution equal to 15% of salary for the GFD.
- Annual bonus:** Bonus expected to be awarded for year under review (see additional information below). Includes amounts due to be paid as cash and includes amounts deferred or due to be deferred as shares. 33% of the bonus will be deferred in to shares for one year.
- Management incentive plan:** This plan was put in place by shareholders when the Company was private and included performance shares and options (see additional information below). The Chairman and Executive Directors (but no other Non-Executive Directors) participated in the Plan. The Plan vested on Admission based on the growth in equity value during the performance period. The plan has now ended.
- Basic Non-Executive Director fees:** Fees actually paid in year. Jim Pettigrew was appointed on 11th February 2013 and his annual fee is £60,000.

Single total figure of remuneration – additional information (subject to audit)

Annual bonus targets and outcomes

The table below sets out the 2013 targets and outcomes relating to the annual bonus figures shown in the single figure above. The Committee was satisfied that these payments fairly reflected Group performance in the year.

Measure	Performance Required				
	Threshold	On-target	Maximum	Actual	Payout level for measure
	£m	£m	£m	£m	%
EBITDA (before exceptional items)	83.1	83.1	90.6	97.1	100

A sliding scale was set for the measure in respect of the year. No bonus is paid for failing to meet target with a bonus of 50% of salary being payable on meeting target with incremental increases as performance over target increases up to the maximum. These targets applied in the same way to the CEO and GFD.

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

	Total		Paid in cash		Deferred as shares	
	£000	% of salary ¹	£000	% of salary ¹	£000	% of salary ¹
Stephen Stone	625.1	125	418.8	67	206.3	33
Patrick Bergin	350.0	125	234.5	67	115.5	33

¹calculated based on salary at 31st October 2013

IPO awards – Management incentive plan

To incentivise the creation of value for shareholders, a Director's incentive plan was put in place in March 2009. In September 2011, a further financial restructure and debt for equity swap took place and the 2009 scheme was converted (involving certain members of management giving up their existing equity in the Company for new performance shares), into a new scheme where the Chairman, Executive Directors, senior management and some senior employees chose to subscribe for performance related equity in the Company.

Prior to admission the Company's employee benefit trust, the Crest Nicholson Employee Share Ownership Trust was allotted a limited number of shares under the Plan to satisfy awards to some employees and as part of this, certain nil cost share options were granted to Executive Directors over some of these shares and these options vested on IPO.

The performance shares were subject to restricted economic rights where the value of the equity was based (subject to minimum value hurdles) upon an agreed proportion of the value created since the start of the Plan and determined by the enterprise value of the Company at an exit event including an IPO.

The criteria for the allotment of performance shares and nil cost share options were based on seniority and the value was determined in accordance with the value of the business at an exit event, which included an IPO. The payouts from the plan were calculated on how quickly significant value was created for shareholders, and the quantum of this, using real investment thresholds for the base line.

Performance shares and nil cost options awarded to the current Executive Directors and their spouses under the schemes described above are as follows:

	Performance shares £	Share options £	Total £
Stephen Stone	12,343,868	492,037	12,835,904
Patrick Bergin	3,288,223	623,225	3,911,448

The performance shares crystallised at the time of IPO, on 18th February 2013, based on the achievement of the required value hurdles at Admission. As Admission occurred, the required condition was achieved and the share options became exercisable. Other than the shares sold immediately at Admission, the Chairman and Executive Directors cannot sell further shares until after the 17th February 2014 in accordance with the underwriting conditions of the IPO.

Scheme interests awarded during the financial year (subject to audit)

Executive Directors were invited to participate in the LTIP in 2013, as described below. An enhanced award of 300% of salary was made to Executive Directors, to reflect the initial three year period before the options may vest and to ensure the retention of key members of staff through this critical phase in our development. In future the Committee intends to make awards of 150% of salary to Executive Directors under the LTIP.

The following table sets out the 2013 awards granted to Executive Directors under the LTIP. The market price of the Company's ordinary shares at 31st October 2013 was £3.87 and the range during the period since the Company's share began trading was £2.20 to £3.87.

Maximum award level	300% of salary		
Share price at award	£2.80 (middle market share price on 7 th March 2013, the day prior to grant)		
Type of award	Nil-cost options		
Face value of award	Chief Executive Officer: £1,500,240 (535,800 shares) Group Finance Director: £840,000 (300,000 shares)		
Performance period	3 years (1 st November 2012 – 31 st October 2015)		
Performance conditions	50% PBT growth 50% average ROCE		
Vesting schedule		PBT element (cumulative nominal growth per annum)	ROCE element component (average for 3 year period)
	Threshold (25% of component)	10%	18%
	Target (50% of component)	12%	19%
	Maximum (100% of component)	14%	20%

Total pension entitlements (subject to audit)

Executive Directors are eligible to participate in the Crest Nicholson Pension Plan, a defined contribution arrangement and the GFD is a member of the Plan. The CEO does not participate in the Plan and receives cash in lieu of pension benefit.

The Group has a closed defined benefit pension scheme (the "DB Scheme") which closed to new members in 2001 and closed to future accrual in 2010. The following table sets out the accrued benefit for each director in the DB Scheme. Although the accrued benefits will continue to increase in accordance with the revaluation rules of the DB Scheme, no further benefit can be accrued. The GFD has never been a member of the DB Scheme.

The table below sets out the accrued pension in the DB Scheme for both Executive Directors.

	Date pensionable service commenced	Scheme normal retirement date	Accrued pension at 31 st October 2013	Pensionable service (complete years and months)	Normal retirement age	Increase in accrued pension (net of inflation) during the year	Transfer value of increase (net of inflation and employee contributions)
Stephen Stone	01 st Dec 1995	31 st Jan 2014	£125,231 p.a.	14 years 5 months	60	nil	nil
Patrick Bergin	N/A	N/A	N/A	N/A	N/A	N/A	N/A

In respect of on-going pension benefit, the CEO receives a salary supplement of 24.5% of salary in lieu of pension (£119,531 in 2013). The GFD receives pension contributions of 15% of salary (£42,000 in 2013) subject to personal contributions of 5% of salary.

Directors' shareholdings (subject to audit)

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 Executive Directors are expected to build up and maintain a significant shareholding in Crest Nicholson as follows:

- The CEO is required to retain a shareholding equal to five times his basic salary
- The GFD is required to build up a holding of twice his basic salary.

The CEO and GFD had been given five years to achieve these goals, although the current ownership levels of these Directors exceeds this requirement.

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 2013. There have been no changes to directors interests between 31st October 2013 and 24th January 2014.

Director	Shareholding requirement (% of salary)	Shares held		Options held (without performance criteria) ¹		LTIP Performance Shares ²		SAYE	Current shareholding (% salary) ³	Guideline met?
		Owned outright	Subject to performance conditions	Vested but unexercised	Exercised in year	Vested but unexercised	Exercised in year			
Stephen Stone	500%	4,667,603	535,800	-	223,653	535,800	-	3,643	3507%	Yes
Patrick Bergin	200%	1,050,165	300,000	283,284	-	300,000	-	3,643	1409%	Yes
William Rucker	N/A	3,685,447	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Jim Pettigrew	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Malcolm McCaig	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Pam Alexander	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

1 These relate to the Management Incentive Plan which vested on 18th February 2013 when the Company's shares were admitted to trading on the London Stock Exchange.

2 Unvested and unexercised.

3 Based on closing share price on 31st October 2013 of £3.87.

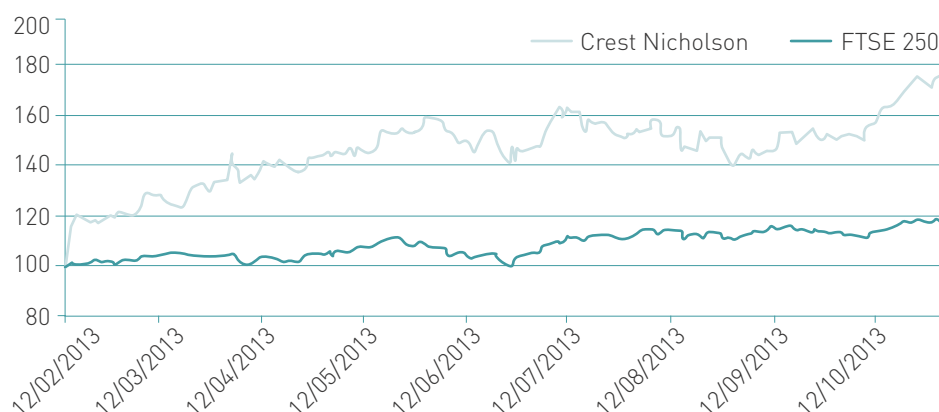
Loss of office payments or payments to past Directors (subject to audit)

No loss of office payments or payments to past Directors were made in the year under review.

Performance graph and table

The graph below illustrates the Company's Total Shareholder Return (TSR) performance relative to the constituents of the FTSE 250 index (excluding investment companies) of which the Company is a constituent, from the start of conditional share dealing. The Company formally joined that index on 24th June 2013. The graph shows performance of a hypothetical £100 invested and its performance over that period.

Crest Nicholson TSR vs FTSE 250



Change in CEO Remuneration

The table below sets out total CEO remuneration for 2013, together with the percentage of maximum annual bonus awarded in that year and percentage of the Management Incentive Plan shares and options which crystallised or became exercisable following IPO.

As this is the first Directors Remuneration Report for Crest Nicholson, this information has not previously been supplied. In accordance with the requirements of the disclosure rules, the remuneration of the CEO of Crest Nicholson for each of the preceding four financial years (calculated in line with the methodology used to calculate the single figure) is provided as a suitable corresponding sum.

The total CEO salary and benefits remuneration in the 2013 year was £1,271,638 before inclusion of incentive plan shares and options included in the 2013 figure below.

	2013	2012	2011	2010	2009
CEO total remuneration	£14,107,921	£1,042,765	£978,874	£808,623	£528,170
Annual bonus (% of maximum)	100%	80%	75.60%	0% ¹	0%
Incentive Plan award (% of maximum)	100%	N/A	N/A	N/A	N/A

¹Although 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.

Percentage change in CEO remuneration

The table below sets out the percentage change year on year 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.

	CEO	Employees
Salary	2.5%	2.5%
Benefits	1.5%	1.5%
Annual Bonus	60.2%	47.8%

Relative importance of spend on pay

The table below shows how staff remuneration costs compare to distributions made to shareholders in 2013 and 2012.

The table includes data for all employees including those who have been promoted in the year, had salary changes, new starters, incentive based remuneration and pay in respect of individuals who left in the year but had some service. The change in spend on pay in the period is due to a number of factors, principally the increase in headcount, increases to pay generally (including specific market rate adjustments) and an increase in financial performance leading to increased annual bonus payments.

	2013 £	2012 £	Change £	Change %
Total spend on pay	33,196,836	26,619,470	6,577,366	24.71
Distributions to shareholders by way of dividend and share buyback	No distributions have been made to shareholders in the year			

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

Remuneration Committee

The Remuneration Committee comprises three independent Non-Executive Directors who have no personal financial interest in the matters to be decided. Prior to the Company's IPO William Rucker and Stephen Stone were members of the Remuneration Committee but ceased to be members in order that the membership of the Committee is compliant with the UK Corporate Governance Code.

Members and attendance in the year is set out in the table below:

Committee member	Number of meetings eligible to attend (as Chairman)	Number of meetings attended
Jim Pettigrew (Chairman since 12 th February 2013)	1 (1)	1 (1)
Malcolm McCaig (Chairman until 12 th February 2013)	3 (2)	3 (2)
Pam Alexander (from 12 th February 2013)	1	1
William Rucker (until 12 th February 2013)	2	2
Stephen Stone (until 12 th February 2013)	2	2

In 2013 the meetings of the Committee covered the following key areas:

- Allocation of certain Management Incentive Plan shares and share options
- Determining Non-Executive Director fees for Jim Pettigrew (prior to appointment)
- Remuneration considerations prior to IPO
- Determination of 2012 bonus awards
- Consideration of structures and measures for 2013 annual bonus
- Consideration and approval of the 2013 LTIP
- Launch of the 2013 Sharesave plan.

Advisors

The Committee regularly consults with the Chief Executive on matters concerning remuneration, although he is never present when his own reward is under discussion. The Company Secretary acts as secretary to the Committee but is never present when his own reward is determined.

The Committee appointed PricewaterhouseCoopers LLP (PwC) based on their expertise and knowledge to serve as independent external advisors to the Committee during the period, having advised the Committee since 2011. PwC also provided advice in relation to pension schemes to the Company in 2013. Fees paid to PwC in relation to remuneration services provided to the Committee in 2013 totalled £52,190 with fee levels based on the quantity and complexity of the work undertaken particularly in respect of the IPO.

The Committee is satisfied that the advice received by PwC in relation to Executive remuneration matters during the year was objective and independent. PwC is a member of the Remuneration Consultants' Group which operated a code of conduct in relation to remuneration consulting in the UK. During the year PwC also provided the Company with advice in relation to its pension schemes.

Approval

This report and policy was approved by the Board of Directors on 28th January 2014.
By Order of the Board

Jim Pettigrew

Chairman of the Remuneration Committee



Penarth Heights, Glamorgan



6

NHBC HEALTH & SAFETY AWARDS PRESENTED TO OUR SITE MANAGERS



PEOPLE FOCUS

Pete, Site Manager is an award winning employee at our Park Central development in Birmingham. Pete, like all of our Site Managers, adopts the highest standard of site safety which has helped contribute towards the Group being awarded more health and safety awards than any other developer.

NOMINATION COMMITTEE REPORT



Introduction

Like the Remuneration Committee, this is my first letter to shareholders in relation to the activities and achievements of the Nomination Committee in the year. The Committee has been part of the preparations for and initiatives since the Company's IPO and will be increasing its activity now that the Company is listed. This report sets out the work in the year, and the areas for development in the forthcoming year.

Jim Pettigrew

Chairman of the Nomination Committee

Committee membership

Members and attendance in the year is set out in the table below:

Committee member	Number of meetings eligible to attend (as Chairman)	Number of meetings attended
Jim Pettigrew (Chairman since 12 th February 2013)	1 (1)	1 (1)
Malcolm McCaig (Chairman until 12 th February 2013)	2 (1)	2 (1)
Pam Alexander (from 12 th February 2013)	1	1
William Rucker (until 12 th February 2013)	1	1
Stephen Stone (until 12 th February 2013)	1	1

During the year, the Chairman, CEO and Company Secretary attended meetings. However, no one was present for any discussions relating to themselves.



Rowan Park, Mitcham

Committee's activities during the year

- Ensuring the board composition was satisfactory for Listing, including the appointment of a Senior Independent Non-Executive Director
- Supported the Board in changes to terms and conditions of all Directors as part of the transition to listing
- The Committee has considered the need for a more formalised structure of management development and succession planning for the Executive Directors specifically and the wider Executive Management Team
- Started a process to develop a framework for timely and proportionate identification of potential successors
- Established a Talent Review Group to monitor and oversee implementation of a formal programme to identify and develop emerging talent in the business
- Undertaken some specific review of the work and performance of the Board and Non-Executive Directors

Responsibilities and terms of reference

- Review of structure, size and composition of the Board including skills knowledge and experience
- When seeking new Board members, carry out a wide ranging search for potential candidates and prepare appropriate job specifications
- Ensuring appropriate induction for new Directors
- Make recommendations in respect of re-election of Directors retiring by rotation, issues around continuation in office, and the appointment of Directors to other offices
- Performance evaluation of Directors, Non-Executive Directors and senior management as appropriate
- Succession planning
- Dealing with Directors conflicts of interest issues



Kings Warren, Red Lodge

Approach to Board appointments

The Committee's approach to Board appointments has been to carry out a rigorous selection process using a number of sources for candidates, undertaken interviews and assessed candidates against the requirements of the role, the Company and the existing Board dynamic.

The Committee would expect its future approach to follow a similar process involving outside candidates, internal nominees, advice from outside organisations and specialists.

In the year, the Committee nominated Jim Pettigrew to the Board for appointment as Senior Independent Non-Executive Director. At the time of the search and selection process, the Company was a private company. As part of a proportionate selection process, and mindful of the need to carefully control the flow of information concerning the Company's corporate plans, no external search agencies or advertising were used as part of the appointment. The selection process was undertaken with the help of the Company's corporate advisors who proposed candidates for consideration, having taken in to account the sector and size of company, their respective skills, the required time commitment, the inherent uncertainty of an IPO and the required composition of the Board. Following that selection process and a number of meetings, Mr Pettigrew was nominated for the role.

Diversity

The Board actively encourages diversity and equal opportunities throughout its business and applies the same principles to Board appointments. Diversity in all areas be it gender, race, skills or background are a key part of strong and effective achievement. The Committee will consider boardroom diversity in future succession planning, and will establish a formal policy for this in the coming year.

Board effectiveness and performance evaluation

Over the previous years the priorities of the Board have been working with shareholders and lenders to transform the financial structure of its business to reflect its true value, and position it for the next stage in its corporate life. During that period Board effectiveness was assessed by shareholders and lenders as they sought to work with the Board to implement strategy.

Since listing the Company is now moving to more formalised processes for monitoring and improving Board effectiveness and performance.

During the year, a number of evaluation processes took place including:

- **Non-Executive Director performance review:** A one-to-one meeting between the Chairman and each Executive and Non-Executive Director, to discuss and review the operation of the Board and that Director's views and performance. Feedback was given to each Non-Executive Director as necessary. However, there were no areas of concern surrounding any Director's performance.
- **Board Performance Review:** A meeting and review session was held by the Non-Executive Directors to review the performance of the Board, its Committees and the Executive Directors. The CEO was invited to join the second part of this session.
- **Evaluation of Chairman's Performance:** The Non-Executive Directors, led by Mr Pettigrew as Senior Independent Non-Executive Director undertook a review of the Chairman's performance in respect of the period of this report. It was felt that the Chairman had successfully led the Board through a particularly challenging IPO, and had otherwise effectively managed the Board through the year. Feedback was given to the Chairman by Mr Pettigrew.

These meetings were valuable in reflecting on the Board's work to date and understanding some of the other areas that required further consideration. All participants valued the opportunity outside to discuss and challenge views and assumptions in a less formal setting.

The conclusions from these reviews included:

- Agreement that the Board structure and operation is effective and appropriate
- That as the Company settles into listed life, there is additional formalisation of matters such as Board effectiveness, performance evaluation and diversity
- Progress with formal talent development and succession planning should remain a priority.

For the 2014 financial year, a formal process will be established for Board Evaluation and the merits of external evaluation of the Board in the year will be considered. Where this is not carried out in 2014 an internal review will be carried out with an external evaluation carried out in 2015.

Re-election of Directors

All the Directors submit themselves for re-election at the AGM to be held on 20th March 2014.

The Committee confirms that following the review and due diligence work undertaking as part of the IPO process, the new appointment in the year and the evaluations of individual Director performance and Board performance as a whole, that the Board has the appropriate balance of skills, experience, independence and knowledge and that the Company should support their re-election.

Committee's aim for next year

- A full review of Board composition and performance
- A formalised Board evaluation process
- A policy on Boardroom diversity
- Progress its talent development and succession planning work

AUDIT COMMITTEE REPORT



Introduction

I would like to start my letter to shareholders by setting the context that the Audit Committee's (the "Committee") role is to assist the Board with the discharge of its responsibilities in relation to risk management, internal control, internal and external audit, including reviewing the Group's financial statements and monitoring their integrity. In doing so the Committee helps ensure that the relevant codes and regulations are complied with allowing the business to operate within a controlled and managed framework.

Over the last year the Committee has ensured the Group has in place effective and resilient policies and control procedures to the standard one would expect of a publicly listed company. As ever, the integrity of the Group's financial statements, including the half year report, were an important aspect of the Committee's programme of activity. The Committee has closely monitored the Group's overall risk management framework to safeguard against potentially significant risks. The Committee received regular reports from the Business Assurance function and monitored the implementation of recommendations, providing guidance and challenge where appropriate. The Committee's programme of activity also includes review of the Group's compliance policies and in the year the Committee reviewed policies in relation to related party transactions, non-audit services provided by the external auditors, bribery and corruption and whistleblowing.

Malcolm McCaig

Audit Committee Chairman

Harvest Fields, Sutton Coldfield

Audit Committee membership

The Committee is made up of:

- Malcolm McCaig (Chairman)
- Jim Pettigrew
- Pam Alexander

Jim Pettigrew joined the Committee during the financial year following his appointment as Senior Independent Non-Executive Director on 11th February 2013. He replaced William Rucker (Company Chairman) as a member of the Committee. Following Mr Pettigrew's appointment all members of the Committee were Independent Non-Executive Directors in accordance with the UK Corporate Governance Code (the "Code").

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

Name of Director	Appointed to the Committee	Meetings attended
Malcolm McCaig (Chairman)	6 th April 2009	3/3
Pam Alexander	21 st February 2012	3/3
Jim Pettigrew	12 th February 2013	2/2
William Rucker	14 th September 2011 (resigned 12 th February 2013)	1/1

The Committee met three times during the year. Details of attendance are set out above. The Chairman of the Company, CEO, GFD and other senior personnel attend Committee meetings by invitation.

The Company's Business Assurance Manager and external auditors, KPMG, also attend each meeting by invitation and meet with the Committee at least once a year without Executive Management. The Committee is provided with detailed information and papers in a timely manner to enable them to give full and proper consideration to the issues for discussion. The Committee is supported by Kevin Maguire (Group Company Secretary) who acts as Secretary to the Committee.

Clarion Gate, Chelmsford

Audit Committee Activity

The Committee's remit includes:

- Monitoring the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance
- Reviewing significant financial reporting judgements contained in the financial statements and announcements
- Considering the scope of the annual audit and the extent of the non-audit work undertaken by external auditors
- Advising on the appointment of external auditors, reviewing and monitoring the auditors' independence and objectivity and the effectiveness of the audit process
- Reviewing the effectiveness of the system of internal control in place within the Group
- Arrangements in relation to whistleblowing
- The Group's procedures for detecting fraud, systems and controls for the prevention of bribery and the adequacy and effectiveness of the Group's anti-money laundering systems and controls.

Its terms of reference also set out the authority of the Committee to carry out its duties. The Committee will normally meet not less than 3 times a year.

During the period, the Committee:

- Ratified its terms of reference, and confirmed its independence and financial literacy
- Reviewed and approved statutory accounts for the year ended 31st October 2012, together with the related representation letter and going concern statement
- Reviewed and approved the half year results together with related public announcements
- Reviewed and approved a revised risk matrix relating to corporate risks, including counterparty risk
- Reviewed and approved the internal audit plan for 2013/2014
- Received and discussed internal audit reports in respect of overall Business Assurance including, customer service, the Group's shared equity portfolio and sub-contracting processes and procedures
- Reviewed the performance of KPMG as external auditors, including their independence, and approved their reappointment and remuneration in relation to the audit for the financial year ending 31st October 2013
- Reviewed and approved the policy on the use of KPMG for non-audit services
- Reviewed and approved the whistle blowing policy
- Reviewed the company's response to the Bribery Act and associated policies.

Significant issues and main activities during the year

A particular area of focus for the Committee has been profit recognition. As further explained in Note 1 to the financial statements, the approach to carrying value and profit recognition is driven by the forecast project margin (based on actual and forecast sales prices and build costs) which drives the profit recognised on completed sales and supports the carrying value of the remaining work in progress. For any undeveloped land, and sites trading, or with a risk of trading unprofitably, the risk is that net realisable value, being selling price less costs to sell will be below cost. In response to this management ensure that where any sites have low or negative margins appropriate and sufficient provisions are made.

The external auditor explained to the Committee the work they had conducted during the year, including testing management's controls over reviewing and updating selling prices and cost forecasts; challenging management's future sales prices and build costs movements in comparison to actual sales prices and cost trends.

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

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

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

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

Misstatements

Management confirmed to the Committee that they were not aware of any material misstatements made intentionally to achieve a particular presentation. The external auditors 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 auditors have fulfilled their responsibilities with diligence and professional scepticism.

After reviewing the presentations and reports from management and consulting where necessary with the auditors, 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, challenged and are sufficiently robust.

External Auditor

KPMG is the Group's external auditor and will be proposed for re-appointment at the Company's first AGM as a listed company. KPMG and its predecessor firms have held the position of external auditor for many years. Although KPMG will be proposed to continue as auditor, KPMG Audit plc will resign as Auditor at the forthcoming AGM and it will be proposed that KPMG LLP be appointed as auditor.

The Committee recognises that recent corporate governance changes state that FTSE 350 companies should put the external audit contract out to tender at least every 10 years. The contract was last put out to tender in 2006 at which point KPMG Audit plc were re-appointed, the Committee will therefore assess tendering arrangements within the 10 year period to ensure the Group remains compliant with best practice.

Mr Holland is lead audit partner and has completed seven audits of the Group up to and including the year ending 31st October 2013. KPMG's independence policies require the audit partner on a listed client to rotate every five years. As the Company has recently moved from private to listed status a transitional arrangement is in place whereby Mr Holland will continue in his role for a further year at which point the position of audit partner will be rotated.

The Committee understands it is responsible for ensuring the independence and objectivity of the external auditor remains safeguarded at all times, in doing so it will have regard to the length of tenure of the auditor and the audit partner. In addition to this the Committee receives written confirmation from KPMG, on an annual basis, that they remain independent in accordance with professional and regulatory standards.

When assessing the independence and objectivity of the external auditor the Committee will also have regard to the level of non-audit services provided by them. To this effect the Committee is comfortable that a sound policy is in place to ensure any provision of non-audit services by the external auditor does not impair their independence and objectivity. Accordingly the external auditor is prohibited from undertaking, among other matters:

- Book keeping or other services related to the accounting records or financial statements
- Financial information systems design and implementation
- Management functions or human resources
- Broker, dealer, investment advisor or investment banking services
- Seconding employees to key management positions
- Internal audit (other than providing advice on processes or potential areas for improvement).

The Committee is satisfied that the policy and the processes and procedures contained within it are conducive to the maintenance of auditor independence and objectivity. The Committee does acknowledge that this year the non-audit fees are higher than in previous years. This is principally due to the significant work related to the Company's IPO, where it was felt that KPMG were best positioned to provide the services, without compromising their independence, given their overall understanding of the business, and appropriate segregation was put in place to avoid compromising their independence. The Committee recognises this is an exceptional item and expects the fees spent on non-audit services with KPMG to return to more normalised levels.

In overseeing the relationship with the external auditor, the Committee will also have regard to the robustness of the audit process. An annual assessment of the effectiveness of the external audit process is carried out which pays particular attention to the audit team, the planning and scope of the audit, the identification of areas of audit risk, the execution of the audit, the role of management, communications by the auditor with the Committee and how the auditor supports the work of the Committee. The review on external auditor effectiveness may be used as a precursor to any retender process, highlighting areas for further consideration and also as the basis of recommendation to shareholders on why the external auditor has been reappointed or needs to change.

Risk Management and Internal Control

The Committee is responsible for reviewing the effectiveness of the Group's internal controls and risk management systems including the Group's control framework and risk matrix. The Committee also reviews and approves the statements to be included in the annual report concerning internal controls and risk management. The Board as a whole oversees the Group's control framework ensuring clearly defined processes are in place to allow the business to operate effectively and efficiently. The Board is responsible for determining the nature and extent of the significant risks it is willing to accept to achieve its strategic objectives.

Risk management is a regular agenda item for the Committee and the Committee is comfortable that the Group has established sound risk management and internal control systems in accordance with the UK Corporate Governance Code. The Group's system of internal control 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.

The risk management framework consists of risk registers that are maintained 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 risk register are then incorporated into the Group risk matrix which is reviewed and monitored by the Committee.

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

For an overview of principal risks and the Group's approach to their mitigation and management, please see the Strategic Report section, page 50.

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.

All employees have access to the Chairman of the Committee if they wish to raise concerns outside of management.



FINANCIAL STATEMENTS

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

→ Independent Auditor's Report to the members of Crest Nicholson Holdings plc only

→ Financial statements and Notes to the 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 and Accounts and the Group and parent Company financial statements in accordance with applicable law and regulations.

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

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

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

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

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

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

Resonate, Stockwell

Responsibility statement of the Directors in respect of the Annual Report and Accounts

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole
- The Directors' report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face
- 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
- After reviewing the Group's and Company's budget for the next financial year, its financial statements and business plans, the Directors are satisfied that at the time of approving the financial statements, it is appropriate to adopt the going concern basis in preparing the financial statements.

By Order of the Board

Patrick Bergin

Group Finance Director

28th January 2014

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CREST NICHOLSON HOLDINGS PLC ONLY

Opinions and conclusions arising from our audit

1 Our opinion on the financial statements is unmodified

We have audited the financial statements of Crest Nicholson Holdings plc for the year ended 31st October 2013 set out on pages 124 to 162. In our opinion:

- The financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31st October 2013 and of the group's profit for the year then ended;
- The group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- The parent company financial statements have been properly prepared in accordance with UK Accounting Standards; and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

2 Our assessment of risks of material misstatement

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

Profit recognition and valuation of work in progress

(Gross profit £141.2m; Work-in-progress £577.7m)

Refer to page 112 (Audit Committee Report), pages 131 to 132 (accounting policy) and Note 14 (financial disclosures)

- The risk: The group recognises profit by reference to the margin forecast across the related development site. Accordingly, the recognition of gross profit on sales of completed buildings and serviced land and the carrying value of work-in-progress both depend upon the group's estimation of future selling prices and build costs. Sales prices have inherent uncertainty due to changes in market conditions. Build costs can vary with market conditions and may also be incorrectly estimated due to errors in build cost modelling and unforeseen events during construction. As work-in-progress is held at the lower of cost and net realisable value, errors in estimation may result in the group failing to identify when net realisable value is below cost and therefore a failure to record the necessary reduction in carrying value. As gross margin is recognised for completed sales in relation to whole site selling prices and build costs, the margin recognition is also at risk of error.
- Our response: Our audit procedures on these areas included, among others: tests of the group's controls over reviewing and updating selling price and cost forecasts, around the setting of budgets and the authorisation and recording of costs. We performed procedures to identify higher risk sites

based on risk indicators (including high Gross Development Value sites trading across the year end, low margin sites, slow selling sites and sites with production delays). We performed a comparison of expected margins for these sites across the period from site acquisition to October 2013 in order to assess the historical accuracy of management's forecasting process. Our additional procedures on these sites included: assessing whether the group has updated future sales prices in comparison to actual sales prices achieved; comparing sales price trends recorded in the budgets to published indices; making enquiries of the directors to assess whether cost forecasts have been updated for identified risks; challenging the group's updates to forecast build costs in comparison to construction cost trends; and inspection of contractors' quotes and contracts in relation to build costs. We assessed the adequacy of the Group's disclosures in relation to areas of judgement and estimate in relation to these balances.

Valuation of Other financial assets £31.9m (Shared Equity)

Refer to page 112 (Audit Committee Report), page 132 (accounting policy) and Note 13 (financial disclosures)

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

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

The materiality for the group financial statements as a whole was set at £4.1m. This has been determined with reference to a benchmark of group profit before taxation, which we consider to be one of the principal considerations for members of the company in assessing the financial performance of the group. Materiality represents 5.1% of group profit before taxation and 4.7% of group profit before taxation adjusted for IPO costs as disclosed on the face of the Consolidated Income Statement.

We agreed with the audit committee to report to it all corrected and uncorrected misstatements we identified through our audit with a value in excess of £0.2m, in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

The group consists of 5 components (plus joint ventures and dormant subsidiaries), all of which are accounted for at the group's head office in Chertsey. The group audit team performed the audit of all these components at the group level as if it was a single aggregated set of financial information. The audit was performed using the materiality above.

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

In our opinion:

- The part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- The information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The information given in the Corporate Governance Statement set out on pages 76 to 81 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

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

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

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

- We have identified material inconsistencies between the knowledge we acquired during our audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and

understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy; or

- The Audit Committee Report does not appropriately address matters communicated by us to the audit committee.

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

- Adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- The parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- Certain disclosures of directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit; or
- A Corporate Governance Statement has not been prepared by the company.

Under the Listing Rules we are required to review:

- The directors' statement, set out on page 121, in relation to going concern
- The part of the Corporate Governance Statement on pages 76 to 81 relating to the company's compliance with the nine provisions of the 2010 UK Corporate Governance Code specified for our review.

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

Scope of report and responsibilities

As explained more fully in the Directors' Responsibilities Statement, set out on pages 120 to 121, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2103, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

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

CREST NICHOLSON HOLDINGS PLC

CONSOLIDATED INCOME STATEMENT

For year ended 31st October 2013

	Note	2013 Pre- exceptional costs £m	2013 Exceptional costs £m	2013 Post- exceptional costs £m	2012 £m
Revenue	2	525.7	-	525.7	408.0
Cost of sales		(384.5)	-	(384.5)	(296.2)
Gross profit		141.2	-	141.2	111.8
Administrative expenses	3	(44.1)	(5.9)	(50.0)	(38.7)
Other operating income		-	-	-	0.2
Operating profit	4	97.1	(5.9)	91.2	73.3
Finance income	6	7.0	-	7.0	9.2
Finance expenses	6	(17.3)	-	(17.3)	(18.6)
Net finance expense		(10.3)	-	(10.3)	(9.4)
Share of post tax results of joint ventures using the equity method	12	-	-	-	(1.8)
Profit before tax		86.8	(5.9)	80.9	62.1
Income tax (expense)/income	7	(15.3)	0.4	(14.9)	1.8
Profit for the year attributable to equity shareholders		71.5	(5.5)	66.0	63.9
Earnings per ordinary share					
Basic	9			27.1p	28.5p
Diluted	9			26.7p	28.5p

CREST NICHOLSON HOLDINGS PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For year ended 31st October 2013

	2013 £m	2012 £m
Profit after tax for the year	66.0	63.9
Other comprehensive income/(expense):		
Items that will never be recycled to the Income Statement:		
Actuarial gain/(loss) on defined benefit pension schemes	0.7	(1.7)
Change in deferred tax on actuarial gain/loss	(2.4)	(1.8)
Items that may be recycled to the Income Statement:		
Change in fair value of other financial assets	-	(0.3)
Other comprehensive expense for the year net of income tax	(1.7)	(3.8)
Total comprehensive income attributable to equity shareholders	64.3	60.1

The Notes on pages 130 to 158 form part of these financial statements.

CREST NICHOLSON HOLDINGS PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For year ended 31st October 2013

	Share capital £m	Share premium £m	Retained earnings £m	Total £m
Balance at 31st October 2011	10.0	240.3	36.7	287.0
Profit for the year	-	-	63.9	63.9
Actuarial loss on pension scheme	-	-	(1.7)	(1.7)
Deferred tax on actuarial loss	-	-	(1.8)	(1.8)
Change in fair value of available for sale financial assets	-	-	(0.3)	(0.3)
Balance at 31st October 2012	10.0	240.3	96.8	347.1
Profit for the year	-	-	66.0	66.0
Actuarial gain on pension scheme	-	-	0.7	0.7
Deferred tax on actuarial gain	-	-	(2.4)	(2.4)
Transactions with shareholders:				
Shares issued	1.3	54.7	-	56.0
IPO fees written off against share premium	-	(2.1)	-	(2.1)
Reorganisation in the year	1.3	(1.3)	-	-
Share premium converted in the year	-	(220.0)	220.0	-
Equity settled share based payments	-	-	4.5	4.5
Deferred tax on equity settled share based payments	-	-	0.5	0.5
Balance at 31st October 2013	12.6	71.6	386.1	470.3

The Notes on pages 130 to 158 form part of these financial statements.

CREST NICHOLSON HOLDINGS PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st October 2013

	Note	2013 £m	2012 £m
ASSETS			
Non-current assets			
Intangible assets	10	29.0	29.0
Property, plant and equipment	11	1.9	2.2
Investments	12	1.9	2.9
Other financial assets	13	31.9	31.1
Deferred tax assets	18	58.1	74.9
Trade and other receivables	15	4.2	-
		127.0	140.1
Current assets			
Inventories	14	577.7	469.4
Trade and other receivables	15	44.0	41.5
Cash and cash equivalents		124.5	150.1
		746.2	661.0
Total assets		873.2	801.1
LIABILITIES			
Non-current liabilities			
Interest bearing loans and borrowings	16	(59.8)	(176.1)
Trade and other payables	17	(75.5)	(34.8)
Retirement benefit obligations	22	(21.5)	(29.9)
Provisions	19	(4.1)	(7.1)
		(160.9)	(247.9)
Current liabilities			
Interest bearing loans and borrowings	16	(22.2)	(4.3)
Trade and other payables	17	(215.1)	(194.9)
Provisions	19	(4.7)	(6.9)
		(242.0)	(206.1)
Total liabilities		(402.9)	(454.0)
Net assets		470.3	347.1

As at 31st October 2013

		2013	2012
	Note	£m	£m
SHAREHOLDERS' EQUITY			
Share capital	20	12.6	10.0
Share premium account	20	71.6	240.3
Retained earnings		386.1	96.8
		470.3	347.1

The Notes on pages 130 to 158 form part of these financial statements.

These financial statements were approved by the Board of Directors on 28th January 2014.

By Order of the Board

S Stone

P J Bergin

Directors

CREST NICHOLSON HOLDINGS PLC

CONSOLIDATED CASH FLOW STATEMENT

For year ended 31st October 2013

	2013 £m	2012 £m
Cash flows from operating activities		
Profit for the year	66.0	63.9
Adjustments for:		
Depreciation charge	1.3	1.2
Net finance charges	10.3	9.4
Share-based payment expense	4.5	-
Share of loss of joint ventures	-	1.8
Taxation	14.9	(1.8)
Share issue costs expensed in the year	3.5	-
Operating profit before changes in working capital and provisions	100.5	74.5
(Increase)/decrease in trade and other receivables	(6.7)	5.2
Increase in inventories	(108.3)	(75.2)
Increase in trade and other payables	44.8	24.3
Increase in other financial assets	(2.8)	-
Cash generated from operations	27.5	28.8
Interest paid	(8.0)	(11.8)
Tax received	-	0.6
Net cash inflow from operating activities	19.5	17.6
Cash flows from investing activities		
Purchases of property, plant and equipment	(1.0)	(0.5)
Decrease/(increase) in other financial assets	3.6	(4.6)
Interest received	0.6	-
Net cash inflow/(outflow) from investing activities	3.2	(5.1)

For year ended 31st October 2013

	2013 £m	2012 £m
Cash flows from financing activities		
Net proceeds from the issue of share capital	53.9	-
Share capital issue costs	(3.5)	-
Repayment of other borrowings	(164.8)	(0.6)
Proceeds from new loans	68.9	16.3
Debt arrangement and facility fees	(2.8)	-
Net cash (outflow)/inflow from financing activities	(48.3)	15.7
Net (decrease)/increase in cash and cash equivalents	(25.6)	28.2
Cash and cash equivalents at the beginning of the year	150.1	121.9
Cash and cash equivalents at end of the year	124.5	150.1

The Notes on pages 130 to 158 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Basis of preparation

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

The Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("EU IFRSs") and have been prepared on the historical cost basis except for other financial assets, which are stated at their fair value. The Company has elected to prepare its parent Company financial statements in accordance with UK GAAP; these are presented on pages 159 to 162.

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 2013 the Group held cash and cash equivalents of £124.5m (2012: £150.1m) and cash resources net of borrowings of £42.5m (2012: cash deficit net of borrowings of £30.3m). The Group has operated within its banking covenants throughout the year, has bank facilities of £100m expiring in December 2016, with £55m remaining available for drawdown under such facilities at 31st October 2013. The Directors consider that the Group is well placed to manage business and financial risks in the current economic environment and has sufficient resources to continue in operation for the foreseeable future. For these reasons, the Directors consider it appropriate to prepare the financial statements of the Group on a going concern basis.

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

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

There were no new standards, amendments or interpretations that were adopted by the Group and effective for the first time for the financial year beginning 1st November 2012 that were material to the Group.

Consolidation

(a) Subsidiaries

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

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

(b) Joint ventures

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

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

Where the joint venture does not involve the establishment of a legal entity, the Group recognises its share of the jointly controlled assets and liabilities and income and expenditure on a line by line basis in the statement of financial position and income statement.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the acquired entity at the date of the acquisition. Goodwill arising on acquisition of subsidiaries and businesses is capitalised as an asset. Goodwill allocated to the strategic land holdings is recognised as an asset, being the intrinsic value within these holdings in the acquired entities, which is realised upon satisfactory planning permission being obtained and sale of the land. Goodwill is assessed for impairment at each reporting date. Any impairment loss is recognised immediately in the income statement.

Revenue and profit recognition

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

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

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

Profit is recognised on a plot-by-plot basis, by reference to the margin forecast across the related development site.

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

Seasonality

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

Operating leases

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

Taxation

Income tax comprises current tax and deferred tax.

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

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

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

Dividends

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

Employee benefits

(a) Pensions

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

In respect of defined benefit schemes, the net obligation is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, such benefits measured at discounted present value, less the fair value of the scheme assets. The rate used to discount the benefits accrued is the yield at the statement of financial position date on AA credit rated bonds that have maturity dates approximating to the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit method. The operating and financing costs of such plans are recognised separately in the income statement; service costs are spread systematically over the lives of employees and financing costs are recognised in the periods in which they arise.

The Group recognises expected scheme gains and losses via the income statement and actuarial gains and losses are recognised in the period they occur directly in other comprehensive income.

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

(b) Share-based payments

In accordance with IFRS 2 'Share-based payments', the fair value of equity-settled, share based compensation plans is recognised as an employee expense with a corresponding increase in equity. The fair value is measured as at the date the options are granted and the charge amended if vesting does not take place due to non-market conditions not being met. The fair value is spread over the period during which the employees become unconditionally entitled to the shares and is adjusted to reflect the actual number of options that vest. At the statement of financial position date, if it is expected that non-market conditions will not be satisfied, the cumulative expense recognised in relation to the relevant options is reversed. The proceeds received are credited to share capital (nominal value) and share premium when the options are exercised.

Exceptional items

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

Property, plant and equipment

Property, plant and equipment are initially recognised at cost.

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

Freehold land is not depreciated.

Inventories

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

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

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

Trade and other receivables

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

Other financial assets

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

Cash and cash equivalents

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

Interest bearing loans and borrowings

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

Trade and other payables

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

Provisions

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

Accounting estimates and judgements

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

Carrying value of land and work in progress and profit recognition

Inventories of land, work in progress and completed units are stated in the statement of financial position at the lower of cost and net realisable value. Due to the nature of development activity and in particular, the length of the development cycle, the Group has to allocate site-wide development costs such as infrastructure between units being built and/or completed in the current year and those for future years. It also has to make estimates of the cost to complete such developments. These estimates are reflected in the margin recognised on developments in relation to sales recognised in the current and future years and the carrying value of the land and work in progress.

There is a degree of inherent uncertainty in making such estimates. The Group has established internal controls that are designed to ensure an effective assessment is made of inventory carrying values and the costs to complete developments.

Other financial assets

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

Goodwill

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

Pension liabilities

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

Deferred tax

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

Share-based payments

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

Standards and interpretations in issue but not yet effective

The below standards and amendments have not been applied in these financial statements:

- Amendment to IAS 19 Employment Benefits. The assumed actuarial returns on assets will be restricted to the pension scheme discount rate which will increase the reported net finance costs of the scheme. The impact of the new standard on the reported profit before tax for the year ended 31st October 2013 would be a reduction of £0.4m. Effective for the period beginning on 1st November 2013.
- IFRS 10 Consolidated Financial Statements. The standard provides a single control model for the inclusion of entities in consolidated financial statements. Effective for the period beginning on 1st November 2014.
- IFRS 11 Joint Arrangements. The standard requires the equity method to be used when consolidating jointly controlled entities, and does not permit the use of the proportional method. Effective for the period beginning on 1st November 2014.
- IFRS 12 Disclosure of Interests in Other Entities. The standard requires additional disclosure in relation to subsidiaries, joint arrangements, associates and unconsolidated entities. Effective for the period beginning on 1st November 2014.
- IFRS 13 Fair Value Measurement. The standard defines fair value and provides a single IFRS framework for measuring fair value. Effective for the period beginning on 1st November 2013.

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

2. SEGMENTAL ANALYSIS

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

3. EXCEPTIONAL ADMINISTRATIVE EXPENSES

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

4. OPERATING PROFIT

Operating profit from continuing activities is stated after charging:

	2013 £m	2012 £m
Staff costs (Note 5)	46.0	35.5
Depreciation	1.3	1.2
Operating lease rentals:		
Hire of plant and machinery	0.2	0.2
Other – including land and buildings	4.0	4.0
Auditors' remuneration:	£000	£000
Audit of these financial statements	41	38
Audit of financial statements of subsidiaries pursuant to legislation	125	116
Review of half year results	21	-
Fees in relation to IPO	893	-
Other services relating to taxation	29	58

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

5. STAFF NUMBERS AND COSTS

	2013	2012
(a) Average number of persons employed by the Group	Number	Number
Development	617	556

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

(b) Staff costs (including Directors)	2013	2012
	£m	£m
Wages and salaries	35.6	30.3
Social security costs	4.3	3.6
Pension costs	1.6	1.6
	41.5	35.5
Share-based payments (Note 22)	4.5	-
	46.0	35.5

(c) Key management remuneration

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

	2013	2012
	£m	£m
Salaries and fees	2.1	1.9
Taxable benefits	0.1	0.1
Annual bonus – cash	1.2	1.2
Pension costs	0.1	0.1
	3.5	3.3
Share-based payments	3.2	-
	6.7	3.3

(d) Directors' remuneration

Information relating to Directors' remuneration, incentive plans, share options and pension entitlement appears in the Directors Remuneration Report.

	2013 £m	2012 £m
Salaries and fees	1.1	0.9
Taxable benefits	0.1	0.1
Annual bonus – cash	0.7	0.6
Pension costs	0.2	0.2
	2.1	1.8
Share-based payments	1.7	-
	3.8	1.8

6. FINANCE INCOME AND EXPENSE

	2013 £m	2012 £m
Finance income		
Interest income	0.6	1.4
Imputed interest on other financial assets	1.6	2.9
Expected return on defined benefit pension plan assets	4.8	4.9
	7.0	9.2

	2013 £m	2012 £m
Finance expense		
Interest on bank loans and overdrafts	8.3	10.4
Imputed interest on deferred land payables	2.7	1.0
Interest on defined benefit pension plan obligations	6.3	7.2
	17.3	18.6

7. INCOME TAX EXPENSE/(INCOME)

	2013 £m	2012 £m
Current tax credit		
UK Corporation tax on profits for the year	-	-
Adjustment in respect of prior years	-	(0.3)
Total current tax	-	(0.3)
Deferred tax		
Reversal of temporary differences in the current year	18.9	15.5
Deferred tax change in rate	4.4	6.0
Deferred tax arising on previously unrecognised temporary differences	(7.6)	(23.0)
Share-based payments	(0.8)	-
Total deferred tax (Note 18)	14.9	(1.5)
Total tax in income statement	14.9	(1.8)

The total tax charge for the year is lower (2012: tax income, lower) than the standard rate of UK corporation tax of 23.42% (2012: 24.83%). The differences are explained below:

	£m	£m
Profit before tax	80.9	62.1
Tax on profit at 23.42% (2012: 24.83%)	18.9	15.4
Effects of:		
Expenses not deductible for tax purposes	2.6	1.0
Enhanced tax deductions	(3.4)	-
Deductible temporary differences not recognised	-	(1.1)
Deferred tax change in rate	4.4	6.0
Unrecognised tax losses	-	0.2
Deferred tax arising on previously unrecognised temporary differences	(7.6)	(23.0)
Adjustments to tax charge in respect of prior years	-	(0.3)
Total tax in income statement	14.9	(1.8)

8. DIVIDENDS

	2013 £m	2012 £m
Finance costs		
Proposed final dividend for the year ended 31 st October 2013 of 6.5 pence per share (2012: nil)	16.3	-

The proposed final dividend is subject to approval by shareholders at the AGM on 20th March 2014, and in accordance with IAS 10 'Events after the Reporting Period', has not been included as a liability in these financial statements.

9. EARNINGS PER ORDINARY SHARE

Basic earnings per share is calculated by dividing profit attributable to equity shareholders by the weighted average number of Ordinary shares in issue during the year. For diluted earnings per share, the weighted average number of shares is adjusted to assume the conversion of all potentially dilutive ordinary shares. The 2012 weighted average number of shares is the number before the issue of new share capital during the year.

Year ended 31st October 2013					
	Pre- exceptional earnings £m	Post- exceptional earnings £m	Weighted average number of Ordinary shares Number	Pre- exceptional earnings per share Pence	Post- exceptional earnings per share Pence
Basic earnings per share	71.5	66.0	243,426,592	29.4	27.1
Dilutive effect of share options	-	-	4,005,851		
Diluted earnings per share	71.5	66.0	247,432,443	28.9	26.7

Year ended 31 st October 2012					
Basic and diluted earnings per share	63.9	63.9	224,316,968	28.5	28.5

The number of shares for the years ended 31st October 2012 and 2013 above, take account of the share reorganisation that happened in February 2013.

10. INTANGIBLE ASSETS

	2013	2012
	£m	£m
Goodwill		
Cost at beginning and end of year	47.7	47.7
Impairment at beginning and end of year	(18.7)	(18.7)
At beginning and end of year	29.0	29.0

Goodwill arose on the acquisition of Castle Bidco Limited on 24th March 2009. Goodwill is allocated to acquired strategic land holdings and is tested annually for impairment. The recoverable amounts are determined by assessing value in use, being the present value of the forecast cash flows from the expected development and sale of properties on the strategic land. The forecast looks at the likelihood and scale of permitted development, forecast build costs and forecast selling prices, using a discount rate of 9.05% (2012: 8.89%), covering a period of 22 years from 2009 (being the minimum period that management expects to benefit from the acquired strategic land holdings) and based on current market conditions.

11. PROPERTY, PLANT AND EQUIPMENT

	2013	2012
	£m	£m
Cost		
At beginning of the year	9.3	8.8
Additions	1.0	0.5
Disposals	(1.9)	-
At end of the year	8.4	9.3
Accumulated depreciation		
At beginning of the year	7.1	5.9
Charged in the year	1.3	1.2
Disposals	(1.9)	-
At end of the year	6.5	7.1
Carrying value		
At end of the year	1.9	2.2

12. INVESTMENTS

	Cost of investment/ loans £m	Share of post acquisition reserves £m	Total £m
Joint ventures			
At 31 st October 2011	3.3	(1.0)	2.3
Share of loss for the year	-	(1.8)	(1.8)
Net liabilities offset against amounts due from joint ventures	(1.9)	4.3	2.4
At 31st October 2012	1.4	1.5	2.9
Disposal as below	(1.4)	0.4	(1.0)
At 31st October 2013	-	1.9	1.9

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

	2013 £m	2012 £m
Non-current assets	0.1	0.1
Current assets	14.4	31.0
Current liabilities	(15.0)	(29.6)
Non-current liabilities	-	(1.0)
	(0.5)	0.5
Net liabilities offset against amounts due from joint ventures	2.4	2.4
Net assets	1.9	2.9
Income	-	-
Expenditure	-	(1.8)
Loss	-	(1.8)

The Group has a 50% interest in Crest/Galliford Try (Epsom) LLP, a Limited Liability Partnership set up to develop three sites in Epsom. The LLP purchased the land and is responsible for developing the infrastructure on the sites. The risks and rewards of development will accrue to the development partners, Crest Nicholson and Galliford Try.

At 31st October 2013, Crest/Galliford Try (Epsom) LLP had negative Capital Employed of £14m (2012: £3m). The share of net liabilities has been recognised against amounts due from joint ventures.

The Group has a 50% interest in Crest Nicholson Bioregional Quintain LLP, a Limited Liability Partnership set up to develop a site in Brighton. The site was substantially completed during accounting year ended 31st October 2010; at 31st October 2013, Crest Nicholson Bioregional Quintain LLP had Capital Employed of £3.7m (2012: £3.7m). At 31st October 2013, £1.4m was due from Crest Nicholson Operations Limited to Crest Nicholson Bioregional Quintain LLP, pending declaration of a distribution.

The Group owns 500 ordinary shares of £1 each representing 50% of the issued share capital of Brentford Lock Limited, a Company registered in England, which was set up to redevelop a site in West London. The site was completed and all units sold in 2006. At 31st October 2013, £3.3m was due from Crest Nicholson Operations Limited to Brentford Lock Limited, pending declaration of a final dividend (2012: £3.3m). During the year the Group disposed of its 50% interest in the share capital of Greenwich Peninsula N0206 Limited, a Company set up to redevelop a site in Greenwich, London.

Subsidiary undertakings

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

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

13. OTHER FINANCIAL ASSETS

	2013 £m	2012 £m
At beginning of the year	31.1	26.8
Additions	2.8	3.7
Disposals	(3.6)	(2.0)
Imputed interest	1.6	2.9
Change in fair value	-	(0.3)
At the end of the year	31.9	31.1

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

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

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

Assumptions	2013	2012
Discount rate, incorporating default rate	10.5%	9.4%
House price inflation for the next three years	3.0%	2.0%
Timing of receipt	10 to 13 years	10 to 13 years

	2013 Increase assumptions by 1 % / 1 year £m	2013 Decrease assumptions by 1 % / 1 year £m
Sensitivity – affect on value of other financial assets (less)/more		
Discount rate, incorporating default rate	(1.4)	1.5
House price inflation for the next three years	0.7	(0.7)
Timing of receipt	(1.3)	1.3

The difference between the anticipated future receipt and the initial fair value is charged over the estimated deferred term to financing, with the financial asset increasing to its full expected cash settlement value on the anticipated receipt date. The imputed interest credited to financing for the year ended 31st October 2013 was £1.6m (2012: £2.9m).

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

14. INVENTORIES

	2013 £m	2012 £m
Work in progress: land, building and development	545.3	428.4
Completed buildings including show houses	32.4	41.0
	577.7	469.4

Included within inventories is £208.4m (2012: £233.5m) expected to be recovered in more than 12 months. Inventories of £367.4m (2012: £281.8m) were expensed in the year.

15. TRADE AND OTHER RECEIVABLES

	2013 £m	2012 £m
Non-current		
Trade receivables	4.2	-
Current		
Trade receivables	11.7	3.7
Recoverable on contracts	15.1	8.3
Due from joint ventures	2.1	16.9
Other receivables	13.4	11.5
Prepayments and accrued income	1.7	1.1
	44.0	41.5

Current trade receivables of £4.7m have been collected since year end. The balance is due according to contractual terms.

16. INTEREST BEARING LOANS AND BORROWINGS

	2013 £m	2012 £m
Non-current		
Term loans	-	152.0
Revolving credit facility	45.0	-
Revolving credit facility issue costs	(2.5)	-
Other loans	17.3	24.1
	59.8	176.1
Current		
Other loans	22.2	4.3

17. TRADE AND OTHER PAYABLES

	2013 £m	2012 £m
Non-current		
Land payables on contractual terms	74.6	33.7
Accruals	0.9	1.1
	75.5	34.8
Current		
Land payables on contractual terms	45.8	56.6
Other trade payables	27.7	22.2
Payments on account	13.4	0.5
Due to joint ventures	1.4	1.4
Taxes and social security costs	1.4	1.2
Other payables	44.7	27.4
Accruals	80.7	85.6
	215.1	194.9

18. DEFERRED TAX ASSETS

	2013 £m	2012 £m
At beginning of the year	74.9	75.2
Profit and loss movement		
Reversal of temporary differences in the current year	(18.9)	(15.5)
Deferred tax change in rate	(4.4)	(6.0)
Deferred tax arising on previously unrecognised temporary differences	7.6	23.0
Share based payments	0.8	-
	(14.9)	1.5
Equity movements		
Amount charged to other comprehensive income	(2.4)	(1.8)
Share based payments	0.5	-
	(1.9)	(1.8)
At the end of the year	58.1	74.9

	2013 Recognised £m	2013 Not recognised £m	2012 Recognised £m	2012 Not recognised £m
The deferred tax asset comprises:				
Tax losses	23.7	3.4	26.5	12.7
Accelerated pension payments	0.4	-	0.9	-
Inventories fair value	27.5	-	39.5	-
Share based payments	1.3	-	-	-
Other temporary differences	0.7	-	1.1	-
Pension deficit	4.5	-	6.9	-
Deferred tax asset	58.1	3.4	74.9	12.7

At the time of finalisation of these financial statements, the substantively enacted future corporation tax rates were 21% (FY 2014) and 20% (FY 2015). The deferred tax assets have been evaluated at the rates at which they are expected to reverse based on current forecasts (accounting period ends: 31st October 2014: 21.83%, 31st October 2015: 20.42%, 31st October 2016 and subsequent: 20.00%).

Tax losses of £23.7m, split into, trading losses of £18.0m and non-trading losses of £5.7m, and inventories fair value are expected to be recoverable in full and are therefore fully recognised as deferred tax assets in the above amounts. The unrecognised deferred tax asset, in respect of non-trading losses is £3.4m (2012: £12.7m). The utilisation of these losses is beyond the Group three year forecasting period.

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

19. PROVISIONS

	Rental and other obligations in respect of commercial properties £m	Other £m	Total £m
Non-current			
At 31 st October 2011	5.1	6.0	11.1
Credited to the income statement	(0.2)	(3.8)	(4.0)
At 31st October 2012	4.9	2.2	7.1
Credited to the income statement	(0.8)	(2.2)	(3.0)
At 31st October 2013	4.1	-	4.1
Current			
At 31 st October 2011	1.0	5.7	6.7
[Credited]/charged to the income statement	(0.3)	0.5	0.2
At 31st October 2012	0.7	6.2	6.9
Charged/[credited] to the income statement	1.8	(4.0)	(2.2)
At 31st October 2013	2.5	2.2	4.7

The rental and other obligations in respect of commercial properties provision covers the shortfall on commercial headleases, rates and related service charges for the period the Group anticipates liability. The Group has headleases expiring up to September 2020.

Other provisions relate to the unwind of investment fair value on joint ventures on the acquisition of Castle Bidco Ltd in 2009. It is anticipated that the provision will be released by 31st October 2015.

20. SHARE CAPITAL

	Shares issued Number	Nominal value Pence	Share capital £	Share premium account £
A shares	65,000	0.01	7	-
Deferred shares	18,000	0.5	90	-
B shares	5,750	0.01	-	-
C shares	6,957	100	6,957	243,043
D shares	28,125	0.01	1	29,999
Ordinary shares	10,000,000	100	10,000,000	240,000,000
As at 31st October 2012	10,123,832		10,007,055	240,273,042
Reorganisation in the year	215,848,910		1,291,582	(1,291,669)
New share capital	25,454,545	5	1,272,727	52,653,843
Share premium reduction in the year	-	-	-	(220,000,000)
Ordinary shares at 31st October 2012	251,427,287	5	12,571,364	71,635,216

During the year the company reorganised its share capital in preparation for its Admission to trading on the London Stock Exchange. All existing classes of shares (A, B, C, D, Deferred and Ordinary) were reorganised to make them 5 pence Ordinary shares. Crest Nicholson Holdings plc Ordinary share capital of 251,427,287 shares was admitted to the premium listing segment of the Official List of the UK Listing Authority on 18th February 2013.

The company issued 25,454,545 new 5 pence Ordinary shares during the year which resulted in a credit to equity of £53.9m net of issue costs.

For details of outstanding share options at 31st October 2013 see Note 22.

21. FINANCIAL RISK MANAGEMENT

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

Capital management

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

Financial risk

The main risks associated with the Group's financial instruments are credit risk, liquidity risk, market risk and interest rate risk. The Board is responsible for managing these risks and the policies adopted are as set out below.

Credit risk

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

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

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

The maximum exposure to credit risk at 31st October 2013 is represented by the carrying amount of each financial asset in the statement of financial position. The Group has no substantial exposure to any individual third party.

Liquidity risk

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

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

The following are the contractual maturities including estimated cash flows of the financial liabilities of the Group at 31st October 2013:

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

Get Britain Building Loans are development specific loans from the HCA and are repayable on the earlier of legal completion of related units or long stop dates. Other loans of £2.7m (2012: £12.1m) are from a joint venture partner and repayable at a date based on progress of the development and / or the termination of the joint venture agreement. The timing and amount of future cash flows given in the table above is based on the Directors' best estimate of the likely outcome.

2012	Carrying value £m	Contractual cash flows £m	Within 1 year £m	1-2 years £m	2-3 years £m	More than 3 years £m
Facility B Term loan	150.0	181.6	10.6	10.6	160.4	-
Facility C Term loan	2.0	2.2	0.1	0.1	2.0	-
Get Britain Building loans	16.3	18.1	4.5	7.4	4.2	2.0
Other loans	12.1	15.7	-	-	-	15.7
Financial liabilities carrying no interest	140.4	156.4	109.4	10.4	7.2	29.4
At 31st October 2012	320.8	374.0	124.6	28.5	173.8	47.1

The comparative amounts for financial liabilities carrying no interest in respect of deferred land payables has been restated in these financial statements to include the related imputed interest charge of £16.0m.

Market risk

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

Interest rate risk

Interest rate risk reflects the Group's exposure to fluctuations to interest rates in the market. The risk arises because the Group's revolving credit facility is subject to floating interest rates based on LIBOR.

For the year ended 31st October 2013 it is estimated that an increase of 1% in interest rates applying for the full year would decrease the Group's profit before taxation by £1.2m (2012: £1.8m).

At 31st October 2013, the interest rate profile of the financial liabilities of the Group was:

Sterling Bank borrowings, loan notes and long-term creditors	2013 £m	2012 £m
Floating rate financial liabilities	84.5	180.4
Financial liabilities carrying interest	27.6	-
Financial liabilities carrying no interest	165.2	140.4
	277.3	320.8

For financial liabilities that have no interest payable but for which imputed interest is charged, consisting of land creditors, the weighted average period to maturity is 66 months (2012: 72 months).

The maturity of the financial liabilities is:	2013 £m	2012 £m
Repayable within one year	185.5	111.1
Repayable between one and two years	50.2	14.5
Repayable between two and five years	22.1	162.2
Repayable after five years	19.5	33.0
	277.3	320.8

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 2013 cash equivalents consisted of sterling cash deposits of £124.5m (2012: £150.1m), with solicitors and on current account, £31.9m (2012: £31.1m) of other financial assets and £48.2m (2012: £42.5m) of trade and other receivables.

Financial liabilities

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

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

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

Get Britain Building loans	EU Reference rate + 2.2% to 4.0%	19.5	19.5	19.5	2014
Other loans	6.75%	2.7	2.7	2.7	2016
Total current interest bearing loans		22.2	22.2	22.2	

2012	Nominal interest rate	Face value 2012 £m	Carrying value 2012 £m	Fair value 2012 £m	Year of maturity
Facility B Term loan	3 mth LIBOR + 6.5%	150.0	150.0	150.0	2015
Facility C Term loan	3 mth LIBOR + 3.5%	2.0	2.0	2.0	2015
Get Britain Building loans	EU Reference rate + 4.0%	12.0	12.0	12.0	2014-2015
Other loans	6.75%	12.1	12.1	12.1	2016
Total non-current interest bearing loans		176.1	176.1	176.1	

Get Britain Building loans	EU Reference rate + 4%	4.3	4.3	4.3	2013
Total current interest bearing loans		4.3	4.3	4.3	

22. EMPLOYEE BENEFITS

(a) Retirement benefit obligations

Defined contribution scheme

The Group (through Crest Nicholson plc) operates a defined contribution scheme open to all employees. The assets of the scheme are held separately from those of the Group in an independently administered fund. The service cost of this scheme for the year was £1.4m (2012: £1.3m). At the statement of financial position date there were no outstanding or prepaid contributions.

Defined benefit scheme

The Group (through Crest Nicholson plc) operates a contributory defined benefit pension scheme which is closed to new entrants and future accrual. The assets of the scheme are held separately from those of the Group, being invested mainly in managed funds.

The most recent funding valuation of the main scheme was carried out as at 31st August 2012 by a professionally qualified actuary using the defined accrued benefit method.

The assets of the defined benefit scheme have been calculated at fair value and the liabilities, at the statement of financial position date under IAS 19 (Revised), using the projected unit method and based on the following financial assumptions:

	2013 %pa	2012 %pa
Discount rate	4.4%	4.3%
Price inflation	3.3%	2.6%
Pension increases on benefit increasing in line with 5% or RPI if lower	3.2%	2.6%
Expected return on invested assets	4.6%	4.4%
Expected return on insurance annuity contracts	4.6%	4.3%

The expected return on assets reflects the weighted average return on the categories of scheme assets shown below.

Mortality assumptions are as follows:

- Mortality before retirement: SAPS S1 PxA tables with future improvements in line with CMI 2011 and a 1.5% per annum long-term reduction in death rates
- Mortality after retirement: SAPS S1 PxA tables with future improvements in line with CMI 2011 and a 1.5% per annum long-term reduction in death rates.

The major categories of scheme assets as a percentage of the total fair value of scheme assets are as follows:

	2013	2012
Equities	58.5%	56.4%
Bonds	29.9%	28.4%
Property	1.7%	2.0%
Cash	3.4%	5.0%
Secured annuities	6.5%	8.2%
Total	100.0%	100.0%

The amounts recognised in the year are as follows:

	2013 £m	2012 £m
Interest cost – recognised in finance costs	6.3	7.2
Expected return on scheme assets – recognised in finance income	(4.8)	(4.9)
Total	1.5	2.3
Actuarial (gain)/loss	(0.7)	1.7
Total defined benefit scheme costs recognised in the year	0.8	4.0

The cumulative debit to the Statement of Comprehensive Income since the adoption of IAS 19 is £32.3m (2012: £33.0m).

The actual return on scheme assets is:

	2013 £m	2012 £m
Expected return on scheme assets	4.8	4.9
Actuarial gain/(loss) on scheme assets	10.8	(0.6)
Actual return on scheme assets	15.6	4.3

The amounts included in the statement of financial position arising from the Group's obligation in respect of its defined benefit scheme are as follows:

	2013 £m	2012 £m
Present value of defined benefit obligations	160.0	147.9
Fair value of scheme assets	(138.5)	(118.0)
Defined benefit liability recognised in the statement of financial position	21.5	29.9

A deferred tax asset of £4.5m (2012: £6.9m) has been recognised in the statement of financial position.

Movements in the liability recognised on the statement of financial position were as follows:

	2013 £m	2012 £m
At beginning of the year	29.9	34.5
Total expense (as shown above)	0.8	4.0
Company contributions paid in the year	(9.2)	(8.6)
At end of the year	21.5	29.9

Changes in the present value of the defined benefit obligation were as follows:

	2013 £m	2012 £m
At beginning of the year	147.9	144.2
Interest cost	6.3	7.2
Actuarial losses	10.1	1.0
Benefits and expenses paid	(4.3)	(4.5)
At end of the year	160.0	147.9

Changes in the fair value of the scheme assets were as follows:

	2013 £m	2012 £m
At beginning of the year	118.0	109.7
Expected return on scheme assets	4.8	4.9
Actuarial gain/(loss) on scheme assets	10.8	(0.6)
Employer contributions	9.2	8.6
Benefits and expenses paid	(4.3)	(4.6)
At end of the year	138.5	118.0

A history of experience adjustments is as follows:

	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Present value of defined benefit obligation	160.0	147.9	144.2	131.0	136.4
Fair value of scheme assets	(138.5)	(118.0)	(109.7)	(94.9)	(90.3)
Deficit in the scheme	21.5	29.9	34.5	36.1	46.1
Experience adjustments on scheme liabilities	(10.1)	(1.0)	(9.9)	4.4	35.7
Percentage of scheme liabilities	6.3%	0.7%	6.9%	3.4%	26.2%
Experience adjustments on scheme assets	10.8	(0.6)	(0.2)	1.8	8.5
Percentage of scheme assets	7.8%	0.5%	0.2%	1.9%	9.4%

The expected employer contribution to the defined benefit scheme during 2014 is £9.0m.

(b) Share-based payments

In 2011 a Management Incentive Plan was established for the benefit of key managers, providing equity participation in A, B and D shares and flowering equity. During the year these shares vested. The Group operates a long-term incentive plan (LTIP), employee share option scheme (ESOS), save as you earn scheme (SAYE) and a deferred bonus plan, all of which are detailed below:

Long-term incentive plan

The Group's LTIP is open to the Executive Directors and senior management with awards being made at the discretion of the Remuneration Committee. Awards under the plan are subject to performance criteria and vest over three years. Awards may be satisfied by shares held in the employee benefit trust, the issue of new shares or the acquisition of shares in the market.

Employee share option scheme

This is a limited scheme which represents the balance of shares from the previous management incentive plan which vested at Admission. The balance of shares are held by the Group's Employee Share Ownership Trust and certain options have been granted to Executive Directors and other employees. There are no performance criteria but recipients must remain employed by the Group on the applicable vesting date.

Save as you earn

Executive Directors and eligible employees are invited to make regular monthly contributions to a Sharesave scheme operated by Equiniti. On completion of the three year contract period employees are able to purchase Ordinary shares in the Company based on the market price at the date of invitation less a 20% discount.

Deferred bonus plan

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

Details of the LTIP, ESOS and SAYE are as follows:

Date of grant	Options issued	Vesting conditions	Exercise price	Options outstanding	Contractual life
Long-term incentive plan					
8 th March 2013	2,226,041	3 years service, average ROCE and PBT over the vesting period dictates vesting entitlement	-	2,140,612	8 th March 2013 to 7 th March 2023
Employee share option scheme					
11 th February 2013	1,070,131	Admission was the condition	-	846,478	11 th February 2013 to 10 th February 2023
6 th March 2013	92,500	1 years service	-	92,500	6 th March 2013 to 5 th March 2023
6 th March 2013	615,000	2 years service	-	597,000	6 th March 2013 to 5 th March 2023
Save as you earn					
22 nd May 2013	805,805	3 year service	£2.47	780,304	1 st August 2016 to 1 st February 2017

The number of share options is as follows:

	2013 Number of options	2012 Number of options
Outstanding at the beginning of the year	-	-
Granted during the year	4,809,477	-
Exercised during the year	(223,653)	-
Lapsed during the year	(128,930)	-
Outstanding at the end of the year	4,456,894	-

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

	2013 £m	2012 £m
LTIP	1.1	-
ESOS	3.0	-
SAYE	0.1	-
Deferred bonus plan	0.3	-
	4.5	-

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

Date of grant	Type of instrument	Valuation model	Options Outstanding on 31 Oct 2013	Share price on date of grant	Exercise price	Expected volatility	Vesting period	Expected life	Risk free rate	Expected annual dividend	Fair value
			Number	£	£	%	years	years	%	%	£
11 th Feb 2013	ESOS	See below	846,478	2.20	-	-	-	-	-	-	-
6 th Mar 2013	ESOS	See below	689,500	2.69	-	-	-	-	-	-	-
8 th Mar 2013	LTIP	Binomial	2,140,612	2.80	-	33.00	3.00	3.00	0.40	2.50	2.62
22 nd May 2013	SAYE	Binomial	780,304	3.37	2.47	32.00	3.70	3.70	0.55	2.50	0.82

The ESOS represent the balance of shares from the previous management incentive plan which vested at Admission and are valued at the Admission price or share price on date of grant.

Expected volatility has been calculated on the historic share price movements of comparable companies, given that Crest Nicholson Holdings plc has only been listed since February 2013.

23. CONTINGENT LIABILITIES

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

24. OPERATING LEASES

At 31st October 2013 total outstanding commitments for future minimum lease payments under non-cancellable operating leases were:

	2013	2012
	£m	£m
Land and buildings		
Within one year	3.0	3.1
Less: minimum sub-lease income	(1.2)	(1.1)
Between two and five years	7.8	9.2
Less: minimum sub-lease income	(1.8)	(2.5)
After five years	4.0	5.6
	11.8	14.3
Other		
Within one year	1.2	1.1
Between two and five years	1.5	1.7
	2.7	2.8

25. RELATED PARTY TRANSACTIONS

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

The Group has historical joint venture arrangements with subsidiaries of Quintain Estates and Developments plc on arm's length terms. William Rucker is also the Chief Executive of Lazard & Co., Holdings Limited (Lazard). During the year, Lazard were engaged to provide advisory support whilst the Group undertook the refinancing and IPO of the business. Fees to Lazard of £702,000 and £505,000 were incurred in the year in relation to the refinancing and IPO respectively.

The Group has entered into the following related party transactions:

- (i) Transactions with joint ventures, which are disclosed in Note 12. The Group has provided book keeping services to certain joint ventures which have been recharged at cost.
- (ii) The Board and certain key management are related parties. Detailed disclosure for Board members is given within the Directors Remuneration Report.

CREST NICHOLSON HOLDINGS PLC

COMPANY STATEMENT OF FINANCIAL POSITION

As at 31st October 2013

	Note	2013 £000	2012 £000
Fixed assets			
Investments	4	-	-
Current assets			
Debtors	5	398,472	301,088
Net current assets		398,472	301,088
Total assets less current liabilities		398,472	301,088
Net assets		398,472	301,088
Capital and reserves			
Called up share capital	6	12,571	10,007
Share premium account	7	71,636	240,273
Profit and loss account	7	314,265	50,808
Equity shareholders' funds	7	398,472	301,088

The Notes on pages 160 to 162 form part of these financial statements.

These financial statements were approved by the Board of Directors on 28th January 2014.

By Order of the Board

S Stone

P J Bergin

Directors

There are no recognised gains and losses for the year (2012: nil).

NOTES TO THE COMPANY FINANCIAL STATEMENTS

For the year ended 31st October 2013

1. ACCOUNTING POLICIES

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

Basis of preparation

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

The accounting policies have been applied consistently in dealing with items which 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 £43,457,000 (2012: £46,657,000).

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

The principal accounting policies adopted are set out below.

Investments

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

Taxation

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

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

Dividends

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

2. STAFF NUMBERS AND COSTS

The Company has no employees.

3. DIVIDENDS

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

4. FIXED ASSET INVESTMENTS

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

5. DEBTORS

	2013 £000	2012 £000
Amounts falling due within one year:		
Amounts due from Group undertakings	398,472	301,088

6. SHARE CAPITAL

	Shares issued Number	Nominal value Pence	Share capital £	Share premium account £
A shares	65,000	0.01	7	-
Deferred shares	18,000	0.5	90	-
B shares	5,750	0.01	-	-
C shares	6,957	100	6,957	243,043
D shares	28,125	0.01	1	29,999
Ordinary shares	10,000,000	100	10,000,000	240,000,000
As at 31st October 2012	10,123,832		10,007,055	240,273,042
Reorganisation in the year	215,848,910		1,291,582	(1,291,669)
New share capital	25,454,545	5	1,272,727	52,653,843
Share premium reduction in the year	-		-	(220,000,000)
Ordinary shares as at 31st October 2013	251,427,287	5	12,571,364	71,635,216

During the year the company reorganised its share capital in preparation for its Admission to trading on the London Stock Exchange. All existing classes of shares (A, B, C, D, Deferred and Ordinary) were reorganised to make them 5 pence Ordinary shares. Crest Nicholson Holdings plc Ordinary share capital of 251,427,287 shares was admitted to the premium listing segment of the Official List of the UK Listing Authority on the 18th February 2013.

The company issued 25,454,545 new 5 pence Ordinary shares during the year which resulted in a credit to equity of £53.9m net of issue costs.

7. RECONCILIATION OF SHAREHOLDERS' FUNDS

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

8. CONTINGENT LIABILITIES

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

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

9. RELATED PARTIES

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

HISTORIC SUMMARY

Years ended 31st October

Income statement	Notes		2013	2012	2011
Revenue		£m	525.7	408.0	319.1
Operating profit before joint ventures	1	£m	97.1	73.3	56.4
Operating profit before joint ventures	1	%	18.5	18.0	17.7
Share of post tax loss of joint ventures		£m	-	(1.8)	(1.4)
Operating profit after joint ventures	1	£m	97.1	71.5	55.0
Net finance expense		£m	10.3	9.4	82.0
Profit /(loss) before taxation	1	£m	86.8	62.1	(27.0)
Income tax (expense)/income		£m	(15.3)	1.8	67.5
Profit after taxation attributable to equity shareholders	1	£m	71.5	63.9	40.5

Statement of financial position

Shareholders' funds		£m	470.3	347.1	287.0
Net (cash)/borrowings		£m	(42.5)	30.3	42.8
Capital employed closing		£m	427.8	377.4	329.8
Gearing		%	-9.0	8.7	14.9
Return on average capital employed	2	%	24.1	20.7	21.1
Return on average equity	3	%	17.5	20.2	43.1

Housing

Units sold	Units	2,172	1,882	1,520
Average selling price – open market	£000	250	230	224
Land bank – short-term	Units	16,388	16,959	14,772
Land bank – strategic	Units	14,325	12,623	14,259

Notes

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

GROUP DIRECTORY

Crest Nicholson Eastern

Peter Diffley
Managing Director
Telephone: 01277 693230

Crest Nicholson London

Trevor Selwyn
Managing Director
Telephone: 0203 640 7555

Crest Nicholson Regeneration

Debbie Aplin
Managing Director
Telephone: 01932 580333

Crest Nicholson South

Iain McPherson
Managing Director
Telephone: 01932 580444

Crest Nicholson South West

Tim Beale
Managing Director
Telephone: 0117 923 6600

Crest Nicholson Strategic Projects

John Terry
Managing Director
Telephone: 01932 580555

www.crestnicholson.com



Park Central,
Birmingham

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Crest Nicholson

Crest House
Pyncroft Road
Chertsey
Surrey
KT16 9GN

Tel: 01932 580 555
Fax: 0870 336 3990

crestnicholson.com

Registered number 6800680