SUSTAINING VALUE

Crest Nicholson Annual integrated report

31st October 2016

PERFORMANCE HIGHLIGHTS 2016

DELIVERING SUSTAINABLE VALUE TO SHAREHOLDERS

£997.0m
Revenue
(2015: £804.8m)
↑ 24%

£203.8m
Operating profit
(2015: £163.3m)
↑ 25%

62.0p
Basic earnings per share
(2015: 49.3p)
↑ 26%

MEETING HOUSING NEEDS

2,870
Homes delivered
(2015: 2,725)
↑ 5%

£144.7m
14.5% of our annual turnover goes into social housing subsidy and community infrastructure
(2015: £113 m)
↑ 28%

£283.3m
Committed to be spent on transport, education, community facilities, landscape and play
(2015: £278m)
↑ 2%

INVESTING IN SKILLS

82.5%
Of apprentices successfully completed their apprenticeships
(2015: 80.7%)
↑ 2%

11
New graduates in 2016
(2015: 11)

22.8
Training hours per employee provided on average
(2015: 21.5)
↑ 6%

LEADING IN SUSTAINABILITY

2nd place
In the NextGeneration benchmark of top 25 UK housebuilders, with a score of 81%
(2015: 1st place, with a score of 83%)

FTSE4Good
Maintained our position in the FTSE4Good Index

13%
Reduction in our normalised carbon emissions from our sites compared with 2015

OUR AWARDS

Cover image: Kilwood Vale, Faygate

SUSTAINING VALUE

CREST NICHOLSON IS A LEADING DEVELOPER WITH A LONG HISTORY OF CREATING SUSTAINABLE, VIBRANT COMMUNITIES WHERE PEOPLE CAN THRIVE.

WE ARE FOCUSED ON CREATING AND SUSTAINING VALUE FOR SOCIETY BY SATISFYING OUR CUSTOMERS' NEEDS, WHILE PROTECTING AND ENHANCING THE FINANCIAL, NATURAL AND HUMAN RESOURCES WE DEPEND ON.

SUSTAINING VALUE BY...

MANAGED GROWTH OF THE BUSINESS

We aim to grow our business and sustain long-term value, targeting £1.4bn sales and building 4,000 homes a year by 2019. Our divisions made sales of just over £1bn this year, a small element of which were through joint ventures, resulting in statutory revenues of £997m.

SUSTAINABLE DIVIDENDS FOR SHAREHOLDERS

27.6p

total dividend for the year

CONTRIBUTING TO THE UK'S HOUSING NEEDS

2,870

homes delivered

A STRONG LAND PIPELINE

£10.65bn

gross development value

Pictured: Finberry, Ashford

Our performance in 2016, with £1bn of sales including those through joint ventures and a 5.3% increase in the number of homes built, is keeping us firmly on track to achieve our 2019 growth targets.

In part this has come from an increased contribution by all our divisions, focusing in key geographic areas and seeking out beneficial partnerships. For example, in London, we have continued to refocus resources on areas outside central 'Zone 1', and we expanded our Chiltern division, adding new sites during the year and driving sales in the northern home counties and West Midlands.

STRATEGY IN ACTION

The contribution of PRS

As part of our strategy, we are developing new funding models and housing types, including a tailored Private Rented Sector (PRS) product for suburban and urban areas. PRS not only delivers additional revenue streams, economies of scale and cash flow advantages; it enables us to diversify our offering, speed up delivery, and has significant potential for design and delivery efficiencies.

Our agreement with M&G Real Estate was the first of its kind between an institutional investor and a listed housebuilder. At Bath Riverside this means the development of 97 new rental homes now form part of our mixed tenure urban quarter of nearly 2,000 homes.

M&G Real Estate has also worked with us on our first suburban PRS scheme at Kilnwood Vale in Faygate, with construction beginning this year on 227 new homes that are due to be ready for tenancy between August 2017 and February 2019.

Pictured: Bath Riverside, Bath

For more information on managed growth of the business see pages 22 to 23

SUSTAINING VALUE BY…

DELIVERING TO OUR CUSTOMERS AND COMMUNITIES

We're creating great places that support sustainable lifestyles and well-being, and are committed to continuously improving what we offer our customers.

ACCESS TO SUSTAINABLE TRANSPORT OPTIONS[1]

90%

of new homes are within 500m of a bus service

[1] The sustainable transport options we provided on our developments in the year are car-sharing clubs, cycle lanes, public transport vouchers and electric car charging points.

SUBSIDY LEVEL OF FUTURE AFFORDABLE HOUSING DELIVERY

£744m

NUMBER OF CUSTOMERS THIS YEAR WHO HAVE BOUGHT HOUSES THROUGH HELP TO BUY

698

Pictured: Tadpole Garden Village, Swindon

Our business depends on providing affordable, carefully designed and well-built new homes and developments that respond to the expectations of customers and communities.

Our strategy is focused on ensuring that our teams deliver a product and customer experience that puts the customer at the heart of our decision making. This year we have implemented a large-scale training initiative called 'Making our Customers Feel Special and Valued'. It introduces new guidance on how to communicate more effectively with customers, clarifying service levels and the expectations of our employees and their roles and responsibilities at every stage of the customer journey.

STRATEGY IN ACTION

Ahead of the curve on Garden Villages

At Crest Nicholson, we have a well-established reputation for developing Garden Villages with unique characteristics that set them apart and help us meet the varying lifestyle needs of our customers. We welcomed the Government's prospectus for Garden Villages in 2016. More recently, we were pleased to have our development in Longcross, Surrey named as one of the first 14 sites in the UK to officially be supported by the Government as a Garden Village.

Our Tadpole Garden Village development near Swindon is a holistically planned community with strong character, high quality design and landscaping at the heart of its masterplan. These qualities are complemented by public realm, open spaces and facilities that work together to create a genuine sense of place. We also provide supporting social infrastructure – for example, only a few months after starting work on the site, we delivered Tadpole Farm CE Primary Academy, a new primary school for 420 children.

Through its award-winning Community Interest Company, we encourage a sense of ownership, responsibility and civic pride, which in turn ensures that local residents are empowered to secure the long-term future and prosperity of the village.

Pictured: Tadpole Farm CE Primary Academy at Tadpole Garden Village, Swindon

For more information on delivering to our customers and communities see pages 24 to 27

SUSTAINING VALUE BY...

BUILDING SKILLS AND LEADERSHIP

We're building the skills we need for our long-term future by continuing to invest in internal training programmes that provide our employees with the right skills and knowledge, as well as maintaining our focus on recruiting a new generation of young talent.

APPRENTICESHIP INVESTMENT

£1m

total investment in salaries and training costs across the Group

GRADUATES CURRENTLY IN OUR PROGRAMME

21

candidates

SITE MANAGEMENT ACADEMY PROGRAMME RETENTION

87%

employee retention

Pictured: Apprentices at Haywards Heath, West Sussex

At Crest Nicholson supporting our people is a key priority. We underlined our commitment to learning and development in 2016 with initiatives for all employees, including our initiative, 'Delivering Professional Excellence'.

During the year 88% of our employees completed a Delivering Professional Excellence development plan meeting with their line manager, which has helped us understand the skills and training they need to excel. We have continued to build on our successful Site Management Academy, as well as our graduate and apprenticeship programmes.

STRATEGY IN ACTION

Our apprenticeship programme

Our apprentices are a vital resource, helping us to improve our skills base and promote diversity. In 2016, 82.5% of our apprentices successfully completed their apprenticeships (compared to 80.7% in 2015).

In 2016, we broadened our approach to recruiting apprentices, ensuring we continue to attract a wide array of talent across our business by introducing opportunities in new disciplines, such as quantity surveyors, technicians and customer service technicians, as well as on-site trades.

We also created the new Group Apprenticeship Manager role to further support us in attracting, developing and retaining apprentices in housebuilding as well as helping Crest Nicholson to prepare for the Department of Education's new Apprenticeship Levy. We are also working with colleges and schools to raise awareness of the career opportunities that exist in housebuilding and to identify skills growth requirements in the wider supply chain.

Tom Ryland receiving one of our newly created Apprentice of the Year awards, celebrating our apprentices' outstanding commitment and contributions to the workplace.

For more information on building skills and leadership see pages 28 to 31

SUSTAINING VALUE BY...

OPERATING RESPONSIBLY

We are committed to building well-designed homes and vibrant communities that respond to the needs of local people and the environment. At the same time, and at every stage of our operations, we are focused on ensuring we operate responsibly and safely.

NORMALISED CARBON EMISSIONS FROM OUR SITES

13%

reduction compared with 2015

HEALTH AND SAFETY TRAINING

535

total person days (2015: 550)

REDUCTION IN NORMALISED SITE WASTE

1%

compared with baseline

Pictured: Arvydas Jankauskas, the Materials Controller at Kilnwood Vale, Faygate

Our ambition to be the market leader in the design and delivery of sustainable homes and mixed use communities is backed by a strong ethos to operate in a responsible and ethical way.

This means considering and managing the wider impacts of our business for our customers, communities and supply chain, as well as the environment. This includes our commitment to health and safety, which has, this year, involved on-site campaigns to raise awareness of risks as well as improved reporting to the Board. We have also put in place initiatives to reduce our energy and water use, and responded to the Modern Slavery Act 2015 requirements to publish a statement.

STRATEGY IN ACTION

Making waste history on our sites and in our offices

Through our Make Waste History campaign, we work to understand the reasons behind our waste and put in place initiatives to reduce it. Recent initiatives have included installing low-energy lighting in our head office, offering packaging take-back schemes and cutting down our diesel use.

Part of our aim is to reduce the amount of construction waste we produce on our sites. In 2013, we set an ambitious target of reducing it by 10% (volume per 1,000 sq ft). In 2016, we saw a 1% reduction against our 2013 baseline year. This is despite having increased the total number of plots built, including more apartments, which produce a higher volume of waste per sq ft than a typical house. We also reduced the volume and tonnage per plot, by 2% and 6% respectively compared to 2015, demonstrating that our campaign is having a positive impact. We are continuing to explore new and innovative ways to further reduce our waste on sites as we grow our business.

For more information on operating responsibly see pages 32 to 35

SUSTAINING VALUE BY...

WORKING WITH PARTNERS AND OUR SUPPLY CHAIN

Our long-term relationships with landowners, government, and our supply chain helps us to build communities in desirable locations, improve the quality of the homes we deliver and engage in research and innovation to help position our industry for the future.

INCREASING COLLABORATION

>30

meetings with key consultants to share knowledge and solutions

PRODUCTION

100%

detailed design consultants appointed with framework agreements

PROCUREMENT

58%

of procurement budget spent with Group-approved suppliers and through Group trading agreements for directly sourced materials

Pictured: Arborfield Green, Wokingham

We work closely with our partners and supply chain to achieve our strategic ambitions. They support us in a number of ways, from helping us innovate and improve our build standards, to working with us to source high quality land, labour and materials.

For example, we are working closely with key partners to adopt elements of off-site manufacture (OSM) in a new range of house types. This will help us address skills shortages, improve quality and volume as well as reduce waste.

We have a track record of building long-term relationships with the public sector and private landowners to bring forward sites, deliver efficiently and generate value for our stakeholders. This includes securing planning permissions for previously unallocated sites with landowners, such as our Tadpole Garden Village or our partnership with the Defence Infrastructure Organisation (DIO), the estates arm of the Ministry of Defence.

STRATEGY IN ACTION

Long-term partnership with the DIO

Crest Nicholson was appointed by the DIO to design and deliver a new 2,000-home Garden Village at their Arborfield Garrison site in Berkshire. This appointment recognises our reputation for delivering value-adding quality homes, while providing the expertise to unlock complex sites and manage them responsibly.

We work closely with the DIO through a Project Executive Group that provides the overarching governance for the project and includes senior representatives from both organisations. The first phase of 113 apartments and houses commenced delivery this year with the first occupations in October 2016.

We are now also partnering with the DIO to design and promote a new 4,500-home Garden Village community on the former airfield at RAF Wyton. We will seek outline planning in 2017, when our vision for the site has been consulted upon and agreed with the neighbouring communities.

Pictured: Arborfield Green, Wokingham

For more information on working with partners and our supply chain see pages 36 to 37

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STRATEGIC REPORT

GOVERNANCE

FINANCIAL STATEMENTS

APPROVAL

The Strategic report for the financial year 2016 as presented on pages 03 to 47 was approved by the Board of Directors on 24th January 2017 and signed on its behalf by:

Kevin Maguire
Group Company Secretary

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ABOUT THIS REPORT

This is our third annual integrated report, focusing on the wider impacts of our business and the resources we depend on. It describes our financial and non-financial performance and the ways in which we interact with people and the environment to sustain value and control risks.

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

The following icons in this report highlight where you can find out more information:

Read more in this report

Go online for more information

STRATEGIC REPORT

Our mission

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

Pictured: Woodside at St Francis Park, Haywards Heath

WHAT SETS US APART

We apply our core principles of design and innovation, sustainability and customer care to everything we do – from small housing-led residential developments to larger urban regeneration schemes and Garden Villages.

OUR KEY DIFFERENTIATORS

DIVERSE OFFER

Our product portfolio meets the needs of a wide range of purchasers from first-time buyers, to large families, down-sizers and PRS investors and includes houses, apartments and commercial facilities.

LEADERS IN MASTERPLANNING

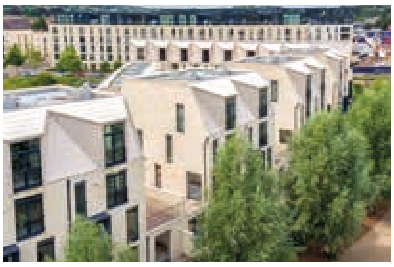
We have built a proud reputation for innovative masterplanning and delivering energy-efficient homes across a broad range of developments from Garden Villages to major regeneration projects.

OUR PARTNERSHIPS

We forge long-lasting partnerships that add real value with landowners, government, industry bodies and our supply chain to deliver our homes.

DESIGN AND INNOVATION

Our strong design ethos can be seen in our visionary masterplans, and the high quality homes and places we create, each cleverly designed and delivered to the highest standard to provide a lasting legacy.

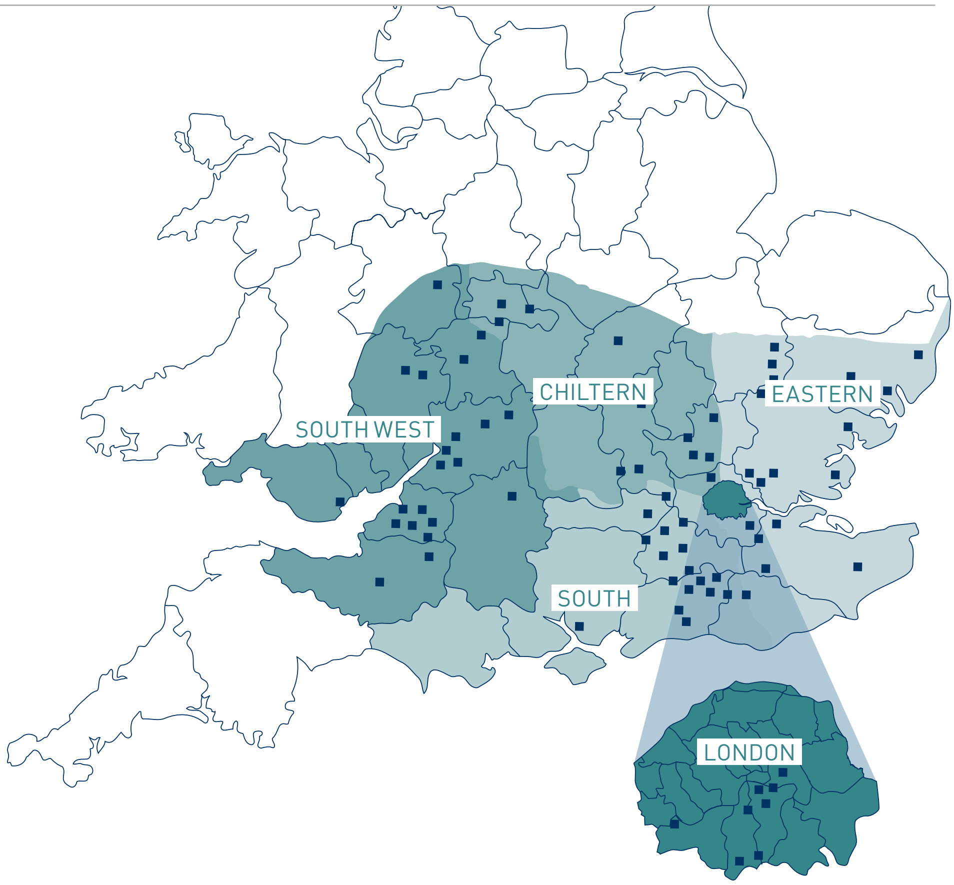


SUSTAINABILITY

We balance social, economic and environmental factors in our projects to create sustainable value for all our stakeholders and support vibrant communities, while minimising any environmental impacts.

CUSTOMER CARE

We invest heavily in systems and processes to put our customers first, with the aim of exceeding their expectations and providing them with support throughout the buying process and beyond.



OUR REGIONAL FOCUS

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

Crest Nicholson Regeneration (Major Projects)

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

Crest Strategic Projects (Strategic Land)

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

862
employees at year end
(2015: 840)

47
– average number of sales outlets
(2015: 44)

Pictured: Park Avenue, Sunbury

BUSINESS MODEL

Our business model is built around our customers and creating long-term value for all our stakeholders. We use our blend of experience and skills to deliver quality homes and communities that meet our customers' needs and help us grow our business sustainably.

KEY RESOURCES

FINANCIAL

Working capital and a strong balance sheet.

See page 08

NATURAL AND PHYSICAL

Well-located land and the materials and resources we use to build homes.

See page 08

PEOPLE AND KNOW-HOW

Employees' and supply chain skills, knowledge, experience and expertise in masterplanning, design and build.

See page 08

RELATIONSHIPS AND NETWORKS

Relationships with customers, local authorities, landowners, government, industry and communities.

See page 08

HOW WE ADD VALUE

WE PROVIDE

LAND

Skills and experience in identifying opportunities

THE OUTCOMES

High quality, diverse and well-located homes

DELIVERING SUSTAINABLE VALUE

Our well-established business strategy is a key enabler in unlocking the potential of the resources we rely on to deliver value for our investors, our customers and society.

FACTORS THAT INFLUENCE OUR BUSINESS MODEL

There are many external factors that can influence our business model and we regularly review it to respond effectively to changes in government policy, market trends and evolving regulation. For example, the vote in 2016 to leave the European Union has raised questions over the Government's approach to carbon regulation on homes, which could change the way we plan and build homes. In addition, there may well be restrictions in the UK labour market, affecting our access to much needed European construction labour. See more on page 17.

The market trends our strategy responds to: see pages 16 to 17

PLANNING AND DESIGN

Work in partnership to achieve complex planning consents

Vibrant communities with a high quality blend of homes and tenures

CONSTRUCTION

Championing best practice in build quality and managing waste and materials effectively

Well-managed sites with established environmental and safety standards

CUSTOMER SERVICE

Providing support through the home-buying process and beyond

Meeting customers' needs by providing homes and places where they want to live

LEGACY AND STEWARDSHIP

Financial support for social infrastructure

Creation of community assets that benefit all stakeholders

EMPLOYMENT AND ECONOMIC GROWTH

£51.2m
wages and salaries paid

62.0p
basic earnings per share

£731.3m
supply chain contribution charged against revenue

£38.2m
tax contribution

LOW IMPACT NEW HOMES

44%
of our homes have at least one type of renewable energy

16.6%
lower average carbon emissions from our new homes than current regulations demand

SKILLS FOR THE FUTURE

22.8
average hours of training per employee per year

9%
of our workforce are apprentices

577
employees participated in the Delivering Professional Excellence programme

92%
of graduates continued employment

NEW HOMES AND COMMUNITY INFRASTRUCTURE

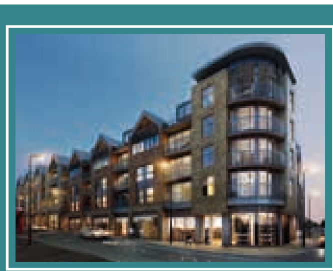
2,870
units delivered

14.5%
of our annual turnover goes into social housing and infrastructure

£744m
commitment to affordable housing subsidy (off-site and on-site)

OUR KEY RESOURCES

Our business model relies on a number of key resources for us to be a successful, thriving business that creates and sustains value for our stakeholders and wider society. These resources are transformed and affected, both positively and negatively, through our operations and our outputs.

RESOURCE	OVERVIEW	
FINANCIAL	**Working capital and a strong balance sheet** – sound financial resources, both within the business and availability of it, are critical to our ability to deliver for our customers, shareholders, and other stakeholders. This ensures consistency and continuity across our whole organisation, our supply chain and the security of our land pipeline.	
NATURAL AND PHYSICAL	**Well-located land and the materials and resources we use to build homes** – access to the right land, natural resources and the best construction materials makes it possible for us to build the homes and places our customers want to live in. Our developments rely on the quality of our materials and workmanship to enhance the natural environment.	
PEOPLE AND KNOW-HOW	**Employees' and supply chain skills, knowledge, experience and expertise in masterplanning, design and build** – our people, including those in our supply chain, are vital to designing and building quality homes and communities and offering an excellent customer experience, from the innovative designs that make our products stand out, to construction approaches that help our industry adapt to new market needs.	
RELATIONSHIPS AND NETWORKS	**Relationships with customers, local authorities, landowners, government, industry and communities** – partnerships with financial institutions, local authorities, landowners and organisations, such as the DIO, enable us to develop major sites that will deliver benefits to our business and local communities, while building strong relationships with customers is the key to maintaining high levels of customer satisfaction and our reputation.	

We create value through our business model (see pages 06 to 07) and strategy (see page15) by making the best use of our key resources. Here we explain the importance of these resources, the positive impacts we make, and how we both limit any negative impacts and protect these resources.

We categorise these resources into four areas: financial, natural and physical, people and know-how and relationships and networks.

	OUR POSITIVE IMPACTS		HOW WE LIMIT NEGATIVE IMPACTS	STEPS TO PROTECT OUR RESOURCES
FINANCIAL	Deals can be agreed swiftly with landowners when opportunities arise Strong results drive earnings We invest in our people and supply chain, ensuring consistency in rewards and payments	**£719.2m** net asset value of the business as of 31st October 2016	Managing risk and maintaining a strong financial model is critical to sustainable growth. We also assist first-time buyers by facilitating government schemes, such as Help to Buy	> Strategic investments in land and strong financial management allow us to build homes in the face of external pressures and help us to maintain strong returns to our shareholders
NATURAL AND PHYSICAL	Strong pipeline of land in the right locations Delivery of homes our customers want to live in Access to high quality sustainable building materials Biodiversity nurtured to add value to the living space	**75%** of our developments with ecological protection or enhancements	We set targets at each of our sites for waste recycling and re-use, pursue regeneration projects, and strive to go above and beyond the minimum requirement for preserving local ecology	> We work with our supply chain to ensure we source materials sustainably and are looking to reduce waste and improve quality > We are also working to reduce carbon emissions
PEOPLE AND KNOW-HOW	Our masterplanning skills are key to delivering innovative designs Access to labour, including graduates and apprentices Our expertise in everything from construction techniques to customer service	**22.8** average training hours per person in 2016	We seek to maintain high standards of health and safety, and create efficient new processes to ensure our people can develop their skills and contribute to improving building standards	> We offer industry-leading training programmes, strong career development and excellent rewards > Preferred supply chain companies are signed up to long-term deals so that they feel more part of the team
RELATIONSHIPS AND NETWORKS	Partnerships with landowners help us maintain a secure supply of homes Local community groups input into our projects influencing the social infrastructure we build Our customer relationships help us meet their needs	**100%** of our developments undertake community engagement in line with the Local Authority Statement of Community Involvement	We work closely with our partners and invest in these relationships to develop a joint approach to overcoming difficulties that helps us deliver on time for our customers	> Consulting and engaging with local residents and stakeholders, helps us meet the needs of customers and communities > We nurture strong working relationships with our partners > We provide effective customer service and sales training and development opportunities to our staff.

William Rucker
Chairman

CHAIRMAN'S STATEMENT

"The UK still has a serious housing shortage, with people eager to buy or rent a new home, so there continues to be great opportunities open to our business to design and deliver great places to live that contribute to meeting housing needs."

RESULTS AND DIVIDENDS

£156.8m

The Group's consolidated profit after taxation for the financial year ended 31st October 2016

(2015: £124.1m).

26%

18.5p

Proposed final dividend for the financial year ended 31st October 2016

(2015: 13.3 pence).

39%

Together with the interim dividend of 9.1 pence per share paid in October 2016, this brings the total dividends for the year to 27.6 pence

(2015: 19.7 pence).

It's been something of a turbulent year in political circles, bringing uncertainty for some businesses, but the housing market has again proved to be extremely resilient. What hasn't changed is the demand for new homes and Crest Nicholson remains well placed to deliver the high quality houses and apartments in brand new or re-energised communities where people want to live.

We're creating value for our customers and communities. The Group has contributed to the UK's housing needs, with 2,870 new homes in 2016, and enhanced social infrastructure, through new public transport and schools in and around our developments. We're also building stronger partnerships with local authorities, landowners, industry and charitable bodies, as well as our key suppliers. These relationships are supporting important initiatives from sustainable sourcing and reducing waste, to innovative construction methods and developing a pioneering range of house types.

We have achieved robust revenue and earnings growth, with a strong operating margin of 20.4%. Taking into account the Group's financial position and the medium-term market outlook, the Board has proposed a final dividend of 18.5 pence per share (2015: 13.3 pence) for the financial year ended 31st October 2016. The proposed dividend together with the interim dividend is covered 2.25 times by earnings and, in line with our commitment, we intend to reduce dividend cover to 2 times in respect of the year ending 31st October 2017.

I would like to thank all Crest Nicholson employees for their contribution to another successful year, including Stephen Stone and his Executive Management Team. I would also like to welcome Darren Dancey, our Group Design and Technical Director, to Stephen's Executive Management Team this year, and to congratulate Patrick Bergin on his promotion to the position of Chief Operating Officer. Patrick was Group Finance Director during the reporting period covered by this report, before taking on his new role and on 10th January 2017 we announced the appointment of Robert Allen as the new Group Finance Director with effect from 13th February 2017. Chris Tinker also joined the Board on 10th January 2017.

The Board has continued to hold a number of its meetings within the divisions during the year, gaining valuable insights into what's happening on site locally and strengthening relationships between the Board and key divisional management. Last year's externally facilitated Board evaluation has helped frame the focus and activity of the Board and its Committees for the year. As ever, the Board remains committed to health and safety, which continues to feature prominently on its agenda and, as technology becomes an increasingly important part of the way we manage our business, the Board is also looking carefully at cyber security to ensure our data and systems are securely protected.

Looking ahead, we expect to see more government policy to tackle the issues of housing shortage, so the opportunity for our business is clear. We will succeed by continuing to invest in the people we need to support our growth and by helping them to develop their own skills, while continuing to be innovative in our building methods and product design, and most importantly by keeping the customer at the heart of our plans to deliver sustainable value.

William Rucker
Chairman

BOARD FOCUS IN 2016

Regular Board meetings cover Group matters and what's happening in each of our divisions. The meetings involve the Executive Management Team and include review and discussion of developments on site, industry trends, key focus areas, demographics, best practice and potential risks. Divisional management will meet the Board during the course of the year. More information on the Board's activity during the year can be found in the Governance section from page 48.

STRATEGY

The Board has monitored and reviewed the Group's strategic ambitions including future growth trajectory.

RECRUITMENT AND DEVELOPMENT

Graduates were tasked with creating new house designs and the best ideas were presented to the Board, giving individuals excellent exposure and experience.

PRIVATE RENTED SECTOR (PRS)

The Board has looked at the breadth of opportunities in this area, as well as how we can further develop new PRS products.

RISK MANAGEMENT

Risk has always been a major focus for the Board and we continue to review our risk framework at least once a year, setting the Group's appetite for risk against current mitigation factors.

SUCCESSION PLANNING

Our divisions were tasked with developing succession plans and talent management plans – these were presented to the Nomination Committee.

HEALTH AND SAFETY

The Board commissioned an independent review of our Group health and safety systems to identify areas for improvement.

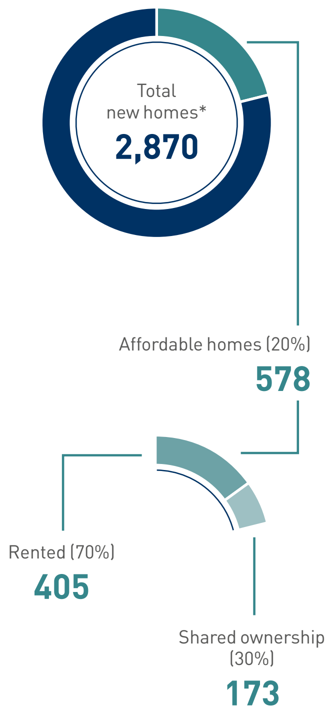
Stephen Stone
Chief Executive

FROM OUR CHIEF EXECUTIVE

CUSTOMERS AT THE HEART OF OUR BUSINESS

"Our focus remains on quality delivery, which means putting our customers first, striving for the highest levels of customer care and providing the right homes in the right place at the right time."

NEW HOMES DELIVERED IN 2016



* 5.3% increase compared to 2015.
Targeting 4,000 homes by 2019.

For more information:
see pages 24 to 27

DELIVERING FOR CUSTOMERS AND INVESTORS

I am delighted to report another successful year for the Group. Our excellent financial results underline the resilience of our business model, the strength of our business strategy, and the passion and commitment of our people and our management team. Their dedication to building high quality, well-designed homes and regaining our 5-star customer satisfaction rating is an important driver for our business growth and we remain wholeheartedly committed to improving our performance each and every year.

In 2016 we delivered 2,870 new homes, an increase of 5.3%, keeping us firmly on track to achieve our target of 4,000 homes by 2019. Our youngest division, Chiltern, is contributing towards this growth by successfully driving sales in the northern home counties and West Midlands. Similarly, our London division is bringing forward new land opportunities on the outskirts of London, allowing us to offer first-time buyers more affordable homes with good transport connections to the capital.

I am pleased to see that our Garden Village developments are steadily evolving into real communities with a genuine heart and soul. These places reinforce our reputation for creating truly outstanding places to live and help demonstrate how we can make a valuable contribution to meeting the housing need in this country.

In 2016 we finally secured approval for the first phase of our Garden Village at Longcross in Surrey. This is one of 14 Garden Villages in the UK to receive formal Government support. This planning consent is the culmination of many years of hard work and it is exciting to see our ambitions for this Garden Village starting to materialise. Longcross has the potential to become a new worldclass mixed use development in the heart of Surrey's prime commuter belt.

PRS continues to offer a growing revenue stream for Crest Nicholson. With the launch of our first suburban PRS scheme at Kilnwood Vale in Faygate this year we now have a strong PRS offering embedded into our business model and underpinned by financial institutions, giving us a leading position in this emerging market.

£1,000.3m
sales including through joint ventures, keeping us on track to achieve our sales target of £1.4bn by 2019
[2015: £807.2m]
↑ 24%

22.8
training hours per employee provided on average across the Group
[2015: 21.5]
↑ 6%

Innovation enabling sustainable growth

We have an ambitious growth strategy and we are continuing to embrace modern methods of construction and technology as we seek to grow the capacity and efficiency of the business. Over the past year, we have invested heavily in designing a new range of house types that includes off-site manufacture capability and design features that will not only cut down on waste, but offer living spaces flexible enough to suit the evolving lifestyles of our different customers.

On our sites, we are improving the way we capture and manage our build quality and performance data, allowing for better oversight and control. These improvements are driving efficiency in the business and increased consistency in delivery, which will help to sustain high standards of quality and customer satisfaction.

I am proud to say that our Make Waste History campaign has gained external recognition, commending our approach to driving down waste on our sites and increasing our resource efficiency across the business. In the year we have reduced the tonnes of waste per plot by 6% (vs 2015). We have also managed to reduce our carbon emissions from office energy by 7% per person (vs 2015) and water consumption by 34% per person (vs 2015).

> "Our employees are already a highly capable team, but I am particularly proud of the way we have continued to support their professional development and ambitions this year."

I am delighted to report that we have retained our listing in the FTSE4Good Index, scoring particularly high in Climate Change, Labour Standards, and Corporate Governance. We have also demonstrated our consistent high performance in sustainability by coming 2nd in the NextGeneration benchmark – the only industry-wide sustainability benchmark of the 25 largest housebuilders in the UK.

Developing and protecting our people

Our employees are already a highly capable team, but I am particularly proud of the way we have continued to support their professional development and ambitions this year. We have continued to invest heavily in our graduate and apprentice programmes, as well as our Site Management Academy. The Academy is a Chartered Institute of Building (CIOB) and Construction Industry Training Board (CITB) endorsed programme. The Academy has already started to yield a pipeline of new site managers and provide enthusiastic and talented build managers and production directors for the future. I am certain we can motivate young men and women from all backgrounds with the range of career opportunities we have to offer and attract them into the industry by embracing new ideas and technology.

Keeping our people safe is at the core of our operations and safety must remain an absolute priority focus for every employee. It is with regret that I have to report that Crest Nicholson was prosecuted this year for an accident that occurred at one of our sites in 2014, where an individual sustained serious injuries. As principal contractor with responsibility for the site, we were fined £800,000 under the Construction (Design and Management) Regulations 2007. This was a challenging and emotional situation for everyone involved and we deeply regret the incident. This accident, combined with an increase in our Annual Incidence Injury Rate (AIIR) has prompted a renewed scrutiny and focus on all our Health and Safety operations. You can read more about our new initiatives and commitment to health and safety in 2016 on page 35.

Pictured: Halo, Cambridge

Strengthening our position in a changing market

The outlook for the housing market continues to look promising. While the UK's vote to leave the EU in June had a temporary effect on our sales volumes, the impact was relatively short lived, with reservations and consumer confidence stabilising within a few weeks. The long-term implications of the EU vote are still unknown, and we could experience a slower rate of growth in 2017 and 2018, if political or economic factors reduce consumer confidence.

There is also a potential risk to our labour market, as European workers in the UK's construction force have been essential in delivering much needed homes. It is important to the objective of increasing housing output that a supply of European labour is maintained.

Aside from these challenges, the business is still growing in volume and earnings, and retains a strong balance sheet. I am confident we are firmly on track to hit our targets of £1.4bn of sales and building 4,000 homes a year by 2019.

The fundamentals of the market are encouraging and the five-year prospects for the sector remain strong. Unemployment levels remain at an all-time low, interest rates are favourable and there is a plentiful supply of mortgage products for our customers to choose from. This backdrop, combined with stable sales and cost inflation, positions us well for the future. Land continues to be in good supply, but obtaining the necessary planning permissions remains a frustration with local authorities taking a long time to process applications.

I am sure the recent changes in the Government will bring new ideas and influences to bear on our marketplace in the coming months, and we remain committed to working with them at all levels to help shape policy that accelerates housing delivery in the UK.

At Crest Nicholson I believe we have a great management team that is flexible enough to react swiftly to changes in our cyclical marketplace. The Group also has a strong land pipeline, low levels of gearing, and a highly engaged and stable core workforce.

There will be other challenges to face over the next few years, but I am confident we are well placed to meet them and further strengthen our position in the market. I know we have the business strategy, the people and the commitment to deliver the customer service, quality and innovative thinking needed to continue meeting and exceeding our financial, social and environmental targets.

Stephen Stone
Chief Executive

MORE INFORMATION

Investing in our future: see pages 28 to 31

Risk management: see pages 43 to 47

Finance Director's review: see pages 40 to 42

www.crestnicholson.com/about-us

MARKETPLACE AND STRATEGY

STAYING AHEAD IN A CYCLICAL MARKET

In an industry with a cyclical nature, the strong underlying demand for new housing and our well-established strategy continue to underpin our growth prospects.

OUR STRATEGY SUMMARY

READ MORE

1

MANAGED GROWTH OF THE BUSINESS

Pages 22 to 23

- Over the near to medium term, we will grow the business to its natural scale, responding to the needs of the cyclical housing market through measured expansion in our existing operating regions.
- Over the longer term, our focus is on stability and sustaining value creation.

2

DELIVERING TO OUR CUSTOMERS AND COMMUNITIES

Pages 24 to 27

- We meet our customers' needs by creating high quality, well-designed homes and communities that contribute to their well-being and quality of life, while delivering a lasting economic, social and environmental legacy.

3

BUILDING SKILLS AND LEADERSHIP

Pages28 to 31

- We are developing a strong culture of organisational learning.
- We are building our leadership capacity for the future.
- We continue to invest in the youth of today.

4

OPERATING RESPONSIBLY

Pages 32 to 35

- We deliver new homes and places in a safe and responsible way, integrating economic, social and environmental considerations throughout our business operations.

5

WORKING WITH PARTNERS AND OUR SUPPLY CHAIN

Pages 36 to 37

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

Performance against strategy: see pages 22 to 42

THE MARKET TRENDS OUR STRATEGY RESPONDS TO

We operate in a complex environment and manage a range of factors that present challenges and opportunities for the Group. Our strategic objectives are designed to help guide us in setting our priorities and in assessing how we're performing against our strategic vision to grow the business.

MARKET TREND

HIGH DEMAND CONTINUES TO OUTSTRIP SUPPLY

For a number of years one of the biggest challenges in the industry has been its ability to expand quickly enough while maintaining the highest levels of quality construction. This challenge is due to several issues, some within our supply chains, but it has resulted in the UK facing a severe housing shortage. However, this high demand for housing means that the outlook for the industry remains positive, with output increasing and prices likely to rise.

SUPPORTIVE GOVERNMENT POLICY (HELP TO BUY)

The Government's Help to Buy equity loan scheme has helped thousands of buyers purchase a new-build home and it has encouraged housebuilders to focus on units under £600,000 in London and the south east, which has been a significant boost for the building industry and first-time home buyers. The Help to Buy equity loan scheme for first-time buyers remains in place until 2021.

GOOD LAND AVAILABILITY

Short-term land availability remains good, but the strategic land market is becoming more competitive across the industry, due in part to the increasing involvement of 'land promoters', along with the acute nature of the UK's housing shortage. Strong relationships with landowners and the ability to demonstrate our track record in planning and creating places that add and sustain value are the key to maintaining a land pipeline that will continue to deliver high quality sites with good margins.

DELAYS CAUSED BY PLANNING COMPLEXITIES

Our relationships with government and public bodies are important in delivering the necessary volume of detailed planning consents and technical approvals required to meet the UK's housing shortage. Planning authorities continue to be under resourced, affecting their capacity to manage applications and develop local plans. The emphasis on neighbourhood plans and consenting to fewer larger sites has constrained outlet growth across the sector where no National Planning Policy Framework-compliant local plan is in place and adopted.

In setting our strategy we consider and respond to the wider trends that affect our industry in the short and long term. Here we lay out the trends that are most critical to our business and our stakeholders.

MARKET TREND

GOOD MORTGAGE AVAILABILITY AND LOW INTEREST RATES

Low mortgage rates continue to boost the industry. For purchasers, the recent cut in interest rates is positive as long as mortgage availability remains strong and lenders provide reasonable period fixed rate deals to their customers. However, the mortgage market could become restricted by government policy or the practices of lenders themselves, and requirements for large deposits might also temper demand.

CONSTRAINTS ON LABOUR RESOURCE

A lack of skills to meet the demand for labour is a challenge for our industry and we are strongly focused on developing skills, particularly through our apprenticeship scheme and our Site Management Academy. We work hard to challenge perceptions of the construction sector and its opportunities for career development, which can suffer from its associations with outside working and cyclical fortunes. The EU vote could also be a factor in the labour market, if it means that access to skilled European workers is restricted.

IMPLICATIONS OF THE VOTE TO LEAVE THE EU

In the first few weeks after the EU vote, consumer confidence was undermined, affecting sales in the housing market temporarily. But, it is in the longer term that we see uncertainty for our industry from leaving the EU. Potential restrictions in the labour market could have far-reaching consequences as Europeans may be restricted in their rights to work in the UK. There are also uncertainties around environmental requirements, particularly those led by EU legislation, such as the Habitats Directive and the near to zero carbon homes. None of this changes the fundamental strengths present in the market, but the industry may need to adapt to new market conditions in the years ahead.

RESPONDING TO REGULATIONS AND STANDARDS

While current regulations and standards appear unlikely to change significantly in the next few years, our industry must remain responsive to any changes that do occur. Recent examples include the National Space Standards and Part M, category 2 in the Building Regulations, both of which Crest Nicholson is incorporating into its new house types. We are also predicting some future changes to regulations likely to emerge to address 'overheating' and indoor air quality, but these are not expected any time soon. Although, again, Crest Nicholson is already exploring how to address these proactively.

ENGAGING WITH OUR STAKEHOLDERS

Understanding our stakeholders' needs helps us to respond effectively through our business model (see pages 06 to 07) and strategy (see page15). Here we outline their key interests and how we're working to meet their needs through our operations.

Continuous dialogue and engagement with our stakeholders gives us greater insight into their needs. It also enables us to exchange ideas about the things that we think can make an important difference.

SUPPLY CHAIN

Their key interests: Shared purpose, innovation, consistency and a secure pipeline of work, with positive payment terms and wider terms and conditions.

We engage with our supply chain on shared challenges, production capacity, skill shortages, knowledge and good practice, and terms that bring mutual benefits.

INVESTORS

Their key interests: Clear and consistent business strategy, strong governance, ethics and transparency, and long-term business value.

Our primary responsibility is to our investors and we maintain a programme of presentations and investor meetings, setting out a clear plan for managed growth. We also maintain a robust governance system that supports us in operating responsibly.

DEVELOPMENT PARTNERS AND LANDOWNERS

Their key interests: Ability to work within the planning system and generate competitive land value, quality of development, partnership culture and reliability.

We have an excellent track record for reliability and expertise, bringing developments successfully through planning, and delivering quality and value.

EMPLOYEES

Their key interests: Career development opportunities, availability of training and mentoring, and conditions of work.

We continue to invest in progressive employment policies that provide equal opportunities and have career development programmes for all levels.

CUSTOMERS AND COMMUNITIES

Their key interests: Great homes to live in, physical and social infrastructure (roads, surgeries and schools), character of proposed development and ongoing support through quality and service.

We engage proactively with local residents and community representatives to address any concerns and work with our supply chain to minimise delays and risks to quality.

GOVERNMENT AND INDUSTRY

Their key interests: Increasing the delivery rate of new homes and the quality and sustainability of developments, and regulating standards on energy and resource efficiency.

We are recognised for delivering high quality developments and a continued growth in units per annum, engaging with government on emerging policy and regulation.

OUR MATERIAL ISSUES

Here we outline the process we undertook in 2016 to identify our material issues as well as show how we ranked them according to stakeholder input. The material issues we identified inform our strategy and help to define the key risks to our operations (see pages 44 to 47).

Our 'material issues' are defined as issues that are most important to the business and its key stakeholders, and which can affect our ability to create value over the short, medium and long term.

Identifying our material issues helps us to understand the internal and external factors that will most affect our business in delivering its strategy as well as help us define key risks to our operations. These issues are reviewed on a regular basis, and in 2016 we conducted a detailed materiality assessment to identify and prioritise our material issues, facilitated by external advisors. This follows a previous assessment in 2014.

We considered high-level economic, environmental and social topics that are important to Crest Nicholson's licence to operate, reputation and success. The assessment started by conducting a peer review (of 10 peers) and media scan to determine the key topics reported and discussed. We then interviewed representatives from different internal and external stakeholder groups, who were invited to comment on these topics and rate them in order of importance.

Twenty-four issues in total were identified and ranked by both our stakeholders and the business, the result of which is our materiality assessment on the next two pages. The 24 material issues were then mapped to the five pillars of our business strategy.

OUR MATERIALITY REVIEW PROCESS

STAGE 1
INITIAL LIST OF MATERIAL ISSUES
Based on the Group's previous material issues and new issues identified through a peer review and media scan

STAGE 2
STAKEHOLDER ASSESSMENT
Interviews with key stakeholders to assess importance of each issue

STAGE 3
RANKING OF MATERIAL ISSUES
Based on results of the assessment and comments received

STAGE 4
MATERIALITY MATRIX
Initial matrix mapping our material issues, weighted to reflect ranking

STAGE 5
MAPPING TO OUR STRATEGY
Final shortlist of material issues mapped to our strategy and resources

STAGE 6
MANAGEMENT REVIEW
Final run through of materiality matrix with senior management

KEY

RELATIVE IMPORTANCE OF THE ISSUE

IMPORTANT SIGNIFICANT

1 MANAGED GROWTH OF THE BUSINESS

Profitability and operational efficiency
Building a successful, profitable business that makes efficient use of the capitals we rely on.

See pages 06, 08, 09, 12, 22, 23, 40, 41

Land availability and cost
Availability of a consistent supply of land to meet current and future demand at appropriate cost.

See pages 06, 08, 09, 16, 22, 42

Market volatility
Stability of national and global markets.

See pages 14, 16, 17, 22, 23

Balancing housing demand and supply
Balancing supply to meet UK-wide housing shortages ranging across price, size, location and tenure type.

See pages 16, 23

Access to capital for customers and the business
Availability of finance for customer mortgages and investment capital. Resilient to impacts of fluctuations in interest rates and lender stability.

See pages 14, 17, 42

Innovative housing concepts, investment and delivery models
Developing innovative design and housing concepts, investment and delivery models that meet changing market needs.

See pages 04, 11, 12, 23, 39

Changing demographics
Understanding and responding to demographic changes.

See pages 13, 39

2 DELIVERING TO OUR CUSTOMERS AND COMMUNITIES

Quality and customer satisfaction
Understanding and meeting the needs and expectations of customers and delivering high quality homes.

See pages 12, 24 to 27

Housing affordability
Impact of house price growth due to scarcity of supply, exceeding growth in incomes.

See pages 16, 24

Community support and engagement
Engagement with local communities and understanding of needs for homes, infrastructure and facilities.

See pages 07, 18, 24, 26

Creation of diverse, accessible communities
Creating communities that are accessible to all, embrace diverse culture, promote economic growth, provide affordability and are supported by infrastructure.

See pages 4, 24 to 26

Enabling sustainable lifestyles
Creating places that enable sustainable lifestyles, including low carbon homes, promoting sustainable transport and increasing adaptation and resilience to the impacts of climate change including flood risk.

See pages 24, 26, 27

Long-term management of developments
Maintaining a positive long-term legacy for our developments.

See pages 07, 24

3 BUILDING SKILLS AND LEADERSHIP

Availability and use of technical skills
Availability of skilled and experienced construction workers for our employee base and supply chain.

See pages 06, 08, 13, 14, 17, 28 to 31, 36, 37

Attracting, developing and retaining diverse talent
Attracting, developing and retaining employees and investing in new skills to secure our future workforce.

See pages 13, 18, 28 to 31

Succession planning
Timely identification and development of future leaders.

See pages 11, 31

4 OPERATING RESPONSIBLY

Health, safety and well-being
Providing safe working environments that promote health and well-being for employees, sub-contractors, customers and the communities we operate in.

See pages 11, 13, 35

Reputation and trust
Maintaining reputation and trust with customers, business partners, suppliers, political stakeholders and local communities.

See page 08

Business ethics, compliance and governance
Maintaining responsible governance, ethical business practice and achieving compliance with legislation.

See pages 34, 48 to 93

Human rights management
Managing human rights issues throughout the supply chain.

See page 34

Biodiversity and natural habitats
Enhancement of natural capital and protection from habitat loss.

See pages 04, 09, 32, 34

5 WORKING WITH PARTNERS AND OUR SUPPLY CHAIN

Supply chain resilience and sustainable sourcing
Responsible labour, welfare, employment practices and availability of skills across the supply chain. Responsible practices and engagement with suppliers.

See pages 09, 32, 34, 36, 37

Government policy, legislative changes and relationships with regulators and planning departments
Changes to government policy and regulations impacting the construction industry and housing market. Effective partnering with public sector agencies, councils and local communities.

See pages 04, 08, 09, 36, 37

Availability, price and use of responsible materials
Availability, price and efficient use of water, energy, construction materials and the elimination of waste.

See pages 08, 09, 13, 32 to 34

DELIVERING LONG-TERM VALUE

We deliver long-term value and sustainable business growth by building and selling well-built high quality homes and delivering mixed use communities that meet the changing needs of the market.

SUSTAINABLE GROWTH

We manage the sustainable growth of the business to deliver our key targets of achieving £1.4bn of sales and 4,000 homes by 2019.

2016 Achieved a 24% increase in revenue, including £82.8m of affordable housing.

PRODUCT RANGE

We continue to monitor demographic and financial trends in our core markets and review our product range accordingly.

2016 We are developing a new core house type range with flexible designs and innovative construction methods.

DRIVING EARNINGS

We drive strong levels of earnings by adopting a disciplined approach that ensures we can make strong cash returns for shareholders in favourable market conditions.

2016 Achieved a 26% increase in basic earnings per share and full-year dividend increased by 39%.

LAND PROFILE

We maintain a balanced risk and reward profile in relation to land to ensure we have a consistent supply in strategic locations.

2016 18.0% of plots delivered came from the strategic land pipeline and 25.3% from public sector land.

INCREASING OUTLETS

We are increasing the number of outlets within our existing areas of operation to maximise the sales opportunities from our sites.

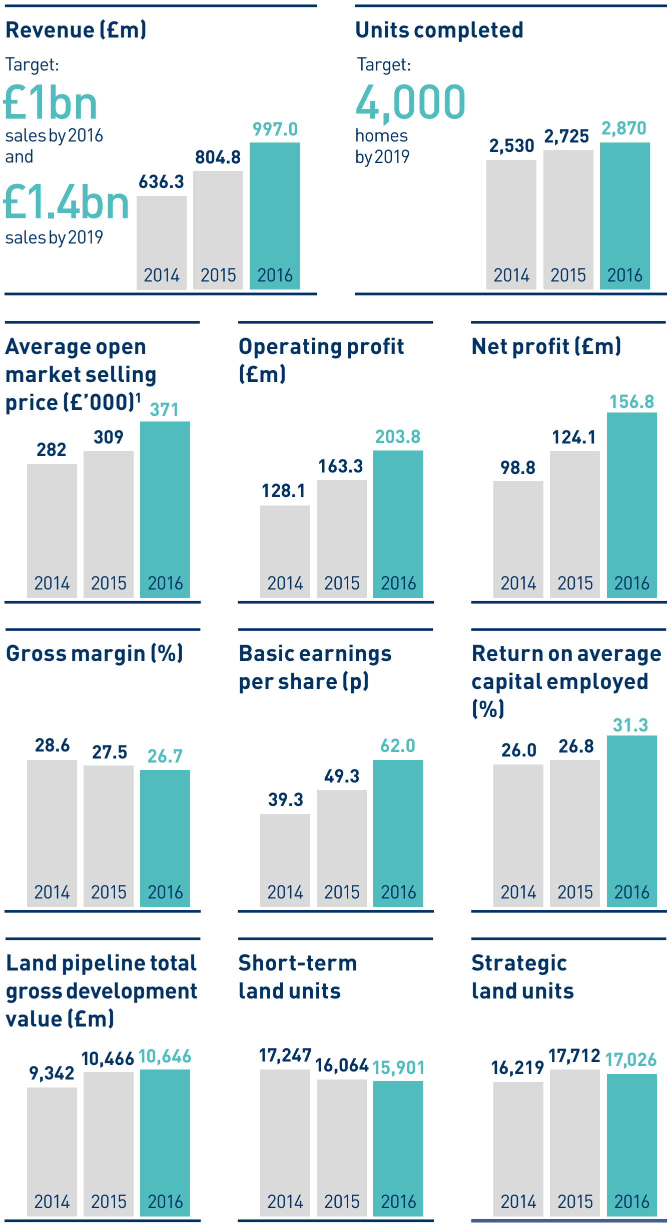
2016 Increased sales outlets by 6.8% (operating from the equivalent of 47 sales outlets at the full year).

DIVERSIFIED OFFERING

We are developing additional revenue streams through an increasingly diversified portfolio, including targeting the PRS.

2016 Launched our first suburban PRS scheme at Kilnwood Vale in Faygate.

MEASURING OUR PERFORMANCE



[1] Excluding PRS impact.

WHERE WE HAVE MADE PROGRESS

In a market subject to a large number of external factors, we have focused on building greater resilience and efficiency into the business in 2016, which will help us provide sustainable dividends.

> We focus on driving our larger sites very hard, working our assets and introducing dedicated sales outlets for distinct products available on a single development.

> We continue to have a strong product mix to meet all housing needs from regeneration projects to Garden Village developments, and from first-time home buyers to new entrants to the PRS sector.

> We have improved our control systems and sourcing methods to drive even greater efficiency at our sites and through our suppliers.

OUR FOCUS IN 2017

WE WILL...

> leverage our strategic planning and delivery skills to increase the supply of new homes across a growing range of locations.

> maintain our development focus in areas aligned to housing demand and, where appropriate, a product mix that facilitates purchaser access to Help to Buy.

> continue our programme of core product development to bring new contemporary homes to market that respond to changing customer demands.

> continue our cost analysis and feasibility study into moving towards a greater level of off-site manufacture, enhancing quality and reducing reliance on scarce skills.

GROUP'S GROWTH PLANS REMAIN ON TRACK

We reached a key milestone of £1bn of sales this year including those through joint ventures. Whilst the EU referendum and the 'leave' vote had a temporary effect on consumer confidence in the housing sector fairly late in our financial year sales picked up within a few weeks. Sales through the last quarter of the year recovered well after the temporary hiatus in the summer and our medium-term growth plans remain on track to help us meet our £1.4bn sales target for 2019.

While we were more cautious over land purchases in the period immediately after the EU vote, we have continued to make selective investments in our short-term land pipeline, which combined with conversions of strategic land, has increased the gross development value (GDV) by 2% to £10.65bn.

Our Chiltern division continued to grow with five pre-operational sites added in 2016, including one from our strategic land portfolio, and our London division's focus on areas just outside the central 'Zone 1' has helped us to deliver more sites with greater affordability potential for our customers. Crest Nicholson Regeneration has also continued the work to regenerate former Ministry of Defence sites as part of our successful partnership with the DIO. Overall, in 2016 we acquired 10 new sites and 1,548 plots, and converted seven sites and 1,536 plots from the strategic land portfolio. The strategic pipeline was replenished with 1,615 plots and £619m GDV of new options exchanged in the year.

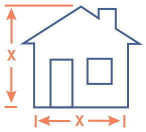
CREATING GREAT PLACES

Our commitment to customer care starts from the very outset, with the land we acquire and the homes and communities we design. But it doesn't stop there; it extends throughout the whole home-buying process and long after a customer moves in.

SUPPORTING SUSTAINABLE LIFESTYLES

We create great places that support sustainable lifestyles and well-being, with green open spaces, good connectivity and accessible local amenities.

2016 We were named Sustainable Housebuilder of the Year in the Housebuilder Awards.



QUALITY AND VALUE

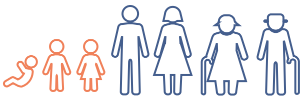
We drive quality and value for our customers through high standards of design and construction across our full range of homes and through our commitment to helping buyers climb the property ladder.

2016 We have improved the effectiveness of our build stage inspections, and we are in the process of implementing our tablet-based system Priority 1 so that site managers can record their results on site electronically.

IMAGINATIVE SOLUTIONS

We explore and develop imaginative solutions for creating great places to live, building on our Garden Village principles that underpin the design and delivery of well-designed homes that meet the needs of different customers.

2016 Our Bath Riverside regeneration project won the Best House Design Award at The Sunday Times British Homes Awards 2016.



DEVELOPING LEGACY SOLUTIONS

We are building for the future by developing innovative, affordable legacy solutions, including Community Interest Companies (CICs), which help neighbourhoods grow and thrive.

2016 The award-winning CIC at our Tadpole Garden Village development is involved in a wide range of community activity, from an opening celebration evening to helping establish new village traditions.

LOCAL CONSULTATION

We involve people in what we do – consulting with local residents and stakeholders ensures that our developments respond to their needs and aspirations.

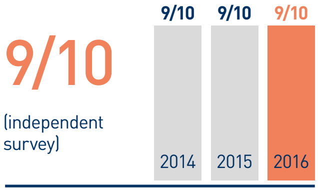
2016 81% of residents who responded to our consultation on our development at Highlands Farm, Henley-on-Thames, agreed or strongly agreed that our plans make the best use of the brownfield site.

PUTTING CUSTOMERS FIRST

Customers are at the heart of everything we do, and we are committed to regaining a 5-star customer service rating in the Home Builders Federation (HBF) survey and maintaining at least 9/10 customer recommendations.

2016 Achieved a 4-star customer service rating and 9/10 customer recommendations.

MEASURING OUR PERFORMANCE



MAKING CUSTOMERS FEEL SPECIAL AND VALUED

Our aim is to deliver the best possible customer experience, but the challenges in maintaining quality and continuity of supply in a market with increasing levels of demand has led to us again achieving a 4-star rating in the 2016 HBF annual customer satisfaction survey published in March. Our score remained high overall – 86% in 2016, compared to 89.6% in 2015 – but we launched new initiatives this year to help the business regain its 5-star rating and enhance our culture of delivering a great experience for our customers.

We have implemented a large-scale training initiative called Making Customers Feel Special and Valued. It introduces new guidance on how to communicate more effectively with customers, clarifying service levels and the expectations of our employees and their roles and responsibilities at every stage of the customer journey.

Training briefings, implemented across all Crest Nicholson functions, are designed to foster a culture of best practice. Accompanying workshops, aimed specifically at new employees, outline our expectations for customer experience and the customer/employee relationships we want to foster.

WHERE WE HAVE MADE PROGRESS

Delivering for our customers is critical to our business, from providing the right mix of homes at the right price and quality, to ensuring our communications are clear for customers throughout the buying process.

> Our new 'Selling Within the Law' e-learning training was introduced during 2016 and is compulsory for our sales and marketing personnel, ensuring they understand their legal and professional obligations and provide our customers with a professional and credible sales experience.

> Our site managers can now digitally track build progress and monitor quality as their work proceeds, making sharing information on-the-go easier, while ensuring that customers receive up-to-date information about the progress of their new home.

> Our plot sign-off procedure now has 160 questions that are addressed by our customer service managers and scored objectively by a robust system.

OUR FOCUS IN 2017

WE WILL...

> continue to develop a new contemporary range of house types, designed to maximise value and flexibility for customers, while balancing construction costs and methods.

> continue to expand our Priority 1 programme to digitise quality processes. This will help us offer a better customer experience and provide our business with greater management information, quicker response times and better reporting.

REGENERATING CITY CENTRES
Electricity House is a Grade II listed former office block in central Bristol. It lay dormant for decades before we acquired the building in 2014. After a careful programme of restoration and refurbishment it now boasts 85 luxury apartments. It was recently named Best Refurbishment Project at the Housebuilder Awards 2016.

BUILDING COMMUNITIES THAT WORK

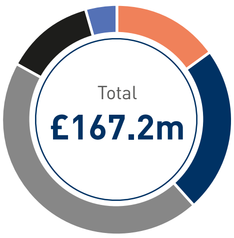
In and around the sites we develop, we aim to provide supporting infrastructure for the local community – including schools, leisure, technology, affordable homes and community buildings. We create places that enable sustainable lifestyles, including low carbon homes, and provide facilities for growing food and gardening, walking and cycling, children's play and sport. Creating communities that work means making them accessible to all, embracing diverse cultures, promoting economic growth locally and across regions, and ensuring homes are affordable and meet people's needs.

Community support and engagement is the key to all our projects and we consult with local residents, community groups and elected representatives to ensure they are fully aware of any emerging development proposals and have the opportunity to provide feedback and express ideas. Typically, this engagement includes public exhibitions, briefings, meetings and supporting digital communications.

One of the most important things local residents tell us is that they need good travel choices and transport links for commuters. We aim to secure sites that are well located with good access to public transport and amenities, then seek to introduce additional initiatives, such as car clubs, cycle lanes, vouchers for public transport and bikes, and travel information packs. In 2016, 42% of our new homes benefited from sustainable transport initiatives[1] that we introduced. 90% of these new homes were within 500 metres of a bus service, 15% were within 500 metres of a train service, 12% had access to an electric car charging point, and 66% had access to a newly planned cycle route.

CONTRIBUTING TO SOCIAL INFRASTRUCTURE AND AFFORDABLE HOUSING

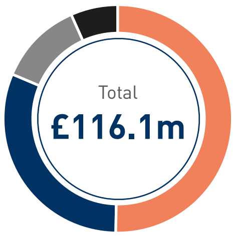
Committed combined Section 106 contributions and Community Infrastructure Levy payments



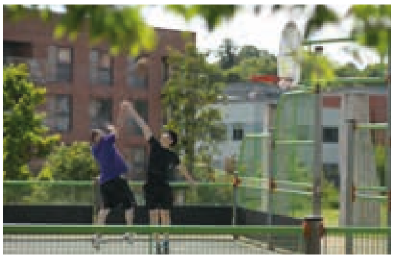
- £25.1m Travel and transport initiatives
- £39.3m Off-site highways
- £74.6m Education and libraries
- £21.2m Community, leisure and sports facilities
- £7.0m Ecology and art initiatives

Transport links are an important part of community life and all our developments are close to bus services (within 1.5km).

Cost of works to be delivered

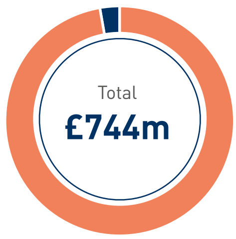


- £58.6m On and off-site common infrastructure
- £36.1m Landscape and play
- £13.9m Community facilities
- £7.5m Other



We provide facilities for healthy activities for people of all ages at our sites, including walking, cycling and children's play.

Commitment to future affordable housing delivery



- £724.9m On-site delivery subsidy
- £19.1m Off-site combined contributions

In 2016 the Group delivered 578 new affordable homes, compared to 574 in 2015.

[1] The sustainable transport options we provided on our developments in the year are car-sharing clubs, cycle lanes, public transport vouchers and electric car charging points.

QUALITY CONSTRUCTION DELIVERING CUSTOMER SATISFACTION

We are working with our supply chain to develop new and efficient housebuilding methods that will help us improve build standards and quality. We also focus on procurement strategies that benefit our customers, suppliers and the Group as a whole.

Through improvements to our pre-operational processes, we have focused on the effectiveness of our designs at concept stage and how this feeds into planning and delivering targets for new projects.

We support our site managers and teams with training to strengthen competency around their day-to-day roles and we've improved quality monitoring by introducing a new tablet-based tool called Priority 1 that allows site teams to see design information instantly, and carry out quality inspections and record their findings.

In addition, our new Plot Production Programme (PPP) ensures we have improved accuracy of forecasting of our construction programme and it also records our progress. As the PPP is fully embedded within our operations, it will greatly improve the information we can give to our customers, meaning they will have more certainty around the timing of when they will be able to move into their new home.

NEW HOMES BUILT IN 2016

83.65[1]
SAP energy efficiency rating, compared to a UK average for new builds of 81[2]
(2015: 83.62)

66%
of our homes are compliant with Secure by Design
(2015: 54%)

45%
of our homes are Lifetime Homes
(2015: 35%)

42%
of our homes have individual or communal water butts
(2015: 53%)

44%
of our homes have at least one type of renewable or low carbon energy
(2015: 32%)

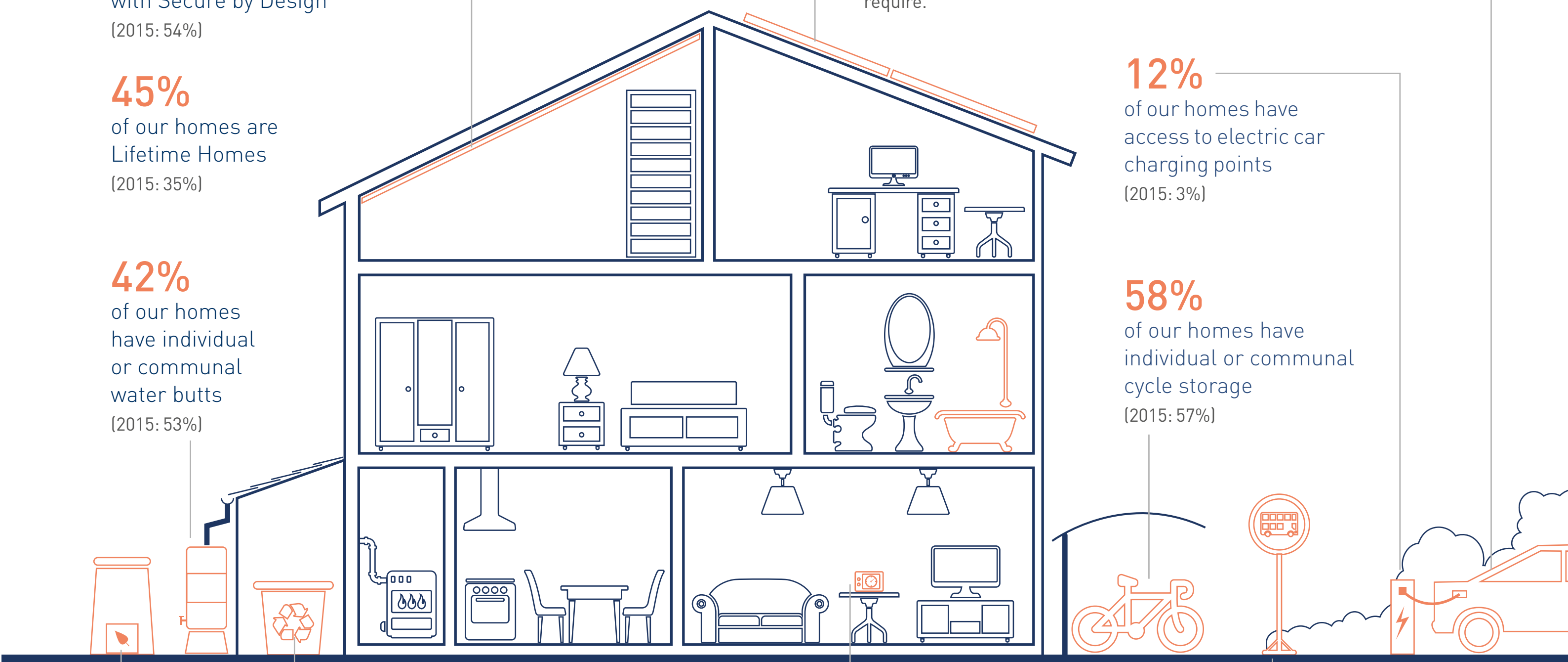
100%
of our homes are specified for 105 litres of water per person per day
(2015: 99%)

This is 16% more water efficient than current building regulations require.

42%
of our homes have sustainable transport initiatives, including access to cycle routes and car-share clubs
(2015: 27%)

12%
of our homes have access to electric car charging points
(2015: 3%)

58%
of our homes have individual or communal cycle storage
(2015: 57%)



18%
of our homes have private or communal composting facilities
(2015: 23%)

99%
of our homes have private, internal recycling facilities
(2015: 94%)

94%
of our homes have smart meters
(2015: 86%)

100%
of our plots are within 1,500 metres of a bus service
(2015: 99%)

[1] Standard Assessment Procedure (SAP) energy rating out of 100, based on SAP 2009 and including design SAP scores from 35 plots.

[2] SAP rating from 2013. 2015 DECC Energy Efficiency Statistical Summary report, page 6: www.gov.uk/government/statistics/energy-efficiency-statistical-summary-2015

INVESTING IN OUR FUTURE

With the known industry skills shortage and growing demand for skilled people in the wider homebuilding sector, we invest in our people and develop their leadership and management potential to inspire our business to even greater success.

DEVELOPMENT AND LEADERSHIP

We are providing numerous training and mentoring opportunities for our workforce and increasing the leadership capacity across the business.

2016 88% of eligible employees have completed their Delivering Professional Excellence (DPE) annual appraisal meeting, and created a bespoke training and development plan for the year.

APPRENTICES CONTRIBUTING TO OUR SUCCESS

We aim for apprentices to make up 10% of our total workforce – they make a vital contribution to our business and to the sector as a whole, filling skills gaps today and playing a big part in our future at all levels.

2016 28 apprentices have been accepted into our apprenticeship scheme this year.

INDUSTRY-LEADING GRADUATE PROGRAMME

Our graduate programme stretches and challenges graduates to become the next generation of directors and managers, cultivating creativity and providing a variety of business experiences throughout the programme.

2016 Listed in the top 100 graduate employers (smaller intake) by TheJobCrowd (2nd in our industry, 22nd overall).

OUR APPROACH

CHANGING OUR APPROACH TO LEARNING

We are establishing the strong foundations for learning and continuous improvement that will support us in becoming more effective and improve business performance.

2016 Each of our businesses has an action plan in place focusing on three consistent themes that came from a 2015 employee survey on the culture of learning in our business.

TRAINING IN CORE MANAGEMENT SKILLS

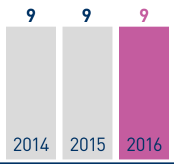
We place a particular emphasis on training all staff at all levels to show leadership and drive improvements in both health and safety and customer service.

2016 Large-scale initiatives, including Making our Customers Feel Special and Valued, launched to promote excellence in customer service.

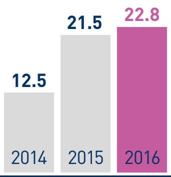
MEASURING OUR PERFORMANCE

Apprentices in total workforce (%)

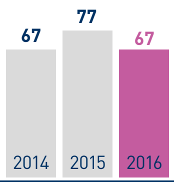
Target
10%



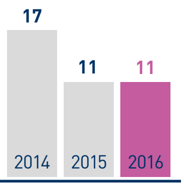
Average training hours per person



Number of internal promotions



New graduates



WHERE WE HAVE MADE PROGRESS

Supporting our people, including graduates and apprentices, has been a major focus across the business this year.

> We have sustained our focus on learning and development initiatives at individual employee level and in key focus areas of our business such as customer service and health and safety.

> We have continued to build our Site Management Academy, an industry-leading training programme backed by the CIOB and the CITB.

> Our DPE programme has helped us to understand the skills and training required by each employee and to support them in developing their skills and competencies.

OUR FOCUS IN 2017

WE WILL...

> continue to reinforce the use of learning tools and Learning Action Plans to further embed a culture of learning and continuous improvement.

> continue our focus on the Site Management Academy, as well as our strategy to recruit and promote graduates and apprentices through our successful intake programmes.

> identify a pipeline of employees to join a new talent development programme as part of our succession planning.

BECOMING A 'LEARNING ORGANISATION'

To achieve our ambitious initiatives and targets, we need to drive and support a culture of continuous business improvement and resilience – learning from each other, our partners and past projects. Following an employee survey in 2015 that explored the current levels and opportunities for learning in the business, we set up a working group to address employee feedback and gaps in our business practices.

We have conducted training within our divisions on effective learning and evaluation tools, and introduced new quarterly meetings to review current business practices using these tools. We have also introduced divisional Learning Action Plans that require management teams to develop methods to help us improve in three key areas:

1. Developing a 'One Crest' culture – aligning the entire organisation to the same goals, objectives and agendas.
2. Working better together – ensuring open doors between teams, departments and divisions to allow knowledge to be shared and skills to be developed.
3. Embedding effective learning tools – formal and informal ways to help identify lessons learnt and minimise any repetition of errors.

3

OUR TRAINING AND DEVELOPMENT INITIATIVES

DELIVERING PROFESSIONAL EXCELLENCE

88%

of employees completed a development plan meeting

MANAGEMENT EXCELLENCE

61%

of respondents thought that their Line Manager had improved

GRADUATE PROGRAMME

92%

retention since 2014

SITE MANAGEMENT ACADEMY

87%

retention rate

APPRENTICESHIPS

200

apprentices by 2020

Delivering Professional Excellence (DPE)

88% of employees completed a development plan meeting with their line manager this year. This meeting allows our employees to discuss their progress, their current skillset and opportunities for career growth. The DPE programme encompasses a suite of learning and self-development solutions, enabling employees to develop additional skills that are aligned to their role.

We also provide a nine-month Management Excellence programme, which includes formal skills assessment, after which employees can access external workshops on a range of professional and management topics, as well as training programmes from our continually updated directory.

Following a review of the programme, 61% of respondents thought that their line manager had enhanced their leadership and management skillset following the programme.

Building skills through apprenticeships

Apprenticeships play an important part in providing our business with the right talent and skills for the future. However, with the Government implementing the new Apprenticeship Levy in April 2017, we are seeing inconsistencies in skills provision as colleges and the CITB work to accommodate the new legislation. In response to this, we have created a new role of Group Apprenticeship Manager.

Some new employer-led apprenticeship programmes being developed across the UK will attract school leavers, for example in quantity surveying, but the scale of skills provision across the UK remains a concern as geography and timing does not always match industry need. We are working to raise awareness in colleges and schools of the career opportunities that exist in housebuilding and we are anticipating achieving our apprenticeship recruitment target of 10% by January 2017.

Career development through our Academy

Our Site Management Academy is open to all our final-year apprentices, new recruits, existing employees and sub-contractors looking to develop their careers. Candidates attend classroom sessions at partner colleges as well as working on site, giving them an innovative 'experience portfolio' unlike any other in the industry.

As a result of the Academy's success we have seen significant improvements in trainee site manager retention, with 87% of Academy graduates staying with us after the first year, and we are already starting to see promotions to more senior roles. This year we admitted 11 more people to the Academy, four of whom are former apprentices. Three of the new candidates are female and, while this only represents 25% of the intake, it is a step towards improving gender balance.

Recognition for our graduate programme

Our graduate programme stretches and challenges our graduates to help them become our next generation of directors and managers. They gain a rounded knowledge of residential property development, while actively contributing to live projects and participating in a programme of workshops with senior managers in the business.

We currently have 21 graduates in the programme and, since it was launched in 2014, we have retained 92% of our intake. This success has been recognised externally, with Crest Nicholson named as one of the Top Companies for Graduates to Work For in 2016 by the UK's leading graduate job review website, TheJobCrowd. We came in 22nd overall in the Top 100 Graduate Employers to Work For (smaller intake) and 2nd in our industry category for the Property & Housebuilding sector.

We are taking forward two of last year's project-winning graduate teams' ideas and putting their designs into actual sites.

ACADEMY TRAINEES' CONTRIBUTION TO HOUSEBUILDING

Each candidate at our Site Management Academy has their own mentor from the divisional executive team to guide their development. The first three months are spent on site understanding build quality and the internal and external building standards we have to meet. From month six to nine, the candidates are allocated a home and oversee its construction and, alongside their site manager, are responsible for building it to the right quality standard for sale. Academy trainees have now been responsible for around 200 of the homes currently being built, giving them a high level of responsibility and real sense of contributing to the business.

SUCCESSION PLANNING AND RECRUITING QUALITY PEOPLE

The industry still faces a skills shortage, so Crest Nicholson is actively recruiting and investing heavily in attracting high-calibre people. This includes establishing a panel of preferred recruitment agencies, and greater use of social media channels such as Glassdoor, LinkedIn and Facebook, giving us access to a wider group of job seekers, many of them young, who prefer to use online media to apply for jobs.

Thinking longer term about retention and development of new and existing staff, we are looking at succession plans that will assess everyone across the Group to identify key talent to participate in a new talent programme.

Our current staff turnover is 24% and is higher than we would like, especially with encouraging survey results last year that showed that more than 90% of our staff feel engaged in the business. We continue to look at factors that make Crest Nicholson an employer of choice.

OPENING THE INDUSTRY TO MORE FEMALE WORKERS

Our aim is to have a more diverse workforce. Currently women make up only 11% of the construction industry workforce and just 1% of workers on site[1], so we are working hard to see an increased level of diversity reflected at more senior levels and on our sites. We are continuing our focus on seeking to attract young women into the industry through our apprenticeship and graduate programmes.

Gender profile at 31st October 2016

	Male	Female	% Female
Board Directors	4	2	33%
Senior management	50	9	15%
Total workforce	**562**	**300**	**35%**

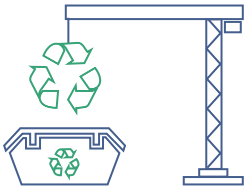
HOME BUILDING SKILLS PARTNERSHIP

The Company is involved with the Home Building Skills Partnership, which helps the industry redefine standards in key roles in new homebuilding, and we chair its Skills and Activity Group. The Partnership is funded by the CITB and its aims are aligned to three activity groups – attracting new entrants into the industry, the way the industry trains its staff and the training interface with sub-contractors. The partnership's Board is made up of representatives from housebuilders (including our CEO Stephen Stone), federations, trade bodies and warranty providers, who guide it and direct its operational priorities.

[1] UCATT 2016 report: https://www.ucatt.org.uk/women-construction

PROTECTING PEOPLE AND KEY RESOURCES

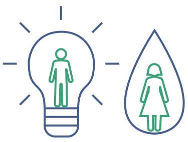
We apply the principles of operating responsibly at every level of our business, from the products and materials we procure to the homes we build, and expect the same from our partners.



MAKE WASTE HISTORY (MWH)

By improving our waste management, we not only save money, we create safer, tidier and more efficient sites, and help to preserve natural resources and protect the environment.

2016 We delivered six MWH training sessions to production teams and conducted eight site waste audits.



EMISSIONS AND USE OF RESOURCES

We aim to reduce our overall greenhouse gas emissions and have set a 10% reduction target for office energy and water use per person by the end of 2017 (against a 2013 baseline).

2016 Achieved reductions per head of 22% for electricity, 17% for gas, and 46% for water (against the 2013 baseline year).

HEALTH AND SAFETY

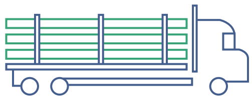
We aim to show leadership and drive improvements in health and safety in all areas of our own organisation, throughout our supply chain and across the industry.

2016 Conducted wide-ranging health and safety audit and risk assessments to improve consistency across the business and address areas of weakness.

LIMITING ENVIRONMENTAL IMPACTS THROUGH OUR PRODUCTS

We futureproof our homes to minimise the impacts of climate change for our customers, while also ensuring we minimise the environmental impacts of construction.

2016 Conducted a dynamic heating analysis at 15 sites to avoid the risks of overheating.



SUSTAINABLE SUPPLY CHAIN

We work with our supply chain to ensure that the resources and materials we use are responsibly sourced, and that the people working on our sites are treated fairly and with respect, are paid appropriately and have a legal right to work in the UK.

2016 Developed our first Modern Slavery Statement in line with the requirements of the Modern Slavery Act 2015.

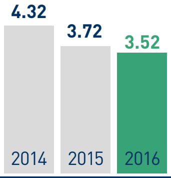
ENHANCING NATURAL ENVIRONMENTS

We create inviting green spaces for both people and wildlife to enjoy that also protect and enhance local natural environments.

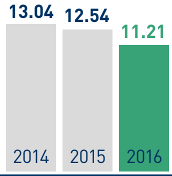
2016 We have been embedding our new set of procedures, including a new Scope of Works for appointing ecologists and our Minimum Standards Framework for Ecology.

MEASURING OUR PERFORMANCE

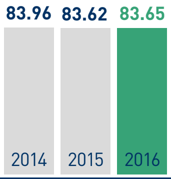
Total tCO_2e per 1,000 sq ft delivered



Total tCO_2e per average number of employees



Home energy efficiency – SAP energy rating

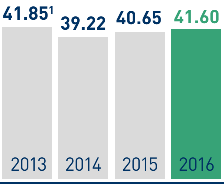


Annual Injury Incident Rate (AIIR)

31%
reduction
(2015: 52% reduction)
(2014: 50% reduction)
(Baseline 2008)

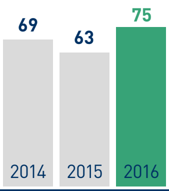
Construction waste volume (yd³) per 1,000 sq ft delivered

2016
1%
reduction
(2015: 2% reduction)
(Baseline 2013)



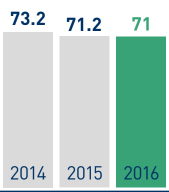
Developments with ecological enhancement or protection (%)

75%
(43 out of 57 developments)



Average Considerate Constructor Score (%)

71%
(35.5 out of 50)



Note: The Considerate Constructor Scheme is a voluntary programme designed to encourage best practice in construction activities, going beyond statutory requirements. All of our sites registered with the Scheme are monitored and scored against the Code of Considerate Practice, which includes five areas: Care about Appearance, Respect for the Community, Protect the Environment, Secure everyone's Safety, Valuing the Workforce.

[1] We have re-stated our baseline figure from 41.80 to 41.85 following a review of the waste contractors' data from our financial year 2013.

WHERE WE HAVE MADE PROGRESS

We came 2nd in the NextGeneration benchmark of the 25 largest housebuilders and were again listed in the FTSE4Good Index.

> Our Make Waste History campaign has underlined the importance of waste management at all our sites and the HBF is looking to incorporate an industry key performance indicator (KPI), using our initiative as the benchmark.

> Our head office and South West office, the two offices that Crest Nicholson solely occupies, have switched to 100% renewable electricity.

> We have reinforced the importance of planning sites efficiently to minimise vehicle movements on site with our production teams, and included measures for efficient driving in our forklift drivers' job descriptions.

OUR FOCUS IN 2017

WE WILL...

> seek even greater consistency across the organisation for health and safety. This will include Directors' health and safety site visits as well as substantive work from the newly formed executive team Health and Safety Committee.

> improve safety management and risk control, producing more accurate measurement of how we are performing against our health and safety targets.

> continue to focus on the Make Waste History campaign and initiatives that will help us further improve our waste management and use our resources more efficiently to achieve our waste reduction targets.

ENVIRONMENTAL STANDARDS AND PERFORMANCE

Normalised carbon emissions from our site operations

Reduced by
13%
per 1,000 sq ft
2.22 tCO_2e per 1,000 sq ft
(2015: 2.55)

Normalised carbon emissions from office energy

Reduced by
7%
per person
0.67 tCO_2e per person
(2015: 0.72)

Normalised carbon emissions from office water

Reduced by
34%
per person
0.0013 tCO_2e per person
(2015: 0.0020)

Note: In 2016, we received consumption data for 80% of our homes completed and used this to create an estimate to cover all homes completed in the 2016 financial year. For our operational joint ventures we have included emissions for the parts of the sites we are developing, to cover the homes we have delivered ourselves.

MANAGING RESOURCES AT OUR SITES AND OFFICES

We work hard to manage and reduce our use of energy, water and materials through initiatives like our Make Waste History campaign.

We have reduced our total carbon footprint by 4% since 2015. Key to this have been initiatives we put in place following our participation in the Energy Savings Opportunity Scheme (ESOS), which included energy audits at six sites and three offices. For example, all show homes are now designed and decorated using low-energy lighting.

The ESOS audits highlighted the importance of switching from a diesel generator to mains electricity (i.e. the National Grid) as soon as possible after we start on a new site. To address this, we have put in place a 12-week target date from starting on site to connect to the National Grid. We also agreed an optimal generator size to use in these first few weeks, as smaller generators are often sufficient for our needs, and are cheaper to run and use less fuel. These and other diesel-related initiatives have resulted in a 27% reduction in diesel consumption in the year.

In our offices, we have secured a renewable electricity supply with Ecotricity for the two offices we occupy solely (our head office in Chertsey and South West office in Bristol) and have replaced the inefficient fluorescent lighting in our head office with low-energy LEDs. These new lights have already helped reduce head office electricity consumption by 2.4%. Overall in the year, the Group has reduced its carbon emissions from office electricity and gas consumption by 7% per person and water consumption by 34% per person.

SUSTAINABLE TIMBER

As part of our three-year action plan (launched in 2014), we aim to have 95% of our directly supplied timber (through suppliers) and 86% of our indirectly supplied timber (through sub-contractors) certified to Forest Stewardship Council (FSC) or equivalent standard by 2016. The annual audit of our timber procurement for 2016 is currently being finalised and the results will be published on our corporate website in spring 2017.

For the first time this year we have also voluntarily responded to the Carbon Disclosure Project (CDP) request for a statement on our timber procurement and its impact on sustainable forestry. We were one of only two UK housebuilders to participate this year and scored an impressive A-, placing us in the benchmark's Leadership category.

SUPPORTING ECOLOGY

In December 2015 we launched a new ambition and policy for ecology on our developments. Supported by a new Scope of Works for our ecologists and a framework of minimum standards for ecological features, this policy aims to go above and beyond the minimum ecological requirements set by the local planning authority. All relevant teams have been trained in the new policy and procedures, and the first projects are starting to come through.

For example, features have been introduced at our new Garden Village in Arborfield, Berkshire, to enhance the local ecology and biodiversity, including bird boxes for owls and birds of prey, reptile hibernation sites and improving existing wildlife corridors. Even on our smaller sites, we're finding opportunities to enhance the natural environment. At Ellenbrook Meadows in St Albans our Chiltern division has introduced a landscape scheme that incorporates new native species hedgerows and trees, providing a habitat for breeding birds, bats and amphibians.

HUMAN RIGHTS

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

OUR STATEMENT ON THE MODERN SLAVERY ACT

The Modern Slavery Act 2015 requires companies with a turnover of £36m or over to publish an annual statement outlining the steps the business has taken to ensure it and its supply chain are slavery free. In response to this Act, we have conducted a risk assessment of our operations to understand where modern slavery may be present or have an impact on our business, and our Executive Management Team are considering measures to mitigate these risks. We are also looking at how to engage and educate our teams around the implications of modern slavery on our business and industry.

For more information about the policies and procedures we have in place regarding modern slavery, our Statement is available online at www.crestnicholson.com/about-us/integrating-sustainability/our-documents

For more information on our approach to governance, please go to page 50

HEALTH AND SAFETY PERFORMANCE

Health and safety practice, inspection and training across our business is managed by Crest Nicholson's dedicated Health, Safety and Environment (HSE) function under the direction of our Chief Executive. This year our further commitments to health and safety have included audits to measure conformity to our procedures and standards, improved reporting to the Board, an independent review of our HSE function, and a campaign to raise awareness of health and safety on site.

Our main health and safety campaign in 2016 was supported with fact sheets, posters and briefings under the brand of 'Keeping everyone safe'. This was followed by increased reporting on health and safety, investigation and corrective action that has involved all our people taking responsibility for their own role in ensuring we maintain safe places to work.

Annual Injury Incident Rate 2016

Crest Nicholson	578
Industry (Health and Safety Executive)	421
Peer group (HBF)	361

The increase in our Annual Injury Incident Rate against last year was due to an increase in the number of RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations) reportable injuries. The results of our analysis of these incidents together with our wider health and safety work will support our work to reduce injuries, and risk of injuries in 2017.

Specifically we have increased focus on health and safety across the business, including the establishment of a new health and safety sub-committee of the Executive Management Team, which will take the lead in further developing health and safety culture, processes and procedures including education and awareness.

Regrettably, there was an accident involving an HGV lorry at one of our sites in October 2014, in which an employee of one of our sub-contractors sustained serious injuries. As main contractor, Crest Nicholson was prosecuted and fined £800,000 under the Construction (Design and Management) Regulations 2007 following the incident. During this year we have had no prohibition notices or improvement notices (2015: zero). Two inspections were carried out by the Health and Safety Executive and one notification of contravention was issued (2015: six inspections, three notifications of contravention, fees totalling £9,337).

Occupational health is another key area and we acknowledge that many health hazards exist on our construction sites, including noise, vibration, manual handling, wood and silica dust, and other hazardous substances. We are working with Bovis Homes, Miller Homes and Countryside Properties in a small occupational health working group to identify and implement adequate risk control measures to protect workers' health or to eliminate these health hazards altogether.

Working with our supply chain to improve site safety

During the year our HSE team implemented a pilot scheme in the South West division to review sub-contractor arrangements for managing health and safety on site. Our top 15 sub-contractors in the division, based on turnover, were reviewed and scored in five areas. The review concluded that our sub-contractors' health and safety arrangements were generally compliant. Where improvements were identified, we are working with the relevant sub-contractors on an action plan to help them meet our standards.

NATIONAL HOUSE BUILDING COUNCIL (NHBC) HEALTH AND SAFETY AWARDS 2016

Rob Chandler, Project Manager for our Regency Place development in Cheltenham, Gloucestershire, won Best Site Award - National Runner Up in the Large Builder category.

86
injury incidents with zero lost time
(2015: 102)

30
injury incidents with 1 to 7 days' lost time
(2015: 32)

407
working days lost due to injury
(2015: 320)

3,460
average number employed[1]
(2015: 3,213)

535
person days' health and safety training
(2015: 492)

167
construction site safety inspections completed by the NHBC
(2015: 168)

[1] This average is calculated from those directly employed by Crest Nicholson and those who are not directly employed but carry out work for the Company (e.g. IT Consultants, Agency staff, bricklayers, carpenters, roofers etc.).

BUILDING LONG-TERM RELATIONSHIPS

The long-term relationships we forge with landowners and our partners in government, industry and our supply chain, help us build and sustain value for all stakeholders.

OUR APPROACH

SPECIALIST SUPPLIERS ADDING VALUE

We use specialist suppliers who contribute directly to our designs, helping us to co-ordinate our designs and specifications, reducing exposure to defects and improving customer satisfaction.

2016 We are working with our consultants and the supply chain to introduce Business Information Modelling (BIM) to our design procedures and for all new sites to be BIM Level 2 compliant.

STRONG FRAMEWORK FOR CO-OPERATION

We develop mutually beneficial framework agreements with consultants and sub-contractors to secure professional services, and partnership agreements with our direct material suppliers.

2016 Our framework agreements are typically in force with sub-contractors for five years, which provides a basis for working together over a longer period.

INNOVATION ACROSS OUR SUPPLY CHAIN

We work with our supply chain and sub-contractors to innovate and improve, including more efficient construction and assembly, build standards and sustainable sourcing.

2016 We are developing a new 'modular component' approach for our new core house type range with key suppliers that will introduce a greater level of standardisation.

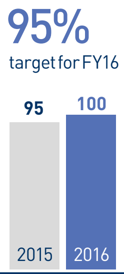
WELL-LOCATED LAND FOR OUR HOMES

We work closely with landowners, local authorities and government to maintain a strong land pipeline for both short-term and long-term housing delivery.

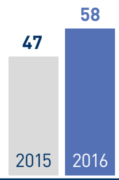
2016 Total GDV of our land pipeline increased by 2% to £10.65bn.

MEASURING OUR PERFORMANCE

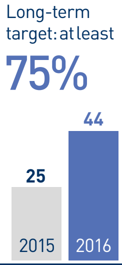
Housebuilding detailed design consultants appointed with framework agreements (%)[1]



% of total budget for direct materials spent with Group-approved suppliers and through Group trading agreements (%)



Housebuilding sub-contractors covered by framework agreements (%)



[1] Applies to working drawings (not the concept design)

WHERE WE HAVE MADE PROGRESS

Working closely with our suppliers and sub-contractors helps us to innovate and improve build standards, and source labour and materials sustainably.

> We have continued the drive to bring our existing supply chain onto our partnership and framework agreements. We aim to ensure that any repeat-use sub-contractors are signed up to framework agreements when the current contract is up for renewal.

> Where we have put five-year agreements in place, these have reduced the administrative burden of frequent contract renewals and helped our sub-contractors feel more engaged with the business, which has a positive impact on service levels and ownership.

> We have continued to embed our Quality Manual on sites. This Manual is a visual guide to the construction standards we expect and all sub-contractors are required to follow this to ensure quality consistency.

> By working to ensure that our consultants, suppliers and sub-contractors are integrated into our project teams and wider business systems, we can bring forward changes in policy, procedure and innovation much quicker (e.g. through BIM).

OUR FOCUS IN 2017

WE WILL...

> maintain emphasis on quality design and construction with our supply chain and consultants.

> work towards adopting elements of off-site manufacture (OSM) into our new core type house range.

> consider, in discussion with our designers, how to optimise suppliers' designs on the drawing board rather than on site, saving time and effort.

> develop a new procurement strategy to improve service levels and supply availability.

WORKING IN PARTNERSHIP TO MAXIMISE OPPORTUNITIES

Actively partnering with organisations helps us to understand communities, build strong relationships and establish sites that enable our business to grow sustainably. For example, we work actively with the Town and Country Planning Association, especially at the various party conferences, to promote the merits of Garden Villages and the Garden City Principles.

We also support the Department for Communities and Local Government's aim to create great places to live, and the work of the Department for Business, Energy & Industrial Strategy (formerly DECC). We collaborate with the NHBC, including its Foundation Expert Panel and Standards Review Group, and act as Vice Chair for the HBF's National Technical and Sustainability Group. We also chair the Housing Group of the enterprise M3 Local Enterprise Partnership.

Our partnerships with housing associations help us to maximise public sector land opportunities and support the aims of the Homes and Communities Agency in providing social housing.

MINIMISING RISK THROUGH OUR SUPPLIER PARTNERSHIPS

We treat people fairly and with respect, help them understand the full picture behind what Crest Nicholson does, and seek to develop and maintain strong relationships with all our sub-contractors and suppliers. We have developed a framework agreement for the sub-contractors we use regularly, which means our regional operations can sign up a sub-contractor for five years and then request services as required at each site, saving time and administration on both sides.

Our sub-contractors all have access to our Document Management System, which lists the most recent drawings and specifications for the development and makes everything truly available 'at the touch of a button'. This all helps to ensure that our standards are achieved and maintained. We are also working with sub-contractors to reduce construction risk, giving them greater visibility of workload to help with planning ahead, and we conduct regular health and safety audits to ensure greater consistency across our sites.

INNOVATION TRANSFORMING OUR BUSINESS

SUSTAINING VALUE FOR OUR BUSINESS, SHAREHOLDERS AND CUSTOMERS IN THE LONG TERM REQUIRES A STRATEGIC AND AMBITIOUS VIEW THAT WILL TRANSFORM OUR BUSINESS – ENHANCING OUR REPUTATION, INCREASING PROFITABILITY AND HELPING US DEVELOP GREATER RESILIENCE TO CYCLICAL MARKETS.

FORWARD THINKING

We have been researching and exploring emerging challenges and opportunities for Crest Nicholson for many years. In particular we've focused on five key areas: changing customers' needs and expectations; designing new homes and communities that respond to these needs; new business models and channels to market; fostering innovation in the supply chain; and driving a culture of continuous learning and improvement within our business (see more on this on pages 22 to 37).

We incorporate this work into our current business operations, such as our PRS schemes, which were the first output from our work on exploring new channels to market. Others, such as designing new homes and communities and responding to trends and customers' needs, are being developed now through our work on a new core house type range and the innovative approaches required to deliver it.

Image above: Image based on a current design for the new core house types

A REVOLUTION IN HOUSEBUILDING

Demand for housing is not only growing, it is changing, and we have considered demographic changes, evolving lifestyles and environmental impacts in our new range of designs. This means using new components and materials, and creating more flexible 'open plan' living spaces. It also means looking ahead to potential issues, which is why our new core house type range will be dynamically assessed for overheating.

TRANSFORMING THE WAY WE BUILD HOMES

We started exploring all existing and potential on and off-site manufacture (OSM) options two years ago to establish what we really want from a construction methodology. This includes reducing the influence of weather on our build programme, creating better environments for our trades to work in, having our materials delivered just-in-time, using a range of standardised products and components, reducing or equalling existing costs with no compromise on quality, and reducing pressure on our internal teams. The result should be safer, yet faster build times and improved customer satisfaction.

To ensure we consider all elements beyond the macro-level opportunity of OSM we have engaged with around 40 of our key suppliers, which has helped us understand how we might better maximise value and quality by designing around the raw components we need.

We have also participated in the Advanced Industrialised Methods for Construction of Homes (AIMCh), a consortium-led project to conduct a feasibility study into how an 'industrialised' process might work for the UK housebuilding industry. Our participation in AIMCh has helped us in analysing the range of construction methods that are available and how the market would receive them.

ROADMAP **TO OSM**

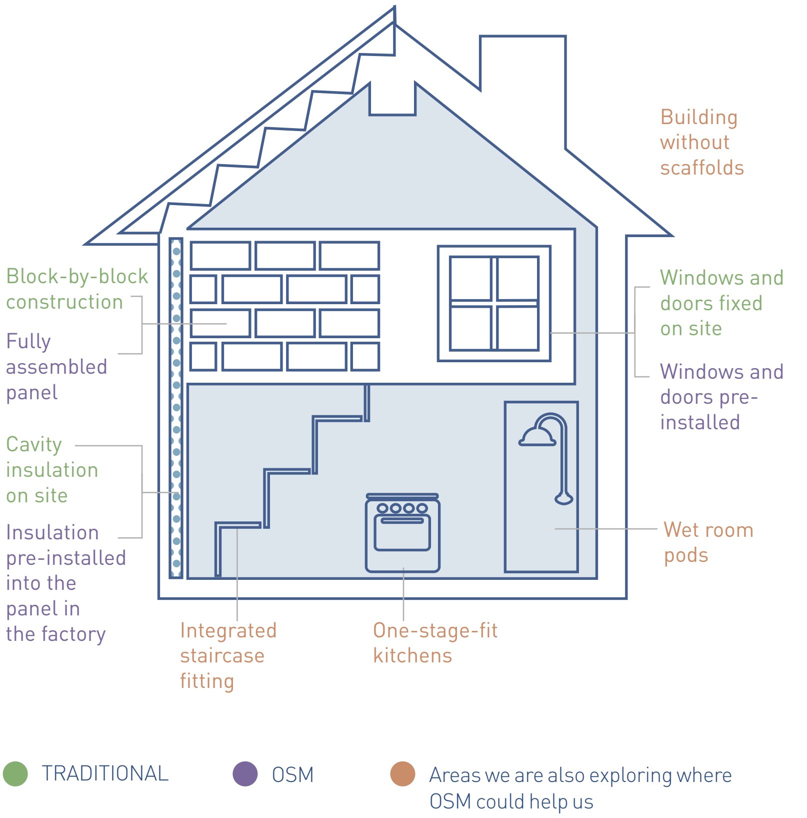
OSM has the potential to transform many aspects of our business – improving health and safety, reducing material management and waste on site, improving quality standards, creating better places to work, helping us build more efficiently and reducing our reliance on traditional trades.

Accuracy, consistency and quality can be enhanced with the structure; insulation, windows and doors manufactured and assembled in a factory on a production line. On site our focus would be on the assembly of large components (wall/floor/roof), rather than building them from scratch.

Opportunities of OSM

- Off-site construction
- Less waste
- Speed
- Potential cost advantage
- Flexible designs
- Quality control
- Carbon footprint
- Use of recycled materials
- Health and safety

OSM elements replace components that are traditionally assembled on site, such as:



Patrick Bergin
Group Finance Director[1]

FINANCE DIRECTOR'S REVIEW

Strong growth continuing

TRADING PERFORMANCE

The business has delivered a strong trading performance in the year ended 31st October 2016, reaching a key milestone of £1bn of sales, including through joint ventures which is in line with our stated target and represents a landmark achievement for the business.

This result was delivered despite a period in June and July, either side of the referendum on UK membership of the EU, when uncertainties raised during the referendum and following the vote to leave affected consumer confidence and reduced sales volumes.

Sales in the last three months of the year recovered much of the ground lost to this brief period of purchaser uncertainty and it appears that strong levels of employment, low interest rates and good access to high loan-to-value mortgages have continued to encourage purchasers to buy new homes.

The business uses sales including through joint ventures as a core management measure, to reflect the full extent of our business operations and responsibilities. During 2016, the £1bn of sales referenced above comprised £997.0m of statutory revenue and £3.3m of sales through joint ventures, primarily relating to the scheme we are delivering at Peckham, through our joint venture Kitewood (Cossall) Limited.

Revenues of £997.0m were 24% higher than the £804.8m achieved in the prior year, primarily driven by increases in open-market housing revenue. Unit volumes were up 5% at 2,870 (2015: 2,725), with open-market unit completions 7% higher and affordable completions broadly level with 2015.

Average selling prices (ASPs) were up 18% year-on-year, reflecting the higher-priced locations and products we had planned in our sales mix. The business has successfully transitioned to a higher ASP threshold over the past three years and anticipates future revenue growth to be led by increased unit volumes.

Land sale revenues of £34.1m (2015: £35.6m) were in line with the prior year, as the business continues to trade parcels of land on our larger sites. Sales of land are routinely made by the business, to fund infrastructure investment and to increase the speed at which housing is delivered.

Commercial revenues in the year were primarily in London, with the most significant being the delivery of retail and office space at Brandon House in Borough. Overall, revenues of £33.5m are ahead of the £20.5m achieved in the prior year and will continue to represent a small element of overall operations.

> "The business has delivered a strong trading performance, reaching a key milestone of £1bn of sales including through joint ventures."

Sales price inflation through the year has been positive in aggregate, with most locations achieving elements of pricing growth. Central London schemes have been softer, as a number of factors, including changes in stamp duty, have brought some downward pressure on sales in high-value areas.

Build cost inflation has followed a similar pattern, moderating in the latter part of the year as reduced summer sales cast some doubts over the pipeline of future production. However, as the market recovers and we also start to see the impact of exchange rate movements on imported materials, an element of cost inflation is expected. As previously noted, given the overall shortage of skilled labour serving the industry, we continue to see rising wage and salary costs.

[1] Appointed Chief Operating Officer 15th November 2016.

£719.2m

The Group's net assets at 31st October 2016 (2015: £630.7m).

↑ 14%

31.3%

Return on capital employed (ROCE) achieved by the business in the year (2015: 26.8%).

↑ 4.5%

Gross margins for the year were 26.7% (2015: 27.5%), with the slight reduction primarily due to a lower contribution from higher margin fair-valued projects. In addition, the gains from net inflation and the benefits of increased acquisition margins were offset in part by reduced margins on sales in Central London.

Operating profits of £203.8m (2015: £163.3m) were 25% higher than the prior year. Operating margins, at 20.4% (2015: 20.3%), reflect the reduction in administrative expenses as a percentage of revenue, as the growing business and higher ASP continues to drive greater overhead efficiency.

FINANCE EXPENSE AND TAXATION

Net financing expense of £8.1m (2015: £9.5m) is £1.4m lower, primarily due to the benefit of interest credits arising from shared equity loan redemptions and re-assessing the likely redemption values of these loans, which are redeeming at values ahead of our previous estimates.

Income tax expense in the year of £38.2m (2015: £29.9m) represented an effective tax rate of 19.6% (2015: 19.4%).

EARNINGS PER SHARE

Basic earnings per share have risen 26% to 62.0 pence from 49.3 pence in 2015. Full details are shown in Note 8 to the financial statements.

DIVIDEND

The Board proposes to pay a final dividend of 18.5 pence per share for the financial year ended 31st October 2016, which, subject to shareholder approval, will be paid on 7th April 2017 to shareholders on the register at close of business on 17th March 2017.

If approved, the total dividend paid in respect of 2016 earnings of 62.0 pence per share would be 27.6 pence, an increase of 40% over the 19.7 pence paid in respect of 2015 and representing dividend cover of 2.25 times, in line with the Board's stated intention to reduce dividend cover to 2.0 times by 2017.

CASH FLOW AND FINANCIAL POSITION

The Group had net assets at 31st October 2016 of £719.2m (2015: £630.7m), an increase of 14% over the prior year.

Inventories have increased modestly by 3%, up from £904.5m at 31st October 2015 to £935.8m at 31st October 2016. Land inventory continues to represent approximately two-thirds of the inventory balance.

Stocks of completed units have risen against the very low levels reported last year and amounted to £92.4m (2015: £40.7m). In addition to a small number of sites where sales have been below target, the business also has a number of apartment developments in production, where block build completions typically result in a small amount of unreserved product being completed ahead of reservation. About one quarter of the stock of completed units was represented by show homes.

Net cash flows from operations amounted to an inflow of £153.8m (2015: £23.5m inflow), reflecting strong working capital management and a short pause on land buying in the summer, given the uncertain trading environment at the time. As a consequence, the return on capital employed (ROCE) achieved by the business in the year increased to 31.3% (2015: 26.8%).

Furthermore, this temporary reduction in land purchases meant that at 31st October 2016, the Group had net cash of £77.0m (2015: £30.6m net debt) and was ungeared compared to a net debt/equity ratio at 31st October 2015 of 4.9%.

LAND PIPELINE

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

	2016		2015	
	Units	GDV – £m	Units	GDV – £m
Short-term housing	15,901	5,300	16,064	5,106
Short-term commercial	-	232	-	249
Total short-term	**15,901**	**5,532**	**16,064**	**5,355**
Strategic land	17,026	5,114	17,712	5,111
Total land pipeline	**32,927**	**10,646**	**33,776**	**10,466**

The short-term housing pipeline now represents 5.5 years of supply, down from 5.9 years at 31st October 2015. The business remains focused on ensuring that there is an appropriate level of width in the land pipeline as well as length, and through a combination of site acquisitions and conversions from the strategic land pipeline secured 3,084 new plots, replacing the 2,870 plots that legally completed in the year.

Overall unit numbers in the short-term land pipeline have reduced, as sales of some land parcels are made from the longer, strategically sourced sites, without reducing the number of locations from which the business is operating.

The average selling price of all units within the short-term portfolio, including affordable units and units being sold for private rental, increased slightly over the year to £333,000, 5% higher than the £318,000 at 31st October 2015.

Strategic land continues to be an important source of supply, and during the year seven sites have been converted from the strategic land pipeline into the short-term land pipeline, with new opportunities identified to replenish our strategic holdings.

Patrick Bergin
Group Finance Director

RISK MANAGEMENT

Understanding and managing risk is fundamental to achieving our growth strategy and to maintaining a business that meets the needs of our shareholders, customers and other stakeholders.

RISK OVERVIEW AND OUR INTERNAL CONTROL FRAMEWORK

Risk management forms an integral part of the Company's day-to-day business processes and is a key component of our corporate governance, involving risk assessments at both divisional and Group level. Our fundamental aim is to assess and manage our risk, and to maintain continuous improvement in all areas of the business.

The Group's risk management framework has been updated during the year to ensure it is consistently and effectively implemented across all divisions. Processes and procedures have been updated in terms of the tools and guidance that provide support to managers responsible for risk identification, management and control. The Board has also formalised some measures to guide our review of the business, determining our risk appetite in areas such as our portfolio, customer satisfaction, financial resilience, health and safety, and people.

At divisional level, each 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. The significant risks highlighted within each divisional management team are incorporated into the Group risk register, which is produced by the Executive Management Team and reviewed and monitored by the Audit and Risk Committee and the Board.

Risk is an inherent consideration in all strategic and operational planning and the Board specifically considers risk as part of its annual strategy review. The tables on the following pages set out the Group's principal risks and they have each been mapped to one of our five strategic pillars. However, if key issues do arise during the year they are escalated to the Executive Management Team (and if appropriate the Board) for resolution.

EMERGING RISKS

We have added new risks into our principal risks list this year and reviewed the alignment of all our risks with our strategic pillars. The main addition to our principal risks this year relates to the Government's new Starter Homes policy, which could result in planning delays and potential distortion to sales activity. Ongoing consultation should see a manageable solution emerge and this risk mitigated.

The potential for some market disturbance may be higher following the UK's vote to leave the EU, but any impact has been short-lived so far, with a six-week slowdown in sales turning around strongly from the end of July. However, with the uncertainty over when the UK will leave the EU and the terms under which it will do so, this will remain a factor in our risk assessments for 2017 and beyond.

VIABILITY STATEMENT

In accordance with provision C.2.2 of the UK Corporate Governance Code 2014, the Directors have assessed the viability of the Group over the three-year period from 1st November 2016 to 31st October 2019.

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

The assessment has been made having regard to our current position, while also considering the impact of severe but plausible adverse trading conditions arising from the principal risks set out on pages 44 to 47, on the solvency and liquidity of the Group. Among these risks, the potential for a macro-economic downturn (with consequent increases in unemployment), change to government initiatives and/or significantly reduced mortgage access would most directly impact on our viability assessment.

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

Based on the results of this assessment, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment to 31st October 2019.

PRINCIPAL RISKS

The Board regularly reviews our principal risks, and the table below only highlights those risks the Board deems to be of medium or high likelihood. There are numerous other risk areas considered by the Board where the likelihood of a material issue crystallising is deemed to be low. These include issues such as health and safety, bribery and corruption, impact of climate change, and modern slavery.

Many of our principal risks impact across several areas of our strategy, but for clarity we have categorised them here by the primary strategic pillar they influence.

KEY

L Low	No change
M Medium	Increase
H High	Decrease

1 MANAGED GROWTH OF THE BUSINESS

RISK	IMPACT	CONTROLS AND MITIGATION	OWNERSHIP	LIKELIHOOD BEFORE MITIGATION	2015–2016 CHANGE
Adverse macro-economic climate, caused by uncertainty following the UK vote to leave the EU **General economic slowdown with wider global growth issues (especially China and the Eurozone)**	Uncertainty arising from policy, law or tax changes after the EU vote and government changes could affect both consumer demand and regulations in the market Higher unemployment or fear of unemployment could undermine consumer confidence and reduce enthusiasm for purchasing a new home or the ability to secure a mortgage	Maintain review of economic and political environment and consider potential responses to changes in trading conditions Consider exposure to specific areas (e.g. London) and broaden portfolio in more affordable areas	Board	H	Increase
Loss of income at housing associations due to budget changes to rents	Returns on our strategic land holdings could be undermined; site starts could be delayed	Cascade s106 mechanisms to restore viability and continue to develop a balanced portfolio	Executive Management Team	M	No change
Pressure on cash headroom and generation due to: potential for delayed receipts in short term due to uncertainty over the UK leaving the EU; commitments to land and build obligations made ahead of certainty in revenue; high work-in-progress costs for new sites	Cash resources may be over-committed, leading to business disruption, reputational issues, covenant breaches, dividend loss and stakeholder dissatisfaction	Robust cash management and borrowing/spending controls Access to funding and use of alternative payment mechanisms PRS offering potential for early cash generation	Group Finance Director	M	No change
Build cost inflation	Increased build costs absorb or exceed higher sales prices Margin squeeze disappoints investors Delivery uncertainty, as suppliers seek to 'price in' sales price inflation	Use alternative suppliers and production methods Robust contract arrangements to control costs Leverage volume through long-term partnerships with strategic suppliers	Executive Management Team/Group Procurement Director	M	Decrease

PRINCIPAL RISKS (CONTINUED)

RISK	IMPACT	CONTROLS AND MITIGATION	OWNERSHIP	LIKELIHOOD BEFORE MITIGATION	2015–2016 CHANGE
Rapid and extensive changes to planning system and changes in political priorities combined with under resourcing in planning departments produce uncertainty, delays and potential challenges to viable development	Delays in obtaining planning consents and operational starts Land becomes unviable due to increased planning cost burden	Work closely with key regulators and national/local decision makers Regularly review the Strategic Land Portfolio to accurately forecast operational starts Seek prior planning approval on significant projects Influence new CIL viability testing and appraise costs	CEO/ Regeneration Chairman/ Group Land and Planning Director	M	↓
Costs not adequately controlled and managed; unforeseen cost increases	Unreliable forecasting and sudden cost changes can erode margins Pressure to maintain margins and control costs can impact on product quality	Regular cost forecast reviews and increased standardisation in cost reporting Early budget uploads and greater adherence to Agresso procedures Quality standards set, met and reviewed	Group Finance Director/ Executive Management Team	M	→
Cyber security breach	Theft of personal and/or business data Subject to external financial crime Disruption to IT services, affecting business operation	Robust virus protection and internet security Web checking of internet traffic Robust server set-up and annual cyber security breach tests Education of employees on cyber security vulnerabilities and encryption of data	Group IT Director	M	New risk
The Government's new Starter Homes policy (as currently drafted)	Planning delays are likely as local authorities balance affordable provision and viability Distortions in sales activity as purchasers seek to secure windfalls resulting from policy Cash flow and ROCE implications of reduced upfront affordable housing funding; increased macro-economic risk	Identify and prioritise most complex aspects of current draft and seek further amendment or clarity Seek to move back towards original provisions, i.e. use of previously unallocated brownfield and 100% starter home offers Work with HBF to establish a common understanding and set of proposals with other HBF members	Executive Management Team	H	New risk

2 DELIVERING TO OUR CUSTOMERS AND COMMUNITIES

RISK	IMPACT	CONTROLS AND MITIGATION	OWNERSHIP	LIKELIHOOD BEFORE MITIGATION	2015–2016 CHANGE
Help to Buy incentive scheme	A reduction in size or eligibility criteria could reduce overall mortgage access impacting demand, sales values and rates of sale, which could undermine confidence in the market	There are alternative incentives but these are less compelling Maintain policy-maker awareness of construction sector economic contribution and need for first-time buyer incentives High quality sales training to increase resilience and prepare for a tougher market	Executive Management Team	L **M** H	→
Rising complexity of projects	Cost over-runs on complex projects can affect margins Latent defects can generate extra costs and reputational damage, where new materials and systems have been deployed Heightened expectations can result in rushed projects and subsequent problems	Project Committee oversight and risk-based review by the Group Technical Director Consultative and partnership approach at planning/designing stage Robust Crest Nicholson project management New hurdle rate matrix addressing complexity and other risks Increased focus on re-use of house types	Executive Management Team	L **M** H	→
Customer service falls significantly below targeted Crest Nicholson standard	Cost of remediation in time and money Loss of focus on more strategic activity and a lack of staff morale as pride in job is affected	Robust inspection process and use of Priority 1 monitoring to ensure an efficient approach Penalties for sub-contractors in cases of poor workmanship Launch of Making Customers Feel Special and Valued learning programme	Executive Management Team	L **M** H	New risk

3 BUILDING SKILLS AND LEADERSHIP

RISK	IMPACT	CONTROLS AND MITIGATION	OWNERSHIP	LIKELIHOOD BEFORE MITIGATION	2015–2016 CHANGE
Employee retention and succession management **Experience gaps lead to poor outcomes**	Shortages of key staff in critical business areas can introduce cost, delays in bringing developments forward or quality issues, which can undermine shareholder confidence and erode customer satisfaction Increased employee turnover can create instability and uncertainty Skills and experience lost, including through retirement, are difficult to replace and loss of knowledge within the business can affect overall efficiency	Ensure competitive pay, benefits, incentives and bonuses Improved succession planning in place, with formal succession plans drawn up Maintaining strong apprentice and graduate programmes Executive management and coaching creating more internal candidates	HR Director	L **M** H	→

PRINCIPAL RISKS (CONTINUED)

4 OPERATING RESPONSIBLY

RISK	IMPACT	CONTROLS AND MITIGATION	OWNERSHIP	LIKELIHOOD BEFORE MITIGATION	2015–2016 CHANGE
Reputational damage from a major product failure or significant environmental, health or safety issue	Injury or potential loss of life Remediation costs Loss of projects and associated revenues Damage to Crest Nicholson brand Potential civil or criminal prosecution	Board leadership and scrutiny of health, safety and environment Raising profile of health and safety across the Group and setting objectives annually New approaches trialled prior to wider roll-out and product quality guidelines agreed and monitored Training for all employees and awareness of industry product debates	Board	L **M** H	↑

5 WORKING WITH PARTNERS AND OUR SUPPLY CHAIN

RISK	IMPACT	CONTROLS AND MITIGATION	OWNERSHIP	LIKELIHOOD BEFORE MITIGATION	2015–2016 CHANGE
Supply and quality of materials and/or labour fails to match desired production levels, affecting lead times, efficiency and cost	Supply chain issues constrain output and impact on business performance Adverse customer experience as build completion forecasting is difficult and subject to variation, which could mean mortgage offers expire and further delays to legal completions	Dialogue with major suppliers to help with advance planning and call-off by divisions Spread risk across suppliers, e.g. kitchen supply-and-fit contracts Examine alternative production approaches, e.g. timber frame as opposed to blocks, and off-site manufacture Maintain strong apprenticeship programme and encourage suppliers to do the same	Group Procurement Director	L **M** H	↓

GOVERNANCE

Pictured: Ellenbrook Meadows, St Albans

CHAIRMAN'S INTRODUCTION

William Rucker
Chairman

I am pleased to introduce our Corporate Governance report, which explains the Group's governance arrangements and how they support our ability to create value in the short, medium and long term.

Achieving high standards of corporate governance is a continual process and one to which your Board is fully committed. As ever, our focus has been on operational delivery and specifically how the Group's strategic aims can sustain value and facilitate its growth objectives. This includes the delivery of record numbers, which we have seen once again this year, and the Board has reviewed and reaffirmed our strategic aims, including our target of achieving 4,000 homes per year by 2019. You will find an explanation of the basis on which the Group generates and preserves value over the longer term set out in this year's Strategic report, clearly linked to the strategy for delivering our objectives.

Succession planning remains an important theme for the Board and the Nomination Committee, with continuous learning and development a priority across the business. Our succession planning framework guides us on the timely identification of potential successors to the Board and to senior management. It includes coaching for senior management, as well as a commitment to continually improve the skills of our workforce and create future leaders for the Group. It is a key mechanism for demonstrating our commitment to the future of Crest Nicholson and the industry as a whole.

The Board continues to keep risk appetite under review ensuring the timely identification, management and mitigation of the principal risks it faces in pursuit of its strategic objectives.

The Remuneration Committee continues to keep policy and structures attuned to the business strategy and aligned to the objectives of shareholders, and this year our Remuneration Policy will be put to shareholders for a vote.

William Rucker
Chairman

The following pages outline the work of the Board and its Committees this year, along with our governance structures and processes. For the full report on Directors' remuneration, see pages 66 to 89

KEY INITIATIVES THIS YEAR

> **STRATEGY REVIEW**
Reviewing strategic priorities and establishing key objectives to deliver on these.

> **SUCCESSION PLANNING**
Ensuring the timely identification of successors.

> **CONTINUED FOCUS ON HEALTH AND SAFETY**
Including an independent review of our management processes.

> **RISK APPETITE AND RISK MANAGEMENT**
Setting our risk appetite for the year and strengthening our risk assessment process.

> **REMUNERATION**
Reviewing the Directors' Remuneration Policy, which will be voted upon at the 2017 AGM.

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

The Board considers that it and the Company complied with the provisions and applied the main principles of the UK Corporate Governance Code ('UK Code') throughout the year. The UK Code, published in September 2014, applies to the Company during the year. A copy of the UK Code can be found on the Financial Reporting Council website (www.frc.org.uk). We describe how we have applied the main principles of the UK Code in this section and in the Committee reports on pages 58 to 89.

CORPORATE GOVERNANCE STATEMENT

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

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

GOVERNANCE OVERVIEW

Our governance framework allows informed and balanced discussions by the Board and senior management that take account of economic, social and environmental factors.

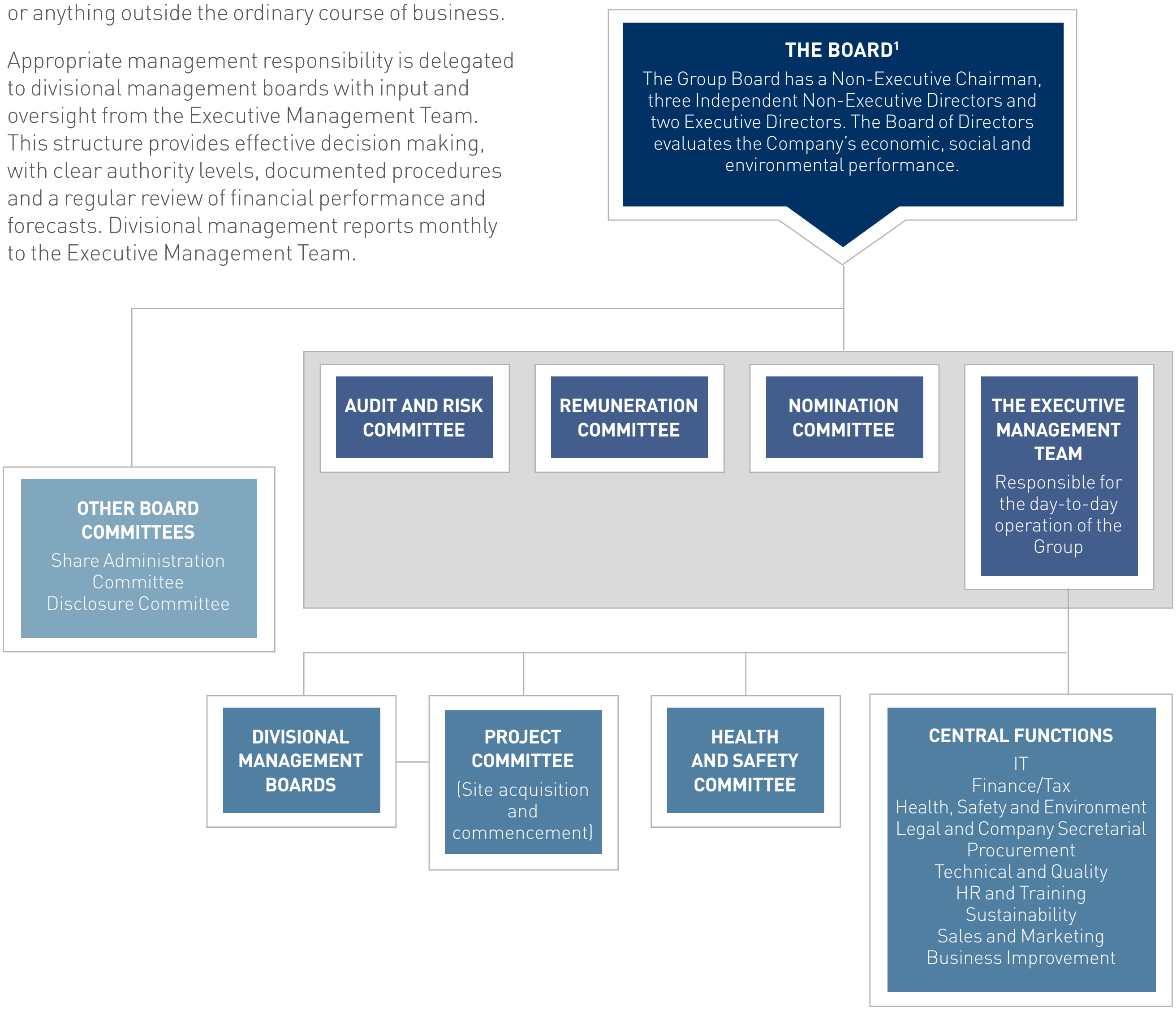
The Board as a whole is responsible for the long-term success of the Group. By providing entrepreneurial leadership, the Board sets the Group's strategic aims and ensures that the necessary financial and human resources are in place to meet its objectives. The Board has an appropriate combination of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

The Board delegates day-to-day management of the business to the Chief Executive and Executive Management Team, while maintaining oversight and control. With regard to the land pipeline, the Group's material asset, the Board delegates authority to the Executive Management Team to acquire the majority of new sites, while retaining oversight of all acquisitions. The Board retains approval of acquisitions over a certain value or anything outside the ordinary course of business.

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

Our divisions are supported by strong central functions, with individual departmental heads who report to the Executive Management Team. Group policies and procedures are regularly reviewed by the Executive Management Team and the Board to ensure they remain current and focused.

Our governance structure (shown in the chart below) reflects the individual facets of our business and the various layers of management under which the business operates.



[1] Board composition has changed since 31st October 2016 and now includes four Executive Directors. A recruitment process is underway for a new Non-Executive Director to ensure an appropriate balance of Executive and Non-Executive Directors.

LEADERSHIP AND EFFECTIVENESS

OUR BOARD AND EXECUTIVE MANAGEMENT TEAM

Board
Executive Management Team

William Rucker
Non-Executive Chairman

Stephen Stone
Chief Executive

Patrick Bergin[1]
Group Finance Director

Pam Alexander, OBE
Independent Non-Executive Director

Sharon Flood
Independent Non-Executive Director

Jim Pettigrew
Senior Independent Non-Executive Director

Chris Tinker[2]
Regeneration Chairman

Robin Hoyles
Group Land and Planning Director

Kevin Maguire
Group Company Secretary

Darren Dancey
Group Design and Technical Director

[1] Chief Operating Officer (from November 2016)

[2] Appointed to the Board on 10th January 2017

BOARD OF DIRECTORS

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

OUR GROUP BOARD

WILLIAM RUCKER

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

Other company directorships: Chief Executive of Lazard in the UK.

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

JIM PETTIGREW

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

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

Other company directorships: Edinburgh Investment Trust Public Ltd Company (Non-Executive Chair), CYBG Plc (Non-Executive Chair), RBC Europe Ltd (Deputy Chair), Scottish Financial Enterprise (Chair).

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

Experience and qualifications: Jim is a Chartered Accountant. He qualified with Ernst & Young before undertaking a number of senior finance roles in Scotland. He subsequently joined ICAP plc as Chief Financial Officer from 1999 to 2006. Jim later spent time as COO of Ashmore Plc and as Chief Executive of CMC Markets plc and has extensive experience in finance and investment. With his financial, investment and strategic expertise, Jim provides additional perspective and guidance in his role as Senior Independent Non-Executive Director.

STEPHEN STONE

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

Other company directorships: Non-Executive Director of Home Builders Federation (HBF) and the National House Building Council (NHBC).

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

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

SHARON FLOOD

Independent Non-Executive Director: Appointed to the Board in April 2015.

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

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

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

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

PATRICK BERGIN

Group Finance Director[1]: Appointed to the Board in October 2011 as Group Finance Director, becoming COO in November 2016.

Experience and qualifications: Patrick joined the Group in 2006 and was appointed Group Finance Director in 2011. In November 2016, Patrick was appointed as Group Chief Operating Officer having responsibility for day-to-day operations alongside the Chief Executive. He is a Chartered Accountant with over 20 years' experience and has worked in financial roles across a range of industries.

PAM ALEXANDER, OBE

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

Committees: Audit and Risk, Nomination, Remuneration.

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

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

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

[1] On 10th January 2017 the Company announced that Robert Allen has been appointed as Group Finance Director with effect from 13th February 2017.

OUR EXECUTIVE MANAGEMENT TEAM

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

During the year Steve Evans and Tim Beale left the business and Darren Dancey was appointed to the Executive Management Team.

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.

STEPHEN STONE

Chief Executive

PATRICK BERGIN

Group Finance Director

CHRIS TINKER[1]

Regeneration Chairman: Joined the Executive Management Team in 2007.

Other company directorships: Enterprise M3 Local Enterprise Partnership and the Housing Forum.

Experience and qualifications: Chris is a Chartered Builder and joined the Group in 1988. Through the 1990s he was instrumental in the acquisition and masterplanning of several of the Group's major residential projects, leading to his appointment in 2002 as Managing Director of Crest Nicholson Developments. Chris joined the Executive Management Team in 2007 and is responsible for the Major Projects division, as well as the Group's sustainability strategy.

ROBIN HOYLES

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

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

KEVIN MAGUIRE

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

Committees: Secretary to the Audit and Risk, Nomination and Remuneration Committees.

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

DARREN DANCEY

Group Design and Technical Director: Joined the Executive Management Team in July 2016.

Experience and qualifications: Darren joined the Group in October 1990. He worked in the South West Region in the Technical Department at various grades, including Technical Executive, before becoming the Production Director in July 2006 and then moving on to Group Technical Director in April 2011. During this time, Darren has overseen the implementation of several key initiatives across the Group, ensuring that the Group's Technical function operates to its fullest potential. Darren sits on a number of external steering groups such as the HBF National Technical & Sustainability Committee (NTSC) (Vice Chair) and NHBC Standards Committee among others to help influence industry standards.

CHANGES TO THE BOARD AFTER 31ST OCTOBER 2016

1. Patrick Bergin became Chief Operating Officer on 15th November 2016.
2. Chris Tinker was appointed to the Board on 10th January 2017.
3. Robert Allen will join the Board (effective 13th February 2017).
4. Recruitment is underway for an additional Non-Executive Director to balance the additional executive appointments.

[1] Appointed to the Board on 10th January 2017.

BOARD RESPONSIBILITIES

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

BUDGET AND FINANCE

- Setting annual budget and tracking performance against budget during the year
- Approval of financial statements, including shareholder distributions
- Changes to debt or capital structures
- Major capital contracts

STRATEGY AND OPERATIONS

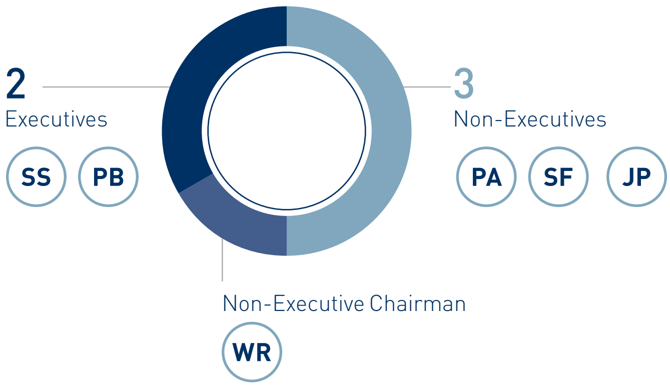
- Long-term strategic direction and objectives
- Overall management and planning
- Resource allocation

CORPORATE GOVERNANCE

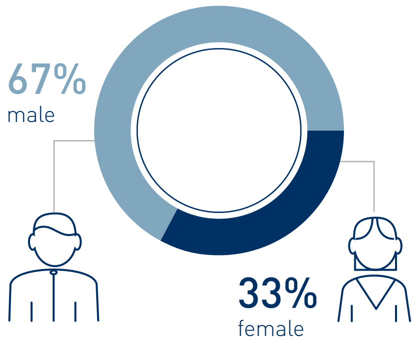
- Board composition and committee structure
- Risk management and internal control
- Director remuneration
- Accounting and reporting

BOARD COMPOSITION AND ROLES

Composition and roles
During the year the Board consisted of four Non-Executive Directors and two Executive Directors.



Board diversity as at 31st October 2016



For details of the wider workforce diversity please go to page 31 in the Strategic report

LENGTH OF TENURE AT DATE OF THIS REPORT

KEY		TIME OF TENURE
WR	**WILLIAM RUCKER** CHAIRMAN	5 YEARS AND 4 MONTHS
JP	**JIM PETTIGREW** SENIOR INDEPENDENT DIRECTOR	3 YEARS AND 11 MONTHS
SF	**SHARON FLOOD** INDEPENDENT NON-EXECUTIVE DIRECTOR	1 YEAR AND 9 MONTHS
PA	**PAM ALEXANDER** INDEPENDENT NON-EXECUTIVE DIRECTOR	5 YEARS AND 1 MONTH
SS	**STEPHEN STONE** CHIEF EXECUTIVE	18 YEARS
PB	**PATRICK BERGIN** FINANCE DIRECTOR (CHIEF OPERATING OFFICER 15TH NOVEMBER 2016)	5 YEARS AND 3 MONTHS

A CLEAR DIVISION OF ROLES

Within the Board, there is a clear division between the roles of the Chairman and the Chief Executive, which is set out in writing and agreed by the Board. Upon his appointment to the Board, the Chairman of the Company was not considered to be independent for the purposes of the UK Code. This results from his role as the Chief Executive of Lazard in the UK (a financial advisor to the Company, from time to time) and his interest in the ordinary shares of the Company. However, the Directors believe that his knowledge and understanding of the Group's business will continue to be an asset to the Group in the future. In addition, safeguards are in place to minimise any potential conflicts of interest including a Senior Independent Non-Executive Director sitting on the Board.

GROUP CHAIRMAN
WILLIAM RUCKER

Is primarily responsible for overseeing the Board's work, activity and output.

Leads the Board in setting risk appetite and structuring and communicating strategy.

Oversees the conduct of Board meetings to achieve appropriate Director involvement and effective decision making, ensuring that relevant attendees contribute to the level required.

CHIEF EXECUTIVE
STEPHEN STONE

Oversees the implementation of the Group's long and short-term plans in accordance with the Board's agreed strategy.

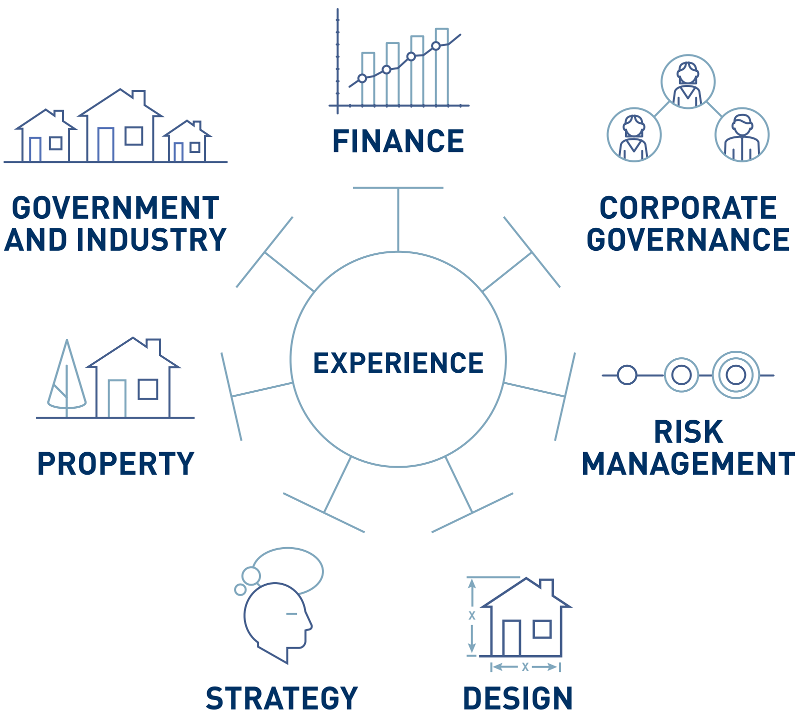
Leads the Executive Management Team in the day-to-day running of the Group.

Keeps the Board fully informed of the conduct of the business and its finances.

Ensures the Group is appropriately organised, staffed and resourced.

NON-EXECUTIVE DIRECTORS

The Group benefits from the wide-ranging experience and professional backgrounds of the Non-Executive Directors, which cover finance, corporate governance and risk management, together with design, property and commercial knowledge. Biographies are set out on page 52. The Non-Executive Directors continue to provide independent judgement, constructive challenge and help develop proposals on strategy. They also play a key part in risk management, review and challenge of financial assumptions, reporting and business assurance. Independent thinking is crucial in assessing the work of management, so the Non-Executive Directors determine our policy for Executive remuneration. They have a prime role in appointing and, where necessary, removing Executive Directors, and in succession planning more generally. We are in the process of recruiting a new Non-Executive Director following the recent Executive appointments to the Board.

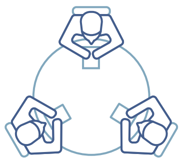


BOARD ACTIVITY AND MEETINGS

During the year the Board held six main meetings, with other meetings arranged as necessary. This year included two dedicated sessions on strategy, one at the beginning of the financial year and an interim session halfway through the year to review strategic priorities and consider progress against goals. In addition, three of the six meetings were held in one of the Group's operating divisions, with a visit to one of our development sites. This provides the Board with specific insight into divisional operations and proves particularly valuable for the Non-Executive Directors.

The Board receives regular management reports and briefing material in preparation for its meetings. There is regular dialogue between Board members using email and conference calls as required throughout the year. Progress against strategy is continuously monitored by the Board, through management reports, updates and presentations.

The Executive Management Team members are all invited to regular Board meetings and do attend, other than in exceptional circumstances. The Board will meet without members of the Executive Management Team when and if appropriate.



BUDGET AND FINANCE

Reviewed and approved the budget for the financial year.

Received and reviewed regular updates on key financial metrics, including progress against forecast and cash management.

Closely monitored sales progress to ensure revenue targets were reached.

Reviewed and confirmed the dividend policy, including the payment of the interim and full-year dividend.

Considered the prospects of the Group and its ability to continue in operation, in the context of the going concern and Viability statements.

STRATEGY AND OPERATIONS

Tested and reviewed overall strategy, including risk scenarios and sensitivity analysis.

Established key priorities and themes for the forthcoming year to feed into our strategic objectives, including developing a core house type range and continuing focus on the quality of product we deliver to our customers.

Debated, evaluated and approved strategic opportunities in relation to the Private Rented Sector (PRS).

Continued focus on health and safety, including an externally facilitated review of health and safety management performance across the Group. The Executive Workgroup formed a Health and Safety Sub-Committee to drive initiatives forward and ensure continued momentum in such an important area of our business.

Received presentations from graduates as part of their two-year development programme.

Reviewed the Group's positioning in relation to its peers.

Continued to keep training and development under review.

Reviewed and approved significant land acquisitions and joint venture opportunities.

CORPORATE GOVERNANCE

Progressed the outcomes and actions from last year's external Board evaluation.

Participated in an internally facilitated Board evaluation.

Conducted a review of the Group's cyber security arrangements, assessing the robustness of current systems and processes.

Developed the Board's approach to risk appetite and further developed the Group's risk management framework to provide a formal and consistent approach to managing risk for all the Group's activities.

Discussed succession planning and the procedures in place to support internal talent.

Offered significant investors the opportunity to meet the Chairman or Senior Independent Non-Executive Director (in addition to meetings with management) to focus on corporate governance matters, and met those taking up the offer.

Reviewed the responses to key regulatory developments, for example, the Market Abuse Regulation.

MEETINGS ATTENDED	MAIN BOARD	AUDIT AND RISK COMMITTEE	REMUNERATION COMMITTEE	NOMINATION COMMITTEE
Total number of meetings	**6**	**3**	**5**	**4**
William Rucker	●●●●●● C	○○○	○○○○○	○○○○
Stephen Stone	●●●●●●	○○○	○○○○○	○○○○
Patrick Bergin	●●●●●●	○○○	○○○○○	○○○○
Pam Alexander	●●●●●●	●●●	●●●●●	●●●●
Sharon Flood	●●●●●●	●●● C	●●●●●	●●●●
Jim Pettigrew	●●●●●●	●●●	●●●●● C	●●●● C

C = Chair

BOARD EVALUATION

During the year the Board undertook an internally facilitated Board evaluation led by the Chairman and the Company Secretary. The review process was designed to build upon the findings from the previous year's externally facilitated evaluation.

The evaluation was carried out through a range of one-to-one interviews with Board members, with input from the Executive Management Team. It focused on the operation of the Board and its principal Committees and considered aspects such as structure, composition, meetings and individual Director performance and training. The Non-Executive Directors met separately to consider the performance of the Chairman for the financial year. A report of the key findings was compiled by the Company Secretary and provided to the Board for their consideration.

The process concluded that the Board operates efficiently, with an open and inclusive atmosphere in the boardroom. In particular, the Board's Committees continue to perform well and in line with the authority delegated to them by the Board. There is a good balance of skills and expertise among Board members, each of whom continues to contribute effectively and demonstrate commitment to the role, including commitment of time for Board and Committee meetings and any other duties. However, the Board is mindful of the need to ensure its membership is refreshed progressively and that undue reliance is not placed on particular individuals. The Board is comfortable that recent changes to its composition and the ongoing recruitment process support this requirement.

It was felt that good progress had been made against the prior year's review, particularly in terms of the breadth of work undertaken by the Remuneration and Nomination Committees during the year. The process highlighted some further areas for the Board to consider in the forthcoming year, for example the structure and content of management reports. An action plan has been formulated and will be taken forward during 2017.

The performance evaluation of the Chairman was led by the Senior Independent Director and concluded that the Board continues to operate effectively under the strong and effective leadership of the Chairman.

REVIEWING BOARD COMPOSITION

The Nomination Committee, in conjunction with the Chairman, considers the overall composition of the Board in relation to the requirements of the UK Code. This includes consideration of the benefits of all aspects of diversity, to maintain an appropriate range and balance of skills on the Board.

Following a review of the current Board composition, and in conjunction with the Board evaluation process as well as part of the Board's succession planning, the Board has further enhanced the mix of experience, knowledge and backgrounds on it through the appointment of Robert Allen as new Group Finance Director (with effect from 13th February 2017) in place of Patrick Bergin, whose appointment as Chief Operating Officer was announced in November 2016, and Chris Tinker who joined the Board on 10th January 2017. The Company is in the process of searching for an additional Non-Executive Director to join the Board to balance the additional executive appointments.

All Directors will submit themselves for election or re-election at the Annual General Meeting (AGM) to be held on 23rd March 2017.

For more information on Board composition and effectiveness please see the Nomination Committee report on pages 58 to 60

NOMINATION COMMITTEE REPORT

Jim Pettigrew
Chairman of the Nomination Committee

This year, the Nomination Committee has continued its focus on Board composition and succession planning, including a review of the skills and experience needed to ensure a robust and sustainable leadership model for the Board, its Committees and the wider management team.

The Nomination Committee plays a vital role in ensuring the effectiveness of the Board and its ability to deliver long-term success for the business. This includes having the appropriate balance of skills, experience, independence and knowledge on the Board to both reflect the changing needs of the business and anticipate and prepare for the future.

During the year the Committee has focused on monitoring the implementation of recommendations from last year's Board evaluation, which included a continued focus on succession planning.

Jim Pettigrew
Chairman of the Nomination Committee

LOOKING AHEAD

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

- Continue with talent development and succession planning projects.
- Facilitate Director induction and development.
- Broaden the Group's diversity agenda.
- Approve the 2017 Corporate Governance plan.

KEY INITIATIVES THIS YEAR

> Executive Director and senior management succession planning.

> Implementing the recommendations from last year's Board evaluation.

> Internally facilitated Board evaluation.

> Received updates in respect of senior talent assessments.

> Approval of the 2016 Corporate Governance plan.

COMMITTEE MEMBERSHIP AND MEETINGS

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

There have been no changes to the membership of the Committee during the year. Jim will chair all meetings unless they relate to the appointment of his own successor. In accordance with the UK Code, all members of the Committee are Independent Non-Executive Directors.

The Committee met four times during the year (details of attendance are set out on page 57). There were also a number of informal meetings, conference calls and general discussions between Committee members, and with search consultants and potential candidates throughout the recruitment of a new Group Finance Director. This year has seen additional time spent on the role of HR at Board level, with presentations on current initiatives and how these support the Group's strategic aims, including specifically its achievements in learning and development and senior talent assessments.

The Board evaluation and effectiveness review informs much of the Committee's work, tracking progress against prior year recommendations and planning the structure for the current year.

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

RESPONSIBILITIES AND TERMS OF REFERENCE

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

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

SUCCESSION PLANNING

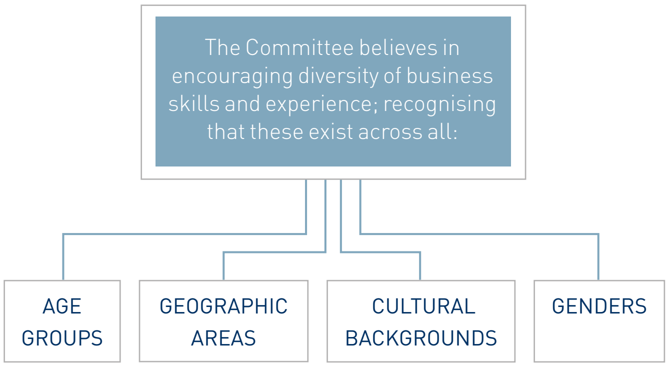
As ever, Board succession remains a key agenda item for the Committee. This year the Committee has continued its focus on Board composition and succession planning, including a broad review of the skills and experience needed to ensure a robust and sustainable leadership model for the Board, its Committees and the wider management team.

During the year the Board agreed to increase its membership, acknowledging the need to refresh itself progressively, and on 10th January 2017 the Company announced the appointment of Chris Tinker, a member of the Group's Executive Management Team, as an Executive Director and Robert Allen (an external appointment) as the new Group Finance Director following the move by Patrick Bergin to the role of Chief Operating Officer in November 2016. A recruitment process is also underway with external search consultants to appoint a new Non-Executive Director.

Further to this, and to ensure that the Group continues to benefit from the right balance of experience at the most senior levels, the Committee continues to oversee management's work on a wider succession planning framework for timely identification of potential future successors over the longer term. This included an initiative that focused on identifying individuals with the potential to succeed Executive Directors and other members of the senior management team in the short, medium and long term.

The Committee will continue to review the work of management in identifying and developing emerging talent within the business as part of the Board's own succession arrangements.

DIVERSITY



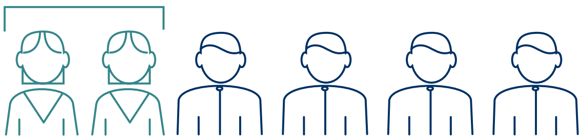
While gender is rightly a regular topic, the Committee and Board believe that the debate is much wider. Diversity is as much about difference of approach and experience, and it is important in ensuring effective engagement with key stakeholders to deliver the business strategy. It therefore remains a key feature of the Committee's work.

The Group's policy on boardroom diversity ensures that when reviewing Board composition, the benefits of all aspects of diversity are considered including, but not limited to, age, gender, culture, background, experience and length of service. Board appointments will always be made on merit and candidates are considered against objective criteria, in the context of optimising and expanding the skills, experience, independence and knowledge of the Board as a whole, ensuring that diversity in its broadest sense remains a key feature.

The Board has set a measurable objective of maintaining a level of at least 25% female representation and we recognise the fundamental significance of this aspect of diversity, while acknowledging the role that people with the right skills and experience of either gender can play in the boardroom.

Female representation on the Board as at 31st October 2016

33%



For further information on the Group's gender profile please see page 31

With a known skills shortage in the industry, the Board acknowledges that it must balance the need to recruit and retain high calibre people across the workforce as we work hard to improve our skills base, while promoting diversity at the same time.

More information on our commitment to our workforce can be found in the Building skills and leadership section of the Strategic report on pages 28 to 31

BOARD APPOINTMENTS

The Committee leads the process for Board appointments and will make recommendations to the Board in this regard. When a vacancy arises, the Committee will prepare a description of the role and capabilities required for an appointment and use external recruitment consultants where appropriate.

Since 31st October 2016 the Board has seen a number of changes to its membership and a process is now underway to recruit a new Non-Executive Director. Full details on the recruitment processes will be provided in next year's annual integrated report and further information will be provided through the regulatory information service as and when any new appointments are made.

DIRECTOR INDUCTION AND DEVELOPMENT

On appointment, Directors are provided with a detailed and tailored induction programme. This will include (as a minimum) information on the Group's structure, the constitution of the Board and its Committees, previous Board and Committee materials and an update on current activity. New Non-Executive Directors will be given the opportunity to meet the Executive Management Team and other senior management. On an ongoing basis Directors receive technical, regulatory and operational updates at Board meetings to ensure they are kept abreast of the key issues affecting the business.

Our annual Board programme facilitates the ongoing development of our Non-Executive Directors, in particular through regular divisional board presentations, site visits, updates on specific areas such as health, safety and environment, and the business's approach to emerging longer-term challenges and opportunities.

In addition, as part of the annual effectiveness review, all Directors are asked if they have specific training requirements. All Directors have access to advice from the Group Company Secretary and independent professional advisors, at the Group's expense, where this is required in the course of their duties.

INDEPENDENCE AND CONFLICTS OF INTEREST

The Committee will review any conflicts of interest upon appointment and the Board monitors this on an ongoing basis, including the independence of its Non-Executive Directors. Directors do, from time to time, have other interests that may overlap with, or relate to, those of the Group. For example, Non-Executive Directors could be involved in other businesses from which we buy products and services or may have interests in areas of the country where we operate. If any of these contracts are material, they are disclosed as related-party transactions on page 137. During the year Stephen Stone joined the board of the NHBC as a Non-Executive Director. The Board considered this to be hugely beneficial in terms of improving standards in the industry, and it was felt that any time commitment was supported in the context of his role as CEO. He has subsequently declared an interest in any contract or arrangement and the Board has approved the potential conflict of interest.

ELECTION AND RE-ELECTION OF DIRECTORS

In accordance with the UK Code, all Directors submit themselves for re-election at the AGM to be held on 23rd March 2017. Following the evaluations of individual Director and overall Board performance, the Committee confirms that the Board has the appropriate balance of skills, experience, independence and knowledge, and that shareholders should support the re-election of the Directors, including the election of Robert Allen and Chris Tinker.

The letters of appointment of all Non-Executive Directors are available for inspection at the Company's registered office during normal office hours. Copies will be available at our 2017 AGM. All Non-Executive Directors are appointed for an initial term of three years, following which the Company will review the appointment and if satisfied recommend their re-appointment for a further three years.

More information on the Non-Executive Directors' current letters of appointment can be found on pages 82 to 83 within the Directors' remuneration report

Individual profiles for each Director can be found on pages 52 to 53

ACCOUNTABILITY

AUDIT AND RISK COMMITTEE REPORT

Sharon Flood
Chair of the Audit and Risk Committee

The Board as a whole oversees the Group's control framework ensuring clearly defined processes, and is responsible for determining the nature and extent of the principal risks it is willing to accept to achieve its strategic objectives.

The Audit and Risk Committee monitors the integrity of financial reporting and the robustness of the Group's risk management framework and internal controls to ensure that the interests of shareholders are properly protected in relation to these areas.

As part of its work the Committee received regular reports from the Group's internal audit function, which is now solely undertaken by Deloitte LLP. The Committee monitored the implementation of recommendations arising from internal audit reports, providing guidance and challenge where appropriate. Additionally, the Committee reviewed the content and application of relevant Group policies for related-party transactions, non-audit services provided by the external auditor, bribery and corruption, and whistleblowing.

Sharon Flood
Chair of the Audit and Risk Committee

A full account of the Committee's activity is provided on pages 62 to 65

KEY INITIATIVES THIS YEAR

> Reviewed full and half-year results and announcements including the Company's prospects in light of the Viability statement and going concern requirements.

> Monitored and reviewed the Group's risk management framework and key internal controls, including developments following last year's independent review.

> Carried out a robust assessment of the principal risks facing the Group, reviewing and advising on the Board's risk appetite.

> Reviewed the effectiveness and scope of the Group's internal audit function and how this fits within the Group's overall risk management framework.

> Considered the effectiveness of the Committee and its work plan for the forthcoming year.

> Approved the external audit plans for the full and half-year review and audit and assessed the effectiveness of the external audit process.

RESPONSIBILITIES AND TERMS OF REFERENCE

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

Financial reporting

Monitoring the integrity of the Group's financial statements and any formal announcements relating to its financial performance.

Reviewing significant financial reporting judgements contained in the financial statements and announcements.

External audit

Considering the scope of the statutory audit of the annual consolidated accounts and the half year review, including monitoring and reviewing the effectiveness of the audit process.

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

Internal control

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

Monitoring and reviewing the effectiveness of the internal audit function.

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

COMMITTEE MEMBERSHIP AND MEETINGS

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

There have been no changes to the membership of the Committee during the year. In accordance with the UK Code, all members of the Committee are Independent Non-Executive Directors.

Considering the year under review, the Board is satisfied that both Sharon Flood and Jim Pettigrew have recent and relevant financial experience as required by the UK Code. The biographies of each Committee member can be found on page 52.

The Committee met three times during the year (details of attendance are set out on page 57). The Group Chairman, Chief Executive, Group Finance Director and other senior personnel attend meetings by invitation. The Group internal auditor and external auditor also attend meetings by invitation and meet with the Committee at least once a year without Executive Management.

The Committee is supported by Kevin Maguire (Group Company Secretary).

DURING THE YEAR THE COMMITTEE HAS REVIEWED AND APPROVED

- ✓ Its terms of reference, independence and financial literacy.
- ✓ Statutory accounts for the year ended 31st October 2015, together with the related representation letter, and going concern and Viability statements.
- ✓ The half-year results together with related public announcements.
- ✓ The internal audit plan for 2016/17 including the appointment of Deloitte LLP as internal audit provider.
- ✓ The external auditor's plan and approach for the FY16 statutory audit.
- ✓ Internal audit reports in relation to cost controls, joint ventures and bought ledger practices. The Committee also monitored the implementation of recommendations arising from previous internal audit reviews.
- ✓ The policy on the use of the external auditor for non-audit services.
- ✓ The whistleblowing policy, anti-bribery and other associated policies.

SIGNIFICANT ISSUES

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

Margin forecasting and recognition

As part of its oversight of significant accounting policies, the Committee has continued to consider the Group's approach to profit recognition. As further explained in Note 1 to the consolidated financial statements, the approach to profit recognition is driven by the forecasted project margin (based on actual and forecast sales prices and build costs), which drives the profit recognised on completed sales and supports the carrying value of the remaining work in progress. This demands regular assessment of assumptions in relation to sales prices and build costs. Our divisions monitor build and sales forecasts month to month and report to the Executive Management Team with their latest estimates. Management carries out formal monthly build cost and quarterly sales price reviews with divisional management teams, during which forecasts are rigorously scrutinised. Management will report any material changes to the Committee. In addition, the external auditor reports to the Committee on the work they have carried out during the year, including testing management's controls over reviewing and updating selling prices and cost forecasts; as well as assessing the appropriateness of certain underlying assumptions and comparing management's estimates of sales prices and build costs to actual sales prices and cost trends.

The Committee reviews the main areas of judgement exercised, challenges management where appropriate and is satisfied that the oversight and controls in place are appropriate and the financial reporting is supported.

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

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

The Committee understands the controls in place concerning NRV, including the minimum hurdle rates management require before projects are approved. The external auditor has tested controls over the approval of the initial forecasts and the monitoring of updates required to the forecasts over the course of a development's life cycle, including the monthly build cost and quarterly sales reviews.

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

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

Valuation of 'other financial assets' – shared equity loans

The valuation of shared equity loans granted under schemes such as Easybuy and Homebuy Direct continue to be an important area of focus. As fully explained in Note 1 to the consolidated financial statements, shared equity loans are classified as available-for-sale assets under the International Financial Reporting Standards. The carrying value of Easybuy and Homebuy loans is based on a number of assumptions, such as the timing and value of the recoverable amounts and the discount rate. In the absence of suitable information on actual market prices to use as a valuation basis, management has adopted a valuation model, which forecasts cash flows and then discounts at a suitable rate to estimate current fair value.

Management reviews the underlying assumptions in light of historical trends, redemption timings and expected house price movements. The Committee receives assurance from management on the carrying value of such assets and that the approach had been applied consistently during the year. The external auditor evaluates and tests the mechanics of the calculation to check the correct application of the underlying assumptions and accuracy of the calculation.

Financial reporting

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

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

Viability statement and going concern

The Committee specifically considered the prospects of the Group as well as satisfying itself that the going concern basis of preparation continues to be appropriate, and made recommendations to the Board in this regard.

Our longer-term Viability statement can be found on page 43 within our Risk management section, and further information on the Group's going concern assessment can be found on page 95

Fair, balanced and understandable

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

- provided a comprehensive review of the Group's activities and strategy with consistency throughout;
- reflected appropriate events over the year and acknowledged the material issues faced by the Group;
- highlighted the important messages including the continuation of positive growth;
- accurately described the market and the principal risks faced by the Group including the actions taken to mitigate these; and
- provided a balanced review with emphasis on both the key positive and negative points.

This is further supported by the external auditor in their report; see page 100

EXTERNAL AUDITOR

PricewaterhouseCoopers LLP (PwC) was appointed as external auditor in the year ended 31st October 2015 following a tender process carried out in 2014. During the year the Committee approved the external audit fee and scope of the audit, and carried out a review of the effectiveness of the external audit process.

PwC has developed a detailed understanding of our business, our performance and our aspirations, and continues to provide technical support, where necessary. The Committee recommend their re-appointment at the 2017 AGM.

Independence and non-audit services

During the year PwC did not provide any non-audit services to the Group. However PwC provides audit services to the Group's defined benefit pension scheme and the fees associated with these services are met by the assets of the scheme. For further information see Note 3 to the consolidated financial statements.

Where non-audit services are to be provided by PwC, both the Group and PwC have robust processes in place to prevent auditor independence from being compromised. The Group operates a strict policy on the provision of non-audit services that is reviewed annually and is consistent with the EU's Audit Regulation and Directive. The policy sets out the types of non-audit service for which use of the external auditors is prohibited and provides a list of activities that are pre-approved by the Committee.

The Committee keeps the independence of the auditor under regular review and in doing so will consider the annual disclosure from PwC, discuss any threats to their independence and understand the safeguards in place to mitigate those threats. It was clear from communication received from the auditors during the year that the objectives of the FRC's Ethical Standards regarding independence and objectivity had been achieved.

Effectiveness review

The Committee is responsible for overseeing the relationship with the external auditor and the effectiveness of the external audit process. An annual review of audit effectiveness is undertaken at the conclusion of the year-end audit, usually around February each year.

Following the completion of PwC's first full-year audit cycle for the period ended 31st October 2015, a review was conducted concluding that the audit process and the audit team demonstrated a thorough and professional approach to what was a robust and quality audit. Partners and managers actively and visibly led the audit planning process; there was early discussion with management and the Committee to identify significant issues as soon as possible. Throughout the process, PwC challenged thinking and improved overall standards in governance and financial reporting.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board as a whole oversees the Group's control framework ensuring clearly defined processes are in place, and is responsible for determining the nature and extent of the principal risks it is willing to accept to achieve its strategic objectives. It is the role of management to implement and take day-to-day responsibility for Board policies on risk management and internal control. However, the Board retains overall responsibility in this area and needs to satisfy itself that management has understood the risks, implemented and monitored appropriate policies and controls, and is being provided with timely information so that it can discharge its own responsibilities in this regard.

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

The Committee assists the Board in reviewing the effectiveness of the Group's internal controls and risk management systems and will review and approve the statements to be included in the Annual integrated report concerning internal controls and risk management.

For more information on the Group's risk management and internal control framework, including an overview of the principal risks and the Group's approach to their mitigation and management, please see the Risk management section on pages 43 to 47

Effectiveness of the Company's risk management and internal control systems

During the year the Committee received reports from management and the internal audit function on the operation and effectiveness of the internal control and risk management systems. The Committee is satisfied that the principal risks required to achieve corporate objectives have been identified, key controls have been identified and evaluated to manage principal risks, and there are mechanisms in place to obtain assurance over the effectiveness of those key controls. In drawing its conclusions the Committee considered the following fundamental risk management and internal control principles that are applied throughout the Group:

> The governance framework allows for informed and balanced discussions by senior management, whereby all divisions operate through their own local management boards, each of which is accountable to and reports monthly to the Executive Management Team, which is responsible for the day-to-day operation of the Group;

> Risk appetite, KPIs and targets to achieve the Group's strategic plans are identified and tracked through financial and management reporting systems;

> A robust assessment of the principal risks facing the Group is carried out each year at both divisional and Group level;

> Group policies and procedures are regularly reviewed by the Executive Management Team and the Board and expected values and behaviours are set out that are well integrated into the Group's operations; and

> Independent assurance over the operating effectiveness of control activities is obtained through internal audit. In addition there are other forms of assurance such as regular health and safety and sustainability audits, and other corporate responsibility reporting, along with legal and regulatory compliance monitoring.

Internal audit

Internal audit plays a pivotal role in providing assurance that internal controls remain fit for purpose and are applied consistently throughout the Group. The Group's internal audit function is currently undertaken by Deloitte LLP (from September 2016), whose appointment and mandate is approved by the Committee. The Committee will monitor and review the effectiveness of internal audit activities, ensuring appropriate resources are in place. The Committee is satisfied that the quality, experience and expertise of the function is appropriate for the business.

The Committee approves the internal audit programme, which is aligned to the key risks of the business and covers all material controls, including financial operational and compliance controls. There is clear and open communication between the Committee Chair and Deloitte LLP, who will meet without management when required.

The Committee receives regular reports from the internal audit function, which identifies the key risks and assesses the relevant internal controls to ensure they suitably match those risks, and that the controls are appropriately designed and operating as intended. The Committee also considers the internal control recommendations raised by the external auditor during the course of the external audit and the Group's response to dealing with such recommendations.

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

Whistleblowing

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

Employees have access to an independent external service to report their concerns, as well as internal escalations with clear processes to ensure the proportionate investigation of such matters and appropriate follow-up action.

DIRECTORS' REMUNERATION REPORT

Jim Pettigrew
Chairman of the Remuneration Committee

On Behalf of the Board I present our remuneration report for 2016. Within this report you will find our updated Remuneration Policy that will be put to a binding shareholder vote at the 2017 AGM.

REMUNERATION PHILOSOPHY

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

Reward performance – the Committee believes in the importance of having a clear link between the performance of the Group and how our Directors and senior executives are remunerated. This is demonstrated by the illustration of application of Remuneration Policy set out on page 76 showing that variable pay comprises almost half of Executive remuneration when the Group is on target. Compensation commitments are regularly reviewed (including those that apply in the event of early termination) to ensure poor performance is not rewarded.

Simplicity and transparency – performance-related elements are transparent, stretching and rigorously applied. Our Remuneration Policy is based on clear and simple market-competitive remuneration and incentive schemes with straightforward, reasonable metrics and performance criteria.

KEY INITIATIVES THIS YEAR

> Set the 2017 Remuneration Policy for approval by Shareholders.

> Challenged and determined 2016 awards.

> Set incentive plan measures and targets for 2017.

> Continued our popular Sharesave scheme.

> Engaged with shareholders.

> Commissioned and considered a report to benchmark the remuneration of our Directors and senior employees.

Remuneration Policy

Our Remuneration Policy was last put to shareholders in 2014 where it received a positive vote in favour (94.58%). Within this report you will find the proposed Directors' Remuneration Policy for the next three years that will be put to a shareholder vote at our AGM on 23rd March 2017.

We are proposing that our 2017 Remuneration Policy will remain broadly in line with our 2014 policy. We are not proposing any change to the structure of Directors' remuneration and are not introducing any new incentive schemes. There will also be no change to our Long-Term Incentive Plan limits and we shall continue to have a maximum of 125% of salary annual bonus opportunity.

We have also updated our minimum shareholding requirements for future Directors and set a minimum shareholding requirement for all Executive Directors and any future CEO at 200% of salary in line with market norms.

While preparing our Remuneration Policy we consulted with our largest shareholders inviting them to comment on our proposals, taking on board and considering their comments.

FY16 remuneration outcomes

Remuneration for the financial year ended 31st October 2016 was in line with the approved policy. Reflecting strong growth in Profit Before Tax (PBT) during the year, performance against targets resulted in bonuses of 102% of salary out of a maximum of 125%, with one-third deferred into shares for a further three years.

The performance period for the 2014 LTIP ended on 31st October 2016. These awards were based on the satisfaction of ROCE and PBT per share performance conditions set at the start of the three year performance period. Over the performance period, Crest Nicholson performed strongly and exceeded the maximum targets for both ROCE and PBT per share, and this is expected to result in 100% of the award vesting after the completion of the service period that ends in February 2017. Full details can be found on page 79. The Committee considers the outcome of these schemes carefully, particularly considering the level of award that becomes exercisable. The Committee believes that the vesting outcome is fair as the performance criteria for both LTIPs has delivered significant shareholder value in terms of profit and capital efficiency.

LTIP awards were granted during the year with performance conditions over the next three years and will be subject to withholding and recovery provisions. All our share schemes (other than Sharesave) include provisions that would enable the Company to recover sums paid or withhold the payment of any sum, and specify the circumstances in which it would be appropriate to do so.

FY17 Executive Director remuneration

In FY17, the main changes to Executive Director remuneration relate to the promotion of Patrick Bergin from Group Finance Director (GFD) to Chief Operating Officer (COO), and recruitment of a new GFD, Robert Allen, and the internal promotion of Chris Tinker to the Board.

Patrick was appointed as Group Finance Director in October 2011 having been with Crest Nicholson since 2006, and since that time has performed strongly in the role and played a key part in delivering our performance since IPO. In November 2016, the Board promoted Patrick to the operational role of COO to assume more responsibility as part of our ongoing succession planning. In his new role, Patrick's base salary has been set at £375,000 which reflects the increased scope, importance and level of responsibility of this role.

Following an extensive search process, the Company announced on 10th January 2017 that Robert Allen would be joining the Board as GFD from 13th February 2017. Robert's salary has been set at £325,000 per annum, having taken into account salary levels for the role generally, and the competitive market for new Directors.

The Company also announced on 10th January 2017 that Chris Tinker (previously a member of the Executive Management Team) would be joining the Board as Chairman of Major Projects and Strategic Partnerships. No changes have been made to Chris' remuneration as a result of the change of role, and his base salary will be £302,148.

In addition, the base salary for the CEO will not be increased in FY17.

Participation in the Company's incentive schemes will be in line with our Remuneration Policy. The bonus opportunity will be 125% of salary with a bonus opportunity of 100% of salary for Chris Tinker. It is intended that LTIP awards with a face value of 150% of salary will be granted to the CEO and COO and 100% of salary to Chris Tinker. In the case of Robert Allen, as part of the contract negotiations to secure his recruitment, the Committee determined that an initial LTIP award with a face value of 300% of salary will be made and it is expected that his grant level will be in line with our normal policy in future years. We intend to maintain the same metrics as in prior years for our annual bonus and Long-Term Incentive Plan (LTIP) as they continue to represent key strategic priorities and are clear and transparent metrics. In respect of the annual bonus, the Committee will report on the underlying targets on a retrospective basis in next year's annual integrated report. For the annual bonus and 2017 LTIP awards, the Committee is satisfied that the targets are both stretching and challenging against internal and consensus forecasts, and promote the long-term success of the Company.

The Committee will continue to keep Executive remuneration arrangements under review during 2017 to ensure that they continue to align with the Group's strategy and support our growth objectives, and ensuring that the Committee uses its discretion to avoid perverse results.

We take an active interest in the views of our shareholders and hope to receive your support at the 2017 AGM in respect of the new Remuneration Policy and the usual advisory vote on the annual report on remuneration.

Jim Pettigrew
Chairman of the Remuneration Committee

REMUNERATION AT A GLANCE

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

	Our Remuneration Policy Approved at 2014 AGM	**Our Remuneration Policy** To be approved at 2017 AGM	**Remuneration in 2016** In line with approved policy	**Remuneration in 2017** How we intend to implement our policy in the coming year
Base salary	Base salary set by reference to similar roles in a group of other UK housebuilders. Inflation-related increases to reflect wider workforce.	Base salary set by reference to similar roles in a group of other UK housebuilders. Inflation-related increases to reflect wider workforce.	Stephen Stone: £541,158 Patrick Bergin: £303,000	Stephen Stone: £541,158 Patrick Bergin: £375,000 (reflecting promotion to COO). Robert Allen: £325,000 Chris Tinker: £302,148
Annual bonus	Maximum bonus opportunity of 125% of salary. At least half our measures based on one or more financial metrics. 33% of bonus deferred into shares.	Maximum bonus opportunity of 125% of salary. At least half our measures based on one or more financial metrics. 33% of bonus deferred into shares.	2016 bonus based on PBT and up to a 15% downward adjustment for customer service. Performance against targets resulted in bonuses of 102% of salary. 2016 targets disclosed in this report. Withholding applies to entire award. Recovery provisions apply to cash element.	2017 bonus scheme to be based on PBT and up to a 15% downward adjustment for customer service. Maximum opportunity to range between 100% and 125%. 2017 targets to be disclosed in the 2017 Remuneration Report. Withholding applies to entire award. Recovery provisions apply to cash element.
Long-Term Incentive Plans	Maximum opportunity of 150% of salary based on set performance measures. An exceptional limit of 300% of salary is available in exceptional circumstances, including recruitment.	Maximum opportunity of 150% of salary based on set performance measures. An exceptional limit of 300% of salary is available in exceptional circumstances, including recruitment.	Awards granted of 150% of salary. Performance conditions over three years of average ROCE and increase in PBT per share. Withholding and recovery provisions apply to the award.	Awards to be granted between 100% and 150% of salary. An initial award of 300% will be made to Robert Allen. Performance conditions over three years of average ROCE and increase in PBT per share. Withholding and recovery provisions apply to the award.
Shareholding requirement	Minimum shareholding levels of: > CEO: five times salary (500%) > GFD: two times salary (200%).	Minimum shareholding levels of: > CEO: five times salary (500%) > COO: two times salary (200%) > Newly appointed Executive Directors (and any new CEO): two times salary (200%).	Stephen Stone (500%), Patrick Bergin (200%) and Chris Tinker (200%) all meet their minimum shareholding requirement. Full details of Directors' shareholdings are set out on page 80.	No change to the minimum shareholding requirement for current Executive Directors.

	Our Remuneration Policy Approved at 2014 AGM	**Our Remuneration Policy** To be approved at 2017 AGM	**Remuneration in 2016** In line with approved policy	**Remuneration in 2017** How we intend to implement our policy in the coming year
Recruitment and loss of office	Recruitment policy focused on recruiting the right people but not overpaying. Loss of office policy focused on not rewarding failure and maintaining an equitable outcome for the Group.	Recruitment policy focused on recruiting the right people but not overpaying. Loss of office policy focused on not rewarding failure and maintaining an equitable outcome for the Group.	No payments were made outside of the policy or in respect of loss of office. Full details are set out on page 82.	Remuneration will be set for new or promoted Directors as they are appointed. The terms will reflect the importance of the role and the market rates for top talent.
The Committee	During the year the Committee met on five occasions. Full details of the Committee's activities can be found on page 88.			
Considering your views	Our annual report on remuneration was strongly endorsed by our investors, with a 98.6% vote in favour at the 2016 AGM. Our 2014 Remuneration Policy received a 95% vote in favour. Ongoing shareholder engagement took place in the year to shape the new policy, to further understand and seek to address shareholder concerns in future decisions. Further details are provided in our Statement of consideration of shareholder views on page 77.			
2016 single figure	Patrick Bergin: £1,182,447 See page 77		Stephen Stone: £2,157,391 See page 77	

DIRECTORS' REMUNERATION POLICY

This policy report sets out the Remuneration Policy that guides the Remuneration Committee's decision-making process in the area of executive remuneration. Subject to receiving majority shareholder support at the 2017 AGM, it will replace the current policy (as approved by shareholders at the 2014 AGM) and, subject to approval will be effective from the date of the AGM and apply for a period of three years, unless a new policy is put to the shareholders (and approved) before then.

FUTURE POLICY TABLE

Element	Link to strategy	Operation (including maximum opportunity)
Base salary	Help recruit, motivate and retain the best people in the market-place. Recognise individuals' experience, responsibility and performance.	Salaries are normally reviewed annually with changes typically effective from 1st January taking into account: > personal and company performance > increases received by the general workforce > inflation and earnings forecasts > the state of the marketplace generally. Base salary is set with reference to similar roles in a group of UK housebuilders. Where appropriate, comparators from other sectors may be considered as part of the benchmarking process. The exact positioning of salary depends on a variety of factors including the specific nature of the role (particularly where this is not directly comparable to roles outside the Group), individual experience and performance, cost of living increases, inflation, Group performance and market practice in other UK housebuilders or other comparator groups considered. A new Director may be appointed at a salary which is less than the prevailing market rate but increased over a period to the desired positioning subject to satisfactory performance. While the Committee is guided by increases applied to the general workforce, it retains discretion to apply an above-workforce increase to a Director's salary should there, for example, be a change in the scope of an individual's 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.
Fees for Non-Executive Directors	Reflect the time commitment and responsibilities of the roles.	Fees are reviewed on an annual basis, taking into consideration market practice, and are set with reference to sector, FTSE 250 and general Non-Executive Director fee levels as appropriate. Non-Executive Director fees are determined and approved by the Board upon a recommendation from the Executive Directors. The Chairman's fee is set by the Remuneration Committee. No Director is involved in setting his or her own fee. Non-Executive Directors' fees are paid in cash and are not performance related. There are no benefits or incentive schemes for Non-Executive Directors. However, reasonable travelling and other expenses for costs incurred in the course of the Non-Executive Directors undertaking their duties are reimbursed (including any personal tax that may be due on those expenses). Additional fees may be payable in relation to extra responsibilities undertaken, such as chairing a Board Committee and/or holding the position of Senior Independent Director.
Benefits	To provide a competitive level of benefits and encourage the well-being and engagement of employees.	A range of benefits are provided, including but not limited to: > private medical insurance – family cover > company car or car allowance > income protection > personal accident insurance > life assurance > annual health check > holiday and sick pay > professional advice in connection with their directorship, if required. The cost of these benefits varies over time depending on their cost in the market and the individual's circumstances. Directors who are required to move for a business reason may, where appropriate, also be provided with relocation assistance. 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. Other benefits (in line with any policy applied to employees generally) may be offered at the discretion of the Committee, such as long service awards or recognition of life events. The Company may also operate all-employee share incentive plans including Sharesave, SIP and other HMRC tax-approved all-employee schemes from time to time, in which Directors may participate on the same terms as other employees. As a general principle, 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.

Performance framework

The Committee considers and sets appropriate individual Director salary levels each year, having regard to the factors noted in the salary policy. Salary is not linked to specific financial or non-financial performance measures.

No withholding or recovery provisions apply in relation to salary.

Fees are set by reference to the policy element.

No withholding or recovery provisions apply in relation to fees.

Element	Link to strategy	Operation (including maximum opportunity)
Pension	Provide retirement planning and protection to employees and their family during their working life.	Directors may participate in the Crest Nicholson defined contribution pension scheme, or where deemed appropriate, receive cash in lieu of all or some of such benefit. 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. For any new Directors, a contribution of up to 15% of salary may be offered paid as pension contribution, cash or part cash. For any internal promotion, pension contributions or cash in lieu would reflect any legacy arrangements.
Annual bonus	Rewards individuals on achievement of pre-defined, Committee-approved corporate objectives linked to key goals of the Group. Motivates employees towards superior performance and in so doing improves the performance of the business in specifically targeted areas.	The annual bonus scheme participation levels (including maximum opportunities) are determined by the Committee on an annual basis, and payments are determined by the Committee following the end of the financial year, based on performance against the metrics set. The maximum bonus opportunity is capped at 125% salary for Directors, with on-target performance receiving 50% of salary and performance below target usually receiving no payment. However, an amount of up to 25% of the maximum may be payable for threshold performance in the event that a threshold performance target is set. Two-thirds of the bonus is paid in cash (non-pensionable), with the remaining one-third deferred under the deferred bonus plan for up to three years – see 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 is deferred in the form of conditional share awards or nil-cost options (the 'deferred share awards') which vest or first become exercisable up to three years from grant. Amounts equivalent to any dividends or shareholder distributions made during the vesting period may be awarded in respect of vested or exercisable deferred share awards.
Long-Term Incentive Plan	Incentivises long-term shareholder value creation. Drives and rewards achievement of key long-term Company objectives over which participants have line of sight.	LTIP awards will normally 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 achievement of performance measures and provided the Director remains in office with the Company. It is the Committee's intention for award levels to be at a maximum of 150% of salary. However, the Committee retains the flexibility to make awards up to 300% of salary in exceptional circumstances including for example, recruitment. Amounts equivalent to any dividends or shareholder distributions made during the vesting period may be awarded in respect of vested or exercisable LTIP awards.
Minimum shareholding requirement	Encourages long-term commitment and alignment with shareholder interests.	Executive Directors are expected to build up and retain a significant shareholding. Deferred share awards under the deferred bonus plan may be counted towards meeting the guideline (on a net-of-tax basis).

Performance framework

At least half of the bonus will be linked to one or more financial metrics with the remainder linked to non-financial metrics (if chosen). Non-financial metrics will be based on relevant operational, business or personal objectives.

The Committee may, in exceptional circumstances, use its discretion to amend the bonus outcome if the Committee believes that it does not properly reflect overall underlying business performance or an individual's contribution.

The cash element of awards is subject to recovery provisions for two years from payment in the event of serious misconduct, material misstatement of accounts, material failure of risk management, material breach of health and safety or environmental regulations, serious reputational damage arising from misconduct, error in calculation or events which are similar in nature or outcome to those above.

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

Deferred bonuses are based on the value of the bonus for any particular year. Vesting is not based on any future performance criteria and the value of deferred bonus awards on vesting is based on the share price at vesting.

Deferred share awards are subject to withholding (adjustment downward) at the Committee's discretion for the same recovery situations as set out above for the cash element of any bonus.

Awards vest in proportion to the weighting placed against the performance measure, with each measure operating individually and all measured over a three-year period.

The Committee currently uses profit before tax (PBT) for 50% of the measure and return on capital employed (ROCE) for the remaining 50%.

The Remuneration Committee reviews the measures, their relative weightings and targets prior to each award and makes changes as is deemed appropriate (which may include the introduction of new measures in conjunction with or in replacement of PBT and ROCE).

Regardless of achievement of the performance condition, the Committee has discretion to withhold (adjust downward) LTIP awards where it believes the underlying performance of the Company does not support the level of vesting.

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

LTIP awards are subject to withholding (downward adjustment) at the Committee's discretion in the event of material misstatement of accounts, material failure of risk management, material breach of health and safety or environmental regulations, serious reputational damage arising from misconduct, serious misconduct, error in calculation or any other circumstances which are similar in nature or outcome to those set out above. Recovery (clawback) applies if such an event occurs within no less than two years of an award vesting or in the case of an option, when it first becomes exercisable.

Minimum shareholding levels for Executive Directors are:

> current CEO: minimum of five times salary

> other Executive Board Directors (and any new CEO): minimum of two times salary.

A greater shareholding requirement exists for the current CEO in the context of the shares vesting at IPO in 2013.

CHANGES TO THE REMUNERATION POLICY FROM PREVIOUS POLICY

Following a review of Executive remuneration during the year, modest revisions to the Remuneration Policy have been made. None of these revisions have changed the incentive opportunity. The following summary sets out the material changes when compared to the policy approved at the AGM on 20th March 2014. Clarifications to the existing policy have not been added to this summary.

Element	Previous policy	Change to policy	Rationale for change
Benefits	Executive Directors are provided with a range of benefits and have the option of participating should a new benefit or benefit structure be introduced.	The Committee now has the discretion to offer other benefits such as long service awards or gift vouchers for life or work events. The ability to offer relocation expenses has been added to the range of benefits.	To bring benefits the Executive Directors receive in line with those received by the general workforce. To bring benefits in line with recruitment policy.
Annual bonus	No award for performance below target.	The ability to pay an amount of up to 25% of the maximum for threshold performance in certain circumstances.	Provides the Company with the ability to calibrate targets around a stretching target, in line with common practice.
Minimum shareholding requirement	CEO: minimum five times salary. Other Executive Directors: minimum two times salary.	A greater shareholding requirement exists for the current CEO in the context of the shares vesting at IPO in 2013. We have set the limit for all Directors including any future CEO at two times salary.	The new limits for future Directors are in line with investor expectations and are meaningful and achievable in light of the overall incentive opportunity.

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 certain circumstances (e.g. change of control, rights issues, special corporate or dividend events, or change in business strategy)

> the annual review and choice 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

> as permitted by HMRC and other regulations, in respect of Sharesave, share incentive plan or any other all-employee schemes.

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 LTIP 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 or any other all-employee scheme operated by the Company.

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.

Area	Policy and operation
Overall	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. 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.
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	Directors 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 in the Remuneration Policy table. For an overseas appointment, the Committee will have discretion to offer cost-effective benefits and pension provisions which reflect local market practice and relevant legislation.
Annual bonus	Directors 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. Depending on the timing of the appointment, the Committee may deem it appropriate to set different annual bonus performance conditions from the current Executive Directors in the first performance year of appointment.
Long-term incentives	The Executive Director will be eligible to participate in the long-term incentive plan set out in the Remuneration Policy table. The opportunity levels will be consistent with what is disclosed in the table and, in exceptional circumstances, the Committee is able to make an award of up to 300% of salary. An LTIP award can be made shortly following an appointment.
Replacement awards	The Committee may grant the Executive Director replacement awards to compensate for forfeited remuneration (including bonus and long-term incentive awards) from previous employment. 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. 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. 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.
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

Executive Directors have 12 months' notice of termination by Crest Nicholson and six months' notice from the Executive's side. The Committee expects that Directors' notice periods will be set in accordance with prevailing governance codes of practice, starting with 12 months' notice from the Company, and six months' notice from the Executive.

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

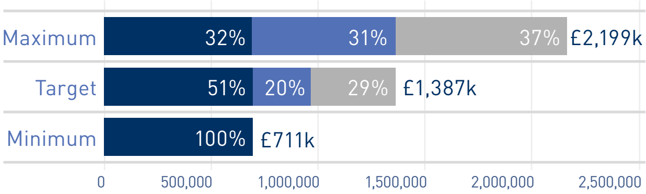
Area	Policy and operation
Overall	As terminations do not always fit neatly into defined categories, when considering the suitable treatment of a termination, the Remuneration Committee will have regard to all of the relevant facts and circumstances available at that time, including the reason, contractual obligations and incentive plan rules. Any references to good or bad leavers below are examples of how the policy would work and are not definitive. The Committee is firmly against rewards for failure. The Committee retains discretion for payments to be made in good faith in relation to very specific legal circumstances, such as the discharge of an existing legal obligation in respect of salary, benefits and other contractual entitlements, damages for breach of obligation and a settlement or compromise of any claim arising with the termination of a person's office or employment. In any event the Committee will only make such payments where it considers it to be in the best interests of the Group and its shareholders, with full disclosure of any such payments in the following year's remuneration report.
Contractual payments	Crest Nicholson may terminate service contracts immediately by making a payment in lieu of notice consisting of base salary, pension 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, and the Executive finds alternative employment; where practical any remuneration received from a new role will be offset against the payment.

Area	Policy and operation
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 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 (proved to the satisfaction of the Board), ill-health , death or disability (proved to the satisfaction of the Board), 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 as soon as reasonably practicable following cessation. In both cases the number of shares would normally 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 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 (proved to the satisfaction of the Board), ill-health, death or disability (proved to the satisfaction of the Board), 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 as soon as reasonably practicable following cessation, and in each case reflecting the extent to which performance targets have been met or are likely to be met. In both cases the number of shares would normally 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.

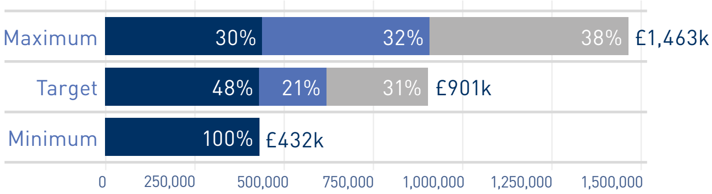
Illustration of application of Remuneration Policy

The composition and structure of the remuneration package for Executive Directors in three performance scenarios is set out in the charts below. These show that the proportion delivered through long-term incentives is in line with our policy and changes significantly across the performance scenarios. As such, the package promotes the achievement of long-term performance targets and drives the alignment of Executive Directors and shareholders' interest.

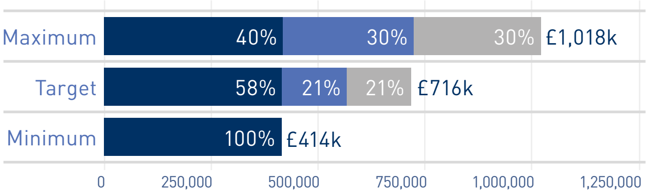
Stephen Stone



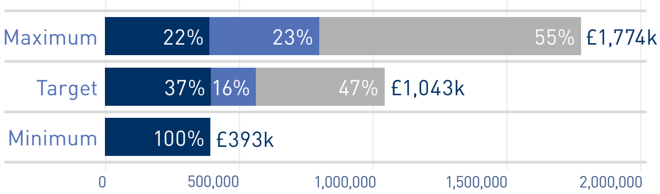
Patrick Bergin



Chris Tinker



Robert Allen



■ Fixed ■ Bonus ■ LTIP

The assumptions made for the scenarios are as follows:
Minimum: Fixed remuneration consisting of current annualised salary, pension (plan contribution or cash supplement) and benefits.
Target: Fixed remuneration as detailed above, plus 50% of salary as target bonus opportunity, and vesting of 50% of the maximum LTIP award.
Maximum: Fixed remuneration together with the maximum annual bonus opportunity, and vesting of 100% of LTIP award.

Share price movement and dividend accrual are excluded. No proration has been applied where the Executive Director has only worked part of the financial year. 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 in the annual report on remuneration.

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. However, it has not consulted with employees in respect of its Directors' Remuneration Policy.

Statement of consideration of shareholder views

The share incentive and bonus schemes were designed with simplicity and shareholder preference in mind, and as we have received no adverse comment from shareholders about our proposed plans/schemes we do not believe it necessary to make any changes to them. We have continued our dialogue with shareholders during the year, including specifically consulting on this policy, and have had no adverse comments from shareholders about our policy or remuneration arrangements. Further information about shareholder views is set out in our section Statement of voting at Annual General Meeting in the annual report on remuneration.

ANNUAL REPORT ON REMUNERATION

Single total figure of remuneration (audited)

The table below sets out 2016 remuneration for Executive and Non-Executive Directors. Notes that assist the understanding of the matters in the following table are set out thereafter.

£000	Base salary[1]	Benefits[2]	Annual bonus[3]	Performance shares and options[5]	Retirement benefits[6]	**Total 2016**	Base salary[1]	Benefits[2]	Annual bonus[3]	Performance shares and options[4]	Retirement benefits[6]	**Total 2015**
Executive												
Stephen Stone	539	35	552	899	132	**2,157**	526	30	539	2,904	129	**4,127**
Patrick Bergin	302	23	309	504	45	**1,182**	294	23	302	1,626	44	**2,289**
Non-Executive												
William Rucker	140					**140**	140					**140**
Jim Pettigrew	60					**60**	60					**60**
Sharon Flood	55					**55**	32					**32**
Pam Alexander	50					**50**	50					**50**

1 **Salary and fees:** The salary figures shown in the table above reflect the actual salary or fees paid in the financial year and may reflect periods at different basic salaries. Where salaries are adjusted for benefits which are provided via salary exchange, such salaries are quoted as the gross figure disregarding the effect of salary exchange.

2 **Benefits:** The figure shown includes car benefit, private medical insurance, group income protection, personal accident, life assurance and an annual health check.

3 **Annual bonus:** Bonus expected to be awarded for year under review, including any amounts due to be deferred.

4 **2013 Long-Term Incentive Plan:** This figure has been restated to reflect the actual value of award and dividend equivalents and share price at the time of vesting.

5 **2014 Long-Term Incentive Plan:** This figure has been estimated based on the average share price of 443.3 pence over the three months from 1st August 2016 to 31st October 2016 as these awards are not exercisable until after the end of the financial year. These estimated figures will be restated for the actual share price on the date they first become exercisable in next year's report.

6 **Pension:** Salary supplement of 24.5% in respect of Stephen Stone; employer pension contribution of 15% via salary exchange in respect of Patrick Bergin.

Pension (audited)

Executive Directors are eligible to participate in the Crest Nicholson Pension Plan, a defined contribution arrangement, and Patrick Bergin is a member of the plan. Stephen Stone does not participate in the plan and receives cash in lieu of pension benefit. While the Group has a closed defined benefit scheme (DB Scheme), no Executive Directors have any prospective benefits under the DB Scheme.

Executive Director	2016 base salary (£000)	%	2016 pension benefits (£000)	2015 pension benefits (£000)
Stephen Stone	541	24.5	132	129
Patrick Bergin	303	15	45	44

PAY FOR PERFORMANCE

Annual bonus targets and outcomes

The 2016 bonus was based on PBT performance against a range of stretching targets. The outcome of the profit assessment was then subject to a customer service condition which could reduce the bonus by up to 15%. The profit targets and outcomes are set out below followed by the customer service measure and how this resulted in the bonus earned for the year. The Committee was satisfied that these payments fairly reflected Group performance in the year.

1. PBT measure (85%)

	Target		Maximum			
Measure	**Required performance**	**Bonus (% of salary)**	**Required performance**	**Bonus (% of salary)**	**Actual performance**	**Bonus achieved (subject to customer service adjuster)**
PBT	£185.5m	50	£195.9m	125	£195.0m	120% of salary

A sliding scale was set for the PBT measure in respect of the year, applying to the CEO and GFD in the same way. No bonus would have been paid for failing to meet target PBT, of £185.5m with a bonus of 50% of salary being payable on meeting the PBT target, with incremental increases of 10% of salary for every £1.3 million in excess of the PBT target. Performance during the year resulted in a potential bonus of 120% of salary (out of a maximum bonus potential of 125% of salary).

2. Customer service measure (15%)

Measure	Required performance	Actual performance	Customer service adjuster	Bonus achieved (after customer service adjustment)
Customer service	90%	86.4%	-15% of PBT bonus achieved	102% of salary

The PBT bonus outcome was then subject to an overall 15% reduction of bonus associated with customer service. The customer service metric selected was an average of at least 90% in the NHBC Customer Satisfaction Score published by NHBC in respect of sales completions during the four quarters from July 2015 to June 2016, with customers being surveyed in the months following those quarters. The threshold required to be a '5-star' builder under the HBF national survey of housebuilders is 90% and the Directors were targeted with achieving that status. This target was not achieved and therefore the PBT bonus outcome was reduced by 15%, resulting in a total bonus payable for 2016 of 102% of salary.

One-third of the annual bonus is deferred into a share award which will become exercisable after three years from the date of grant. A full breakdown of the bonus payments and share award deferral is set out below:

	Total		Paid in cash		Deferred as shares	
Executive Director	**£**	**% of salary**	**£**	**% of bonus**	**£**	**% of bonus**
Stephen Stone	£551,981	102	£369,827	67	£182,154	33
Patrick Bergin	£309,060	102	£207,070	67	£101,990	33

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

The cash element of bonuses paid in respect of the 2016 year are subject to recovery provisions for two years in the event of serious misconduct, material misstatement of accounts, material failure of risk management, material breach of health and safety or environmental regulations, serious reputational damage arising from misconduct, error in calculation, or events that are similar in nature or outcome to those above. Share awards granted under the deferred bonus plan in respect of 2016 are subject to withholding provisions for three years from grant on the same basis. In all cases recovery and withholding provisions are exercisable at the Committee's discretion.

Long-Term Incentive Plan targets and outcomes

The 2013 LTIP award granted on 8th March 2013 was based on performance over three years ended 31st October 2015 and became exercisable from 8th March 2016. The table below sets out details of the performance targets and measures.

Measure	Weighting	Performance period	Threshold 25%	Target 50%	Maximum 100%	Actual performance	% of award achieved
PBT	50%	3 years ending 31/10/15	cumulative growth 10% nominal p.a.	cumulative growth 12% nominal p.a.	cumulative growth 14% nominal p.a.	28.9% p.a.	100
ROCE	50%	3 years ending 31/10/15	18%	19%	20%	25.6%	100

The resulting vesting levels were as follows:

Executive Director	Original number of shares in 2013 LTIP	Overall percentage able to be exercised	Number of shares able to be exercised	Dividend equivalent shares[1]	Actual total values of shares when first exercised[2]
Stephen Stone	535,800	100	535,800	14,167	£2,903,826
Patrick Bergin	300,000	100	300,000	7,932	£1,625,881

[1] Following the Company's decision to delay the exercise process for all employees until after the ex-dividend date as part of ensuring an orderly process of shares coming to market, dividend equivalent shares reflecting the final dividend in respect of the year ended 31st October 2015 were granted using the net dividend of 13.3 pence and the ex-dividend share price of 503.0 pence on 10th March 2016, pro-rata to the respective award. These additional shares have the same grant, exercise and expiry date as the share options to which they relate being 8th March 2013.

[2] This valuation is based on the share price of 528.0 pence on 8th March 2016 when the option first became exercisable.

The 2014 LTIP award granted on 14th February 2014 was based on performance over three years ended 31st October 2016 and will become exercisable from 14th February 2017, subject to the Director still being in employment. The table below sets out details of the performance targets and measures.

Measure	Weighting	Performance period	Threshold 25%	Target 50%	Maximum 100%	Actual performance	% of award achieved
PBT	50%	3 years ended 31/10/16	cumulative growth 18% nominal p.a.	cumulative growth 20% nominal p.a.	cumulative growth 22% nominal p.a.	36.0% p.a.	100
ROCE	50%	3 years ended 31/10/16	20%	21%	22%	27.9%	100

The resulting award levels will be as follows:

Executive Director	Original number of shares in 2014 LTIP	Overall percentage able to be exercised	Number of shares able to be exercised	Estimate of total values of shares able to be exercised[1]
Stephen Stone	202,894	100	202,894	£899,429
Patrick Bergin	113,602	100	113,602	£503,598

[1] The above valuation is based on the average share price of 443.3 pence over the three months from 1st August 2016 to 31st October 2016. These awards will be restated in the 2017 annual report on remuneration using the share price on the day they first become exercisable.

The Committee believes that the level of vesting for both 2013 and 2014 awards reflect the strong performance of the Group which has increased profits and capital efficiency. The Committee continues to consider performance conditions carefully to ensure they are sufficiently challenging but continue to incentivise and reward strong performance.

Scheme interests awarded during the financial year (audited)

Executive Directors were invited to participate in the Long-Term Incentive Plan in 2016. An award of 150% of salary was made to Executive Directors in accordance with our Remuneration Policy.

The following table sets out the 2016 awards granted to Executive Directors under the Company's LTIP.

Executive Director	Award	Type	Number of shares	Face value of award [1]	% of salary	% of award receivable at threshold	Performance condition	Performance period
Stephen Stone	Performance shares	Nil-cost options	148,397	£811,732	150	25	50% PBT growth 50% average ROCE	Three years (1/11/15 – 31/10/18)
Patrick Bergin	Performance shares	Nil-cost options	83,089	£454,497	150	25	50% PBT growth 50% average ROCE	Three years (1/11/15 – 31/10/18)

[1] Face value calculated based on the closing middle market share price of 547.0 pence on 25th February 2016, the day before the grant.

Vesting schedule for 2016 awards

Measure	Threshold 25% vesting of that measure	Target 50% vesting of that measure	Maximum 100% vesting of that measure
PBT 50%: Cumulative annual nominal growth in profit before tax per share over three years	16%	18%	20%
ROCE 50%: Average return on capital employed over three-year period	26%	28%	30%

Directors' shareholdings and share interests (audited)

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

Our Remuneration Policy requires our Executive Directors to build up and maintain a significant shareholding in Crest Nicholson of five times salary in the case of Stephen Stone CEO and two times salary in the case of Patrick Bergin, formerly GFD, now COO both exceed their shareholding requirements.

Robert Allen and Chris Tinker were not Directors during the reporting period and will be included in next year's remuneration report. However, Mr Tinker already meets his requirement to have a significant shareholding of two times salary, and Mr Allen will build up a significant shareholding of two times salary over time.

Directors' shareholdings at the end of the financial year

The table below sets out the number of shares and share awards held by Directors (including their connected persons where relevant) as at 31st October 2016. There have been no changes to Directors' interests between 31st October 2016 and 23rd January 2017.

	Shares held including connected persons at 31st October 2016	Outstanding share awards at 31st October 2016 with performance conditions	Outstanding share awards at 31st October 2016 without performance conditions	Total share interests at 31st October 2016[1]	Shareholding (excluding options) as a percentage of salary and share price of 406.9 pence at 31st October 2016
Stephen Stone	4,166,820	529,374	86,672	4,782,866	3,133%
Patrick Bergin	1,082,700	296,402	51,347	1,430,449	1,454%
William Rucker	3,685,447	-	-	3,685,477	-
Jim Pettigrew	25,000	-	-	25,000	-
Pam Alexander	4,777	-	-	4,777	-
Sharon Flood	11,445	-	-	11,445	-

[1] Comprises total shareholdings of the Director and their connected persons and outstanding share awards.

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

The tables below set out the Executive Directors' outstanding share awards under the LTIP, DBP and SAYE as at 31st October 2016. The DBP and SAYE do not have any performance criteria attached to them. The LTIP do have performance criteria attached to them in accordance with the Remuneration Policy set out on pages 70 to 77. Where an exercise price is nil, a nominal £1 is due to the Company upon each exercise. There were no awards that vested or became capable of first exercise during the year which have not been exercised.

Stephen Stone

Scheme	Outstanding share options/ awards at 31st October 2015	Date of grant	Granted	Exercised	Lapsed	Outstanding share options/ awards at 31st October 2016	Market price on award £	Exercise price £	Market price at exercise/ vesting £	Gain receivable £000	Date exercisable or capable of vesting	Expiry date
LTIP	535,800	8th March 2013	14,176[1]	549,967	-	-	2.80	Nil	5.29	2,910[2]	8th Mar 2016	7th Mar 2023
SAYE	3,643	22nd May 2013	-	3,643	-	-	3.09	2.47	4.285	6.6[3]	1st Aug 2016	31st Jan 2017
LTIP	202,894	14th Feb 2014	-	-	-	202,894	3.81	Nil	-	-	14th Feb 2017	13th Feb 2024
SAYE	3,260	15th July 2014	-	-	-	3,260	3.44	2.76	-	-	1st Aug 2017	31st Jan 2018
LTIP	178,083	27th Feb 2015	-	-	-	178,083	4.45	Nil	-	-	27th Feb 2018	26th Feb 2025
DBP	47,778	27th Feb 2015	-	-	-	47,778	4.45	Nil	-	-	27th Feb 2018	26th Feb 2025
LTIP	-	26th Feb 2016	148,397	-	-	148,397	5.47	Nil	-	-	26th Feb 2019	25th Feb 2026
DBP	-	26th Feb 2016	32,488	-	-	32,488	5.47	Nil	-	-	26th Feb 2019	25th Feb 2026
SAYE	-	1st Aug 2016	3,146	-	-	3,146	3.56	2.86	-	-	1st Sep 2019	29th Feb 2020

1 Following the Company's decision to delay the exercise process for all employees until after the ex-dividend date as part of ensuring an orderly process of shares coming to market, dividend equivalent shares reflecting the final dividend in respect of the year ended 31st October 2015 were granted using the net dividend of 13.3 pence and the ex-dividend share price of 503.0 pence on 10th March 2016, pro-rata to the respective award. These additional shares have the same grant, exercise and expiry date as the share options to which they relate being 8th March 2013.

2 The gain receivable is calculated based on the sale price achieved of 529.2 pence on 16th March 2016, the date they were exercised.

3 The gain receivable is calculated based on the closing middle market share price of 428.5 pence on 10th August 2016, the day of exercise.

Patrick Bergin

Scheme	Outstanding share options/ awards at 31st October 2015	Date of grant	Granted	Exercised	Lapsed	Outstanding share options/ awards at 31st October 2016	Market price on award £	Exercise price £	Market price at exercise/ vesting £	Gain receivable £000	Date exercisable or capable of vesting	Expiry Date
LTIP	300,000	8th March 2013	7,932[1]	307,932	-	-	2.80	Nil	5.29	1,630[2]	8th Mar 2016	7th Mar 2023
SAYE	3,643	22nd May 2013	-	3,643	-	-	3.09	2.47	4.285	6.6[3]	1st Aug 2016	31st Jan 2017
LTIP	113,602	14th Feb 2014	-	-	-	113,602	3.81	Nil	-	-	14th Feb 2017	13th Feb 2024
SAYE	3,260	15th July 2014	-	-	-	3,260	3.44	2.76	-	-	1st Aug 2017	31st Jan 2018
LTIP	99,711	27th Feb 2015	-	-	-	99,711	4.45	Nil	-	-	27th Feb 2018	26th Feb 2025
DBP	26,751	27th Feb 2015	-	-	-	26,751	4.45	Nil	-	-	27th Feb 2018	26th Feb 2025
LTIP	-	26th Feb 2016	83,089	-	-	83,089	5.47	Nil	-	-	26th Feb 2019	25th Feb 2026
DBP	-	26th Feb 2016	18,190	-	-	18,190	5.47	Nil	-	-	26th Feb 2019	25th Feb 2026
SAYE	-	1st Aug 2016	3,146	-	-	3,146	3.56	2.86	-	-	1st Sep 2019	29th Feb 2020

[1] Following the Company's decision to delay the exercise process for all employees until after the ex-dividend date as part of ensuring an orderly process of shares coming to market, dividend equivalent shares reflecting the final dividend in respect of the year ended 31st October 2015 were granted using the net dividend of 13.3 pence and the ex-dividend share price of 503.0 pence on 10th March 2016, pro-rata to the respective award. These additional shares have the same grant, exercise and expiry date as the share options to which they relate being 8th March 2013.

[2] The gain receivable is calculated based on the sale price achieved of 529.2 pence on 16th March 2016, the date they were exercised.

[3] The gain receivable is calculated based on the closing middle market share price of 428.5 pence on 10th August 2016, the day of exercise.

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

There were no payments for loss of office or payments made to past Directors during the year or in the prior year.

External directorships

Subject to Board approval, the Company is happy for its Executive Directors to hold a non-executive position outside of the Group that complements and enhances their current role. Any fees may be retained by the Director. During the year, Stephen Stone was appointed as a Non-Executive Director of the NHBC, for which he will receive and retain an annual fee of £41,000. Taking account of this, the Remuneration Committee did not award Mr Stone any pay increase for 2017.

Directors' service contracts and letters of appointment

Details of Directors' service contracts and letters of appointment are set out below. In accordance with the UK Code, notice periods are set at one year or less:

	Date of current contract	Date elected or re-elected at AGM	Payment in lieu of notice	Pension	Notice (Executive/ Company)
Stephen Stone	12th February 2013	17th March 2016	Salary and benefits	24.5% cash allowance	6 months/12 months
Patrick Bergin	20th January 2017	17th March 2016	Salary	15% pension contribution or cash in lieu	6 months/12 months

Executive Directors also receive life assurance, private health insurance, income protection, a company car benefit of £1,000 per month (£1,200 per month if participating in the low emission element of the Group's car scheme). A fuel allowance of £1,200 per year is received by Mr Stone and Mr Bergin.

For completeness, details of new Directors' service contracts are set out below, despite not applying to the reporting period under review:

	Date of current contract	Date elected or re-elected at AGM	Payment in lieu of notice	Pension	Notice (Executive/ Company)
Robert Allen	3rd January 2017[1]	N/A – to be proposed at next AGM	Salary	15% pension contribution or cash in lieu	6 months/12 months
Chris Tinker	10th January 2017	N/A – to be proposed at next AGM	Salary	24.5% cash allowance	6 months/12 months

[1] Appointment effective 13th February 2017.

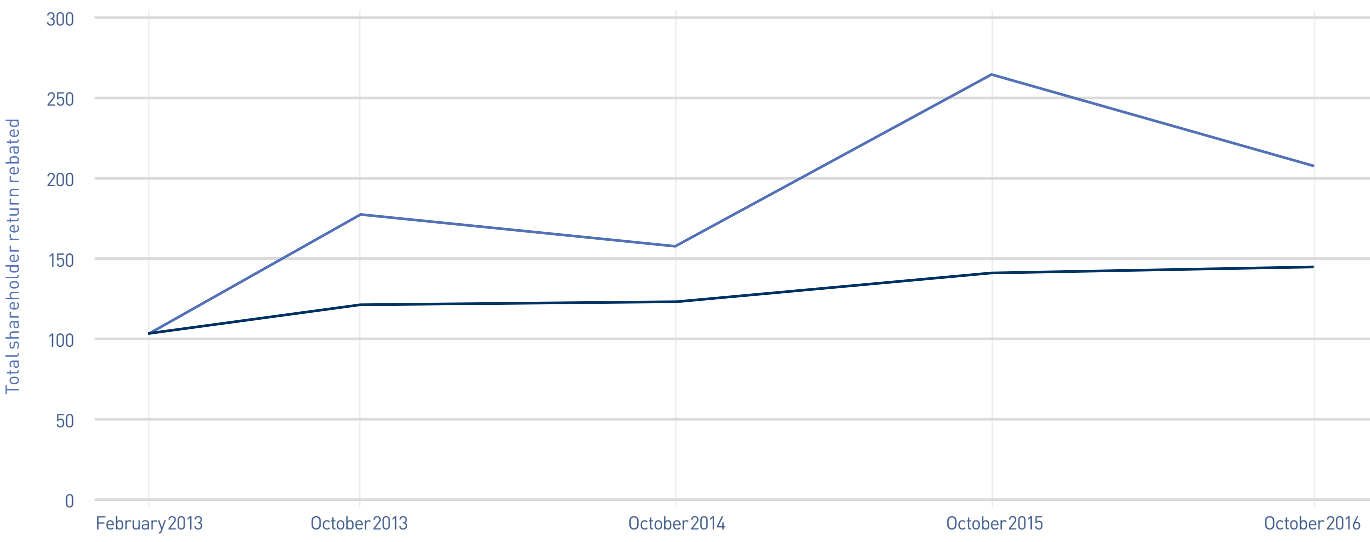
Details of the service contracts and letters of appointment in place as at 31st October 2016 for Directors are as follows:

	First appointment to Board	Date of current letter of appointment	Date elected or re-elected at AGM	Unexpired term of appointment
William Rucker	13th September 2011	12th February 2016	17th March 2016	2 years 4 months
Jim Pettigrew	11th February 2013	11th February 2016	17th March 2016	2 years 4 months
Pam Alexander	5th December 2011	12th February 2016	17th March 2016	2 years 4 months
Sharon Flood	1st April 2015	18th March 2015	17th March 2016	1 year 5 months

Performance graph and table

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

Total shareholder return
Source: Datastream (Thomson Reuters)



This graph shows the value by 31st October 2016, of £100 invested in Crest Nicholson on 12th February 2013 (the date of listing), compared with the value of £100 invested in the FTSE 250 Index (excluding investment trusts) on the same date.

Crest Nicholson FTSE 250 (excl. investment trusts)

Historical CEO remuneration

The table below sets out total CEO remuneration for 2016 and prior years, together with the percentage of maximum annual bonus awarded in that year and the percentage of maximum Long-Term Incentive Plan vested in that year.

£000	2016	2015	2014	2013	2012	2011	2010	2009
CEO total remuneration	2,157	4,127	1,313	14,110[1]	1,043	979	809	528
Annual bonus – % of maximum	82%	82%	100%	100%	80%	76%	0%[2]	0%
Incentive plan award – % of maximum	100%	100%	N/A[3]	100%	100%	N/A	N/A	N/A

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

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

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

Percentage change in CEO remuneration

The table below sets out the percentage change between 2015 and 2016 for salary, benefits and annual bonus for the CEO compared with employees generally. To ensure the comparability of these figures, and to minimise distortions, the employee group used for comparison does not include employees who joined or left employment during the comparison periods or who had been promoted. This seeks to avoid artificially increasing or decreasing the comparison by employee changes and is the methodology applied in past remuneration reports.

While certain benefits reduced in cost during the year, following a change in life assurance provider that resulted in a change in underwriting conditions the overall cost of benefits for Mr Stone increased.

	CEO	Employees
Salary	2.5%	3.2%
Benefits	15.7%	(0.9%)
Annual bonus	2.5%	19.4%

Relative importance of spend on pay

The table below shows how staff remuneration costs compare to distributions made to shareholders in 2016 and 2015. The table holds data for all employees, including those who have been promoted in the year, had salary changes, are new starters, or received incentive-based remuneration, as well as pay in respect of individuals who left in the year but had some service.

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

The measures shown below are those specified by the applicable disclosure requirements. Total spend on pay, including all employees, is as set out in Note 4 to the accounts.

	2016 £m	2015 £m	Change £m	Change %
Total spend on pay	60.3	48.3	12.0	24.8
Distributions to shareholders by way of dividend and share buyback	56.6	41.7	14.9	35.7

STATEMENT OF IMPLEMENTATION OF REMUNERATION POLICY IN THE FOLLOWING FINANCIAL YEAR

In 2017 the Committee intends to implement the Executive and Non-Executive Director remuneration policies as follows:

Base salary

Executive Directors

The Committee has determined the following 2017 base salaries, effective from 1st January 2017. As part of the arrangements in connection with Stephen Stone's appointment to the NHBC, it was agreed that no increase would be applied to Stephen Stone's base salary due to his retention of the remuneration associated with this appointment.

On 15th November 2016 the Company announced that Patrick Bergin, Group Finance Director, was promoted to Chief Operating Officer as part of our ongoing focus on succession planning; at the same time we confirmed that we would be recruiting a new Group Finance Director.

As such, the Committee set the remuneration for Mr Bergin's new operational role. Having taken advice and considered market data for this type of role, the Committee has set Mr Bergin's salary at £375,000. This reflects the clear change in type of role, promotion and the increased level of responsibility including in land acquisition appraisal, Group strategy and day-to-day operations. The Committee has considered this change carefully and considers that the salary properly represents the scale of the new role. Those shareholders who met with us as part of our Corporate Governance engagement programme were supportive of the change given the context.

Following an extensive search process, on 10th January 2017, the Company announced that Robert Allen would be joining the Board as GFD from 13th February 2017. Robert's salary has been set at £325,000 per annum, having taken into account salary levels for the role generally, and the competitive market for new Directors.

On the same date, the Company also announced that Chris Tinker (previously a member of the Executive Management Team) would be joining the Board as Chairman of Major Projects and Strategic Partnerships. No changes have been made to Chris' remuneration as a result of the change of role, and his base salary will be £302,148. Mr Tinker received a 3% increase on 1st January 2017 prior to joining the Board, in line with the wider workforce.

	1st January 2017 salary	1st January 2016 salary	Change
Stephen Stone	£541,158	£541,158	0%
Patrick Bergin	£375,000	£303,000	23.8%
Chris Tinker	£302,148	£293,348[1]	3%
Robert Allen	£325,000	N/A	N/A

[1] Mr Tinker was not a Director of the Company during 2016 but the figure has been included for comparison.

Non-Executive Directors

Non-Executive Director fees for 2017 will be as follows:

	2017 fee	2016 fee	Change
William Rucker	£140,000	£140,000	0%
Jim Pettigrew	£51,500 + £13,500 in respect of role as Senior Independent Director	£50,000 + £10,000 in respect of role as Senior Independent Director	8.3%
Pam Alexander	£51,500	£50,000	3%
Sharon Flood	£51,500 + £8,500 in respect of role as Chair of Audit and Risk Committee	£50,000 + £5,000 in respect of role as Chair of Audit and Risk Committee	9.1%

The fees for Non-Executive Directors have not been changed for a number of years. After carrying out a review process including consideration of market data, it was judged that the base fee (other than for the Chairman) should be increased by 3%. At the same time, it was clear that the additional fees for both Senior Independent Director and Chair of Audit and Risk Committee were less than market rate and these were adjusted accordingly. While these changes are greater than the 3% given to the wider workforce, increases are not awarded annually to Non-Executive Directors and the Executive Directors consider that an adjustment should be made for 2017 to reflect the level of time commitment and ensure the Non-Executive Director fees do not fall substantially behind the market. No changes have been made to the Chairman's remuneration.

Levels of remuneration for Non-Executive Directors reflect the time commitment and responsibilities of the role. Remuneration does not include share options or other performance-related elements. Where Non-Executive Directors are appointed during the year, the level of fees will be set in line with our current framework. We may also introduce additional fees for the role of Committee Chair if deemed appropriate.

Pension and benefits

Following the changes made by the Government last year to the rules and allowances around pension saving, the Company introduced a facility for senior employees, including the Executive Directors, to limit their pension contributions and receive payment as a cash supplement (for all or part of pension) instead. This is in addition to the process already in place whereby those who have HMRC Fixed Protection (or equivalent cash) receive cash in lieu of pension contribution.

Although Directors may vary their election from time to time, we expect pension benefit in 2017 to take the following form:

Director	Benefit as percentage of salary	Form of benefit
Stephen Stone	24.5%	Cash in lieu
Patrick Bergin	15%	Pension contribution
Robert Allen	15%	Cash in lieu
Chris Tinker	24.5%[1]	Cash in lieu

[1] Chris Tinker's pension benefit has not changed as a result of his appointment to the Board; this reflects the legacy arrangement already in place.

Other benefits are expected to remain unchanged.

Under the proposed Remuneration Policy, we have confirmed that pension benefit will be 15% for any new Executive Directors other than if internally promoted, where any legacy arrangements in excess of 15% may be honoured.

Annual bonus

The annual bonus scheme for 2017 will be in line with our Remuneration Policy. A 125% of salary bonus opportunity will apply to Stephen Stone, Patrick Bergin and Robert Allen with 100% of salary bonus opportunity for Chris Tinker. Bonuses will be subject to PBT and customer service performance measures. While the underlying measures are the same as in 2016, the customer service performance measures have been split into two components to recognise the balance between product quality and customer service; this will result in a graduated penalty of up to 15% depending on performance.

The specific targets for the 2017 year are considered to be commercially sensitive. However, the Committee intends to disclose these retrospectively in next year's Remuneration Report to the extent that they do not remain commercially sensitive.

One-third of annual bonus will be deferred and made as conditional share awards or nil-cost options under the deferred bonus plan, which will vest or first become exercisable three years from the date of grant. The (un-deferred) cash element of bonuses paid in respect of 2017 will be subject to recovery provisions for two years in the event of serious misconduct, material misstatement of accounts, material failure of risk management, material breach of health and safety or environmental regulations, serious reputational damage arising from misconduct, error in calculation, or events that are similar in nature or outcome to those above. Awards under the deferred bonus plan in respect of 2017 will be subject to withholding provisions for three years from grant on the same basis. In all cases, recovery provisions are exercisable at the Committee's discretion.

Long-Term Incentive Plan

Our LTIP continues to be a substantive method of remuneration that underpins the long-term success of the Company. The Committee intends to make awards under the LTIP to Executive Directors in 2017, in line with our current Remuneration Policy. However, such awards are also compliant with our new Remuneration Policy set out on pages 70 to 77, due to be considered by shareholders at our forthcoming AGM.

It is intended that the CEO and COO will be granted awards with a face value of 150% of salary and Chris Tinker will receive an award of 100% of salary.

As part of the terms of his recruitment, Mr Allen will be awarded an initial LTIP of 300% of salary. The award is in line with the current and proposed Remuneration Policy and was necessary to recruit Robert in a challenging recruitment market for top talent. The Committee also considered the need for him to be fully invested in the prospects of the Group from the outset and the importance of aligning him with shareholders' long-term interests. The Committee believes that the initial higher award is appropriate and is in the best interests of the Company. There were no other buy-out or other awards made to Mr Allen and any future ongoing awards will not exceed 150% of salary.

The performance measures for these awards are unchanged from those granted in 2016 and are based equally on growth in PBT per share and ROCE as independent measures. The table below summarises the rationale for these measures.

2017 measure	Rationale
Growth in PBT per share	The use of this metric underpins the Company's aim to increase profitability
Return on capital employed	The use of this metric underpins the Company's aim to work efficiently and to maximise returns for shareholders

The 2017 vesting schedule is set out below with straight line vesting between these points:

Measure	Threshold 25% vesting of that measure	Target 50% vesting of that measure	Maximum 100% vesting of that measure
PBT (50%): Cumulative annual nominal growth in profit before tax per share over three years	5%	6%	8%
ROCE (50%): Average return on capital employed over three-year period	25%	27%	29%

The performance metrics have received significant consideration by the Committee and have been set in accordance with our internal plans and forecasts, and take account of consensus expectations in the market. With regard to the PBT element, following a period of very strong growth up to the end of 2016, we anticipate a temporary slowdown in profit growth during the next three-year performance period as we invest in the business towards medium-term targets of £1.4bn sales and 4,000 units in 2019. This has been reflected in our PBT per share targets for the 2017 LTIP award, which have been set at a lower level than for previous awards, but still remain appropriately stretching. The threshold of 5% p.a. is in line with the typical threshold growth targets at FTSE 250 companies, while the target of 6% p.a. is in line with our internal long-term plan. The difference between target and maximum levels of performance is the same as in prior years.

With regard to the ROCE element, targets are broadly comparable to prior years and the slight reduction reflects the timing of land and other investment over the period.

The Committee has carefully considered the measures, the performance levels and other conditions, such as withholding and recovery provisions. It has sought to establish challenging but achievable targets to maximise the return for shareholders, having taken into account feedback received and the requirements of the 2014 Corporate Governance Code. LTIP awards are subject to withholding (downward adjustment) at the Committee's discretion in the event of a material misstatement of accounts, material failure of risk management, material breach of health and safety or environmental regulations, serious reputational damage arising from award holders' misconduct, serious misconduct, error in calculation or events that are similar in nature or outcome to those above. Recovery may also apply if such an event occurs within two years of an award vesting or in the case of an option, when it first becomes exercisable.

Remuneration Committee

The Remuneration Committee comprises three independent Non-Executive Directors. Members and attendance in the year are set out in the table below:

Committee member	Position	Eligible meetings	Meetings attended
Jim Pettigrew	Chairman	5	5
Pam Alexander	Member	5	5
Sharon Flood	Member	5	5

In 2016 the meetings of the Committee covered the following key areas:

> benchmarking of senior management remuneration

> consideration and approval of the 2016 LTIP and 2016 Sharesave scheme

> determination of the 2013 LTIP performance and vesting

> determination of the 2016 LTIP grant level and targets

> determination of 2016 deferred bonus plan awards

> determination of 2016 annual salary increases for the Group

> consideration of structures and measures for the 2017 annual bonus, including recovery and withholding across variable pay components

> consideration of shareholder feedback following the 2016 AGM

> engagement with shareholders on remuneration matters

> initial consideration of remuneration for a new Group Finance Director.

Some aspects of remuneration disclosed in this report in relation to recent appointments and role changes were discussed and agreed after 31st October 2016, and will be described in more detail in the next remuneration report.

In designing schemes of performance-related remuneration for Executive Directors, the Remuneration Committee will follow the provisions in Schedule A of the UK Corporate Governance Code.

Advisors

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

External advice was received in the year from New Bridge Street (total fees £50,904). The Committee appointed New Bridge Street (an AON Hewitt Company) following a competitive selection process in 2014. New Bridge Street is a member of the Remuneration Consultants Group, which operates a code of conduct in the UK.

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

The Group also uses another division of AON, AON Risk Solutions, in connection with the placement of surety bonds and guarantees. The Group does not pay AON Risk Solutions directly, as they are remunerated by relevant insurers. In addition, the Group uses a division of AON Hewitt for elements of pension scheme advice; during the year the Group paid fees of £5,970 in respect of such advice. The Committee believes that this in no way affects New Bridge Street's independence.

Statement of voting at Annual General Meeting

The table below sets out the votes received for the 2015 Directors' remuneration report at the 2016 AGM.

	Shares voted in favour	In favour %	Shares voted against	Against %	Votes withheld
Directors' remuneration report	190,371,684	99.27	1,406,447	0.73	3,470,196

The strong vote in favour of our Remuneration Policy (95%) at the 2014 AGM reflected the investor view that our remuneration framework for Executive Directors was appropriate for our business and our strategic ambitions. This was also supported by ongoing dialogue with major shareholders and the Committee was further encouraged by votes in favour of our 2015 remuneration report (that detailed our application of the policy in FY15) at 99%. We continue to believe that the Remuneration Policy is appropriate and therefore no significant changes have been made to it ahead of it being put to the shareholders at the 2017 AGM. We specifically consulted with major shareholders on our proposed Remuneration Policy (as well as corporate governance matters more generally) and did not receive any adverse comments.

The Committee has continued to consider comments received in prior years concerning LTIP awards and targets in formulating 2017 metrics.

During the year the Group engaged with some of its largest institutional shareholders concerning governance issues, including remuneration. The Chairman of the Group and/or Chairman of the Remuneration Committee met with shareholders and the feedback received was positive.

Approval

This report and policy was approved by the Board of Directors on 24th January 2017 and signed on its behalf by

Jim Pettigrew
Chairman of the Remuneration Committee

RELATIONS WITH SHAREHOLDERS AND STAKEHOLDERS

The Group provides relevant materials to investors via its website and mobile app, and meets regularly with significant shareholders. The meetings are mainly undertaken by the Chief Executive and Group Finance Director throughout the year, often after full-year or interim results, and the resulting investor feedback is reviewed and discussed by the Board. In line with our approach last year, significant investors have been offered an opportunity to meet with the Chairman and/or Senior Independent Director to discuss governance matters. Shareholder feedback is taken into account when formulating policies, including remuneration and the setting of appropriate performance thresholds.

During the year a formal investor review was undertaken by RLM Finsbury to obtain the views of our major shareholders and their perception of the business. The survey results presented the views of our major investors that in total hold 46% of the Company's ordinary stock.

OTHER STAKEHOLDERS

Donations

Employees have continued to support the Group's nominated charity, Variety, the Children's Charity. They raised £160,069 (2015: £183,287) to support this cause during the year. No political donations were made during the year or in the prior year.

Employment policy

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

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

Where employees have or develop particular long-term health issues or disabilities, the Group works with those employees to ensure their role, skills and development opportunities remain suitable and appropriate for their circumstances so that they can continue and progress in their employment with the Group.

The Group provides employees with relevant business updates and other information, and consults with employees to understand their views. We also encourage employees' involvement in the Company's performance through share schemes or other means and promote common awareness of the financial and economic factors affecting performance.

The Group interacts with its employees through the appropriate levels of management and seeks employees' opinions about the Group's operations and behaviour through internal feedback and staff surveys.

The 2015 staff survey showed overwhelmingly that our employees are proud to work for Crest Nicholson. In addition, the Group operates an all-employee Sharesave scheme and, as a whole, 65.2% of our employees currently participate in one or more years of the scheme.

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

For further information see Building skills and leadership in the Strategic report on pages 28 to 31

COMPLIANCE AND OTHER DISCLOSURES

DIRECTORS' REPORT

The Directors' report for the year ended 31st October 2016 comprises pages 49 to 93 together with other sections of the report as referenced below:

> A full description of the activities of the Group, including performance, important events affecting the Group in the year, indicative information in respect of the likely future developments in the Group's business, and matters relating to research and development, can be found in the Strategic report on pages 03 to 47.

> The Group's exposure to credit risk, liquidity risk, market risk and interest rate risk is commented on in Note 20 to the consolidated financial statements.

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

Articles of Association

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

Powers of Directors

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

Share capital

At 31st October 2016 the Company had issued share capital of 254,363,573 ordinary shares of £0.05. During the period 2,702,373 ordinary shares in the Company were issued as follows:

> 118,521 shares under the terms of the Company's deferred bonus plan

> 2,026,515 shares under the terms of the Company's Long-Term Incentive Plan (LTIP)

> 557,337 shares under the terms of the Company's save as you earn (SAYE) scheme at prices between 247 pence and 276 pence.

Rights attaching to shares and restrictions on transfer

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

> any share may be issued with such rights or restrictions as the Company may by ordinary resolution determine or, subject to and in default of such determination, as the Board shall determine

> in any general meeting, on a show of hands, every member who is present in person shall have one vote, and on a poll every member present in person or by proxy shall have one vote for every share of which they are the holder

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

Power to issue or buy back own shares

At the AGM held in March 2016 the Company's shareholders delegated the following powers in relation to the issue or market purchase by the Company of its shares:

> authority to allot shares in the Company up to an aggregate nominal amount of £4,194,372, and this standard authority will expire on 30th April 2017 or at the conclusion of the next AGM, whichever is earlier

> authority to make market purchases of its own shares up to a maximum aggregate number of 25,166,233, and this standard authority will expire on 30th April 2017 or at the conclusion of the next AGM, whichever is earlier.

The Directors will seek to renew the authorities at the AGM to be held on 23rd March 2017. At 31st October 2016 the Group's Employee Benefit Trust (EBT) held 139,813 ordinary shares in the Company for the purposes of satisfying awards under the Company's share and incentive plans. The EBT has waived rights to a dividend now and in the future.

At 13th January 2017 the following percentage interests in the ordinary share capital of the Company, disclosable under the Disclosure Guidance and Transparency Rules (DTR 5), were notified to the Directors.

% of issued share capital	
Ameriprise Financial, Inc.	10.91%
Standard Life Investments (Holdings) Limited	9.92%
BlackRock, Inc.	5.07%
Legal & General Group Plc	3.96%

Profits and dividends

The Group's consolidated profit after taxation for the financial year ended 31st October 2016 was £156.8m (2015: £124.1m). The Directors propose to pay a dividend of 18.5 pence for the year ended 31st October 2016, which, together with the interim dividend of 9.1 pence per share paid in October 2016, brings the total dividends for the year to 27.6 pence (2015: 19.7 pence).

Election and re-election of Directors

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

All current Directors will submit themselves for re-election at the AGM to be held on 23rd March 2017. The Board confirms that, following the evaluations of individual Director performance and Board performance as a whole, the Board has the appropriate balance of skills, experience, independence and knowledge, and the Company should support the re-election of the Directors.

Directors' indemnities

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

Policies and procedures

Policies and procedures, including operating and financial controls, are detailed in policies and procedures manuals. There are strict approval processes in relation to the acquisition of land and the commencement of development projects, and all sites go through a rigorous approval and assessment process at Group level. The Group operates a range of compliance, ethical and equal treatment policies. The Group also operates a whistleblowing policy where Directors, management and staff can report in confidence any concerns they may have of malpractice, financial irregularity, breaches of any Group procedures, or other matters. The policy details the appropriate lines of communication and includes access to an external provider. The arrangements in place are reviewed by the Audit and Risk Committee. The Group operates and maintains a number of policies and procedures to prevent bribery and corruption, including an anti-bribery and corruption policy, a gifts and entertainment policy and guidance around bribery risk areas. The Group also undertakes appropriate training in relation to these policies.

Central functions

Strong central functions support the Board, Executive Management Team and divisional businesses. These functions include, among others, Legal and Company Secretarial, Group Finance, Human Resources, Health and Safety, Sustainability, IT and Marketing. Each central function contributes in its area to ensure compliance, oversight, support and education with the relevant legal and regulatory requirements. In addition, the principal treasury-related risks, decisions and control processes are managed by the Group Finance function.

Significant 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 Group has in place a number of agreements with its lending banks, joint venture partners, government authorities (such as the HCA) and customers, which contain certain termination rights that would have an effect on a change of control. The Directors believe these agreements to be commercially sensitive and consider that their disclosure would be seriously prejudicial to the Group; accordingly, they do not intend to disclose specific details of these. In addition, all the Group's share schemes contain provisions that, in the event of a change of control, would result in outstanding options and awards becoming exercisable, subject to the rules of the relevant schemes. There are no agreements between the Group 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	2016 1st November 2015 to 31st October 2016 market-based	2016 1st November 2015 to 31st October 2016 location-based	2015 1st November 2014 to 31st October 2015	2014 1st November 2013 to 31st October 2014
Scope 1 emissions (tCO_2e)	4,374	4,374	5,027	4,479
Scope 2 emissions (tCO_2e)	1,676	2,223	2,134	1,983
Scope 1 and 2 combined emissions intensity[1] (tCO_2e/1,000 sq ft)	2.24	2.44	2.68	3.02

[1] Normalised by 2,700,911 sq ft – which comprises the sum of both full and, in proportion, partial build complete delivery during the financial year 2016 (1st November 2015 to 31st October 2016). In 2015 we delivered 2,667,403 sq ft.

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

Methodology

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

In accordance with the Greenhouse Gas Protocol's Corporate Standard, we have reported both location and market-based Scope 2 emissions. Location-based emissions are calculated using the UK Government's GHG Conversion Factors for Company Reporting. Market-based emissions are calculated using tariff-specific factors from our energy suppliers, which may be more or less carbon intensive than the location-based factor.

In 2016, we received consumption data for 80% of our homes completed and have extrapolated to cover all homes completed in the 2016 financial year. Site consumption data was audited against utility bills.

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 we delivered ourselves.

We have used the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (revised edition) and emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2016.

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 2015 to 31st October 2016, Verco has determined that there is no evidence that the GHG assertion is not materially correct. Furthermore, Verco finds no evidence that Crest Nicholson's assertion is not a fair and accurate representation of Crest Nicholson's actual emissions.

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

Disclosure of information to the auditor

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

Appointment of auditor

PricewaterhouseCoopers LLP was re-appointed at the 2016 Annual General Meeting and is willing to seek re-appointment this year. Resolutions to re-appoint PricewaterhouseCoopers LLP will be proposed at the 2017 AGM.

Save for the appointment of Robert Allen (effective 13th February 2017) and Chris Tinker (effective 10th January 2017) and the move by Patrick Bergin to Chief Operating Officer there have been no important events affecting the entity since the year end.

Approval

The Directors' report was approved by the Board of Directors on 24th January 2017 and signed on its behalf.

Kevin Maguire
Group Company Secretary

FINANCIAL STATEMENTS

Pictured: Snowfields Yard, SE1

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

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and the parent Company financial statements in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework', in accordance with the Companies Act 2006. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

> select suitable accounting policies and then apply them consistently

> make judgements and accounting estimates that are reasonable and prudent

> state whether IFRSs as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and parent Company financial statements respectively

> prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

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

Each of the Directors, whose names and functions are listed on page 52, confirm that, to the best of their knowledge:

> the Group financial statements, which have been prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and

> the Strategic report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

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

On behalf of the Board

Patrick Bergin
Director
24th January 2017

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

Report on the financial statements

Our opinion

In our opinion:

> Crest Nicholson Holdings plc's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 31st October 2016 and of the Group's profit and cash flows for the year then ended;

> the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;

> the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

> the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

What we have audited

The financial statements, included within the Annual integrated report (the "Annual Report"), comprise:

> the Consolidated statement of financial position as at 31st October 2016;

> the Company statement of financial position as at 31st October 2016;

> the Consolidated income statement and the Consolidated statement of comprehensive income for the year then ended;

> the Consolidated cash flow statement for the year then ended;

> the Consolidated statement of changes in equity for the year then ended;

> the Company statement of changes in equity for the year then ended; and

> the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

The financial reporting framework that has been applied in the preparation of the Group financial statements is IFRSs as adopted by the European Union, and applicable law. The financial reporting framework that has been applied in the preparation of the Company financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice), and applicable law.

Our audit approach

Context

Crest Nicholson Holdings plc is a British housebuilder listed on the London Stock Exchange. The Group is wholly UK based with a focus on the South of England and the audit of all operations was performed by the UK Group audit team. The Group is particularly susceptible to external macro-economic factors, such as the outcome of the EU Referendum and mortgage availability, and changes in the wider housing development sector including customer demand, supply chain availability, build cost inflation and government initiatives. This was particularly relevant for our work in the areas of margin forecasting and the valuation of inventory.

Overview

> Overall Group materiality: £9.8 million which represents 5% of profit before tax.

> We conducted an audit of the complete financial information of three of the five geographical housebuilding operating Divisions and the Major Projects Division. Specific balances and financial line items were audited at the remaining reporting units based on their nature and size.

> The reporting units where we performed an audit of complete financial information accounted for 71% of Group profit before tax 'PBT' and 78% of revenue.

> Margin forecasting and recognition.

> Valuation of inventory at the lower of cost and NRV.

> Valuation of 'other financial assets'.

The scope of our audit and our areas of focus

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

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

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

Area of focus	How our audit addressed the area of focus
Margin forecasting and recognition	
Refer to Note 1 (Accounting policies) and page 62 (Significant issues) The Group's margin recognition framework is based on the margin forecast for each development. These margins, which drive the recognition of costs as each unit is sold, reflect estimated selling prices and costs for each development. This process is effectively a method of allocating the total forecast costs, representing both land and build costs of a development, over each individual unit. There is a risk that the margin forecast for the site and the margin subsequently recognised on each unit sale is not appropriate and reflective of the actual final profit that will be recognised on a development. We consider the appropriate margin recognition across the life of the site to be the most significant financial reporting risk for the Group principally due to the high level of Management judgement involved in the accounting for the Group's developments given that sales prices and build costs are inherently uncertain and are influenced by changes in external market factors, such as the availability of mortgages and build cost inflation.	We evaluated and tested Management's forecasting and monitoring controls for the developments, noting that Management's forecasts are prepared, monitored and updated in accordance with the stated controls. We assessed the appropriateness of certain underlying assumptions within the forecasts, including sales prices, land costs and build costs and assessed Management's historic forecasting accuracy. We did not identify any developments where we considered the underlying assumptions in the forecast to be inappropriate. We checked, by recalculating the margins, that the system correctly calculates the margin following each cost or sales price amendment made by Management, noting no exceptions. We checked the consistent application of the margin recognition framework through analysing the margins recognised on key sites compared to the development forecast margin. We obtained evidence for adjustments made to margins through cost of sales. We did not identify any significant divergences from the Group's margin recognition framework.

Area of focus	How our audit addressed the area of focus
Valuation of inventory at the lower of cost and NRV	
Refer to Note 1 (Accounting policies) and page 62 (Significant issues) Inventory is the most significant balance on the Consolidated statement of financial position and is held at the lower of cost and NRV. The NRV of each development is forecast and monitored as described in the area of focus above and is therefore subject to the same key assumptions. Due to the influence of the same external factors and the cyclical nature of the housing industry, with periodic downturns in customer demand, there is a risk that the calculation of the developments' NRV, being the margin the development is forecast to make over its lifecycle based upon forecast sales prices and build costs, may be subject to estimation error leading to inventory being held at the incorrect value and an unrecorded impairment charge.	We obtained a detailed understanding of Management's process for preparing a forecast for each development, consistent with the risk associated with the margin forecasting and recognition process. The site forecast, which is used to recognise margin in the Consolidated income statement, also gives the NRV of the site. Consistent with the risk associated with the margin forecasting and recognition, we tested Management's controls over the approval of the initial forecasts and the monitoring of updates required to the forecasts over the course of the development's life, noting no instances where controls were not operating as stated. We tested the appropriateness of the inputs into the development forecasts, for example by comparing sales prices and costs to comparable sites, noting no inappropriate underlying inputs. We assessed the historical accuracy of Management's forecasting by analysing the changes to margins over the course of the development's life and adjustments made to margins through cost of sales. We understood the composition of the inventory balance, specifically the level and ageing of completed but unreserved units, to understand if completed stock is held at the appropriate value. We understood Management's plans for selling these units and the level of any post year end sales to determine if there were any valuation issues. We evaluated the margins on all major sites and for sites where we identified potential NRV issues, for example due to specific issues or underperformance, we discussed the valuation with Management and corroborated it to other audit evidence. Based upon the procedures performed we did not identify any sites where we determined that material impairments were required in the year.
Valuation of 'other financial assets'	
Refer to Note 1 (Accounting policies), Note 12 (Other financial assets) and page 63 (Significant issues) 'Other financial assets' are held at fair value and comprise both short-term and long-term receivables from two shared equity schemes. The valuation of these assets is not wholly based on observable market data and is highly subjective due to Management judgement and estimates including expected house price movements, credit risk of borrowers, discount rates (which incorporate purchaser default rates), recoverability and expected timing of receipt. Significant changes in the assumptions used can have a material impact on the value of these assets.	We checked the year on year consistency of the mechanics of the calculation to confirm the correct application of the underlying assumptions and accuracy of the calculation, noting no material exceptions. We tested movements in the underlying loans during the year, such as redemptions. Through discussion with Management and review of the calculation we understood the key assumptions included within the calculation including expected house price movements, credit risk of borrowers, discount rates, recoverability and expected timing of receipt. We corroborated and challenged these assumptions, with the assistance of our expert valuations team, by comparing those selected by Management to historic trends, comparable discount rates used by similar companies, and our own independent research on house prices and redemption rates. In addition to re-performing Management's sensitivities we performed our own sensitivities based upon our own independent research to ascertain the extent to which reasonable adverse changes would, either individually or in aggregate, materially change the valuation of the assets. Our sensitivities noted no reasonable likely scenario that would result in a material change to the valuation.

How we tailored the audit scope

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

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

The Group financial statements are ultimately a consolidation of 15 reporting units representing the Group's operating businesses within these geographic-based Divisions and the centralised functions. The reporting units vary in size and we identified four reporting units, being three of the five core geographically based housebuilding operating Divisions and the Major Projects Division, which required an audit of their complete financial information due to their individual size.

These four reporting units were all audited by the Group engagement team and where applicable, included the audit of the joint arrangements. The reporting units where we performed an audit of the complete financial information accounted for 71% of the Group's profit before tax and 78% of the Group's revenue. Audits of specific financial statement line items were performed on certain balances in a further five reporting units, to provide additional coverage over certain financial statement line items, including the Strategic Projects Division (as this is where the strategic sites, including options, are held), the other two geographic-based Divisions, the Group's overhead company and the Group's financing company (specifically external financing, which is held by this entity).

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

Materiality

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

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

Overall Group materiality	£9.8 million (2015: £7.7 million).
How we determined it	5% of profit before tax.
Rationale for benchmark applied	We believe that profit before tax is the primary measure used by the shareholders in assessing the performance of the Group, and is a generally accepted auditing benchmark.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.5 million (2015: £0.4 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the Directors' statement, set out on page 95, in relation to going concern. We have nothing to report having performed our review.

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

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

Other required reporting

Consistency of other information

Companies Act 2006 opinion

In our opinion, the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:	
> information in the Annual Report is: – materially inconsistent with the information in the audited financial statements; or – apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group and Company acquired in the course of performing our audit; or – otherwise misleading.	**We have no exceptions to report.**
> the statement given by the Directors on page 95, in accordance with provision C.1.1 of the UK Corporate Governance Code (the "Code"), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company acquired in the course of performing our audit.	**We have no exceptions to report.**
> the section of the Annual Report on pages 61 to 65, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.	**We have no exceptions to report.**

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

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:	
> the Directors' confirmation on page 64 of the Annual Report, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.	**We have nothing material to add or to draw attention to.**
> the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.	**We have nothing material to add or to draw attention to.**
> the Directors' explanation on page 43 of the Annual Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	**We have nothing material to add or to draw attention to.**

Under the Listing Rules we are required to review the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and the Directors' statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.

Adequacy of accounting records and information and explanations received

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

> we have not received all the information and explanations we require for our audit; or

> adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or

> the Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Directors' remuneration report – Companies Act 2006 opinion

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

Other Companies Act 2006 reporting

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

Corporate governance statement

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' responsibilities set out on page 95, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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

What an audit of financial statements involves

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

> whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed;

> the reasonableness of significant accounting estimates made by the Directors; and

> the overall presentation of the financial statements.

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

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

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

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

24th January 2017

CONSOLIDATED INCOME STATEMENT

For the year ended 31st October 2016	Note	2016 £m	2015 £m
REVENUE		**997.0**	**804.8**
Cost of sales		(731.2)	(583.5)
GROSS PROFIT		**265.8**	**221.3**
Administrative expenses		(62.0)	(58.0)
OPERATING PROFIT	**3**	**203.8**	**163.3**
Finance income	5	5.8	5.0
Finance expense	5	(13.9)	(14.5)
Net finance expense		(8.1)	(9.5)
Share of post-tax results of joint ventures using the equity method	11	(0.7)	0.2
PROFIT BEFORE TAX		**195.0**	**154.0**
Income tax expense	6	(38.2)	(29.9)
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY SHAREHOLDERS		**156.8**	**124.1**
Earnings per ordinary share			
Basic	8	62.0p	49.3p
Diluted	8	60.9p	48.4p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st October 2016	Note	2016 £m	2015 £m
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY SHAREHOLDERS		**156.8**	**124.1**
Other comprehensive (expense)/income:			
Items that will never be recycled to the consolidated income statement:			
Actuarial (losses)/gains of defined benefit schemes	21	(17.6)	8.5
Change in deferred tax on actuarial losses/(gains) of defined benefit schemes	13	1.7	(3.3)
OTHER COMPREHENSIVE (EXPENSE)/INCOME FOR THE YEAR NET OF INCOME TAX		**(15.9)**	**5.2**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO EQUITY SHAREHOLDERS		**140.9**	**129.3**

The notes on pages106 to 142 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st October 2016	Note	Share capital £m	Share premium account £m	Retained earnings £m	Total equity £m
BALANCE AT 1ST NOVEMBER 2014		**12.6**	**71.6**	**452.3**	**536.5**
Profit for the year attributable to equity shareholders		-	-	124.1	124.1
Actuarial gains of defined benefit schemes		-	-	8.5	8.5
Change in deferred tax on actuarial gains of defined benefit schemes		-	-	(3.3)	(3.3)
Total comprehensive income for the year		-	-	129.3	129.3
Transactions with shareholders:					
Equity-settled share-based payments	21	-	-	5.0	5.0
Deferred tax on equity-settled share-based payments	13	-	-	1.6	1.6
Dividends paid	7	-	-	(41.7)	(41.7)
BALANCE AT 31ST OCTOBER 2015		**12.6**	**71.6**	**546.5**	**630.7**
Profit for the year attributable to equity shareholders		-	-	156.8	156.8
Actuarial losses of defined benefit schemes		-	-	(17.6)	(17.6)
Change in deferred tax on actuarial losses of defined benefit schemes		-	-	1.7	1.7
Total comprehensive income for the year		-	-	140.9	140.9
Transactions with shareholders:					
Equity-settled share-based payments	21	-	-	4.4	4.4
Deferred tax on equity-settled share-based payments	13	-	-	(1.6)	(1.6)
Share capital issued	19	0.1	1.4	(0.1)	1.4
Dividends paid	7	-	-	(56.6)	(56.6)
BALANCE AT 31ST OCTOBER 2016		**12.7**	**73.0**	**633.5**	**719.2**

The notes on pages 106 to 142 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st October 2016	Note	2016 £m	2015 £m
ASSETS			
Non-current assets			
Intangible assets	9	29.0	29.0
Property, plant and equipment	10	3.2	2.6
Investments	11	0.7	0.5
Other financial assets	12	16.3	23.0
Deferred tax assets	13	15.2	20.9
Trade and other receivables	15	54.3	34.3
		118.7	**110.3**
Current assets			
Inventories	14	935.8	904.5
Other financial assets	12	2.2	1.2
Trade and other receivables	15	74.4	49.0
Cash and cash equivalents	24	282.3	187.4
		1,294.7	**1,142.1**
TOTAL ASSETS		**1,413.4**	**1,252.4**
LIABILITIES			
Non-current liabilities			
Interest-bearing loans and borrowings	16	(203.4)	(210.6)
Trade and other payables	17	(111.3)	(105.6)
Retirement benefit obligations	21	(16.7)	(7.5)
Provisions	18	(3.6)	(4.1)
		(335.0)	**(327.8)**
Current liabilities			
Interest-bearing loans and borrowings	16	(1.9)	(7.4)
Trade and other payables	17	(337.6)	(279.7)
Current income tax liabilities		(18.9)	(5.7)
Provisions	18	(0.8)	(1.1)
		(359.2)	**(293.9)**
TOTAL LIABILITIES		**(694.2)**	**(621.7)**
NET ASSETS		**719.2**	**630.7**
EQUITY			
Share capital	19	12.7	12.6
Share premium account	19	73.0	71.6
Retained earnings		633.5	546.5
TOTAL EQUITY		**719.2**	**630.7**

The notes on pages 106 to 142 form part of these financial statements.

These financial statements were approved by the Board of Directors on 24th January 2017.

On behalf of the Board

S Stone
PJ Bergin
Directors

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st October 2016	Note	2016 £m	2015 £m
Cash flows from operating activities			
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY SHAREHOLDERS		**156.8**	**124.1**
Adjustments for:			
Depreciation	10	1.2	1.2
Net finance expense	5	8.1	9.5
Share-based payment expense	21	4.4	5.0
Share of post-tax loss/(profit) of joint ventures using the equity method	11	0.7	(0.2)
Income tax expense	6	38.2	29.9
OPERATING PROFIT BEFORE CHANGES IN WORKING CAPITAL AND PROVISIONS		**209.4**	**169.5**
Increase in trade and other receivables		(46.4)	(35.3)
Increase in inventories		(31.3)	(90.4)
Increase in trade and other payables		60.0	4.1
Contribution to retirement benefit obligations		(9.0)	(9.0)
CASH GENERATED FROM OPERATIONS		**182.7**	**38.9**
Interest paid		(9.3)	(8.9)
Taxation paid		(19.6)	(6.5)
NET CASH GENERATED FROM OPERATING ACTIVITIES		**153.8**	**23.5**
Cash flows from investing activities			
Purchases of property, plant and equipment		(1.8)	(1.6)
Decrease in other financial assets		9.2	8.1
Dividends received		0.1	-
Interest received		2.2	1.1
NET CASH INFLOW FROM INVESTING ACTIVITIES		**9.7**	**7.6**
Cash flows from financing activities			
Repayment of bank and other borrowings		(13.4)	(13.8)
Proceeds from new loans		-	71.0
Debt arrangement and facility fees		-	(1.2)
Dividends paid	7	(56.6)	(41.7)
Net proceeds from the issue of shares		1.4	-
NET CASH (OUTFLOW)/INFLOW FROM FINANCING ACTIVITIES		**(68.6)**	**14.3**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**94.9**	**45.4**
Cash and cash equivalents at the beginning of the year		187.4	142.0
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**24**	**282.3**	**187.4**

The notes on pages106 to 142 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

Basis of preparation

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

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

The Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards ('IFRS') and interpretations issued by the IFRS Interpretations Committee ('IFRS IC') as adopted by the European Union (together 'EU IFRS'), and with those parts of the Companies Act 2006 applicable to companies reporting under EU IFRS, and have been prepared on the historical cost basis except for other financial assets, which are stated at their fair value. The parent Company financial statements are presented on pages 143 to 147.

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

The Group's activities are financed by a combination of ordinary shares, bank borrowings and cash in hand. At 31st October 2016 the Group held cash and cash equivalents of £282.3m (2015: £187.4m) and cash resources net of borrowings of £77.0m (2015: £30.6m borrowings net of cash resources). The Group has operated within its banking covenants throughout the year, has bank facilities of £240.0m expiring in March 2020, with £34.0m remaining available for drawdown under such facilities at 31st October 2016. Therefore, having assessed the principal risks and all other relevant matters, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements of the Group.

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

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

There were no new standards, amendments or interpretations that were adopted by the Group and effective for the first time for the financial year beginning 1st November 2015 that had a material impact on the Group.

Consolidation

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

(a) Subsidiaries

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

The acquisition method of accounting is used by the Group to account for the acquisition of subsidiaries that are a business under IFRS 3. On acquisition of a subsidiary, all of the subsidiary's separable, identifiable assets and liabilities existing at the date of acquisition are recorded at their fair values reflecting their condition at that date. All changes to those assets and liabilities and the resulting gains and losses that arise after the Group has gained control of the subsidiary are charged to the post-acquisition income statement or statement of comprehensive income. Accounting policies of acquired subsidiaries are changed where necessary, to ensure consistency with policies adopted by the Group.

Acquisition of subsidiaries which do not qualify as a business under IFRS 3 are accounted for as an asset acquisition rather than a business combination. Under such circumstances the fair value of the consideration paid for the subsidiary is allocated to the assets and liabilities purchased based on their relative fair value at the date of purchase. No goodwill is recognised on such transactions.

(b) Joint ventures

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

(c) Joint operations

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

Goodwill

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

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

Revenue and profit recognition

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

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

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

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

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

Seasonality

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

Operating leases

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

Taxation

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

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

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

Dividends

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

Employee benefits

(a) Pensions

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

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

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

(b) Share-based payments

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

Property, plant and equipment

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

Fixtures and fittings	10%
Computer equipment	33%

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

Inventories

Inventories are stated at the lower of cost and net realisable value ('NRV'). Land includes land under development, undeveloped land and land option payments. Work-in-progress and completed buildings including show homes comprise direct materials, sub-contract work, labour costs, site overheads, associated professional fees and other attributable overheads, but exclude interest costs.

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

Land inventories and the associated land payables are recognised in the statement of financial position from the date of unconditional exchange of contracts. Where land is purchased on deferred settlement terms then the land and the land payable are discounted to their fair value. The land payable is then increased to the settlement value over the period of financing, with the financing element being charged as interest expense through the consolidated 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. A provision for impairment of trade receivables is made when there is evidence that the Group will not be able to collect the amounts due. Non-current receivables are discounted to present value when the impact of discounting is deemed to be material.

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 consolidated 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 consolidated income statement.

Cash and cash equivalents

Cash and cash equivalents are cash balances in hand and in the bank.

Interest-bearing loans and borrowings

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

Trade and other payables

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

Provisions

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

Accounting estimates and judgements

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

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

Carrying value of land, work-in-progress and profit recognition

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

Other financial assets

The fair value of future anticipated cash receipts takes into account the Directors' view of an appropriate discount rate, future house price movements, receipt timings and default rates. Directors review the assumptions at each period end. See Note 12 for additional details.

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

Goodwill

The carrying value of goodwill is substantially dependent on the ability of the Group to successfully progress its strategic land holdings. Changes to the planning regime could undermine current assumptions about the sites 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 assesses whether there will be sufficient future profits to utilise deferred tax assets recognised at the statement of financial position date.

Share-based payments

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

Standards and interpretations effective for the first time

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1st November 2015, none of which has had a significant effect on the Group's financial statements:

> Amendment to IAS 19 Employee Benefits. Effective for the period beginning on 1st November 2015.

> Annual Improvements 2012. Effective for the period beginning on 1st November 2015.

Standards and interpretations in issue but not yet effective, or yet to be endorsed by the European Union

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

> IFRS 2 Share-based payments. Effective for the period beginning on 1st November 2018.

> IFRS 9 Financial instruments and the amendment on general hedge accounting. Effective for the period beginning on 1st November 2018.

> IFRS 14 Regulatory deferral accounts. Effective for the period beginning on 1st November 2016.

> IFRS 15 Revenue from Contracts with Customers and the amendment. Effective for the period beginning on 1st November 2018.

> IFRS 16 Leases. Effective for the period beginning on 1st November 2019.

> Amendment to IFRS 10 Consolidated Financial Statements. Effective for the period beginning on 1st November 2016.

> Amendment to IFRS 11 Joint Arrangements. Effective for the period beginning on 1st November 2016.

> Amendment to IAS 1 Presentation of Financial Statements. Effective for the period beginning on 1st November 2016.

> Amendment to IAS 7 Statement of Cash Flows. Effective for the period beginning on 1st November 2017.

> Amendment to IAS 12 Income Taxes. Effective for the period beginning on 1st November 2017.

> Amendment to IAS 16 Property, Plant and Equipment. Effective for the period beginning on 1st November 2016.

> Amendment to IAS 27 Separate Financial Statements. Effective for the period beginning on 1st November 2016.

> Amendment to IAS 28 Investments in Associates and Joint Ventures. Effective for the period beginning on 1st November 2016.

> Amendment to IAS 38 Intangible Assets. Effective for the period beginning on 1st November 2016.

> Annual Improvements 2014. Effective for the period beginning on 1st November 2016.

> Annual Improvements 2015–2016. Effective for the period beginning on 1st November 2017 and 1st November 2018.

The above standards and the amendments will be adopted in the financial statements in the year they become effective and have not been adopted early.

With the exception of IFRS 16 Leases and IFRS 15 Revenue from Contracts with Customers, their adoption is not expected to have a significant effect on the Group's financial statements.

IFRS 16 requires lessees to recognise a lease liability and asset for virtually all lease assets; certain short-term leases and leases of low-value assets can apply an optional exemption. The Group has not yet completed its assessment of the impact of the standard on the Group's consolidated income statement and statement of financial position. The Group expects that most of the Group's lease commitments will be brought onto the statement of financial position along with an associated asset. This change will affect the timing of recognition of lease costs within the income statement. Cash flows will be unaffected. An assessment of the full effect of IFRS 16 is expected to be completed during the year ending 31st October 2017.

IFRS 15 sets out revenue recognition conditions, and may have an impact on Group revenue recognition and disclosures. Cash flows will be unaffected. The Group has not yet completed its assessment of the impact of the standard. The full effect of IFRS 15 is expected to be completed during the year ending 31st October 2017.

2 SEGMENTAL ANALYSIS

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

3 OPERATING PROFIT

Operating profit from continuing activities is stated after charging:

	2016 £m	2015 £m
Staff costs (Note 4)	65.3	57.3
Depreciation (Note 10)	1.2	1.2
Operating lease rentals		
Land and buildings	3.0	3.0
Other operating lease rentals	1.4	1.2
Auditors' remuneration	£000	£000
Audit of these consolidated financial statements	50	43
Audit of financial statements of subsidiaries pursuant to legislation	165	125
Non-audit fees		
Review of half-year results	32	30

In addition to the above, PricewaterhouseCoopers LLP provides audit services to the Crest Nicholson Group Pension and Life Assurance Scheme. The fees associated with these services of £21,845 (2015: £15,775) are met by the assets of the scheme.

4 STAFF NUMBERS AND COSTS

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

	2016 Number	2015 Number
Development	849	792

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

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

	2016 £m	2015 £m
Wages and salaries	51.2	44.5
Social security costs	7.3	5.4
Other pension costs	2.4	2.4
Share-based payments (Note 21)	4.4	5.0
	65.3	**57.3**

(c) Key management remuneration

	2016 £m	2015 £m
Salaries and short-term employee benefits	4.0	3.9
Other pension costs	0.1	0.1
Share-based payments	2.2	2.2
	6.3	**6.2**

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

(d) Directors' remuneration

	2016 £m	2015 £m
Salaries and short-term employee benefits	1.9	1.9
Other pension costs	0.1	0.1
Share-based payments	1.3	1.2
	3.3	**3.2**

Further information relating to Directors' remuneration, incentive plans, share options and pension entitlement appears in the Directors' remuneration report, which is presented on pages 66 to 89.

5 FINANCE INCOME AND EXPENSE

	2016 £m	2015 £m
Finance income		
Interest income	2.3	1.1
Imputed interest on other financial assets (Note 12)	3.5	3.9
	5.8	**5.0**
Finance expense		
Interest on bank loans	8.7	8.9
Revolving credit facility issue costs	0.7	0.7
Imputed interest on deferred land payables	3.9	3.6
Net interest on defined benefit pension plan obligations (Note 21)	0.6	1.3
	13.9	**14.5**
NET FINANCE EXPENSE	**8.1**	**9.5**

6 INCOME TAX EXPENSE

	2016 £m	2015 £m
Current tax		
UK Corporation tax on profits for the year	31.7	12.2
Adjustments in respect of prior periods	0.8	-
TOTAL CURRENT TAX	**32.5**	**12.2**
Deferred tax		
Origination and reversal of temporary differences in the current year	4.7	17.6
Adjustments in respect of prior periods	1.0	0.1
TOTAL DEFERRED TAX (NOTE 13)	**5.7**	**17.7**
TOTAL TAX IN INCOME STATEMENT	**38.2**	**29.9**

The effective tax rate for the year is 19.6% (2015: 19.4%) which is lower (2015: lower) than the standard rate of UK corporation tax of 20.0% (2015: 20.42%). The effective tax rate benefits from the effect of enhanced tax deductions in excess of other items which are not deductible for tax purposes, and the Group expects this profile to continue in future years. The differences are explained below:

	2016 £m	2015 £m
PROFIT BEFORE TAX	**195.0**	**154.0**
Tax on profit at 20.0% (2015: 20.42%)	39.0	31.4
Effects of:		
Expenses not deductible for tax purposes	0.5	0.1
Enhanced tax deductions	(3.3)	(2.4)
Deferred tax change in rate	0.2	0.7
Adjustments in respect of prior periods	1.8	0.1
TOTAL TAX IN INCOME STATEMENT	**38.2**	**29.9**

Expenses not deductible for tax purposes include business entertaining and other permanent disallowable expenses. Enhanced tax deductions include items for which, under tax law, a corporation tax deduction is available in excess of the amount shown in the income statement. Examples are share schemes, defined benefit pension payments and land remediation enhanced allowances. The increase on the prior period is attributable to the timing of share scheme maturities and higher land remediation costs relieved in the current year. The deferred tax change in rate was the impact of the lower corporation tax rates being enacted in the current year on the prior period deferred tax balances. Adjustments in respect of prior periods reflect the difference between the estimated income statement tax charge in the prior year and that of the actual tax outcome.

7 DIVIDENDS

Dividends recognised as distributions to equity shareholders in the year:	**2016** £m	**2015** £m
Prior year final dividend per share of 13.3p (2015: 10.2p)	33.5	25.6
Current year interim dividend per share of 9.1p (2015: 6.4p)	23.1	16.1
	56.6	**41.7**

Dividends declared as distributions to equity shareholders in the year:	**2016** £m	**2015** £m
Final dividend for the year ended 31st October 2016 of 18.5p (2015: 13.3p)	46.6	33.5

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 23rd March 2017, and in accordance with IAS 10 'Events after the Reporting Period', has not been included as a liability in these financial statements.

8 EARNINGS PER ORDINARY SHARE

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

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

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

	Earnings £m	**Weighted average number of ordinary shares** Number	**Per share amount** Pence
Year ended 31st October 2016			
Basic earnings per share	156.8	252,848,299	62.0
Dilutive effect of share options	-	4,820,986	
Diluted earnings per share	156.8	257,669,285	60.9
Year ended 31st October 2015			
Basic earnings per share	124.1	251,530,176	49.3
Dilutive effect of share options	-	4,985,822	
Diluted earnings per share	124.1	256,515,998	48.4

9 INTANGIBLE ASSETS

	2016 £m	2015 £m
Goodwill		
Cost at beginning and end of the year	47.7	47.7
Impairment at beginning and end of the year	(18.7)	(18.7)
AT BEGINNING AND END OF THE YEAR	**29.0**	**29.0**

Goodwill arose on the acquisition of Castle Bidco Limited on 24th March 2009. Goodwill is allocated to acquired strategic land holdings (cash-generating units) within the Group. The recoverable amount is equal to the higher of value in use and fair value less costs of disposal. The Directors have therefore assessed value in use, being the present value of the forecast cash flows from the expected development and sale of properties on the strategic land. The forecast looks at the likelihood and scale of permitted development, forecast build costs and forecast selling prices, using a discount rate of 9.05% (2015: 9.05%), covering a period of 22 years from 2009 (being the minimum period that management expects to benefit from the acquired strategic land holdings) and based on current market conditions. The recoverable value of the cash-generating units is substantially in excess of the carrying value of goodwill. Sensitivity analysis has been undertaken by changing discount rates, profit margins and other variables applicable to the cash-generating units. None of the sensitivities, either individually or combined, resulted in the fair value of the goodwill being reduced to below its current book value amount.

10 PROPERTY, PLANT AND EQUIPMENT

	Fixtures and fittings £m	Computer equipment £m	Total £m
Cost			
At 1st November 2014	1.6	7.6	9.2
Additions	0.1	1.5	1.6
Disposals	(0.2)	(0.2)	(0.4)
At 31st October 2015	1.5	8.9	10.4
Additions	0.7	1.1	1.8
Disposals	-	(0.3)	(0.3)
AT 31ST OCTOBER 2016	**2.2**	**9.7**	**11.9**
Accumulated depreciation			
At 1st November 2014	0.7	6.3	7.0
Charge for the year	0.2	1.0	1.2
Disposals	(0.2)	(0.2)	(0.4)
At 31st October 2015	0.7	7.1	7.8
Charge for the year	0.2	1.0	1.2
Disposals	-	(0.3)	(0.3)
AT 31ST OCTOBER 2016	**0.9**	**7.8**	**8.7**
Net book value			
AT 31ST OCTOBER 2016	**1.3**	**1.9**	**3.2**
AT 31ST OCTOBER 2015	0.8	1.8	2.6
AT 1ST NOVEMBER 2014	0.9	1.3	2.2

The Group has contractual commitments for the acquisition of property, plant and equipment of £nil (2015: £nil).

11 INVESTMENTS

Interests in joint ventures

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

Entity	2016 £m	2015 £m
Kitewood (Cossall) Limited	0.6	0.3
Bonner Road LLP	-	-
Crest A2D (Walton Court) LLP	-	-
Other non-material joint ventures	0.1	0.2
	0.7	**0.5**

> Kitewood (Cossall) Limited: in April 2015 the Group acquired a 50% interest in the ordinary share capital of Kitewood (Cossall) Limited, which was set up to develop a site in London. The building works are underway for 123 apartments which are currently forecast to be completed in 2017. The Group performs the role of project manager, for which it receives a project management fee from the company. In addition the Group provides funding to the company to facilitate construction, the balance of which is expected to be repaid to the Group following completion of the construction works in 2017.

> Bonner Road LLP: in August 2015 the Group entered into a partnership agreement with Your LifeSpace Limited to procure and develop a site in London. Pending a successful residential planning application, the LLP is forecast to start construction in 2017. The LLP will be equally funded by both parties, who will receive interest on loaned sums. The Group will receive a project management fee.

> Crest A2D (Walton Court) LLP: in January 2016 the Group entered into a partnership agreement with A2 Dominion Limited to procure and develop a site in Surrey. The LLP will submit a residential planning application in early 2017, with construction forecast to start once planning is achieved. The development will be equally funded by both parties by way of interest-free loans. The Group will receive a project management fee.

Summarised financial information for joint ventures

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

	Kitewood (Cossall) Limited		Bonner Road LLP		Crest A2D (Walton Court) LLP		Other non-material joint ventures		TOTAL	
	2016 £m	2015 £m	2016 £m	2015 £m	2016 £m	2015 £m	2016 £m	2015 £m	2016 £m	2015 £m
SUMMARISED STATEMENT OF FINANCIAL POSITION										
Current assets										
Cash and cash equivalents	-	-	0.3	-	-	-	-	0.3	0.3	0.3
Other current assets	20.1	12.3	53.4	52.0	24.5	-	0.1	0.7	98.1	65.0
Non-current assets	-	-	-	-	-	-	0.1	0.1	0.1	0.1
Current liabilities										
Financial liabilities	-	-	-	-	-	-	-	(13.7)	-	(13.7)
Other current liabilities	(3.5)	(0.6)	-	(0.2)	(0.1)	-	(0.1)	(2.2)	(3.7)	(3.0)

	Kitewood (Cossall) Limited		Bonner Road LLP		Crest A2D (Walton Court) LLP		Other non-material joint ventures		TOTAL	
	2016 £m	2015 £m	2016 £m	2015 £m	2016 £m	2015 £m	2016 £m	2015 £m	2016 £m	2015 £m
Non-current liabilities										
Financial liabilities	(15.4)	(11.1)	(55.9)	(52.0)	(24.4)	-	-	-	(95.7)	(63.1)
NET ASSETS/(LIABILITIES)	**1.2**	**0.6**	**(2.2)**	**(0.2)**	**-**	**-**	**0.1**	**(14.8)**	**(0.9)**	**(14.4)**
Reconciliation to carrying amounts										
Opening net assets/(liabilities) at 1st November 2015	0.6	-	(0.2)	-	-	-	(14.8)	(14.8)	(14.4)	(14.8)
Profit/(loss) for the year	0.6	0.6	(2.0)	(0.2)	-	-	15.1	-	13.7	0.4
Dividends paid	-	-	-	-	-	-	(0.2)	-	(0.2)	-
CLOSING NET ASSETS/ (LIABILITIES) AT 31ST OCTOBER 2016	**1.2**	**0.6**	**(2.2)**	**(0.2)**	**-**	**-**	**0.1**	**(14.8)**	**(0.9)**	**(14.4)**
Group's share in closing net assets/(liabilities) at 31st October 2016	0.6	0.3	(1.1)	(0.1)	-	-	0.1	(7.4)	(0.4)	(7.2)
Fully provided in the Group financial statements	-	-	-	-	-	-	-	7.6	-	7.6
Recognised against receivable from joint venture	-	-	1.1	0.1	-	-	-	-	1.1	0.1
GROUP'S SHARE IN JOINT VENTURE	**0.6**	**0.3**	**-**	**-**	**-**	**-**	**0.1**	**0.2**	**0.7**	**0.5**
Amount due to Crest Nicholson Group (Note 15)	15.4	8.0	27.0	25.9	12.4	-	-	-	54.8	33.9
SUMMARISED INCOME STATEMENT										
Revenue	6.1	3.2	-	-	-	-	0.6	4.6	6.7	7.8
Expenditure	(4.7)	(2.1)	-	-	-	-	(0.6)	(4.6)	(5.3)	(6.7)
OPERATING PROFIT BEFORE FINANCING COSTS	**1.4**	**1.1**	**-**	**-**	**-**	**-**	**-**	**-**	**1.4**	**1.1**
Member balances written off	-	-	-	-	-	-	15.1	-	15.1	-
Interest expense	(0.6)	(0.3)	(2.0)	(0.2)	-	-	-	-	(2.6)	(0.5)
Income tax expense	(0.2)	(0.2)	-	-	-	-	-	-	(0.2)	(0.2)
PROFIT/(LOSS) FOR THE YEAR	**0.6**	**0.6**	**(2.0)**	**(0.2)**	**-**	**-**	**15.1**	**-**	**13.7**	**0.4**
Group's share in joint venture profit/(loss) for the year	0.3	0.3	(1.0)	(0.1)	-	-	7.6	-	6.9	0.2
Provided in Group accounts in prior years	-	-	-	-	-	-	(7.6)	-	(7.6)	-
GROUP'S SHARE IN JOINT VENTURE AFTER GROUP PROVISION	**0.3**	**0.3**	**(1.0)**	**(0.1)**	**-**	**-**	**-**	**-**	**(0.7)**	**0.2**

	Kitewood (Cossall) Limited		Bonner Road LLP		Crest A2D (Walton Court) LLP		Other non-material joint ventures		TOTAL	
	2016 £m	2015 £m	2016 £m	2015 £m	2016 £m	2015 £m	2016 £m	2015 £m	2016 £m	2015 £m
COMMITMENTS AND CONTINGENT LIABILITIES IN RESPECT OF JOINT VENTURES										
Commitments – joint ventures	-	-	-	-	-	-	-	-	-	-
Commitment to provide funding	5.7	5.4	1.9	4.0	-	-	-	-	7.6	9.4
Contingent liabilities – joint ventures	-	-	-	-	-	-	-	-	-	-

Subsidiary undertakings

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

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

A full list of the Group's undertakings, including subsidiaries and joint ventures, is set out in Note 26.

12 OTHER FINANCIAL ASSETS

	2016 £m	2015 £m
At beginning of the year	24.2	28.4
Disposals	(9.2)	(8.1)
Imputed interest	3.5	3.9
AT END OF THE YEAR	**18.5**	**24.2**
Of which:		
Non-current assets	16.3	23.0
Current assets	2.2	1.2
	18.5	**24.2**

Other financial assets carried at fair value are categorised as level 3 (inputs not based on observable market data) within the hierarchical classification of IFRS 13 Revised.

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

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

	2016	2015
Assumptions		
Discount rate, incorporating default rate	10.5%	10.5%
House price inflation for the next three years	3.0%	3.0%
Timing of receipt	8 to 15 years	10 to 15 years

	2016 Increase assumptions by 1%/year £m	**2016** Decrease assumptions by 1%/year £m
Sensitivity – effect on value of other financial assets (less)/more		
Discount rate, incorporating default rate	(0.5)	0.6
House price inflation for the next three years	0.3	(0.3)
Timing of receipt	(0.9)	0.8

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 2016 was £3.5m (2015: £3.9m).

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 remeasured at the present value of the revised future cash flows using this revised discount rate. The difference between these values and the carrying values of the assets is recorded against the carrying value of the assets and recognised directly in the statement of comprehensive income.

13 DEFERRED TAX ASSETS

	Inventories fair value £m	**Share-based payments** £m	**Pension deficit** £m	**Tax losses** £m	**Other temporary differences** £m	**Total** £m
At 1st November 2014	19.9	1.2	4.7	13.9	0.6	40.3
Income statement movements	(5.6)	0.5	-	(12.8)	0.2	(17.7)
Equity movements	-	1.6	(3.3)	-	-	(1.7)
At 31st October 2015	14.3	3.3	1.4	1.1	0.8	20.9
Income statement movements	(4.2)	(0.4)	-	(1.1)	-	(5.7)
Equity movements	-	(1.6)	1.7	-	-	0.1
Subsidiary acquired in the year	-	-	-	-	(0.1)	(0.1)
AT 31ST OCTOBER 2016	**10.1**	**1.3**	**3.1**	**-**	**0.7**	**15.2**

At the statement of financial position date the substantively enacted future corporation tax rates were 19% for FY17 to FY19 and 17% beyond. The deferred tax assets have been evaluated at the rates at which they are expected to reverse based on current forecasts (accounting period ends: 31st October 2017: 19.42%, 31st October 2018: 19%, 31st October 2019: 19%, 31st October 2020: 17.84% and 31st October 2021 and subsequent: 17%).

Inventories fair value represents temporary differences on the carrying value of inventory fair valued on the acquisition of Castle Bidco Limited in 2009. These temporary differences are expected to be recoverable in full as it is considered probable that taxable profits will be available against which the deductible temporary differences can be utilised, and are therefore recognised as deferred tax assets in the above amounts.

During the year the Group acquired a subsidiary containing a deferred tax liability. The deferred tax liability has been recognised as it is considered probable that the liability will unwind in the near future. Note 26 contains details of subsidiaries acquired in the year.

14 INVENTORIES

	2016 £m	2015 £m
Land and work-in-progress	843.4	863.8
Completed buildings including show homes	92.4	40.7
	935.8	**904.5**

Included within inventories is a fair value provision of £47.6m (2015: £66.9m) which arose on the acquisition of Castle Bidco Limited in 2009 and will unwind to cost of sales in future years as the units against which the original fair value provision was recognised are sold. The amount of fair value provision unwound in cost of sales in the year was £19.3m (2015: £23.8m). Inventories of £368.4m (2015: £390.0m) are estimated to be recovered in more than 12 months. Inventories of £717.7m (2015: £565.4m) were recognised as an expense in the year.

15 TRADE AND OTHER RECEIVABLES

	2016 £m	2015 £m
Non-current		
Trade receivables	14.9	0.4
Due from joint ventures	39.4	33.9
	54.3	**34.3**
Current		
Trade receivables	29.2	25.2
Recoverable on contracts	21.0	13.6
Due from joint ventures	15.4	-
Other receivables	4.8	7.9
Prepayments and accrued income	4.0	2.3
	74.4	**49.0**

Current trade receivables of £8.0m have been collected since year end (2015: £11.2m). The remaining balance is due according to contractual terms. Receivables are stated after provision for doubtful debts of £nil (2015: £nil). Amounts due from joint ventures are net of joint venture losses of £1.1m (2015: £0.1m).

16 INTEREST-BEARING LOANS AND BORROWINGS

	2016 £m	2015 £m
Non-current		
Revolving credit facility	200.0	206.0
Revolving credit facility issue costs	(2.2)	(2.9)
Other loans	5.6	7.5
	203.4	**210.6**
Current		
Other loans	**1.9**	**7.4**

There were undrawn amounts of £40.0m (2015: £34.0m) under the revolving credit facility at the statement of financial position date. See Note 20 for additional disclosures.

17 TRADE AND OTHER PAYABLES

	2016 £m	2015 £m
Non-current		
Land payables on contractual terms	98.7	96.0
Other payables	7.2	8.0
Accruals	5.4	1.6
	111.3	**105.6**
Current		
Land payables on contractual terms	86.3	64.4
Other trade payables	37.8	33.3
Payments on account	26.3	18.2
Taxes and social security costs	2.3	2.3
Other payables	12.6	11.1
Accruals	172.3	150.4
	337.6	**279.7**

18 PROVISIONS

Rental and other obligations in respect of commercial properties	**2016** £m	**2015** £m
Non-current		
At beginning of the year	4.1	4.0
Utilised in the year	(0.5)	0.1
AT END OF THE YEAR	**3.6**	**4.1**
Current		
At beginning of the year	1.1	2.8
Credited to the income statement	-	(1.6)
Utilised in the year	**(0.3)**	**(0.1)**
AT END OF THE YEAR	**0.8**	**1.1**

The rental and other obligations in respect of commercial properties provision covers the shortfall on commercial head leases, rates and related service charges for the years the Group anticipates the leases being onerous. The Group has head leases expiring up to September 2020.

19 SHARE CAPITAL

	Shares issued Number	**Nominal value** Pence	**Share capital** £	**Share premium account** £
Ordinary shares as at 1st November 2014	251,431,313	5	12,571,565	71,644,959
New share capital	229,887	5	11,495	15,944
Ordinary shares as at 31st October 2015	**251,661,200**	**5**	**12,583,060**	**71,660,903**
New share capital	2,702,373	5	135,119	1,349,439
ORDINARY SHARES AS AT 31ST OCTOBER 2016	**254,363,573**	**5**	**12,718,179**	**73,010,342**

Ordinary shares are issued and fully paid.

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

	Shares issued Number	**Exercise price** Pence	**Share capital** £	**Share premium account** £
2013 LTIP	1,966,142	-	98,307	-
2014 LTIP	43,176	-	2,159	-
2015 LTIP	17,197	-	860	-
2013 SAYE	554,982	247	27,749	1,343,057
2014 SAYE	2,355	276	118	6,382
2014 Deferred bonus plan	117,448	-	5,872	-
2015 Deferred bonus plan	1,073	-	54	-
	2,702,373		**135,119**	**1,349,439**

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

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

For details of outstanding share options at 31st October 2016 see Note 21.

20 FINANCIAL RISK MANAGEMENT

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

Capital management

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

The Group's capital comprises shareholders' funds and net borrowings. A five-year summary of this can be found in the unaudited historic summary on page 148, in addition to its return on average capital employed.

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

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

Financial risk

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

Credit risk

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

The Group has cash deposits of £282.3m (2015: £187.4m) which are held by the providers of its banking facilities. These are primarily provided by HSBC Bank Plc, Barclays Bank Plc, Lloyds Bank Plc and The Royal Bank of Scotland Plc, being four of the UK's leading financial institutions. The security and suitability of these banks is monitored by the treasury function on a regular basis.

Other financial assets, as described in Note 12, of £18.5m (2015: £24.2m) are receivables on extended terms granted as part of a sales transaction and are secured by way of a legal charge on the relevant property, and therefore credit risk is considered low.

The carrying value of trade and other receivables is mainly amounts due from housing association sales, land sales and commercial sales and equates to the Group's exposure to credit risk which is set out in Note 15. Amounts due from joint ventures of £54.8m (2015: £33.9m) is funding provided on three (2015: two) joint venture developments which are being project managed by the Group and are subject to contractual arrangements. Within trade and other receivables the other largest single amount outstanding at the year end is £14.3m (2015: £6.2m) which is within agreed terms.

In managing risk the Group assesses the credit risk of its counterparties before entering into a transaction. No credit limits were exceeded during the reporting year, and management does not expect any material losses from non-performance of any counterparties, including in respect of receivables not yet due. No material financial assets are past due, or are considered to be impaired as at the statement of financial position date (2015: none).

Liquidity risk

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

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

The following are the contractual maturities of the financial liabilities of the Group at 31st October 2016:

2016	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	200.0	201.4	1.4	-	-	200.0
LIFF loans	7.5	8.0	2.1	2.0	2.0	1.9
Other financial liabilities carrying interest	75.5	78.0	24.0	44.5	9.5	-
Financial liabilities carrying no interest	344.8	352.8	289.3	33.7	9.8	20.0
AT 31ST OCTOBER 2016	**627.8**	**640.2**	**316.8**	**80.2**	**21.3**	**221.9**

Get Britain Building loans and LIFF loans are development specific loans from the HCA and are repayable on the earlier of legal completion of related units or long stop dates. Other financial liabilities carrying interest are land acquisitions using promissory notes. The timing and amount of future cash flows given in the table above is based on the Directors' best estimate of the likely outcome.

2015	Carrying value £m	Contractual cash flows £m	Within 1 year £m	1–2 years £m	2–3 years £m	More than 3 years £m
Revolving credit facility	206.0	207.6	1.6	-	-	206.0
Get Britain Building loans	5.5	5.6	5.6	-	-	-
LIFF loans	9.4	10.2	2.2	2.1	2.0	3.9
Other financial liabilities carrying interest	73.6	77.4	29.8	23.6	24.0	-
Financial liabilities carrying no interest	291.2	302.8	235.3	31.4	14.9	21.2
AT 31ST OCTOBER 2015	**585.7**	**603.6**	**274.5**	**57.1**	**40.9**	**231.1**

Market risk

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

Interest rate risk

Interest rate risk reflects the Group's exposure to fluctuations to interest rates in the market. The risk arises because the Group's revolving credit facility is subject to floating interest rates based on LIBOR, and the LIFF loans are subject to the EU Reference rate. The Group accepts a degree of interest rate risk, and monitors rate changes to ensure they are within acceptable limits and in line with banking covenants. For the year ended 31st October 2016 it is estimated that an increase of 1% in interest rates applying for the full year would decrease the Group's PBT by £2.0m (2015: £1.8m).

At 31st October 2016, the interest rate profile of the financial liabilities of the Group was:

	2016 £m	2015 £m
Sterling bank borrowings, loan notes and long-term creditors		
Floating rate financial liabilities	207.5	220.9
Financial liabilities carrying interest	75.5	73.6
Financial liabilities carrying no interest	344.8	291.2
	627.8	**585.7**

For financial liabilities that have no interest payable but for which imputed interest is charged, consisting of land payables, the weighted average period to maturity is 45 months (2015: 60 months).

	2016 £m	2015 £m
The maturity of the financial liabilities is:		
Repayable within one year	310.9	266.6
Repayable between one and two years	77.3	53.2
Repayable between two and five years	232.5	48.9
Repayable after five years	7.1	217.0
	627.8	**585.7**

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 2016 cash equivalents consisted of sterling cash deposits of £282.3m (2015: £187.4m), with solicitors and on current account, £18.5m (2015: £24.2m) of other financial assets, £69.9m (2015: £47.1m) of trade, other receivables and amounts recoverable on contracts, and £54.8m (2015: £33.9m) of amounts due from joint ventures.

Financial liabilities

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

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

2016	Nominal interest rate	Face value £m	Carrying value £m	Fair value £m	Maturity
Revolving credit facility	3 mth LIBOR + 2.15%	200.0	200.0	200.0	2020
LIFF loans	EU reference rate + 2.2%	5.6	5.6	5.6	2019
TOTAL NON-CURRENT INTEREST-BEARING LOANS		**205.6**	**205.6**	**205.6**	
LIFF loans	EU reference rate + 2.2%	1.9	1.9	1.9	2017
TOTAL CURRENT INTEREST-BEARING LOANS		**1.9**	**1.9**	**1.9**	

2015	Nominal interest rate	Face value £m	Carrying value £m	Fair value £m	Maturity
Revolving credit facility	3 mth LIBOR + 2.5%	206.0	206.0	206.0	2020
LIFF loans	EU reference rate + 2.2%	7.5	7.5	7.5	2019
TOTAL NON-CURRENT INTEREST-BEARING LOANS		**213.5**	**213.5**	**213.5**	
Get Britain Building loans	EU reference rate + 2.2% to 4.0%	5.5	5.5	5.5	2016
LIFF loans	EU reference rate + 2.2%	1.9	1.9	1.9	2016
TOTAL CURRENT INTEREST-BEARING LOANS		**7.4**	**7.4**	**7.4**	

Financial assets and liabilities by category

	2016 £m	2015 £m
Financial assets		
Sterling cash deposits	282.3	187.4
Trade receivables	44.1	25.6
Amounts due from joint ventures	54.8	33.9
Recoverable on contracts	21.0	13.6
Other receivables	4.8	7.9
TOTAL LOANS AND RECEIVABLES	**407.0**	**268.4**
Other financial assets	18.5	24.2
TOTAL FINANCIAL ASSETS	**425.5**	**292.6**

	2016 £m	2015 £m
Financial liabilities		
Revolving credit facility	200.0	206.0
Other loans	7.5	14.9
Land payments on contractual terms	185.0	160.4
Other trade payables	37.8	33.3
Other payables	19.8	19.1
Accruals	177.7	152.0
FINANCIAL LIABILITIES AT AMORTISED COST	**627.8**	**585.7**

21 EMPLOYEE BENEFITS

(a) Retirement benefit obligations

Defined contribution scheme

The Group operates a defined contribution scheme for new employees. The assets of the scheme are held separately from those of the Group in an independently administered fund. The contributions to this scheme for the year were £2.0m (2015: £1.9m). At the statement of financial position date there were no outstanding or prepaid contributions (2015: £nil).

Defined benefit scheme

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

The scheme closed to future accrual from 30th April 2010. Accrued pensions in relation to deferred members are revalued at statutory revaluation in the period before retirement. Benefits also increase either at a fixed rate or in line with inflation while in payment. The scheme provides pensions to members on retirement and to their dependants on death.

The Company pays contributions in relation to the funding deficit as determined by regular actuarial valuations. The trustees are required to use prudent assumptions to value the liabilities and costs of the scheme, whereas the accounting assumptions must be best estimates.

Responsibility for making good any deficit within the scheme lies with the Company and this introduces a number of risks for the Company. The major risks are: interest rate risk, inflation risk, investment risk and longevity risk. The Company and trustees are aware of these risks and manage them through appropriate investment and funding strategies.

The scheme is subject to regular actuarial valuations, which are usually carried out every three years. The last actuarial valuation was carried out with an effective date of 31st January 2015. These actuarial valuations are carried out in accordance with the requirements of the Pensions Act 2004 and so include deliberate margins for prudence. This contrasts with these accounting disclosures, which are determined using best estimate assumptions.

The results of the actuarial valuation as at 31st January 2015 have been projected to 31st October 2016 by a qualified independent actuary. The figures in the following disclosure were measured using the Projected Unit Method.

The investment strategy in place for the scheme is to invest in a mix of return seeking, index linked and fixed interest investments. At 31st October 2016, the allocation of the scheme's invested assets was 75% in return seeking investments, 5% in corporate bonds, 19% in index linked gilts and 1% in cash. Details of the investment strategy can be found in the scheme's Statement of Investment Principles, which the trustees update as the policy evolves.

	2016 £m	2015 £m	2014 £m
The amounts recognised in the statement of financial position are as follows:			
Present value of scheme liabilities	(200.9)	(165.3)	(173.4)
Fair value of scheme assets	184.2	157.8	149.7
NET AMOUNT RECOGNISED AT YEAR END	**(16.7)**	**(7.5)**	**(23.7)**

A deferred tax asset of £3.1m (2015: £1.4m) has been recognised in the consolidated statement of financial position.

The amounts recognised in comprehensive income are:

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

	2016 £m	2015 £m
Administration expenses	0.5	0.5
Net interest expense	0.1	0.8
CHARGE RECOGNISED IN THE CONSOLIDATED INCOME STATEMENT	**0.6**	**1.3**
Remeasurements of the net liability		
Return on scheme assets	(18.0)	1.6
Loss arising from changes in financial assumptions	37.0	1.2
Loss/(gain) arising from changes in demographic assumptions	1.0	(7.1)
Experience gain	(2.4)	(4.2)
CHARGE/(CREDIT) RECORDED IN CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	**17.6**	**(8.5)**
TOTAL DEFINED BENEFIT SCHEME COST/(CREDIT)	**18.2**	**(7.2)**

The principal actuarial assumptions used were:

	2016 %	2015 %
Liability discount rate	2.8	3.9
Inflation assumption – RPI	3.5	3.2
Inflation assumption – CPI	2.7	2.4
Rate of increase in salaries	-	-
Revaluation of deferred pensions	2.7	2.4
Increases for pensions in payment		
Benefits accrued in respect of GMP	3.0	3.0
Benefits accrued in excess of GMP pre-1997	3.0	3.0
Benefits accrued post-1997	3.3	3.1
Proportion of employees opting for early retirement	-	-
Proportion of employees commuting pension for cash	100.0	100.0

	2016	2015
Mortality assumption – pre-retirement	AC00	AC00
Mortality assumption – male post-retirement	SAPS S2 PMA CMI_2014 ltr 1.5%	SAPS S2 PMA CMI_2014 ltr 1.5%
Mortality assumption – female post-retirement	SAPS S2 PFA CMI_2014 ltr 1.5%	SAPS S2 PFA CMI_2014 ltr 1.5%
Future expected lifetime of current pensioner at age 65	**2016** Years	**2015** Years
Male aged 65 at year end	22.7	22.6
Female aged 65 at year end	24.8	24.7
Future expected lifetime of future pensioner at age 65		
Male aged 45 at year end	24.9	24.7
Female aged 45 at year end	27.1	27.0

Changes in the present value of assets over the year

	2016 £m	2015 £m
Fair value of assets at beginning of the year	157.8	149.7
Interest income	6.2	6.0
Return on assets (excluding amount included in net interest expense)	18.0	(1.6)
Contributions from the employer	9.0	9.0
Benefits paid	(6.3)	(4.8)
Administration expenses	(0.5)	(0.5)
FAIR VALUE OF ASSETS AT END OF THE YEAR	**184.2**	**157.8**

Changes in the present value of liabilities over the year

	2016 £m	2015 £m
Liabilities at beginning of the year	165.3	173.4
Interest cost	6.3	6.8
Remeasurement losses/(gains)		
Actuarial losses arising from changes in financial assumptions	37.0	1.2
Actuarial losses/(gains) arising from changes in demographic assumptions	1.0	(7.1)
Experience gains	(2.4)	(4.2)
Benefits paid	(6.3)	(4.8)
LIABILITIES AT END OF THE YEAR	**200.9**	**165.3**

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

	2016 £m	2015 £m
Pensions in payment	79.9	71.2
Deferred pensioners	121.0	94.1
	200.9	**165.3**

	2016 Years	2015 Years
Average duration of the scheme's liabilities at the end of the year	18.0	17.0
This can be subdivided as follows:		
Deferred pensioners	23.0	21.0
Pensions in payment	12.0	12.0

The major categories of scheme assets are as follows:

	2016 £m	2015 £m
Return seeking		
UK equities	15.4	13.7
Overseas equities	31.6	23.7
Other (hedge funds, multistrategy and absolute return funds)	81.4	76.2
	128.4	**113.6**
Debt instruments		
Corporates	9.3	6.7
Index linked	35.2	26.4
	44.5	**33.1**
Other		
Cash	2.5	2.6
Insured annuities	8.8	8.5
	11.3	**11.1**
TOTAL MARKET VALUE OF ASSETS	**184.2**	**157.8**

All scheme assets with the exception of cash and insured annuities are quoted assets. The scheme has no investments in the Group or in property occupied by the Group. The Group expects to contribute £0.75m per month until 30th November 2017, and £0.75m per month from 1st December 2017 until 31st August 2021, subject to scheme funding. The Group expects to contribute £9.0m (2015: £9.0m) to scheme funding in the year ending 31st October 2017.

Sensitivity of the liability value to changes in the principal assumptions

If the discount rate was 0.25% higher/(lower), the scheme's liabilities would decrease by £8.7m (increase by £9.4m) if all the other assumptions remained unchanged.

If the inflation assumption was 0.25% higher/(lower), the scheme's liabilities would increase by £4.6m (decrease by £5.0m) if all the other assumptions remained unchanged.

If life expectancies were to increase by one year, the scheme's liabilities would increase by £8.2m if all the other assumptions remained unchanged.

(b) Share-based payments

The Group operates an LTIP, employee share option scheme (ESOS), SAYE and a deferred bonus plan. Expected volatility for all plans/schemes for the current and previous year (where applicable) is based on the historical share price movements of Crest Nicholson Holdings plc since the Company listed in February 2013.

Long-Term Incentive Plan

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

Date of grant	8th Mar 2013	14th Feb 2014	27th Feb 2015	26th Feb 2016	10th Mar 2016	
Options granted	2,226,041	1,246,861	1,270,176	1,075,943	50,336	
Fair value at measurement date	£2.62	£3.49	£4.02	£5.07	£5.03	
Share price on date of grant	£2.80	£3.81	£4.45	£5.62	£5.03	
Exercise price	£0.00	£0.00	£0.00	£0.00	£0.00	
Vesting period	3 years	3 years	3 years	3 years	N/A	
Expected dividend yield	2.50%	2.50%	3.20%	3.50%	N/A	
Expected volatility	33.00%	28.90%	30.00%	30.00%	N/A	
Risk free interest rate	0.40%	0.40%	0.86%	0.43%	N/A	
Valuation model	Binomial	Binomial	Binomial	Binomial	N/A	
Contractual life from	8th Mar 2013	14th Feb 2014	27th Feb 2015	26th Feb 2016	10th Mar 2016	
Contractual life to	7th Mar 2023	13th Feb 2024	26th Feb 2025	25th Feb 2026	7th Mar 2023	
Movements in the year	**Number of options**	**Number of options**	**Number of options**	**Number of options**	**Number of options**	**Total number of options**
Outstanding at 1st November 2014	2,026,405	1,200,020	-	-	-	3,226,425
Granted during the year	-	-	1,270,176	-	-	1,270,176
Exercised during the year	(47,360)	(8,419)	-	-	-	(55,779)
Lapsed during the year	(50,334)	(89,487)	(49,341)	-	-	(189,162)
OUTSTANDING AT 31ST OCTOBER 2015	**1,928,711**	**1,102,114**	**1,220,835**	**-**	**-**	**4,251,660**
Granted during the year	-	-	-	1,075,943	50,336	1,126,279
Exercised during the year	(1,915,806)	(43,176)	(17,197)	-	(50,336)	(2,026,515)
Lapsed during the year	(12,905)	(100,849)	(173,500)	(81,654)	-	(368,908)
OUTSTANDING AT 31ST OCTOBER 2016	**-**	**958,089**	**1,030,138**	**994,289**	**-**	**2,982,516**
EXERCISABLE AT 31ST OCTOBER 2016	**-**	**-**	**-**	**-**	**-**	**-**
EXERCISABLE AT 31ST OCTOBER 2015	**-**	**-**	**-**	**-**	**-**	**-**
	£m	**£m**	**£m**	**£m**	**£m**	**Total £m**
Charge to income for the current year	**0.5**	**1.1**	**1.3**	**0.2**	**0.3**	**3.4**
Charge to income for the prior year	1.7	1.2	0.7	-	-	3.6

The weighted average exercise price of LTIP options was £nil (2015: £nil).

Employee share option scheme

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

Date of grant	6th Mar 2013	17th Aug 2015	
Options granted	615,000	1,500	
Fair value at measurement date	£0.00	£0.00	
Share price on date of grant	£2.69	£5.68	
Exercise price	£0.00	£0.00	
Vesting period	3 years	2 years	
Expected dividend yield	N/A	N/A	
Expected volatility	N/A	N/A	
Risk free interest rate	N/A	N/A	
Valuation model	N/A	N/A	

Contractual life from	6th Mar 2013	17th Aug 2015	
Contractual life to	5th Mar 2023	16th Aug 2025	
Movements in the year	**Number of options**	**Number of options**	**Total number of options**
Outstanding at 1st November 2014	539,000	-	539,000
Granted during the year	-	1,500	1,500
Exercised during the year	(539,000)	-	(539,000)
OUTSTANDING AT 31ST OCTOBER 2015	**-**	**1,500**	**1,500**
OUTSTANDING AT 31ST OCTOBER 2016	**-**	**1,500**	**1,500**

EXERCISABLE AT 31ST OCTOBER 2016	**-**	**-**	**-**
EXERCISABLE AT 31ST OCTOBER 2015	**-**	**-**	**-**
	£m	**£m**	**Total £m**
Charge to income for the current year	-	-	-
Charge to income for the prior year	0.3	-	0.3

The weighted average exercise price of employee share options was £nil (2015: £nil).

Save as You Earn

Executive Directors and eligible employees are invited to make regular monthly contributions to a Sharesave scheme operated by Equiniti. On completion of the three-year contract period employees are able to purchase ordinary shares in the Company based on the market price at the date of invitation less a 20% discount. There are no performance conditions.

Date of grant	22nd May 2013	15th Jul 2014	16th Jul 2015	1st Aug 2016		
Options granted	805,805	569,998	257,264	1,208,742		
Fair value at measurement date	£0.82	£0.70	£1.03	£1.11		
Share price on date of grant	£3.09	£3.44	£5.63	£3.56		
Exercise price	£2.47	£2.76	£4.51	£2.86		
Vesting period	3 years	3 years	3 years	3 years		
Expected dividend yield	2.50%	2.50%	3.00%	4.80%		
Expected volatility	32.00%	28.90%	29.00%	45.00%		
Risk free interest rate	0.55%	1.61%	1.16%	0.19%		
Valuation model	Binomial	Binomial	Binomial	Binomial		
Contractual life from	1st Aug 2013	1st Aug 2014	1st Aug 2015	1st Sep 2016		
Contractual life to	1st Feb 2017	1st Feb 2018	1st Feb 2019	1st Mar 2020		
Movements in the year	**Number of options**	**Number of options**	**Number of options**	**Number of options**	**Total number of options**	**Weighted average exercise price 2016**
Outstanding at 1st November 2014	695,720	559,697	-	-	1,255,417	£2.60
Granted during the year	-	-	257,264	-	257,264	£4.51
Exercised during the year	(6,373)	(199)	-	-	(6,572)	£2.48
Lapsed during the year	(72,233)	(91,804)	(9,974)	-	(174,011)	£2.74
OUTSTANDING AT 31ST OCTOBER 2015	**617,114**	**467,694**	**247,290**	**-**	**1,332,098**	**£2.95**
Granted during the year	-	-	-	1,208,742	1,208,742	£2.86
Exercised during the year	(554,982)	(2,355)	-	-	(557,337)	£2.47
Lapsed during the year	(25,195)	(44,264)	(142,812)	(14,472)	(226,743)	£3.84
OUTSTANDING AT 31ST OCTOBER 2016	**36,937**	**421,075**	**104,478**	**1,194,270**	**1,756,760**	**£2.93**
EXERCISABLE AT 31ST OCTOBER 2016	**36,937**	**-**	**-**	**-**	**36,937**	
EXERCISABLE AT 31ST OCTOBER 2015	**-**	**-**	**-**	**-**	**-**	
	£m	**£m**	**£m**	**£m**	**Total £m**	
Charge to income for the current year	**0.1**	**0.1**	**-**	**0.1**	**0.3**	
Charge to income for the prior year	0.2	0.1	-	-	0.3	

Deferred bonus plan

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

Date of grant	14th Feb 2014	27th Feb 2015	26th Feb 2016	10th Mar 2016	
Options granted	155,752	257,219	140,185	3,861	
Fair value at measurement date	£3.81	£4.45	£5.62	£5.03	
Share price on date of grant	£3.81	£4.45	£5.62	£5.03	
Exercise price	£0.00	£0.00	£0.00	£0.00	
Vesting period	3 years	1 / 3 years	1 / 3 years	1 year	
Expected dividend yield and volatility	N/A	N/A	N/A	N/A	
Risk free interest rate	N/A	N/A	N/A	N/A	
Valuation model	N/A	N/A	N/A	N/A	
Contractual life from	14th Feb 2014	27th Feb 2015	26th Feb 2016	10th Mar 2016	
Contractual life to	13th Feb 2024	26th Feb 2025	25th Feb 2026	26th Feb 2025	
Movements in the year	**Number of options**	**Number of options**	**Number of options**	**Number of options**	**Total number of options**
Outstanding at 1st November 2014	155,752	-	-	-	155,752
Granted during the year	4,872	257,219	-	-	262,091
Exercised during the year	(160,624)	(6,912)	-	-	(167,536)
Lapsed during the year	-	(5,959)	-	-	(5,959)
OUTSTANDING AT 31ST OCTOBER 2015	**-**	**244,348**	**-**	**-**	**244,348**
Granted during the year	-	-	140,185	3,861	144,046
Exercised during the year	-	(113,587)	(1,073)	(3,861)	(118,521)
Lapsed during the year	-	(10,242)	(11,440)	-	(21,682)
OUTSTANDING AT 31ST OCTOBER 2016	**-**	**120,519**	**127,672**	**-**	**248,191**
EXERCISABLE AT 31ST OCTOBER 2016	**-**	**-**	**-**	**-**	**-**
EXERCISABLE AT 31ST OCTOBER 2015	**-**	**-**	**-**	**-**	**-**
	£m	**£m**	**£m**	**£m**	**Total £m**
Charge to income for the current year	**-**	**0.2**	**0.5**	**-**	**0.7**
Charge to income for the prior year	0.1	0.7	-	-	0.8

The weighted average exercise price of deferred bonus plan share options was £nil (2015: £nil).

Total share incentive schemes

	2016 Number of options	2015 Number of options
Movements in the year		
Options at beginning of the year	5,829,606	5,176,594
Granted during the year	2,479,067	1,791,031
Exercised during the year	(2,702,373)	(768,887)
Lapsed during the year	(617,333)	(369,132)
OUTSTANDING AT END OF THE YEAR	**4,988,967**	**5,829,606**
EXERCISABLE AT END OF THE YEAR	**36,937**	**-**
	£m	**£m**
Charge to income for the year	4.4	5.0

The weighted average share price at the date of exercise of share options exercised during the year was £5.01 (2015: £4.08).

The options outstanding had a range of exercise prices of £nil to £4.51 (2015: £nil to £4.51) and a weighted average remaining contractual life of 6.3 years (2015: 5.7 years)

22 CONTINGENT LIABILITIES AND COMMITMENTS

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.

In the ordinary course of business the Group enters into certain land purchase contracts with vendors on a conditional exchange basis. The conditions must be satisfied for the Group to recognise the land asset and corresponding liability within the statement of financial position. No contingent liability in respect of conditional land acquisitions has been recognised.

The Group provides for all known material legal actions, where having taken appropriate legal advice as to the likelihood of success of the actions, it is considered probable that an outflow of economic resource will be required, and the amount can be reliably measured. No contingent liability in respect of such claims has been recognised.

23 OPERATING LEASES

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

	2016 £m	2015 £m
Land and buildings		
Within one year	2.4	2.5
Less: minimum sub-lease income	(0.5)	(0.7)
Between two and five years	7.4	8.1
Less: minimum sub-lease income	(0.9)	(1.1)
After five years	2.4	2.8
	10.8	**11.6**
Other		
Within one year	1.5	1.4
Between two and five years	2.5	1.9
	4.0	**3.3**

24 MOVEMENT IN NET CASH/(DEBT)

	2016 £m	Movement £m	2015 £m
Cash and cash equivalents	282.3	94.9	187.4
Bank loans	(205.3)	12.7	(218.0)
NET CASH/(DEBT)	**77.0**	**107.6**	**(30.6)**

25 RELATED PARTY TRANSACTIONS

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

Transactions between the Group and key management personnel mainly comprise remuneration, details of which are given in Note 4. Detailed disclosure for Board members is given within the Directors' remuneration report. During the year the Group sold a house on normal commercial terms to a member of the Executive Management Team for £672,500.

The Company's Directors and Non-Executive Directors have associations other than the Company. From time to time the Group may buy products or services from organisations with which a Director or Non-Executive Director has an association. Where this occurs, it is on normal commercial terms and without the direct involvement of the Director or Non-Executive Director. Pam Alexander, Independent Non-Executive Director, is a Non-Executive Director of The Academy of Urbanism. The Group paid subscription and other fees during the year to The Academy of Urbanism of £200 (2015: £17,000). Stephen Stone, Chief Executive, is a Non-Executive Director of the HBF. The Group paid subscription and other fees during the year to the HBF of £100,000 (2015: £90,000). On the 5th October 2016 Stephen Stone became a Non-Executive Director of the NHBC. During the year the Group paid fees of £2.6m to the NHBC, mainly relating to warranty insurance costs on new homes built.

The Group had the following transactions with its joint ventures: (i) the Group provided book-keeping services to a joint venture which was recharged at cost of £24,000 (2015: £24,000), (ii) the Group received £1.6m (2015: £0.4m) interest on joint venture funding, (iii) the Group received £0.2m (2015: £0.1m) in project management fees, and, (iv) the amount of outstanding loans due to the Group from joint ventures was £54.8m (2015: £33.9m).

26 GROUP UNDERTAKINGS

In accordance with s409 Companies Act 2006, the following is a list of all the Group's undertakings at 31st October 2016.

Subsidiary undertakings

During the year the Group acquired a 100% interest in the ordinary share capital of Crest Nicholson (Highlands Farm) Limited, Crest Nicholson (Henley-on-Thames) Limited and Crest Nicholson (Stotfold) Limited. Two of the companies (the other being a holding company) contained a land asset which the Group aims to develop in due course. The Group has treated the acquisitions as asset acquisitions, rather than a business combination under IFRS 3, on the basis that the acquired entities do not constitute an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return on their own.

At 31st October 2016 the Group had an interest in the below subsidiary undertakings, which are included in the consolidated financial statements.

Entity name	Registered office	Place of incorporation	Active/ Dormant	Year end date	Shareholding (direct or indirect)
Bartley Wood Management Services No.2 Limited	1	5	7	31st March	100%
Bath Riverside Estate Management Company Limited	2	5	8	31st October	100%
Bath Riverside Liberty Management Company Limited	2	5	8	31st October	100%
Block F1 Whitelands Park Limited	1	5	8	31st October	100%
Block F2 Whitelands Park Limited	1	5	8	31st October	100%
Block F3 Whitelands Park Limited	1	5	8	31st October	100%
Block L1–L3 Whitelands Park Limited	1	5	8	31st October	100%
Brenville Limited	1	5	8	31st October	100%
Bristol Parkway North Limited	1	5	8	31st October	100%
C N Nominees Limited	1	5	8	31st October	100%
Camberley (Commercial) Limited	1	6	8	31st October	100%
Camberley Res No.1 Limited	1	5	8	31st October	100%
Camberley Res No.2 Limited	1	5	8	31st October	100%
Camberley Res No.3 Limited	1	5	8	31st October	100%
Camberley Res No.4 Limited	1	5	8	31st October	100%
Camberley Res No.5 Limited	1	5	8	31st October	100%
Cardiff Freeport Limited	1	5	8	31st October	100%
Castle Bidco Limited*	1	5	7	31st October	100%
Clevedon Developments Limited	1	5	8	31st October	100%
Clevedon Investment Limited	1	5	7	31st October	100%
CN Properties Limited	1	5	8	31st October	100%
Crest (Claybury) Limited	1	5	8	31st October	100%
Crest (Napsbury) Limited	1	5	8	31st October	100%
Crest Construction Limited	1	5	8	31st October	100%
Crest Construction Management Limited	1	5	8	31st October	100%
Crest Developments Limited	1	5	8	31st October	100%
Crest Estates Limited	1	5	8	31st October	100%

* Castle Bidco Limited is the only direct holding of Crest Nicholson Holdings plc.

Entity name	Registered office	Place of incorporation	Active/ Dormant	Year end date	Shareholding (direct or indirect)
Crest Homes (Chiltern) Limited	1	5	8	31st October	100%
Crest Homes (Eastern) Limited	1	5	8	31st October	100%
Crest Homes (Midlands) Limited	1	5	8	31st October	100%
Crest Homes (Nominees) Limited	1	5	7	31st October	100%
Crest Homes (Northern) Limited	1	5	8	31st October	100%
Crest Homes (South East) Limited	1	5	8	31st October	100%
Crest Homes (South West) Limited	1	5	8	31st October	100%
Crest Homes (South) Limited	1	5	8	31st October	100%
Crest Homes (Wessex) Limited	1	5	8	31st October	100%
Crest Homes (Westerham) Limited	1	5	8	31st October	100%
Crest Homes Limited	1	5	8	31st October	100%
Crest Homes Management Limited	1	5	8	31st October	100%
Crest Manhattan Limited	1	5	8	31st October	100%
Crest Nicholson (Bath Western) Limited	1	5	8	31st October	100%
Crest Nicholson (Bath) Holdings Limited	1	5	8	31st October	100%
Crest Nicholson (Chiltern) Limited	1	5	8	31st October	100%
Crest Nicholson (Eastern) Limited	1	5	8	31st October	100%
Crest Nicholson (Epsom) Limited	1	5	8	31st October	100%
Crest Nicholson (Henley-on-Thames) Limited	1	5	7	31st October	100%
Crest Nicholson (Highlands Farm) Limited	1	5	8	31st October	100%
Crest Nicholson (Londinium) Limited	1	5	8	31st October	100%
Crest Nicholson (London) Limited	1	5	8	31st October	100%
Crest Nicholson (Midlands) Limited	1	5	8	31st October	100%
Crest Nicholson (Rainsford Road) Limited	1	5	8	31st October	100%
Crest Nicholson (South East) Limited	1	5	8	31st October	100%
Crest Nicholson (South West) Limited	1	5	8	31st October	100%
Crest Nicholson (South) Limited	1	5	8	31st October	100%
Crest Nicholson (Stotfold) Limited	1	5	7	31st October	100%
Crest Nicholson (Wainscott)	1	5	8	31st October	100%
Crest Nicholson (Wessex) Limited	1	5	8	31st October	100%
Crest Nicholson Developments (Chertsey) Limited	1	5	7	31st October	100%
Crest Nicholson Greenwich Limited	1	5	8	31st October	100%
Crest Nicholson Operations Limited	1	5	7	31st October	100%
Crest Nicholson Overseas Limited	1	5	8	31st October	100%
Crest Nicholson plc	1	5	7	31st October	100%
Crest Nicholson Projects Limited	1	5	8	31st October	100%
Crest Nicholson Properties Limited	1	5	8	31st October	100%

Entity name	Registered office	Place of incorporation	Active/ Dormant	Year end date	Shareholding (direct or indirect)
Crest Nicholson Properties Scarborough No 2 Limited	1	6	8	31st October	100%
Crest Nicholson Quest Trustee Limited	1	5	8	31st October	100%
Crest Nicholson Regeneration Limited	1	5	8	31st October	100%
Crest Nicholson Residential (London) Limited	1	5	8	31st October	100%
Crest Nicholson Residential (Midlands) Limited	1	5	8	31st October	100%
Crest Nicholson Residential (South East) Limited	1	5	8	31st October	100%
Crest Nicholson Residential (South) Limited	1	5	8	31st October	100%
Crest Nicholson Residential Limited	1	5	8	31st October	100%
Crest Nominees Limited	1	5	8	31st October	100%
Crest Partnership Homes Limited	1	5	8	31st October	100%
Crest Strategic Projects Limited	1	5	8	31st October	100%
Dialled Despatches Limited	1	5	8	31st October	100%
Eastern Perspective Management Company Limited	1	5	8	31st October	100%
Grassphalte-Gaze Limited	1	5	8	31st October	100%
Landscape Estates Limited	1	5	8	31st October	100%
Mertonplace Limited	1	5	8	31st October	100%
Nicholson Estates (Century House) Limited	1	5	8	31st October	100%
Nicholson Estates GN Tower No 2 Limited	1	6	8	31st October	100%
Nicholson Homes Limited	1	5	8	31st October	100%
Park Central Management (Central Plaza) Limited	1	5	7	31st October	100%
Ellis Mews (Park Central) Management Limited	1	5	7	31st October	100%
Park Central Management (Zone 11) Limited	1	5	8	31st October	100%
Park Central Management (Zone 12) Limited	1	5	8	31st October	100%
Park Central Management (Zone 1A North) Limited	1	5	8	31st October	100%
Park Central Management (Zone 1A South) Limited	1	5	8	31st October	100%
Park Central Management (Zone 1B) Limited	1	5	8	31st October	100%
Park Central Management (Zone 3/1) Limited	1	5	8	31st October	100%
Park Central Management (Zone 3/2) Limited	1	5	8	31st October	100%
Park Central Management (Zone 3/3) Limited	1	5	8	31st October	100%
Park Central Management (Zone 3/4) Limited	1	5	8	31st October	100%
Park Central Management (Zone 4/41 & 42) Limited	1	5	8	31st October	100%
Park Central Management (Zone 4/43/44) Limited	1	5	8	31st October	100%
Park Central Management (Zone 5/53) Limited	1	5	8	31st October	100%
Park Central Management (Zone 5/54) Limited	1	5	8	31st October	100%
Park Central Management (Zone 5/55) Limited	1	5	8	31st October	100%
Park Central Management (Zone 6/61–64) Limited	1	5	8	31st October	100%
Park Central Management (Zone 7/9) Limited	1	5	8	31st October	100%

Entity name	Registered office	Place of incorporation	Active/ Dormant	Year end date	Shareholding (direct or indirect)
Park Central Management (Zone 8) Limited	1	5	7	31st October	100%
Park Central Management (Zone 9/91) Limited	1	5	8	31st January	100%
Riverside Dacorum No 2 Limited	1	6	8	31st October	100%
The Gloucester Docks Trading Company Limited	1	5	8	31st October	100%
Timberform Building Systems Limited	1	5	8	31st October	100%
Toptool Products Limited	1	5	8	31st October	100%
Yawbrook Limited	1	5	8	31st October	100%
Building 7 Harbourside Management Company Limited	1	5	7	31st October	58.33%
Buildings 3A, 3B & 4 Harbourside Management Company Limited	1	5	8	31st December	83.33%
Harbourside Leisure Management Company Limited	1	5	7	31st December	71.43%
Park West Management Services Limited	1	5	7	31st October	62.00%

Joint venture undertakings

At 31st October 2016 the Group had an interest in the following joint venture undertakings which are equity accounted within the consolidated financial statements. The principal activity of all undertakings is that of residential development.

Entity name	Registered office	Place of incorporation	Active/ Dormant	Year end date	Shareholding (direct or indirect)
Material joint ventures					
Kitewood (Cossall) Limited	1	5	7	31st October	50%
Bonner Road LLP	1	5	7	31st March	50%
Crest A2D (Walton Court) LLP	1	5	7	31st March	50%
Other joint ventures not material to the Group					
Crest Nicholson Bioregional Quintain LLP	1	5	7	31st October	50%
Crest/Galliford Try (Epsom) LLP	1	5	7	31st October	50%
The Century House Property Company Limited	1	5	8	31st October	50%
Crest Nicholson Bioregional Quintain (Gallions) LLP	1	5	8	31st October	50%
Brentford Lock Limited	3	5	7	31st December	50%
Haydon Development Company Limited	4	5	7	30th April	21.36%
North Swindon Development Company Limited	1	5	7	31st October	32.64%

Registered office

1 Crest House, Pyrcroft Road, Chertsey, Surrey KT16 9GN, UK.
2 Unit 2 & 3 Beech Court, Wokingham Road, Hurst, Reading RG10 0RU, UK.
3 Persimmon House, Fulford, York YO19 4FE, UK.
4 Drakes Meadow, Penny Lane, Swindon, Wiltshire SN3 3LL, UK.

Place of incorporation

5 Great Britain
6 Jersey

Active/Dormant

7 Active
8 Dormant

Joint operations

The Group is party to a joint arrangement with Linden Homes Limited, the purpose of which is to acquire, and develop, a site in Hemel Hempstead, Hertfordshire. The two parties are jointly responsible for the control and management of the site's development, with each party funding 50% of the cost of the land acquisition and development of the site, in return for 50% of the returns. As such this arrangement was designated as a joint operation.

The Group is party to a joint arrangement with CGNU Life Assurance Limited, the purpose of which is to acquire, and develop, a site in Chertsey, Surrey. The two parties are jointly responsible for the control and management of the site's development, with each party funding 50% of the cost of the land acquisition and development of the site, in return for 50% of the returns. As such this arrangement has been designated as a joint operation.

The Group is party to a joint arrangement with Passion Property Group Limited, the purpose of which was to develop a site in London. The development was completed in 2014 and there are no material balances in the Group financial statements relating to this joint arrangement as at 31st October 2016. The two parties were jointly responsible for the control and management of the site's development, with each party having prescribed funding obligations and returns. As such this arrangement has been designated as a joint operation.

In line with the Group's accounting policies, the Group has recognised its share of the jointly controlled assets and liabilities, and income and expenditure, in relation to these joint arrangements on a line-by-line basis in the consolidated statement of financial position and consolidated income statement.

COMPANY STATEMENT OF FINANCIAL POSITION

As at 31st October 2016	Note	2016 £m	2015 £m
ASSETS			
Non-current assets			
Investments	4	-	-
Current assets			
Trade and other receivables	5	356.4	393.6
TOTAL ASSETS		**356.4**	**393.6**
NET ASSETS		**356.4**	**393.6**
SHAREHOLDERS' EQUITY			
Share capital	6	12.7	12.6
Share premium account	6	73.0	71.6
Retained earnings		270.7	309.4
TOTAL SHAREHOLDERS' EQUITY		**356.4**	**393.6**

The notes on pages 144 to 147 form part of these financial statements .

The financial statements on pages 143 to 147 were approved by the Board of Directors on 24th January 2017.

On behalf of the Board

S Stone
PJ Bergin
Directors

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31st October 2016	Note	Share capital £m	Share premium account £m	Retained earnings £m	Total equity £m
BALANCE AT 1ST NOVEMBER 2014		**12.6**	**71.6**	**331.8**	**416.0**
Profit for the financial year and total comprehensive income		-	-	19.3	19.3
Transactions with shareholders					
Dividends paid	3	-	-	(41.7)	(41.7)
BALANCE AT 31ST OCTOBER 2015		**12.6**	**71.6**	**309.4**	**393.6**
Profit for the financial year and total comprehensive income		-	-	18.0	18.0
Transactions with shareholders					
Dividends paid	3	-	-	(56.6)	(56.6)
Share capital issued		0.1	1.4	(0.1)	1.4
BALANCE AT 31ST OCTOBER 2016		**12.7**	**73.0**	**270.7**	**356.4**

NOTES TO THE COMPANY FINANCIAL STATEMENTS

For the year ended 31st October 2016

1 ACCOUNTING POLICIES

Crest Nicholson Holdings plc (the 'Company') is a company incorporated in the UK. The address of the registered office is Crest House, Pyrcroft Road, Chertsey, Surrey KT16 9GN. The Company financial statements have been prepared and approved by the Directors in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ('FRS 101'), in accordance with the Companies Act 2006, and have been prepared on the historical cost basis. In the previous period the accounts were prepared under the historical cost accounting rules and in accordance with applicable UK accounting standards. The Company has adopted FRS 101 in the year, with the effective transition date being 1st November 2014. The adoption of FRS 101 had no impact on the financial statements and no restatement was required.

The preparation of financial statements in conformity with FRS 101 requires management to make assumptions and judgements that affect the application of policies and reported amounts within the financial statements. Assumptions and judgements are based on experience and other factors that management considers reasonable under the circumstances. Actual results may differ from these estimates.

The financial statements are presented in pounds sterling and amounts stated are denominated in millions (£m). The accounting policies have been applied consistently in dealing with items which are considered material.

These financial statements present information about the Company as an individual undertaking and not about its Group. Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account. The Company recorded a profit for the financial year of £18.0m (2015: £19.3m).

As outlined in FRS 101 paragraph 8(a) the Company is exempt from the requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 'Share-based Payments'. This exemption has been taken in the preparation of these financial statements.

As outlined in FRS 101 paragraph 8(d-e) the Company is exempt from the requirements of IFRS 7 'Financial Instruments: Disclosures', and from the requirements of paragraphs 91 to 99 of IFRS 13 'Fair Value Measurement'. These exemptions have been taken in the preparation of these financial statements.

As outlined in FRS 101 paragraph 8(h) the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements. This exemption has been taken in the preparation of these financial statements.

As outlined in FRS 101 paragraph 8(i) the Company is exempt from the requirement to provide information about the impact of IFRS that have been issued but are not yet effective. This exemption has been taken in the preparation of these financial statements.

Under FRS 101 paragraph 8(j) the Company is exempt from the requirement to disclose related-party transactions with its subsidiary undertakings on the grounds that they are wholly owned subsidiary undertakings of Crest Nicholson Holdings plc. This exemption has been taken in the preparation of these financial statements.

The Company is the holding company of the principal trading entity of the Group headed by Crest Nicholson Holdings plc (the 'Group'). The Group financial statements, which include all the above exemptions, can be obtained from Crest House, Pyrcroft Road, Chertsey, Surrey KT16 9GN. The Company and certain of its subsidiaries are cross-guarantors to the debt facilities of the Group. Accordingly, the Directors have considered the Group's position for the purposes of assessing the use of the going concern basis.

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

There were no new standards, amendments or interpretations that were adopted by the Company and effective for the first time for the financial year beginning 1st November 2015 that had a material impact on the Company.

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

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 year and any adjustment to tax payable in respect of previous years. Taxable profit is profit before tax per the income statement after adjusting for income and expenditure that is not subject to tax, and for items that are subject to tax in other accounting periods. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date. Where uncertain tax liabilities exist, the liability recognised is assessed as the amount that is probable to be payable.

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

Dividends

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

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.

Audit fee

Auditors' remuneration for audit of these financial statements of £10,500 (2015: £9,500) was met by Crest Nicholson plc. No disclosure of other non-audit services has been made as this is included within Note 3 of the consolidated financial statements.

2 DIRECTORS AND EMPLOYEES

The Company had no employees during either year. Details of Directors' emoluments, which were paid by another group company, are set out in the remuneration report on pages 66 to 89.

3 DIVIDENDS

Details of the dividends recognised as distributions to equity shareholders in the year and those proposed after the statement of financial position date are shown in Note 7 of the consolidated financial statements.

4 INVESTMENTS

Investments relate to the investment in Castle Bidco Limited of £1. The subsidiary undertakings are shown in Note 26 of the consolidated financial statements.

5 TRADE AND OTHER RECEIVABLES

	2016 £m	2015 £m
Amounts due from Group undertakings	**356.4**	**393.6**

Amounts due from Group undertakings are unsecured, repayable on demand and carry an interest rate of 5.0% (2015: 5.0%).

6 SHARE CAPITAL

	Shares issued Number	Nominal value Pence	Share capital £	Share premium account £
Ordinary shares as at 1st November 2014	251,431,313	5	12,571,565	71,644,959
New share capital	229,887	5	11,495	15,944
Ordinary shares as at 31st October 2015	**251,661,200**	**5**	**12,583,060**	**71,660,903**
New share capital	2,702,373	5	135,119	1,349,439
ORDINARY SHARES AS AT 31ST OCTOBER 2016	**254,363,573**	**5**	**12,718,179**	**73,010,342**

Ordinary shares are issued and fully paid.

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

	Shares issued Number	Exercise price Pence	Share capital £	Share premium account £
2013 LTIP	1,966,142	-	98,307	-
2014 LTIP	43,176	-	2,159	-
2015 LTIP	17,197	-	860	-
2013 SAYE	554,982	247	27,749	1,343,057
2014 SAYE	2,355	276	118	6,382
2014 Deferred bonus plan	117,448	-	5,872	-
2015 Deferred bonus plan	1,073	-	54	-
	2,702,373		**135,119**	**1,349,439**

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

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

For details of outstanding share options at 31st October 2016 see Note 21 of the consolidated financial statements.

7 CONTINGENT LIABILITIES

There are performance bonds and other arrangements, including those in respect of joint venture partners, undertaken in the ordinary course of business 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.

8 GROUP UNDERTAKINGS

A list of all the Group's undertakings at 31st October 2016 is given in Note 26 of the Group financial statements.

HISTORICAL SUMMARY (UNAUDITED)

For the year ended 31st October 2016

	Note		2016	2015	2014	2013	2012
Consolidated income statement							
Revenue		£m	997.0	804.8	636.3	525.7	408.0
Gross profit		£m	265.8	221.3	182.0	141.2	111.8
Gross profit		%	26.7	27.5	28.6	26.9	27.4
Operating profit before joint ventures	1	£m	203.8	163.3	128.1	97.1	73.3
Operating profit before joint ventures	1	%	20.4	20.3	20.1	18.5	18.0
Share of post-tax (loss)/profit of joint ventures		£m	(0.7)	0.2	-	-	(1.8)
Operating profit after joint ventures	1	£m	203.1	163.5	128.1	97.1	71.5
Net finance expense		£m	8.1	9.5	11.4	10.3	9.4
Profit before taxation	1	£m	195.0	154.0	116.7	86.8	62.1
Income tax (expense)/income		£m	(38.2)	(29.9)	(17.9)	(15.3)	1.8
Profit after taxation attributable to equity shareholders	1	£m	156.8	124.1	98.8	71.5	63.9
Basic earnings per share	1	Pence	62.0	49.3	39.3	29.4	N/A
Consolidated statement of financial position							
Shareholders' funds		£m	719.2	630.7	536.5	470.3	347.1
Net (cash)/borrowings		£m	(77.0)	30.6	19.3	(42.5)	30.3
Capital employed closing		£m	642.2	661.3	555.8	427.8	377.4
Gearing		%	(10.7)	4.9	3.6	(9.0)	8.7
Return on average capital employed	2	%	31.3	26.8	26.0	24.1	20.7
Return on average equity	3	%	23.2	21.3	19.6	17.5	20.2
Housing							
Units completed		Units	2,870	2,725	2,530	2,172	1,882
Average selling price – open market		£000	369	311	287	250	230
Short-term land		Units	15,901	16,064	17,247	16,388	16,959
Strategic land		Units	17,026	17,712	16,219	14,325	12,623
Land pipeline gross development value		£m	10,646	10,466	9,342	7,672	6,799

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

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Crest Nicholson Holdings plc
Registered number 6800600

Crest Nicholson

Sustaining value

Annual integrated report 31st October 2016