



Crest
NICHOLSON

BUILDING LASTING VALUE

Crest Nicholson Annual Integrated Report
31st October 2017



Performance highlights

We maintained the robust financial performance that enables us to build lasting value...

£1,065.6m¹

sales

2016 £1,000.3m

↑ 7%

£207.0m

profit before tax

2016 £195.0m

↑ 6%

66.1p

basic earnings per share

2016 62.0p

↑ 7%

2,935²

homes legally completed in 2017

2016 2,870

↑ 2%

29.7%

return on capital employed

2016 31.3%

↓ 1.6ppts

33.0p

dividend per share

2016 27.6p

↑ 20%

...while managing our social and environmental impacts, and maintaining our position in the FTSE4Good Index.

11%

of apprentices in total workforce

2016 9%

28%

reduction in AIIR compared to 2016

21%

reduction in the total carbon emissions from our offices compared to 2016



¹ Sales is a combination of statutory revenue as per the consolidated income statement and the Group's share of sales earned by joint ventures.

² Includes Crest Nicholson share of units from joint ventures.

>
Total sales

Managed growth of the business

Managing growth to build lasting value and resilience

With a robust housing market, a growing land pipeline, increased outlet breadth and a new division that has opened in the Midlands, the Group continues to target sales of £1.4bn by 2019.

Through 2017 we built good sales momentum, achieving total sales of £1,065.6m, including those through joint ventures. As we enter 2018 our strong land pipeline and new division will enable us to increase outlets.

We have delivered 2,935 new homes in 2017, a 2.3% increase on last year. We have also seen enhanced delivery rates on our larger sites with their mix of traditional and contemporary homes, as well as homes for the Private Rented Sector.

We take a disciplined approach to our business, ensuring we balance risk and reward through our strategic land acquisitions, partnerships, and operations in order to maintain a sound and resilient financial position and strong returns for our shareholders. In 2017, our dividend per share increased by 20% to 33.0p as we continued to build lasting value.



2015
£808.7m

2016
£1,000.3m

2017
£1,065.6m

2018

2019
(Target)
£1.4bn

Delivering to our customers and communities

Building flourishing places for our customers and communities

Our commitment to our customers and stakeholders begins from the very outset with a strong ethos of design, quality and innovation forming the foundation of our visionary masterplans. This ethos and our commitment to consult extensively enables us to create places that both meet housing need and inspire, helping us to build new communities that thrive.

Having delivered more homes in our Garden Villages than ever before, while extending the proportion of affordable homes to over 23% and increasing the number of homes for the Private Rented Sector to 9%, we are creating ever more diverse communities that meet the housing needs of a wide spectrum of customers.

Our investment in social and physical infrastructure continues to grow with new schools, restaurants and cafés, award-winning landscapes and sustainable transport investments all enhancing the vitality and accessibility of our developments. Working with our partners and communities we make sure we have affordable and effective long-term management arrangements that help our communities grow and prosper.

9%
of homes for the
Private Rented Sector

23%
of homes built for
affordable tenure

429
homes built in garden villages



Delivering a mix of homes to support customers and communities



Total investment in training

2015
£0.8m

2016
£1.0m

2017
£1.3m



Building skills and leadership

Investing in skills and leadership for the long term

We're building the skills we need for our long-term future by investing in training programmes that provide our employees with the right skills and knowledge, while maintaining our focus on recruiting a new generation of young talent. We continue to build on our award-winning Site Management Academy and Graduate Programme as well as our Apprenticeship Scheme.

In 2017, we accepted 43 new apprentices across different disciplines. 18% of the trainees in our Apprenticeship and Graduate Schemes and Site Management Academy were female. We were rated the best company in our industry for graduates to work for in 2017 by The Job Crowd and 19 new recruits joined our Site Management Academy. We have continued to strengthen our succession plans across the Group to ensure that we are developing future leaders and managers. We have also launched a programme of work to encourage and support diversity throughout our organisation.

We're committed to developing a culture in which people succeed.

Operating responsibly

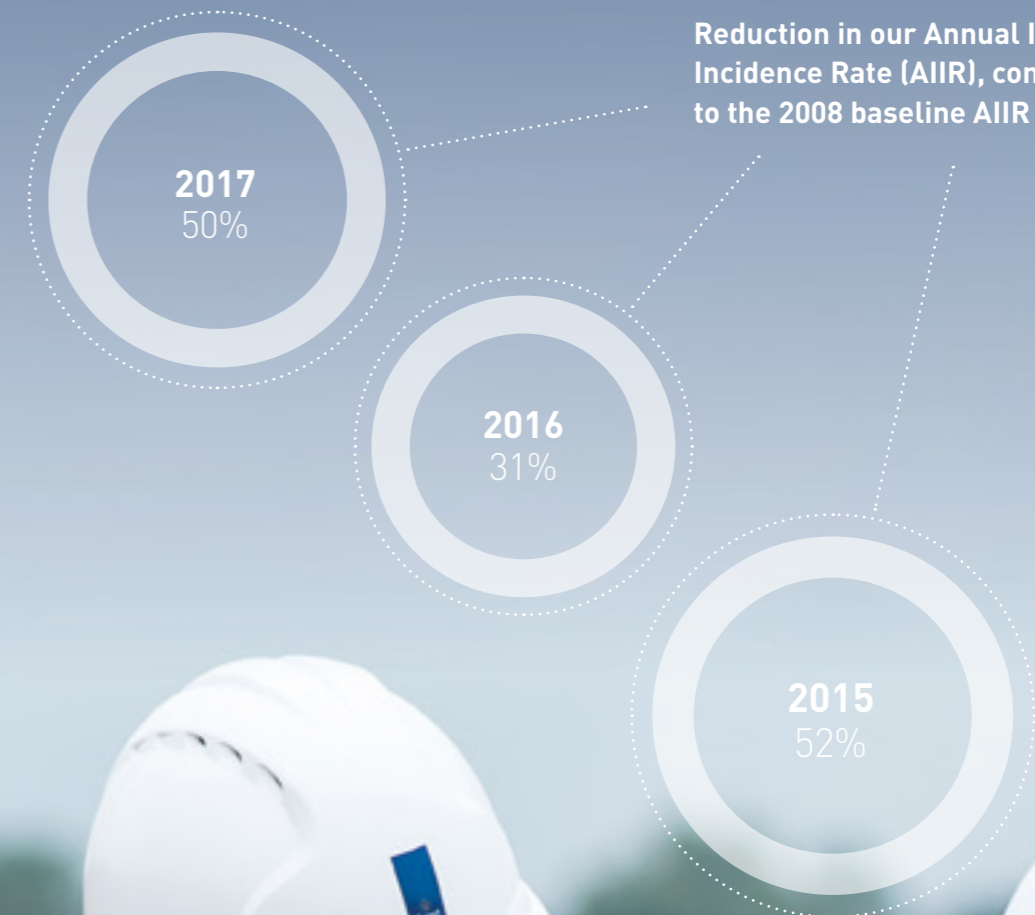
Building new homes and places safely and sustainably

We integrate health, safety and environmental considerations into our operations, from the products and materials we procure to the homes we build and the vibrant communities they belong to. This includes the way we do business with customers, communities and our supply chain, as well as ensuring we minimise our environmental impacts.

Following a poorer than expected performance in our AIIR in 2016, we have focused heavily on our approach to health and safety in 2017, with new required behaviours and personal ownership at all levels, while also working collaboratively with our peers on occupational health. Working with a modern slavery charity, we have developed new procedures in response to the Modern Slavery Act 2015. Our Make Waste History campaign continues to drive our sites to be resource efficient and we've managed to reduce the energy consumed in our offices by 18% per person in the year.

Operating responsibly is at the core of everything we do.

Reduction in our Annual Injury Incidence Rate (AIIR), compared to the 2008 baseline AIIR





Developing strong partnerships

24%

of our land portfolio is the subject of public or private sector partnership arrangements

7 days

to erect a new prototype house to its watertight stage using OSM techniques with reduced waste and enhanced tolerances¹

266 PRS homes

were completed in partnership with M&G and other investors

Delivery Partner

Crest was appointed to the HCA's Delivery Partner Panel in each of our main operating areas

Working with partners and our supply chain

Building partnerships and innovating to create lasting value

We continue to be a development partner of choice for public sector and private sector landowners alike. 3,827 (24%) of the plots in our short-term land pipeline are subject to partnership arrangements. These include our growing relationship with the Defence Infrastructure Organisation (DIO) at Arborfield Garden Village where we are building 2,000 new homes, and a long-term relationship with the Homes and Communities Agency (HCA), which includes significant partnership developments such as Oakgrove, Milton Keynes and Centenary Quay in Southampton.

Our growing relationships with M&G and other investors in the Private Rented Sector (PRS) also continue to flourish. Of the 266 PRS homes built in the year, the first 149 homes were handed to M&G at Kilnwood Vale, Faygate. We also recently secured a resolution to grant planning consent for 114 PRS homes at Arborfield Garden Village in Berkshire.

We are working closely with our supply chain to investigate more efficient production solutions for tomorrow's construction industry. In 2017, we built three prototypes of our emerging new housing range using off-site manufacturing (OSM) techniques at our Arborfield Garden Village to analyse how alternative construction methods can reduce the time it takes to build a home, reduce waste and improve the design process.

At all levels, we are working with partners to address new markets, deliver more homes at a faster pace and increase our productivity.

¹ This data has been collected during our OSM prototype build project at Arborfield Garden Village, Berkshire.

BUILDING LASTING VALUE FOR OVER 50 YEARS

Crest Nicholson has been building homes for more than 50 years. We are a leading developer with a passion for not just building homes, but also building vibrant sustainable communities.

Over the years we have earned the trust of customers and stakeholders by delivering high quality developments, underpinned by robust quality assurance processes that provide clear standards and expectations for our business and for those we work with.

In turn, we have built excellent relationships with our supply chain, as well as landowners, local authorities, industry bodies and other key partners.

We also have the knowledge and expertise that mean we deliver homes not houses, and places not postcodes – where people can belong and where communities can thrive.

That is how we have built a resilient business that creates long-term value for our customers and communities, our employees, our shareholders, our partners and the environment.

That is how we are building lasting value.

www.crestnicholson.com

About this Annual Integrated Report

This is our fourth 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 long-term value for our stakeholders and control risks to achieve business success.

We have reviewed our KPIs this year to ensure that they more accurately reflect the key measures that most influence our business, remuneration and working practices. We have also disclosed other operational performance measures that are important to achieving our business objectives.

The report complies with all relevant strategic reporting requirements for UK listed companies. We provide further sustainability information on our website www.crestnicholson.com/about-us/integrating-sustainability.

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



Read more
in this report



Go online for
more information

Approval

The Strategic Report for the financial year ending 31st October 2017 as presented on pages 03 to 50 was approved by the Board of Directors on 24th January 2018 and signed on its behalf by:

Kevin Maguire

Group Company Secretary

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STRATEGIC REPORT

Our mission drives us

Crest Nicholson's driving ambition is to be the market leader in the design and delivery of high quality homes, workplaces, and retail and leisure spaces where people aspire to live, work and play. We are proud of the reputation we have built for developing imaginative solutions for creating homes and communities that improve the quality of life for people, both now and in the future.

Our insight, knowledge and experience inform us

We anticipate trends in our marketplace and use our expertise to ensure our business activities and operations will sustain value over the longer term.

[See page 12](#)

Our strategy guides us

Managed growth of the business [See page 18](#)

Delivering to our customers and communities [See page 22](#)

Building skills and leadership [See page 28](#)

Operating responsibly [See page 34](#)

Working with partners and our supply chain [See page 40](#)

Our business model delivers value

Our strategy is realised through our business model that creates long-term value for our business, our customers, our people, our shareholders and other stakeholders.

[See page 16](#)



Waterside at Monksmoor Park, Daventry



Chairman's statement

In another year of political uncertainty, with an unexpected General Election and the Government's negotiations underway to determine the UK's place in Europe, I am delighted to say that Crest Nicholson continues to make good progress against its growth targets.

The business maintained its strong financial position in 2017 and achieved continued revenue and earnings growth. We are achieving robust margins and the medium-term market outlook is encouraging.

The Board has proposed a final dividend of 21.8 pence per share (2016: 18.5 pence) for the financial year ended 31st October 2017. The proposed dividend together with the interim dividend is covered 2.0 times by earnings and is in line with our commitment for the year.

Following a challenging Annual General Meeting where we received a vote against our Remuneration Report, we have responded in a number of ways to address shareholders' concerns in a positive way. This has included engaging in dialogue earlier with shareholders to ensure our remuneration targets for 2018 are in line with their expectations. More detail is available in our Directors' Remuneration Report on [pages 69 to 91](#).

Maintaining a strong governance structure is critical to the way we do business and, ultimately, to our performance. We continue to place a strong focus on our business ethics and corporate values, and the Board and Executive Management Team have a vital role to play in this. The standards we set ourselves influence people across our business and as Chairman, I want to ensure our governance fosters a strong culture of integrity and drives long-term success.

The outcomes of this year's evaluation to review how effectively the Board and its Committees operate were positive, confirming that we are managing the organisation to the high standards we demand. We also held several strategy meetings to help frame the focus and activity of the Board and its Committees for the year.

While customer service is always a key topic for the Board, 2017 has seen a focus on achieving a strong

"While customer service is always a key topic for the Board, 2017 has seen a focus on achieving a strong health and safety performance as well as off-site manufacture and our new core house types."

William Rucker
Chairman



health and safety performance, as well as off-site manufacture (OSM) and our new core house types. During the year the Board established a Technical Committee comprising members of the Board and other senior management and advisers to oversee the implementation of the Group's OSM initiatives and core house types. The Board will focus on growth and delivery in 2018, especially as we determine the benefits OSM could offer us in the years ahead.

The tragedy at Grenfell Tower this year led to an independent review of Building Regulations and Fire Safety being announced by the Government in July 2017. Crest Nicholson will support this review and the Board will take full account of its findings. Health and safety will remain a priority, and this will be supported by the dedicated Health and Safety Sub-Committee of the Executive Management Team.

All our people have played their part in our success, and I would like to thank them for the hard work and dedication they have shown throughout the year. Board succession has been a key area of focus this year with a number of changes taking place. In January 2017, Patrick Bergin was appointed Chief Operating Officer and I am pleased to announce that he has subsequently been promoted to CEO with Stephen Stone stepping in as Executive Chairman. Both are set to take effect on 22nd March 2018. I will not be standing for re-election at the AGM.

We also welcomed Chris Tinker to the Board in January 2017 after 10 years on the Executive Management Team, and Robert Allen became our new Group Finance Director in February 2017.

Octavia Morley joined the Board as a new Non-Executive Director in May 2017. I am delighted with all of these appointments, which will add significantly to the diversity of skills, expertise and experience on the Board and Executive Management Team, and provide us with a renewed energy to progress our strategy for the future. The biographies of the Board members are detailed on [pages 55 and 56](#).

Looking to the future, I believe Crest Nicholson is well placed to take full advantage of the opportunities ahead. Our management and people are committed to exploring new ideas, designs and building methods. They stand at the forefront of our industry, ready to deliver the homes our customers want and sustainable value to all our stakeholders.

William Rucker
Chairman

Results and dividends

£168.6m

the Group's consolidated profit after taxation for the financial year ended 31st October 2017
(2016: £156.8m)

↑ 7.5%

21.8p

proposed final dividend for the financial year ended 31st October 2017
(2016: 18.5p)

↑ 17.8%

33.0p

together with interim dividend of 11.2 pence per share paid in October 2017
(2016: 27.6 pence)

↑ 19.6%

Key Areas of Board Focus in 2017

Board meetings cover Group matters and operational activities in each of our divisions, involving the Executive Management Team and divisional management in discussion about developments on industry trends, strategic focus areas, demographics, best practice and potential risks.

The Board reviewed our strategic priorities and established key objectives for delivery in 2017. It also set our risk appetite for the year and used feedback from shareholders to seek stronger shareholder support at the 2018 Annual General Meeting.

Health and safety

The Board has continued its focus on health and safety, overseeing the work of the Health and Safety Sub-Committee of the Executive Management Team, chaired by Stephen Stone.

Succession planning

Through the Nomination Committee, the Board has considered succession planning for itself and more widely throughout the business ensuring arrangements are in place for the timely identification of successors.

Divisional development and expansion

The Board approved the establishment of our new Midlands division and increased resources in key teams to ensure we have the infrastructure in place to achieve our growth targets.

Remuneration

We engaged with and sought feedback from shareholders to ensure that changes to our remuneration arrangements were in line with expectations for the 2018 AGM.

Core house types

The Board has monitored the work underway to create our new range of house types and design principles.

Off-site manufacture

The Board has monitored the Group's progress on OSM, including the three prototype homes built at our Arborfield site.

More information on the Board's activity during the year can be found in the Governance section on [pages 51 to 95](#).



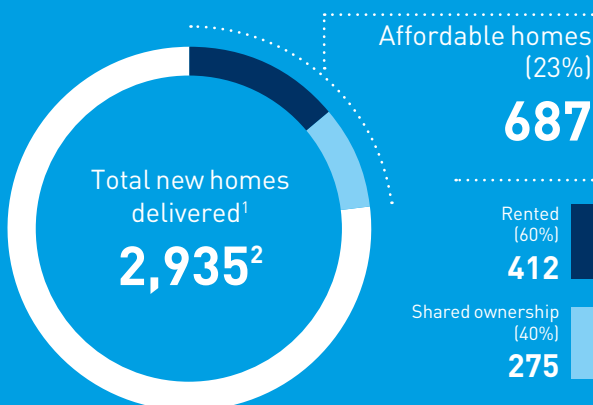
Chief Executive's strategic update

Delivering for the long term through innovation

We recognise that doing things more efficiently, managing our business risks better and building resilience are what ensure we have a business that is building lasting value.



New homes delivered in 2017



¹ ↑ 2.3% increase compared to 2016.

² Includes Crest Nicholson share of units from joint ventures.

Continued growth and business expansion

We have had another good year, with solid financial results. We have also continued to strengthen the business and our ability to deliver future growth by opening a new division in the Midlands, increasing our outlets and building momentum in forward sales.

We delivered 2,935 new homes in 2017, an increase of 2.3%. We have achieved an average selling price of £388,000 and the business is clearly positioned as a quality developer in the market. We remain focused on the steady growth of our business as we progress towards our 2019 target of £1.4bn sales.

To do this we are investing in the skills and training of our people and management team to complement the passion and commitment they already bring to Crest Nicholson. We are also building on the fantastic work of our Chiltern division over the last two years, and I am delighted to see that many of our people responsible for that success are now contributing to taking the business forward in our newly formed Midlands division.

In our London division, we have continued to bring forward new land opportunities in more affordable outer zones, as we reduce our exposure to Central London where our sales slowed as we balanced revenue and margins in 2017. At the same time, Help to Buy continues to be an important driver for new house sales, and we welcome the Government's commitment to keep this scheme in place to support our customers.

Building thriving communities and meeting our customers' needs are always our key priorities; they are also critical to achieving our ambitious growth strategy. We are focused on designing homes that provide an exceptional quality of life for customers, and on using production techniques that reduce build time and delays. We are also meeting the needs of communities by building vital infrastructure and by developing a future generation of housing that both lowers the impact on the environment and meets national calls for increased housing delivery.

We continually strive to improve our quality and customer service across the business. We have invested significant time and resources in improving our management processes in this area, which has resulted in improved performance in key metrics, including our overall customer satisfaction score, which has increased by 2% in the year to 88%.



Meeting our challenges

The acute housing shortage is a major concern for the Government and one around which there is a reasonable cross-party consensus. This includes the need to address the provision of social and affordable housing. For us to play our part in fulfilling these needs and meeting our own growth targets, we require disciplined land purchasing that is linked to both availability and cost.

We were concerned about the effects of the decision to leave the EU in 2016 and consequently made some strategic decisions that pushed back some land purchases last year. However, in 2017, we acquired around 3,000 units of strategic land, including important new sites near Colchester and Winchester, adding to our firm footing for the future. We now hold the long and cost-effective land pipeline we need, with further land available through partnerships.

Of course, land is not the only challenge in putting together a successful development. Getting from outline planning consent to building on site can prove a difficult process. The principles behind this are changing, but progress is slow, especially with the decreased resources available to local planning authorities.

A backdrop of ongoing negotiations with the EU and the outcome of the UK General Election in 2017 has resulted in very little movement in key regulatory or policy matters that affect the housing industry. These issues are also linked to another challenge for our industry – the skills shortage in both the trades on site and in technical roles. There needs to be Government action in this area, particularly relating to the challenges of retirement, potentially reduced levels of immigration and the replacement of skills in the workforce. This is compounded by the fact that any changes or initiatives in these areas will take many years to filter through on the ground and in the job market.

We are responding to the skills agenda through our award-winning Site Management Academy, which now offers degree-level qualifications, as well as our Graduate Programme and Apprenticeship Scheme. I am very proud of the progress we are making in this area and I was particularly delighted that we were rated the top company in our industry for graduates to work for in 2017 by The Job Crowd.

Moving the business forward

“Starting with a blank sheet of paper, we have developed an exciting new range of designs for both our houses and apartments, which will complement our traditional product. This has been achieved alongside an off-site manufacture project that has delivered three prototypes at our Arborfield Garden Village, with a variety of house components built in a factory and then installed on site.

We have also continued to improve the way we capture and manage our build quality and performance data on site, and this is driving efficiency in the business and greater consistency in delivery. I am very excited by the potential these initiatives unleash and I am confident we will see tangible benefits in build times, waste management and customer satisfaction over the coming years.

Doing things more efficiently, managing our business risks better and building resilience are what ensure we have a business that is building lasting value. We are not only increasing the breadth of our outlets, but also the products we offer, with a good mix of open market, affordable homes and Private Rented Sector (PRS) units across our portfolio. We have welcomed the Government's Garden Village initiative and its encouragement of accelerated construction.”

Patrick Bergin
Chief Operating Officer



Material issues

Our 'material issues' are the issues that most affect our ability to create long-term value for our business and stakeholders.

The issues defined here have the strongest influence on our ability to create financial, social and environmental value, and have been mapped against our key risks on page 45. For a full list of our material issues go to www.crestnicholson.com/about-us/our-business/material-issues

Land availability and cost

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

Political and legislative uncertainty and change

Uncertainty around the political environment and Brexit, as well as changes to Government policy and regulations that have an impact on the construction industry and housing market.

Well-built, high quality homes and customer satisfaction

Building and delivering homes and developments that meet our quality standards and providing excellent customer service that meets customers' expectations.

Product design and development

Developing innovative houses, apartments and development designs that respond to changing demographics, market needs and climate change.

Housing affordability

Balancing the impact of house price growth with slower growth in customers' income as well as the availability of finance for mortgages.

Industry skills and capacity

Availability of the right skills, experience and capacity within Crest Nicholson and our wider supply chain, the industry and our planning system to support our growth strategy.

Reputation and trust

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

Health, safety and well-being

Providing safe working environments that promote health and safety across our operations. Considering and supporting employees' well-being in work.

Operational efficiency

Making efficient use of our resources, including employees' and our supply chain's time, our construction materials, energy and water.

Corporate responsibility and business ethics

Maintaining a governance structure that supports ethical business practices and compliance with current legislation.

Sustainable procurement of materials

Procurement of materials in consideration of availability, price, quality, and environmental and social criteria that meet industry standards and our own procurement policies.

Stakeholder relationships

Growing, managing and nurturing effective relationships and engagement with stakeholders.

Renewed focus on health and safety

We are making our sites and offices even safer places to work, through our greater focus on health and safety. The Health and Safety Sub-Committee of our Executive Management Team has met routinely throughout the year. It is made up of Executive Management Team members and other senior management, and has helped us develop our renewed focus across the Group. As Board representative for health and safety, I have personally overseen how health and safety is being embedded as part of our culture, ensuring our senior managers take responsibility and ownership for improvement.

Working with Government and the NHBC

The terrible tragedy at Grenfell Tower in 2017 will undoubtedly see a period of reviewing fire safety regulations, and Crest Nicholson will always seek to be at the forefront of safe construction, working in close partnership with the National House Building Council (NHBC).

In this and other matters we provide industry thought leadership and we actively engage with Government and industry bodies like the NHBC and Home Builders Federation (HBF), participating in conferences and discussing initiatives that are important to our business and further the policy aims of the Government.

Encouraging signs in a challenging market

The outlook for the UK housing market is strong, despite the challenges of affordability and the impact of stamp duty changes, which may have suppressed the volume of sales at higher values, especially in London.

Political factors have introduced some uncertainty in the short to medium term, but I expect the new-build housing market to remain robust. Strong levels of employment, low interest rates and good mortgage access should all contribute to a sustainable market.

Our analysis of the five-year prospects for the sector is very encouraging. The business continues to grow in volume and earnings as we expand our operations. Land continues to be in good supply, while interest rates seem likely to remain favourable for some time.

I look forward to even greater success in the years ahead, as we strengthen the business further and as Crest Nicholson continues to build lasting value.

Stephen Stone

Chief Executive

Finance Director's review

Continued growth and strong returns

In my first year as Group Finance Director, I am pleased to present this review of Crest Nicholson's performance in 2017.

Trading performance

Crest Nicholson has continued to grow overall housing volumes and revenues in 2017, while maintaining a focus on both margins and return on capital as we pursue our disciplined growth strategy.

The business delivered a record £1,065.6m of sales including joint ventures, and it continues to target sales of £1.4bn by 2019.

The business uses sales, including those from joint ventures, as a core management measure, to reflect the full extent of our business operations and responsibilities. During 2017, the £1,065.6m (2016: £1,000.3m) of sales comprised £1,043.2m of statutory revenue and £22.4m (2016: £3.3m) of sales through joint ventures, primarily relating to the scheme successfully completed in Peckham, through our joint venture Kitewood (Cossall) Limited.

Statutory revenue was 5% higher than the £997.0m achieved in the prior year, primarily driven by increases in housing revenue. Unit volumes were up 2% at 2,935 (2016: 2,870), with affordable completions 19% higher and open market completions marginally lower than 2016.

Average selling prices (ASPs) were up 5% year on year at £388,000, in line with our well-established strategy to position the business at around this pricing level.

Contributions to revenue from sales of land and mixed-use commercial property continue to comprise less than 10% of overall operations, together accounting for £72.4m (2016: £67.6m). Land is routinely sold by the business to fund infrastructure investment and increase the speed at which housing can be delivered across the portfolio.

The new build market remains generally robust with the exception of Central London where softer pricing has been well trailed in the media and our sales were slower than anticipated as we balanced revenue with margins. Sales price inflation through the year has been positive in aggregate, with most locations achieving elements of pricing growth.

Build cost inflation has increased broadly in line with our expectations as we have experienced an element of imported inflation due to the weakness of sterling combined with continued pressure on wage and salary costs driven by the overall shortage of skilled labour serving the industry.

“The business delivered a record £1,065.6m of sales including joint ventures, and it continues to target sales of £1.4bn by 2019.”

Robert Allen
Group Finance Director





Tileman House, Putney

Gross margins for the year were strong at 26.4% (2016: 26.7%). The lower contribution from higher margin fair-valued projects, and reduced margins on sales in Central London, has contributed to the slight reduction in gross margin.

Operating profits of £211.6m (2016: £203.8m) were 3.8% higher than the prior year. Operating margins remained broadly level at 20.3% (2016: 20.4%), with administrative expenses as a percentage of revenues remaining consistent at 6%.

Finance expense and taxation

Net financing expense of £8.3m (2016: £8.1m) is £0.2m higher, primarily due to net interest on defined benefit pension plan obligations being higher than in the prior year. Reductions in interest credits arising from shared equity loan redemptions were offset by a reduction in imputed interest payable on deferred land payables.

Income tax expense in the year of £38.4m (2016: £38.2m) represented an effective tax rate of 18.6% (2016: 19.6%).

Profit before taxation

Profits before taxation for the year of £207.0m (2016: £195.0m) were 6% higher than the prior year as the Group benefited from the additional profits generated from joint ventures in 2017.

Earnings per share

Basic earnings per share have risen 7% to 66.1 pence from 62.0 pence in 2016.

Full details are shown in [Note 8](#) to the financial statements.

Dividend

The Board proposes to pay a final dividend of 21.8 pence per share for the financial year ended 31st October 2017, which, subject to shareholder approval, will be paid on 6th April 2018 to shareholders on the register at the close of business on 16th March 2018.

If approved, the total dividend paid for 2017 earnings of 66.1 pence per share would be 33.0 pence, an increase of 19.6% over the 27.6 pence paid for 2016 and representing dividend cover of two times.

Cash flow and financial position

The Group had net assets at 31st October 2017 of £817.8m (2016: £719.2m), an increase of 14% over the prior year.

Inventories have increased by 16%, up from £935.8m at 31st October 2016 to £1,086.5m at 31st October 2017, reflecting the growth trajectory in the business. Land inventory continues to represent approximately two-thirds of the inventory balance.

Stocks of completed units have risen to £136.2m (2016: £92.4m) due to increased ASPs and a growing number of sites combined with the timing of sales. About one quarter of the stock of completed units was represented by show homes.

Net cash flows from operations amounted to an inflow of £23.3m (2016: £153.8m), reflecting our disciplined additional investment for growth in new divisions balanced with an ongoing focus on cash generation to maintain prudent levels of borrowings. As expected, the return on capital employed (ROCE) achieved by the business in the year decreased slightly to 29.7% (2016: 31.3%).

During 2017, the Group amended and extended its bank revolving credit facilities for a further five years to June 2022 in addition to completing a £100.0m private

placement of 7 to 12 year Senior loan notes at a weighted average interest rate of 3.5%. The revised financing arrangements provide the flexibility and liquidity needed for growth. At 31st October 2017, the Group had net cash of £33.2m (2016: £77.0m) and was ungeared (2016: ungeared).

Land pipeline

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

	2017		2016	
	Units	GDV – £m	Units	GDV – £m
Short-term housing	16,260	5,527	15,901	5,300
Short-term commercial	-	249	-	232
Total short term	16,260	5,776	15,901	5,532
Strategic land	18,174	5,960	17,026	5,114
Total land pipeline	34,434	11,736	32,927	10,646

The short-term housing pipeline represents 5.5 years of supply (2016: 5.5 years) at 31st October 2017. The business remains focused on ensuring that there is an appropriate number and range of sites in the land pipeline with sufficient years of supply. Through a combination of site acquisitions and conversions from the strategic land pipeline the Group secured 3,573 new plots, replacing the 2,935 plots that legally completed in the year.

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 £340,000, 2% higher than the £333,000 at 31st October 2016.

Strategic land continues to be an important source of supply, and during the year four sites have been converted from the strategic land pipeline into the short-term land pipeline, with new opportunities identified to replenish our strategic holdings as the business continues to pursue our disciplined growth strategy towards our target of £1.4bn sales by 2019.

Robert Allen

Group Finance Director

SALES

The business uses sales as a core management measure to reflect the full extent of our business operations and responsibilities. We define sales as a combination of statutory revenue as per the consolidated income statement and the Group's share of sales earned by joint ventures. The Group has target sales of £1.4bn by 2019.

RETURN ON CAPITAL EMPLOYED (ROCE)

The business uses ROCE as a core management measure to reflect the profitability and efficiency with which its capital is employed in our business. ROCE is calculated as operating profit divided by average capital employed (capital employed = equity plus net borrowings or less net cash). The Group has long-term performance measures linked to ROCE.



Our operating environment



“Our operating environment can be complex and our industry is cyclical in its nature, making it sensitive to economic and regulatory changes. We face many challenges and opportunities, but the skills and experience within our business, our robust strategy and business model, and the relationships we have with others, mean that Crest Nicholson is well positioned to grow.”

Patrick Bergin
Chief Operating Officer

Supportive Government policy

The Government's Help to Buy equity loan scheme remains in place until 2021, helping buyers to purchase a new-build home. This encourages housebuilders to focus on units under £600,000, which qualify for Help to Buy. The Government also has an ambition to work with lenders to develop green mortgage products that balance lower lending risk with more energy-efficient homes¹.

WHY WE ARE WELL POSITIONED

Most of the homes we build are within the price range covered by Help to Buy, so this scheme is an important driver of sales at our sites. All the homes we build are energy-efficient, which not only helps lower customers' energy bills, but could potentially support applications for any future green mortgage products.

Mortgage rates, employment and wage growth

Mortgage availability remains strong, though the mortgage market could be restricted by changes in Government policy, particularly changes to the Help to Buy equity loan scheme. The buy-to-let mortgage sector has already seen more stringent qualification restrictions put in place over the last two years. Levels of employment in the economy are generally high, but the positive effects of this are somewhat tempered by stagnating wage growth.

WHY WE ARE WELL POSITIONED

Our developments are in areas of high demand and we offer a range of high-quality homes at different price points that not only meet our customers' needs, but offer attractive long-term mortgage opportunities for lenders.

¹ Source: From the Government's Clean Growth Strategy, published 12th October 2017 – www.gov.uk/government/publications/clean-growth-strategy

Continued →

Pressure to increase housing volumes

The UK still has a huge shortfall of homes, which is being addressed through a broad approach that allows for Help to Buy, Private Rented and a good supply of affordable housing. The Government needs to take a longer-term view on housing policy and its White Paper could serve as a blueprint for engaging with a number of the issues that serve to restrict housing volume growth.

WHY WE ARE WELL POSITIONED

We are committed to increasing the housing supply and have already begun accelerated construction on key sites. We continue to provide a mix of tenures to maximise the volume of housing that we can sustainably deliver. Our potential use of off-site manufacturing may also increase our productivity capacity in future years.

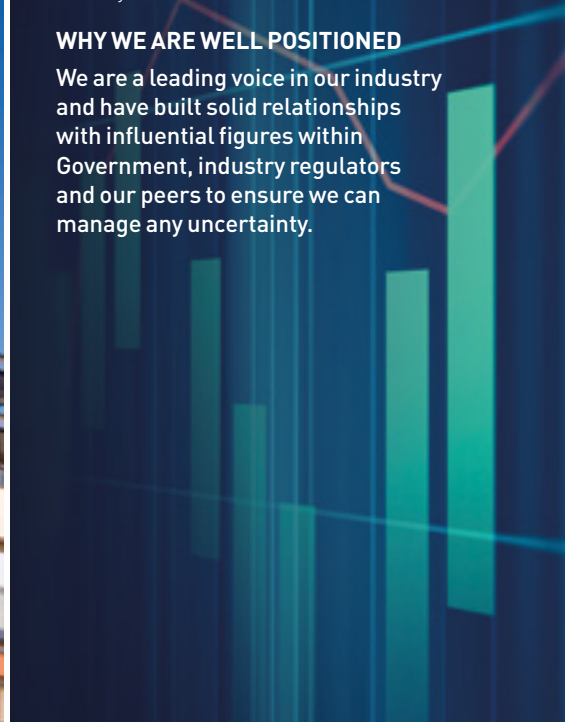


Economic and political uncertainty

The result of the General Election in 2017 and the ongoing negotiations around the UK leaving the EU have resulted in a period of some economic and political uncertainty. None of this changes the fundamental strengths in the market, but the industry may need to adapt to changes in the market in the years ahead.

WHY WE ARE WELL POSITIONED

We are a leading voice in our industry and have built solid relationships with influential figures within Government, industry regulators and our peers to ensure we can manage any uncertainty.

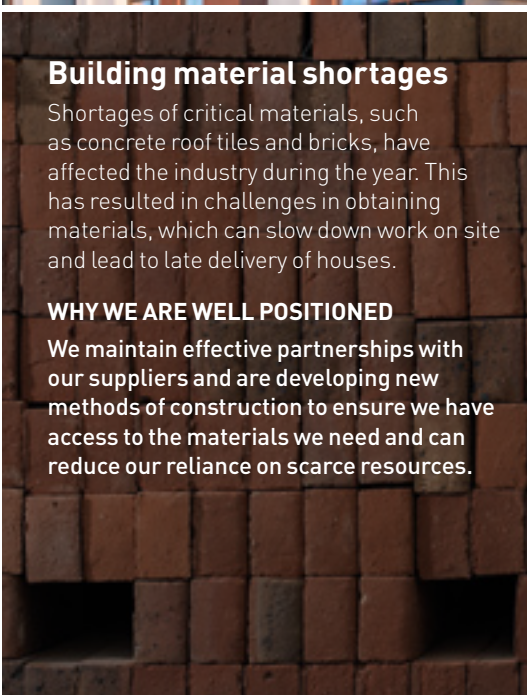


Building material shortages

Shortages of critical materials, such as concrete roof tiles and bricks, have affected the industry during the year. This has resulted in challenges in obtaining materials, which can slow down work on site and lead to late delivery of houses.

WHY WE ARE WELL POSITIONED

We maintain effective partnerships with our suppliers and are developing new methods of construction to ensure we have access to the materials we need and can reduce our reliance on scarce resources.



Planning complexities

While the planning system remains cumbersome and bureaucratic, there have been some improvements in recent years. However, further change is needed and the Government's White Paper on planning has been broadly welcomed by the industry, as it seeks to address the problem of planning delays, including under-resourced planning authorities.

WHY WE ARE WELL POSITIONED

Our strong relationships with local government and public bodies are important in enabling us to deliver detailed planning consents and technical approvals to enable us to start on site, although we are still subject to delays.





Our operating environment continued

Changes to stamp duty

Stamp duty on buy-to-let properties and second homes changed in April 2016, introducing a 3% surcharge for any property over £40,000 being purchased in addition to a main residence. This has compounded the challenge in high-priced areas, such as London, where the tax can already be punitive for customers purchasing properties.

WHY WE ARE WELL POSITIONED

Our geographic mix and variety of house types mean that we are able to secure good rates of sale to owner-occupiers and property investors alike.



Constraints on labour and skills

With the continuing strong demand for new housing, the lack of skilled labour remains a big challenge for our industry. Most housebuilders recognise the need to make significant investments in the skills we all need – from the construction skills required on site to more technical-based design, architectural and surveying skills.

WHY WE ARE WELL POSITIONED

We are strongly focused on developing skills and providing opportunities for career development, including through our Apprenticeship Scheme, our Site Management Academy and our Graduate Scheme.

Changing regulatory environment

Future changes to Building Regulations are expected across a number of areas, including overheating and indoor air quality, as well as fire safety of taller buildings following the tragedy at Grenfell Tower in 2017.

WHY WE ARE WELL POSITIONED

We work to stay ahead of expected Building Regulations, and have already incorporated the new National Space Standards into our new house types, and are factoring other likely changes into our design solutions.



Good land availability

While short-term land availability remains good, the strategic land market is becoming more competitive. This is in part due to the involvement of 'land promoters', who are increasingly being used to promote sites with medium- or long-term planning potential for residential development.

WHY WE ARE WELL POSITIONED

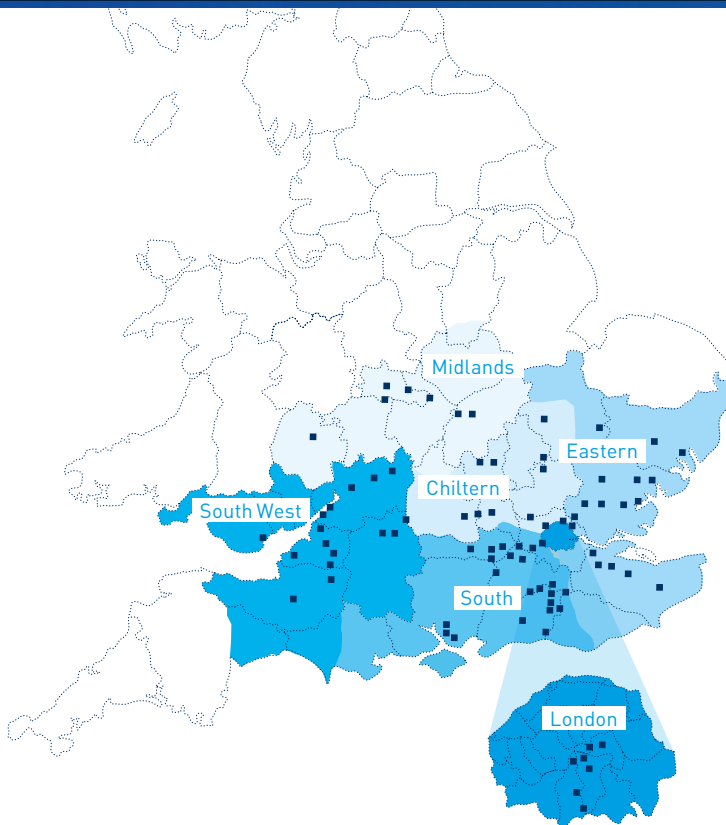
Our relationships with landowners like the Defence Infrastructure Organisation mean we can demonstrate a track record for planning and creating places that not only add and sustain value to communities, but also deliver good returns to landowner and Crest Nicholson alike.



Our regional focus

We operate across the south of England through our six regional divisions, and two specialist teams (Regeneration and Strategic Projects). This delivery model ensures we remain sensitive and responsive to local needs. We are supported by our central functions, which help to drive consistent performance across the business.

A PORTFOLIO THAT IS BUILDING LASTING VALUE



The diversity across our developments is a key strength that enables our divisions to prosper in the cyclical market we operate in.

Garden Villages are our larger 'backbone' sites delivering accelerated construction, valuable local infrastructure and community facilities, and spaces that benefit local people and the environment.

Brownfield developments are high density sites, often regenerating iconic buildings or whole areas, with great quality design and solutions for modern living.

Partnering with large organisations like A2Dominion, Aviva, M&G, the Homes and Communities Agency (HCA) and the Defence Infrastructure Organisation (DIO) helps us unlock critical sites.

London Help to Buy developments where most of the homes we build fall within the Government-backed scheme and offer first-time buyers strong transport links to the City.





Our business model

Our business model is built around our mission to create great places to live for our customers and aims to deliver long-term value for all our stakeholders. It is underpinned by our three core principles of **design and innovation**; **sustainability**; and **customer care**. These principles define us and are what we believe make Crest Nicholson different. Guided by our strategy for success, we use our unique blend of experience, skills and relationships to achieve our mission and help us to grow our business sustainably.

OUR CRITICAL RESOURCES SUSTAIN US



Natural and physical resources

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

People and their skills, knowledge and experience

The skills, knowledge and experience of our employees and our supply chain, and our expertise in masterplanning, design and build.

Stakeholder relationships and partnerships

Relationships with customers, landowners, the Government, local authorities, housing associations, industry bodies and communities.

Financial inputs

Working capital, cash flows and our balance sheet.

OUR STRATEGY FOR SUCCESS



Managed growth of the business

[See page 18](#)

Delivering to our customers and communities

[See page 22](#)

Building skills and leadership

[See page 28](#)

Operating responsibly

[See page 34](#)

Working with partners and our supply chain

[See page 40](#)

OUR REGIONAL FOCUS ENABLES US TO BE RESPONSIVE



Six regional offices

- Chiltern
- Eastern
- London
- Midlands
- South
- South West

Two further business units complement the regional divisions to provide specialist skills and enhance opportunities for partnerships

Crest Nicholson Regeneration

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

Crest Strategic Projects

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

OUR UNIQUE APPROACH TO CREATING COMMUNITIES



Targeted and strategic land purchases

From the earliest stages, we carefully consider the vital ingredients that are essential for adding value to existing local communities. That means identifying and purchasing well-located land with the most potential to create great places to live for our customers.

Outstanding planning and design

Our masterplanning skills help us to produce some of the most innovative ideas when designing a new development. We also take on very complex regeneration and brownfield developments alongside our Garden Village projects.

Quality and innovative construction

Quality control is one of our biggest priorities and we have digitised many of our processes to improve consistency and maintain high standards across the Group. We have also incorporated many innovations into our new core range of house type designs and are testing various off-site manufacture systems.

High levels of customer satisfaction

We understand what buying a new home means for our customers and aim to help them through the process with excellent service, support and aftercare. They can raise issues with us at any stage through a dedicated phone service staffed 24 hours a day.

Developing and supporting effective legacy and stewardship mechanisms

It is one thing to create a great place to live, but another to ensure it stays that way. We aim to ensure a management company or Community Interest Company is in place by the time a development is complete to maintain the landscape and community facilities we build.

WE CREATE VALUE FOR OUR STAKEHOLDERS AND WIDER SOCIETY

Growing returns for our investors and tax revenue

[See pages 9 and 18](#)

Quality built homes, infrastructure and community assets

[See page 22](#)

Skills and leadership for the future of the construction sector in the UK

[See page 28](#)

Employment opportunities and economic growth

[See pages 18 and 28](#)

Low impact new homes and beneficial green spaces

[See page 22](#)



Managed growth of the business

How we manage growth to build lasting value and resilience

We focus on our people, our product, our portfolio and our partnerships to deliver lasting value for our stakeholders.

Delivering sustainable growth

We continue to target sales of £1.4bn by 2019 while maintaining excellent customer service and responding to the needs of stakeholders in the wider community.

OUR 2017 PROGRESS

We have increased sales by 6.5%, our Chiltern division continues to grow and we have expanded our operations by launching the Midlands division.

Strong returns for shareholders

We take a disciplined approach that ensures we can invest for future revenue growth and make strong cash returns to shareholders.

OUR 2017 PROGRESS

Basic earnings per share increased by 6.6% and our full-year dividend, now 50% of basic earnings per share, increased by 19.6%.



What makes us different?

Investing in skills and innovation

We recognise the importance of investing in our future, both in the people that work for us and in our product.

OUR 2017 PROGRESS

We increased our investment in training by 30% and our Graduate Scheme was rated best in the industry by The Job Crowd. We are using innovative building techniques across a new range of house types and built three prototype houses at Arborfield as we explore new methods of construction.

Leveraging our strategic land and partnerships

We balance risk and reward in our land profile to maintain a consistent supply in strategic locations and a resilience in margins.

OUR 2017 PROGRESS

We purchased 2,761 units of strategic land in the year. 28.2% of plots delivered in the year came from the strategic land pipeline and 19.6% from public sector land. 39% of our short-term land pipeline is hedged and subject to valuation at the point of drawdown.

Working our diversified site portfolio harder

We are maximising the sales opportunities from our sites by increasing the variety and number of outlets available to our customers.

OUR 2017 PROGRESS

We have increased our sales outlets by 8.5% and continued to develop our PRS offering, having delivered 266 units, and 114 have received a resolution to grant planning at Arborfield Garden Village in Berkshire.



Positioned for growth

Crest Nicholson continues to target sales of £1.4bn by 2019 in a new-build housing market that remains robust, particularly at price points where Help to Buy is available. We are building greater resilience and efficiency in the business, selling at a growing number of locations, and we have achieved a 8.5% increase in outlets during the year.

We have expanded our regional operations, opening the new Midlands division in August 2017. The new division is already working at three developments: Bournville Park, Birmingham; Hansford Park, Rugby; and Elysian Gardens, Balsall Common. Our Chiltern division has enjoyed strong success, having itself only been in operation since late 2014, and recently added five new schemes to its portfolio, with planning approved at four of them.

The potential of our London division is still very much linked to housing affordability and we are continuing to shift our focus to the more affordable outer zones, where owner occupation levels are typically higher. In general, our diversified product mix can facilitate purchasers' access to the Government's Help to Buy scheme, even in high-price areas, while Private Rented Sector (PRS) units are being introduced at more of our developments, providing an additional revenue stream. We have extended our collaboration with M&G onto Arborfield, having already worked with them on PRS units at Kilnwood Vale, Faygate, and at Bath Riverside, Bath.

We have built sales momentum throughout the year and seen strong contributions from several flagship schemes, including the first phase of the Longcross Garden Village, and apartment schemes at Peckham, Sydenham Hill, Southampton and Faygate. We have also achieved very strong sales at Paintworks, our brownfield site near Bristol, while at Arborfield Garden Village in Berkshire we have worked with key partners to prototype new houses with some components built off site as we explore construction techniques to assist us in increasing the supply of new homes over the next few years.

Good land availability

Building resilience in the business also means ensuring we have an adequate land pipeline, which needs disciplined land purchasing and good partnerships with major landowners. We delayed some land purchases last year due to uncertainty in the market after the UK's vote to leave the European Union, but we have now made significant strategic land purchases this year to replenish our land pipeline.

During the year, we acquired 21 new sites and 2,190 plots, and converted 3 sites and 1,287 plots from the strategic land portfolio. In the year the strategic pipeline was replenished with new options on five sites comprising 2,761 plots and £918m Gross Development Value (GDV). We benefit from an element of macro-economic protection in the short-term land pipeline with 45% of plots being subject to valuation at the time of drawdown. This includes the 24% of plots in the short-term land pipeline that are subject to a partnership model where risk and reward is shared.

Our focus in 2018

We will continue to seek opportunities for disciplined growth as the imbalance between supply and demand in the housing market persists and interest rates, despite a small rise in late 2017, are expected to stay relatively low over the next few years.

Standardisation will be the key to delivering operational efficiencies and we will roll out our new core range of house type designs across the Group so that our regional divisions can use them in their planning applications from 2018.

The off-site manufacture of critical build components could simplify our activities on site and speed up the construction process. We are testing various designs, techniques and materials, and this will continue to be a major focus for the business through 2018.

HOUSING SUPPLY – WHAT MATTERS TO THE GOVERNMENT?

With a continuing shortage of homes in the UK, we are committed to working with the Government to increase the supply of homes and welcome measures to help us achieve this.

This involves co-operation at all levels to both protect the interests of our business, industry and shareholders, and to serve the needs of the UK's house buyers and the people who represent them in the Government or elsewhere. We make our expertise available to the Government and participate in industry bodies, as well as meetings and consultations directed at improving housing policy.





OPERATIONAL PERFORMANCE MEASURES

Short-term land units

The availability of short-term land units ensures we can progress developments and meet the urgent need for new homes.



Strategic land units

Strategic land unit purchases can be made more cost effectively and for the long term.



Land pipeline total gross development value

A strong land pipeline ensures that we always have good land for our developments.



Average number of outlets

We aim to increase not just the number of sites we have but the number of outlets we have across these sites.



KPIs

Sales

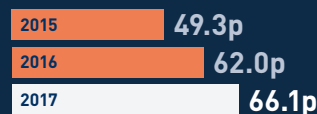
Sales is a combination of statutory revenue as per the consolidated income statement and the Group's share of sales earned by joint ventures.



6.5%
increase

Basic earnings per share

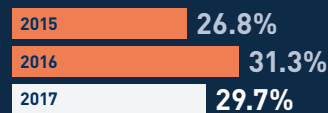
The amount of profit allocated to each share of our stock increased in 2017.



6.6%
increase

Return on capital employed

The return on capital employed achieved in 2017 decreased slightly, due to our disciplined investment for growth in new divisions balanced by an ongoing focus on cash generation to maintain prudent levels of borrowings.



1.6ppts
decrease

The Profit before tax, Basic earnings per share and Return on capital employed KPIs above are directly linked to remuneration (for more information please refer to the Directors' Remuneration Report, [pages 69 to 91](#)).

Profit before tax

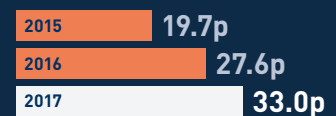
With strong gross margins in 2017, profits before the payment of corporation tax grew by 6%.



6.2%
increase

Dividends per share

The move to a 2x dividend cover enhanced our dividend per share growth to 20% in 2017.



19.6%
increase



Delivering to our customers and communities

How we build flourishing places and communities for our customers

We create high quality, well-designed homes for our customers. We position these within imaginative masterplans, creating a sense of place and helping to establish strong communities, which ultimately seek to deliver a lasting economic, social and environmental legacy.

We support sustainable lifestyles and design homes that minimise our impacts

We build developments with good connectivity and access to local amenities and jobs, and design homes to minimise their potential environmental impacts.

OUR 2017 PROGRESS

53% of the homes we built this year are within 500 metres of local amenities, such as a doctor's surgery, library or local shops. On our larger projects, like Centenary Quay, we build shops and restaurants for the local community.

Developing legacy solutions

We build for the future, invest in infrastructure and develop innovative, affordable solutions to help neighbourhoods thrive.

OUR 2017 PROGRESS

We have put Community Interest Companies in place at four of our developments, enabling residents to take much wider responsibility for the future of their community.

An ongoing commitment to Garden Village principles

We continue to work in partnership with the Town and Country Planning Association to embed Garden Village principles into our larger suburban developments and have a portfolio of four established Garden Villages with several more in the planning pipeline.

OUR 2017 PROGRESS

We completed 429 homes on four Garden Villages at Arborfield, Swindon, Daventry and Longcross. Longcross was the first of the Government's 14 designated Garden Villages to deliver housing completions.



What makes us different?

Our customers come first

Customers are at the heart of everything we do, and we benchmark ourselves against the Home Builders Federation (HBF) customer satisfaction survey results.

OUR 2017 PROGRESS

We continue to run mandatory workshops on customer service and managing customer expectations, which has contributed towards a 2% improvement in customer satisfaction at the end of the year to 88%.

We develop imaginative landscaping solutions

We develop solutions that will create pleasant green spaces and beneficial landscaping to support local wildlife and encourage well-being among residents and visitors.

OUR 2017 PROGRESS

Our Finberry development near Ashford won the award for 'Outstanding Landscaping for Housing' in *The Sunday Times* British Homes Award 2017.

We understand community needs

We seek to ensure our housing mix and tenures respond to local housing need. We also actively consult with local communities and stakeholders to ensure we respond to their wider needs and concerns.

OUR 2017 PROGRESS

23% of our housing was affordable housing with a further 9% being PRS units.



Improving customer service

To remain a thriving business, customer satisfaction must always remain at the heart of what we do.

In 2017 our customer satisfaction score under the 2017 HBF annual customer satisfaction survey was 88%, which is a 2% improvement on our results from 2016. We are proud of this improvement, but remain committed to increasing this customer satisfaction score to a level above 90% which will make us a 5-star rated builder. To achieve this we will:

- Continue to induct and train all our frontline employees in Crest Nicholson's customer service standards and procedures through the 'Making Our Customers Feel Special and Valued' programme.
- Improve our build quality and consistency through completing the digitisation of our quality control processes by incorporating both our Build Stage Inspections (BSI) and Customer Service Inspections (CSI) on our new tablet-based 'Field View' system (previously known as 'Priority One').
- Further enhance our customers' overall experience through the introduction of touch screen technology into our marketing suites and digitised home demonstration and handover processes.

Building lasting communities

We seek to meet local housing needs on all our sites, delivering a combination of homes for rent and sale both on the open market and through more affordable homes delivered in partnership with our Registered Provider partners. This includes between 5% and 10% of new homes being delivered into the Build to Rent market.

Support and engagement is key to all our projects and we remain committed to consulting with local residents, community groups and elected representatives on all our developments to ensure they are fully informed of our proposals and have the opportunity to provide feedback and express ideas. We also organise community events and support local projects that will benefit residents, new and old, for many years to come.

On our major projects generally, and Garden Village developments in particular, we deliver the supporting social and physical infrastructure required to underpin local communities, including schools, leisure facilities, shops and restaurants, and community buildings.

We create places that build lasting value, with facilities for growing food and gardening, walking and cycling, children's play and sport. Our communities are accessible to all and promote economic growth.

From the outset we aim to secure sites that are well-located with good access to public transport and amenities. We then introduce additional initiatives, such as car clubs, cycle lanes and walking paths, as well as inviting green spaces. We also support initiatives that will help the community to develop, and we put affordable and lasting management companies in place to help them thrive in the long term.

BRINGING VITALITY TO CENTENARY QUAY

In our new urban quarter at Centenary Quay, Southampton, being developed in partnership with the Homes and Communities Agency, several new restaurants and coffee shops have opened transforming the heart of the development into a leisure destination for locals and new residents alike. The latest addition is the Supermarine restaurant, which serves up pizza, pasta and wine on the waterfront.





Delivering to our customers and communities

OPERATIONAL PERFORMANCE MEASURES

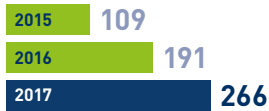
Units delivered

We increased the number of legally completed units we delivered in 2017 by 2.3%. 23% of these units were affordable homes.



Number of PRS units delivered

Private Rented Sector homes are an important part of our housing mix.



New house designs delivering functionality and flexibility

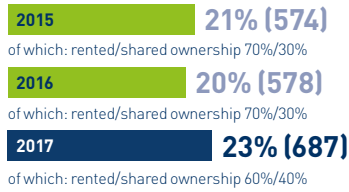
We have been working on a new core range of house designs that sets out to bring something new and contemporary to the market. The diverse range includes 'open' and 'broken' plan arrangements and, using an approach taken from the automotive industry, allows regional and customer customisation, while maintaining a high degree of standardisation to reduce delivery risk and improve cost certainty without impacting on form and function.

Three prototype homes from our new housing range have been built at Arborfield Garden Village in Berkshire. These homes are currently being assessed by customers and staff and we are planning to launch the new range of house designs in 2018.



Percentage of affordable homes

We seek to meet local housing needs on all our sites, including through the provision of affordable homes.



KPIs

Customer satisfaction rating (HBF survey)

This KPI is directly linked to remuneration (for more information, please refer to the Directors' Remuneration report, pages 69 to 91).



Target: 5*

People who would recommend Crest Nicholson to a friend

Recommend to a friend scores are measured through a survey run by the Home Builders Federation and the National House Building Council.



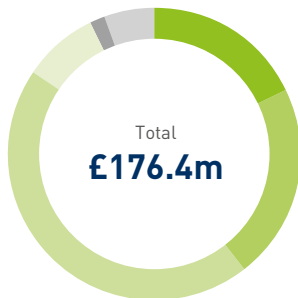


OPENING A NEW SECONDARY SCHOOL EARLY

The new Secondary School at Arborfield Green Garden Village was able to open early in a temporary location through our offer to provide and enable the conversion of two existing military facilities until the new 1,200 place school buildings were complete. We also managed to facilitate the opening of the new school building before the first residents even moved into our Garden Village by working closely with the DIO, Wokingham Borough Council and Bohunt, the new operator for the school. We provided a cleared site and contributions towards the funding of the £36.0m school that will cater for pupils from our new homes as well as from existing nearby communities.



Contributing to social infrastructure and affordable housing



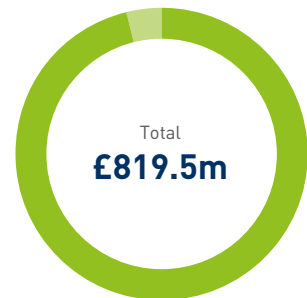
Committed combined Section 106 contributions and Community Infrastructure Levy payments

- £31.6m Travel and transport initiatives
- £38.2m Off-site highways
- £79.2m Education and libraries
- £14.7m Community, leisure and sports facilities
- £3.0m Health, ecology and art initiatives
- £9.7m Community Infrastructure Levy



Cost of works to be delivered

- £141.7m On- and off-site common infrastructure
- £45.8m Landscape and play
- £18.3m Community facilities
- £14.3m Other



Commitment to future affordable housing delivery

- £788.0m On-site delivery subsidy
- £31.5m Off-site combined contributions



Designing sustainable solutions for our customers

83.94¹

SAP energy efficiency rating compared to a UK average for new builds of 81² (2016: 83.65³)

60%

of our homes are compliant with Secure by Design (2016: 66%)

99%

of our homes are fitted with energy-efficient and low-energy lighting (2016: 98%)

43%

of our homes have individual or communal water butts (2016: 42%)

34%

of our homes have at least one type of renewable or low carbon energy (2016: 44%)

97%

of our homes are specified for 105 litres of water per person per day (2016: 100%)

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

37%

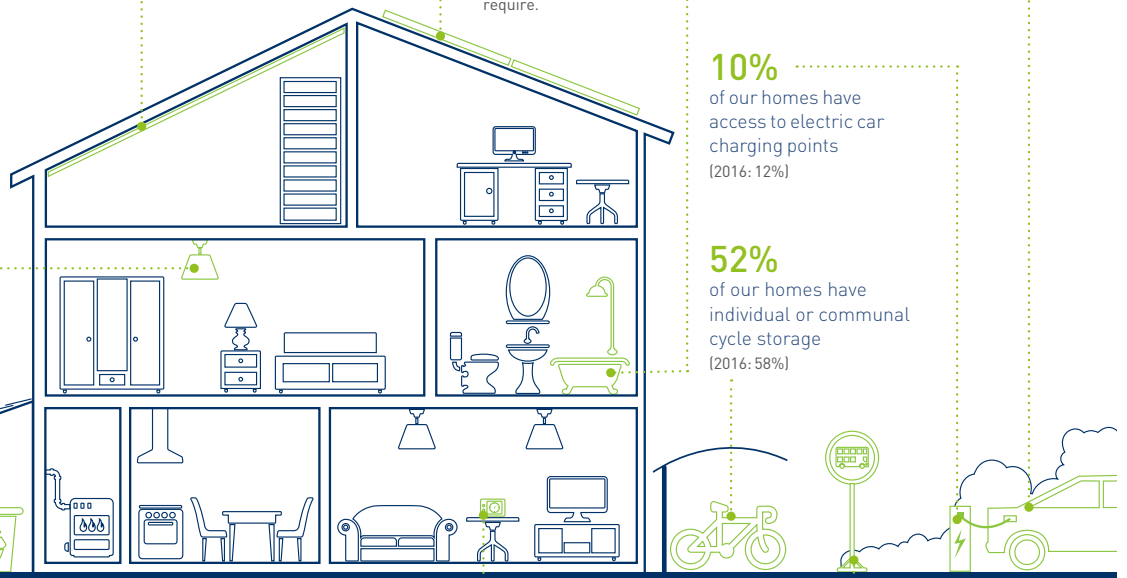
of our homes have sustainable transport initiatives, including access to cycle routes and car-share clubs (2016: 42%)

10%

of our homes have access to electric car charging points (2016: 12%)

52%

of our homes have individual or communal cycle storage (2016: 58%)



99%

of our homes have private, internal recycling facilities (2016: 99%)

97%

of our homes have smart meters (2016: 94%)

100%

of our developments are within 1,500 metres of a bus service (2016: 100%)

¹ Standard Assessment Procedure (SAP) energy rating out of 100, based on SAP 2012.

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

³ This was based on SAP 2009.

Our focus in 2018

The focus on delivering for customers will always be a key driver at Crest Nicholson. We will continue to embed digital innovations across the business during 2018, and refine our new house types following customer and staff feedback. These new designs will improve our quality and building times at our sites, while also helping to reduce our waste.

We are working on new guidance to assist customers in maintaining their new homes – covering everything from nurturing their new lawns to mastering the ventilation technology. This will help customers to get the most out of their homes, increasing overall customer satisfaction while reducing service call-outs.

Combined with this, we are looking to improve the way we brief customers before they move in, with useful reference materials to complement the physical demonstrations of their heating systems and other aspects of their new home.



Building skills and leadership

How we invest in skills and leadership for the long term

We invest in our people, developing their skills and leadership potential from the early stages of employment, and are working hard to ensure Crest Nicholson is a great place to work for everyone.

Changing our approach to learning

We are changing the culture at Crest Nicholson to make continuous improvement and learning a key part of our business.

OUR 2017 PROGRESS

We held a company-wide learning exchange with the divisional directors to share insights and good practices to improve all aspects of the business, with particular focus on health and safety on sites and customer satisfaction.

Promoting talent and developing leadership

Training and mentoring our people both to develop their skills and develop our future leaders is a key priority for us.

OUR 2017 PROGRESS

In addition to putting a focus on senior succession planning during the year, we spent £1.3m on training across the business this year, compared to £1.0m in 2016.



What makes us different?

Site Management Academy tackling the skills gap

We bring new site managers to the industry through our Site Management Academy, developing and training candidates to help them to achieve chartered status.

OUR 2017 PROGRESS

100% of all Academy trainees passed a new test on industry standards and building regulations as stipulated by the NHBC.

Industry-leading graduate programme

Our graduate programme pushes trainees to excel in their discipline, while being exposed to a variety of business experiences, including the opportunity to work with Executive-level colleagues on specific projects.

OUR 2017 PROGRESS

We were rated the top company in our industry for graduates to work for in 2017 by The Job Crowd, and 4th place in the list of the top 100 companies overall.

Degree-level apprenticeship scheme

Apprentices that are well trained and supported will help to fill the skills gaps effectively in both our critical construction roles and some of the more technical roles in our divisions.

OUR 2017 PROGRESS

43 apprentices have been accepted into our apprenticeship scheme this year, with apprentices making up 11% of our total workforce.



Reinforcing a culture of learning

We have continued to drive and support a culture of continuous business improvement and resilience across the business this year. In part, this has been about investing in initiatives such as our off-site manufacture prototypes at Arborfield Garden Village, which advance our understanding and learning in modern methods of construction. This has also meant reinforcing the use of learning and evaluation tools across the business to learn from current and past projects to increase efficiency in our processes and foster an atmosphere of shared knowledge.

At the beginning of the financial year, we set our divisions a challenge to identify areas for improvement in their businesses and to use the tools and Learning Action Plans to make significant progress. In March 2017, our Chief Operating Officer brought the divisional directors together, in a session we called the Divisional Challenge, to talk about the challenges they had identified, share what they had learned, and discuss how they had improved their businesses. Each divisional director left the meeting with the task of embedding the good practices they had taken from the session.

Expanding apprenticeship opportunities

Apprenticeships continue to be an invaluable way of providing our business with the right talent and skills we need for the future. This year we have broadened our programme to office-based apprenticeships, notably future surveyors and technicians. People with these skills are very hard to recruit, even with a successful graduate programme in place, so 'home growing' them through our Apprenticeship Scheme makes sense.

For the first time, we have successfully met our target for apprentices to make up 11% of our workforce. In total, including degree-level apprentices, we have brought 43 apprentices into the business this year, higher than any previous year. Half of our apprentices come directly from colleges.

We support and mentor our apprentices, which is working well, as demonstrated by a 64% retention rate in home building roles. We are also fully aligned and working with the Government's Apprenticeship Levy. We will maintain our 10% target for 2018.

High quality applicants join our Academy

We continue to focus on our Site Management Academy, which is open to all our final-year apprentices, new recruits, existing employees and sub-contractors looking to develop their careers. 19 more people joined the Academy this year, taking us up to a total of 43 trainees. We have seen 13 promotions from the 2015 intake so far and we have a rolling average retention rate of 84%. The quality of applications continues to increase with more mature and senior candidates putting themselves forward to become site managers.

All Academy trainees must now take a test on industry standards and building regulations as stipulated by the NHBC (our warranty provider). This is a first in our industry and we have seen a 100% pass rate so far. And – another first in our industry – we have established a centralised learning programme with the Chartered Institute of Building (CIOB) at Crest Nicholson. We also provide an MCIOB programme for 3rd- and 4th-year trainees to help them achieve chartered status.

DIVISIONAL CHALLENGE

The discussion at the Divisional Challenge covered a wide range of areas and ideas.

- Creating divisional health and safety mission statements to drive employee engagement, ensuring everyone takes responsibility.
- Ensuring consistent use of the pre-planning process for new developments.
- Overcoming any challenges to embed Field View (our new tablet system) on site.
- Increasing customer satisfaction with projects focused on improving our inspections and handovers.
- Continuing to foster a work environment that enables better sharing of knowledge and experiences between teams.





OPERATIONAL PERFORMANCE MEASURES

Number of internal promotions

The increased focus on succession planning across the business saw a sharp increase in internal promotions during the year.



Site manager retention after the Site Management Academy

Developing our own site managers through the Academy is an effective way of ensuring we have the right people on site.



Graduate retention after programme

We value the contribution graduates make at every level of our business and work hard to retain them.



Total training costs across Group

We are strongly committed to providing the training our people need to do their jobs and to progress at Crest Nicholson.



Employees who completed a DPE meeting with their line manager

Our Delivering Professional Excellence (DPE) scheme ensures employees are offered a dedicated and structured meeting with their line manager to discuss their progress, current skillset and opportunities for career growth.



Average training hours per person

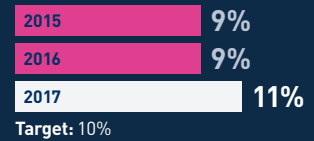
Average training hours for each employee fell in 2017 following spikes in 2015 and 2016 when our DPE programme was originally introduced and existing employees addressed their skills gaps. This year we have shifted the focus to mentoring and support, which isn't always recorded as training hours.



KPIs

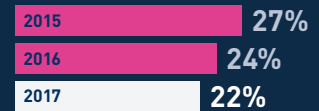
Apprentices in total workforce

Employing apprentices and offering them rewarding careers helps us to address the industry skills shortage.



Staff turnover

Our ambition is to have a more stable, experienced and engaged workforce; there are various workstreams in place to assist us with this and we are rolling out a number of initiatives next year.





Site Management Academy, Class of 2017

AWARD

House Builder Awards 2017

Our Site Management Academy won 'Best training or recruitment initiative'.

AWARD NOMINATIONS

House Builder Awards 2017

Nomination for: Skills Initiative

Nomination for: Making Our Customers Feel Special and Valued



Home Building Federation (HBF) Skills Pledge

Crest Nicholson has a seat on the Home Building Skills Partnership Leadership Board and is actively contributing to both the current and future skills agenda in the homebuilding sector.

We're delighted to have supported the creation of the HBF's Home Building Skills Pledge, which builds on the momentum of the Home Building Skills Partnership and commits companies to working together, and with sub-contractors, to recruit and train more people to the highest industry-agreed standards.



www.hbf.co.uk/policy-activities/home-building-skills-partnership/skillspledge/

Industry-leading graduate programme

Our graduate programme ensures our graduates gain a rounded knowledge of residential property development, while actively contributing to live projects in the business. We were rated the top company in our industry for graduates to work for in 2017 by The Job Crowd, and 4th place in the list of the top 100 companies across all sectors.

We have recruited 53 graduates since 2014, with a rolling average retention rate of 92%. In 2017, we recruited 15 new graduates (2016: 11), including taking on our first construction graduate.

Delivering excellence

During the year 88% of our employees have participated in our Delivering Professional Excellence (DPE) scheme, a programme that enables participants to develop skills aligned to their role and leadership capabilities through a suite of learning and self-development solutions.

We have continued to invest in management development, with 11 employees participating in our Management Excellence programme in 2017. We also provided bespoke training to our Development Directors to help them better manage their relationships with local authorities, including a talk from a trained hostage negotiator who gave insight into the basics of negotiation. This new skill will allow development teams to better anticipate the impact of local plans, resulting in a speedier transition through the planning process.

Our mandatory training programme Making Customers Feel Special and Valued has continued for key employees to ensure we provide excellent customer service and manage expectations throughout the buying process. We're proud that this programme was nominated for 'Best customer satisfaction initiative' in the Housebuilder Awards 2017.

Succession plans and employee retention

With plenty of opportunities in a buoyant job market for site staff, site managers in particular are in demand – so retaining them can be a challenge for us, as it is for our competitors.

Where turnover is high, this can impact heavily on productivity. In addition to our Site Management Academy developing new site managers to respond to this challenge, we have expanded our Learning and Development team this year, recruiting a new manager devoted to refining our induction process. This will ensure new employees get to know our company processes, procedures and standards more quickly, and help to integrate new employees into Crest Nicholson, its projects and sites as smoothly as possible.

Our Recruitment team has also grown to support recruitment in business-critical areas and ensure that we can attract and support fresh talent to the Company. The team is helping to identify suitable candidates and working alongside our hiring managers to provide more rigour to our interviewing process and support the creation of skills development plans for new employees.

Our divisions have also put in place succession plans and, at a company-wide level, we have identified a pipeline of employees to join a new talent development programme. We continue to support this through one-on-one coaching for our high potential senior-level employees.

Diversity Focus Group

As a business in an industry where skills shortages are a key risk, we understand that drawing on the widest possible pool of talent is critical. As part of our response, we created a Diversity Focus Group early in 2017, made

up of divisional Diversity Champions and volunteers from across the business, with Executive sponsorship by the Group Land & Planning Director. The Group held two meetings where they explored what it means to be an inclusive and diverse organisation. It is also looking at gender and what we can do to attract and retain more women to our business and industry, as well as what support they might need to reach more senior positions.

Gender profile at 31 October 2017

	Male	Female	% Female
Board Directors and Executive Management Team	9	3	25%
Senior management	43	11	20%
Total workforce	638	346	35%

Our focus in 2018

We will be working to further implement our talent development strategy and training new managers in Crest Nicholson with the right skills for effective people management. The divisional Diversity Champions are currently seeking input and feedback from staff to inform future areas of work for the Diversity Focus Group. We will also be exploring the impact of leaving the EU with our supply chain to ensure we remain proactive in our approach to minimising the skills gap it will inevitably create.



WHAT MATTERS TO OUR PEOPLE?

Our employees are looking for a fulfilling career at Crest Nicholson; one in which they can build their skills, be supported and be rewarded for their success. They want good workplaces, at both our sites and in our offices, and health and safety at work is very important. They also want relevant training opportunities to be available and expect open and honest communication.

We involve our people at every step during their career with Crest Nicholson and seek to promote them to more fulfilling and challenging roles as they gain skills and experience. Managers at all levels are encouraged to communicate openly and directly with their people and we seek feedback on initiatives and systems, welcoming diverse opinions and innovative ideas.





Operating responsibly

How we build new homes and places safely and sustainably

We integrate economic, social and environmental considerations at every level of our business, from the products and materials we procure to the homes we build to safety on our sites, and we expect the same from our partners.

A step change in health and safety

We show leadership and seek to drive improvements in health and safety at every level of our organisation.

OUR 2017 PROGRESS

Health and safety is now the first item on all divisional board meeting agendas. We have carried out a business-wide audit of scaffold safety and introduced new targets to reduce the number of incidents of non-compliance that could result in an accident.

Creating great green spaces

We enhance local ecology and protect natural environments for both people and wildlife to enjoy.

OUR 2017 PROGRESS

74% of our developments benefited from ecological protection or enhancement measures and we built sustainable urban drainage systems (SUDs) on 78% of our developments in the year.

Responsible sourcing and a sustainable supply chain

We seek to ensure that our materials are responsibly sourced, and that the people working on our sites are treated fairly and with respect, and have a legal right to work in the UK.

OUR 2017 PROGRESS

We introduced an improved internal escalation procedure to effectively respond to any concerns reported on our whistleblowing hotline.



What makes us different?

Tackling our environmental impacts

We always strive to minimise the environmental impacts of construction, while building homes that limit the effects of climate change for our customers.

OUR 2017 PROGRESS

Our new core range of house types incorporate features to reduce the risks of overheating, while also being energy efficient.

More efficient use of resources

We aim to reduce our overall carbon footprint and target reductions in our energy and water use.

OUR 2017 PROGRESS

We have reduced our office energy consumption by 18% per person when compared to 2016.

Our Make Waste History campaign sends a clear message to sites

Our campaign helps us to better manage our resources and save money on materials, create safer, tidier and more efficient sites, and protect the environment.

OUR 2017 PROGRESS

We produce monthly carbon footprint statements and waste dashboards for our sites to help them monitor performance and put in place initiatives to reduce energy and water use and waste.

**2017 health and safety performance****105**

injury incidents with zero lost time (2016: 86)

37

injury incidents with 1 to 7 days' lost time (2016: 30)

17

injury incidents with over 7 days' lost time (2016: 20)

405

working days lost due to injury (2016: 407)

4,089average number employed¹ (2016: 3,460)**205**

construction site safety inspections completed by the NHBC (2016: 167)

Health and safety

Following a poor result in our AIIR in 2016, our health and safety efforts have intensified during the year. This has included producing a more accurate measurement of how we are performing against our health and safety targets. We have also introduced Directors' health and safety tours of our sites and renewed our focus on consistency across the organisation from our Executive Health and Safety Sub-Committee, chaired by the Chief Executive Officer. This has resulted in improved safety management and risk control focus.

Changing our culture

During the year we started work looking at how we can create an even more positive health and safety culture at Crest Nicholson. We have already implemented new procedures and standards and the next step is a programme that will fully engage people in health and safety matters and make our workplaces even safer.

Health and safety is now the first agenda item on all divisional board meetings. Director health and safety site tours have become business as usual, with 142 tours taking place in the year and 56 Directors trained in the procedures required to conduct them. Each division has produced its own health and safety mission statement and agreed a plan to achieve it.

The Main Board receives regular updates on key health and safety KPIs. All serious incidents and internal health and safety improvement notices are reviewed by the Executive Health and Safety Sub-Committee, with a nominated Committee member tasked with ensuring appropriate corrective actions are taken.

Reducing injuries in the workplace**Annual Injury Incidence Rate (AIIR) 2017²**

Crest Nicholson	416
UK Construction Industry (Health and Safety Executive)	398
Home Builder Peer Group (Home Builders Federation)	335

Our Annual Injury Incidence Rate (AIIR) fell by 28% in the year, going from 578³ in 2016 to 416 in 2017. Every one of the 17 incidents reported in conformity with the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) was thoroughly investigated in order to establish what happened and why, and corrective actions were undertaken to prevent future occurrences. We remain committed to meeting the industry's average AIIR rate.

We saw an increase in the number of injury incidents with zero lost time and with 1 to 7 days' lost time in the year. Of the injuries sustained in the year, our data suggests those to hands and fingers were the highest 'by part of body injured'. We will address this by introducing a 'toolbox talk' that contractors can use to brief their site operatives on the appropriate safety rules for hand protection. We will also remind them of their responsibility to assess the risk for tasks with significant hazards and to ensure hand protection is provided and used properly when needed.

Traffic and pedestrian safety

Wherever we use mobile equipment and vehicles, we train our people to use them competently; making sure they are regularly inspected, serviced and maintained. Our site managers produce a risk assessment and a traffic management plan (TMP) for their sites and in 2018 we will be implementing a new standardised system for completing TMPs.

Executive Health and Safety Sub-Committee

The Executive Health and Safety Sub-Committee is chaired by the Chief Executive Officer and attended by senior management, including the Group Health and Safety Director. The Committee aims to identify areas for improvement and to make sure that the right actions and resources are allocated to improve performance across the Group.

With scaffolding identified as an area requiring improvement, the Executive Health and Safety Sub-Committee appointed an external risk management company to conduct a benchmark audit of 38 scaffolding sub-contractors in line with industry standards and best practice, UK legislation and Crest's own standards. The audit revealed a number of improvements required by both Crest Nicholson and some of its supply chain scaffold contractors. Crest Nicholson's Group Health and Safety Director will establish a Working Group to agree the necessary improvements, initiate action and report progress.

The Committee also reviewed concerns around serious injury incidents, serious near misses and internal improvement notices. There were 11 concerns received from the Health and Safety Executive during the year, and following internal investigations and responses to each of them, no further action was taken.

NATIONAL HOUSE BUILDING COUNCIL (NHBC) 2017 HEALTH AND SAFETY AWARDS

Jamie Hurren, Project Manager with Crest Nicholson Regeneration, won a 'Highly Commended' award at the 2017 NHBC Health and Safety Awards for his work at our Bath Riverside development.



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 and roofers).

² The AIIR is calculated by: total number of reportable injuries divided by the average number of people employed. This is then multiplied by 100,000 (to give an injury reporting rate per 100,000 people).

³ In 2016 our AIIR rose to 578 due to an increase in the number of RIDDOR reportable injuries. The results of these incidents together with our wider health and safety work supported our efforts this year to reduce injuries and risks.



OPERATIONAL PERFORMANCE MEASURES

Person days' health and safety training

The majority of health and safety training undertaken by employees was in first aid, risk assessment, incident reporting, scaffolding inspection and lifting operations. The decrease in training hours in 2017 is primarily due to requiring employees to refresh their health and safety training courses every two to three years.



Average Considerate Constructor Scheme (CCS)¹ score

The Considerate Constructors Scheme (CCS) is a voluntary programme designed to encourage best practice in construction activities, going beyond statutory requirements.



Total number of Directors' health and safety tours

Introduced in 2017, this procedure helps Directors demonstrate their personal commitment to health and safety, and requires each Director to complete a minimum of two health and safety tours during the year.



Construction waste diverted from landfill

Across our sites, we operate a rigorous segregation scheme for waste to ensure as much as possible is recycled or reused, rather than ending up in a landfill.



Target: 95%

Developments with ecological enhancement or protection

We always aim to create an outstanding space with genuine ecological features that protect and enhance the environment.



(43 out of 58 developments)

Total tCO₂e per person from office energy

We have reduced emissions through a number of initiatives focused on our Head Office, the most inefficient of our buildings. This included better management of gas boilers and introducing low-energy lighting. We have surpassed our 10% target, achieving a 45% reduction compared to 2013.



Target: 10% reduction by end of 2017, compared to 2013 baseline: 0.91

Total tCO₂e per person from office water

Through a number of initiatives put in place in our offices, including improved control measures in our washrooms and replacing old taps, we have managed to reduce water consumption per person by 44%, compared to 2013.

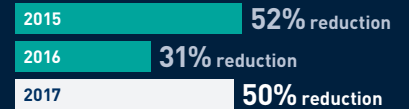


Target: 10% reduction by end of 2017, compared to 2013 baseline: 0.0025

KPIs

Annual Injury Incidence Rate (AIIR)

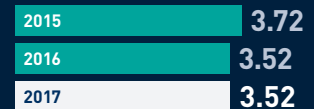
In 2017, our AIIR was 416, which is a 50% reduction on the baseline of 832, set in 2008.



Target: Consistent reduction against the 2008 baseline.

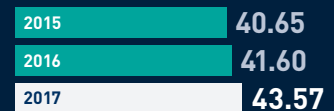
Total tCO₂e per 1,000 sqft delivered²

The normalised carbon footprint is unchanged since 2016. While we saw a significant reduction in office energy, this was offset by an increase in diesel used on our construction sites.



Construction waste volume (yd³ per 1,000 sqft)

Construction waste per 1,000 sqft has increased by 4% compared to the baseline set in 2013. This is mainly due to an increase in inert waste across the business, as well as two divisions reporting higher waste figures than in previous years. The Group will look to assist these divisions to reduce their waste and roll out Group-wide initiatives to continue to drive all waste streams down across our operations.



2017: 4% increase (Baseline 2013: 41.85)

Notes:

- All our sites registered with the Considerate Constructors Scheme are monitored and scored against the Code of Considerate Practice, which includes five areas: Care about Appearance; Respect the Community; Protect the Environment; Secure everyone's Safety; and Value their Workforce.
- This is based on location-based carbon conversion factors. This year's normalised carbon footprint using market-based factors is 3.36. In 2018, we will begin to report against market-based factors rather than location-based factors.

Occupational health

There are many health hazards on our construction sites, including noise, vibration, manual handling, wood and silica dust, and hazardous substances. Some of these health risks are complex, as invisible, silent hazards (such as dust) can be just as deadly as visible safety hazards, but it takes several years for their effects to manifest. 2018 will see us introduce an occupational health standard on all Crest Nicholson controlled construction sites. The standard will address several issues around health awareness, including control of harmful dust and the use of protective equipment for noise and other hazards.

Human rights

Our human resource processes follow UK law and guidelines as well as abiding by International Labour Organization (ILO) standards and conventions.

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. These agreements further stipulate a requirement for all suppliers and sub-contractors to ensure that the materials they procure on our behalf are sourced from suppliers whose own supply chain standards meet the ILO conventions. We reserve the right to carry out supply chain audits to ensure these minimum standards are met.

Modern slavery – our approach

The Modern Slavery Act 2015 requires companies with a turnover of £36.0m or over to publish an annual statement outlining steps it has taken to ensure it and its supply chain are slavery free. Our statement is available on our website at www.crestnicholson.com/legal-information/modern-slavery-statement.

We have improved an internal escalation procedure to respond to employees' and supply chain concerns through our free whistleblowing hotline. Relevant employees have received training from a modern slavery charity in what they need to do should an investigation identify a suspected victim. We will also be providing e-learning for site-based employees to help them identify potential issues, as well as introducing the issue of modern slavery into our corporate inductions.

Environment

We have continued to focus on initiatives that help to improve our resource efficiency and reduce our environmental impact. We are also working to procure timber and other materials from more sustainable sources and introducing beneficial ecological measures on our development sites.

Make Waste History campaign

Our campaign goals remain the same: make better use of our resources and reduce the amount of waste we create on our sites. This also supports the Government's

ambition for companies to achieve zero avoidable waste by 2050. In the year, we have continued to assist our site and production teams in making waste history by providing site-specific benchmarks for volumes of waste and site visits to help address specific challenges. Make Waste History is now a core training session at our Site Management Academy, including training in conducting a site waste audit.

Production Directors and site staff are supplied with monthly dashboards for the waste on their sites, providing a level of detail that helps them to identify specific waste streams that need attention. We also publish a league table to generate healthy competition between the divisions to reduce as much waste as possible.

In 2017, the normalised construction waste (volume per 1,000 sqft) was 43.57, which is a 4% increase against our baseline, 41.85 (in 2013). This increase is due to a number of factors, including a significant rise in the disposal of inert waste. Interestingly, our data shows us that two of the divisions most engaged in the Make Waste History campaign have managed to achieve a reduction in their waste when compared to 2013. These divisions have tested and implemented different take-back initiatives, such as our pallet return scheme, while maintaining consistent messaging on site about the importance of using resources efficiently.

During 2018, we will review waste performance with each division and work with them to improve material management measures on site. We will also pilot more initiatives across the Group to drive waste down in key areas.

We achieved a diversion from landfill rate of 98%, up from 96% last year, by working closely with our site teams and waste contractors to segregate waste well.

Recycling initiatives



We work with a social enterprise called Community Wood Recycling to collect timber waste from a number of our sites. They provide jobs for

local people, especially those who may find it difficult to get into or back to employment, and upskill them with carpentry skills to find future employment opportunities. 100% of the timber collected from our sites is diverted from landfill and the good quality timber is used to build furniture that is sold to the public.

We use a significant number of timber pallets, many of which are placed in our skips once they can no longer be used on site. To make sure that the pallets can be reused and to reduce the number of timber skips we use, we have engaged with RPS (Returnable Packaging Services) to develop and implement a pallet return scheme. The scheme is considerably more cost efficient than using skips as RPS can return 250 pallets on their vehicles for a similar cost as 40 pallets being put in a skip. Following circular economy principles, the good quality pallets are redistributed to suppliers for reuse, while the scrap pallets are chipped and used for generating power.

Committed to energy efficiency

While we continue to provide customers with energy efficient homes, we are equally focused on energy and water efficiency at our offices and on our sites.

Since 2014 we have had a target in place to reduce the carbon emissions associated with energy and water consumption in our offices by 10% per person by 2017. Through a number of initiatives we have surpassed this target every year, resulting in significant carbon emissions reductions in energy (45% since 2013) and water (44% since 2013) per person. The absolute office energy consumption has fallen by 3% since 2013. This is an outstanding achievement considering the average number of people employed in our offices has increased by 47% in that time.

A key reason for this reduction has been the installation of LED lights at our Head Office, which we reported last year. Gas consumption at our Head Office is also 27% lower than in 2016 due to improved control over the heating system and switching the boilers off during the summer months. We are now considering what other initiatives are possible and whether a new 3-year target will help to drive even higher reduction levels.

As well as energy and water reduction initiatives, we continue to purchase 100% renewable electricity at our Bristol and Chertsey offices.

Looking at our entire footprint, our total normalised carbon emissions are equal to 2016 (3.52 tCO₂e/1,000 sqft). While we saw reductions in our emissions from office energy, this was offset by an increase in diesel used on site and an increase in our business travel. We are considering how we can redress this issue, including increasing the provision of charging facilities for electric and hybrid vehicles at our offices and reinforcing efficient use of diesel on site.

Procuring sustainable timber

In 2008 we introduced a company-wide procurement policy on sourcing timber products from sustainable sources.

In 2014, we undertook a detailed review of our procurement process for timber. This involved identifying challenges to address, as well as highlighting best practice in the Group. An action plan was developed to increase procurement rates of sustainable timber and to address any issues. We set clear and measurable targets for procuring Forest Stewardship Council (FSC) certified timber through both suppliers and sub-contractors.



We will be auditing our 2017 performance in early 2018 with results published on our website: www.crestnicholson.com/about-us/integrating-sustainability/our-data

This work has been a success, as a robust divisional audit process is now in place to ensure our timber is sustainably sourced and our commercial teams have been trained and issued guidance to support them in the tender process.

The amount of FSC-certified timber procured through our suppliers has risen from 22% in 2014 to 74% in 2016, while our sub-contractors have managed to increase their use of FSC-certified timber from 5% in 2014 to 33% in 2016¹.

Supporting ecology at Finberry, Ashford

Our Finberry development is a visionary and highly sustainable mixed-use residential development in Ashford, Kent, with 1,100 homes surrounded by ancient woodland, a flood plain and extensive countryside. As part of developing this site, we built an access junction on a dual carriageway, a 1.0 km access road across a floodplain with two bridges, and flood relief culverts costing more than £16.0m.

We worked closely with two specialist architects to not only create and implement the masterplan, but also to protect and enhance the ecology of the site.

Three ornamental lakes were constructed with aquatic planting and species like alder and willow. Mature oak and cherry trees flank the entrance into the development and the main roundabout, creating a tranquil location for people to enjoy. And beyond the well-manicured open spaces, more natural wetland habitats have been created to significantly improve the biodiversity of the surrounding area.

Our focus in 2018

The Executive Management Team approved a proposal to restructure the Group's health and safety department to ensure that all house building divisions have their own dedicated health and safety resource. This will ensure our people have the support they need and will enable us to manage the health and safety risks better.

We will be working with an external consultant to develop an engagement strategy that puts health and safety at the forefront of every employee's day-to-day working life and supports Crest Nicholson's aspiration of keeping everyone at work both safe and healthy.

We are exploring how to bring renewable energy to our site operations and have two pilots underway with a renewable energy provider to supply customers' new homes as well.

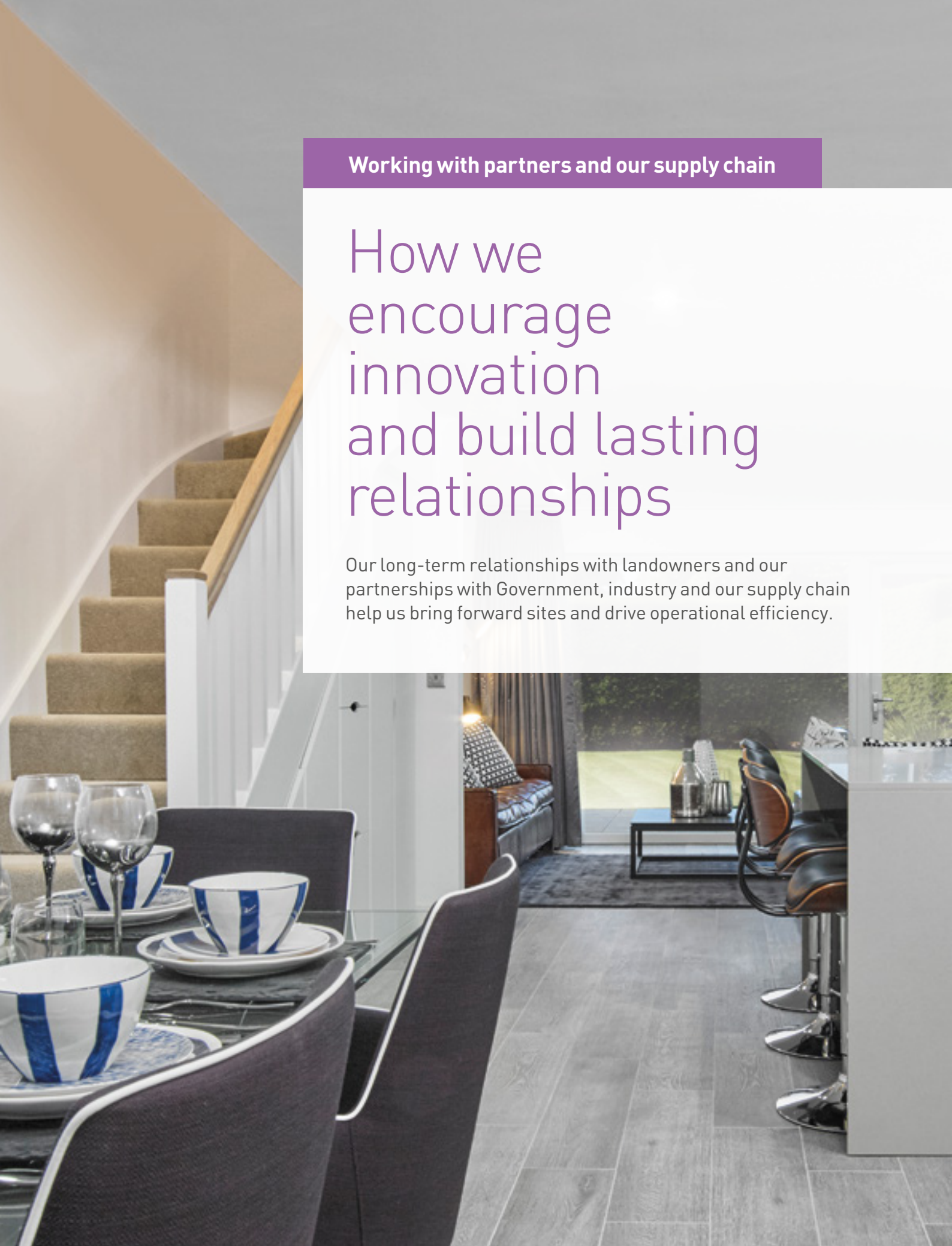
¹ The timber-based products we procure come through a number of certification systems, but primarily FSC and Programme for the Enforcement of Forest Certification (PEFC) sources. In 2016, the total volume of timber procured through our suppliers that was PEFC-certified was 24% and from our sub-contractors was 32%.



Working with partners and our supply chain

How we encourage innovation and build lasting relationships

Our long-term relationships with landowners and our partnerships with Government, industry and our supply chain help us bring forward sites and drive operational efficiency.



Strong relationships with our strategic partners enhance our land bank and long-term value

Our relationships with strategic partners, landowners, local authorities and Government help us unlock real value for all and ensure we have the land we need to build homes in areas where people want to live.

OUR 2017 PROGRESS

Our land pipeline grew by around 400 homes to 16,260 plots. 3,827 of these are subject to partnership arrangements. Our strategic pipeline also grew by around 3,000 units in the year. Our relationships and deals with partners like the DIO and the HCA, where we were selected as their Delivery Partner in all our core operating areas, ensure we are able to create lasting value.

Partnering with PRS investors broadens our housing mix and increases delivery rates

We continue to work closely with M&G, A2 Dominion and other investors to grow our PRS portfolio and pipeline in both urban and sub-urban location.

OUR 2017 PROGRESS

At Kilnwood Vale in Faygate, we completed the first 149 of 227 PRS homes, which were pre-funded by M&G. These were the first purposely designed suburban PRS homes in the UK and provide residents with a multi-use club house and leasing office together with communal lounge, gym and office facilities.



What makes us different?

Strong framework for co-operation and technological innovation

We develop long-term mutually beneficial relationships with consultants and sub-contractors to secure professional services and with suppliers to ensure a consistent and reliable supply of materials. This includes introducing new technology and digitised processes to make it easier for our consultants and supply chain to work with us effectively.

OUR 2017 PROGRESS

We have continued to focus on building the close relationships we need with our supply chain to roll out our new core house type designs across the business and smooth the OSM process for continued expansion across our operations.

We have used 3D modelling to help identify any design conflicts in our new range of house type designs and introduced new standard components.

Innovation in our supply chain drives efficiency through off-site manufacture (OSM)

We have worked closely with our supply chain and sub-contractors to research and develop potentially more efficient off-site construction and assembly methods.

OUR 2017 PROGRESS

Our prototype OSM houses at Arborfield Garden Village were watertight in just over one week, around 90% faster than a standard masonry build.

The steel frame houses were built to exacting tolerances and both the steel and timber frame homes reduced waste considerably, showing the potential to increase productivity substantially.



Building on our key partnerships

The Homes and Communities Agency (HCA), the Defence Infrastructure Organisation (DIO), A2Dominion, Aviva and M&G all remain important delivery partners.

We continue to partner with the HCA at Centenary Quay, Southampton and Oakgrove Village in Milton Keynes to create two £300.0m residential mixed-use communities. We have also been appointed onto the HCA Delivery Partner Panel for their South East, South West and Midlands operating areas. At Arborfield Garden Village, we are working with the DIO to bring this development to life, while also promoting a new residential community of 4,000 homes on DIO land at Wyton in Huntingdonshire.

Crest Nicholson Regeneration has entered into a new partnership arrangement with A2Dominion on the Bicester eco-town, which will involve us designing and delivering 234 fully zero-carbon homes for the first time. At Longcross in Surrey we continue to partner with Aviva in a £1bn joint venture to bring over 1,500 new homes to the area. Longcross was selected as one of 14 Garden Villages to receive formal Government support, and in 2017 its commercial quarter also gained enterprise zone status.

We are also the preferred development partner of Waverley Borough Council in the redevelopment and regeneration of Farnham town centre (including a cinema, leisure and retail facilities, and 237 mixed tenure homes).

New OSM prototypes at Arborfield Garden Village

The process of designing the homes and selecting supply chain partners took two years before we put the first digger in the ground on our three OSM prototype houses at Arborfield. We selected a small number of manufacturer-partners for this ambitious project to test two different construction types – a light-gauge steel frame and a timber frame, both with components built and assembled in the factory.

Normally, these manufacturers would deliver components to site and leave them with us. But in this project, we worked closely with them, alongside the detailed design, to develop the construction methodology for a smooth assembly.

WHAT MATTERS TO OUR SUPPLY CHAIN AND PARTNERS?

Our supply chain partners are critical to our ability to deliver our new house type range and OSM components. We work with industry bodies and specialist suppliers to explore practical ways to improve housebuilding techniques. We have the expertise and experience to take these forward and share our knowledge to improve the impacts created by our industry. This includes working with our supply chain to build security on both sides with our framework agreements.

Our key commercial partners are looking for quality standards, a strong partnership culture and high levels of reliability. We focus on building deep relationships that will endure for the long term, which we do by demonstrating our commitment to sustainable delivery.



Supporting the emergence of the PRS sector

At Kilnwood Vale, Faygate, the first 149 of 227 PRS homes together with the first multi-purpose club house were handed over to M&G this year. The remaining homes will be handed over in 2018.

The new club house, believed to be the first of its kind in the UK, includes shared lounges, a gym, leasing offices and a multi sports utility area incorporating basketball and football.

We also completed the first 117 PRS units at Park Central in Birmingham as part of our larger and long-term regeneration project in partnership with Birmingham City Council, which when completed will bring 1,700 new homes to the area.

At Arborfield Garden Village, our new suburban PRS scheme of 114 units has received a resolution to grant planning, and they are expected to be completed during 2019.

“Our Technical Committee visited the prototypes earlier this year. The Committee’s role is to look at changes in construction and methods used in new prototypes like these, and help build traction in the business for the proposed change. The members of the Committee were very encouraged by the progress, but recognised that growth in OSM will require new technical skills to maintain the speed we need to achieve efficiencies.”

Patrick Bergin

Chief Operating Officer and Chair of the Technical Committee

Club house, Kilnwood Vale





Improving our use of technology

One of the ways we are strengthening our relationships with sub-contractors is to provide new solutions and digitisation, such as our 3D colour designs, which have been very well received. These images now show different materials in different colours and this helps trades interpret them accurately.

We have also investigated the use of smart technology during construction that uses QR codes to call up relevant plans, helping sub-contractors to access what they need easily. We have simplified the drawings, using more colour-coding and less text. This makes them easier to read, overcoming any language barriers, and communicates in a way that is well-received by trades.

Thanks to our Plot Production Programme (PPP), we now have a more detailed understanding of what the build programme will be on site, including when labour and materials are needed. The PPP is a fully online system that helps us plan for production peaks and troughs, and gives our supply chain an overview across the business, helping them to correctly forecast the amount of materials and labour we will need on site and when.

Our supply chain agreements

We are aiming for more consistency across our divisions and looking at the service levels we receive from our supply chain, so we are conducting a full-scale review of our procurement function. This is expected to take around six months, with changes implemented in 2018.

The review is also looking at our Group Agreement for materials, how we manage them and how long they should remain in force prior to further review. These agreements are used to purchase key items and are categorised by importance.

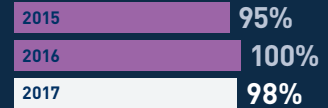
Our focus in 2018

We will be working closely with our supply chain to ensure that our new core house types can be built efficiently and to scale, using OSM techniques where applicable. In fact, we are planning to start work on a whole site using timber frame OSM in spring 2018, so this will be a major test for the way we work with our partners and how we take forward new build concepts.

KPIs

Percentage of our housebuilding detailed design consultants appointed with framework agreements¹

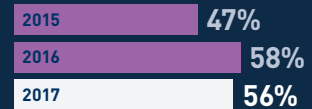
There were a small number of specialist consultants appointed to support temporary works in complex projects this year.



Target: 95%

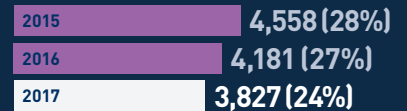
Percentage of total budget for direct materials spent with Group-approved suppliers and through Group agreements

Due to shortages with the supply of bricks within the UK construction market during the year, we had to source bricks from some non-Group approved suppliers in order to meet our production requirements.



Number of plots in our portfolio under a partnership

Maintaining a ratio of around a quarter of our plots being held in partnership helps to reduce risk in our land pipeline.



¹ Applies to working drawings (not the concept design).

Risks and opportunities

Understanding and managing both the risks we face and the consequent opportunities for our business helps us to maintain our growth strategy and meet the needs of our shareholders, customers and other stakeholders.



Oakgrove Village, Milton Keynes

Risk management overview

Risk management is an inherent consideration in all our day-to-day business, as well as our strategic and operational planning. The Board specifically considers risk as part of our corporate governance processes and its annual strategy review. We carry out risk assessments at both divisional and Group level to assess and manage our risk, and to target continuous improvement in all areas of the business.

The Group's risk management framework is consistently and effectively implemented across all our Divisions, providing support to managers responsible for risk identification, management and control. The Board determines 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.

Material issues and emerging risks

This year we have aligned our principal risks and our material issues. This has helped us to prioritise our risks and opportunities in line with both the most important issues we face as a business and the issues that matter to our stakeholders.

There are a few other risks, such as the risk of litigation, where the likely impact upon our material issues is deemed to be low and therefore are not outlined in this report.

On emerging risks, the potential for market disturbance following the UK's vote to leave the EU last year continues, but so far any direct impact appears to be limited to the short-lived drop in sales experienced immediately following. With ongoing uncertainty over the terms under which the UK will leave, this will remain a factor in our risk assessments for 2018 and beyond, and include a possible knock-on effect of weak consumer demand on sales rates and house prices; and, the potential for further pressure on construction skills should immigration of European labour be significantly restricted.

Viability statement

In accordance with provision C.2.2 of the UK Corporate Governance Code 2016, the Directors have assessed the viability of the Group over the three-year period from 1st November 2017 to 31st October 2020.

Although longer-term forecasts are made for strategic planning purposes the nature of the material issues, opportunities and risks faced by the Group limits the Directors' ability to reliably predict the longer term. As a result, a three year period of assessment has been selected as the Group owns or controls a high proportion of the land required to meet unit forecasts over the next three years and is therefore able to forecast cash flows across this period with a reasonable degree of confidence.

Detailed trading and cash flow forecasts are maintained and regularly scrutinised over the three year period. Group banking facilities extend to June 2022 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 45 to 50, 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 2020.

SUMMARY OF MATERIAL ISSUES AND PRINCIPAL RISKS

FIVE STRATEGY PILLARS	12 MATERIAL ISSUES	16 RISKS
Managed growth of the business	1 Political and legislative uncertainty and change	<ul style="list-style-type: none"> > Macro-economic downturn > Adverse changes to the planning system
	2 Operational efficiency	<ul style="list-style-type: none"> > Supply of materials > Supply of labour > Costs not adequately controlled and managed > Rising complexity of projects > Joint venture risk
	3 Land availability and cost	<ul style="list-style-type: none"> > Adverse changes to the planning system > Inability to acquire land
Delivering to our customers and communities	4 Well-built, high quality homes and customer satisfaction	<ul style="list-style-type: none"> > Supply of labour > Customer service and quality > Rising complexity of projects > Supply of materials
	5 Housing affordability	<ul style="list-style-type: none"> > Macro-economic downturn > Impact of the Help to Buy scheme
	6 Product design and development	<ul style="list-style-type: none"> > Rising complexity of projects > Supply of materials > Supply of labour
Building skills and leadership	7 Industry skills and capacity	<ul style="list-style-type: none"> > Supply of labour > Staff retention and succession
Operating responsibly	8 Reputation and trust	<ul style="list-style-type: none"> > Health and safety > Customer service and quality > Reputational damage > Information security
	9 Health, safety and well-being	<ul style="list-style-type: none"> > Health and safety > Staff retention and succession
	10 Corporate responsibility and business ethics	<ul style="list-style-type: none"> > Reputational damage > Bribery, corruption and fraud
Working with partners and the supply chain	11 Stakeholder relationships	<ul style="list-style-type: none"> > Build cost inflation > Adverse changes to the planning system > Bribery, corruption and fraud > Joint venture risk
	12 Sustainable procurement of materials	<ul style="list-style-type: none"> > Supply of materials



No change
 Increase
 Decrease

Managed growth of the business [See page 18](#)

PRINCIPAL RISKS (definition and impact)	LIKELIHOOD BEFORE MITIGATION	RISK MITIGATION AND RELATED OPPORTUNITIES	RISK OWNER	CHANGE SINCE 2016
1 Political and legislative uncertainty and change				
Macro-economic downturn caused by uncertainty following the UK's vote to leave the European Union, or political uncertainties over policy and overall stability could reduce the scope for earnings growth.	High	We are focused on the evaluation of land opportunities against the economic backdrop, control of build starts and build rates, cash generation and the control of our cost base.	Board	
Adverse changes to the planning system leading to policy and regulations that could result in delayed planning consents and operational commencements on site.	Medium	We engage actively in dialogue with central Government through lobbying and consultations, and participate in key industry bodies (such as the Home Builders Federation) to ensure that potential changes to the planning system are appropriate and achievable.	Executive Management Team	
2 Operational efficiency				
Supply of materials fails to match desired production levels, or economic factors significantly impact the costs of materials, affecting business performance and causing delays.	Medium	We make plans Group-wide to ensure that we have sufficient material sources to help offset the risk of adverse price movements and ensure the call-off of materials as they are needed by our Divisions.	Group Procurement Director	
Supply of labour fails to match desired production levels, with inefficient builds affecting costs and delivery times, as sites suffer from inadequate and erratic labour supply.	Medium	We provide advance notice of our site plans and build programmes to sub-contractors. This helps them to plan and builds confidence to expand the workforce to meet the requirements of our projects.	Production Directors	
Costs not adequately controlled and managed can lead to unforeseen cost increases and erode margins, increasing pressure to contain costs and potentially reduce quality.	Medium	We regularly review our cost forecasts and seek to improve reporting and control.	Group Finance Director	
Rising complexity of projects increases risks to delivery and cost, with inadequate project appraisal and evaluation leading to inefficiencies in the build and potentially difficult and costly remediation work required.	Medium	We have improved our project management controls and have introduced a new hurdle rate matrix that requires higher returns as project complexity/risk increases. We use a consultant panel approach to provide more rigour into the evolution of designs.	Executive Management Team	
Joint venture risk arising from consortia arrangements that are complex and capital intensive – creating strain through operational obligations not being met and incurring significant financial losses or additional capital deployment.	Low	Joint venture obligations, milestones and reporting are formalised and implemented once a joint venture is approved – then monitored and reviewed by the Executive Management Team.	Executive Management Team	
3 Land availability and cost				
Adverse changes to the planning system leading to delayed planning consents and operational commencements on site. Land may become unviable due to increased costs.	Medium	In addition to actively engaging with central government and industry bodies on potential changes, we regularly review and assess our strategic land portfolio to accurately forecast planning consents and commencement dates.	Executive Management Team	
Inability to acquire land at a price that maintains margins and is located in areas where customers want to live.	Low	Our strategic land pipeline is continually replenished through a dedicated division within the organisation with expertise in bringing new developments through the planning process.	Executive Management Team	

Delivering to our customers and communities [See page 22](#)

PRINCIPAL RISKS (definition and impact)	LIKELIHOOD BEFORE MITIGATION	RISK MITIGATION AND RELATED OPPORTUNITIES	RISK OWNER	CHANGE SINCE 2016
4 Well-built, high-quality homes and customer satisfaction				
Supply of labour fails to match desired production levels, leading to adverse customer experiences, as build completions are not delivered as expected.	Medium	We run an award-winning Apprenticeship Scheme that brings in and helps us to retain our own talent. We seek to sustain supply chain relationships and encourage sub-contractors to expand their own workforces. In the longer term, we are also developing alternative production techniques, such as off-site manufacture, that reduce reliance on specific trades.	Production Directors	→
Customer service and quality falls significantly below our targeted standard, leading to additional (and potentially escalating) costs of remediation in time and money.	Medium	We have strengthened our Customer Service Inspections and Build Stage Inspections to support our focus on quality, while our 'Making Customers Feel Special and Valued' programme sets out clearly our standards for customer service. Our customer satisfaction scores are also linked to remuneration in the form of bonuses.	Executive Management Team	→
Rising complexity of projects increases risks to delivery and cost, with complex refurbishments and untested methodologies sometimes leading to less than optimal outcomes and latent defects that could affect customers.	Medium	We have strict procedures and governance oversight through which we scrutinise projects and seek to address complexity and risks. We are also introducing a new range of core house types that offer greater standardisation.	Executive Management Team	↓
Supply of materials fails to match desired production levels, resulting in increasing pressures on our build programmes on site and potential delays to customers moving into their new homes.	Medium	We sustain key supply chain relationships and manage Group-wide agreements with a variety of suppliers to ensure that we have sufficient high-quality resources that our Divisions can access as needed.	Group Procurement Director	→
5 Housing affordability				
Macro-economic downturn caused by a general economic slowdown or the UK vote to leave the EU, leading to higher unemployment or the fear of unemployment and/or reduced disposable income. Ongoing uncertainty reduces willingness to purchase homes.	High	Our business and strategic plans are developed using our long-term experience of the UK housing market. They include KPIs and established responses to a contraction in the housing market.	Board	↑
Impact of the Help to Buy scheme on the business, including changes in the scheme and overdependence on it for sales volumes.	Medium	We lobby the Government to ensure that the need for first-time buyers' assistance is understood, and would explore alternative funding offers if Help to Buy were to be phased out. We also continue to develop other volume development models, such as PRS, to expand our business breadth.	Executive Management Team	↓



Delivering to our customers and communities [continued](#) [See page 22](#)

PRINCIPAL RISKS (definition and impact)	LIKELIHOOD BEFORE MITIGATION	RISK MITIGATION AND RELATED OPPORTUNITIES	RISK OWNER	CHANGE SINCE 2016
6 Product design and development				
Rising complexity of projects increases risks to delivery and cost, with complex refurbishments and untested methodologies affecting our designs and their implementation.	Medium	Our core house types offer greater customisation as well as new flexible features for increased customer choice. There is also greater scrutiny when deciding whether to undertake a project, with involvement from the Group Technical & Quality Director, who conducts a buildability risk assessment.	Executive Management Team	↓
Supply of materials fails to match the requirements of our designs, affecting business performance and potential delays to customers moving into their new home.	Medium	We engage actively with our supply chain to better understand their risks and overcome production challenges that may impact the critical supply of materials.	Group Procurement Director	→
Supply of labour fails to match desired production levels or design requirements, with shortages of labour in key trades and office-based functions.	Medium	We seek to sustain existing and develop new supply chain relationships that will ensure sufficient quality labour to meet our production levels and our new house designs. We also contract with more than one sub-contractor in key trades to spread supplier risk.	Production Directors	→

Building skills and leadership [See page 28](#)

PRINCIPAL RISKS (definition and impact)	LIKELIHOOD BEFORE MITIGATION	RISK MITIGATION AND RELATED OPPORTUNITIES	RISK OWNER	CHANGE SINCE 2016
7 Industry skills and capacity				
Supply of labour fails to match desired production and quality levels, with shortages of labour in key trades and office-based functions (e.g. plumbing, M&E, Technical) as the rates of retirement exceed new entrants into industry.	Medium	We seek out longer-term supply chain relationships, while ensuring contingency plans are in place. We maintain industry-leading Apprenticeship and Graduate Schemes to help us bring in and retain talent across a range of trades and office-based functions.	Production Directors/ Group HR Director	→
Staff retention and succession is critical to sustain our growth, but in a buoyant market there is a lack of suitably qualified people to take up senior positions and other important roles in key business areas.	Medium	Succession planning is underway across our Divisions, including personal coaching and training. Our bonus schemes are also reviewed annually to support retaining the best people.	Executive Management Team	→

Operating responsibly [See page 34](#)

PRINCIPAL RISKS (definition and impact)	LIKELIHOOD BEFORE MITIGATION	RISK MITIGATION AND RELATED OPPORTUNITIES	RISK OWNER	CHANGE SINCE 2016
8 Reputation and trust				
Health and safety events that lead to actual injury or a serious near miss results in adverse publicity and/or reputational damage.	Medium	Health and safety is a key focus area throughout the organisation. Our health and safety team carry out inspections and follow-up visits, as do independent inspectors from NHBC, with issues escalated as appropriate, including through the Executive Health and Safety Sub-Committee.	Executive Management Team	➔
Customer service and quality falls significantly below our targeted standard leading to reputation damage, dissatisfied customers and a loss in staff morale as pride in the job suffers.	Medium	We have strengthened build quality inspections and monitoring to ensure we maintain our standards and we encourage sub-contractors to meet these standards as well through toolbox talks and contra-charging for poor workmanship where necessary. Detailed product quality guidelines are agreed and monitored.	Production Directors	➔
Reputational damage arising from a major product failure or latent defect undermining our business values of design, sustainability and customer service, with damage to our brand value and potential criminal prosecution.	Medium	Major product innovations, such as OSM, are overseen by the Board and its Technical Committee. We also put clear escalation procedures in place in the event of an incident with a supporting public relations strategy for stakeholders.	Board	➔
Information security risks leading to major business disruption, due to cyber-attack, critical data loss, internet service outages and inadequate identification and protection of critical data.	Medium	We have virus protection installed on all corporate computers and servers, using a 'demilitarised zone' where servers connect to the outside world, and conduct annual security-breach tests. We also control and monitor the movement of all critical data within and outside of the organisation.	Group IT Director	⬆
9 Health, safety and well-being				
Health and safety events that lead to actual injury or a serious near miss results in costs of compensation, closure of sites, risk of prosecution, fines and imprisonment.	Medium	We continue to raise the profile of health and safety, with Executive and Director site visits, and discussions at all divisional board and Executive Management Team meetings. Health and safety monthly reports are sent to the Executive Management Team.	Executive Management Team	➔
Staff retention and succession is a risk when staff's well-being is not adequately considered and supported. Potential disruptions to business productivity and loss of knowledge due to staff taking extended sick leave or being 'poached' by other organisations.	Medium	We offer a number of programmes to support employees' well-being, including a mandatory biennial health-check for Executives, a free-to-use Employee Assistance Programme and optional purchasing of additional annual leave.	Group HR Director	➔
10 Corporate responsibility and business ethics				
Reputational damage from major product failure or poor employment and labour practices result in adverse publicity and poorer supply chain and partner relationships.	Medium	New approaches to construction are trialled prior to wider roll-out and we obtain NHBC, CML and CSI certification of products prior to occupation. Our corporate governance and human resources policies are reviewed annually to ensure they are effective, fair and aligned to stakeholder expectations.	Executive Management Team	➔
Bribery, corruption and fraud arising from fraudulent activity or employees not having a clear understanding of their legal requirements and company policies and procedures.	Low	We have clear policies in place, available freely on our Intranet. All employees must participate in our bribery and corruption training prior to passing probation and they receive refresher training periodically.	Board	➔



Working with partners and our supply chain [See page 40](#)

PRINCIPAL RISKS (definition and impact)	LIKELIHOOD BEFORE MITIGATION	RISK MITIGATION AND RELATED OPPORTUNITIES	RISK OWNER	CHANGE SINCE 2016
11 Stakeholder relationships				
Build cost inflation absorbs or exceeds benefits from sales price uplifts and affects our partners, as margins are squeezed.	Medium	We provide volume, certainty and prompt payment to our supply chain partners alongside mutual benefits of long-term partnership agreements.	Group Procurement Director	→
Adverse changes to the planning system due to a lack of planning department resource or a change in political priorities could result in delays in obtaining planning consents at our developments.	Medium	We build relationships with the local authorities where we build as well as with Government through lobby groups like the HBF or directly.	Executive Management Team	→
Bribery, corruption and fraud events result in strained relationships with landowners and agents leading to ineffective land procurement or putting the business at a perceived disadvantage.	Low	We have issued specific guidance on what behaviour is acceptable for land purchases and require all new staff to successfully complete bribery and corruption training prior to passing their probation. Regular refresher training is also provided.	Board	→
Joint venture risk arising from misaligned expectations or objectives, and limited governance of a joint venture leading to financial or commercial disputes with partners.	Low	Formal governance mechanisms for managing joint venture relationships are established and followed. Any issues are identified and agreed resolutions are documented and approved formally to limit disputes.	Executive Management Team	→
12 Sustainable procurement of materials				
Supply of materials fails to match desired production levels, where we are unable to source the material we need sustainably or the suppliers we have are unable to meet our requirements and ration output rather than lay on additional capacity.	Medium	We maintain trading agreements with key suppliers to guarantee a steady supply of quality materials and engage in dialogue with them to understand any issues that may have an impact on critical supply deliveries, or result in materials supplied not meeting our standards.	Group Procurement Director	→



GOVERNANCE

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Park Avenue, Sunbury-on-Thames



Chairman's introduction



The success of our strategy is very much dependent on maintaining the highest standards of governance in our business operations. As Chairman, I recognise that the Board must lead by example to ensure its values are embedded, not just in the boardroom, but across all aspects of the business. Our governance framework and policies support effective decision making that contribute to the success of the business over the long term.

In the year the Board remained heavily involved in developing and implementing strategy, working closely with the Executive Management Team to deliver continued success for all of our stakeholders. Particular areas of focus have included the new core house type range and reviewing opportunities relating to off-site manufacturing. Board composition and succession planning have remained high on the agenda with a number of Board appointments being made during the year.

Following the year end we made further changes to the Board that are outlined on [page 54](#), including the appointment of Patrick Bergin as Chief Executive Officer and Stephen Stone as Executive Chairman to be effective from 22nd March 2018. We will talk in more detail about these changes in next year's report but we are very pleased to be moving forward with Board succession.

Continued success for 2018

I would like to thank my Board colleagues for their continued support, commitment, challenge and passion for our business in 2017. I am confident we will see that same commitment in the coming years, as Crest Nicholson continues to strive to ensure that we maintain the highest standards of governance for the future. We explain how the Group has applied the main principles of the UK Corporate Governance Code in this Governance section.

William Rucker
Chairman

Board effectiveness

The effectiveness of the Board is largely dependent on the relationships between the Non-Executive and Executive Directors. I am in frequent and open contact with the Chief Executive and the rest of the Board to ensure that, at all times, we understand how well the business is operating to mitigate any risks or challenges the Group may face. We have held several strategy sessions as a Board, including a meeting only for the Non-Executive Directors to focus discussion on succession planning, board composition and our priorities for 2018. Board site visits continued in 2017 providing further insight into how we manage projects, as well as health and safety on site. In addition, site visits provide a more detailed view of some of the initiatives we have put in place to further enhance performance on our sites, to meet our business objectives and the challenges we face when managing risk. The Board has carried out a formal assessment of its effectiveness. For more information please refer to [page 60](#).

Risk management

Managing our principal risks effectively and minimising any potential impact to Crest Nicholson's financial success and reputation are key to the Board. In the current climate of political uncertainty our risks have been a particular focus for us this year. Details of our principal risks and opportunities are set out on [pages 44 to 50](#).

The availability of on-site and technical skills in the labour market has been an area of major focus, as discussed at length in the Strategic Report. Cyber security has also remained an important area of focus with a range of work put towards strengthening our IT governance and security in the year, not least in anticipation of the EU's General Data Protection Regulation.

Compliance with the UK Corporate Governance Code

The Board is pleased to confirm that it considers it and the Company to have complied in full throughout the accounting period with all the relevant principles and provisions of the UK Corporate Governance Code ('UK Code'), published in April 2016.

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 61 to 91](#).

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 Governance section of the Annual Integrated Report, together with any cross-references therein.

The Board and the Executive Management Team have been closely involved in the preparation of this Annual Integrated Report. 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, Executive and senior management that take account of economic, social and environmental factors.

This framework supports effective strategic and operational decision-making and risk management to ensure the long-term success of the business for shareholders. The standards we set for our governance framework are measured against the principles of the UK Code.

The Board is led by the Chairman and includes an appropriate combination of Executive and Non-Executive Directors, ensuring that no individual can dominate the Board’s decision making.

At its meetings, the Board primarily considers business performance, strategic proposals, major acquisitions and health and safety. The Group operates within a clearly defined delegated authority framework that has been embedded across the Group to ensure there is an appropriate level of Board contribution to key decisions and that the day-to-day business is managed effectively.

The Board delegate day-to-day management of the business to the Chief Executive and Executive Management Team, while maintaining oversight and control. This delegated authority framework consists of a clearly defined schedule of matters reserved for the Board, which includes, but is not limited to, matters relating to the Group’s strategic plan, risk appetite, systems of internal control and corporate governance policies. Those matters that are not reserved are delegated by the Board to the Board Committees and the Executive Management Team, which then delegates decision making onward to divisional management boards. 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

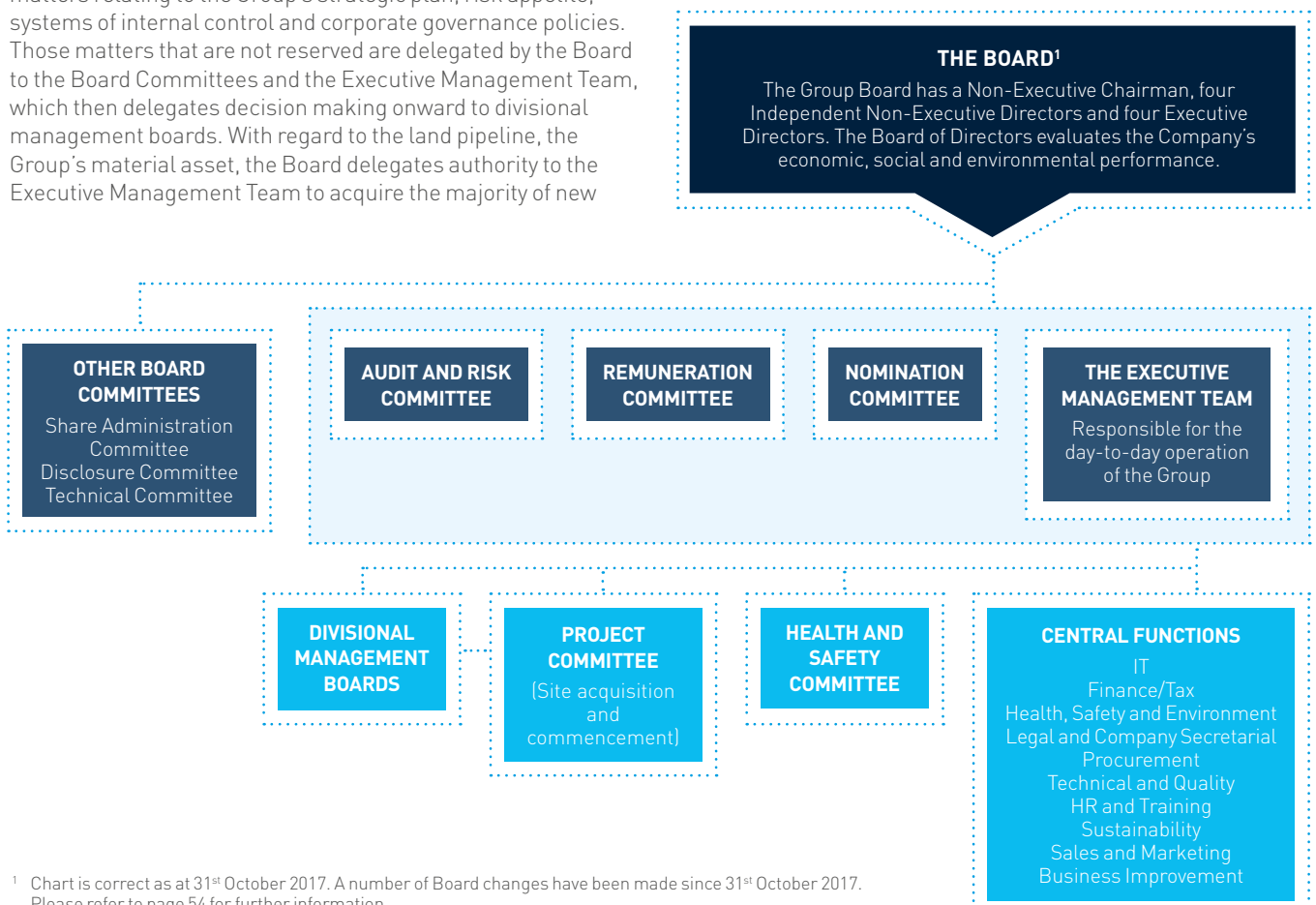
sites, while retaining oversight of all acquisitions. The Board retains approval of acquisitions over a certain value or anything outside the ordinary course of business.

Divisional management

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 teams report 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 various layers of management under which the business operates.



¹ Chart is correct as at 31st October 2017. A number of Board changes have been made since 31st October 2017. Please refer to page 54 for further information.



Leadership and effectiveness

Our Board and Executive Management Team

BOARD



William Rucker
Non-Executive Chairman



Stephen Stone
Chief Executive



Patrick Bergin
Chief Operating Officer



Robert Allen
Group Finance Director



Chris Tinker
Chairman of Major Projects and Strategic Partnerships



Jim Pettigrew
Senior Independent Non-Executive Director



Pam Alexander, OBE
Independent Non-Executive Director



Sharon Flood
Independent Non-Executive Director



Octavia Morley
Independent Non-Executive Director



Board
 Executive Management Team

Nomination Committee
 Audit and Risk Committee

Remuneration Committee
 Technical Committee

EXECUTIVE MANAGEMENT TEAM



Robin Hoyles
Group Land and Planning Director



Darren Dancey
Executive Managing Director



Kevin Maguire
Group Company Secretary



Since 31st October 2017, the following Board changes have taken place:

- Jim Pettigrew (Senior Independent Director) left the Board on 31st December 2017
- Pam Alexander will not stand for re-election at the AGM in March 2018
- Leslie Van de Walle joined the Board as Deputy Chairman and Senior Independent Director on 24th January 2018
- Louise Hardy joined the Board as Non-Executive Director on 24th January 2018.

¹ Octavia Morley joined the Audit and Risk Committee on 11th December 2017.

The Company has also announced certain future Board changes effective from 22nd March 2018:

- Patrick Bergin will become Chief Executive Officer effective from 22nd March 2018
- Stephen Stone will become Executive Chairman effective from 22nd March 2018
- William Rucker will not stand for re-election at the AGM in March 2018.

Full details of the recruitment process will be included in the Annual Integrated Report for year ending 31st October 2018. Key details regarding 2018 remuneration can be found in the Directors' Remuneration Report.

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.

The depth of knowledge, and the diverse skills and experience of our directors ensure that our Board operates effectively and in the best interests of the Group as a whole. We appointed three new members to our Board in 2017 – Chris Tinker, Robert Allen and Octavia Morley – to help strengthen the delivery of our strategic objectives.

WILLIAM RUCKER

Non-Executive Chairman:

Appointed to the Board in September 2011.

Age: 54

Independent: No

Key external appointments:

Chief Executive of Lazard in the UK.

Experience and qualifications:

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

STEPHEN STONE

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

Age: 63

Independent: No

Key external appointments:

Non-Executive Director of Home Builders Federation (HBF), Non-Executive Director of the National House Building Council (NHBC).

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 chairs the Group's Executive Health and Safety Sub-Committee. Stephen represents the Group when engaging with investors, the Government, the HBF and the industry.

PATRICK BERGIN

Chief Operating Officer: Appointed to the Board in October 2011 as Group Finance Director, becoming Chief Operating Officer in November 2016.

Age: 51

Independent: No

Experience and qualifications:

Patrick joined the Group in 2006 and was appointed Group Finance Director in 2011. In November 2016 Patrick was appointed as 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. Patrick currently chairs the Group's Technical Committee.

ROBERT ALLEN

Group Finance Director: Appointed to the Board in February 2017.

Age: 45

Independent: No

Experience and qualifications:

Robert is a Chartered Accountant with over 20 years' experience. Robert qualified with Coopers & Lybrand before joining British American Tobacco in 1997 where, among other key roles, he led mergers and acquisitions, global treasury and the finance function across the EEMEA region. Robert is responsible for all aspects of finance and investor relations with primary day-to-day responsibility for planning, implementing, managing and controlling all financial-related activities within Crest Nicholson.

CHRIS TINKER

Chairman of Major Projects and Strategic Partnerships:

Appointed to the Board in January 2017, having joined the Executive Management Team in January 2007.

Age: 57

Independent: No

Key external appointments: Enterprise M3 Local Enterprise Partnership (Board Member) and The Housing Forum Ltd (Member).

Experience and qualifications:

Chris is a Chartered Builder and joined the Group in 1988. Through the 1990s he was instrumental in the acquisition and master-planning of several of the Group's major residential projects, leading to his appointment in 2002 as Managing Director of Crest Nicholson Developments. Chris is responsible for the Regeneration and Strategic (Major Projects) divisions, as well as the Group's sustainability strategy.

JIM PETTIGREW

Senior Independent Non-Executive Director:

Appointed to the Board in February 2013.

Age: 59

Independent: Yes

Committees: Remuneration (Chair – to 17th October 2017), Audit and Risk, Nomination (Chair).

Key external appointments:

Edinburgh Investment Trust plc (Non-Executive Chair), CYBG plc (Non-Executive Chair), RBC Europe Ltd (Deputy Chair), Scottish Financial Enterprise (Chair), Clydesdale Bank plc (Non-Executive Director), Rathbone Brother plc (Non-Executive Director).

Other professional experience and community involvement:

Previous President of the Institute of Chartered Accountants of Scotland, member of the Association of Corporate Treasurers.

Experience and qualifications:

Jim is a Chartered Accountant qualifying 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 Chief Operating Officer of Ashmore plc and as Chief Executive of CMC Markets plc. He has extensive experience in finance and investment. With his financial, investment and strategic expertise, Jim provides additional perspective and guidance in his role as Senior Independent Non-Executive Director.

PAM ALEXANDER, OBE

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

Age: 63

Independent: Yes

Committees: Remuneration, Audit and Risk, Nomination, Technical.

Key external appointments: Covent Garden Market Authority (Chair), Future Cities Catapult Ltd, Crossrail Ltd.

Other professional experience and community involvement:

Trustee of the Design Council and Chair of the Design Council Caba, member of the London Mayor's Cultural Leadership Board.

Experience and qualifications:

Pam is leading major regeneration and infrastructure developments in London and has worked for many years with developers, housing associations and the 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, as well as Chair of the Peabody Trust.



Board of Directors continued

SHARON FLOOD

Independent Non-Executive Director:

Appointed to the Board in April 2015.

Age: 52

Independent: Yes

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

Key external appointments: St DuPont (Chair), Network Rail and Network Rail Infrastructure Ltd, Pets at Home Group plc.

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 previously 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.

OCTAVIA MORLEY

Independent Non-Executive Director:

Appointed to the Board in May 2017.

Age: 49

Independent: Yes

Committees: Remuneration (and Chair – from 17th October 2017), Nomination, Audit and Risk Committee (from 11th December 2017).

Key external appointments:

Card Factory plc (Senior Independent Director), Ascensos Ltd (Non-Executive Director) and Spicers-Office Team Group Ltd (Chair).

Experience and qualifications: Octavia has extensive experience in senior operational and non-executive roles in retail and multi-site companies, both privately owned and publicly listed. After working at companies including Asda Stores Ltd, Laura Ashley plc and Woolworths plc Octavia has most recently been Chief Executive then Chair at LighterLife UK Ltd, Managing Director at Crew Clothing Co and Chief Executive at OKA Direct Ltd. Octavia also served as a Non-Executive Director and Chair of the Remuneration Committee at John Menzies plc.

Our Executive Management Team

The Executive Management Team undertakes all day-to-day decision making under the supervision of the Chief Executive and Chief Operating Officer. This includes agreeing the acquisition and sale of the Group's assets in the ordinary course of business, non-Board personnel changes, project planning and strategy implementation. The Executive Management Team also provides guidance to the Board where necessary. During the year Robert Allen joined the Group and was appointed to the Executive Management Team in his capacity as Group Finance Director.

Stephen Stone Chief Executive

Patrick Bergin Chief Operating Officer

Robert Allen Group Finance Director

Chris Tinker Chairman of Major Projects and Strategic Partnerships

ROBIN HOYLES

Group Land and Planning Director:

Joined the Executive Management Team in December 2011.

Age: 63

Experience and qualifications:

Robin joined the Group in May 2011 and was appointed to the Executive Management Team later that year. He worked previously for 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.

DARREN DANCEY

Executive Managing Director:

Joined the Executive Management Team in July 2016.

Age: 44

Experience and qualifications:

Darren joined the Group in October 1990 working in the South West division in the Technical Department at various grades before becoming the Production Director in July 2006 and then moving on to Group Technical Director in April 2011. In this role, Darren oversaw the implementation of several key initiatives across the business, ensuring that the Group's Technical function operated to its fullest potential. In August 2017, Darren became the Executive Managing Director for the South West division. Darren sits on a number of external steering groups such as the HBF National Technical & Sustainability Committee (Vice Chair) and the NHBC Standards Committee, among others to help influence industry standards.

KEVIN MAGUIRE

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

Age: 33

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

Experience and qualifications:

Kevin joined the Group in March 2008 and became Group 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.

Board responsibilities

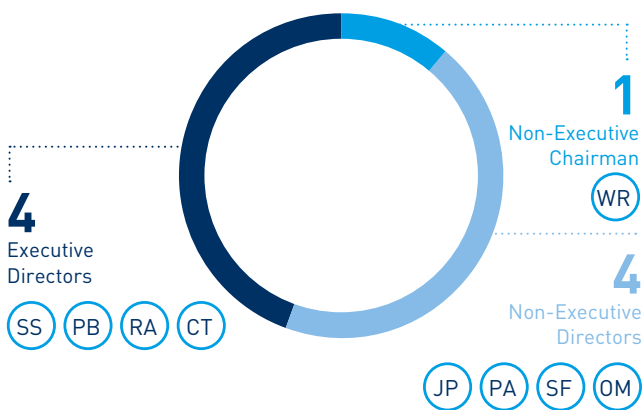
Supported by advice and information from the Executive Management Team, the Board is responsible for, and has reserved for itself, certain matters including the following approvals and oversight:

Budget and finance	Strategy and operations	Corporate governance
<ul style="list-style-type: none"> → 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 	<ul style="list-style-type: none"> → Long-term strategic direction and objectives → Overall management and planning → Resource allocation → Delivering value to shareholders and stakeholders 	<ul style="list-style-type: none"> → 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 a Non-Executive Chairman, four Non-Executive Directors and four Executive Directors.



Length of tenure at date of this report

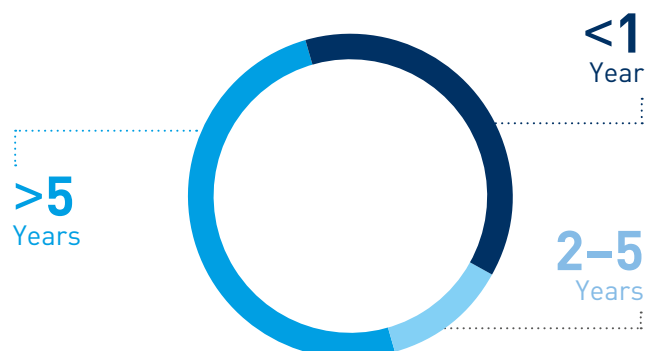
DIRECTOR	TENURE
WR	6 years and 4 months
SS	19 years
PB	6 years and 3 months
RA	8 months
CT	9 months
PA	6 years and 1 month
SF	2 years and 9 months
OM	6 months

Female representation as at 31st October 2017

For details of the female representation across the wider workforce please refer to [page 33](#) in the Strategic Report.



Board tenure



Non-Executive Directors

The Group benefits from the wide-ranging experience and professional backgrounds of its Non-Executive Directors, which cover strategy, finance, corporate governance and risk management, together with design, property, retail and commercial knowledge. Biographies are set out on pages 55 to 56. 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, the 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 the policy for Executive remuneration. They have a prime role in appointing and, where necessary, removing Executive Directors and in succession planning more generally.



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 regularly reviewed and agreed by the Board. Upon his appointment to the Board, the Chairman was not considered to be independent for the purposes of the UK Code. This results from William's 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 Board believe that William's knowledge and understanding of the Group's business continues to be an asset to the Group. In addition, safeguards are in place to minimise any potential conflicts of interest, which include having a Senior Independent Non-Executive Director sitting on the Board.

Board meetings

During the year the Board held six main meetings, with other meetings arranged as necessary to discuss, among other things, additional Board appointments.

Progress against strategy is continuously monitored by the Board, through management reports, updates and presentations. In addition, two dedicated sessions on strategy were held at key points in the year. Several of the Board meetings are organised in the divisions to allow the Board an opportunity to visit our sites. These visits provide the Board with an invaluable understanding of divisional operations and prove particularly valuable for the Non-Executive Directors to see the successful implementation of the Group's strategy at site level.

The Board receives regular management reports and briefing material from the business prior to its meetings. There is also regular dialogue between Board members using email and conference calls as required throughout the year.

WILLIAM RUCKER CHAIRMAN

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

STEPHEN STONE CHIEF EXECUTIVE

- 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.

As part of ensuring the good information flows within the Board and its committees and between the Executive Management Team and Non-Executive Directors, the Group Company Secretary and team provide quick, easy and secure access to Board papers and materials through an electronic board pack system. Briefing packs, which ensure that our Non-Executive Directors are kept informed of the latest issues affecting the Group, are also circulated via this system when Board meetings are not scheduled.

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

The Board receive regular updates at Board and Committee meetings from the Chief Executive and Chief Operating Officer. Through regular discussion with the Executive Management Team, the Board is comfortable that the Group's existing framework continues to ensure that the principles of good governance are rooted in the Group's culture. The Company continues to strive for excellence in governance, and as such keeps our structure, policies and procedures under close review.

Board activity in 2017

With an increasing focus on off-site manufacturing (OSM) the Nomination Committee recommended the establishment of a Technical Committee to the Board to support the technical innovations taking place in the business. The Board supported this recommendation and the Committee held their first meeting in July 2017.

Technical Committee

The Committee is made up of: Patrick Bergin (Chief Operating Officer and Committee Chair), Darren Dancey (Executive Managing Director), Pam Alexander (Independent Non-Executive Director), Chris Tinker (Chairman of Major Projects and Strategic Partnerships) and Louise Hardy (Independent Non-Executive Committee member).

The Committee has overall responsibility for the stewardship and direction of the Group's technical initiatives, enabling comprehensive discussion regarding technical improvements and innovation matters at Board level. In particular, the Committee is monitoring the implementation of the Company's OSM initiatives, including reviewing and commenting on aspects of technical innovations and construction specifications and providing guidance in the change management process associated with adopting OSM.

During the year the Committee has reviewed the Group's rationale for investigating OSM techniques, considered the associated assembly methods and overseen the delivery of prototype OSM houses. Looking ahead, the Committee will continue to review the overall approach to OSM, considering the risks and opportunities and oversee any future implementation.

The Committee is advisory and it falls to the Board to accept or act upon recommendations made by it.

Budget and finance

- Reviewed and approved the budget for the financial year.
- Received and reviewed regular updates on operational efficiency and key financial metrics, including progress against forecast and cash management.
- Closely monitored sales progress to ensure revenue targets were reached.
- Approved the amendment and restatement of the Group's banking facilities including a private placement of senior loan notes to provide the flexibility and liquidity needed for growth.
- 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, with consideration to political and legislative uncertainty and the potential impacts on consumer confidence arising from Brexit.
- Established key priorities and themes for the forthcoming year to feed into our strategic objectives, including product design and developing a core house type range and considering opportunities in relation to off-site manufacturing.
- Continued focus on health and safety, receiving updates in respect of the work undertaken by the Health and Safety Sub-Committee on specific initiatives to drive improvement in such an important area of our business.
- 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.
- Further developed the Board's approach to risk appetite, considering risk in relation to all the Group's material issues and 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 EU's General Data Protection Regulation.





Meetings attended

	Main Board	Audit and Risk Committee	Remuneration Committee	Nomination Committee
N° OF MEETINGS	6	5	6	7
PAM ALEXANDER	●●●●●●	●●●●●	●●●●●●	●●●●●●●
ROBERT ALLEN ¹	●●●●			
PATRICK BERGIN	●●●●●●			
SHARON FLOOD	●●●●●●	●●●●●○ ²	●●●●●●	●●●●●●●
OCTAVIA MORLEY ^{1,3}	●●●		●●	●●
JIM PETTIGREW ⁴	●●●●●●	●●●●●	●●●●●●● ^c	●●●●●●●● ^c
WILLIAM RUCKER	●●●●●●● ^c			
STEPHEN STONE	●●●●●●			
CHRIS TINKER ¹	●●●●●			

c = Chair

¹ Attended all meetings following appointment to the Board.

² Sharon was unable to attend one meeting due to a family illness, Jim Pettigrew took the chair.

³ Octavia took over Chair of the Remuneration Committee on 17th October 2017.

⁴ Jim chaired the Remuneration Committee until 17th October 2017.

Board evaluation

During the year the Board undertook a 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 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.

A number of specific recommendations have been agreed and will be taken forward during 2018. Agreed actions include a review of the format of meetings and reporting to the Board, evolving emergency succession arrangements, and an increased focus on IT governance as cyber security and data privacy processes develop throughout the business.

Further to this, the Board remains 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 changes to its composition during the year support this requirement and, as set out on page 54, further changes have been made to the Board since 31st October 2017.

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 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. The Directors believe that his knowledge and understanding of the Group's business will continue to be an asset to the Group bringing a wealth of knowledge and experience of financial markets, corporate finance and property structures to his position.

Each year, the Board considers the most appropriate method for conducting a review of the Board's and its Committees' performance. In deciding if an internal or external review is appropriate, the Board reflects on when it last completed an external review, what changes have been made to the composition of the Board during the course of the year and any other factors that may have had an impact on the Group's strategy during the year. The last external review was undertaken in 2015 and, in accordance with the UK Code, the Board has agreed that an externally facilitated evaluation will next be carried out during 2018.

Nomination Committee Report

Jim Pettigrew chaired the Nomination Committee for the period ending 31st October 2017, including the period up to his departure on 31st December 2017. Leslie Van de Walle joined the Board on 24th January 2018 and will chair the Nomination Committee going forward. Octavia Morley was Interim Chair of the Committee between 1st January and 23rd January 2018.

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 continued its focus on Board composition and succession planning, with a number of appointments being made. In January 2017 we announced the appointment of Robert Allen as Group Finance Director and the move by Chris Tinker to Executive Director. Following these Executive appointments we set out to ensure we have an appropriate balance of Executive and Non-Executive Directors on the Board. Following a rigorous search process Octavia Morley joined the Board as a Non-Executive Director on 1st May 2017. These appointments strengthen an already experienced Board and position the business well for the future.

As set out on page 54, further changes have been made to the Board since 31st October 2017 and these will be discussed in detail in next year's Nomination Committee Report in respect of the period ending 31st October 2018.

Beyond composition and Board appointments the Committee has taken an active interest in the wider workforce, in particular receiving updates regarding initiatives in place to develop the talent pipeline, as well as current engagement initiatives. With a known skills shortage in the industry, the Board acknowledges that to recruit and retain high calibre people across the workforce we must continue to work hard to improve our skills base and engage with our employees while promoting diversity.

Key initiatives this year

- Consideration and recommendation for the appointment of Executive and Non-Executive Directors.
- Recommendation to establish a Technical Committee.
- 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 talent development, retention and skills.
- Maintained oversight of diversity initiatives.

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.
- Continue to progress the Group's diversity agenda.
- Oversee the recruitment of a Senior Independent Director and a Non-Executive Director.



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 annual re-election of Directors, continuation in office and the appointment of Directors to other offices.
- Conducting performance evaluation of Directors, Non-Executive Directors and Executive Management Team as appropriate.
- Formulating succession plans for both Executive and Non-Executive Directors.
- Resolving Directors' conflicts of interest issues.



Committee membership and meetings

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

Octavia Morley joined the Committee on 1st May 2017. There have been no other changes to the membership of the Committee during the year. However, since 31st October 2017 Jim Pettigrew stepped down from the Board (on 31st December 2017) and Pam Alexander confirmed that she will not be standing for re-election at our AGM on 22nd March 2018. Further, on 24th January 2018 the Board announced the appointment of Leslie Van de Walle as Deputy Chairman and Senior Independent Director who will chair the Nomination Committee, and the appointment of Louise Hardy as Non-Executive Director and Nomination Committee member. At 24th January 2018 the Committee members were Leslie Van de Walle (Chair), Octavia Morley, Sharon Flood, Pam Alexander and Louise Hardy.

In accordance with the UK Code, at least a majority of members of the Committee are Independent Non-Executive Directors.

The Committee met 7 times during the year (details of attendance are set out on [page 60](#)). There were also a number of informal meetings, conference calls and general discussions between Committee members regarding appointments made during the year.

As with last year the Committee has continued its focus on the role of Human Resources (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. In light of the Government's Green Paper consultation on Corporate Governance reform, the Committee has been considering the wider debate on 'employee voice' at Board level, including receiving updates from HR on current engagement initiatives and the way the business interacts with its employees.

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

Committee performance

The Committee's performance has been considered as part of the Board's annual review of its effectiveness. The Committee is felt to have improved significantly in terms of formality and regularity. The input from key areas of the business, for example HR, has been extremely valuable.

Succession planning

As ever, Board succession remains a key agenda item for the Committee. The Committee has kept the balance of skills, experience, independence and knowledge on the Board under continuous review during its preparations of the roles and capabilities required for particular appointments.

In February 2017 Robert Allen was appointed as Group Finance Director following the move by Patrick Bergin to the position of Chief Operating Officer. Having prepared a role profile detailing the capabilities, skills and experience required, the Nomination Committee, supported by the CEO and the Company Secretary, led the search process. Following work with an independent executive search firm, Spencer Stuart, a shortlist of candidates was proposed. After review by the Committee a number of candidates were interviewed with a small number taken through for further consideration. Following the second stage of the process, the Committee went on to recommend the appointment of Robert Allen to the Board.

Following Robert Allen's appointment the Board set out to ensure an appropriate balance of Executive and Non-Executive Directors was maintained, and after a rigorous search process Octavia Morley was appointed to the Board in May 2017. The Committee used an independent external search consultancy, Norman Broadbent, to identify possible candidates. Norman Broadbent is a signatory to and supports the Voluntary Code of Conduct for executive search firms. The firm has assisted the Group with prior appointments to the Board (specifically the appointment of Sharon Flood) and with this background Norman Broadbent was given a mandate setting out specific skill areas the Board desired to enhance its effectiveness. A list of candidates from a range of backgrounds was prepared and the Committee agreed a shortlist to be interviewed. Following a number of meetings between Committee members and prospective candidates, the Committee went on to recommend Octavia Morley's appointment as a Non-Executive Director of the Board.

In addition to the above appointments, Chris Tinker, a member of the Group's Executive Management Team, also joined the Board as an Executive Director during the year. When considering these appointments, the Board was mindful of the contribution each new appointee would bring in light of the changing environment in which the Company operates. In particular, the Board were conscious of the need to maintain a well-balanced Board with the right mix of individuals who can apply their wider business knowledge and experiences to the oversight of, and guidance in, delivering the Group's strategy.

Each new Board Director receives a tailored induction that involves meeting with all directors and the Executive Management Team, as well as other senior management from relevant disciplines. Site visits are a regular feature of the Board's annual programme allowing new Directors to meet with divisional management.

As part of the Company's commitment to building lasting value, 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. We recognise that succession planning includes growing our own talent pool and giving opportunities to those employees who are capable of growing into more senior roles.

Our Learning and Development Team continue to support our emerging future leaders with training for senior management, as well as following through on our commitment to continually improve the skills of our workforce. We are confident that we are well set to continue our success in developing internal staff into diverse and experienced senior employees of the future.

Board composition

The Committee, in conjunction with the Chairman, considers the overall composition of the Board in relation to the requirements of the UK Code. This includes considering how diversity may help to maintain an appropriate range and balance of skills on the Board.

As at 31st October 2017 the Board comprised a Non-Executive Chairman, four independent Non-Executive Directors and four Executive Directors, complying with the independence requirements of the UK Code.

Following further changes to Board composition announced on 24th January 2018 and referenced on [page 54](#) of this report, the Board will still meet the requirements of the UK Corporate Governance Code in terms of balance of independent and non-independent directors.

Notwithstanding this, a process is underway to recruit an additional Non-Executive Director. Full details in relation to the changes announced on 24th January 2018 and any further appointments will be included in next year's Nomination Committee Report in respect of the period ending 31st October 2018.

The independence of our Non-Executive Directors is reviewed annually by the Committee. To avoid their independence being affected by a conflict of interest, the Board has procedures in place to identify and manage potential conflict situations. Where necessary, Directors must absent themselves from a Board meeting while such matters are being discussed.

During the year, all Directors confirmed that they have been able to allocate sufficient time to discharge their responsibilities effectively. Directors are also required to notify the Board of any alterations to their external commitments that arise during the year with an indication of the time commitment involved.

With the exception of Jim Pettigrew, who left the Board on 31st December 2017, and William Rucker and Pam Alexander, who are not standing, all Directors will submit themselves for election or re-election at the Annual General Meeting (AGM) to be held on 22nd March 2018.

As at 24th January 2018, the Board being proposed for election or re-election at the AGM on 22nd March 2018 will consist of an Executive Chairman, three Executive Directors and four Independent Non-Executive Directors.

Diversity

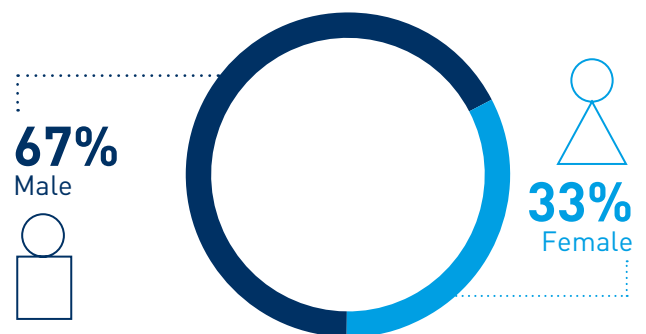
The Committee believes that an effective Board features a range of skills, knowledge and experience. The Group's policy on boardroom diversity ensures that when reviewing Board composition, the benefits of all aspects of diversity are considered. This includes, but is not limited to, age, gender, culture, background, experience and length of service.

Board appointments will always be made on merit and candidates are considered against objective criteria in order to optimise and expand the skills, experience, independence and knowledge of the Board as a whole.

During the year the Committee reviewed the Group's policy on Boardroom diversity. The Board has set a measurable objective of maintaining a level of at least 25% female representation. We recognise the 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.

The Committee has continued to oversee efforts to drive the Company's diversity agenda. In 2017, this has included working with the Stephen Lawrence Charitable Trust who have assisted us in establishing a Diversity Focus Group, which aims to explore what steps Crest Nicholson might consider to optimise effective diversity across the Group. While the Focus Group has only recently been introduced, we hope this will lead to a constructive review that will ensure the Group continues to strive toward a more diverse workforce. For further information on the Group's Diversity Focus Group and gender profile please see [page 33](#).

Female representation on the Board as at 31st October 2017





Audit and Risk Committee Report



The Board 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.

To support the Board, 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 and other stakeholders are properly protected in all these areas.

The Committee works closely with both our external auditors, PwC, and our internal auditors, Deloitte, to monitor the integrity of our accounts and the strength of our control framework. We oversaw the introduction of a divisional key controls framework, an enhanced divisional year-end certification process and improvements to the annual report verification process.

We focus on ongoing improvement with a significant emphasis on the timely completion of actions arising from internal audit recommendations and key control reviews. Our work also identified priority areas for the year ahead including IT initiatives in the area of cyber security, ensuring compliance with the EU's General Data Protection Regulation and increasing formality within the divisional accounting for land transactions. These are supported by a risk-based internal audit plan addressing key areas such as health and safety, cash flow management and business continuity.

I am grateful to the work of the Committee, management and Deloitte, who collectively have built a strong control framework for the business with an emphasis on ongoing improvement. I would also like to extend my thanks to PwC who continue to challenge thinking and improve overall standards in governance and financial reporting.

Sharon Flood

Chair of the Audit and Risk Committee

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.
- Considered changes to accounting standards, in particular the implication of IFRS 15.
- Monitored and reviewed the Group's risk management framework and key internal controls.
- Carried out a robust assessment of the principal risks facing the Group, reviewing and advising on the Board's risk appetite.
- Received internal audit reports in relation to cost controls, sub-contractor management, procurement and payroll and monitored the implementation of recommendations arising from previous internal audit reviews.
- Oversaw the implementation of a divisional key control framework to improve oversight of the operation of, and compliance with, key controls at divisional level.
- 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.
- Reviewed and approved its terms of reference, independence and financial literacy, including ensuring the Committee as a whole has competence relevant to the sector in which the Group operates.

Looking ahead

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

- Review the implementation of a number of new accounting standards.
- Oversee the implementation of IT initiatives, particularly in the area of cyber security.
- Monitor the Group's response and ongoing compliance with the EU's General Data Protection Regulation.
- Oversee the implementation of recommendations arising from internal audit reports.
- Continue to focus on embedding improved and effective divisional key control and the year-end certification 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.

In accordance with the UK Code, all members of the Committee are Independent Non-Executive Directors. There have been no changes to the membership of the Committee during the year. Since 31st October 2017, Jim Pettigrew stepped down from the Board (on 31st December 2017) and Pam Alexander confirmed that she will not be standing for re-election at our AGM on 22nd March 2018. Further, on 24th January 2018 the Board announced the appointment of Leslie Van de Walle as Deputy Chairman and Senior Independent Director and the appointment of Louise Hardy as Non-Executive Director, both of whom have joined the Audit and Risk Committee. At 24th January 2018 the Committee members were Sharon Flood (Chair), Octavia Morley, Pam Alexander, Leslie Van de Walle and Louise Hardy.

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 and the

Committee as a whole have competence relevant to the Group's sector. The biographies of Committee members during the year can be found on [pages 55 and 56](#).

The Committee met five times during the year (details of attendance are set out on [page 60](#)). The Chairman, Chief Executive, Chief Operating Officer, Group Finance Director and other senior personnel attend meetings by invitation. The internal audit function 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.

Committee performance

The Committee's performance has been considered as part of the Board's annual review of its effectiveness. The Committee's operation is seen as robust, with important and valuable improvements in the recent period in respect of risk and internal audit. The external auditors PricewaterhouseCoopers LLP (PwC) continue to work well, with an excellent team and provide a good level of rigour to the assurance process.

Significant issues

As part of its role the Committee has considered a number of significant issues relating to the financial statements. This includes the suitability of accounting policies and the appropriateness of the judgements and estimates that have been applied by management in its reporting. Our accounting policies can be found in [Note 1](#) to the consolidated financial statements and further information on the significant issues considered by the Committee are set out below.

Revenue recognition – IFRS 15

IFRS 15 replaces the existing standard that the Group applies to its revenue recognition. The changes are likely to impact the timing of revenue recognition for Housing Association (HA) land sales and Private Rented Sector (PRS) deals in particular, but is not expected to have a material effect on open market sales. The Committee has reviewed the new standard in detail including the potential impact to revenue, which is expected to be mainly positive, as there may be an opportunity to bring forward the timing of certain revenue recognition. The new standard includes a number of disclosure requirements that will be applicable to the Group for the year ending 31st October 2019.

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 relating 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 and the external auditor reports on the work they have undertaken testing management's controls and 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.

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. 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.

Financial reporting

The Committee has reviewed the clarity and completeness of disclosure in the financial statements and related information. As part of this review management have confirmed to the Committee that they were not aware of any material misstatements made intentionally to achieve a particular presentation, and the external auditor has reported that it found no material misstatements in the course of its work.

The Committee is satisfied that appropriate accounting policies have been adopted and 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 44](#) within our Risks and opportunities section, and further information on the Group's going concern assessment can be found on [page 97](#).

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 that was consistent 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;
- provided a balanced review with emphasis on both the key positive and negative points; and
- clearly and concisely presented the information through a combination of appropriate performance measures and KPIs.

This is further supported by the external auditor in their report; see [pages 98 to 103](#).

External auditor

PricewaterhouseCoopers LLP (PwC) were appointed as external auditor for the year ended 31st October 2015 following a tender process carried out in 2014. The lead audit partner, Sonia Copeland, has held the position for three years. There are no current plans to carry out a re-tender exercise, but in accordance with the EU Audit Regulation and Directive, the Group will be required to put the external audit contract out to tender by 2024. The Group has complied with the Statutory Audit Order for the year ended 31st October 2017.

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.

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.

A questionnaire-based approach is used to seek insight and feedback from management on key areas of the audit process including the audit approach, the team, communications with the Committee, insights and adding value. The review concluded that PwC have developed a detailed understanding of our business, our performance and our aspirations, and continue to

provide technical support and challenge, where necessary. The audit process was executed in an efficient and robust manner, with partners and managers actively and visibly leading the audit planning process; and 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 and the Committee is satisfied that the external auditor has fulfilled its responsibilities with diligence and professional scepticism.

The Committee recommends their re-appointment at the 2018 AGM.

Independence and non-audit services

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 auditor during the year that the objectives of the FRC's Ethical Standards regarding independence and objectivity had been achieved.

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 auditor is prohibited (including accounting and valuation services) and provides a list of activities that are 'Permitted Non-audit Services' that require the specific approval of the Committee. For certain non-audit services the Committee has chosen to set a threshold of annual expenditure below which approval in advance from the Committee would not be required, if the activity falls within the definition of a 'Permitted Non-audit Service' as defined in the policy. The current threshold is £50,000 per annum.

During the year PwC provided non-audit services in relation to a private debt placement, which also included services in relation to the conversion of a subsidiary company from a private limited company to a public limited company. The non-audit fees to audit fees ratio for the year ended 31st October 2017 is 0.20:1. PwC also 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.

Risk management and internal control

The Board 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 (through the Committee) carried out a robust assessment of the principal risks facing the Group and how those risks affect the prospects of the Group.

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 Risks and opportunities section on [pages 44 to 50](#).

To support the Board the Committee will oversee and at least annually review 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.

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. We have reported below on the effectiveness of the Company's risk management and internal control systems.

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 that could prevent us from achieving our 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. At the end of the year each local management Board is required to provide a series of certifications confirming compliance with the control environment;
- 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 and 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 undertaken by Deloitte LLP (since September 2016), whose appointment and mandate are reviewed and approved by the Committee.

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 identify the key risks and assess 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 address the recommendations.

The Committee has carried out a review of the effectiveness of internal audit activities, ensuring appropriate resources are in place. Deloitte report regularly against agreed KPIs and in addition an annual review is undertaken using a questionnaire-based approach to seek feedback from key stakeholders involved in the internal audit programme, including local and Executive Management, and the Committee members. The review concluded that the internal audit function is performing as expected driving clear action from management and improvement to the control environment.

Deloitte have access to the Committee where necessary and being independent of the Executive Management Team, it is able to exercise independent judgement. The Committee is satisfied that the quality, experience and expertise of the function is appropriate for the business.

Anti-bribery and corruption

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 Anti-Bribery and Corruption Policy sets out a clear code of conduct for employees and supply chain partners to ensure they understand and conduct themselves in accordance with the legal regulations relating to bribery and corruption.

All new employees must successfully complete training in our Anti-Bribery and Corruption Policy before completing their probationary period. Our contractual agreements with supply chain partners include appropriate clauses relating to anti-bribery and corruption as well as being provided a copy of the policy.

Any employee or supply chain partner may contact our free, confidential and anonymous whistleblowing helpline to report concerns regarding bribery, corruption or any other malpractice (see below).

The Audit and Risk Committee oversees the implementation of this policy across the Group and reviews it and all related policies and procedures annually.



This policy is available online at www.crestnicholson.com/investor-relations/corporate-governance/values-and-behaviour

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 and supply chain partners to raise concerns in confidence about possible wrongdoing in financial reporting, breaches of Group policies or other matters, including, but not limited to, bullying, harassment, discrimination and modern slavery. The policy encourages employees and supply chain partners to report any concerns or malpractice and helps facilitate an open and honest working environment.

Employees and supply chain partners have access to a free and independent helpline to report their concerns. Clear internal communication lines and an escalation procedure with clear and effective processes to ensure the proportionate investigation of such matters and appropriate follow-up action have been put in place.



This policy is available online at www.crestnicholson.com/investor-relations/corporate-governance/values-and-behaviour

Directors' Remuneration Report

In this section

- 69 Letter from the Chair
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- 79 Annual Report on Remuneration
- 88 Implementation in following year



Key initiatives this year

- Reviewed AGM outcomes and considered appropriate actions.
- Engaged with shareholders on remuneration matters.
- Determined 2017 LTIP and DBP Awards, and annual salary increases.
- Set remuneration for new Directors.
- Determined the 2014 LTIP performance and vesting.
- Continued our popular Sharesave scheme.

Looking ahead

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

- Continue engagement with shareholders on remuneration.
- Set incentive plan measures and targets for 2018, replacing cumulative PBT with 'earnings per share' within the LTIP.
- Implement post-vesting holding periods for future LTIP awards.
- Review and determine remuneration for senior management.
- Monitor the UK Governance Code consultation and evolving shareholder views.



LETTER FROM THE CHAIR

Dear Shareholder

I am pleased to present my first Directors' Remuneration Report as Chair of the Remuneration Committee. I joined the Board and Remuneration Committee in May 2017 and formally took over the Chair of the Committee from Jim Pettigrew on 17th October 2017.

The membership of the Committee along with attendance in the year is set out on [page 60](#) of the Governance section.

Following approval of the Remuneration Policy at the 2017 AGM, there will be a single advisory vote on the Annual Remuneration Report at the 2018 AGM. While the Remuneration Policy is not being put to the vote this year, we are taking the opportunity to introduce a post-vesting holding period for awards made from 2018. This amendment further strengthens the alignment of Management with shareholders and brings us in line with good market practice in this area. The Remuneration Committee continuously keeps up to date on developments in executive pay and will monitor the proposed changes to the UK Corporate Governance Code and evolving shareholder and political views throughout the year.

This Remuneration Report sets out the approved Remuneration Policy for Executive and Non-Executive Directors and, in the Annual Report on Remuneration, sets out the amounts paid relating to the year ended 31st October 2017 and how we will implement the policy in 2018.

Remuneration philosophy

- Promote the long-term success of the Company
- Reward performance
- Simplicity and transparency

The Remuneration Committee continues to ensure that our Remuneration Policy and its implementation supports our business strategy and long-term value creation and is aligned to the objectives of shareholders.



2017 AGM vote

Although our Remuneration Policy was passed with 96% support at our AGM in March 2017, there was a significant vote of 58% against the advisory remuneration resolution, which clearly needed to be addressed. In discussions with shareholders and major proxy voting agencies, including ISS, ahead of the AGM, the main concern raised was around the stretch in the forward looking PBT element of the 2017 LTIP award in the context of stated targets and consensus forecasts that applied to 50% of the award.

Crest Nicholson is committed to ongoing, constructive dialogue with investors and, having considered all the feedback received, the Remuneration Committee reviewed and amended its target setting process, particularly in relation to how LTIP targets are approved. The lessons learnt from this include the need for even greater reflection and consideration of market consensus and shareholder expectations when setting the performance metrics, particularly in unsettled market conditions. In 2017 there was an increase in the number and timing of Remuneration Committee meetings to ensure we have adequate time to completely consider market and business context for future targets.

The 2018 LTIP targets were agreed closer to the sign off date of this report, thereby taking full account of the prevailing external economic environment and investors' views, which can change quickly due to market and political sentiment. The Committee firmly believes that the proposed targets for the 2018 award (set out on page 90) are stretching in the context of internal business plans and consensus forecasts.

FY17 remuneration outcomes

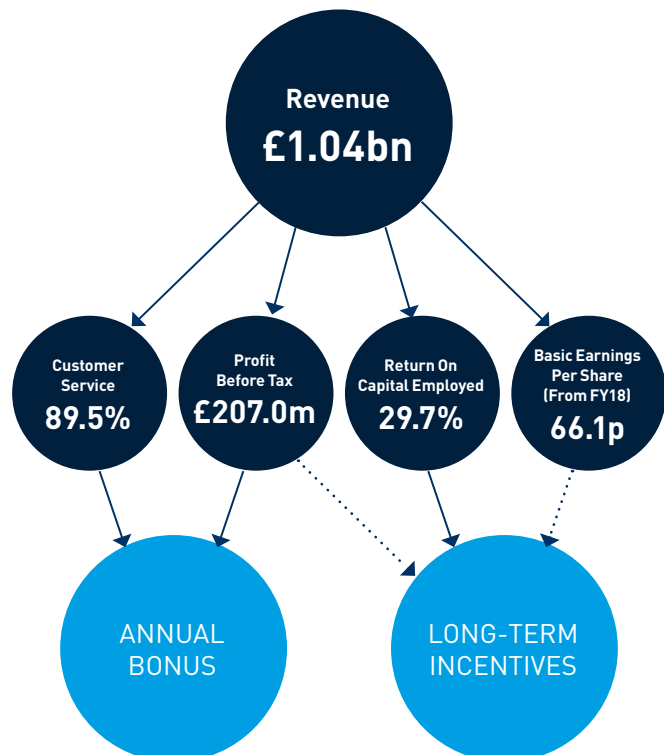
Profit Before Tax (PBT) grew by 6.2% to £207.0m and this strong performance resulted in bonuses of 110% of salary out of a maximum of 125% becoming payable (and 100% of salary in the case of Chris Tinker). The bonus was also subject to a Quality and Customer Service measure which was, for FY17, based on the NHBC Customer Satisfaction Score and the successful implementation of Field View, a tablet-based quality monitoring and tracking system. Field View was successfully embedded throughout our housebuilding divisions, however, the customer satisfaction score fell short of the 90% required performance, and so a 5% penalty was applied to the bonus outcomes. Consequently, the bonus outcome for FY17 was 104.5% of salary to all directors, other than Chris Tinker for whom 95% of salary is payable. In line with our policy, one-third of the bonus will be deferred into shares for three years.

The performance period for the 2015 LTIP ended on 31st October 2017. These awards were based on the satisfaction of equally weighted ROCE and PBT per share performance conditions set at the start of the three-year performance period.

The Group generated cumulative PBT per share over the period of 219.01 pence, which gave an implied growth rate of 24.4%p.a. and average ROCE over the three-year period was 29.2%. This very strong performance over the period meant the maximum targets were exceeded (22% p.a. in the case of PBT per share and 28% average ROCE) and therefore this award will vest in full after the completion of the service period that ends in February 2018. Full details can be found on [page 81](#).

The Committee reviews 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 and annual bonus has delivered significant shareholder value in terms of profit and capital efficiency.

Strategic alignment of remuneration with KPIs



Note: Dotted lines indicate changes to the 2018 LTIP performance measures removing PBT and replacing this with EPS. Details on [page 90](#).

FY18 Executive Director remuneration

In FY18, there will be no significant changes to the operation of the Remuneration Policy voted for by shareholders at the 2017 AGM, except for the introduction of a post-vesting holding period, as mentioned above.

As announced on 24th January 2018, and as part of the Company's succession planning process, Patrick Bergin will be promoted to Chief Executive Officer effective from the AGM on 22nd March 2018 and Stephen Stone will take on the role of Executive Chairman before becoming Non-Executive Chairman in 2019.

After careful consideration, from 1st January 2018, base salaries for Patrick Bergin, Robert Allen and Chris Tinker will increase by 3% in line with the increase applied to the general workforce; Stephen Stone did not receive an increase. From 22nd March 2018 Patrick Bergin's salary will increase to £470,000 per annum as he becomes the Chief Executive Officer and Stephen Stone's salary will reduce to £300,000 per annum as he becomes Executive Chairman. This is explained in more detail in the 2018 Implementation section of this Report on [page 88](#). In April 2019, Patrick Bergin's salary will increase to £520,000 per annum (subject to strong personal performance in the role) and Stephen Stone will become Non-Executive Chairman with a reduced fee of £225,000 per annum. The Remuneration Committee believes the CEO and Chairman packages are appropriate – they reflect the responsibilities of the roles and the level of time commitment and are commensurate with market levels in a competitive industry.

Participation in the Company's incentive schemes will be in line with our Remuneration Policy. The bonus opportunity will be 125% of salary for Patrick Bergin and Robert Allen, and 100% of salary for Chris Tinker (Stephen Stone will not be participating in a bonus scheme this year or in future years). This year, as part of simplifying remuneration arrangements, the PBT and Customer Service bonus measures will apply independently with 85% based on PBT performance and 15% on Customer Service. Furthermore, a more straightforward payout scale will apply to the PBT measure with bonuses paying out on a straight line basis between Target and Maximum performance. Forward disclosure of the PBT targets is commercially sensitive and therefore they will be disclosed in next year's report on a retrospective basis.

It is intended that LTIP awards with a face value of 150% of salary will be granted to Patrick Bergin and Robert Allen and 100% of salary to Chris Tinker (Stephen Stone will not be receiving any new LTIP awards). The Committee has decided that half of the award will be based on Earnings per Share (EPS) (a change from cumulative PBT per share) and the remainder will continue to be based on average ROCE. Further details on the 2018 LTIP awards can be found on [page 90](#).

As I referred to earlier, the Committee has spent considerable time on the target setting process. The Committee is satisfied that the targets are both stretching and challenging against internal and consensus forecasts, and continue to promote the long-term success of the Company.

The Committee will continue to keep Executive remuneration arrangements under review during 2018 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, every year, we have a regular dialogue with leading shareholders on a range of matters, including remuneration. The Committee considers the feedback carefully before finalising remuneration proposals.

We hope to receive your support at the 2018 AGM in respect of the advisory vote on the Annual Report on Remuneration.

Octavia Morley

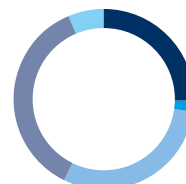
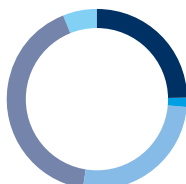
Chair of the Remuneration Committee

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 2017 AGM	2017 outcomes In line with approved policy	Application in 2018 How we intend to implement our policy in the coming year	
Base salary	Base salary set by reference to similar roles in a group of other UK housebuilders. Inflation-related increases to reflect wider workforce.	Stephen Stone: £541,158 Patrick Bergin: £375,000 Robert Allen: £325,000 Chris Tinker: £302,148	Salaries were increased by 3% in line with the workforce increase except for Stephen Stone who received no increase. Stephen Stone: £541,158 (£300,000 from 22 nd March 2018) Patrick Bergin: £386,250 (£470,000 from 22 nd March 2018) Robert Allen: £334,750 Chris Tinker: £311,212	
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.	2017 bonus based on PBT and up to a 15% downwards adjustment for quality and customer service. Reflecting strong performance against targets during the year, 104.5% of salary were payable to directors (and 95% of salary for Chris Tinker). 2017 targets disclosed in this report. Withholding and recovery provisions apply.	2018 bonus scheme to be based on PBT targets (85%) and customer service (15%). This year, the customer service measure is a discrete measure (determining 15% of the overall bonus) and is not operated as a downwards adjuster. PBT and customer service are assessed independently. Maximum opportunity to range between 100% and 125%. 2018 targets are commercially sensitive but will be disclosed retrospectively. Withholding and recovery provisions will apply. Stephen Stone will not be participating in the Annual Bonus in 2018.	
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.	Awards granted in 2017 Awards granted during the year at 150% of salary, except for Robert Allen where an initial award of 300% of salary was granted, as part of his recruitment terms. Performance conditions over three years of average ROCE and increase in (cumulative) PBT per share. Withholding and recovery provisions apply to the award. Vesting of 2015 awards Cumulative PBT growth of 24.4% and average ROCE of 29.2% over the three-year period were in excess of the maximum target and, therefore, the 2015 awards will vest in full in February 2018.	Awards to be granted between 100% and 150% of salary. Performance conditions over three years of average ROCE and increase in EPS over the performance period. Withholding and recovery provisions will apply. A two-year post-vesting holding period will also apply to the award. No award will be made to Stephen Stone in 2018.	
Shareholding requirement	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. Robert Allen will build up his shareholding over time. Full details of Directors' shareholdings are set out on pages 83 and 84.	No change to the minimum shareholding requirement for each current Executive Director.	
The Committee	During the year the Committee met on six occasions. Details of the Committee's activities can be found on page 69 .			
Considering your views	Our Annual Remuneration Report received a 58.12% vote against at the 2017 AGM. Our 2017 Remuneration Policy received a 96.13% vote in favour. Ongoing shareholder engagement took place in the year to further understand and seek to address shareholder concerns in future decisions. Further details are provided in our Statement of consideration of shareholder views on page 78 .			
2017 single figure See page 79	Stephen Stone: £2,247,213	Patrick Bergin: £1,373,482	Robert Allen: £523,461	Chris Tinker: £906,122

■ Base salary
■ Benefits
■ Annual bonus
■ Performance shares
■ Retirement benefits



DIRECTORS' REMUNERATION POLICY REPORT

Our Remuneration Policy for Executive Directors was approved by shareholders at our AGM on 23rd March 2017. In response to shareholder feedback and market practice developments we have updated our Remuneration Policy to introduce post-vesting holding periods to our Long-Term Incentive Plan for awards made in 2018 onwards. The Company's current Remuneration Policy is set out below for information.

Policy table

Element/Link to strategy	Operation (including maximum opportunity)
<p>Base salary</p> <p>Help recruit, motivate and retain the best people in the market place.</p> <p>Recognise individual's experience, responsibility and performance.</p>	<p>Salaries are normally reviewed annually with changes typically effective from 1st January taking into account:</p> <ul style="list-style-type: none"> → personal and Company performance → increases received by the general workforce → inflation and earnings forecasts → the state of the market place generally. <p>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.</p> <p>The exact positioning of salary depends on a variety of factors including the specific nature of the role (particularly where this is not directly comparable to roles outside the Group), individual experience and performance, cost of living increases, inflation, Group performance and market practice in other UK housebuilders or other comparator group considered.</p> <p>A new Director may be appointed at a salary less than the prevailing market rate but increased over a period to the desired positioning subject to satisfactory performance.</p> <p>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 that the Committee believes justifies a further adjustment of salary.</p> <p>Performance framework</p> <p>The Committee considers and sets appropriate individual Director's 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.</p> <p>No withholding or recovery provisions apply in relation to salary.</p>
<p>Fees for Non-Executive Directors</p> <p>Reflect the time commitment and responsibilities of the roles.</p>	<p>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.</p> <p>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.</p> <p>Non-Executive Directors' fees are paid in cash and are not performance related. There are no benefits or incentive schemes for Non-Executive Directors. 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).</p> <p>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.</p> <p>Performance framework</p> <p>Fees are set by reference to the policy element.</p> <p>No withholding or recovery provisions apply in relation to fees.</p>

**Element/Link to strategy****Operation (including maximum opportunity)**

<p>Benefits</p> <p>To provide a competitive level of benefits and encourage the well-being and engagement of employees.</p>	<p>A range of benefits are provided, including but not limited to:</p> <ul style="list-style-type: none"> → private medical insurance – family cover → company car or car allowance → income protection → personal accident insurance → life assurance → annual health check → holiday and sick pay → professional advice in connection with their directorship, if required <p>The cost of these benefits varies over time depending on their cost in the market and the individual's circumstances. Directors who are required to move for a business reason may, where appropriate, also be provided with relocation assistance.</p> <p>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 those received by the general workforce) may be offered at the discretion of the Committee, such as long service awards or recognition of life events.</p> <p>The Company may also operate all-employee share incentive plans including Sharesave, Share Incentive Plan (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.</p> <p>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.</p>
<p>Pension</p> <p>Provide retirement planning and protection to employees and their family during their working life.</p>	<p>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.</p> <p>Currently, Stephen Stone and Chris Tinker receive a 24.5% cash supplement in lieu of pension benefit and Patrick Bergin and Robert Allen receive 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. From 22nd March 2018 Stephen Stone and Patrick Bergin's pension benefit will reduce to nil and 10% respectively.</p>
<p>Annual bonus</p> <p>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 improve the performance of the business in specifically targeted areas.</p>	<p>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.</p> <p>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.</p> <p>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</p> <p>Performance framework</p> <p>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.</p> <p>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.</p> <p>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 that are similar in nature or outcome to those above.</p> <p>Withholding (downwards adjustment) provisions apply under the Deferred Bonus Plan as set out below.</p>
<p>Deferred Bonus Plan</p> <p>Deferred element encourages longer-term shareholding and links part of annual bonus payments to the further success of the Group and shareholders' interests.</p>	<p>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.</p> <p>Performance framework</p> <p>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 are based on the share price at vesting.</p> <p>Deferred Share Awards are subject to withholding (adjustment downwards) at the Committee's discretion for the same recovery situations as set out above for the cash element of bonus.</p>

Element/Link to strategy	Operation (including maximum opportunity)
<p>Long-term Incentive Plan</p> <p>Incentivises long-term shareholder value creation.</p> <p>Drives and rewards achievement of key long-term Company objectives over which participants have line of sight.</p>	<p>LTIP awards 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.</p> <p>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.</p> <p>Amounts equivalent to any dividends or shareholder distributions made during the vesting period may be awarded in respect of vested or exercisable LTIP awards.</p> <p>Performance framework</p> <p>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.</p> <p>The Committee previously used profit before tax (PBT) for 50% of the measure and return on capital employed (ROCE) for the remaining 50%.</p> <p>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). In FY18 the Committee has replaced PBT with earnings per share (EPS).</p> <p>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.</p> <p>The use and split of EPS and ROCE are considered to be appropriate measures to incentivise operating discipline and returns for shareholders. The specific performance targets are set with the aim of setting stretching targets which incentivise and reward improved performance.</p> <p>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 that 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. A two-year post-vesting holding period will apply to awards made from 2018 onwards.</p>
<p>Minimum shareholding requirement</p> <p>Encourages long-term commitment and alignment with shareholder interests.</p>	<p>Executive Directors are expected to build up and retain a significant shareholding.</p> <p>Deferred share awards under the Deferred Bonus Plan may be counted towards meeting the guideline (on a net of tax basis).</p> <p>Performance framework</p> <ul style="list-style-type: none"> → Executive Chairman: minimum five times salary → New CEO: minimum two times salary → Other Executive Board Directors: minimum two times salary <p>A greater shareholding requirement exists for the current Executive Chairman in the context of the shares vested at IPO in 2013.</p>

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 previous table 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	<p>The Committee's approach to recruitment remuneration for an external appointment is to take account of that individual's remuneration package in their prior role, the market positioning of the package and their skills and experience. However, the Committee will not pay more than necessary to facilitate the recruitment of that individual.</p> <p>For an internal appointment, the Committee may initially position remuneration below the market level and increase overall pay levels over a period of time to achieve alignment with market levels for the role, subject to Company and individual performance.</p>
Base salary	<p>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.</p>
Pension and benefits	<p>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.</p> <p>For an overseas appointment, the Committee will have discretion to offer cost-effective benefits and pension provisions that reflect local market practice and relevant legislation.</p>
Annual bonus	<p>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.</p> <p>Depending on the timing of the appointment, the Committee may deem it appropriate to set different annual bonus performance conditions to the current Executive Directors in the first performance year of appointment.</p>
Long-term incentives	<p>The Executive Director will be eligible to participate in the long-term incentive scheme 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.</p> <p>An LTIP award can be made shortly following an appointment.</p>
Replacement awards	<p>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.</p> <p>In determining the quantum and structure of these commitments, the Committee will seek to replicate the fair value of the award and, as far as is practical, the timing and performance of the remuneration foregone.</p> <p>For an internal appointment, any variable pay element awarded in respect of the prior role may be allowed to pay out according to its terms, adjusted to take account of the appointment if this is appropriate.</p>
Other	<p>The Committee may agree that the Company will meet certain relocation or other transitional expenses deemed appropriate.</p>

Service contracts and policy on payment for loss of office

Executive Directors have twelve 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 twelve months' notice from the Company, and six months from the Executive.

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

Area	Policy and operation
Overall	<p>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 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.</p> <p>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.</p>
Contractual payments	<p>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.</p> <p>This payment may be made as either a lump sum or as instalments over the period.</p> <p>If Crest Nicholson elects to make this payment by instalments, the Executive is under a duty to seek alternative employment and where practical any remuneration received from a new role will be offset against the payment.</p>
Annual bonus	<p>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.</p> <p>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.</p>
Deferred bonus plan	<p>The treatment of awards is governed by the rules of the relevant Deferred Bonus Plan.</p> <p>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.</p> <p>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.</p> <p>If an individual is determined to be a bad leaver, their awards will lapse in full.</p>
Long-term incentives	<p>The treatment of long-term incentive awards is governed by the rules of the relevant incentive plan.</p> <p>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.</p> <p>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.</p> <p>If an individual is determined to be a bad leaver, their awards will lapse in full.</p>



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 that provide employees with the opportunity to share their view on a number of employment related areas, including their remuneration. However, it has not consulted with employees in respect to its Directors' Remuneration Policy.

Statement of consideration of shareholder views

As set out in the letter from the Chair, following the significant vote against our 2016 Remuneration Report resolution in March 2017, further consultation has taken place with those shareholders who wished to engage. The feedback from major shareholders and proxy advisory groups has helped shape the approach to remuneration in 2018.

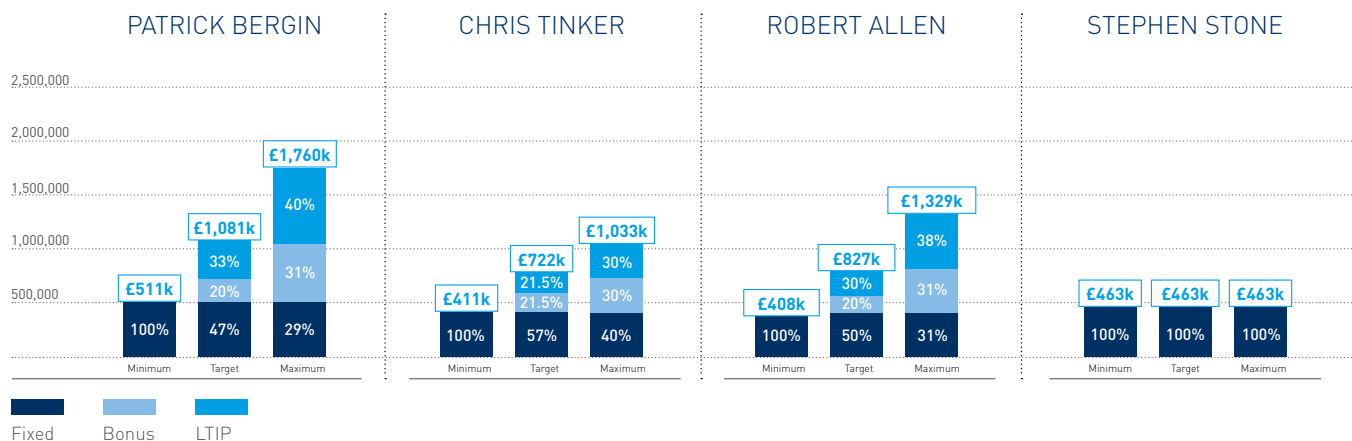
The share incentive and bonus schemes were designed with simplicity and shareholder preference in mind, and following extensive consultation with shareholders this year we have made the following changes to reflect their views:

- Greater reflection and consideration of market consensus and shareholder expectation when setting performance metrics;
- Targets to be agreed closer to the date of the Remuneration Report being approved, thereby taking full account of the prevailing external economic environment and investors' views, which can change quickly due to market and political sentiment;
- Removal of the duplication of PBT as an incentive metric by replacing cumulative PBT per share with 'earnings per share' under the LTIP;
- Expressing the EPS target as a pence per share figure rather than a percentage, to increase transparency and simplicity; and
- A two-year Post-Vesting Shareholding period has been introduced for LTIP awards going forward.

Further information about shareholder views is set out in our section 'Statement of voting at Annual General Meeting' on page 91.

Illustration of application of Remuneration Policy in 2018

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.



Key and assumptions

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

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

Maximum: Fixed remuneration together with the maximum annual bonus opportunity of 125% (100% for Chris Tinker), and vesting of 100% of LTIP award representing 150% of salary (100% Chris Tinker).

Share price movement and dividend accrual are excluded.

Stephen Stone's illustration is based on part year as CEO and part year as Executive Chairman with no participation in 2018 bonus or LTIP schemes.

ANNUAL REPORT ON REMUNERATION

Single total figure of remuneration (audited)

The table below sets out 2017 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 ⁵		Retirement benefits ⁶		Total	
	2017	2016	2017	2016	2017	2016	2017	2016 ⁴	2017	2016	2017	2016
EXECUTIVE												
Stephen Stone	541	539	39	35	566	552	968	1,088	133	132	2,247	2,345
Patrick Bergin⁷	363	302	22	23	392	309	542	609	54	45	1,373	1,288
Chris Tinker⁸	244	-	20	-	232	-	350	-	60	-	906	-
Robert Allen⁹	233	-	13	-	243	-	-	-	35	-	524	-
NON-EXECUTIVE												
William Rucker	140	140	-	-	-	-	-	-	-	-	140	140
Jim Pettigrew	64	60	-	-	-	-	-	-	-	-	64	60
Pam Alexander	51	50	-	-	-	-	-	-	-	-	51	50
Sharon Flood	59	55	-	-	-	-	-	-	-	-	59	55
Octavia Morley¹⁰	26	-	-	-	-	-	-	-	-	-	26	-

¹ **Salary and fees:** 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 the value of 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 the one-third to be deferred.

⁴ **2014 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 (being 536 pence on 14th February 2017).

⁵ **2015 Long-Term Incentive Plan:** This figure has been estimated based on the average share price of 543.83 pence over the three months from 1st August 2017 to 31st October 2017 as these awards are not exercisable until after the date of

this report. 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 and Chris Tinker; 15% in respect of Robert Allen and employer pension contribution of 15% via salary exchange in respect of Patrick Bergin.

⁷ **Patrick Bergin:** Promoted from Group Finance Director to Chief Operating Officer on 15th November 2016.

⁸ **Chris Tinker:** Appointed to the Board on 10th January 2017. The above figures have been time pro-rated to reflect Chris Tinker's time as a Board Director with the exception of the Performance shares value, which have not been pro-rated.

⁹ **Robert Allen:** Joined as Group Finance Director on 13th February 2017. The above figures have been time pro-rated.

¹⁰ **Octavia Morley:** Joined the Board as a Non-Executive Director on 1st May 2017.

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, Chris Tinker and Robert Allen do not participate in the plan and receive 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	2017 Base salary (£000)	%	2017 Pension benefits (£000)	2016 Pension benefits (£000)
Stephen Stone	541.2	24.5	132.6	132.0
Patrick Bergin	363.0	15.0	54.4	45.2
Chris Tinker	244.5	24.5	59.9	-
Robert Allen	232.9	15.0	34.9	-



Pay for performance

Annual bonus targets and outcomes

The 2017 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 and quality condition which could reduce the bonus by up to 15%. The profit targets and outcomes are set out below followed by the customer service and quality 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%)

A sliding scale was set for the PBT measure, applying to Stephen Stone, Patrick Bergin, Robert Allen and Chris Tinker in the same way. Under the 2017 bonus scheme, consistent with previous years and unlike typical plc bonus schemes where bonus accrues from threshold, no bonus would have been paid for failing to meet target performance, which was set at £199.1m for the year. For target performance, a bonus of 50% of salary became payable, with incremental increases of 10% of salary for every £1.3 million in excess of the PBT target. The PBT target was set at the start of the financial year and was considered sufficiently stretching in light of the outlook at that time.

Performance during the year resulted in a potential bonus of 110% of salary (100% in respect of Chris Tinker) out of a maximum bonus potential of 125% of salary (100% for Chris Tinker).

The PBT bonus was then subject to a reduction based on performance against the quality and customer service metric.

	TARGET	MAXIMUM
Required performance	£199.1m	£209.5m
Bonus potential (% of salary)	50%	125%
Actual performance	£207.0m	
Bonus achieved – subject to Quality & Customer Service measure (% of salary)	110%	

2. QUALITY AND CUSTOMER SERVICE MEASURE (15%)

The customer service metric selected was the NHBC Customer Satisfaction Score published by NHBC in respect of sales completions during the four quarters from July 2016 to June 2017, with customers being surveyed in the months following those quarters.

The scale of penalty to be applied to the PBT bonus was based on the implementation of a tablet-based quality monitoring and tracking system ("Field View") across all operational sites by the end of the financial year.

If Field View had not been implemented, customer performance below 90% would have resulted in a 15% penalty. For 2017 the Committee believed that targeting the Directors with rolling out a system that would improve overall product quality (which is directly related to customer service) was an important priority, together with penalising any drop in already achieved customer service scores via a tiered penalty.

Following full implementation of Field View during the year, and given 89.5% customer satisfaction score, a penalty of 5% was applied resulting in a bonus of 104.5% of salary (95% for Chris Tinker).

Required performance	NHBC Customer Satisfaction Score	90%
Actual performance	NHBC Customer Satisfaction Score	89.5%
Penalty applied	-5%	

TIERED PENALTY FOR QUALITY & CUSTOMER SERVICE PERFORMANCE

Customer service satisfaction rate	Field View implemented in Crest	Field View not implemented
→ 90%	0%	0%
85% – 89.9%	-5%	-15%
80% – 84.9%	-10%	-15%
← 80%	-15%	-15%

 For more information about Field View, please go to page 24 in the Strategic Report.

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:

	Bonus Total		Paid in cash		Deferred as shares	
	£	% of salary	£	% of bonus	£	% of bonus
Stephen Stone	565,510	104.5	378,892	67	186,618	33
Patrick Bergin	391,875	104.5	262,556	67	129,319	33
Chris Tinker¹	231,992	95	155,435	67	76,557	33
Robert Allen²	242,855	104.5	162,713	67	80,142	33

¹ Figures reflect the amount earned since being appointed to the Board and 31st October 2017. Chris Tinker's total bonus earned during his full year of service was £287,041, of which one-third will be deferred in shares.

² Bonus time pro-rated for the period between joining the Group and 31st October 2017.

The Committee believes that the bonus payments made for the year are supported by PBT performance, recognising the long-term advantages of implementing Field View, the quality monitoring and tracking system, but reducing the bonus for customer service performance below 90%.

The cash element of bonuses paid in respect of the 2017 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. Deferred bonus awards will be granted under the 2018 deferred bonus plan and these will be subject to withholding provisions for three years from grant on the same basis.

Long-Term Incentive Plan targets and outcomes

The 2015 LTIP award, granted on 27th February 2015, was based on performance over three years ended 31st October 2017 and will become exercisable from 27th February 2018, 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 31/10/17	cumulative growth 18% nominal p.a.	cumulative growth 20% nominal p.a.	cumulative growth 22% nominal p.a.	24.4	100
ROCE	50%	3 years ended 31/10/17	24%	26%	28%	29.2	100

Aggregate PBT per share over the period of 219.01 pence is equivalent to an implied cumulative growth rate of 24.4% p.a. The average annual ROCE over the three financial years ending 31st October 2017 was 29.2%. As performance under both measures exceeded the maximum target set, the award will vest in full. The Committee believes this outcome reflects the strong performance of the business over the last three years.

The resulting vesting will be as follows:

	Original number of share awards in 2015 LTIP	Overall percentage exercised	Number of awards exercising	Estimate of total values of awards exercising ¹
Stephen Stone	178,083	100	178,083	£968,469
Patrick Bergin	99,711	100	99,711	£542,258
Chris Tinker	64,356	100	64,356	£349,987

¹ This figure has been estimated based on the average share price of 543.83 pence over the three months from 1st August 2017 to 31st October 2017 as these awards are not exercisable until after the date of this report. These estimated figures will be restated for the actual share price on the date they first become exercisable in next year's report.



Scheme interests awarded during the financial year (audited)

Executive Directors were invited to participate in the LTIP in 2017. In accordance with our Remuneration Policy, awards of 150% of salary were made to Stephen Stone and Patrick Bergin, 100% of salary to Chris Tinker and an initial award of 300% of salary was granted to Robert Allen, as part of the terms of his recruitment and as reported last year.

The following table sets out the 2017 awards granted to Executive Directors under the Company's LTIP.

	Award	Type	Number of shares	Face value of award ¹	% of salary	% of award receivable at threshold	Performance condition	Performance period
Stephen Stone	Performance	Nil-cost options	149,216	£811,735	150	25	50% PBT growth 50% average ROCE	Three years 1/11/16 – 31/10/19
Patrick Bergin	Performance	Nil-cost options	103,400	£562,496	150	25	50% PBT growth 50% average ROCE	Three years 1/11/16 – 31/10/19
Chris Tinker	Performance	Nil-cost options	55,541	£302,143	100	25	50% PBT growth 50% average ROCE	Three years 1/11/16 – 31/10/19
Robert Allen	Performance	Nil-cost options	179,227	£974,995	300	25	50% PBT growth 50% average ROCE	Three years 1/11/16 – 31/10/19

¹ Face value calculated based on the closing middle market share price of 544 pence on 27th February 2017, the day before the grant.

Vesting schedule for achieving performance conditions set for LTIPs

Maximum 100% vesting of that measure	8%	29%
Target 50% vesting of that measure	6%	27%
Threshold 25% vesting of that measure	5%	25%
	PBT (cumulative)	ROCE (average)

The performance period is the three financial years ending 31st October 2019. PBT (50%): Cumulative annual nominal growth in profit before tax per share over three years. ROCE (50%): Average return on capital employed over three-year period.

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 the Stephen Stone and two times salary in the case of Patrick Bergin, Chris Tinker and Robert Allen. Robert Allen, having joined the Group in February 2017, will build up his shareholding over time and all other Directors meet the minimum shareholding requirements that apply to them.

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 2017. There have been no changes to Directors' interests between 31st October 2017 and 24th January 2018.

	Shares held, including connected persons at 31 st October 2017	Outstanding share awards at 31 st October 2017 with performance conditions	Outstanding share awards at 31 st October 2017 without performance conditions	Total share interests at 31 st October 2017 ¹	Shareholding (excluding options) as a percentage of salary and share price of 566.5 pence at 31 st October 2017
Stephen Stone	3,770,080	475,696	120,038	4,365,814	3,947%
Patrick Bergin	1,145,981 ²	286,200	68,977	1,501,158	1,731%
Chris Tinker	859,734	173,525	55,807	1,089,066	1,612%
Robert Allen	-	179,227	4,285	183,512	0%
William Rucker	3,685,447	N/A	N/A	3,685,447	-
Jim Pettigrew	25,000	N/A	N/A	25,000	-
Pam Alexander	4,777	N/A	N/A	4,777	-
Sharon Flood	11,445	N/A	N/A	11,445	-

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

² During the year, Patrick Bergin pledged 220,000 shares as security against personal borrowing facilities with Barclays Bank plc. Patrick Bergin retained all voting rights attached to these shares as part of the arrangement.

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

The tables below set out the Executive Directors' outstanding shares awards under the LTIP, DBP and SAYE as at 31st October 2017. 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 73 to 78. 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 that have not been exercised.

STEPHEN STONE

	Outstanding share options/ awards at 31 st October 2016	Date of grant	Granted	Exercised	Lapsed	Outstanding share options/ awards at 31 st October 2017	Market price on award £	Exercise price £	Market price at exercise/ vesting £	Gain receivable £000	Date exercisable or capable of vesting	Expiry date
LTIP												
2014	202,894	14/2/14	-	202,894	-	-	3.81	Nil	5.30 ¹	1,074.4	14/2/17	13/2/24
2015	178,083	27/2/15	-	-	-	178,083	4.45	Nil	-	-	27/2/18	26/2/25
2016	148,397	26/2/16	-	-	-	148,397	5.47	Nil	-	-	26/2/19	25/2/26
2017	-	28/2/17	149,216	-	-	149,216	5.44	Nil	-	-	28/2/20	27/2/27
DBP												
2015	47,778	27/2/15	-	-	-	47,778	4.45	Nil	-	-	27/2/18	26/2/25
2016	32,488	26/2/16	-	-	-	32,488	5.47	Nil	-	-	26/2/19	25/2/26
2017	-	28/2/17	34,484	-	-	34,484	5.44	Nil	-	-	28/2/20	27/2/27
SAYE												
2014	3,260	15/7/14	-	3,260	-	-	3.44	2.76	5.41 ²	8.6	1/8/17	31/1/18
2016	3,146	1/8/16	-	-	-	3,146	3.56	2.86	-	-	1/9/19	29/2/20
2017	-	3/8/17	2,142	-	-	2,142	5.25	4.20	-	-	1/9/20	28/2/21

¹ The gain receivable is calculated based on the sale price achieved of 530 pence on 22nd February 2017, the date they were exercised.

² The gain receivable is calculated based on the closing middle market share price of 541 pence on 1st August 2017, the day of exercise.



Executive Directors' scheme interests at the end of the financial year (continued)

PATRICK BERGIN

	Outstanding share options/ awards at 31 st October 2016	Date of grant	Granted	Exercised	Lapsed	Outstanding share options/ awards at 31 st October 2017	Market price on award £	Exercise price £	Market price at exercise/ vesting £	Gain receivable £000	Date exercisable or capable of vesting	Expiry date
LTIP												
2014	113,602	14/2/14	-	113,602	-	-	3.81	Nil	5.30 ¹	601.5	14/2/17	13/2/24
2015	99,711	27/2/15	-	-	-	99,711	4.45	Nil	-	-	27/2/18	26/2/25
2016	83,089	26/2/16	-	-	-	83,089	5.47	Nil	-	-	26/2/19	25/2/26
2017	-	28/2/17	103,400	-	-	103,400	5.44	Nil	-	-	28/2/20	27/2/27
DBP												
2015	26,751	27/2/15	-	-	-	26,751	4.45	Nil	-	-	27/2/18	26/2/25
2016	18,190	26/2/16	-	-	-	18,190	5.47	Nil	-	-	26/2/19	25/2/26
2017	-	28/2/17	18,748	-	-	18,748	5.44	Nil	-	-	28/2/20	27/2/27
SAYE												
2014	3,260	15/7/14	-	3,260	-	-	3.44	2.76	5.41 ²	8.6	1/8/17	31/1/18
2016	3,146	1/8/16	-	-	-	3,146	3.56	2.86	-	-	1/9/19	29/2/20
2017	-	3/8/17	2,142	-	-	2,142	5.25	4.20	-	-	1/9/20	28/2/21

¹ The gain receivable is calculated based on the sale price achieved of 530 pence on 22nd February 2017, the date they were exercised.

² The gain receivable is calculated based on the closing middle market share price of 541 pence on 1st August 2017, the day of exercise.

CHRIS TINKER

	Outstanding share options/ awards at 31 st October 2016	Date of grant	Granted	Exercised	Lapsed	Outstanding share options/ awards at 31 st October 2017	Market price on award £	Exercise price £	Market price at exercise/ vesting £	Gain receivable £000	Date exercisable or capable of vesting	Expiry date
LTIP												
2014	73,322	14/2/14	-	73,322	-	-	3.81	Nil	5.30 ¹	388.2	14/2/17	13/2/24
2015	64,356	27/2/15	-	-	-	64,356	4.45	Nil	-	-	27/2/18	26/2/25
2016	53,628	26/2/16	-	-	-	53,628	5.47	Nil	-	-	26/2/19	25/2/26
2017	-	28/2/17	55,541	-	-	55,541	5.44	Nil	-	-	28/2/20	27/2/27
DBP												
2015	20,719	27/2/15	-	-	-	20,719	4.45	Nil	-	-	27/2/18	26/2/25
2016	14,675	26/2/16	-	-	-	14,675	5.47	Nil	-	-	26/2/19	25/2/26
2017	-	28/2/17	15,125	-	-	15,125	5.44	Nil	-	-	28/2/20	27/2/27
SAYE												
2014	3,260	15/7/14	-	3,260	-	-	3.44	2.76	5.41 ²	8.6	1/8/17	31/1/18
2016	3,146	1/7/16	-	-	-	3,146	3.56	2.86	-	-	1/9/19	29/2/20
2017	-	3/8/17	2,142	-	-	2,142	5.25	4.20	-	-	1/9/20	28/2/21

¹ The gain receivable is calculated based on the sale price achieved of 530 pence on 22nd February 2017, the date they were exercised.

² The gain receivable is calculated based on the closing middle market share price of 541 pence on 1st August 2017, the day of exercise.

ROBERT ALLEN

	Outstanding share options/ awards at 31 st October 2016	Date of grant	Granted	Exercised	Lapsed	Outstanding share options/ awards at 31 st October 2017	Market price on award £	Exercise price £	Market price at exercise/ vesting £	Gain receivable £000	Date exercisable or capable of vesting	Expiry date
LTIP												
2017	-	28/2/17	179,227	-	-	179,227	5.44	Nil	-	-	28/2/20	27/2/27
SAYE												
2017	-	3/8/17	4,285	-	-	4,285	5.25	4.20	-	-	1/9/20	28/2/21

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.

External directorships

Subject to Board approval, the Company is happy for its Executive Directors to hold non-executive positions outside of the Group that complement and enhance their current role. Any fees may be retained by the Director.

Stephen Stone was appointed as a Non-Executive Director of the NHBC in October 2016, for which he receives and retains an annual fee.

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	Notice (Executive/Company)
Stephen Stone	12 th February 2013	23 rd March 2017	Salary and benefits	6 months/12 months changing to 6 months/6 months from 22 nd March 2018
Patrick Bergin	20 th January 2017	23 rd March 2017	Salary	6 months / 12 months changing to 9 months / 9 months from 22 nd March 2018
Chris Tinker	10 th January 2017	23 rd March 2017	Salary	6 months/12 months
Robert Allen	3 rd January 2017	23 rd March 2017	Salary	6 months/12 months

Patrick Bergin's notice period as Chief Executive Officer will be 9 months from either party. Previously, as COO, he was required to give 6 months' notice and the Company was required to give 12 months' notice in line with provisions in other Directors' contracts. This change benefits the Company by requiring the Executive to provide greater notice and by reducing the potential payout in the event the Company decides to terminate service.

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 Stephen Stone and Patrick Bergin.

Details of the service contracts and letters of appointment for Non-Executive Directors:

	First appointment to Board	Date of current letter of appointment	Date elected or re-elected at AGM	Unexpired term of appointment
William Rucker	13 th September 2011	12 th February 2016	23 rd March 2017	1 year 4 months
Pam Alexander	5 th December 2011	12 th February 2016	23 rd March 2017	1 year 4 months
Sharon Flood	1 st April 2015	18 th March 2015	23 rd March 2017	5 months
Octavia Morley	1 st May 2017	25 th April 2017	N/A	2 years 6 months
Leslie Van de Walle	24 th January 2018	24 th January 2018	N/A	3 years
Louise Hardy	24 th January 2018	24 th January 2018	N/A	3 years

Certain Board changes took place after 31st October 2017, the details of which are set out elsewhere in this report and on [page 54](#) of the Governance section.

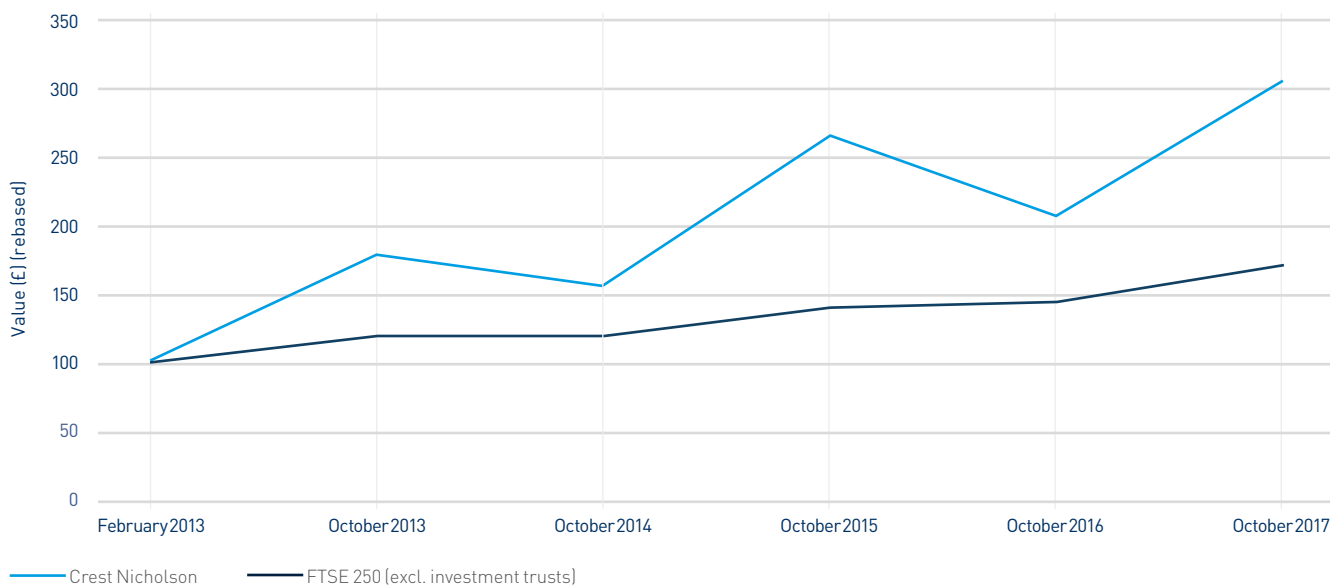


Performance graph and table

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 2017, 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.

The other points plotted are the values at intervening financial year-ends.

Historical CEO remuneration

The table below sets out total CEO remuneration for 2017 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	2017	2016	2015	2014	2013	2012	2011	2010	2009
CEO total remuneration	2,247	2,345	4,127	1,313	14,110 ¹	1,043	979	809	528
Annual bonus – % of maximum	84%	82%	82%	100%	100%	80%	76%	0% ²	0%
Incentive plan award – % of maximum	100%	100%	100%	N/A ³	100%	N/A	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 2016 and 2017 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 the cost of providing Stephen Stone's benefits increased ahead of the general workforce due to the underwriting conditions for the life assurance being calculated on an individual basis rather than on a blended basis, the overall value to Stephen Stone has increased in line with employees.

Change in CEO remuneration 2016/17

Base salary	Benefits	Annual bonus
NO CHANGE	+12.9%	+2.5%

Change in employee remuneration

Base salary	Benefits	Annual bonus
+4.5%	+3.3%	+11.2%

Relative importance of spend on pay

The table below shows how staff remuneration costs compare to distributions made to shareholders in 2016 and 2017. 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.

While the growth in headcount during FY17 led to increases to pay generally (including specific market-rate adjustments) and our continued good financial performance also led to higher annual bonus payments, the decrease in spend on pay in the year was principally due to the lower amount of LTIP share options that were exercised in FY17. However, the level of distributions to shareholders has increased and will continue in line with our Dividend Policy.

The measures shown above are those specified by the applicable disclosure requirements.

Total spend on pay

2017	2016	£ Change	% Change
£58.5m	£60.3m	-£1.8m	-3.0%

Distributions to shareholders by way of dividend and share buyback

2017	2016	£ Change	% Change
£75.9m	£56.6m	£19.3m	34.1%



STATEMENT OF IMPLEMENTATION OF REMUNERATION POLICY IN THE FOLLOWING FINANCIAL YEAR

In 2018, the Committee, as set out on page 54 of the Governance section, intends to implement the Executive and Non-Executive Director remuneration policies as follows:

Base salary

Executive Directors

At the start of the year, the Committee determined that base salaries should be increased, effective from 1st January 2018, by 3% for all Executive Directors (except Stephen Stone whose salary should not increase) – this being the same general increase applied across the workforce.

On 24th January 2018 it was announced that as part of the Company's succession planning process, Patrick Bergin will be promoted to Chief Executive Officer effective from the AGM on 22nd March 2018 and Stephen Stone will take on the role of Executive Chairman at the same time, before becoming Non-Executive Chairman a year later.

After careful consideration, the Remuneration Committee has determined that Patrick's salary will be set initially at £470,000 p.a. and will be increased to £520,000 p.a. from April 2019 subject to personal performance in the role. The proposed 2019 salary is below Stephen Stone's current salary as Chief Executive Officer and is in line with market levels.

Stephen Stone's fee for his role as Executive Chairman will be £300,000 reflecting an estimated time commitment of two to three days per week as he supports the Executive Management Team to a greater degree in the first year. It is expected that Stephen Stone will become Non-Executive Chairman from March 2019 and his fee will reduce to £225,000 p.a. as the time commitment reduces for a period of no more than two years, making a term of three years in total.

	From 22 nd March 2018	1 st January 2018	1 st January 2017	Change
Patrick Bergin	£470,000	£386,250	£375,000	N/A – change in role
Stephen Stone	£300,000	£541,158	£541,158	N/A – change in role
Chris Tinker	£311,212	£311,212	£302,148	3%
Robert Allen	£334,750	£334,750	£325,000	3%

Non-Executive Directors

Non-Executive Director fees for 2018 will be as follows including any dates of joining or leaving if applicable:

	Role	2018 fee (annual)	2017 fee (annual)	Change
William Rucker	Non-Executive Chairman	£140,000 to 22 nd March 2018	£140,000	0%
Jim Pettigrew	Senior Independent Director	£51,500 + £13,500 in respect of role as Senior Independent Director pro-rated to 31 st December 2017	£51,500 + £13,500 in respect of role as Senior Independent Director	0%
Leslie Van de Walle	Deputy Chairman & Senior Independent Director	£85,000 from 24 th January 2018	N/A	N/A
Pam Alexander	Non-Executive Director	£51,500 pro-rated to 22 nd March 2018	£51,500	0%
Sharon Flood	Non-Executive Director	£51,500 + £8,500 in respect of role as Chair of Audit & Risk Committee	£51,500 + £8,500 in respect of role as Chair of Audit & Risk Committee	0%
Octavia Morley	Non-Executive Director	£51,500 + £8,500 in respect of role as Chair of Remuneration Committee	£51,500	0% base fee 14.2% total fee reflecting change of role
Louise Hardy	Non-Executive Director	£51,500 from 24 th January 2018	N/A	N/A

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

The Company makes pension contributions to Executive Directors which may be received in cash or as a contribution towards pension (or as a combination of both).

Although Directors may vary their election from time to time, we expect pension benefit in 2018 to take the following form:

Director	Benefit as percentage of salary	Form of benefit
Stephen Stone	24.5% to 21 st March 2018 0% from 22 nd March 2018	Cash in lieu N/A
Patrick Bergin	15% to 21 st March 2018 10% from 22 nd March 2018	Pension contribution Pension contribution
Chris Tinker	24.5% ¹	Cash in lieu
Robert Allen	15%	Cash in lieu

¹ Chris Tinker's pension benefit has not changed as a result of his appointment to the Board in 2017; this reflects the legacy arrangement already in place.

As part of the terms of Patrick Bergin's promotion to Chief Executive Officer, his 15% of salary pension contribution will be reduced from 22nd March 2018 to 10%, which is in line with the workforce contribution for his period of service.

Stephen Stone receives a contribution of 24.5% of salary in his role as Chief Executive Officer and he will no longer receive a contribution when he becomes Executive Chairman at the AGM. He will participate in the Group medical insurance scheme and receive an annual health check but receive no other benefits as Executive Chairman.

Chris Tinker's and Robert Allen's pension contributions remain unchanged at 24.5% and 15% of salary respectively.

Other benefits are expected to remain unchanged.

Under the Remuneration Policy approved by shareholders on 23rd March 2017, pension benefit will be no more than 15% for any new Executive Directors other than if internally promoted, where any legacy arrangements in excess of 15% may be honoured.

Annual bonus

A 125% of salary bonus opportunity will apply to Patrick Bergin and Robert Allen with a 100% of salary bonus opportunity for Chris Tinker. The Remuneration Committee considered carefully the measures that should apply for 2018 and, on balance, concluded that the PBT and customer service measures should continue to apply.

While in previous years, a 15% customer service downwards adjuster applied to the PBT performance, for 2018 PBT and customer service will be discrete, additive elements. 85% of the 2018 bonus will be based on stretching PBT targets and 15% will be based on customer service.

50% of salary will be payable for achieving target PBT and bonuses will increase on a straight line basis until the maximum target has been met for which 106.25% of salary becomes payable (85% for Chris Tinker). No bonus is payable for below Target performance. The Committee considers this to be a simpler structure than the previous stepped or incremental approach to the PBT bonus measure for above target performance.

The specific PBT targets for the 2018 year are considered to be commercially sensitive. However, the Committee intends to disclose these retrospectively in next year's Annual Remuneration Report to the extent that they do not remain commercially sensitive.

We expect to continue to use the NHBC Customer Satisfaction Score for the customer service measure. Bonuses will begin to accrue for achieving a score of 85% and will increase on a straight line basis until the maximum target of 90% or higher is achieved; 15% of the total bonus opportunity becomes payable for maximum performance under this element (equal to 18.75% of salary (15% for Chris Tinker)).

In line with the policy, 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. Awards under the deferred bonus plan in respect of 2018 will be subject to withholding provisions for three years from grant on the same basis.

The (un-deferred) cash element of bonuses paid in respect of 2018 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.

In all cases, recovery provisions are exercisable at the Committee's discretion.



Long-Term Incentive Plan

Our LTIP underpins the long-term success of the Company. The Committee intends to make awards under the LTIP to Executive Directors (other than Stephen Stone) in 2018, in line with our current Remuneration Policy.

Patrick Bergin and Robert Allen will be granted awards with a face value of 150% of base salary. In the case of Patrick Bergin, his award will be based on his revised salary as CEO. Chris Tinker will receive an award of 100% of salary.

Performance measures

This year we have replaced cumulative PBT per share with earnings per share to apply to 50% of awards. This change avoids duplication of measures with the bonus plan where PBT growth is the primary metric, and creates greater alignment with shareholders' interests by measuring profit performance on a net of tax basis. Furthermore, to improve simplicity, measurement of performance will be based on profit in the final year of performance rather than on a cumulative percentage growth basis as had applied to the PBT per share measure.

The other 50% of the awards will be subject to stretching average ROCE targets. Both measures have a three-year performance period ending 31st October 2020.

Performance targets

Following extensive consultation with leading investors, it was clear that the main point of concern giving rise to the overall vote against our 2016 Remuneration Report was the lack of stretch in the profit measure which applied to half of the 2017 LTIP awards. As a result, the Remuneration Committee reviewed its target setting process and increased the number of meetings and their timings to ensure there is adequate time to completely consider market and business context for target setting. The Committee has spent a considerable amount of time reviewing the stretch in LTIP targets in light of both the internal business plans and market consensus available as at the date of this report (and to the extent analysts have provided forecasts for the final year of the performance period (FY20)).

The following targets will apply to the EPS and ROCE measures.

Maximum 100% vesting of that measure	92.0 pence	29%
Target 50% vesting of that measure	85.3 pence	27%
Threshold 25% vesting of that measure	82.0 pence	25%
	EPS (FY20)	ROCE (average)

The Committee believes that the EPS and ROCE performance targets are very stretching, particularly at the top end, when considered against the internal plans of the business and market expectations.

Recovery and withholding provisions will apply to the 2018 LTIP awards in line with the Remuneration Policy.

2018 Board changes

The Remuneration Committee believes the CEO and Chairman packages are appropriate, they reflect the responsibilities of the roles and the level of time commitment and are commensurate with market levels in a competitive industry. With a significant proportion of remuneration based on company performance, stretching targets have been applied to both the annual bonus and LTIP, ensuring that Executives benefit if significant profits have been delivered to shareholders.

Advisors

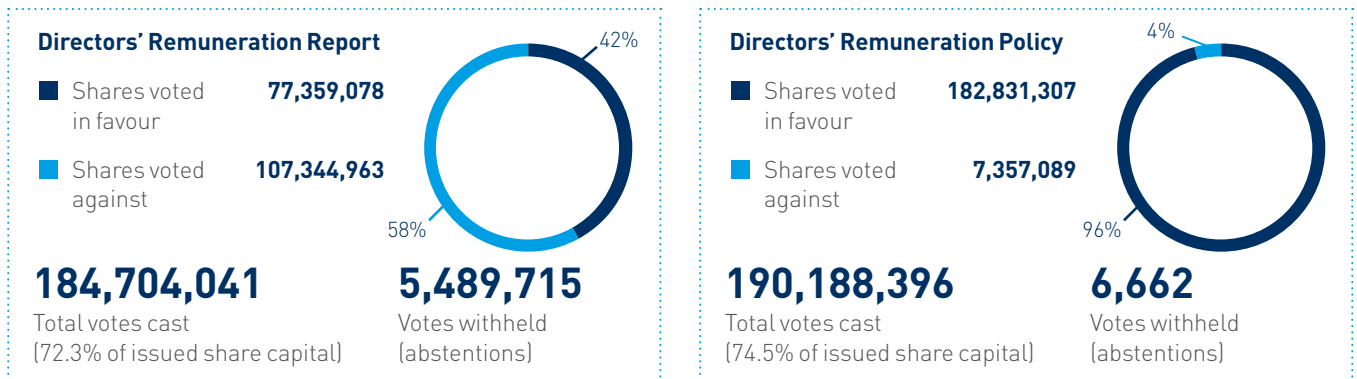
The Committee regularly consults with the Chief Executive Officer on matters concerning remuneration, and the Group Company Secretary acts as Secretary to the Committee; neither are present when their own reward is determined.

External advice was received in the year from New Bridge Street (total fees £58,930). 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 by 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, guarantees and some specialist insurance policies. 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 £3,000 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 2016 Directors' Remuneration Report and Remuneration Policy at the 2017 AGM.



Our Remuneration Policy was passed with 96% support at our AGM in March 2017. However, we were disappointed with the significant adverse advisory vote of 58% on the Annual Report on Remuneration, and recognise the need to reflect this feedback in our future approach. In discussions with shareholders and proxy voting agencies ahead of the 2017 AGM, the Remuneration Committee received concern over the degree of stretch in cumulative PBT/share target attached to our 2017 LTIP awards, which accounted for 50% of the performance condition.

Crest Nicholson is committed to ongoing, constructive dialogue with investors and, having considered all the feedback received, the Remuneration Committee has reviewed and amended its target-setting process, particularly in relation to when LTIP targets are approved.

Going forward, the targets will be (and have been) agreed closer to the date the Annual Remuneration Report is approved (within which future application of the Remuneration Policy is set out), thereby taking full account of the prevailing external economic environment and investors' views, which can change quickly due to market and political sentiment in a cyclical industry. This year we ensured that the 2018 LTIP targets were sufficiently stretching based on the internal plan and consensus prior to approval. The rationale for the chosen target range and its relativity to targets in the previous year is set out on [page 90](#) of the Annual Remuneration Report.

Other changes made as a result of shareholder feedback include the removal of duplication of PBT in both annual bonus and LTIP schemes, replacing PBT with EPS within the LTIP; expressing that EPS target as pence per share rather than percentage and the addition of a two-year post-vesting holding period.

Every year, we have a regular dialogue with leading shareholders on a range of matters, including remuneration. This year's meetings took place in November 2017 to early January 2018 and as part of our discussions we covered the revised LTIP target-setting process and sought views on other remuneration and Company matters. The Chairman of the Group and Chair of the Remuneration Committee met with some of our largest institutional shareholders and the feedback received was supportive of our plans for 2018 and the specific changes being made in response to the adverse advisory Remuneration Report vote. We welcome feedback and would encourage our shareholders to contact the Chair via the Company Secretary with any thoughts or comments.

Approval

This report and policy was approved by the Board of Directors on 24th January 2018 and signed on its behalf by

Octavia Morley

Chair of the Remuneration Committee



Relations with shareholders and stakeholders

We are committed to proactive and constructive engagement with shareholders and recognise the important and valuable role that shareholders play in safeguarding the Group's governance.

As a Board, we are mindful of the expectations of our shareholders as well as our wider stakeholders including regulators, customers, staff and the wider community. We place great value on open and constructive two-way dialogue with shareholders, providing them with an opportunity to discuss particular areas of interest or concern as they arise.

We maintain inclusive investor relations through regular meetings with investors and analysts. In particular we held a Capital Markets Day at our Arborfield Garden Village, which included a visit to our off-site manufacturing prototypes. We received positive feedback on the day and see the event as a valuable opportunity to provide insight into how we translate our business strategy into our day-to-day activities.

Materials are also provided to investors via our website and mobile app, and management meet regularly with analysts and significant shareholders.

As further explained in our Remuneration Committee Report on [page 91](#), a considerable amount of discussion has been had with shareholders and proxy advisors regarding the vote against our 2016 Directors' Remuneration Report, and we have taken steps to further understand and address any shareholder concerns around how we link remuneration to performance.

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.

The 2018 Annual General Meeting (AGM) is scheduled to be held on 22nd March at the Brooklands Hotel, Brooklands Drive, Weybridge KT13 0SL and details of the meeting and the resolutions to be proposed are set out in the Notice of AGM, which is available to download on our website (www.crestnicholson.com/investor-relations/agm) from February 2018. Please note that the date and venue of the AGM is subject to change. The AGM gives shareholders, in particular our private shareholders, an opportunity to hear about the general development of the business and to ask questions of the Board.

Other stakeholders

Donations

Employees have continued to support the Group's nominated charity, Variety, the Children's Charity. They raised £287,669 to support this cause during the year (2016: £160,069).

No political donations were made during the year or in the prior year.

Employment Policy

Crest Nicholson values equality and diversity in employment and our Equality and Diversity Policy ensures that all employees and job applicants are accorded equal opportunities for recruitment, remuneration, access to benefits, and training and promotion. This policy is available on our corporate website at www.crestnicholson.com/investor-relations/corporate-governance/values-and-behaviour#EqualOpportunities.

Crest Nicholson selects and promotes 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.

Where employees have, or develop, 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 through our Intranet and in writing (where required). We encourage employees' involvement in the Company's performance through share schemes and performance-based bonuses, and promote common awareness of the financial and economic factors affecting performance. Currently, 50.6% of our employees participate in one or more years of our Sharesave schemes.

The Group also interacts with its employees through the appropriate levels of management and seeks employees' opinions and views about the Group's operations and behaviour through internal feedback and staff surveys. The last Company-wide staff survey took place in 2016, with the next one planned for 2018.

The Delivering Professional Excellence appraisal system continues to ensure that all employees have the opportunity to learn and grow within their roles. Our Site Management Academy, alongside our graduate and apprenticeship programmes, provide excellent opportunities for talent development in a number of disciplines – all of which are critical to our industry in managing the significant current and future skills shortage.

For further information see Building skills and leadership in the Strategic Report on [pages 28 to 33](#).

Compliance and other disclosures

Directors' Report

The Directors' Report for the year ended 31st October 2017 comprises pages 51 to 95 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 50.
- 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 Integrated Report, 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 on our website and 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 2017 the Company had issued share capital of 255,759,637 ordinary shares of £0.05. During the period 1,396,064 ordinary shares in the Company were issued as follows:

- 46,498 shares under the terms of the Company's deferred bonus plan (2016: 118,521)
- 933,342 shares under the terms of the Company's LTIP (2016: 2,026,515)
- 416,224 shares (2016: 557,337) under the terms of the Company's Save As You Earn scheme at prices between 451 and 247 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 2017 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 £4,239,842, and this standard authority will expire on 30th April 2018 or at the conclusion of the next AGM, whichever is earlier; and
- authority to make market purchases of its own shares up to a maximum aggregate number of 25,439,053, and this standard authority will expire on 30th April 2018 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 22nd March 2018. At 31st October 2017 the Group's Employee Benefit Trust (EBT) held 138,313 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 23rd January 2018 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.

Shareholder	% of issued share capital
Ameriprise Financial	9.929
Standard Life Aberdeen	9.68
Woodford Investment Management	5.22
Norges Bank	3.03



Profits and dividends

The Group's consolidated profit after taxation for the financial year ended 31st October 2017 was £168.6m (2016: £156.8m).

The Directors propose to pay a dividend of 21.8 pence for the year ended 31st October 2017, which, together with the interim dividend of 11.2 pence per share paid in October 2017, brings the total dividends for the year to 33.0 pence (2016: 27.6 pence) per share.

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 Company's Articles of Association). 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 22nd March 2018 with the exception of Jim Pettigrew, who left the Company on 31st December 2017 and Pam Alexander, who will be leaving the Company on 22nd March 2018. As at 24th January 2018, the Board being proposed for election or re-election at the AGM on 22nd March 2018 will consist of an Executive Chairman, three Executive Directors and four Independent Non-Executive Directors. The Board confirms that it has 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, such as the Equality and Diversity Policy and the Anti-Bribery and Corruption Policy. The Group

also operates a Whistleblowing Policy where Directors, management, staff and supply chain partners can report any concerns of malpractice, financial irregularity, breaches of any Group procedures, or other matters to an independent, free, confidential and anonymous helpline. The policy details the appropriate lines of communication and an escalation procedure has been established to ensure any report is dealt with effectively and efficiently. Both the Anti-Bribery and Corruption Policy and the Whistleblowing Policy are overseen by the Audit and Risk Committee, who review them and the procedures to support them comprehensively every year.

Central functions

Strong central functions support the Board, Executive Management Team and divisional businesses. These functions include, among others, Legal and Company Secretarial, Sustainability, Group Finance, Human Resources, Health and Safety, 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, private placement note holders, joint venture partners, government authorities (such as the HCA), private investors 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	01/11/16 to 31/10/17 Market-based	01/11/16 to 31/10/17 Location-based	01/11/15 to 31/10/16 Market-based	01/11/15 to 31/10/16 Location-based
Scope 1 emissions (tCO ₂ e)	5,760.56	5,760.56	4,373.66	4,373.66
Scope 2 emissions (tCO ₂ e)	1,457.25	1,957.88	1,675.83	2,223.44
Scope 1 and 2 combined emissions intensity ¹ (tCO ₂ e/1,000 sqft)	2.28	2.44	2.24	2.44

¹ Normalised by 3,167,360 sqft – which comprises the sum of both full and, in proportion, partial build complete delivery during the financial year 2017 (1st November 2016 to 31st October 2017). In 2016 we delivered 2,700,911 sqft.

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

Methodology

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

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 2017, we received consumption data for 78% of our homes completed and have extrapolated to cover all homes completed in the 2017 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 delivered by ourselves.

We have used the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (revised edition) and emission factors from UK Government’s GHG Conversion Factors for Company Reporting 2017.

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 2016 to 31st October 2017, 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 2017 Annual General Meeting and is willing to seek re-appointment this year. Resolutions to re-appoint PricewaterhouseCoopers LLP will be proposed at the 2018 AGM.

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 2018 and signed on its behalf.

Kevin Maguire

Group Company Secretary



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Valentine Place, London

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual Integrated Report and the financial statements in accordance with applicable law and regulation.

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 Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRS as adopted by the European Union have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company 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.

The Directors are also responsible for safeguarding the assets of the Group and Company 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, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company's performance, business model and strategy.

Each of the Directors, whose names and functions are listed on [page 54](#), confirm that, to the best of their knowledge:

- the Company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law), give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- 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 Directors' Report (including cross references made therein) includes a fair review of the development and performance of the business and the position of the Group and Company, 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

Robert Allen

Group Finance Director
24th January 2018



Independent Auditors' Report to the members of Crest Nicholson Holdings plc

Report on the audit of the financial statements

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 2017 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 IFRSs as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); 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.

We have audited the financial statements, included within the Annual Integrated Report (the "Annual Report"), which comprise: the Consolidated and Company statements of financial position as at 31st October 2017; the Consolidated income statement and Consolidated statement of comprehensive income, the Consolidated cash flow statement, and the Consolidated and Company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

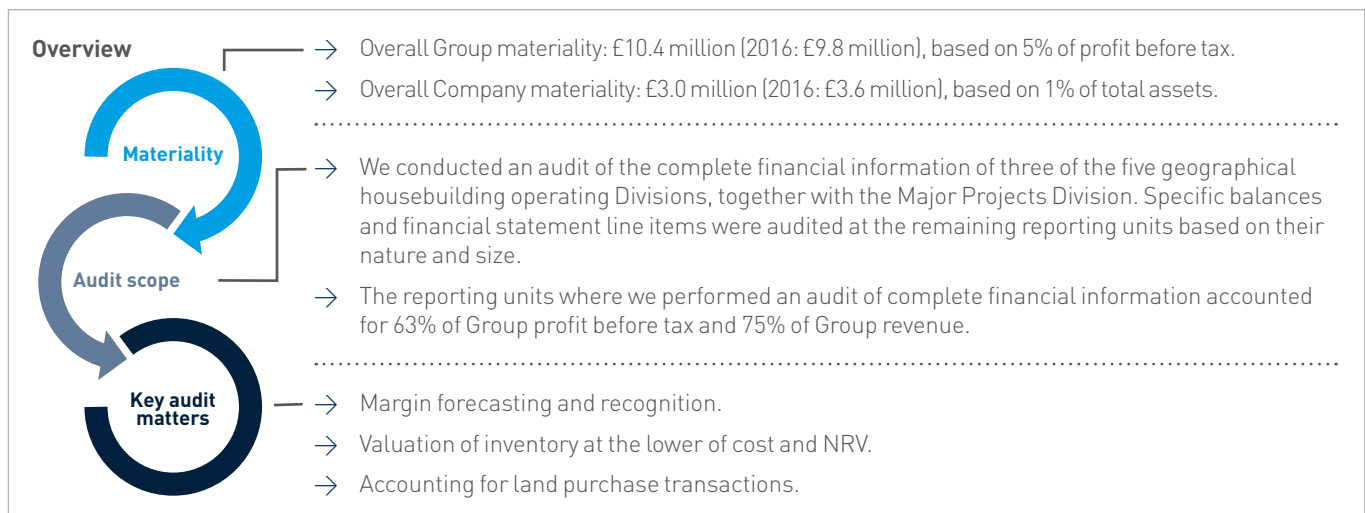
Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company.

Other than those disclosed in the Directors' Report, we have provided no non-audit services to the Group or the Company in the period from 1st November 2016 to 31st October 2017.

Our audit approach



The scope of our audit

As part of designing our audit, we determined materiality and assessed 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.

We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud. We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We designed audit procedures that focused on the risk of non-compliance related to relevant laws and regulations. Our tests included discussions with legal counsel, inquiries with Management, and the testing of particular classes of transactions and estimates.

We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits we also addressed the risk of Management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
<p>Margin forecasting and recognition</p> <p>Refer to Note 1 (Accounting policies) and page 65 (Significant issues)</p> <p>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.</p> <p>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.</p> <p>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 estimation involved in the accounting for the Group's developments given that sales prices and build costs are inherently uncertain and are influenced by changes in external market factors, such as the availability of mortgages or build cost inflation.</p>	<p>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.</p> <p>We assessed the appropriateness of certain underlying assumptions within the forecasts, including sales prices, land costs and build costs. We also assessed Management's overall historic accuracy of the forecasts.</p> <p>We did not identify any developments where we considered the underlying assumptions in the forecast to be inappropriate.</p> <p>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.</p> <p>We checked the consistent application of the margin recognition framework through analysing the margins recognised on specific sites compared to the developments' forecast margin. We obtained evidence for a sample of adjustments made to margins through cost of sales. We did not identify any significant divergences from the Group's margin recognition framework.</p>

**Key audit matter****How our audit addressed the key audit matter****Valuation of inventory at the lower of cost and NRV**

Refer to [Note 1 \(Accounting policies\)](#) and [page 65 \(Significant issues\)](#)

Inventory is the most significant balance on the Consolidated statement of financial position and is held at the lower of cost and net realisable value ("NRV"). The NRV of each development is forecast and monitored as described in the key audit matter 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 and accuracy of the inputs into the development forecasts, for example by comparing sales prices and costs to comparable sites, noting no issues.

We assessed the historical accuracy of Management's forecasting by analysing the changes to margins in the year 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 confirm 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 at the year end.

We evaluated the margins on sites where we identified potential valuation 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.

Accounting for land purchase transactions

Refer to [Note 1 \(Accounting policies\)](#)

The Group regularly enters into agreements for the purchase of land across its Divisions. The nature of these transactions may have complex terms attached such as overages and options or include specific requirements that must be performed before the purchase becomes unconditional. The complexity and variety of these agreements means that focus is required to ensure that the accounting appropriately reflects the contractual terms of the agreements.

We therefore specifically focused on the classification and completeness of the associated liabilities and whether all the terms and conditions had been met to recognise the purchase of the land within inventory at the balance sheet date.

We held discussions with Management to understand the substance of material land purchase transactions entered into in the year.

We substantively tested land purchases in the year through a detailed examination of contracts to check that the unconditional purchase conditions had been met, that the recognition of overages and deferred payments was complete and that the classification of payables was in line with the contractual terms. Where relevant, we agreed cash payments to completion statements and bank statements and agreed the transfer of legal title of the land to the Land Registry documents.

We substantively tested the land payables and land accruals balances, including recalculating overages based upon contractual terms and agreeing amounts and payment dates to contracts. We also obtained a listing of all sites in the Group and, for a sample of these sites, we obtained the relevant contracts and confirmed that overages that have been triggered have been appropriately accrued.

We performed extensive unrecorded liabilities testing by ensuring that, where appropriate, payments made post year end were accrued within the financial statements.

We tested that conditional agreements entered into in the prior year were correctly recorded within inventory and liabilities in the current year where conditions had all now been met.

Based on the procedures performed, we were satisfied that the land purchases have been appropriately accounted for in the financial statements.

We determined that there were no key audit matters applicable to the Company to communicate in our report.

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 structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

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

The Group financial statements are ultimately a consolidation of 14 reporting units representing the Group’s operating businesses within these geographically-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 63% of the Group’s profit before tax and 75% 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 geographically-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, tax, pensions and the ‘other financial assets’, gave us the evidence we needed for our opinion on the Group and Company financial statements as a whole.

Materiality

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

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

	Group financial statements	Company financial statements
Overall Group materiality	£10.4 million (2016: £9.8 million).	£3.0 million (2016: £3.6 million).
How we determined it	5% of profit before tax.	1% of total assets.
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 believe that total assets is the primary measure used by the shareholders in assessing the performance of the entity and is a generally accepted auditing benchmark.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was £3.0 million to £9.3 million. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £517,500 (Group audit) (2016: £450,000) and £149,000 (Company audit) (2016: £178,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the Directors’ statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors’ identification of any material uncertainties to the Group’s and the Company’s ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group’s and Company’s ability to continue as a going concern.
We are required to report if the Directors’ statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.



Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006, (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31st October 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)

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

We have nothing material to add or draw attention to regarding:

- The Directors' confirmation on page 67 of the Annual Report 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.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The Directors' explanation on page 44 of the Annual Report 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 to report having performed a review of the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and 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 UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit. (Listing Rules)

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the Directors, on page 97, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the 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 obtained in the course of performing our audit.
- The section of the Annual Report on pages 64 to 68 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of the financial statements set out on [page 97](#), the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

Other required reporting

Companies Act 2006 exception reporting

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
- certain disclosures of Directors' remuneration specified by law are not made; 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.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 23rd March 2015 to audit the financial statements for the year ended 31st October 2015 and subsequent financial periods. The period of total uninterrupted engagement is 3 years, covering the years ended 31st October 2015 to 31st October 2017.

**Sonia Copeland (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London**

24th January 2018



CONSOLIDATED INCOME STATEMENT

For the year ended 31 st October 2017	Note	2017 £m	2016 £m
REVENUE		1,043.2	997.0
Cost of sales		(768.3)	(731.2)
GROSS PROFIT		274.9	265.8
Administrative expenses		(63.3)	(62.0)
OPERATING PROFIT	3	211.6	203.8
Finance income	5	4.3	5.8
Finance expense	5	(12.6)	(13.9)
Net finance expense		(8.3)	(8.1)
Share of post-tax results of joint ventures using the equity method	11	3.7	(0.7)
PROFIT BEFORE TAX		207.0	195.0
Income tax expense	6	(38.4)	(38.2)
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY SHAREHOLDERS		168.6	156.8
Earnings per ordinary share			
Basic	8	66.1p	62.0p
Diluted	8	65.1p	60.9p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 st October 2017	Note	2017 £m	2016 £m
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY SHAREHOLDERS		168.6	156.8
Other comprehensive expense:			
Items that will not be reclassified to the consolidated income statement:			
Actuarial gains/(losses) of defined benefit schemes	21	1.4	(17.6)
Change in deferred tax on actuarial gains/(losses) of defined benefit schemes	13	(1.8)	1.7
OTHER COMPREHENSIVE EXPENSE FOR THE YEAR NET OF INCOME TAX		(0.4)	(15.9)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO EQUITY SHAREHOLDERS		168.2	140.9

The notes on pages 108 to 140 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 st October 2017	Note	Share capital £m	Share premium account £m	Retained earnings £m	Total equity £m
BALANCE AT 1ST NOVEMBER 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
Profit for the year attributable to equity shareholders		-	-	168.6	168.6
Actuarial gains of defined benefit schemes		-	-	1.4	1.4
Change in deferred tax on actuarial gains of defined benefit schemes		-	-	(1.8)	(1.8)
Total comprehensive income for the year		-	-	168.2	168.2
Transactions with shareholders:					
Equity-settled share-based payments	21	-	-	4.6	4.6
Deferred tax on equity-settled share-based payments	13	-	-	0.5	0.5
Share capital issued	19	0.1	1.1	-	1.2
Dividends paid	7	-	-	(75.9)	(75.9)
BALANCE AT 31ST OCTOBER 2017		12.8	74.1	730.9	817.8

The notes on [pages 108 to 140](#) form part of these financial statements.



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 st October 2017	Note	2017 £m	2016 £m
ASSETS			
Non-current assets			
Intangible assets	9	29.0	29.0
Property, plant and equipment	10	4.2	3.2
Investments	11	1.8	0.7
Other financial assets	12	11.4	16.3
Deferred tax assets	13	11.1	15.2
Trade and other receivables	15	52.5	54.3
		110.0	118.7
Current assets			
Inventories	14	1,086.5	935.8
Other financial assets	12	3.5	2.2
Trade and other receivables	15	102.7	74.4
Cash and cash equivalents	24	175.2	282.3
		1,367.9	1,294.7
TOTAL ASSETS		1,477.9	1,413.4
LIABILITIES			
Non-current liabilities			
Interest-bearing loans and borrowings	16	(140.1)	(203.4)
Trade and other payables	17	(101.5)	(111.3)
Retirement benefit obligations	21	(7.2)	(16.7)
Provisions	18	(2.1)	(3.6)
		(250.9)	(335.0)
Current liabilities			
Interest-bearing loans and borrowings	16	(1.9)	(1.9)
Trade and other payables	17	(387.9)	(337.6)
Current income tax liabilities		(18.0)	(18.9)
Provisions	18	(1.4)	(0.8)
		(409.2)	(359.2)
TOTAL LIABILITIES		(660.1)	(694.2)
NET ASSETS		817.8	719.2
EQUITY			
Share capital	19	12.8	12.7
Share premium account	19	74.1	73.0
Retained earnings		730.9	633.5
TOTAL EQUITY		817.8	719.2

The notes on pages 108 to 140 form part of these financial statements.

These financial statements were approved by the Board of Directors on 24th January 2018.

On behalf of the Board

S Stone
R Allen
Directors

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 st October 2017	Note	2017 £m	2016 £m
Cash flows from operating activities			
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY SHAREHOLDERS		168.6	156.8
Adjustments for:			
Depreciation	10	1.5	1.2
Net finance expense	5	8.3	8.1
Share-based payment expense	21	4.6	4.4
Share of post-tax (profit)/loss of joint ventures using the equity method	11	(3.7)	0.7
Income tax expense	6	38.4	38.2
OPERATING PROFIT BEFORE CHANGES IN WORKING CAPITAL AND PROVISIONS		217.7	209.4
Increase in trade and other receivables		(26.8)	(46.4)
Increase in inventories		(150.7)	(31.3)
Increase in trade and other payables		36.4	60.0
Contribution to retirement benefit obligations		(9.0)	(9.0)
CASH GENERATED FROM OPERATIONS		67.6	182.7
Interest paid		(7.8)	(9.3)
Taxation paid		(36.5)	(19.6)
NET CASH GENERATED FROM OPERATING ACTIVITIES		23.3	153.8
Cash flows from investing activities			
Purchases of property, plant and equipment		(2.5)	(1.8)
Decrease in other financial assets		5.1	9.2
Dividends received		5.0	0.1
Interest received		0.7	2.2
NET CASH INFLOW FROM INVESTING ACTIVITIES		8.3	9.7
Cash flows from financing activities			
Repayment of bank and other borrowings		(161.8)	(13.4)
Proceeds from new loans		100.0	-
Debt arrangement and facility fees		(2.2)	-
Dividends paid	7	(75.9)	(56.6)
Net proceeds from the issue of shares		1.2	1.4
NET CASH OUTFLOW FROM FINANCING ACTIVITIES		(138.7)	(68.6)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(107.1)	94.9
Cash and cash equivalents at the beginning of the year		282.3	187.4
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	24	175.2	282.3

The notes on pages 108 to 140 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 public limited 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 141 to 145](#).

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

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 Group's activities are financed by a combination of ordinary shares, bank borrowings, Senior loan notes and cash in hand. During the year the Group completed a £100m private placement of 7 to 12 year Senior loan notes. At 31st October 2017 the Group held cash and cash equivalents of £175.2m (2016: £282.3m) and cash resources net of borrowings of £33.2m (2016: £77.0m). The Group has operated within its banking covenants throughout the year, has bank facilities of £250.0m expiring in June 2022 (2016: facilities £240.0m, expiring March 2020), with £210.0m remaining available for drawdown under such facilities at 31st October 2017. 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.

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 2016 that had a material impact on the Group.

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

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 consolidated income statement or consolidated statement of comprehensive income. Accounting policies of acquired subsidiaries are changed where necessary, to ensure consistency with policies adopted by the Group.

Acquisitions of subsidiaries that 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. Revenue does not include the disposal value of properties taken in part exchange against a new property. Surpluses or deficits on the disposal of part exchange properties are recognised 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.

Income and deferred tax

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 consolidated 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 consolidated 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 comprises direct materials, sub-contract work, labour costs, site overheads, associated professional fees and other attributable overheads, but excludes interest costs.

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

Land inventories and the associated land payables are recognised in the consolidated 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.

Part exchange properties are held at the lower of cost and net realisable value, which includes an assessment of costs of management and resale.

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 consolidated 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.

Critical accounting estimates and judgements

The preparation of the consolidated financial statements under IFRS requires management to make estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses and related disclosures.

In applying the Group's accounting policies, the Directors have made no individual judgements that have a significant impact on the financial statements, apart from those involving estimates which is described below.

Estimates and associated assumptions affecting the financial statements are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The estimates and underlying assumptions are reviewed on an ongoing basis. Changes in accounting estimates may be necessary if there are changes in the circumstances on which the estimate was based or as a result of new information. 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 sources of estimation uncertainty that has a risk of causing a material adjustment to the carrying value of assets and liabilities are as described below.

Carrying value of inventories

Inventories of land, work-in-progress and completed units are stated in the consolidated statement of financial position at the lower of cost and NRV. On a monthly basis management update estimates of future revenue and expenditure for each development. Future revenue and expenditure may differ from the estimate which could lead to an impairment of inventory. Where forecast revenues are lower than forecast expenditure an inventory provision is made. This provision may be reversed in subsequent periods if there is evidence of improved revenue or reduced expenditure forecast on a development. The sensitivity of changes in sales prices to the NRV provision required was reviewed. Reasonably foreseeable changes in prices would not have a significant impact on the NRV provision.

Estimation of development profitability

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. 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 of estimates is made of the costs to complete developments.

Other accounting estimates and judgements

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

Other financial assets

Other financial assets comprise shared equity receivables. The estimation of 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.

Pension liabilities

In determining the valuation of the pension scheme assets and liabilities, the Group utilises the services of an actuary. The actuary uses key assumptions being inflation rate, life expectancy, discount rate and pension growth rates, which are dependent on factors outside the control of the Group. To the extent that such assumptions differ to that expected, the pension liability would change. See [Note 21](#) for additional details.

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 2016, none of which has had a significant effect on the Group's financial statements:

- IFRS 14 Regulatory deferral accounts. Effective for the period beginning 1st November 2016.
- Amendment to IFRS 10 Consolidated Financial Statements. Effective for the period beginning 1st November 2016.
- Amendment to IFRS 11 Joint Arrangements. Effective for the period beginning 1st November 2016.
- Amendment to IAS 1 Presentation of Financial Statements. Effective for the period beginning 1st November 2016.
- Amendment to IAS 16 Property, Plant and Equipment. Effective for the period beginning 1st November 2016.
- Amendment to IAS 27 Separate Financial Statements. Effective for the period beginning 1st November 2016.
- Amendment to IAS 28 Investments in Associates and Joint Ventures. Effective for the period beginning 1st November 2016.
- Amendment to IAS 38 Intangible Assets. Effective for the period beginning 1st November 2016.
- Annual Improvements 2014. Effective for the period beginning 1st November 2016.

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 9 Financial Instruments and the amendment on general hedge accounting. Effective for the period beginning 1st November 2018.
- IFRS 15 Revenue from Contracts with Customers and the amendment. Effective for the period beginning 1st November 2018.
- IFRS 16 Leases. Effective for the period beginning 1st November 2019.
- Amendment to IAS 7 Statement of Cash Flows. Effective for the period beginning 1st November 2017.
- Amendment to IAS 12 Income Taxes. Effective for the period beginning 1st November 2017.
- Amendment to IAS 40 Investment Property. Effective for the period beginning 1st November 2018.
- Amendment to IFRS 2 Share-based payments. Effective for the period beginning 1st November 2018.
- Amendment to IFRS 4 Insurance Contracts regarding the implementation of IFRS 9 Financial Instruments. Effective for the period beginning 1st November 2018.
- Annual Improvements 2015. Effective for the period beginning 1st November 2017.
- Annual Improvements 2016. Effective for the period beginning 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 9 Financial Instruments, IFRS 15 Revenue from Contracts with Customers and IFRS 16 Leases, their adoption is not expected to have a significant effect on the Group's financial statements.

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. The assessment of the full effect of IFRS 9 will be completed during the year ending 31st October 2018.

IFRS 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction Contracts' and related interpretations. The new standard is effective for the Group for the 2019 financial year commencing on 1st November 2018. The Group is currently assessing whether IFRS 15 will have a material impact on the Group's results. We are working with advisors and others in the industry to determine the appropriate treatment for the recognition of revenue with customers such as commercial investors under PRS and Registered Providers of social housing where there can be separate land sale and construction contracts. This matter was considered by the International Financial Reporting Interpretations Committee at their meeting on 22nd November 2017. The assessment of the full effect of IFRS 15 will be completed during the year ending 31st October 2018.

IFRS 16 replaces IAS 17 'Leases', and related interpretations, and requires lessees to recognise a lease liability and asset for virtually all right of use lease assets; certain short-term leases and leases of low-value assets can apply an optional exemption. The new standard is effective for the Group for the 2020 financial year commencing on 1st November 2019. The Group has not yet completed its assessment of the impact of the standard on the Group's consolidated income statement and consolidated statement of financial position. The Group expects that most of the Group's lease commitments will be brought onto the consolidated statement of financial position along with an associated asset. This change will affect the timing of recognition of lease costs within the consolidated income statement. An assessment of the full effect of IFRS 16 is expected to be completed during the year ending 31st October 2018.

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:

	2017 £m	2016 £m
Staff costs (Note 4)	67.2	65.3
Depreciation (Note 10)	1.5	1.2
Operating lease rentals		
Land and buildings	2.4	3.0
Other operating lease rentals	1.6	1.4
Auditors' remuneration	£000	£000
Audit of these consolidated financial statements	52	50
Audit of financial statements of subsidiaries pursuant to legislation	164	165
Audit related assurance services	43	32

Fees payable to the Group's auditors for audit related assurance services included £34,000 (2016: £32,000) in respect of an independent review of the half-year results and £8,500 (2016: £nil) for professional fees relating to £100m senior loan notes that were issued during the year.

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, £18,940 (2016: £21,845), are met by the assets of the scheme. Additionally, PricewaterhouseCoopers LLP provides audit services to joint venture undertakings of the Group. The fees associated with these services, £16,500 (2016: £16,000), are met by the joint venture undertakings.

4 Staff numbers and costs

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

	2017 Number	2016 Number
Development	905	849

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)

	2017 £m	2016 £m
Wages and salaries	52.9	51.2
Social security costs	7.4	7.3
Other pension costs	2.3	2.4
Share-based payments (Note 21)	4.6	4.4
	67.2	65.3

**(c) Key management remuneration**

	2017 £m	2016 £m
Salaries and short-term employee benefits	4.2	4.0
Other pension costs	0.1	0.1
Share-based payments	2.0	2.2
	6.3	6.3

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

	2017 £m	2016 £m
Salaries and short-term employee benefits	3.1	1.9
Other pension costs	0.1	0.1
Share-based payments	1.6	1.3
	4.8	3.3

Further information relating to Directors' remuneration, incentive plans, share options and pension entitlement appears in the Directors' Remuneration Report, which is presented on [pages 69 to 91](#).

5 Finance income and expense

	2017 £m	2016 £m
Finance income		
Interest income	2.2	2.3
Imputed interest on amounts due from associates	0.6	-
Imputed interest on other financial assets (Note 12)	1.5	3.5
	4.3	5.8
Finance expense		
Interest on bank loans	8.4	8.7
Debt issue costs	0.7	0.7
Imputed interest on deferred land payables	2.6	3.9
Net interest on defined benefit pension plan obligations (Note 21)	0.9	0.6
	12.6	13.9
NET FINANCE EXPENSE	8.3	8.1

6 Income tax expense

	2017 £m	2016 £m
Current tax		
UK Corporation tax on profits for the year	35.1	31.7
Adjustments in respect of prior periods	0.5	0.8
TOTAL CURRENT TAX	35.6	32.5
Deferred tax		
Origination and reversal of temporary differences in the current year	2.8	4.7
Adjustments in respect of prior periods	-	1.0
TOTAL DEFERRED TAX (NOTE 13)	2.8	5.7
TOTAL TAX IN INCOME STATEMENT	38.4	38.2

The effective tax rate for the year is 18.6% (2016: 19.6%) which is lower (2016: lower) than the standard rate of UK corporation tax of 19.42% (2016: 20.0%). 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:

	2017 £m	2016 £m
PROFIT BEFORE TAX	207.0	195.0
Tax on profit at 19.42% (2016: 20.00%)	40.2	39.0
Effects of:		
Expenses not deductible for tax purposes	0.1	0.5
Enhanced tax deductions	(2.4)	(3.3)
Deferred tax change in rate	-	0.2
Adjustments in respect of prior periods	0.5	1.8
TOTAL TAX IN INCOME STATEMENT	38.4	38.2

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 consolidated income statement. Examples are share schemes, defined benefit pension payments and land remediation enhanced allowances. Adjustments in respect of prior periods reflect the difference between the estimated consolidated income statement tax charge in the prior year and that of the actual tax outcome.

7 Dividends

	2017 £m	2016 £m
Dividends recognised as distributions to equity shareholders in the year:		
Prior year final dividend per share of 18.5p (2016: 13.3p)	47.2	33.5
Current year interim dividend per share of 11.2p (2016: 9.1p)	28.7	23.1
	75.9	56.6
Dividends declared as distributions to equity shareholders in the year:		
Final dividend for the year ended 31 st October 2017 of 21.8p (2016: 18.5p)	55.6	47.2

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 22nd March 2018, and in accordance with IAS 10 'Events after the Reporting Period', has not been included as a liability in these financial statements, and there are no income tax consequences.



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 2017			
Basic earnings per share	168.6	254,966,699	66.1
Dilutive effect of share options	-	4,104,811	
Diluted earnings per share	168.6	259,071,510	65.1
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

9 Intangible assets

	2017 £m	2016 £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 plc 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 pre-tax discount rate of 9.05% (2016: 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 1 st November 2015	1.5	8.9	10.4
Additions	0.7	1.1	1.8
Disposals	-	(0.3)	(0.3)
At 31 st October 2016	2.2	9.7	11.9
Additions	0.6	1.9	2.5
Disposals	(0.7)	(4.5)	(5.2)
AT 31ST OCTOBER 2017	2.1	7.1	9.2

	Fixtures and fittings £m	Computer equipment £m	Total £m
Accumulated depreciation			
At 1 st November 2015	0.7	7.1	7.8
Charge for the year	0.2	1.0	1.2
Disposals	-	(0.3)	(0.3)
At 31 st October 2016	0.9	7.8	8.7
Charge for the year	0.2	1.3	1.5
Disposals	(0.7)	(4.5)	(5.2)
AT 31ST OCTOBER 2017	0.4	4.6	5.0
Net book value			
AT 31ST OCTOBER 2017	1.7	2.5	4.2
AT 31ST OCTOBER 2016	1.3	1.9	3.2
AT 1ST NOVEMBER 2015	0.8	1.8	2.6

The Group has contractual commitments for the acquisition of property, plant and equipment of Enil (2016: Enil).

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	2017 £m	2016 £m
Kitewood (Cossall) Limited	1.0	0.6
Bonner Road LLP	-	-
Crest A2D (Walton Court) LLP	0.7	-
Other non-material joint ventures	0.1	0.1
	1.8	0.7

- **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. Construction of 123 apartments was completed on the site in 2017. The Group performs the role of project manager, for which it receives a project management fee from the Company. The Group provided funding to the Company to facilitate construction, which was repaid in the year following completion of the construction works.
- **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 2018. The LLP will be equally funded by both parties, who will receive interest on loaned sums. The Group performs the role of project manager, for which it will receive a project management fee upon a successful residential planning permission and throughout the life of the project.
- **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 submitted a residential planning application in March 2017, with construction forecast to start early 2018, subject to planning being achieved. The development will be equally funded by both parties by way of interest-free loans. The Group performs the role of project manager, for which it receives 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	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
SUMMARISED STATEMENT OF FINANCIAL POSITION										
Current assets										
Cash and cash equivalents	6.2	-	1.0	0.3	0.1	-	0.1	-	7.4	0.3
Other current assets	1.0	20.1	55.4	53.4	22.5	24.5	0.3	0.1	79.2	98.1
Non-current assets	-	-	-	-	-	-	0.1	0.1	0.1	0.1
Current liabilities										
Financial liabilities	-	-	-	-	(2.5)	-	-	-	(2.5)	-
Other current liabilities	(3.9)	(3.5)	-	-	(0.1)	(0.1)	(0.4)	(0.1)	(4.4)	(3.7)
Non-current liabilities										
Financial liabilities	-	(15.4)	(60.6)	(55.9)	(18.6)	(24.4)	-	-	(79.2)	(95.7)
Other non-current liabilities	(1.3)	-	-	-	-	-	-	-	(1.3)	-
NET ASSETS/(LIABILITIES)	2.0	1.2	(4.2)	(2.2)	1.4	-	0.1	0.1	(0.7)	(0.9)
RECONCILIATION TO CARRYING AMOUNTS										
Opening net assets/(liabilities) at 1 st November 2016	1.2	0.6	(2.2)	(0.2)	-	-	0.1	(14.8)	(0.9)	(14.4)
Profit/(loss) for the year	10.7	0.6	(2.0)	(2.0)	(1.2)	-	-	15.1	7.5	13.7
Dividends paid	(9.9)	-	-	-	-	-	-	(0.2)	(9.9)	(0.2)
Capital contribution reserve	-	-	-	-	2.6	-	-	-	2.6	-
CLOSING NET ASSETS/(LIABILITIES) AT 31ST OCTOBER 2017	2.0	1.2	(4.2)	(2.2)	1.4	-	0.1	0.1	(0.7)	(0.9)
Group's share in closing net assets/(liabilities) at 31 st October 2017	1.0	0.6	(2.1)	(1.1)	0.7	-	0.1	0.1	(0.3)	(0.4)
Recognised against receivable from joint venture	-	-	2.1	1.1	-	-	-	-	2.1	1.1
GROUP'S SHARE IN JOINT VENTURE	1.0	0.6	-	-	0.7	-	0.1	0.1	1.8	0.7
Amount due to Crest Nicholson Group (Note 15)	-	15.4	28.6	27.0	10.6	12.4	-	-	39.2	54.8
SUMMARISED INCOME STATEMENT										
Revenue	44.8	6.1	-	-	-	-	-	0.6	44.8	6.7
Expenditure	(31.0)	(4.7)	(0.1)	-	-	-	-	(0.6)	(31.1)	(5.3)
OPERATING PROFIT/(LOSS) BEFORE FINANCING COSTS	13.8	1.4	(0.1)	-	-	-	-	-	13.7	1.4
Member balances written off	-	-	-	-	-	-	-	15.1	-	15.1
Interest expense	(0.5)	(0.6)	(1.9)	(2.0)	(1.2)	-	-	-	(3.6)	(2.6)
Income tax expense	(2.6)	(0.2)	-	-	-	-	-	-	(2.6)	(0.2)
PROFIT/(LOSS) FOR THE YEAR	10.7	0.6	(2.0)	(2.0)	(1.2)	-	-	15.1	7.5	13.7

	Kitewood (Cossall) Limited		Bonner Road LLP		Crest A2D (Walton Court) LLP		Other non-material joint ventures		TOTAL	
	2017 £m	2016 £m	2017 £m	2016 £m	2017 £m	2016 £m	2017 £m	2016 £m	2017 £m	2016 £m
Group's share in joint venture profit/(loss) for the year	5.3	0.3	(1.0)	(1.0)	(0.6)	-	-	7.6	3.7	6.9
Provided in financial statements in prior years	-	-	-	-	-	-	-	(7.6)	-	(7.6)
GROUP'S SHARE IN JOINT VENTURE AFTER GROUP PROVISION	5.3	0.3	(1.0)	(1.0)	(0.6)	-	-	-	3.7	(0.7)
COMMITMENTS AND CONTINGENT LIABILITIES IN RESPECT OF JOINT VENTURES										
Commitments – joint ventures	-	-	-	-	-	-	-	-	-	-
Commitment to provide funding	-	5.7	-	1.9	-	-	-	-	-	7.6
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 plc	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

	2017 £m	2016 £m
At beginning of the year	18.5	24.2
Disposals	(5.1)	(9.2)
Imputed interest	1.5	3.5
AT END OF THE YEAR	14.9	18.5
Of which:		
Non-current assets	11.4	16.3
Current assets	3.5	2.2
	14.9	18.5

Other financial assets are carried at fair value and 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.

	2017	2016
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	8 to 15 years
	2017 Increase assumptions by 1%/year £m	2017 Decrease assumptions by 1%/year £m
Sensitivity – effect on value of other financial assets (less)/more		
Discount rate, incorporating default rate	(0.3)	0.4
House price inflation for the next three years	0.3	(0.3)
Timing of receipt	(0.7)	0.5

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 2017 was £1.5m (2016: £3.5m).

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 consolidated 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 1 st November 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 31 st October 2016	10.1	1.3	3.1	-	0.7	15.2
Income statement movements	(2.7)	0.1	-	-	(0.2)	(2.8)
Equity movements	-	0.5	(1.8)	-	-	(1.3)
AT 31ST OCTOBER 2017	7.4	1.9	1.3	-	0.5	11.1

Deferred tax expected to be recovered or settled in less than 12 months is £4.4m (2016: £4.6m), and in more than 12 months is £6.7m (2016: £10.6m).

At the consolidated statement of financial position date the substantively enacted future corporation tax rates were 19% for FY18 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 2018: 19%, 31st October 2019: 19%, 31st October 2020: 17.83% and 31st October 2021 and subsequent: 17%). The Group has no material unrecognised deferred tax assets.

Inventories fair value represents temporary differences on the carrying value of inventory fair valued on the acquisition of Castle Bidco plc 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. They are therefore recognised as deferred tax assets in the above amounts.

14 Inventories

	2017 £m	2016 £m
Land and work in progress	950.3	843.4
Completed buildings including show homes	136.2	92.4
	1,086.5	935.8

Included within inventories is a fair value provision of £35.3m (2016: £47.6m) which arose on the acquisition of Castle Bidco plc 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 £12.3m (2016: £19.3m). Inventories of £470.1m (2016: £368.4m) are estimated to be recovered in more than 12 months. Inventories of £768.8m (2016: £717.7m) were recognised as cost of sales in the year.

15 Trade and other receivables

	2017 £m	2016 £m
Non-current		
Trade receivables	14.5	14.9
Due from joint ventures	38.0	39.4
	52.5	54.3
Current		
Trade receivables	64.0	29.2
Recoverable on contracts	20.4	21.0
Due from joint ventures	1.2	15.4
Other receivables	13.2	4.8
Prepayments and accrued income	3.9	4.0
	102.7	74.4

Current trade receivables of £13.4m have been collected since year end (2016: £8.0m). The remaining balance is due according to contractual terms. Receivables are stated after provision for doubtful debts of £nil (2016: £nil). Amounts due from joint ventures are net of joint venture losses of £2.1m (2016: £1.1m). At the consolidated statement of financial position date the difference between the fair value of non-current amounts due from joint ventures and nominal value is £0.7m (2016: £nil).

The Group considers the credit quality of financial assets that are neither past due nor impaired as good. Trade and other receivables mainly comprise contractual amounts due from housing associations and land sales to other quoted housebuilders. Amounts due from joint ventures comprise funding provided on two (2016: three) joint venture developments which are being project managed by the Group and are subject to contractual arrangements.

The maturity of non-current receivables is as follows:

	2017 £m	2016 £m
Due between one and two years	20.9	12.5
Due between two and five years	31.4	41.6
Due after five years	0.2	0.2
	52.5	54.3



16 Interest-bearing loans and borrowings

	2017 £m	2016 £m
Non-current		
Revolving credit facility	40.0	200.0
Senior loan notes	100.0	-
Revolving credit and senior loan notes issue costs	(3.7)	(2.2)
Other loans	3.8	5.6
	140.1	203.4
Current		
Other loans	1.9	1.9

There were undrawn amounts of £210.0m (2016: £40.0m) under the revolving credit facility at the consolidated statement of financial position date. During the year the Group completed a £100m private placement of 7 to 12 year Senior loan notes at a weighted average fixed interest rate of 3.53%. Interest is paid biannually in arrears. See [Note 20](#) for additional disclosures.

17 Trade and other payables

	2017 £m	2016 £m
Non-current		
Land payables on contractual terms	86.7	98.7
Other payables	6.4	7.2
Accruals	8.4	5.4
	101.5	111.3
Current		
Land payables on contractual terms	128.9	86.3
Other trade payables	42.5	37.8
Payments on account	16.5	26.3
Taxes and social security costs	2.3	2.3
Other payables	12.7	12.6
Accruals	185.0	172.3
	387.9	337.6

18 Provisions

	2017 £m	2016 £m
Rental and other obligations in respect of commercial properties		
At beginning of the year	4.4	5.2
Utilised in the year	(0.9)	(0.8)
AT END OF THE YEAR	3.5	4.4
Of which:		
Non-current	2.1	3.6
Current	1.4	0.8
	3.5	4.4

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 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
New share capital	1,396,064	5	69,802	1,119,136
ORDINARY SHARES AS AT 31ST OCTOBER 2017	255,759,637	5	12,787,981	74,129,478

Ordinary shares are issued and fully paid. Authorised ordinary shares of 5 pence each are 339,187,373 (2016: 335,549,777).

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 £
2014 LTIP	933,342	-	46,667	-
2013 SAYE	34,751	247	1,737	84,097
2014 SAYE	377,761	276	18,888	1,023,732
2015 SAYE	531	451	26	2,368
2016 SAYE	3,181	286	159	8,939
2016 Deferred bonus plan	46,498	-	2,325	-
	1,396,064		69,802	1,119,136

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	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

For details of outstanding share options at 31st October 2017 see [Note 21](#).

20 Financial risk management

The Group's financial instruments comprise cash, bank loans, senior loan notes, 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. During the year the Group completed a £100m private placement of 7 to 12 year Senior loan notes at a weighted average fixed interest rate of 3.53%. Interest is paid biannually in arrears.

Capital management

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

The Group's capital comprises shareholders' funds and net borrowings. A five-year summary of this can be found in the unaudited historical summary on [page 146](#), in addition to its return on capital employed.

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

The revolving credit facility and senior loan notes 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 £175.2m (2016: £282.3m) 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, 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 £14.9m (2016: £18.5m) 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. 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 £39.2m (2016: £54.8m) is funding provided on two (2016: three) 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 £10.5m (2016: £14.3m) which is within agreed terms.

The Group considers the credit quality of financial assets that are neither past due nor impaired as good, as described in [Note 15](#).

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 consolidated statement of financial position date (2016: 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 2017:

	Carrying value £m	Contractual cash flows £m	Within 1 year £m	1-2 years £m	2-3 years £m	More than 3 years £m
2017						
Revolving credit facility	40.0	40.1	0.1	-	-	40.0
Senior loan notes	100.0	133.7	3.5	3.5	3.5	123.2
LIFF loans	5.7	6.1	2.1	2.0	2.0	-
Other financial liabilities carrying interest	72.5	74.0	44.9	9.8	19.3	-
Financial liabilities carrying no interest	398.1	405.7	328.4	28.5	33.4	15.4
AT 31ST OCTOBER 2017	616.3	659.6	379.0	43.8	58.2	178.6

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.

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

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. The Group has partially mitigated this risk in the year by placing £100m of Senior loan notes which are at fixed interest rates. For the year ended 31st October 2017 it is estimated that an increase of 1% in interest rates applying for the full year would decrease the Group's PBT by £1.7m (2016: £2.0m).

At 31st October 2017, the interest rate profile of the financial liabilities of the Group was:

	2017 £m	2016 £m
Sterling bank borrowings, loan notes and long-term creditors		
Floating rate financial liabilities	45.7	207.5
Financial liabilities carrying interest	172.5	75.5
Financial liabilities carrying no interest	398.1	344.8
	616.3	627.8

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 40 months (2016: 45 months).

	2017 £m	2016 £m
The maturity of the financial liabilities is:		
Repayable within one year	371.0	310.9
Repayable between one and two years	38.1	77.3
Repayable between two and five years	103.7	232.5
Repayable after five years	103.5	7.1
	616.3	627.8

**Fair values****Financial assets**

The Group's financial assets comprise cash equivalents, other financial assets and trade and other receivables. The carrying amounts of financial assets equate to their fair value. At 31st October 2017 cash equivalents consisted of sterling cash deposits of £175.2m (2016: £282.3m), with solicitors and on current account, £14.9m (2016: £18.5m) of other financial assets, £112.1m (2016: £69.9m) of trade, other receivables and amounts recoverable on contracts, and £39.2m (2016: £54.8m) of amounts due from joint ventures.

Financial liabilities

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

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

	Nominal interest rate	Face value £m	Carrying value £m	Fair value £m	Maturity
2017					
Revolving credit facility	3 mth LIBOR + 2.15%	40.0	40.0	40.0	2022
Senior loan notes	3.15% - 3.87%	100.0	100.0	100.0	2024-2029
LIFF loans	EU reference rate + 2.2%	3.8	3.8	3.8	2020
TOTAL NON-CURRENT INTEREST-BEARING LOANS		143.8	143.8	143.8	
LIFF loans	EU reference rate + 2.2%	1.9	1.9	1.9	2018
TOTAL CURRENT INTEREST-BEARING LOANS		1.9	1.9	1.9	
2016					
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	2020
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	

Financial assets and liabilities by category

	2017 £m	2016 £m
Financial assets		
Sterling cash deposits	175.2	282.3
Trade receivables	78.5	44.1
Amounts due from joint ventures	39.2	54.8
Recoverable on contracts	20.4	21.0
Other receivables	13.2	4.8
TOTAL LOANS AND RECEIVABLES	326.5	407.0
Other financial assets	14.9	18.5
TOTAL FINANCIAL ASSETS	341.4	425.5

	2017 £m	2016 £m
Financial liabilities		
Revolving credit facility	40.0	200.0
Senior loan notes	100.0	-
Other loans	5.7	7.5
Land payments on contractual terms	215.6	185.0
Other trade payables	42.5	37.8
Other payables	19.1	19.8
Accruals	193.4	177.7
FINANCIAL LIABILITIES AT AMORTISED COST	616.3	627.8

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 £2.1m (2016: £2.0m). At the consolidated statement of financial position date there were no outstanding or prepaid contributions (2016: £nil).

Defined benefit scheme

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

The Scheme closed to future accrual from 30th April 2010. Accrued 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 once a member has retired. 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 2017 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 2017, the allocation of the Scheme's invested assets was 61% in return seeking investments, 17% in corporate bonds, 21% 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 their policy evolves.

	2017 £m	2016 £m	2015 £m
The amounts recognised in the consolidated statement of financial position are as follows:			
Present value of scheme liabilities	(202.5)	(200.9)	(165.3)
Fair value of scheme assets	195.3	184.2	157.8
NET AMOUNT RECOGNISED AT YEAR END	(7.2)	(16.7)	(7.5)

A deferred tax asset of £1.3m (2016: £3.1m) 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, are included in the consolidated statement of comprehensive income. Remeasurements of the net defined benefit liability are included in other comprehensive income.

	2017 £m	2016 £m
Administration expenses	0.6	0.5
Net interest expense	0.3	0.1
CHARGE RECOGNISED IN THE CONSOLIDATED INCOME STATEMENT	0.9	0.6
Remeasurements of the net liability		
Return on scheme assets	(2.8)	(18.0)
Loss arising from changes in financial assumptions	1.9	37.0
Loss arising from changes in demographic assumptions	-	1.0
Experience gain	(0.5)	(2.4)
(CREDIT)/CHARGE RECORDED IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	(1.4)	17.6
TOTAL DEFINED BENEFIT SCHEME (CREDIT)/COST	(0.5)	18.2

The principal actuarial assumptions used were:

	2017 %	2016 %
Liability discount rate	2.8	2.8
Inflation assumption – RPI	3.4	3.5
Inflation assumption – CPI	2.6	2.7
Rate of increase in salaries	-	-
Revaluation of deferred pensions	2.6	2.7
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	3.3
Proportion of employees opting for early retirement	-	-
Proportion of employees commuting pension for cash	100.0	100.0

	2017	2016
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%



	2017 Years	2016 Years
Future expected lifetime of current pensioner at age 65		
Male aged 65 at year end	22.8	22.7
Female aged 65 at year end	24.9	24.8
Future expected lifetime of future pensioner at age 65		
Male aged 45 at year end	25.0	24.9
Female aged 45 at year end	27.2	27.1

Changes in the present value of assets over the year

	2017 £m	2016 £m
Fair value of assets at beginning of the year	184.2	157.8
Interest income	5.3	6.2
Return on assets (excluding amount included in net interest expense)	2.8	18.0
Contributions from the employer	9.0	9.0
Benefits paid	(5.4)	(6.3)
Administration expenses	(0.6)	(0.5)
FAIR VALUE OF ASSETS AT END OF THE YEAR	195.3	184.2

Changes in the present value of liabilities over the year

	2017 £m	2016 £m
Liabilities at beginning of the year	200.9	165.3
Interest cost	5.6	6.3
Remeasurement losses/(gains)		
Actuarial losses arising from changes in financial assumptions	1.9	37.0
Actuarial losses arising from changes in demographic assumptions	-	1.0
Experience gains	(0.5)	(2.4)
Benefits paid	(5.4)	(6.3)
LIABILITIES AT END OF THE YEAR	202.5	200.9



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

	2017 £m	2016 £m
Deferred pensioners	123.8	121.0
Pensions in payment	78.7	79.9
	202.5	200.9
	2017 Years	2016 Years
Average duration of the scheme's liabilities at the end of the year	18.0	18.0
This can be subdivided as follows:		
Deferred pensioners	22.0	23.0
Pensions in payment	12.0	12.0

The major categories of scheme assets are as follows:

	2017 £m	2016 £m
Return seeking		
UK equities	-	15.4
Overseas equities	19.4	31.6
Other (hedge funds, multistrategy and absolute return funds)	94.5	81.4
	113.9	128.4
Debt instruments		
Corporates	31.6	9.3
Index linked	39.5	35.2
	71.1	44.5
Other		
Cash	1.9	2.5
Insured annuities	8.4	8.8
	10.3	11.3
TOTAL MARKET VALUE OF ASSETS	195.3	184.2

The Trustees reviewed the investment strategy during the year and the decision was made to reduce the Scheme's exposure to equities in favour of more fixed income and absolute return investments.

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 31st August 2021, subject to scheme funding. The Group expects to contribute £9.0m (2016: £9.0m) to scheme funding in the year ending 31st October 2018.

Sensitivity of the liability value to changes in the principal assumptions

If the discount rate was 0.25% higher/(lower), the scheme liabilities would decrease by £8.6m (increase by £9.2m) if all the other assumptions remained unchanged.

If the inflation assumption was 0.25% higher/(lower), the scheme liabilities would increase by £4.5m (decrease by £5.0m) if all the other assumptions remained unchanged.

If life expectancies were to increase by one year, the scheme liabilities would increase by £8.5m if all the other assumptions remained unchanged.

(b) Share-based payments

The Group operates an LTIP, an employee share option scheme (ESOS), an 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 3 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	8 th Mar 2013	14 th Feb 2014	27 th Feb 2015	26 th Feb 2016	10 th Mar 2016	28 th Feb 2017	
Options granted	2,226,041	1,246,861	1,270,176	1,075,943	50,336	1,266,364	
Fair value at measurement date	£2.62	£3.49	£4.02	£5.07	£5.03	£4.67	
Share price on date of grant	£2.80	£3.81	£4.45	£5.62	£5.03	£5.42	
Exercise price	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	
Vesting period	3 years	3 years	3 years	3 years	N/A	3 years	
Expected dividend yield	2.50%	2.50%	3.20%	3.50%	N/A	5.09%	
Expected volatility	33.00%	28.90%	30.00%	30.00%	N/A	45.00%	
Risk free interest rate	0.40%	0.40%	0.86%	0.43%	N/A	0.14%	
Valuation model	Binomial	Binomial	Binomial	Binomial	N/A	Binomial	
Contractual life from	8 th Mar 2013	14 th Feb 2014	27 th Feb 2015	26 th Feb 2016	10 th Mar 2016	28 th Feb 2017	
Contractual life to	7 th Mar 2023	13 th Feb 2024	26 th Feb 2025	25 th Feb 2026	7 th Mar 2023	27 th Feb 2027	
Movements in the year	Number of options	Number of options	Number of options	Number of options	Number of options	Number of options	Total number of options
Outstanding at 1 st November 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
Granted during the year	-	-	-	-	-	1,266,364	1,266,364
Exercised during the year	-	(933,342)	-	-	-	-	(933,342)
Lapsed during the year	-	(24,747)	(65,616)	(66,511)	-	(72,088)	(228,962)
OUTSTANDING AT 31ST OCTOBER 2017	-	-	964,522	927,778	-	1,194,276	3,086,576
EXERCISABLE AT 31ST OCTOBER 2017	-	-	-	-	-	-	-
EXERCISABLE AT 31ST OCTOBER 2016	-	-	-	-	-	-	-
	£m	£m	£m	£m	£m	£m	Total £m
Charge to income for the current year	-	0.2	1.5	0.8	-	0.9	3.4
Charge to income for the prior year	0.5	1.1	1.3	0.2	0.3	-	3.4

The weighted average exercise price of LTIP options was £nil (2016: £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 are held by the Group's Employee Share Ownership Trust and certain options have been granted to Executive Directors and other employees. Options granted under the plan are exercisable between 2 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	17 th Aug 2015
Options granted	1,500
Fair value at measurement date	£0.00
Share price on date of grant	£5.68
Exercise price	£0.00
Vesting period	2 years
Expected dividend yield	N/A
Expected volatility	N/A
Risk free interest rate	N/A
Valuation model	N/A
Contractual life from	17 th Aug 2015
Contractual life to	16 th Aug 2025
Movements in the year	Number of options
Outstanding at 1 st November 2015	1,500
OUTSTANDING AT 31ST OCTOBER 2016	1,500
Exercised during the year	(1,500)
OUTSTANDING AT 31ST OCTOBER 2017	-
EXERCISABLE AT 31ST OCTOBER 2017	-
EXERCISABLE AT 31ST OCTOBER 2016	-
	£m
Charge to income for the current year	-
Charge to income for the prior year	-

The weighted average exercise price of employee share options was £nil (2016: £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	22 nd May 2013	15 th Jul 2014	16 th Jul 2015	1 st Aug 2016	3 rd Aug 2017
Options granted	805,805	569,998	257,264	1,208,742	453,663
Fair value at measurement date	£0.82	£0.70	£1.03	£1.11	£1.06
Share price on date of grant	£3.09	£3.44	£5.63	£3.56	£5.41
Exercise price	£2.47	£2.76	£4.51	£2.86	£4.20
Vesting period	3 years	3 years	3 years	3 years	3 years
Expected dividend yield	2.50%	2.50%	3.00%	4.80%	5.1%
Expected volatility	32.00%	28.90%	29.00%	45.00%	35.00%
Risk free interest rate	0.55%	1.61%	1.16%	0.19%	0.30%
Valuation model	Binomial	Binomial	Binomial	Binomial	Binomial

Contractual life from	1 st Aug 2013	1 st Aug 2014	1 st Aug 2015	1 st Sep 2016	1 st Sep 2017
Contractual life to	31 st Jan 2017	31 st Jan 2018	31 st Jan 2019	29 th Feb 2020	28 th Feb 2021

Movements in the year	Number of options	Number of options	Number of options	Number of options	Number of options	Total number of options	Weighted average exercise price
Outstanding at 1 st November 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
Granted during the year	-	-	-	-	453,663	453,663	£4.20
Exercised during the year	(34,751)	(377,761)	(531)	(3,181)	-	(416,224)	£2.74
Lapsed during the year	(2,186)	(15,930)	(21,452)	(146,149)	(5,140)	(190,857)	£3.07
OUTSTANDING AT 31ST OCTOBER 2017	-	27,384	82,495	1,044,940	448,523	1,603,342	£3.32
EXERCISABLE AT 31ST OCTOBER 2017	-	27,384	-	-	-	27,384	
EXERCISABLE AT 31ST OCTOBER 2016	36,937	-	-	-	-	36,937	
	£m	£m	£m	£m	£m	Total £m	
Charge to income for the current year	-	0.1	-	0.4	-	0.5	
Charge to income for the prior year	0.1	0.1	-	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 1 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	27 th Feb 2015	26 th Feb 2016	10 th Mar 2016	8 th Feb 2017	28 th Feb 2017	
Options granted	257,219	140,185	3,861	2,078	133,761	
Fair value at measurement date	£4.45	£5.62	£5.03	£4.83	£5.42	
Share price on date of grant	£4.45	£5.62	£5.03	£4.83	£5.42	
Exercise price	£0.00	£0.00	£0.00	£0.00	£0.00	
Vesting period	1/3 years	1/3 years	1 year	1 year	1/3 years	
Expected dividend yield and volatility	N/A	N/A	N/A	N/A	N/A	
Risk free interest rate	N/A	N/A	N/A	N/A	N/A	
Valuation model	N/A	N/A	N/A	N/A	N/A	
Contractual life from	27 th Feb 2015	26 th Feb 2016	10 th Mar 2016	8 th Feb 2017	28 th Feb 2017	
Contractual life to	26 th Feb 2025	25 th Feb 2026	26 th Feb 2025	25 th Feb 2026	27 th Feb 2027	
	Number of options	Number of options	Number of options	Number of options	Number of options	Total number of options
Movements in the year						
Outstanding at 1 st November 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
Granted during the year	-	-	-	2,078	133,761	135,839
Exercised during the year	-	(44,420)	-	(2,078)	-	(46,498)
OUTSTANDING AT 31ST OCTOBER 2017	120,519	83,252	-	-	133,761	337,532
EXERCISABLE AT 31ST OCTOBER 2017	-	-	-	-	-	-
EXERCISABLE AT 31ST OCTOBER 2016	-	-	-	-	-	-
	£m	£m	£m	£m	£m	Total £m
Charge to income for the current year	0.1	0.1	-	-	0.5	0.7
Charge to income for the prior year	0.2	0.5	-	-	-	0.7

The weighted average exercise price of deferred bonus plan share options was £nil (2016: £nil).

Total share incentive schemes

	2017 Number of options	2016 Number of options
Movements in the year		
Options at beginning of the year	4,988,967	5,829,606
Granted during the year	1,855,866	2,479,067
Exercised during the year	(1,396,064)	(2,702,373)
Employee share option shares	(1,500)	-
Lapsed during the year	(419,819)	(617,333)
OUTSTANDING AT END OF THE YEAR	5,027,450	4,988,967
EXERCISABLE AT END OF THE YEAR	27,384	36,937
	£m	£m
Charge to income for the year	4.6	4.4

The weighted average share price at the date of exercise of share options exercised during the year was £5.32 (2016: £5.01).

The options outstanding had a range of exercise prices of £nil to £4.51 (2016: £nil to £4.51) and a weighted average remaining contractual life of 6.4 years (2016: 6.3 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 consolidated 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:

	2017 £m	2016 £m
Land and buildings		
Within one year	2.5	2.4
Less: minimum sub-lease income	(0.4)	(0.5)
Between two and five years	6.4	7.4
Less: minimum sub-lease income	(0.5)	(0.9)
After five years	1.8	2.4
	9.8	10.8
Other		
Within one year	1.7	1.5
Between two and five years	2.1	2.5
	3.8	4.0



24 Movement in net cash/(debt)

	2017 £m	Movement £m	2016 £m
Cash and cash equivalents	175.2	(107.1)	282.3
Bank loans, Senior loan notes and other loans	(142.0)	63.3	(205.3)
NET CASH	33.2	(43.8)	77.0

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 which is given in Note 4. Detailed disclosure for Board members is given within the Directors' remuneration report. In the year a close family member of one of the Board of Directors purchased a property from Kitewood (Cossall) Limited, an entity in which the Group holds a 50% interest, at the market value of £452,000 (2016: 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 with 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, was a Non-Executive Director of the Academy of Urbanism in the prior year, to which the Group had paid fees of £200.

Stephen Stone, Chief Executive, is a Non-Executive Director of the HBF and the NHBC. The Group paid subscription and other fees during the year to the HBF of £120,000 (2016: £100,000) and paid fees (mainly relating to warranty insurance costs on new homes built) to the NHBC of £3.1m (2016: £2.6m).

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 £nil (2016: £24,000), (ii) the Group received £1.5m (2016: £1.6m) interest on joint venture funding and the Group had a credit of £0.6m (2016: £nil) interest on the fair value unwind on a joint venture interest free loan, (iii) the Group received £1.0m (2016: £0.2m) in project management fees, and, (iv) the amount of outstanding loans due to the Group from joint ventures was £39.2m (2016: £54.8m).

26 Group undertakings

In accordance with section 409 of the Companies Act 2006, the following is a list of all the Group's undertakings at 31st October 2017.

Subsidiary undertakings

At 31st October 2017 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	8	10	31 st March	100%
Bath Riverside Estate Management Company Limited	2	8	11	31 st October	100%
Bath Riverside Liberty Management Company Limited	2	8	11	31 st October	100%
Block L1-L3 Whitelands Park Limited	1	8	11	31 st October	100%
Brenville Limited	1	8	11	31 st October	100%
Brightwells Residential 1 Company Limited	1	8	11	31 st October	100%
Brightwells Residential 2 Company Limited	1	8	11	31 st October	100%
Bristol Parkway North Limited	1	8	11	31 st October	100%
C N Nominees Limited	1	8	11	31 st October	100%
Camberley (Commercial) Limited	5	9	11	31 st October	100%
Camberley Res No.1 Limited	1	8	11	31 st October	100%
Camberley Res No.2 Limited	1	8	11	31 st October	100%
Camberley Res No.3 Limited	1	8	11	31 st October	100%
Camberley Res No.4 Limited	1	8	11	31 st October	100%



Entity name	Registered office	Place of incorporation	Active/Dormant	Year end date	Shareholding (direct or indirect)
Camberley Res No.5 Limited	1	8	11	31 st October	100%
Cardiff Freeport Limited	1	8	11	31 st October	100%
Castle Bidco plc ¹	1	8	10	31 st October	100%
Clevedon Developments Limited	1	8	11	31 st October	100%
Clevedon Investment Limited	1	8	10	31 st October	100%
CN Properties Limited	1	8	11	31 st October	100%
Crest (Claybury) Limited	1	8	11	31 st October	100%
Crest (Napsbury) Limited	1	8	11	31 st October	100%
Crest Construction Limited	1	8	11	31 st October	100%
Crest Construction Management Limited	1	8	11	31 st October	100%
Crest Developments Limited	1	8	11	31 st October	100%
Crest Estates Limited	1	8	11	31 st October	100%
Crest Homes (Chiltern) Limited	1	8	11	31 st October	100%
Crest Homes (Eastern) Limited	1	8	11	31 st October	100%
Crest Homes (Midlands) Limited	1	8	11	31 st October	100%
Crest Homes (Nominees) Limited	1	8	11	31 st October	100%
Crest Homes (Northern) Limited	1	8	11	31 st October	100%
Crest Homes (South East) Limited	1	8	11	31 st October	100%
Crest Homes (South West) Limited	1	8	11	31 st October	100%
Crest Homes (South) Limited	1	8	11	31 st October	100%
Crest Homes (Wessex) Limited	1	8	11	31 st October	100%
Crest Homes (Westerham) Limited	1	8	11	31 st October	100%
Crest Homes Limited	1	8	11	31 st October	100%
Crest Homes Management Limited	1	8	11	31 st October	100%
Crest Manhattan Limited	1	8	11	31 st October	100%
Crest Nicholson (Bath Western) Limited	1	8	11	31 st October	100%
Crest Nicholson (Bath) Holdings Limited	1	8	11	31 st October	100%
Crest Nicholson (Chiltern) Limited	1	8	11	31 st October	100%
Crest Nicholson (Eastern) Limited	1	8	11	31 st October	100%
Crest Nicholson (Epsom) Limited	1	8	11	31 st October	100%
Crest Nicholson (Henley-on-Thames) Limited	1	8	10	31 st October	100%
Crest Nicholson (Highlands Farm) Limited	1	8	11	31 st October	100%
Crest Nicholson (Londinium) Limited	1	8	11	31 st October	100%
Crest Nicholson (London) Limited	1	8	11	31 st October	100%
Crest Nicholson (Midlands) Limited	1	8	11	31 st October	100%
Crest Nicholson (Rainsford Road) Limited	1	8	11	31 st October	100%
Crest Nicholson (South East) Limited	1	8	11	31 st October	100%
Crest Nicholson (South West) Limited	1	8	11	31 st October	100%
Crest Nicholson (South) Limited	1	8	11	31 st October	100%
Crest Nicholson (Stotfold) Limited	1	8	10	31 st October	100%
Crest Nicholson (Wainscott)	1	8	11	31 st October	100%

¹ Castle Bidco plc 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 Nicholson (Wessex) Limited	1	8	11	31 st October	100%
Crest Nicholson Developments (Chertsey) Limited	1	8	10	31 st October	100%
Crest Nicholson Greenwich Limited	1	8	11	31 st October	100%
Crest Nicholson Operations Limited	1	8	10	31 st October	100%
Crest Nicholson Overseas Limited	1	8	11	31 st October	100%
Crest Nicholson Pension Trustee Ltd	1	8	11	31 st January	100%
Crest Nicholson plc	1	8	10	31 st October	100%
Crest Nicholson Projects Limited	1	8	11	31 st October	100%
Crest Nicholson Properties Limited	1	8	11	31 st October	100%
Crest Nicholson Properties Scarborough No 2 Limited	5	9	11	31 st October	100%
Crest Nicholson Quest Trustee Limited	1	8	11	31 st October	100%
Crest Nicholson Regeneration Limited	1	8	11	31 st October	100%
Crest Nicholson Residential (London) Limited	1	8	11	31 st October	100%
Crest Nicholson Residential (Midlands) Limited	1	8	11	31 st October	100%
Crest Nicholson Residential (South East) Limited	1	8	11	31 st October	100%
Crest Nicholson Residential (South) Limited	1	8	11	31 st October	100%
Crest Nicholson Residential Limited	1	8	11	31 st October	100%
Crest Nominees Limited	1	8	11	31 st October	100%
Crest Partnership Homes Limited	1	8	11	31 st October	100%
Crest Strategic Projects Limited	1	8	11	31 st October	100%
Dialled Despatches Limited	1	8	11	31 st October	100%
Eastern Perspective Management Company Limited	1	8	11	31 st October	100%
Ellis Mews (Park Central) Management Limited	1	8	10	31 st October	100%
Grassphalte-Gaze Limited	1	8	11	31 st October	100%
Landscape Estates Limited	1	8	11	31 st October	100%
Mertonplace Limited	1	8	11	31 st October	100%
Napsbury Park Management Company Limited	1	8	11	31 st October	100%
Nicholson Estates (Century House) Limited	1	8	11	31 st October	100%
Nicholson Estates GN Tower No 2 Limited	5	9	11	31 st October	100%
Nicholson Homes Limited	1	8	11	31 st October	100%
Park Central Management (Central Plaza) Limited	1	8	10	31 st October	100%
Park Central Management (Zone 11) Limited	1	8	11	31 st October	100%
Park Central Management (Zone 12) Limited	1	8	11	31 st October	100%
Park Central Management (Zone 1A North) Limited	1	8	11	31 st October	100%
Park Central Management (Zone 1A South) Limited	1	8	11	31 st October	100%
Park Central Management (Zone 1B) Limited	1	8	11	31 st October	100%
Park Central Management (Zone 3/1) Limited	1	8	11	31 st October	100%
Park Central Management (Zone 3/2) Limited	1	8	11	31 st October	100%
Park Central Management (Zone 3/3) Limited	1	8	11	31 st October	100%
Park Central Management (Zone 3/4) Limited	1	8	11	31 st October	100%
Park Central Management (Zone 4/41 & 42) Limited	1	8	11	31 st October	100%
Park Central Management (Zone 4/43/44) Limited	1	8	11	31 st October	100%



Entity name	Registered office	Place of incorporation	Active/Dormant	Year end date	Shareholding (direct or indirect)
Park Central Management (Zone 5/53) Limited	1	8	11	31 st October	100%
Park Central Management (Zone 5/54) Limited	1	8	11	31 st October	100%
Park Central Management (Zone 5/55) Limited	1	8	11	31 st October	100%
Park Central Management (Zone 6/61-64) Limited	1	8	11	31 st October	100%
Park Central Management (Zone 7/9) Limited	1	8	11	31 st October	100%
Park Central Management (Zone 8) Limited	1	8	11	31 st October	100%
Park Central Management (Zone 9/91) Limited	1	8	11	31 st January	100%
Riverside Dacorum No 2 Limited	5	9	11	31 st October	100%
The Gloucester Docks Trading Company Limited	1	8	11	31 st October	100%
Timberform Building Systems Limited	1	8	11	31 st October	100%
Toptool Products Limited	1	8	11	31 st October	100%
Yawbrook Limited	1	8	11	31 st October	100%
Building 7 Harbourside Management Company Limited	1	8	10	31 st October	58.33%
Buildings 3A, 3B & 4 Harbourside Management Company Limited	1	8	11	31 st December	83.33%
Harbourside Leisure Management Company Limited	1	8	10	31 st December	71.43%
Park West Management Services Limited	1	8	10	31 st October	62.00%

Joint venture undertakings

At 31st October 2017 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	8	10	31 st October	50%
Bonner Road LLP	6	8	10	31 st March	50%
Crest A2D (Walton Court) LLP	1	8	10	31 st March	50%
Other joint ventures not material to the Group					
Elmsbrook (Crest A2D) LLP	7	8	10	31 st July	50%
Crest Nicholson Bioregional Quintain LLP	1	8	10	31 st October	50%
Crest/Galliford Try (Epsom) LLP	1	8	10	31 st October	50%
The Century House Property Company Limited	1	8	11	31 st October	50%
Crest Nicholson Bioregional Quintain (Gallions) LLP	1	8	11	31 st October	50%
Brentford Lock Limited	3	8	10	31 st December	50%
Haydon Development Company Limited	4	8	10	30 th April	21.36%
North Swindon Development Company Limited	4	8	10	31 st October	32.64%

Registered office

- 1 Crest House, Pycroft Road, Chertsey, Surrey KT16 9GN, UK
- 2 Units 1, 2 & 3 Beech Court, Wokingham Road, Hurst, Reading RG10 0RU, UK
- 3 Persimmon House, Fulford, York YO19 4FE, UK
- 4 6 Drakes Meadow, Penny Lane, Swindon, Wiltshire SN3 3LL, UK
- 5 SG Hambros House, 18 Esplanade, St Helier, Jersey JE4 8RT
- 6 Level 6, 6 More London Place, Tooley Street, London SE1 2DA
- 7 The Point, 37 North Wharf Road, London W2 1BD

Place of incorporation

- 8 England
- 9 Jersey

Active/Dormant

- 10 Active
- 11 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 2017. 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 31 st October 2017	Note	2017 £m	2016 £m
ASSETS			
Non-current assets			
Investments	4	-	-
Current assets			
Trade and other receivables	5	297.5	356.4
TOTAL ASSETS		297.5	356.4
LIABILITIES			
Current liabilities			
Current income tax liabilities		(1.1)	-
TOTAL LIABILITIES		(1.1)	-
NET ASSETS		296.4	356.4
SHAREHOLDERS' EQUITY			
Share capital	6	12.8	12.7
Share premium account	6	74.1	73.0
Retained earnings		209.5	270.7
TOTAL SHAREHOLDERS' EQUITY		296.4	356.4

The notes on [pages 143 to 145](#) form part of these financial statements.

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 £14.7m (2016: £18.0m).

The financial statements on [pages 141 to 145](#) were approved by the Board of Directors on 24th January 2018.

On behalf of the Board

S Stone
R Allen
Directors



COMPANY STATEMENT OF CHANGES IN EQUITY

		Share capital £m	Share premium account £m	Retained earnings £m	Total equity £m
For the year ended 31st October 2017	Note				
BALANCE AT 1ST NOVEMBER 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
Profit for the financial year and total comprehensive income		-	-	14.7	14.7
Transactions with shareholders					
Dividends paid	3	-	-	(75.9)	(75.9)
Share capital issued		0.1	1.1	-	1.2
BALANCE AT 31ST OCTOBER 2017		12.8	74.1	209.5	296.4

NOTES TO THE COMPANY FINANCIAL STATEMENTS

For the year ended 31st October 2017

1 Accounting policies

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 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 as applicable to companies using FRS 101, and have been prepared on the historical cost basis.

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 consider 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 £14.7m (2016: £18.0m).

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 2016 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 Company's 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 Company's 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. A provision for impairment of trade receivables is made when there is evidence that the Company will not be able to collect the amounts due.

Audit fee

Auditors' remuneration for audit of these financial statements of £10,815 (2016: £10,500) 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 Directors' Remuneration Report on [pages 69 to 91](#).

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 plc of £1. The subsidiary undertakings are shown in [Note 26](#) of the consolidated financial statements.

5 Trade and other receivables

	2017 £m	2016 £m
Amounts due from Group undertakings	297.5	356.4

Amounts due from Group undertakings are unsecured, repayable on demand and carry an interest rate of 5.0% (2016: 5.0%).

6 Share capital

	Shares issued Number	Nominal value Pence	Share capital £	Share premium account £
Ordinary shares as at 1st November 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
New share capital	1,396,064	5	69,802	1,119,136
ORDINARY SHARES AS AT 31ST OCTOBER 2017	255,759,637	5	12,787,981	74,129,478

Ordinary shares are issued and fully paid. Authorised ordinary shares of 5 pence each are 339,187,373 (2016: 335,549,777).

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 £
2014 LTIP	933,342	-	46,667	-
2013 SAYE	34,751	247	1,737	84,097
2014 SAYE	377,761	276	18,888	1,023,732
2015 SAYE	531	451	26	2,368
2016 SAYE	3,181	286	159	8,939
2016 Deferred bonus plan	46,498	-	2,325	-
	1,396,064		69,802	1,119,136

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	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

For details of outstanding share options at 31st October 2017 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 2017 is given in [Note 26](#) of the consolidated financial statements.



HISTORICAL SUMMARY (UNAUDITED)

For the year ended 31st October 2017

	Note		2017	2016	2015	2014	2013
Consolidated income statement							
Revenue		£m	1,043.2	997.0	804.8	636.3	525.7
Gross profit		£m	274.9	265.8	221.3	182.0	141.2
Gross profit margin		%	26.4	26.7	27.5	28.6	26.9
Operating profit before joint ventures	1	£m	211.6	203.8	163.3	128.1	97.1
Operating profit before joint ventures	1	%	20.3	20.4	20.3	20.1	18.5
Share of post-tax profit/(loss) of joint ventures		£m	3.7	(0.7)	0.2	-	-
Operating profit after joint ventures	1	£m	215.3	203.1	163.5	128.1	97.1
Net finance expense		£m	8.3	8.1	9.5	11.4	10.3
Profit before taxation	1	£m	207.0	195.0	154.0	116.7	86.8
Income tax expense		£m	(38.4)	(38.2)	(29.9)	(17.9)	(15.3)
Profit after taxation attributable to equity shareholders	1	£m	168.6	156.8	124.1	98.8	71.5
Basic earnings per share	1	Pence	66.1	62.0	49.3	39.3	29.4
Consolidated statement of financial position							
Equity shareholders' funds		£m	817.8	719.2	630.7	536.5	470.3
Net (cash)/borrowings		£m	(33.2)	(77.0)	30.6	19.3	(42.5)
Capital employed closing		£m	784.6	642.2	661.3	555.8	427.8
Gearing		%	(4.1)	(10.7)	4.9	3.6	(9.0)
Return on capital employed	2	%	29.7	31.3	26.8	26.0	24.1
Return on equity	3	%	21.9	23.2	21.3	19.6	17.5
Housing							
Units completed		Units	2,935	2,870	2,725	2,530	2,172
Average selling price – open market		£000	388	369	311	287	250
Short term land		Units	16,260	15,901	16,064	17,247	16,388
Strategic land		Units	18,174	17,026	17,712	16,219	14,325
Land pipeline gross development value		£m	11,736	10,646	10,466	9,342	7,672

1 2013 figures before exceptional costs of £5.9m in connection with the IPO in February 2013.

2 Return on capital employed = operating profit before joint ventures divided by average capital employed (capital employed = equity shareholders' funds plus net borrowing or less net cash).

3 Return on equity = profit after taxation attributable to equity shareholders divided by average equity shareholders' funds.

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