

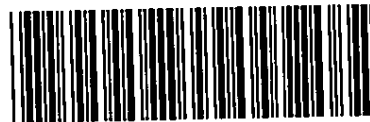
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CREST NICHOLSON PLC

DIRECTORS' REPORT AND ACCOUNTS

31st October 2012

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CREST NICHOLSON PLC
REPORT OF THE DIRECTORS

The Directors present their annual report with the consolidated accounts of the company and its subsidiaries for the year ended 31st October 2012

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company is the design and delivery of sustainable housing and mixed use communities

Results for the financial year ended 31st October 2012 are strongly ahead of the prior year, driven by a 24% increase in housing unit completions

Sales revenues of £408m are up 28% on 2011, with both housing and commercial revenues improving over the prior year

Group gross margins improved by 5.4% in the year, to 18.0% (2011 12.6%)

Group operating profits were £35.1m (2011 £5.3m), at a margin of 8.6% (2011 1.7%)

After financing costs and taxation, the Group recorded a profit of £36.3m (2011 loss of £2.3m)

SHARE CAPITAL

The Company has 115,294,459 Ordinary shares of 10p each in issue at 31 October 2012 and 2011

FINANCIAL POSITION

After the balance sheet date, the Crest Nicholson Holdings Group, to which the Company belongs re-financed an element of its bank loans, repaying £77m of term loans and entering into a new Revolving Credit Facility for £60m which extends for four years, to November 2016

The maturity date of £75m of the remaining term loans was also extended from September 2015 to November 2016

In addition to establishing broader banking relationships, these changes will provide the Group with a more flexible financing structure, closely match drawn funds to the working capital requirements of the Group through the year and reduce financing costs

During the year the group's net assets improved by £32.5m to £247.7m (2011 £215.2m)

HOUSING

Total Crest housing completions in 2012 were 1,882 units, up 24% on the 1,520 completions achieved in 2011. The growth in volume over the prior year was driven by an improved rate of sale during 2012, and aided by a stronger opening forward sales position. In addition, the Group expanded the number of sales outlets from which it operated during the year, including its Bath Riverside development which delivered 142 unit completions in its first year of operation.

Average selling prices for open market units in 2012 were marginally higher, at £230,000 compared to £224,000 in 2011. This increase included some mix effects but also incorporated a modest level of sales price appreciation.

Forward sales at 31st October 2012 for 2013 and later years amounted to £129.6m (2011 £142.2m), which includes 19% of forecast 2013 open market housing sales (2011 23%).

MIXED USE COMMERCIAL

Commercial revenues in 2012 of £26m principally arose on two of the Company's mixed-use developments. At Bristol Harbourside, a 51,800ft² office block was completed and sold with the benefit of partial occupation, whilst at the Oakgrove development in Milton Keynes, a food store (let to Waitrose) and other ancillary commercial units were purchased by a pension fund and revenues have been recognised in line with the stage of construction. Revenues in 2011 of £30.6m primarily reflected the final account in respect of the town centre redevelopment at Camberley, Surrey.

LAND BANK

The contracted land bank is summarised in terms of units and gross development value (GDV) as follows

	2012		2011	
	Units	GDV £m	Units	GDV £m
Short term housing	16,959	3,646	14,772	3,011
Short term commercial	-	235	-	285
Total short term	16,959	3,881	14,772	3,296
Strategic land	12,623	2,918	14,259	2,960
Total under contract	29,582	6,799	29,031	6,256

The short-term housing land bank has increased by 2,187 plots during 2012, principally driven by the 2,145 plots converted from the strategic land bank. Other land acquisitions added 2,247 plots, whilst unit completions and the impact of re-plans accounted for the balance of the movement. The GDV of the short-term land bank has increased by 17%.

At the 2012 level of Group turnover, the short term housing portfolio represents over 9 years supply, although the growth intentions for the business would result in a lower figure. The Group remains focused on ensuring that the business has an appropriate number of sites open for sales at any one time, although faster rates of sale have resulted in outlet lives being shortened.

After a very successful year in which 4 planning consents were gained on strategic sites and the resultant plot conversions, we were pleased to add 5 new sites to the strategic land bank, to ensure that this important source of longer-term development value is maintained.

RISKS AND UNCERTAINTIES

Managing risk is a core element of executive management, a risk management framework must be proactive and dovetail with normal business processes, to drive business benefits. Making it part of normal business therefore means

- Having a hierarchy of risk assessments
- Focusing on key risks
- Linking the assessment of risks to consequential actions
 - Monitoring controls
 - Developing mitigating actions
 - Establishing ownership

Crest Nicholson operates a risk management process with a key risks matrix at Group Board, Divisional Boards, and business improvement workgroup (functional) levels. The risk matrices generated are reviewed and updated at least annually and at any time when significant new risks emerge.

Our principal risks and the mitigations that are applied to them are as set out below

AREA	RISK	MITIGATION
Macro-economic climate	Consumer confidence is undermined by a worsening of current economic conditions, leading to a rise in unemployment and/or pessimism about employment prospects	Keep economic environment under review, to ensure the business can respond appropriately to changes in trading conditions
Mortgage lending	Mortgage availability will continue to be constrained, particularly for first-time buyers requiring higher loan-to-value products	Monitor lending product availability, work to increase finance availability for developments and seek to assist purchasers through the use of schemes such as the Government's HomeBuy Direct and NewBuy Consider options for alternative tenures
Planning uncertainty	The introduction of the principles of 'localism' to planning matters and the ongoing debate in relation to the National Planning Policy Framework (NPPF), are likely to cause uncertainty and delay, as local authorities weigh the benefits of housing development against other pressures	Develop understanding of the new approach to planning, working closely with key regulators and decision makers and incorporating planning environment uncertainties into assessment of land opportunities
Development costs	Increases in build cost arising from inaccurate estimating, incomplete tendering or failure to use business systems &/or comply with business processes	Regular cost reviews and analysis of projected costs to complete of projects Use of 'panel' sub-contractors for significant works Monitor and drive compliance with core business systems and processes
Recruitment and retention	Ability to recruit and retain staff with the requisite skills to secure and deliver sustainable developments that generate appropriate returns	Ensure Company is a desirable employer, with competitive packages, clear career progression, good communication, training and review processes
Regulation	Changes to Government Policy on housing and planning gain, increasing regulation, cost and delay will render schemes and land buying unviable	Monitor closely changes / proposed changes in regulatory environment and make representations as necessary Ensure financial appraisals include new regulatory cost assessments
Health, safety and environmental	Injury to persons, potential loss of life, serious damage to sites and environment Reputational damage and costs	Executive Board leadership and scrutiny of health, safety and environment Risks assessed and integrated into management processes from earliest stage (pre-acquisition) Dedicated teams in place, with comprehensive procedures and controls

Social and environmental risk are analysed in more detail in our comprehensive 2012 Sustainability Report

THE ROLE OF BUSINESS ASSURANCE

The business has a business assurance function which reports to the Audit Committee The Audit Committee reports to the Board and the external Auditor perform controls work as part of the annual audit

The business assurance work programme is designed (and flexed) to take account of the key risks identified by the business, as an extension of the general remit of the function to support the achievement of the Companies financial and operational objectives

DIRECTORS

The Directors during the year were

Mr S Stone

Mr N C Tinker

Mr S P Evans

Mr P J Bergin

Mr R Hoyles (appointed 25th November 2011)

DONATIONS

During the year the Group made donations to charities of £3,000 (2011 £1,000) Employees have continued to support the company's nominated charity, The Variety Club and donated £67,000 for this cause during the year (2011 £57,000) There were no political donations made

DISCLOSURE OF INFORMATION TO AUDITOR

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

RE-APPOINTMENT OF AUDITOR

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office



K M Maguire
Secretary

By Order of the Board

Crest House
Pycroft Road
Chertsey
Surrey KT16 9GN

16th January 2013

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

The directors are responsible for preparing the Directors' Report and the Group and parent company financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare Group and parent company financial statements for each financial year. Under that law they have elected to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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

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

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

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

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

We have audited the financial statements of Crest Nicholson Plc for the year ended 31 October 2012 set out on pages 7 to 32. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/private.cfm

Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 October 2012 and of the Group's profit for the year then ended,
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU,
- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice,
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



W E J Holland (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants
15 Canada Square,
London
E14 5GL

16th January 2013

Crest Nicholson Plc
Consolidated Income Statement
For year ended 31st October 2012

	Note	2012 £m	2011 £m
Revenue – continuing activities	2	408.0	319.1
Cost of sales		<u>(334.4)</u>	<u>(279.0)</u>
Gross profit		73.6	40.1
Administrative expenses		(38.7)	(35.0)
Other operating income		0.2	0.2
Operating profit – continuing activities	3	35.1	5.3
Financial income	5	8.5	8.5
Bank finance costs	5	(14.6)	(18.9)
Other financial expenses	5	(8.3)	(8.3)
Net financing expense		<u>(14.4)</u>	<u>(18.7)</u>
Share of post tax loss of joint ventures using the equity method	9	(1.8)	(1.4)
Profit/(loss) before tax		18.9	(14.8)
Income tax	6	17.4	12.5
Profit/(loss) for the year attributable to equity shareholders		<u>36.3</u>	<u>(2.3)</u>

Crest Nicholson Plc
Consolidated Statement of Comprehensive Income
For year ended 31st October 2012

	2012 £m	2011 £m
Profit/(loss) for the year	36.3	(2.3)
Other comprehensive income:		
Actuarial loss on defined benefit pension schemes	(1.7)	(10.2)
Deferred tax recognised on actuarial loss	(1.8)	8.7
Change in fair value of available for sale financial assets	(0.3)	2.1
Other comprehensive (expense)/income for the year net of income tax	<u>(3.8)</u>	<u>0.6</u>
Total comprehensive income/(expense) attributable to equity shareholders	<u>32.5</u>	<u>(1.7)</u>

The notes on pages 11 to 27 form part of these financial statements

Crest Nicholson Plc
Consolidated Statement of Changes in Equity
For year ended 31st October 2012

	Share capital	Share premium	Capital redemption reserve	Capital contribution reserve	Retained earnings	Total
	£m	£m	£m	£m	£m	£m
Balance at 31st October 2010	11.5	65.3	38.0	-	87.1	201.9
Loss for the year	-	-	-	-	(2.3)	(2.3)
Actuarial loss on pension scheme	-	-	-	-	(10.2)	(10.2)
Deferred tax on actuarial loss	-	-	-	-	8.7	8.7
Change in fair value of available for sale financial asset	-	-	-	-	2.1	2.1
Capital contribution - waiver of loan	-	-	-	15.0	-	15.0
Balance at 31st October 2011	11.5	65.3	38.0	15.0	85.4	215.2
Profit for the year	-	-	-	-	36.3	36.3
Actuarial loss on pension scheme	-	-	-	-	(1.7)	(1.7)
Deferred tax on actuarial loss	-	-	-	-	(1.8)	(1.8)
Change in fair value of available for sale financial assets	-	-	-	-	(0.3)	(0.3)
Balance at 31st October 2012	11.5	65.3	38.0	15.0	117.9	247.7

The notes on pages 11 to 27 form part of these financial statements

Crest Nicholson Plc
Consolidated Statement of Financial Position
As at 31st October 2012

ASSETS	Note	2012 £m	2011 £m
Non-current assets			
Property, plant and equipment	8	2.2	2.9
Investments in joint ventures	9	2.9	2.3
Available for sale financial assets	10	31.1	26.8
Deferred tax assets	15	35.4	20.8
		<u>71.6</u>	<u>52.8</u>
Current assets			
Inventories	11	618.0	575.9
Trade and other receivables	12	41.5	46.7
Cash and cash equivalents		2.7	14.6
		<u>662.2</u>	<u>637.2</u>
Total assets		<u>733.8</u>	<u>690.0</u>
LIABILITIES			
Non-current liabilities			
Interest bearing loans and borrowings	13	(24.1)	(12.7)
Trade and other payables	14	(34.8)	(24.6)
Retirement benefit obligations	19	(29.9)	(34.5)
Provisions	16	(4.9)	(5.1)
		<u>(93.7)</u>	<u>(76.9)</u>
Current liabilities			
Interest bearing loans and borrowings	13	(4.3)	-
Trade and other payables	14	(385.9)	(396.2)
Provisions	16	(2.2)	(1.7)
		<u>(392.4)</u>	<u>(397.9)</u>
Total liabilities		<u>(486.1)</u>	<u>(474.8)</u>
Net assets		<u>247.7</u>	<u>215.2</u>
SHAREHOLDERS' EQUITY			
Share capital	17	11.5	11.5
Share premium account		65.3	65.3
Capital redemption reserve		38.0	38.0
Capital contribution reserve		15.0	15.0
Retained earnings		117.9	85.4
		<u>247.7</u>	<u>215.2</u>

The notes on pages 11 to 27 form part of these financial statements

These financial statements were approved by the board of directors on 16th January 2013 and were signed on its behalf by

S Stone



P J Bergin

Directors

Crest Nicholson Plc
Consolidated Cash Flow Statement
For year ended 31st October 2012

	2012 £m	2011 £m
Cash flows from operating activities		
Profit/(loss) for the year	36.3	(2.3)
Adjustments for		
Depreciation charge	1.2	1.2
Net finance charges	14.4	18.9
Share of loss of joint ventures	1.8	1.4
Taxation	(17.4)	(12.5)
Operating profit before changes in working capital and provisions	36.3	6.7
Decrease/(increase) in trade and other receivables	5.2	(7.1)
(Increase)/decrease in inventories	(42.1)	18.2
(Decrease)/increase in trade and other payables	(7.2)	7.6
Cash generated from operations	(7.8)	25.4
Interest paid	(15.3)	(11.6)
Income tax received	0.6	0.7
Net cash (outflow)/inflow from operating activities	(22.5)	14.5
Cash flows from investing activities		
Purchases of property, plant and equipment	(0.5)	(0.1)
Increase in available for sale financial assets	(4.6)	(3.8)
Net cash outflow from investing activities	(5.1)	(3.9)
Cash flows from financing activities		
Repayment of other borrowings	(0.6)	-
Proceeds from new loan	16.3	-
Net cash inflow from financing activities	15.7	-
Net (decrease)/increase in cash and cash equivalents	(11.9)	10.6
Cash and cash equivalents at the beginning of the year	14.6	4.0
Cash and cash equivalents at end of the year	2.7	14.6

The notes on pages 11 to 27 form part of these financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

Crest Nicholson Plc (the “company”) is a company incorporated in the UK

The Group financial statements consolidate those of the company and its subsidiaries (together referred to as the “Group”) and include the Group’s interest in jointly controlled entities. The parent company financial statements present information about the company as a separate entity and not about its Group.

The Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU (“EU IFRSs”). The company has elected to prepare its parent company financial statements in accordance with UK GAAP, these are presented on pages 28 to 32.

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

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 in note 23.

Measurement convention

The financial statements are prepared in accordance with the historical cost convention, except for certain financial instruments and available for sale financial assets, which are carried at fair value.

Basis of preparation – going concern

Crest Nicholson Plc and its subsidiaries are part of the group headed by Crest Nicholson Holdings Limited (“the Crest Nicholson Group”). The company and certain of its subsidiaries are cross-guarantors to the debt facilities of the Crest Nicholson Group. Accordingly, the Directors have considered that Group’s position for the purposes of assessing the use of the going concern basis.

The Directors are satisfied that the Crest Nicholson Group has sufficient resources to continue in operation for the foreseeable future. The Directors reviewed detailed financial forecasts and covenant compliance covering the period to October 2013, and summary financial forecasts for the following two years.

As at 31st October 2012 the Crest Nicholson Group held cash and cash equivalents of £150.1m and had total borrowings of £180.4m. In December 2012 the Crest Nicholson Group re-financed an element of its bank loans on more favourable terms, see note 25.

The directors have also confirmed that the parent company, Castle Bidco Limited, will not seek repayment of its loan to the company unless sufficient working capital remains. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

For these reasons, the Directors consider it appropriate to prepare the financial statements of the Company and Group on a going concern basis.

Consolidation

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

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

Joint ventures

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

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

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

Revenue and Profit Recognition

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

Revenue is recognised once the value of the transaction can be reliably measured and the significant risks and rewards of ownership have been transferred

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

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

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

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

Taxation

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

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

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

Dividends

Dividends are recorded in the Group's financial statements in the period in which they are declared and the liability arises.

Property, plant and equipment

Property, plant and equipment is initially recognised at cost.

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

Freehold land is not depreciated.

Available for sale financial assets

Available for sale financial assets are initially recognised at fair value. Changes in fair value relating to the expected recoverable amount are recognised in the income statement, changes in fair value arising from a change of discount factor are recognised in other comprehensive income and accumulated in other comprehensive income, until the asset is divested.

On disposal of these assets, the difference between the carrying value and the consideration received plus cumulative fair value movements previously recognised in equity is recognised in the income statement.

Leases

A finance lease is a lease that transfers substantially all the risks and rewards incidental to the ownership of an asset, all other leases are operating leases.

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the income statement on a straight line basis over the period of the lease.

Inventories

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

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

Cash and cash equivalents

Cash and cash equivalents are cash balances in hand and in the bank. For the purpose of the cash flow statement, bank overdrafts are considered part of cash and cash equivalents as they form an integral part of the Group's cash management. Offset arrangements across Group businesses are applied to arrive at the net cash figure.

Retirement benefit costs

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

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

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

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

Financial Instruments

Trade receivables

Trade receivables which do not carry any interest are stated at their nominal amount less impairment losses.

Trade payables

Trade payables are generally stated at their nominal amount, and payables with deferred settlement terms are recorded initially at their discounted present value, with interest being charged to the income statement over the duration of the deferred payment.

Borrowings

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

Derivative financial instruments and hedge accounting

Derivative financial instruments are recognised at fair value. The fair value of swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account the current creditworthiness of the swap counterparties.

Where the derivative instrument is deemed an effective hedge over the exposure being hedged, the derivative instrument is treated as a hedge and hedge accounting applied. Under a fair value hedge the change in the fair value of the derivative is recognised in the income statement and offsets the movement in fair value of the hedged item. Under a cash flow hedge, gains and losses on the effective portion of the change in the fair value of the derivative instrument are recognised in other comprehensive income and accumulated in a separate reserve within equity.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting and any ineffectiveness in the hedge relationship are recognised in the income statement as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in reserves is retained in reserves until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in reserves is transferred to net profit or loss for the period.

Provisions

A provision is recognised in the balance sheet 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. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Impact of Standards and Interpretations in Issue but not yet Effective

The below improvements /amendments to Standards will be effective for the Group's 2013 financial statements. The Directors do not anticipate any material impact on the Group.

- Amendment to IAS 12 Deferred Taxes in relation to recovery of underlying assets (mandatory for year commencing on or after 1st January 2012)
- Amendment to IFRS 7 in relation to transfer of financial assets mandatory for year commencing on or after 1st January 2012)
- Amendment to IFRS 7 First Time Adoption of IFRS in relation to hyperinflation mandatory for year commencing on or after 1st January 2012)

2 REVENUE

There is no Group revenue in geographical markets outside the United Kingdom

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

3 OPERATING PROFIT

Operating profit from continuing activities is stated after charging the items set out below

	2012	2011
	£m	£m
Staff costs (Note 4)	35.5	31.8
Depreciation	1.2	1.2
Operating lease rentals		
Hire of plant and machinery	0.2	0.2
Other – including land and buildings	4.0	4.1
Auditor's remuneration	£000	£000
Audit of these financial statements	38	38
Audit of financial statements of subsidiaries pursuant to legislation	116	112
Other services relating to corporate restructuring	-	26
Other services relating to taxation	58	247

In addition to the Auditor's remuneration disclosed above, fees of £nil (2011: £2,000) were paid to the Group's auditor by the Crest Nicholson Money Purchase pension scheme in respect of the audit of the scheme

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

4 STAFF NUMBERS & COSTS

	2012	2011
Average number of persons employed by the Group	Number	Number
Development	556	494

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

Staff costs	£m	£m
Wages and salaries	30.3	27.3
Social security costs	3.6	3.2
Other pension costs	1.6	1.3
	<u>35.5</u>	<u>31.8</u>

Key Management comprises the Main Board of the ultimate parent company, as the Directors are considered to have the authority and responsibility for planning, directing and controlling the activities of the Group. Details of Directors' remuneration, pension and share based payments are as follows

DIRECTORS' REMUNERATION

	2012	2011
	£000	£000
Aggregate emoluments	1,891	2,397

Retirement benefits have accrued to no (2011: nil) directors under the Crest Nicholson defined benefit scheme as this scheme closed in 2010. The aggregate value of company defined contributions paid for directors was £nil (2011: £nil). The aggregate value of the company defined benefit contributions paid for directors was £56,142 (2011: £60,000).

Highest paid Director
 Emoluments

	1,128	1,019
Defined benefit scheme - accrued pension at end of year	123	117

5 FINANCE INCOME AND COSTS

	2012	2011
	£m	£m
Interest income	0.7	-
Imputed interest on available for sale financial assets	2.9	2.6
Expected return on defined benefit pension plan assets	4.9	5.9
Finance income	8.5	8.5

	2012	2011
	£m	£m
Interest payable to Group undertakings	13.8	12.5
Other interest payable	0.8	6.4
	14.6	18.9
Imputed interest on deferred land creditors	1.1	1.0
Interest on defined benefit pension plan obligations	7.2	7.3
	8.3	8.3
Finance costs	22.9	27.2

6 TAXATION

	2012	2011
	£m	£m
Current tax		
UK Corporation tax on profits for the year	-	0.4
Adjustment in respect of prior years	(1.0)	(0.8)
Total current tax	(1.0)	(0.4)
Deferred tax credit		
Reversal/(origination) of temporary differences in the current year	4.1	(1.5)
Deferred tax change in rate from 25% to 23%	2.5	-
Deferred tax arising on previously unrecognised temporary differences	(23.0)	(10.6)
Total deferred tax credit (note 15)	(16.4)	(12.1)
Total tax in income statement	(17.4)	(12.5)

The total tax charge for the year is lower (2011 lower) than the standard rate of UK corporation tax of 24.83% (2011 26.83%). The differences are explained below

	£m	£m
Profit/(loss) before tax	<u>18.9</u>	<u>(14.8)</u>
Tax on profit/(loss) at 24.83% (2011 26.83%)	4.7	(4.0)
Effects of		
Expenses not deductible for tax purposes	0.1	-
Adjustments to tax charge in respect of prior years	(1.0)	(0.8)
Deductible temporary differences not recognised	(0.9)	(1.9)
Deferred tax change in rate from 25% to 23%	2.5	-
Unrecognised tax losses	0.2	4.8
Deferred tax on previously unrecognised temporary differences	<u>(23.0)</u>	<u>(10.6)</u>
Total tax in income statement	<u>(17.4)</u>	<u>(12.5)</u>

7 DIVIDENDS

There were no distributions to equity shareholders in the year (2011 nil). No dividend has been proposed by the directors after the balance sheet date.

8 PROPERTY, PLANT AND EQUIPMENT

	Plant, Vehicles & Equipment
Cost	£m
At 31 st October 2010	8.7
Additions	<u>0.1</u>
At 31 st October 2011	8.8
Additions	<u>0.5</u>
At 31st October 2012	<u>9.3</u>
Accumulated depreciation	
At 31 st October 2010	4.7
Charged in the year	<u>1.2</u>
At 31 st October 2011	5.9
Charged in the year	<u>1.2</u>
At 31st October 2012	<u>7.1</u>
Carrying value	
At 31 st October 2011	<u>2.9</u>
At 31st October 2012	<u>2.2</u>

9 INVESTMENTS IN JOINT VENTURES

	Cost of Investment/ Loans £m	Share of Post Acquisition Reserves £m	Total £m
At 31 st October 2010	3.3	0.4	3.7
Share of loss for the year	-	(1.4)	(1.4)
At 31 st October 2011	3.3	(1.0)	2.3
Share of loss for the year	-	(1.8)	(1.8)
Net liabilities offset against amounts due from joint ventures	(1.9)	4.3	2.4
At 31 st October 2012	1.4	1.5	2.9

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

	2012 £m	2011 £m
Non-current assets	0.1	6.1
Current assets	31.0	37.0
Current liabilities	(29.6)	(13.9)
Non-current liabilities	(1.0)	(26.9)
	0.5	2.3
Net liabilities offset against amounts due from joint ventures	2.4	-
	2.9	2.3
Income	-	-
Expenditure	(1.8)	(1.4)
Loss	(1.8)	(1.4)

The Group has a 50% interest in Crest/Galliford Try (Epsom) LLP, a Limited Liability Partnership set up to develop three sites in Epsom. The LLP purchased the land and is responsible for developing the infrastructure on the sites. The risks and rewards of development will accrue to the development partners, Crest Nicholson and Galliford Try. At 31st October 2012, Crest/Galliford Try (Epsom) LLP had negative Capital Employed of £13m (2011 positive capital employed £42m), due to the earlier repayment during the period of non-current loans. The share of net liabilities has been recognised against amounts due from joint ventures.

The Group has a 50% interest in Crest Nicholson Bioregional Quintain LLP, a Limited Liability Partnership set up to develop a site in Brighton. The site was substantially completed during accounting year ended 31st October 2010, at 31st October 2012, Crest Nicholson Bioregional Quintain LLP had Capital Employed of £3.7m (2011 £3.7m).

The Group owns 500 ordinary shares of £1 each representing 50% of the issued share capital of Brentford Lock Limited, a Company registered in England, which was set up to redevelop a site in West London. The site was completed and all units sold in 2006. At 31st October 2012, £3.3m was due from Crest Nicholson Operations Limited to Brentford Lock Limited, pending declaration of a final dividend (2011 £3.1m).

The Group owns 414,860 ordinary shares of £1 each representing 50% of the issued share capital of Greenwich Peninsula N0206 Limited, a Company registered in England, which was set up to redevelop a site in Greenwich, London. The site has detailed planning consent. At 31st October 2012 Greenwich Peninsula N0206 Limited had capital employed of £0.4m (2011 £0.8m).

Subsidiary undertakings

The subsidiary undertakings which 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 which is wholly owned and all the subsidiary undertakings are incorporated in Great Britain and included in the consolidated financial statements. A full list of subsidiaries is provided with the Company's annual return.

Subsidiary	Nature of business
Crest Nicholson Operations Limited	Residential and commercial property development

10 AVAILABLE FOR SALE FINANCIAL ASSETS

	2012	2011
	£m	£m
At beginning of the year	26.8	21.1
Additions	3.7	1.7
Disposals	(2.0)	(0.7)
Imputed interest	2.9	2.6
Change in fair value	(0.3)	2.1
At the end of the year	31.1	26.8

The Group operates an 'Easybuy' scheme, under which up to 25% of the purchase price of selected properties is funded through a loan from the Group, secured on the property. The Group retains a percentage interest in the market value of the property equal to the initial percentage of the loan provided. These loans are repayable at the relevant percentage of the market value of the property upon sale or transfer of ownership of the property or within ten years, whichever is sooner. The purchaser also has an option to repay the loan earlier than would otherwise be required, subject to a market valuation of the property. Interest is payable on the outstanding balance from the fifth anniversary of the purchase.

The Group has also participated in the Government's 'Homebuy' schemes, under which up to 30% of the purchase price of selected properties is funded through loans of up to 15% each from the Group and from the Homes and Communities Agency, secured on the property. The company retains an interest in the market value of the property equal to the initial percentage of the loan provided. These loans mature upon sale or transfer of ownership of the property or within 25 years, whichever is sooner. The purchaser also has an option to repay the loan earlier than would otherwise be required, subject to a market valuation of the property. Interest is payable on the outstanding balance from the fifth anniversary of the purchase.

Available for sale financial assets are held at fair value. The Directors believe that there is sufficient relevant expertise within the Group to perform this valuation.

11 INVENTORIES

	2012	2011
	£m	£m
Work in progress land, building and development	577.0	525.2
Completed buildings including show houses	41.0	50.7
	618.0	575.9

Included within inventories is £233.5m (2011: £286.1m) expected to be recovered in more than 12 months. Inventories to the value of £243.6m (2011: £265.9m) were recognised as expenses in the year.

12 TRADE AND OTHER RECEIVABLES

	2012	2011
	£m	£m
Current		
Trade receivables	3.7	7.5
Recoverable on contracts	8.3	20.6
Due from joint ventures	16.9	12.7
Other receivables	11.5	4.8
Prepayments and accrued income	1.1	1.1
	41.5	46.7

13 INTEREST BEARING LOANS AND BORROWINGS

	2012	2011
	£m	£m
Non-current		
Bank overdraft and loans	<u>24.1</u>	<u>12.7</u>
	<u>24.1</u>	<u>12.7</u>
Current		
Bank overdraft and loans	<u>4.3</u>	<u>-</u>
	<u>4.3</u>	<u>-</u>

14 TRADE AND OTHER PAYABLES

	2012	2011
	£m	£m
Non-current		
Land payables on contractual terms	33.7	23.3
Accruals	<u>1.1</u>	<u>1.3</u>
	<u>34.8</u>	<u>24.6</u>
Current		
Land payables on contractual terms	56.6	35.0
Other trade payables	22.2	21.7
Payments on account	0.5	5.3
Amounts due to Group undertakings	202.5	240.1
Due to joint ventures	1.4	1.6
Taxes and social security costs	1.2	1.6
Other payables	17.3	19.4
Accruals	<u>84.2</u>	<u>71.5</u>
	<u>385.9</u>	<u>396.2</u>

15 DEFERRED TAX ASSETS

The deferred tax assets comprises	2012	2011
	£m	£m
At the beginning of year	20.8	-
(Origination)/reversal of temporary differences in the current year	(4.1)	1.5
Deferred tax change in rate from 25% to 23%	(2.5)	-
Deferred tax arising on previously unrecognised temporary differences	23.0	10.6
Amount (charged)/credited to other comprehensive income	<u>(1.8)</u>	<u>8.7</u>
At the end of the year	<u>35.4</u>	<u>20.8</u>

	2012	2012	2011	2011
	Recognised	Not	Recognised	Not
		Recognised		Recognised
	£000	£000	£000	£000
The deferred tax asset comprises				
Tax losses	26.5	1.6	10.6	23.6
Accelerated pension payments	0.9	-	1.5	-
Capital allowances	1.1	-	-	0.9
	<u>28.5</u>	<u>1.6</u>	<u>12.1</u>	<u>24.5</u>
Deferred tax on pension deficit shown in other comprehensive income	6.9	-	8.7	-
Deferred tax asset	<u>35.4</u>	<u>1.6</u>	<u>20.8</u>	<u>24.5</u>

16 PROVISIONS

	Rental and other obligations in respect of vacant property £m
Non-current	
At 31 st October 2010	5.9
Utilised	(0.8)
At 31 st October 2011	<u>5.1</u>
Utilised	(0.2)
At 31 st October 2012	<u>4.9</u>
Current	
At 31 st October 2010	2.6
Utilised	(0.9)
At 31 st October 2011	<u>1.7</u>
Utilised	0.5
At 31 st October 2012	<u>2.2</u>

17 SHARE CAPITAL

	2012	2011
	£m	£m
Allotted and fully paid		
115,294,459 Ordinary shares of 10p each (2011 115,294,459)	<u>11.5</u>	<u>11.5</u>

18 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Group operations are financed through net borrowings, comprising bank and loan facilities which are secured by fixed charges over land and work-in-progress

Fair values

Financial assets

The Group's financial assets comprise cash equivalents, available for sale financial assets and trade and other receivables. The carrying amount of financial assets equate to their fair value. At 31st October 2012 cash equivalents consisted of sterling cash deposits of £2.7m (2011: £14.6m), with solicitors and on current account, £31.1m (2011: £26.8m) of available for sale financial assets and £41.5m (2011: £46.7m) of trade and other receivables.

Financial liabilities

The Group's financial liabilities comprise bank overdraft and other loans, trade payables, payments on account, loans from joint ventures and accruals. The carrying amount of the trade payables, payments on account, loans from joint ventures and accruals equate to their fair value. The fair values of the bank overdraft and other loans are calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the balance sheet date.

The fair values of the borrowings determined on this basis are

2012	Nominal interest rate	Face value 2012 £m	Carrying value 2012 £m	Fair value 2012 £m	Year of maturity
Get Britain Building loans	EU Reference rate + 4%	12.0	12.0	12.0	2013-2014
Other loans	6.75%	12.1	12.1	12.1	2016
Total non-current interest bearing loans		24.1	24.1	24.1	
Get Britain Building loans	EU Reference rate + 4%	4.3	4.3	4.3	2014-2015
Amounts due to group undertakings	5.0%	202.5	202.5	202.5	On demand
Total current interest bearing loans		206.8	206.8	206.8	
2011	Nominal interest rate	Face value 2011 £m	Carrying value 2011 £m	Fair value 2011 £m	Year of maturity
Bank overdraft and loans	6.75%	12.7	12.7	12.7	2015
Total non-current interest bearing loans		12.7	12.7	12.7	
Amounts due to group undertakings	5.0%	240.1	240.1	240.1	On demand
Total current interest bearing loans		240.1	240.1	240.1	

Land purchased on extended payment terms

When land is purchased on extended payment terms, the Group initially records it at its fair value with a land creditor recorded for any outstanding monies based on its fair value assessment. Fair value is determined by using the effective interest method. The difference between the nominal value and the initial fair value is amortised over the period of the extended credit term and charged to finance costs, increasing the value of the land creditor such that at the date of maturity the land creditor equals the payment required.

Undrawn borrowing facilities

The Group had no undrawn committed borrowing facilities in this or the previous financial year.

Credit risk

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

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

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

The maximum exposure to credit risk at 31st October 2012 is represented by the carrying amount of each financial asset in the balance sheet. The Group has no substantial exposure to any individual third party.

Liquidity risk

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

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

The following are the contractual maturities including estimated cash flows of the financial liabilities of the Group at 31st October 2012.

2012	Carrying value	Contractual cash flows	Within 1 year	1-2 years	2-3 years	More than 3 years
	£m	£m	£m	£m	£m	£m
Get Britain Building loans	16.3	18.1	4.5	7.4	4.2	2.0
Other loans	12.1	15.7	-	-	-	15.7
Amounts due to group undertakings	202.5	202.5	202.5	-	-	-
Other financial liabilities carrying no interest	130.2	130.2	96.5	7.8	5.0	20.9
At 31st October 2012	361.1	366.5	303.5	15.2	9.2	38.6

The directors do not expect the intercompany loan to be called in, based on parent company confirmation. Other loans of £12.1m are from a joint venture partner and repayable at a date based on progress of the development and / or the termination of the joint venture agreement. The timing and amount of future cash flows given in the table above is based on the directors' best estimate of the likely outcome.

2011	Carrying value	Contractual cash flows	Within 1 year	1-2 years	2-3 years	More than 3 years
	£m	£m	£m	£m	£m	£m
Other loans	12.7	15.4	-	-	-	15.4
Amounts due to group undertakings	240.1	240.1	240.1	-	-	-
Other financial liabilities carrying no interest	104.5	104.5	81.2	12.3	7.9	3.1
At 31st October 2011	357.3	360.0	321.3	12.3	7.9	18.5

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

The Group is exposed to interest rate risk due to borrowing funds at floating interest rates.

Borrowings are funded through a term loan which is subject to variable interest rates which is unhedged.

At 31st October 2012, the interest rate profile of the financial liabilities of the Group was:

2012	Carrying amount			Total
	Floating rate financial liabilities	Fixed rate financial liabilities	Financial liabilities carrying no interest	
	£m	£m	£m	£m
Bank borrowings and long term creditors	28.4	-	130.2	158.6
Amounts due to group undertakings	202.5	-	-	202.5
	230.9	-	130.2	361.1

2011

Sterling	Carrying amount			Total
	Floating rate financial liabilities	Fixed rate financial liabilities	Financial liabilities carrying no interest	
	£m	£m	£m	
Bank borrowings and long term creditors	12.7	-	104.5	117.2
Amounts due to group undertakings	240.1	-	-	240.1
	<u>252.8</u>	<u>-</u>	<u>104.5</u>	<u>357.3</u>

The floating rate financial liabilities are subject to interest rates referenced to LIBOR. These rates are for a period between one and twelve months.

For financial liabilities which have no interest payable but for which imputed interest is charged, consisting of land creditors, the weighted average period to maturity is 72 months (2011: 30 months).

The maturity of the financial liabilities is

	2012	2011
	£m	£m
Repayable within one year	303.3	321.3
Repayable between one and two years	14.5	12.3
Repayable between two and five years	10.3	7.9
Repayable after five years	33.0	15.8
	<u>361.1</u>	<u>357.3</u>

Sensitivity analysis

A change of 100 basis points in interest rates at the balance sheet date would have increased / (decreased) equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables remain constant and considers the pre-tax effect of financial instruments with variable interest rates.

	2012		2011	
	Equity	Income statement	Equity	Income statement
	£m	£m	£m	£m
Increase in rates	(0.3)	(0.3)	(0.1)	(0.1)
Decrease in rates	0.3	0.3	0.1	0.1

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.

Management will continue to monitor actual cash flows against the approved cash flow forecast.

19 EMPLOYEE BENEFITS

RETIREMENT BENEFIT OBLIGATIONS

Defined contribution scheme

The Group (through Crest Nicholson PLC) operates a defined contribution scheme for new employees. The assets of the scheme are held separately from those of the Group in an independently administered fund. The service cost of this scheme for the year was £1.3m (2011: £1.1m). At the balance sheet date there were no outstanding or prepaid contributions.

Defined benefit scheme

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

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

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

	31 October 2012	31 October 2011
	%pa	%pa
Discount rate	4.3%	5.0%
Price inflation	2.6%	3.1%
Pension increases on benefit increasing in line with 5% or RPI if lower	2.6%	3.0%
Expected return on invested assets	4.4%	5.0%
Expected return on insurance annuity contracts	4.3%	5.0%

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

Mortality assumptions are as follows:

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

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

	2012 %	2011 %
Equities	56.4%	52.4%
Bonds	28.4%	28.1%
Property	2.0%	2.1%
Cash	5.0%	9.4%
Secured annuities	8.2%	8.0%
Total	100.0%	100.0%

The amounts recognised in the year are as follows:

	2012 £m	2011 £m
Current service cost – recognised in administrative expenses	-	-
Interest cost – recognised in finance costs	7.2	7.3
Expected return on scheme assets – recognised in finance income	(4.9)	(5.9)
Total	2.3	1.4
Actuarial loss	1.7	10.2
Total defined benefit scheme costs recognised in the year	4.0	11.6

The cumulative debit to the Statement of Comprehensive Income since the adoption of IAS 19 is £33.0m (2011: £31.3m)

The actual return on scheme assets is

	2012	2011
	£m	£m
Expected return on scheme assets	4.9	5.9
Actuarial loss on scheme assets	(0.6)	(0.2)
Actual return on scheme assets	4.3	5.7

The amounts included in the balance sheet arising from the Group's obligation in respect of its defined benefit scheme are as follows

	2012	2011
	£m	£m
Present value of defined benefit obligations	147.9	144.2
Fair value of scheme assets	(118.0)	(109.7)
Defined benefit liability recognised in the balance sheet	29.9	34.5

A deferred tax asset of £6.9m (2011: £8.7m) has been recognised on the balance sheet

Movements in the liability recognised on the balance sheet were as follows

	2012	2011
	£m	£m
At beginning of year	34.5	36.1
Total expense (as shown above)	4.0	11.6
Company contributions paid in the year	(8.6)	(13.2)
At end of year	29.9	34.5

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

	2012	2011
	£m	£m
At beginning of year	144.2	131.0
Interest cost	7.2	7.3
Actuarial losses	1.0	9.9
Benefits and expenses paid	(4.5)	(4.0)
At end of year	147.9	144.2

Changes in the fair value of scheme assets were as follows

	2012	2011
	£m	£m
At beginning of year	109.7	94.9
Expected return on scheme assets	4.9	5.9
Actuarial loss on scheme assets	(0.6)	(0.2)
Employer contributions	8.6	13.2
Benefits and expenses paid	(4.6)	(4.1)
At end of year	118.0	109.7

A history of experience adjustments is as follows

	2012	2011	2010	2009	2008
	£m	£m	£m	£m	£m
Present value of defined benefit obligation	147.9	144.2	131.0	136.4	91.6
Fair value of scheme assets	(118.0)	(109.7)	(94.9)	90.3	78.0
Deficit in the scheme	29.9	34.5	36.1	46.1	13.6
Experience adjustments on scheme liabilities	(1.0)	(9.9)	4.4	35.7	31.4
Percentage of scheme liabilities	0.7%	6.9%	3.4%	26.2%	34.3%
Experience adjustments on scheme assets	(0.6)	(0.2)	1.8	8.5	29.0
Percentage of scheme assets	0.5%	0.2%	1.9%	9.4%	37.2%

The expected employer contributions to the defined benefit scheme during 2013 are £9.0m (2012: £8.6m)

20 CONTINGENT LIABILITIES

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

21 OPERATING LEASES

At 31 October 2012 total outstanding commitments for future minimum lease payments under non-cancellable operating leases were

	2012	2011
	£m	£m
Land and buildings		
Within one year	3.1	3.3
Less: minimum sub-lease income	(1.1)	(1.2)
Between two and five years	9.2	10.6
Less: minimum sub-lease income	(2.5)	(3.3)
After five years	5.6	7.2
Less: minimum sub-lease income	-	-
	<u>14.3</u>	<u>16.6</u>
Other		
Within one year	1.1	0.8
Between two and five years	<u>1.7</u>	<u>1.2</u>
	<u>2.8</u>	<u>2.0</u>

22 RELATED PARTY TRANSACTIONS

The Group has entered into the following related party transactions

Transactions with joint ventures, which are disclosed in Note 9: The Group has provided book-keeping services to certain JVs which have been recharged at cost

23 ACCOUNTING ESTIMATES AND JUDGEMENTS

Management considers the key estimates and judgments made in the accounts to be related to the valuation of available for sale financial assets, carrying value of land and work in progress and profit recognition, deferred tax and pension liabilities

Available for sale financial assets

Available for sale financial assets are held at the present value of expected future cash flows taking into account the estimated market value of the property at the estimated time of repayment. There are a number of uncertainties inherent in such estimates, which would impact on the carrying value of such assets.

Carrying value of land and work in progress and profit recognition

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

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

Deferred tax

Management assess whether there will be sufficient future profits to utilise deferred tax assets recognised at the balance sheet date.

In 2011 and 2012, management recognised these assets on the grounds that the financial restructuring of the group made realisation of the related tax benefit through taxable profits probable.

Pension liabilities

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

24 IMMEDIATE AND ULTIMATE PARENT COMPANY

The immediate parent company is Castle Bidco Limited, which is incorporated in Great Britain and registered in England and Wales. The ultimate controlling party of the Group is Varde Partners, Inc. by virtue of their control of 60% of the Ordinary share capital of Crest Nicholson Holdings Limited.

The largest higher group of undertakings for which group accounts are drawn up is that headed by Crest Nicholson Holdings Limited, which is incorporated in Great Britain and registered in England and Wales. Copies of its Group accounts can be obtained from the Company's registered office which is shown in the Directors' Report.

25 POST BALANCE SHEET EVENTS

After the balance sheet date, the Group conducted a debt refinancing on 7 December 2012 which included (i) entering into a new £50 million revolving credit facility (Facility Agreement B), (ii) amending and restating its Facility Agreement A with certain of its shareholders (Amended Facility Agreement A), and (iii) borrowing £50 million under Facility Agreement B and utilising the proceeds as well as cash to repay £77 million of existing borrowings under Facility Agreement A, cancelling the associated commitments and leaving outstanding a £75 million four-year term loan under Amended Facility Agreement A.

On 23 November 2012, to reduce the Group's guarantee facility in advance of the December refinancing, the Group granted security over £48 million of ring-fenced land assets to the pension trustee in return for the release of £30 million of the bank guarantee provided under Facility Agreement A. The remainder of the Group's bank guarantee provided under Facility Agreement A was released as part of the December refinancing, with the Group obtaining the necessary replacement guarantees under the £10 million guarantee ancillary facility included in Facility Agreement B.

CREST NICHOLSON PLC
COMPANY BALANCE SHEET
As at 31st October 2012

	Note	2012	2011
		£m	£m
Fixed assets			
Tangible assets	4	2.2	2.9
Investments	5	20.4	20.4
Deferred tax assets	6	1.1	-
		<u>23.7</u>	<u>23.3</u>
Current assets			
Debtors	7	504.2	514.8
Cash at bank and in hand		0.1	3.4
		<u>504.3</u>	<u>518.2</u>
Creditors amounts falling due within one year			
Creditors	8	(318.5)	(345.1)
Net current assets		<u>185.8</u>	<u>173.1</u>
Total assets less current liabilities		<u>209.5</u>	<u>196.4</u>
Creditors amounts falling due after more than one year			
Interest bearing loans and borrowings	8	(12.0)	-
Net assets		<u>197.5</u>	<u>196.4</u>
Capital and reserves			
Share capital	9	11.5	11.5
Share premium account	10	65.3	65.3
Capital redemption reserve	10	38.0	38.0
Capital contribution reserve	10	15.0	15.0
Profit and loss account	10	67.7	66.6
Equity shareholders' funds		<u>197.5</u>	<u>196.4</u>

The notes on pages 29 to 32 form part of these financial statements

Approved by the Board of Directors on 16th January 2013 and signed on its behalf by

S Stone

P J Bergin
Directors

There are no recognised gains and losses for the year (2011 nil)

NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE YEAR TO 31 OCTOBER 2012

1 ACCOUNTING POLICIES

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

Basis of preparation

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

The accounting policies have been applied consistently in dealing with items which are considered material

Under section 408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account. The Company recorded a profit for the year of £1.1m (2011: £5.6m)

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

The principal accounting policies adopted are set out below

Investments

Investments in Group undertakings are included in the balance sheet at cost less any provision for impairment

Taxation

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

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

Dividends

Dividends are recorded in the Company's financial statements in the period in which they are paid

2 STAFF NUMBERS AND COSTS

The Company has no employees

3 DIVIDENDS

Details of the dividends recognised as distributions to equity shareholders in the year and those proposed after the balance sheet date are as shown in Note 7 of the consolidated financial statements

4 TANGIBLE FIXED ASSETS

	Plant, Vehicles & Equipment £m
Cost	
At 1 st November 2011	8.9
Additions	0.4
At 31 st October 2012	9.3
Accumulated depreciation	
At 1 st November 2011	6.0
Charged in the year	1.1
At 31 st October 2012	7.1
Net book value	
At 31 st October 2011	2.9
At 31 st October 2012	2.2

5 FIXED ASSET INVESTMENTS

Shares in subsidiary undertakings	£m
Cost at beginning and end of year	30.3
Provisions at beginning and end of year	(9.9)
Net book value at beginning and end of year	20.4

The subsidiary undertakings which are significant to the Company and traded during the year are set out below. The Company's interest is in respect of ordinary issued share capital which is wholly owned and all the subsidiary undertakings are incorporated in Great Britain. They are directly owned by the Company. A full list of subsidiaries will be provided with the annual return.

Subsidiary	Nature of business
Crest Nicholson Operations Limited	Residential and commercial property development
Crest Nicholson Residential (London) Limited	Holding company

6 DEFERRED TAX ASSETS

	2012	2011
	£m	£m
Deferred tax assets comprises		
At the beginning of the year	-	-
Deferred tax arising on previously unrecognised temporary differences	<u>1.1</u>	<u>-</u>
At the end of the year	<u>1.1</u>	<u>-</u>

	2012	2012	2011	2011
	Recognised	Not	Recognised	Not
		Recognised		Recognised
	£m	£m	£m	£m
Deferred tax assets comprises				
Capital allowances	<u>1.1</u>	<u>-</u>	<u>-</u>	<u>0.9</u>
	<u>1.1</u>	<u>-</u>	<u>-</u>	<u>0.9</u>

At the time of finalisation of these financial statements, the expected future rate of corporation tax was 23% (2011 25%). A further reduction in the corporation tax rate to 21% had been announced but not substantively enacted therefore not reflected in these financial statements. Capital allowances are expected to be recoverable in full and are therefore fully recognised as deferred tax assets in the above amounts.

7 DEBTORS

	2012	2011
	£m	£m
Amounts falling due within one year		
Amounts owed by subsidiary undertakings	503.7	513.9
Other debtors	0.3	0.6
Prepayments and accrued income	<u>0.2</u>	<u>0.3</u>
	<u>504.2</u>	<u>514.8</u>

8 CREDITORS

	2012	2011
	£m	£m
Amounts falling due within one year		
Loans and other borrowings	4.4	-
Amounts due to parent company	202.5	240.1
Amounts owed to subsidiary undertakings	105.7	101.0
Taxes and social security costs	1.1	1.5
Other creditors	1.4	0.6
Accruals	<u>3.4</u>	<u>1.9</u>
	<u>318.5</u>	<u>345.1</u>
	£m	£m
Amounts falling due after more than one year		
Loans and other borrowings	<u>12.0</u>	<u>-</u>

9 SHARE CAPITAL

	2012	2011
	£m	£m
Allotted and fully paid		
115,294,459 Ordinary shares of 10p each (2011 115,294,459)	<u>11.5</u>	<u>11.5</u>

10 RESERVES

	Share Premium Account	Capital Contribution Reserve	Capital Redemption Reserve	Profit and Loss Account
	£m	£m	£m	£m
At 31 st October 2010	65.3	-	38.0	61.0
Profit for the year	-	-	-	5.6
Capital contribution - waiver of loan	-	15.0	-	-
At 31 st October 2011	<u>65.3</u>	<u>15.0</u>	<u>38.0</u>	<u>66.6</u>
Profit for the year	-	-	-	1.1
At 31 st October 2012	<u>65.3</u>	<u>15.0</u>	<u>38.0</u>	<u>67.7</u>

11 CONTINGENT LIABILITIES

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

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

Under the terms of the bank facilities, each company within the Group is a guarantor of the bank facilities of other Group members that have acceded to the senior facilities agreement

12 RELATED PARTIES

The Company is exempt from disclosing transactions with wholly owned subsidiaries in the Group. Other related party transactions are included within those given in note 24 of the Group financial statements

13 OPERATING LEASES

	2012	2011
	£m	£m
Operating lease annual commitments		
Land and buildings		
Expiring after five years	<u>0.6</u>	<u>0.6</u>
Other		
Expiring between two and five years	<u>0.2</u>	<u>0.2</u>

14 IMMEDIATE AND ULTIMATE PARENT COMPANY

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