

PLACES PEOPLE LOVE

Countryside Properties PLC
Annual report 2019



COUNTRYSIDE
Places People Love

OUR PURPOSE

We believe in delivering
enduring value by creating

Places People Love

Placemaking is more than
geography — it is a practice
and a philosophy, as much
about the feeling people
experience in their homes
as the physical buildings.



Below: St. Luke's Park, Essex; Front cover: Beaulieu, Essex



We are committed to
Delivering value
through stakeholder engagement

Employees

Read more on page 39

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Customers

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Investors

Read more on page 5

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Communities

Read more on page 27

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Partners

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Government

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To enjoy a fully integrated experience use a QR scanner to access our galleries and videos including interviews and testimonials from our partners and customers. Use your phone's camera or download a QR scanning app.

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CREATING Places People Love

Delivering sustainable growth and superior returns from our balanced business model through the cycle with a commitment to quality and integrity.

GROUP

Balanced business model delivering mixed-tenure homes

Adjusted operating profit¹

£234.4m

(2018: £211.4m)

We have a balanced business with two differentiated, complementary divisions and a clear strategy for growth over the medium term.

Our low capital Partnerships division is aligned to Government policy, delivering mixed-tenure homes through estate regeneration and developing brownfield land.

In Housebuilding, we combine our placemaking expertise with a leading strategic land bank, embedding strong margins.

We remain the UK's only major housebuilder for which private for sale homes comprise less than half (38%) of total completions.

This allows us to develop sites more quickly, providing much needed quality homes, and creates a sense of place much earlier in a development.



PARTNERSHIPS

Impressive track record of winning new Partnerships business

Adjusted operating profit¹

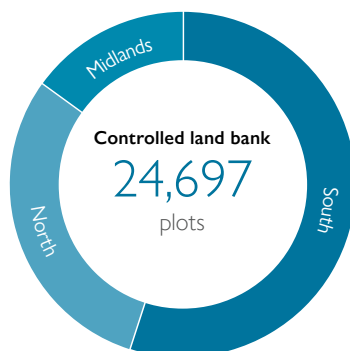
£127.8m

(2018: £110.6m)

Our Partnerships division specialises in urban regeneration of public sector land, delivering private, affordable and Private Rented Sector ("PRS") homes in partnership with local authorities and housing associations. It also develops brownfield land in the Midlands, the North West of England and Yorkshire.

This model is more resilient and less capital intensive than traditional housebuilding, delivering superior returns through the cycle.

We have a strong track record and good relationships with local authorities having delivered more projects than anyone else in the sector over the past 30 years. Our reputation for placemaking and urban regeneration positions us well and during the year we added a further 13,900 plots to our pipeline. We now have over eight years' visibility of future work giving us good visibility over our medium-term growth plans and resilience through the cycle.



HOUSEBUILDING

Strategic land-led Housebuilding business

Adjusted operating profit¹

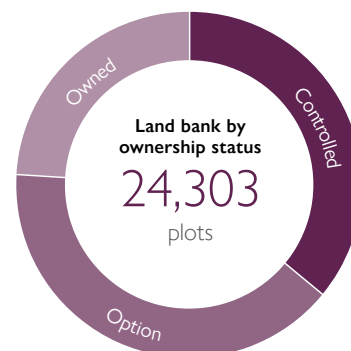
£114.8m

(2018: £109.6m)

Our Housebuilding division delivers high quality homes aimed at local owner occupiers. It develops private and affordable homes on land owned or controlled by the Group, located in outer London and the Home Counties.

Our strategic-led land bank is industry leading and gives us significant visibility over our medium-term growth plans. Only 19% of our land bank is owned, equivalent to approximately 3.5 years' worth of supply, with the rest controlled or under option, which gives us balance sheet efficiency and flexibility to react to market conditions.

Having grown completions at a compound average rate of 19% over the past four years, our Housebuilding business is now a business of scale with opportunities for further operational efficiencies to offset cost inflation.



Increasing scale with a good platform for further growth

2019 has been another year of strong growth driven by the success of our mixed-tenure model and a full year's contribution from the Westleigh Group ("Westleigh") acquired in April 2018.

The Group now operates from 13 regional businesses across the South East, the North West, the Midlands and Yorkshire creating a solid platform from which to grow.

5,733

completions
(2018: 4,295)

1,823

directly employed
staff

98

Partnerships
active sites at
30 September 2019
(2018: 74)

39

Housebuilding active
sites at
30 September 2019
(2018: 41)

Quality and customer care at the heart of our business

Customers are at the heart of our business and we take quality and customer satisfaction seriously at all levels of our business. We track three non-financial KPIs which measure our health and safety, quality and customer satisfaction, all of which are better than industry standards.

This year we have seen a significant improvement in customer satisfaction, as measured by the NHBC Recommend a Friend survey, and are on track to achieve Home Builders Federation ("HBF") five-star builder status when ratings are next published in February 2020.

92.5%

of customers would recommend
us to a friend or family
(2018: 84.6%)

More detail on the Group's non-financial KPIs is described on page 25.

Superior return on capital

Our low capital model in Partnerships and improved margins in Housebuilding delivered a return on capital employed ("ROCE") up a further 40bps in the year.

With the Partnerships regions offering the greatest capacity for growth, significant visibility over the medium-term and phased viability on our larger schemes, we believe returns remain sustainable for the foreseeable future.

Return on capital employed

37.8%

(2018: 37.4%)

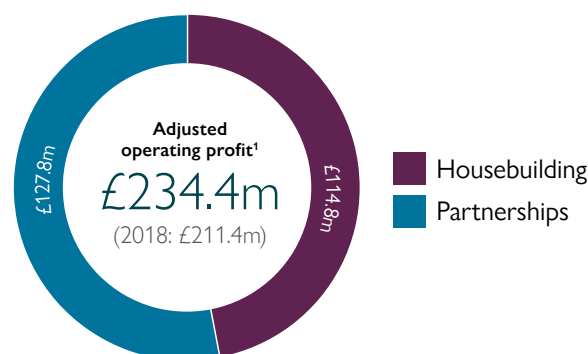
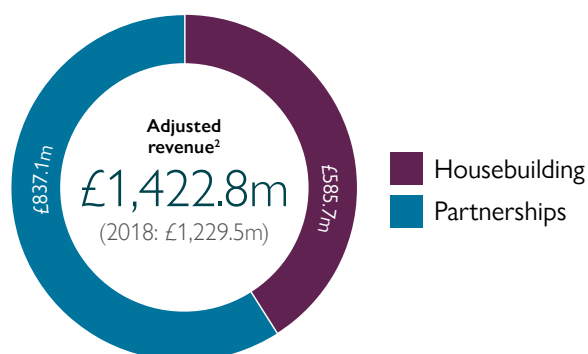
Strong balance sheet with capacity for growth

The Group has a strong balance sheet with net cash of £73.4m at 30 September 2019. This is driven by an asset turn of 2.3 times from our lower capital business model. Our net cash is expected to continue to grow over the medium-term despite continued investment in the business and an increase in our ordinary dividend pay-out policy to 40% of adjusted retained earnings from 2019.

Net cash

£73.4m

(2018: £45.0m)



1. Adjusted operating profit includes the Group's share of operating profit from joint ventures and associate of £46.8m (2018: £46.4m) and excludes non-underlying items of £(17.2)m (2018: £(15.7)m). Divisional adjusted operating profit excludes Group items of £(8.2)m (2018: £(8.8)m), being share-based payment expenses and amortisation of software intangibles.

2. Adjusted revenue includes the Group's share of revenue from joint ventures and associates of £185.7m (2018: £210.9m).

CONTINUED GROWTH

- Completions up 33% to 5,733 homes (2018: 4,295 homes)
- Private average selling price ("ASP") down 9% to £367,000 (2018: £402,000)
- Net reservation rate ahead of our target range at 0.84 (2018: 0.80)¹
- Average open sales outlets up 6% at 56 (2018: 53)
- Total order book up 30% to £1,166.1m (2018: £899.7m)
- Adjusted basic earnings per share of 40.8 pence (2018: 36.0 pence)

Reported measures

- Reported revenue up 21% to £1,237.1m (2018: £1,018.6m)
- Reported operating profit up 14% to £170.4m (2018: £149.3m)
- Net cash of £73.4m (2018: £45.0m)
- Basic earnings per share of 37.7 pence (2018: 33.1 pence)

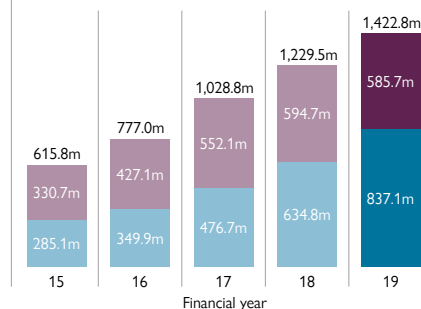
Non-financial measures

- Total land bank increased to 49,000 plots (2018: 43,523 plots)
- Accident Injury Incident Rate ("AIIR")⁷ of 227 (2018: 162)
- NHBC Recommend a Friend score of 92.5% (2018: 84.6%)
- NHBC Reportable Items of 0.21 per inspection (2018: 0.22)

1. Including bulk sales (multiple private homes sold in bulk to a third-party such as a housing association or PRS provider) the net reservation rate per open outlet was 0.95 (2018: 0.80).
2. Adjusted revenue includes the Group's share of revenue from joint ventures and associate of £185.7m (2018: £210.9m; 2017: £183.0m; 2016: £105.7m; 2015: £68.3m).
3. Adjusted operating profit includes the Group's share of operating profit from joint ventures and associate of £46.8m (2018: £46.4m; 2017: £33.6m; 2016: £25.3m; 2015: £16.7m) and excludes non-underlying items of £(17.2)m (2018: £(15.7)m; 2017: £2.8m; 2016: £9.9m; 2015: £(6.6)m). Divisional adjusted operating profit excludes Group items of £(8.2)m (2018: £(8.8)m; 2017: £(5.6)m; 2016: £(1.1)m; 2015: £Nil), being share-based payment expenses and amortisation of software intangibles.
4. Return on capital employed ("ROCE") is calculated as adjusted operating profit divided by average tangible net operating asset value ("TNOAV"). TNOAV is calculated as tangible net asset value excluding net cash.
5. Tangible net asset value is calculated as net assets excluding intangible assets net of deferred tax.
6. Prior year comparatives have been restated, as described in Note 3 to the Group financial statements.
7. The number of accidents per 100,000 people at risk during the year.

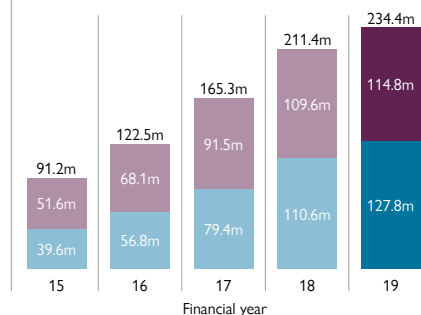
Adjusted revenue² £m

£1,422.8m
+16%



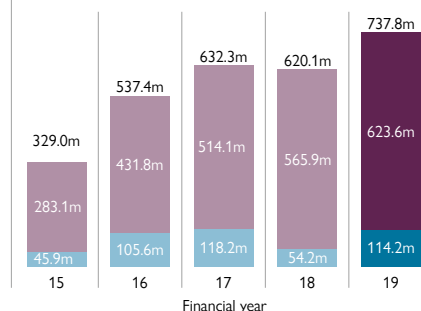
Adjusted operating profit³ £m

£234.4m
+11%



Tangible net asset value^{5,6} £m

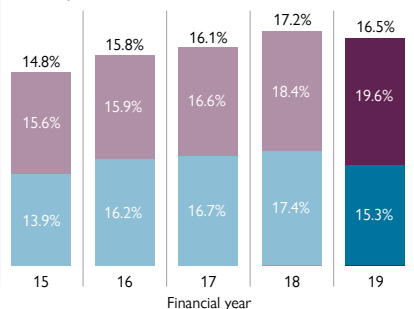
£737.8m
+19%



Adjusted operating margin^{3,6} %

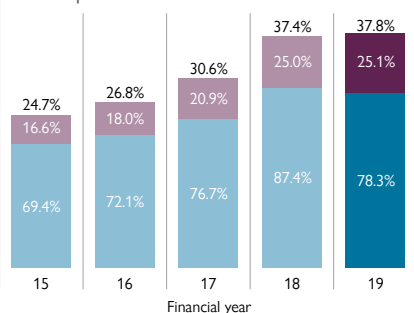
16.5%

-70bps

Return on capital employed^{4,6} %

37.8%

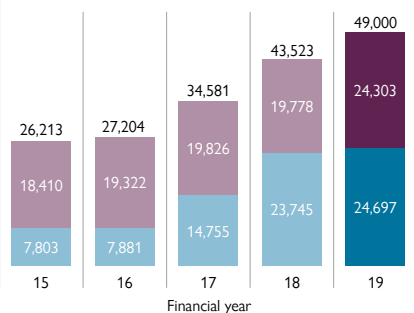
+40bps



Land bank # plots

49,000

+13%



Delivering value FOR INVESTORS

Bilston Urban Village and Wards Keep site visits

We regularly engage with our shareholders to ensure that they are kept up to date with developments at the Group and to showcase how our strategy works in practice. We often take shareholders out to see our developments first hand to bring to life how our business model is different from our peers', particularly within the Partnerships division. One such visit during 2019 was a site visit to two of our Partnerships sites, Wards Keep and Bilston Urban Village in the West Midlands.

Wards Keep is a 13-acre site in Darlaston on which we are building 207 homes. These are a mix of 98 private for sale homes, and 109 private rented sector ("PRS") homes which are being delivered for Sigma Capital under our existing framework agreement. The scheme is all low rise family housing which is typical of our regional Partnerships businesses where land is more readily available.

Bilston Urban Village in Wolverhampton is an ex-industrial site which required extensive remedial work including drilling and grouting to treat the 30 mineshafts on site. The site covers 25 acres and is being developed in partnership with Wolverhampton City Council and Homes England. Once completed, in 2024, it will provide approximately 380 new homes, the majority of which will be low rise family housing. Bilston Urban Village is a great example of how we blend multiple tenures across a site with 46% of the homes for private sale, 25% affordable and 29% private rented sector, again for Sigma Capital.

Both of these sites use our range of standard house types and timber frame construction allowing an efficient, high quality build and fast pace of delivery. The visit was well received by investors who found it to be worthwhile, gaining insight from regional management into how our businesses operate including where opportunities for growth and operational efficiencies could come from.

“

I wanted to thank you and the team very much for taking the time to show me around your two sites. It was really good to meet your colleagues and to see the “product” first hand. Both were impressive and enlightening.”

Countryside investor

A YEAR OF SIGNIFICANT PROGRESS



I am delighted to report on another year of significant progress in 2019.

Despite the broader political uncertainty that has been present throughout the year, our differentiated business model, which is focused on delivering mixed-tenure communities, has continued to experience robust demand. Customers remain at the heart of our business and we are delighted to be trending at Home Builders Federation ("HBF") five-star builder status with over 90% of customers willing to recommend us to a friend or family.

Excellent results with established platform

In 2019, our strong organic growth has been supplemented by a full year's contribution from the Westleigh business, acquired in April 2018. This acquisition has now been fully integrated into the Group and is operating under the Countryside brand, providing an excellent platform for further growth by delivering a mix of tenures over larger sites in the new geographies.

Our financial and operational results showed continued progress and consistency in execution of our strategy. The Group delivered on all metrics either in line with or ahead of market expectations and, with another record forward order book, we remain well positioned to continue our growth into the new financial year.

Our modular panel factory became operational in March 2019 and we are delighted with how it has performed. We intend to deliver around 1,400 homes from this facility in the forthcoming year and secure our supply chain in the process.

We ended the year with a strong balance sheet as the cash generation of both divisions continued, with a return on capital employed in excess of 37%. We continue to have clear visibility over our future growth plans and the financial capacity to support them. Our forward order book and pipeline in both divisions increased during the year, positioning us well for the future.

Priorities of the Board

Whilst the Board's principal focus remains on developing and implementing the Group's business strategy, other Board priorities during the last 12 months have been:

Improving customer satisfaction

Customers are central to Countryside's ongoing success. A key priority has been to improve the level of customer satisfaction during 2019. I am delighted to report that we are currently achieving equivalent to a five-star HBF customer satisfaction rating, up from a four-star rating during 2018.

Working with Government to implement new regulations

During the year we have worked very closely with both Government and the HBF to proactively formulate policy on fire safety, quality and leasehold reform.

On fire safety we have undertaken a detailed review of all tall buildings to ensure compliance with all regulations. We have established a Technical Fire Standards Committee and have also engaged an independent third-party fire consultancy to verify all aspects of fire safety strategy on all apartment developments.

Having responded to each of the Government consultations on the topic of leasehold reform, we have also adjusted Countryside's leasehold policy to reflect their guidance and have co-operated with the ongoing sector-wide inquiry by the Competition & Markets Authority. More information on the Group's fire safety programme and our response to the topic of leasehold reform is set out on page 52 (Risk Management).

Improving risk management

Given the continued growth of Countryside, the Board and its Audit Committee have spent considerable time ensuring that risk management and internal controls remain effective. The changes and investment in this area, including the appointment of a new Director of Audit and Risk Assurance, are described in more detail on pages 51 to 53 (Risk Management).

Board and Executive Committee succession planning

Ian Sutcliffe, Group Chief Executive, is to retire from the Group on 31 March 2020. He will step down from the Board and be succeeded by Iain McPherson, currently head of the Group's Partnerships South business, from 1 January 2020.

As we have reported during the year, there have been a number of additional changes to the Board. On 1 October 2018, Mike Scott joined the Board as Group Chief Financial Officer and Rebecca Worthington was appointed as Group Chief Operating Officer.

On 15 February 2019, we announced the appointment of Simon Townsend as a Non-Executive Director of the Company with effect from 1 March 2019. Simon was subsequently appointed to each of the Board's Committees on 10 May 2019. On page 64 we set out Simon's induction process, which is typical for the onboarding of any new Director.

On 17 April 2019, we reported that Rebecca Worthington was leaving the Group and stepping down from her role as Group Chief Operating Officer. We would like to thank Rebecca for her contribution to the business over the past four years.

Returns to shareholders

After another year of strong profit growth and excellent return on capital employed, the Board recommends a final dividend of 10.3 pence per share. This reflects the Board's decision to change the dividend policy to a 40% pay-out ratio of adjusted earnings (from 30% previously) as announced at our half-year results in May. Subject to approval at the Annual General Meeting ("AGM") on 23 January 2020, the dividend will be paid on 7 February 2020 to shareholders registered at 20 December 2019. Together with the interim dividend of 6.0 pence per share, this will give a total dividend of 16.3 pence per share.

Our people

As our business continues to grow, so does the number of employees to support that growth. We ended the year with approximately 1,800 employees. We continue to focus on their development with extensive training programmes at all levels within the business. In addition, during the year we recruited a record number of graduates and apprentices including apprentices for our modular panel factory in Warrington, bringing through the next wave of talent for the industry.

I would like to take this opportunity to thank each and every one of our employees, our supply chain and our business partners for their commitment to the business. Without them we would not be able to deliver our continued growth plans or maintain the quality, satisfaction and safety standards our customers and partners have come to expect of Countryside.

David Howell

Chairman

20 November 2019



CONTINUING TO DELIVER GROWTH, RETURNS AND RESILIENCE



Our strategy remains unchanged and focuses on mixed-tenure development.



Group strategy

We have continued to deliver our strategic objectives of growth, returns and resilience, despite the wider political and economic uncertainty. Our mixed-tenure business model, delivering private for sale, private rented and affordable homes, has allowed us to meet the continued strong demand for housing of all tenure types.

Our balanced business model of Partnerships and Housebuilding divisions has delivered another year of earnings and completion growth, underpinned by a robust operating margin and strong return on capital employed. Our innovative low capital Partnerships business model has continued to deliver sector-leading growth and excellent returns, while our Housebuilding division has delivered a robust performance, with improved returns being delivered from the strategic land bank and continued efficiency.

As we deliver our strong growth in completions, we continue to ensure that we improve our qualitative measures of health and safety, build quality and customer satisfaction. I am delighted to say that we remain ahead of industry benchmarks on all three.

We consider the fire safety of our homes to be an absolute priority and ensure that our developments meet all regulations and evolving best practice regarding materials, design and construction detail. We define the fire strategy in line with regulations prior to development, monitor and record progress throughout construction and have added an independent third-party certification of apartment buildings this year.

We have also ensured that our business is sustainable for the future with industry-leading land banks in both divisions underpinning our future profitability for the medium-term.

We manage our financial exposure by ensuring we are not overexposed to owned undeveloped land or land creditors, with the majority of land held on either options in Housebuilding or development agreements in Partnerships. We do not overexpose our business to excessive debt, ensuring that we maintain a cash positive position at each year end.

During the year, we have invested in an off-site modular build facility to mitigate site labour constraints, opening our first factory in Warrington.

We employ around 1,800 people and maintain a strong focus on people, recruiting strong talent at all levels, developing them in their roles and ensuring we retain them to continue the expansion of the business.

Both Partnerships and Housebuilding are now reaching scale and operate largely independently of each other, other than the provision of a small number of shared central services, such as Group Finance, HR, corporate governance and IT. Partnerships delivered over 75% of the Group's completions and just over 50% of the Group's profit, due to the lower average selling prices from its tenure mix and regional geography.

We now have 13 operating regions, nine in Partnerships covering London and the Home Counties, the Midlands, the North West of England and Yorkshire, while Housebuilding operates from four regions in the Home Counties around London. Both divisions have the capacity for further growth as we continue to expand our presence in the Midlands and North following last year's Partnerships acquisition of Westleigh, while in Housebuilding we continue to expand our business to the South and west Home Counties.

Market background

The commitment of both national and local Government to deliver more housing, and in particular to increase the amount of affordable housing in London, is aligned closely to our strategy. We have significantly grown our delivery of affordable and PRS housing during the year, as the demand for both continues to exceed supply.

Private for sale housing accounted for only 38% of our total completions in 2019. Our target customer is typically a first-time buyer and a local owner occupier. We continue to target areas of economic growth and resilience, providing a range of housing types in a placemaking environment.

Despite the wider political uncertainty demand for housing of all tenures remains robust. Private for sale housing demand remains strongest for houses under £600,000, supported in part by the Government Help to Buy scheme, which continues to drive first-time buyers to choose new build homes over the second-hand market. While Help to Buy is an important scheme for first-time buyers, because of our mixed-tenure approach it is used on only 54% of our private completions excluding bulk sales, or 20% of our total completions.

The combination of higher stamp duty, fewer buy to let investors and the migration of first-time buyers to new build has caused a slowdown in the second-hand market, which, in turn, has made some trade-up transactions harder to complete where purchases are subject to a dependent sale of property.

The mortgage market remains open with lenders prepared to offer highly competitive rates and up to 95% loan to value. Lenders' valuations ensure that properties are not oversold and that Help to Buy values are in line with comparable sales without Help to Buy. House price inflation has moderated, and we have seen increases only at lower price points, with some increased incentives above £600,000. Overall, 90% of our private completions are made at price points below £600,000.

“

We have started the new financial year well, with a strong order book and opportunity for further growth in 2020.”

Market background continued

Affordable housing, particularly non-Section 106 driven, has been in strong demand from housing associations with a subsequent increase in average selling prices. PRS housing has also seen an increase in average selling prices with strong demand from our existing partners and institutional investors.

The increase in average selling prices has not translated into stronger margins due to build cost inflation, from both materials and labour, as well as additional cost from changes to fire safety regulations. While we have not seen any direct impact from the prolonged Brexit negotiations, we do anticipate further build cost increases from currency fluctuations and potential EU labour migration.

Our performance

During 2019, we delivered a fifth consecutive year of strong growth and improved earnings in both divisions.

In Partnerships, our expansion into the Midlands and the North, including Yorkshire, provided the growth. This has largely been an expansion of our affordable and PRS delivery, following the Westleigh acquisition, assisted by the framework agreements with Sigma Capital to deliver PRS and with Midland Heart to deliver affordable homes. The greater emphasis on these tenures has reduced operating margin as expected, but we plan to mitigate this going forward as we deliver a greater proportion of private for sale homes in the North and Midlands.

Our Housebuilding business has continued to expand and, despite more challenging trading conditions at higher price points, we have managed to increase both operating margin and return on capital by continued operational efficiency and capital discipline. We continue to reposition our average selling prices to ensure that our private for sale homes remain affordable for local owner occupiers and first-time buyers in particular.

We continue to make progress on all non-financial key performance indicators. Our customer satisfaction rating as measured independently by the NHBC Recommend a Friend score has risen to 92.5% (2018: 84.6%), which is also assessed as a five-star builder by the

HBFC. This rating is underpinned by our build quality score, again measured independently by the NHBC at key stages during the construction process. This stood at 0.21 reportable items per plot visit (2018: 0.22), equivalent to one remedial item per five inspections.

Our health and safety has been maintained at better than industry benchmark levels with the Accident Injury Incident Rate ("AIIR"), standing at 227 per 100,000 people at risk compared with the national average of 405 (2018: 162). We take the safety of our employees extremely seriously and have recently introduced a new accident and safety observation reporting system to identify any trending issues more quickly. Following the tragic death of a sub-contractor on one of our sites in November 2018, we fully co-operated with all relevant authorities. The coroner's verdict was that this was an accidental death and the Health and Safety Executive has confirmed that no further legal action will be taken.

As the business has grown, we have constantly sought ways to ensure that purpose and values do not become diluted, but are enhanced with new regions, people and partners. Countryside was founded over 60 years ago on the principles of enduring long-term relationships with our staff, sub-contractors and business partners. We believe that by treating people fairly, honestly and directly we will build both the trust of all stakeholders that we engage with and a sustainable enduring business.

"Places People Love" is more than an advertising slogan; it embodies what the Group is aiming to deliver; not just in our completed developments, but on our construction sites and our places of work. We aim to create the best environment to attract our customers, to retain and develop our workforce and to become the development partner of choice for landowners and local authorities.

We have invested in our recruitment, development and training of staff over the past year. As well as investing in new regional offices in Ealing, Warrington, Solihull, Leeds and Leicester, we have made additional investment into the welfare facilities on our construction sites to ensure that we have a consistent offering for our site teams and sub-contractors.





Modular panel factory

We have opened our modular panel factory in Warrington that will produce complete structural wall panels from a semi-automated production line. We have 12 apprentices across the North West, 7 of which are from the local technical college and work across local developments, as well as the modular panel factory as they develop their careers. The factory is already producing the equivalent of 15 homes per week and with the addition of a second shift will ultimately produce around 1,400 homes per year.

Our new Social Value Portal (described in more detail on page 45) measures the impact of our developments on the local community. This includes the financial and social benefits of the site, including employment, sustainability and additional facilities that are created in addition to the homes that are provided. This tool allows us not only to quantify our broader sustainability footprint, but to demonstrate to landowners and local authorities the wider benefit of our developments.

Outlook

We have started the new financial year well, with a record order book and robust current trading in both divisions. Net reservation rates for the first seven weeks of the year are ahead of the same period last year. With new site openings in the first half, we expect delivery to be weighted to the second half. We have a robust balance sheet and continued visibility of future earnings from our Partnerships business and strategic land bank in Housebuilding. Potential economic and political uncertainty aside, we remain confident of delivering further earnings growth in 2020.

“

We have a robust balance sheet and excellent visibility of future earnings.”

It is paramount that we maintain our build quality, customer satisfaction and health and safety standards, which in the most part have been improving in recent years. We will continue to focus on ensuring that we have a large enough skilled workforce to continue delivering on the ground.

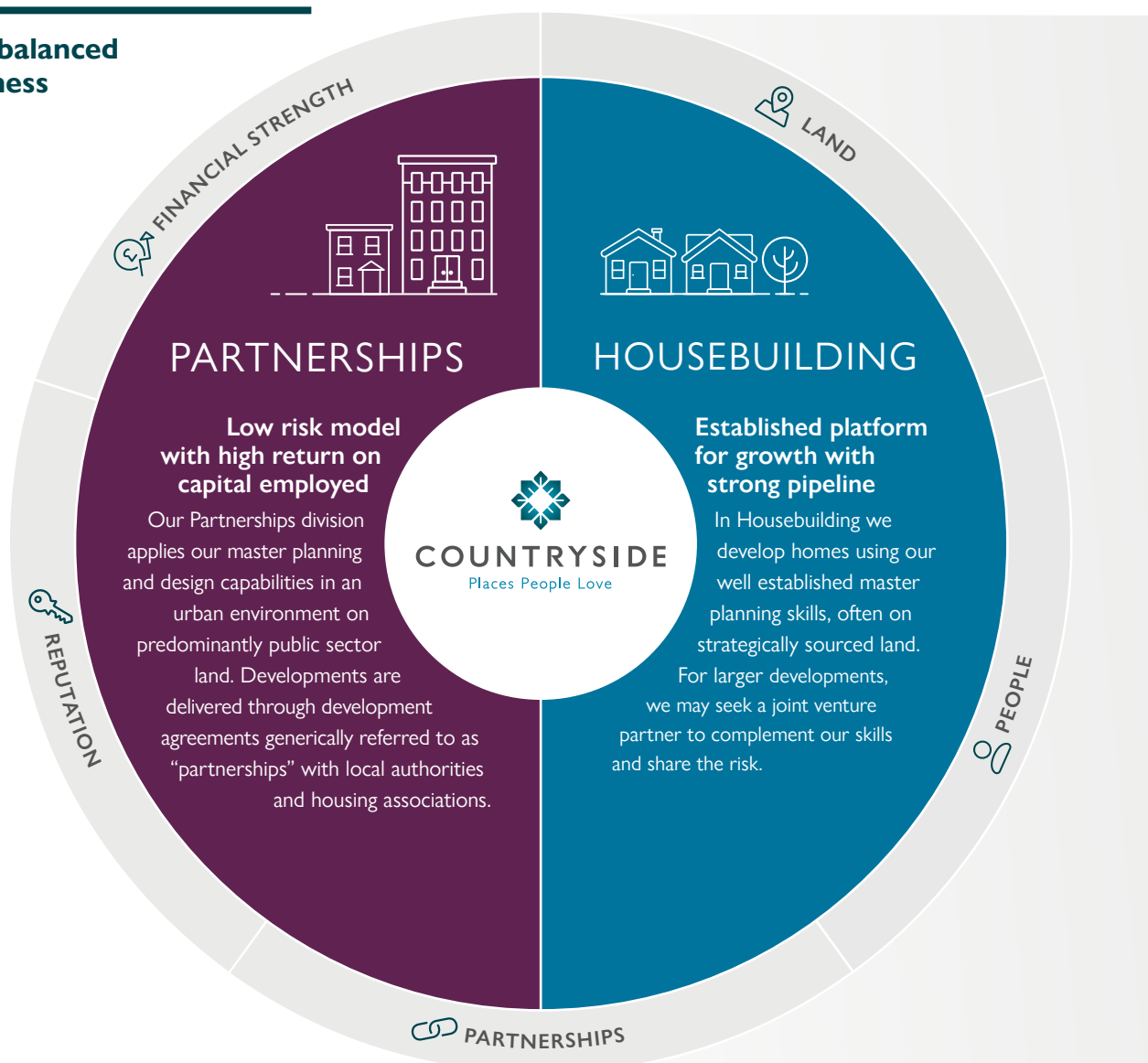
On a personal note, it has been a real privilege to lead Countryside for the past six years. It is a tremendous business with an incredibly talented workforce. I am immensely proud of what we have all achieved together and I would like to thank David, the rest of the Board and everyone at Countryside for the unwavering support they have given the business over the years. I am delighted to be handing over the leadership of the business in such good shape to someone of Iain's calibre.

Ian Sutcliffe
Group Chief Executive
20 November 2019

Our business model

We have a differentiated, balanced and flexible business model with our lower risk Partnerships division and our strategic land-led Housebuilding division. We build quality homes and create Places People Love utilising a mixed-tenure model that delivers strong return on capital employed, with good growth opportunities and sustainable returns for our investors.

Our balanced business



Key resources



LAND

Excellent visibility of future growth with embedded value from strategic land and long-term development agreements

➔ Read our Operational Review on pages 26 to 33



PEOPLE

Highly experienced and motivated employees together with strong supply chain relationships

➔ Read Our People section on pages 38 to 40



Link to sustainability strategy



GOVERNANCE

ETHICAL AND
RESPONSIBLE
BUSINESSCUSTOMERS
AND COMMUNITY

ENVIRONMENT



SUPPLY CHAIN

The outcomes we produced

Completions

5,733

homes delivered in 2019

Visibility

8

years of future Partnerships work secured

Mixed-tenure

62%

of completions were affordable or PRS homes

Apprentices

94

apprentices across the Group

Land bank

24,303

plots within our Housebuilding land bank

Strategic land

81%

of Housebuilding land strategically sourced

Health and safety

227

Accident Injury Incident Rate below the industry average

Net cash

£73.4m

as at 30 September 2019

Strong pipeline

34,842

plots controlled within Partnerships

Return on capital employed

37.8%

continued strong returns

Delivering value for our stakeholders

PARTNERS

Read more on page 49

Trusted partner

30

plus years of Partnerships experience

EMPLOYEES

Read more on page 39

Employee participation

48%

of eligible employees are shareholders

INVESTORS

Read more on page 5

Dividend

50.9%

increase in total dividend

COMMUNITIES

Read more on page 27

£1.1m

invested in local community projects

CUSTOMERS

Read more on page 31

Homebuilder of choice

92.5%

of customers would recommend us to a friend

GOVERNMENT

Read more on page 21

Member of

FTSE4Good

Index



PARTNERSHIPS

Enduring relationships with local authorities, housing associations and major landowners



Read our Sustainability Report on pages 41 to 48



REPUTATION

Built on transparency, proven development expertise and delivery through the cycle



Read our Risk Management section on pages 51 to 53



FINANCIAL STRENGTH

Strong balance sheet with net cash and debt capacity if required



Read our Group Chief Financial Officer's Review on pages 34 to 37



Delivering value

THROUGH ENGAGING WITH OUR STAKEHOLDERS

Countryside recognises the critical need to act in the interests of many stakeholders. We strive to foster strong business relationships with customers, suppliers and the communities in which we operate, and meet the interests of our employees while acting fairly for shareholders of the Company. Engagement with our key stakeholders helps to ensure a long-term sustainable business model that provides good-quality homes for our customers.

The following pages set out how we engage with our key stakeholders and take into consideration their respective interests in the Company's decision-making process.

Partners



Read more on page 49



Ground breaking at Tower Court, Hackney

Creating enduring relationships with local authorities, housing associations and PRS providers helps us to maintain our reputation as a preferred delivery partner. We engage with them at all stages of a development to ensure that we create communities that people love to live in.

How we engage

- Engagement with large housing associations through the G15 Group
- Home Builders Federation
- Regular engagement meetings

What they tell us

- Community engagement is key
- Use of local labour and suppliers
- Accelerate affordable housing delivery
- Minimise disruption to existing residents

What we are doing

- Focus on mixed-tenure delivery
- Regular community events
- Active engagement of residents in planning and design
- Commitment to apprenticeships on our developments
- Creation of tenure-blind communities
- Clear delivery programmes and communication at all stages
- Partnering Awards for our supply chain
- Joint charitable initiatives

Link to strategic objectives



GROWTH



RETURNS

8 years

of Partnerships work secured

Links to strategy



GROWTH



RETURNS



RESILIENCE

Read more on page 22

Employees

→ Read more on page 39



Countryside employees volunteering

Our employees are the backbone of our organisation and we believe that our people truly differentiate us from our competition. Without the talent of our employees we would not be able to build sustainable communities where people want to live. We therefore understand the importance of both developing and engaging with our employees to ensure we retain strong talent.

How we engage

- New joiner inductions with Executive team
- Quarterly business update presentations
- Staff intranet and magazine
- Meet the CEO breakfast meetings
- Annual rotation of Board visits to different sites and offices
- Inclusion and diversity steering committee
- Lunch and learn sessions
- HR roadshows
- Group and regional employee engagement groups with CEO participation
- Staff survey

What they tell us

- Working environment is important
- Training and development are key
- Flexible working and benefits are important

What we are doing

- Modernising and transforming working environments
- Maintaining and continually improving employee engagement
- Programme of visits by Baroness Sally Morgan to sites across the business
- Continually reviewing the employee journey including training, benefits and culture
- Focus on inclusion and diversity

Link to strategic objectives



GROWTH

94

apprentices across the business

Suppliers

→ Read more on page 48



Team at Kings Hill, Kent

Without our suppliers we would not be able to build our homes at the same pace or to the high quality standards our customers have come to expect. We therefore need to ensure that we maintain our relationships and support development with our suppliers to ensure that the standards remain high, suppliers choose to work with Countryside and costs are controlled. The Company negotiates with sub-contractors and suppliers, both on a national and a local basis, to develop national framework agreements and to agree both national and local commercial terms.

How we engage

- Detailed tendering process
- Liaison through central procurement department working closely with major suppliers nationally

- Centralised process to provide unified data, trend analysis and risk profiling
- Local buying teams engaging with local suppliers
- Networking events
- Face-to-face engagement
- Collaborative scoping meetings
- Regular meetings, engagement groups, training and “toolbox talks”
- Liaison with wider supply chain partners (sub-contractors, distributors)

What they tell us

- Require visibility of future projects and workload
- Regular review meetings to discuss performance, quality and risk
- Need for prompt payment
- Cost pressures
- Issues relating to production levels, constraints and lead times

What we are doing

- Transparent project pipeline and tender feedback
- Regular meetings to discuss supplier performance and areas for improvement, identifying risk and mitigating plans

- Dialogue with suppliers regarding our core policies and principles on social value, CSR, ethics, environment and sustainability
- Setting targets on payment performance and reporting against them, including dialogue with our supply chain to quickly resolve payment issues
- Introduction of a new supplier management system automating the order to payment process
- Managing cost inflation by fostering robust volume-based long-term agreements with our supply chain partners
- Securing required volume in exchange for continuity of supply
- Developing an online portal to improve stakeholder communication

Link to strategic objectives



GROWTH

100%

of timber is certified FSC or PEFC

Investors



Read more on page 5



Board visit to Horsted Park, Kent

As the owners of the Company, the Group's shareholders views are sought and considered at regular intervals during each year. The Group holds meetings with existing and potential shareholders to update them on the business strategy and current performance. These take the form of group meetings, one-to-one meetings, site visits, conference calls, the AGM, the Annual Report, results and a capital markets event. Any suggestions, opinions and other information received at these dialogues are seriously considered and reflected as needed in the management of business operations.

How we engage

- Annual General Meeting
- Quarterly trading updates including full-year and half-year results and associated investor roadshows
- Investor conferences
- Private Client Fund Manager meetings
- Analyst and investor site visits
- Feedback from Company brokers and market analysts
- Analyst and investor capital markets event presentations

What they tell us

- Focus on capital allocation policy
- Preference for growth in Partnerships
- Focus on maintaining sustainable growth and resilience through the cycle
- Succession planning is a priority

What we are doing

- Clear communication of the Company business model and future strategic priorities
- Change in dividend pay-out ratio to 40% in 2019
- Regular consideration of succession planning by Nomination Committee

Link to strategic objectives



GROWTH



RETURNS



RESILIENCE

50.9%

increase in dividend

Communities



Read more on page 27



Community event at Greenwich Millennium Village, London

A critical element for the success of the Company's strategy of creating "Places People Love" involves interacting with the local community to take their views fully into account. Countryside develops a tailored planning and community engagement strategy for each development site, working closely with communities, local councils and other local stakeholders throughout all aspects of the planning process.

How we engage

- Consultation through the planning process to understand the needs of the local community
- Meetings with councillors, planning officers and other key officials such as highways and education

- Town hall meetings, consultation events and drop-in sessions
- Collaboration with local charities and community groups
- Developing scheme-specific websites and social media to reach a wider group of people
- Newsletter drops to surrounding community to keep them informed of proposals
- Employing local people who understand local needs
- Dedicated community development team with Community Liaison Officers

What they tell us

- Want attractive, safe environments, close to transport and amenities
- Investment in local infrastructure and ensure delivery early in project
- Engagement with the needs of local people, listening to their views
- Support and investment for local community groups and charities

What we are doing

- Introduction of Social Value Portal
- Ensuring that community engagement is at the heart of developing new proposals
- Supporting community champions
- Delivering timely infrastructure to support our new communities
- Developing highly skilled land, planning and design teams which understand these needs
- Creating "community chests" where residents choose how money is invested on our regeneration projects
- Employee volunteering within communities as part of our charity initiatives
- Visiting local schools

Link to strategic objectives



RESILIENCE

£1.1m

invested in local community projects

Customers

→ Read more on page 31



Customer service at Greenwich Millennium Village, London

Delivering high levels of customer satisfaction enhances the reputation of our business and reduces the costs associated with rectifying poor-quality work. The Board and the Group Management Team regularly review customer satisfaction scores as independently reported and consider ways in which these can be improved.

How we engage

- Consultations on planning and regeneration
- Sales advisors and site management liaise with customers through the home buying process
- Meet the builder sessions on site
- Home buyer demonstrations
- Customer service teams
- In-house and NHBC surveys
- On-site community engagement events
- Resident community boards

What they tell us

- What they want out of the development
- Community facilities are important
- Importance of clarity on moving dates
- Availability of customer service teams
- Whether they would recommend us to a friend

What we are doing

- Communicating with customers at all stages of the build
- Ensuring feedback informs future design and specification
- Maintaining strong focus on build quality with a policy of continuous improvement
- Designated Executive Committee member with responsibility for the customer journey
- Staff remuneration linked to customer care performance

Link to strategic objectives

 GROWTH

92.5%

Recommend a Friend score

Government and regulators

→ Read more on page 21



Secretary of State for Housing, Robert Jenrick, visits Acton Gardens, London

Government policy and regulation have a significant impact on the housebuilding industry and therefore Countryside. Regulation and policies around planning, Help to Buy, health and safety, quality, fire safety, stamp duty and leasehold amongst others continually evolve and therefore we not only need to engage with Government to help inform it but also keep up to date with future policy changes.

How we engage

- Regular dialogue with Government and industry groups
- Ongoing engagement with planning authorities
- Regular communication with other regulators such as HMRC and HSE

What they tell us

- Industry needs to deliver more homes
- Help to Buy caps to be introduced in 2021 with the scheme extended to 2023
- Fire safety and leasehold reform under review
- Modern methods of construction and speed of build required on Homes England sites

What we are doing

- Embracing modern methods of construction with opening of modular panel factory
- Engaging in policy discussions over key industry topics

- Site visit with Secretary of State and key local Government officials
- HMRC site visit
- Active member of HBF contributing to policy discussion
- Inclusion in the FTSE4Good Index
- Focus on growth in our Partnerships business

Link to strategic objectives

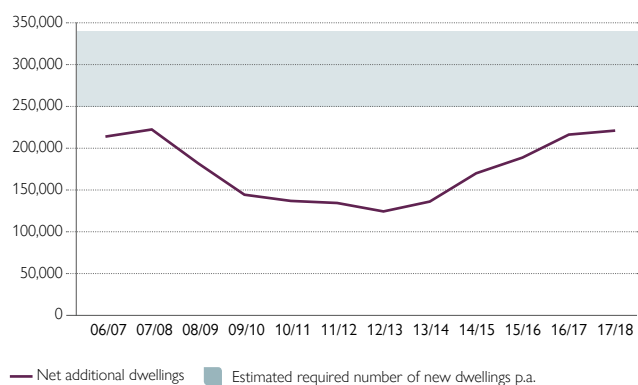
 RESILIENCE

FTSE4Good Index
member

UNIQUE RESILIENCE

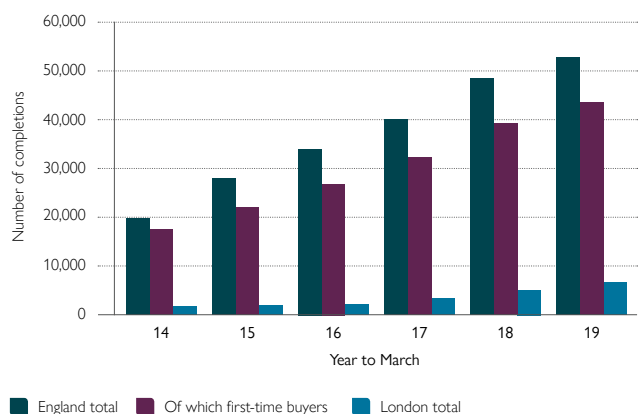
Despite the wider political uncertainty, demand for all tenures of housing remains robust with support from both national and local Government. Countryside's commitment to offering a balanced mix of tenure types, unique amongst other major housebuilders, allows us to develop sites more quickly and gives us resilience from any slowdown in the private for sale market.

Graph 1
Net additional dwellings



Source: Ministry of Housing, Communities & Local Government.

Graph 2
Help to Buy: Equity Loan – number of legal completions



Source: Help to Buy: Equity Loan statistical release Q1 2019.



Macroeconomic environment

Despite wider political uncertainty, demand for housing of all tenures remains robust with support from both national and local Government. For those looking to purchase their own home, low interest rates, good mortgage availability, low levels of unemployment and the extension of Help to Buy until 2023 have ensured that demand has remained robust, particularly from first-time buyers.

However, some stresses in the UK housing market started to emerge during the year, with property sales in the second-hand market slowing, particularly at higher price points as a result of the impact of increased stamp duty together with the uncertain macroeconomic backdrop. Demand for affordable and PRS housing remained strong.

While the supply of new housing continues to grow steadily, latent demand is far from satisfied with net additions to the housing stock lagging significantly behind the totals required. It has been estimated that over 250,000 and up to 340,000 new homes¹ are required in England each year to maintain the balance of supply and demand (Graph 1). Government has pledged to deliver 300,000 homes per annum by the mid-2020s.

Our response

We have expanded our geographic reach significantly over the past few years and now operate from 13 regional businesses across London, the surrounding Home Counties, the North West, the Midlands and Yorkshire. In 2019, we delivered a total of 5,733 new homes, a 33% increase on the prior year, making us once again the fastest growing listed housebuilder in the UK. Our mixed-tenure model and automation allow us to build out sites more quickly supported by a strong balance sheet and investment in our employee base to continue this growth into the medium-term. While house price inflation is moderating and the higher end of the market remains sluggish, the impact on Countryside is limited by the strategic decision we took four years ago to reduce average selling prices to ensure our product is affordable for local owner occupiers. We continue to see significant growth opportunities in both our operating divisions.

¹ Tackling the undersupply of housing in England, House of Commons.



Acton Gardens, London



Greenwich Millennium Village, London

Government policy and future regulation

The new build market makes up approximately 20% of total housing transactions in the UK. There has been a shift to new build over the second-hand market over the past five years, largely as a result of the Government Help to Buy scheme which is only available on new build properties. While total housing transactions have remained relatively flat over this period, second-hand market transactions have reduced.

Based on cumulative data to March 2019, Help to Buy has been utilised by approximately 221,000 new homebuyers² (Graph 2) with an average house price of £260,000. There is a strong correlation of usage to first-time buyers with 68% of transactions in the £150,000 to £350,000 price bracket. The Help to Buy scheme was recently extended to 2023 with utilisation restricted to first-time buyers and the implementation of regional price caps from 2021.

Fire safety remains a key area of focus within the industry. The Government has published its recommendations following the enquiry into the Grenfell Tower disaster and we anticipate further changes to building regulations following the review. The Government has launched two consultations into leasehold properties and potential reform. The proposals include a ban on the sale of leasehold houses and plans to lower future ground rents to a nominal fee. Countryside no longer sells leasehold houses and has signed the Public Pledge for Leaseholders.

Our response

In 2019, Help to Buy was utilised on 50% of our private completions excluding bulk sales or 20% of our total completions, which is strongly linked to the proportion of first-time buyers (52% of private completions). We ensure that our product is affordable for local owner occupiers who represented over 85% of our private completions in 2019. With the planned changes to Help to Buy from 2023, we are planning our product to ensure it continues to be accessible to as many customers as possible who plan to use Help to Buy within the bounds of the new regional price caps.

The safety of the homes we deliver is of paramount importance to us. We acted quickly to review all tall buildings constructed by Countryside following the Grenfell tragedy, taking corrective action where required. In addition, this year we have added an external third-party certification in relation to fire safety for all apartment buildings.

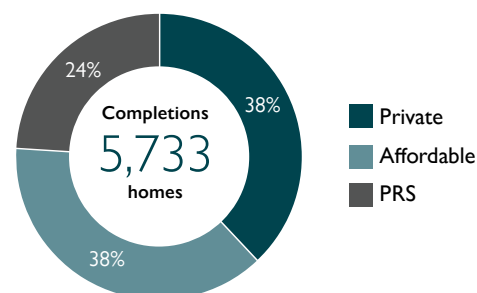
Mixed-tenure approach

In recent decades, the structural undersupply of housing in England has been partly caused by a lack of new affordable housing. In addition, there has been a decline in home ownership in England over the past decade which at c.64% is well below its 2003 peak. There are several reasons for this including restrictions on mortgages for first-time buyers following the last recession and historical house price inflation. This has led to a higher proportion of renters in the marketplace and consequently an increase in activity in the professional PRS market from both PRS providers and institutional investors.

The Letwin review published in 2018 also concluded that in order to meet the 300,000 homes per annum target set by the Government, measures are needed to promote faster delivery of homes on large strategic sites. This aligns well with our mixed-tenure delivery model which reduces our reliance on the demand for private homes.

Our response

It is a key part of our strategy that we take a mixed-tenure approach on all our developments and we remain the UK's only major housebuilder for which private for sale homes represented less than half of total completions. In 2019, we delivered a total of 5,733 new homes, of which 38% were private for sale, 38% affordable homes and 24% PRS homes. Our Partnerships division provides a balanced mix of all three tenure types, enabling rapid growth as well as business resilience. In our Housebuilding division, we have an industry-leading owned or controlled land bank within 50 miles of London, 81% of which has been strategically sourced.



2. Ministry for Housing, Communities & Local Government.



Labour supply

Following long-term decline, the housebuilding workforce has been stretched as the industry has expanded in recent years and has been further impacted by a reduction in EU workers choosing to work in the UK following the Brexit referendum. This has led to a shortage of skilled labour on site and experienced project management staff in our regional offices. This in turn has increased pressure on staff and sub-contractor recruitment, remuneration and retention.

Our response

While the industry as a whole has lobbied Government via the Home Builders Federation to protect the status of EU construction workers, Countryside has taken a number of specific initiatives. These include the recruitment of apprentices, management trainees and graduates into the business, together with tailored development programmes to further their careers. We currently have 26 recent graduates and a further 94 apprentices working in various roles within the Group. To mitigate labour shortages on site we have invested in off-site manufacture of modular wall panels which will be used across all of our Northern and Midlands regions. The use of this method of construction requires significantly less site input and allows us to build homes with more efficiency.



Modern methods of construction (“MMC”)

MMC is becoming a key Government and industry focal point both in terms of how housing delivery can be sped up to meet the 300,000 homes target mentioned previously but also as a way of improving build quality and building safety. There are seven different elements to MMC which cover a range of approaches that encompass off-site, near-site and on-site pre-manufacturing, process improvements and technology applications. Although the industry has yet to fully embrace non-traditional build, several methods of off-site construction are emerging from use of prefabricated elements to timber frame construction to complete modular build. The case for off-site construction continues to grow driven by benefits including build speed, enhanced quality assurance, reduced waste on site and the opportunity to do more with the existing workforce. Indeed, some public procurement bids, including tenders put out by Homes England, require use of MMC and commitment to a pace of build in order for participants to qualify to bid.

Our response

We believe that off-site construction is integral to meeting our growth plans and securing our supply chain for the future. We already use off-site timber frame construction on 60% of our output, and in March 2019 we opened our first modular panel factory in Warrington to supply our Partnerships North businesses. This factory has a semi-automated production line which fabricates a closed panel including all windows, first-fix plumbing and electrical channels, insulation and plasterboard. We delivered 376 homes from the factory in 2019 with plans for around 1,400 to be delivered in the 2020 financial year.

During the year we secured two new schemes at Tattenhoe, Milton Keynes, and Burgess Hill, West Sussex. Both of these schemes were put out to tender by Homes England with a prerequisite that the developer uses MMC.

Delivering value

FOR GOVERNMENT

Enfield regeneration

Elements, launched for sale in September 2018, is Countryside's £310m regeneration project in Enfield. Working closely with Enfield Council to regenerate the existing 1960s Alma Estate, Countryside is delivering 993 new homes with 14,000 sq m of public open space. When completed in 2028, Elements will be a sustainable and integrated new community served by almost 47,000 sq ft of new community facilities, including a new youth centre and community hall, as well as 21,000 sq ft of commercial space which will include retail units, a gym and a medical centre.

Countryside has a proven track record of successful partnerships with local authorities on regeneration projects. The Alma Estate regeneration was recognised within the Mayor of London's good practice guide to estate regeneration; it is a real accolade that our approach to this regeneration scheme has been so highly regarded.

Peter George, Assistant Director of Regeneration and Planning at Enfield Council, states there is a good partnership between the council and Countryside, and the reason Countryside won the Alma Estate regeneration at Ponders End was down to the overall vision for the area. Peter comments: "It was their overall offer and vision; they were equally strong in terms of their planning and design proposals, all the way through to their financial and commercial proposals."

Peter continues: "Enfield looks at regeneration projects in the context of improving and revitalising neighbourhoods. Not just about delivering housing projects, it is about creating places."

Placemaking is at the heart of Countryside's vision and community involvement is a key focus area for the Group. Understanding the local area and ensuring the residents' needs are considered are vital. Thorough consultation processes with local residents are undertaken on all of Countryside's regeneration schemes. Countryside ensures the residents are involved from the beginning, starting at the bid stage, throughout the planning and into the construction phase. There is continual communication throughout the project that continues into the aftercare.



Francis Carolan, Vacant Possession Manager, Housing Development & Renewal at Enfield Council, comments on how involved Countryside was with consultation events with the residents. Through a series of workshops, the residents helped have an influence over the design of the new build homes. Francis states: "When you have a partnership that is working, it is that trust, and understanding the aspirations of residents. Meanwhile, ensuring they gain an understanding of the council's point of view and our role in providing homes and our responsibility to safeguard them."

Kishore Perla, Regeneration & Development Consultant at Enfield Council, adds: "Countryside are very good at partnerships and they give a lot of importance to design and quality, keeping this at the heart of everything they do. Countryside manage the construction process very well; they keep people informed and ensure the impact on the residents is minimal."

Countryside has established a reputation for being transparent, hardworking and straightforward, with a real concerted effort to make sure we deliver on all our promises.

“

Countryside are very good at partnerships and they give a lot of importance to design and quality, keeping this at the heart of everything they do. Countryside manage the construction process very well.”



Watch how we work
with our partners
at Enfield.
<http://qrs.ly/y1ay6f4>

OUR STRATEGY FOR CREATING *Places People Love*

Delivering sustainable growth and superior returns from our balanced business model through the cycle with a commitment to quality and integrity.

Strategic priority

Our approach



GROWTH

Sector-leading growth

We aim to deliver sector-leading growth from our mixed-tenure delivery in Partnerships and developing our industry-leading land bank in Housebuilding.



- Growth in sites under construction and open sales outlets
- Accelerated build from mixed-tenure delivery
- Private selling prices set to target areas of strongest demand
- Geographic and organic growth of Partnerships
- Revenue growth from increased volume



RETURNS

Superior return on capital

Our ambition is to deliver superior returns through leveraging our low capital Partnerships division and improving operational efficiency through greater scale in our Housebuilding division.



- Focus on improving gross margin
- Improved operational efficiency from greater scale
- Capital-light model to deliver higher returns
- Dividend policy supports growth and capital discipline



RESILIENCE

Through the cycle performance

Our strategy is to maintain a position of financial strength while growing the business and generating superior returns, through the cycle, by focusing on mixed-tenure delivery, particularly within Partnerships.



- Balanced business between Partnerships and Housebuilding
- Mixed-tenure development, with private, PRS and affordable homes
- Prudent balance sheet with low gearing and land creditors
- Flexible strategic land bank based on options
- Strong pipeline of future Partnerships work which underpins growth

Our objective is to deliver sustainable long-term value for all our stakeholders.

We do this by creating Places People Love.

Key performance indicators (“KPIs”)

Our KPIs align our performance and accountability to our strategy of sector-leading growth, superior return on capital and building resilience through the economic cycle.

Quality KPIs

Three non-financial KPIs measure the quality of the Group's performance. These KPIs are relevant across all three strategic priorities:

- NHBC Reportable Items;
- Accident Injury Incident Rate; and
- NHBC Recommend a Friend score.



See our KPIs on pages 24 and 25

2019 highlights

Average open sales outlets

56

during 2019

Net reservation rate¹

0.84

ahead of our target range

- Only 38% of completions from private for sale
- Managed reduction in private ASP to £367,000 driven by geographical mix
- 9% increase in private completions
- Growth in new South Midlands and Yorkshire regions

Outlook

- Focus on the continued growth in sales outlets
- Continue to focus product on areas of strongest demand
- Manage sales values to maintain affordability
- Maintain net reservation rate between 0.6 and 0.8
- Change the tenure mix as we develop the Midlands regions

Adjusted operating margin²

16.5%

Adjusted operating profit

+11%

- Adjusted operating margin reduced by 70bps to 16.5% reflecting changing mix of business
- 40bps improvement in ROCE to 37.8%
- Dividend increased to 16.3 pence per share with policy change to 40% pay-out of adjusted earnings
- Maintain adjusted gross margin across the Group
- Improve operational efficiency through greater scale
- Maintain capital discipline to drive further ROCE improvement in Housebuilding
- Investment in growth while maintaining low gearing
- Growth in dividend driven by increasing earnings per share

Homes

62%

were affordable or PRS

Plots

10,492

added to our Partnerships future work

- Operating profit delivery balanced across our two divisions
- Net cash position of £73.4m at year end with adjusted gearing (including deferred land payments as debt) of 9.4%
- 81% of Housebuilding land bank controlled via options or conditional contracts
- Grow the Partnerships pipeline of future work
- Continue to focus on mixed-tenure developments
- Target a cash-positive position at year end
- Maintain our strategic-led Housebuilding land bank
- Mobilise Partnerships sites and accelerate development where possible

1. Net reservation rate of 0.95 including bulk sales.

2. Adjusted operating margin is defined in Note 4 to the financial statements on page 112.

Our key performance indicators

We use 11 key performance indicators to monitor our progress against our strategic objectives of growth, returns and resilience.

Our 2019 performance

2019 has been another year of strong performance for the Group. Our KPIs are designed to ensure that we remain focused on delivering growth in our output whilst delivering superior shareholder returns within the framework of a robust balance sheet. We also ensure that the pace of growth does not compromise build quality or the safety of those working on our sites.

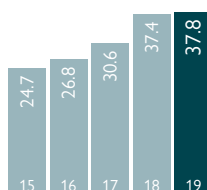
Transparent measures to reward performance

We have maintained a consistent set of KPIs at all levels of the business to ensure that all of our people understand what drives value for our shareholders. There is a clear link between performance against our financial and non-financial KPIs and remuneration through our Group bonus scheme which has targets including adjusted operating profit, return on capital employed and our NHBC Recommend a Friend score.

Further information on remuneration can be found on pages 74 to 90.

Return on capital employed¹ %

37.8%
+40bps



Adjusted operating profit divided by the average of opening and closing tangible net operating asset value ("TNOAV"). TNOAV is calculated as TNAV excluding net debt or cash.

Performance

Our focus on capital efficiency and growth in the Partnerships business contributed to an increase in asset turn to 2.3 times (2018: 2.2 times) which was partially offset by the expected resetting of the adjusted operating margin, resulting in ROCE of 37.8%, ahead of our medium-term target.

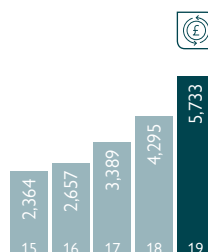
Link to strategy

Return on capital employed is a key measure of our improving returns to shareholders.



Completions

5,733
+33%



The number of homes sold in the financial year, including our share of joint ventures and associate completions. For private homes, this is the number of legal completions during the year. For affordable and PRS homes, this represents the equivalent number of units sold, based on the proportion of work completed under a contract during the year.

Performance

Completions increased by 33% in 2019 with sales outlets broadly flat on the prior year reflecting the greater proportion of PRS and affordable homes compared with the prior year. Excluding Westleigh growth in total completions was 25%. Our private net reservation rate of 0.84 was above the top of our target range (2018: 0.80).

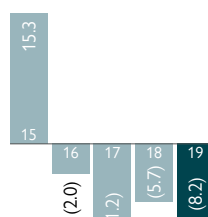
Link to strategy

Growth in completions is key to delivering our medium-term growth objectives.



Gearing¹ %

(8.2)%
-250bps



Net debt divided by net assets.

Performance

We ended the year with net cash of £73.4m up from £45.0m in 2018. This, combined with an increase in TNAV, resulted in gearing of (8.2)% (2018: (5.7)%). Adjusted gearing², which includes deferred land payments as debt, was 9.4% (2018: 10.4%).

Link to strategy

Maintaining the Group's gearing level at the right level means that we have a resilient balance sheet which helps us to manage the business through the cycle.



Adjusted revenue £m

£1,422.8m
+16%



Revenue consists of sales proceeds for private homes and contractual payments for affordable homes and PRS units as well as the proceeds from land and commercial sales and project management fees. Adjusted revenue includes our share of revenue from associate and joint ventures.

Performance

Adjusted revenue increased by 16% to £1,422.8m in 2019 (2018: £1,229.5m) as our completion numbers increased during the year. Private ASP decreased to £367,000 (2018: £402,000) reflecting the greater proportion of sales from our regional businesses, offset by an increase in ASP on PRS sales.

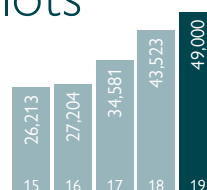
Link to strategy

Adjusted revenue is a key measure of the growth the business has delivered.



Land bank # plots

49,000 plots
+13%



The number of plots owned or controlled by the Group on which homes can be built.

Performance

Our land bank increased by 5,477 plots during the year as we continued to add to the Partnerships pipeline with significant new business wins and also strengthened our Housebuilding pipeline.

Link to strategy

Winning Partnerships contracts and securing land at the right price are key to delivering our target returns, ensuring a supply of land to fuel the growth of our business.



1. Prior year comparatives have been restated, as described in Note 3 to the Group financial statements.

2. Adjusted measures are described on pages 146 and 147.

Links to strategy



GROWTH



RETURNS



RESILIENCE

Links to remuneration



Long-Term Incentive Plan



Annual incentive award

Adjusted operating margin¹ %

16.5%

-70bps



Adjusted operating profit divided by adjusted revenue.

Performance

Adjusted operating margin decreased by 70bps principally due to the change in tenure mix driven by the growth of our regional Partnerships businesses outside London and a return to target margins on Partnerships sites in the South. This reduction was partially offset by a higher margin in the Housebuilding division as we continued our focus on operational efficiency.

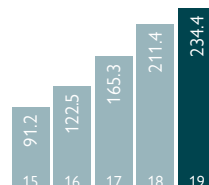
Link to strategy

Improving operating margin helps us to deliver increasing returns to shareholders.

Adjusted operating profit¹ £m

£234.4m

+11%



Group operating profit including our share of associate and joint ventures' operating profit and excluding the impact of non-underlying items.

Performance

Adjusted operating profit grew by 11% to £234.4m (2018: £211.4m) as our investment in new developments and a full year's contribution of the Westleigh acquisition contributed to a 16% increase in revenue offset by the expected reduction in the operating margin.

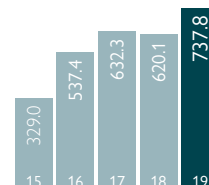
Link to strategy

Sustainable growth in adjusted operating profit helps us to achieve our growth plans and to build a resilient balance sheet.

Tangible net asset value¹ £m

£737.8m

+19%



Net assets excluding intangible assets net of deferred tax.

Performance

The increase in TNAV reflects retained profits. Our growing balance sheet adds to the Group's resilience.

Link to strategy

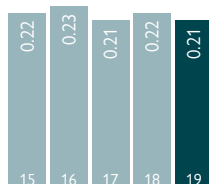
Growth in TNAV is a key measure of the success of our strategy to grow the business.



NHBC Reportable Items ("RIs")

0.21

-5%



Defects reported per plot at NHBC inspections at key build stages.

Performance

The number of reportable items per inspection was lower during the year as we continued to focus on the quality of our build. This remains below the industry average of 0.25.

Link to strategy

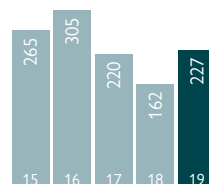
Building homes to a high standard helps minimise customer care issues and maintain our reputation for high quality homes. The strength of our reputation underpins our ability to grow the business.



Accident Injury Incident Rate ("AIIR")

227

+40%



The number of accidents per 100,000 people at risk during the financial year.

Performance

We maintained the AIIR below the industry average for the 16th consecutive year, a record of which we are proud. Overall, our AIIR was 227 (2018: 162) compared to the Health and Safety Executive national average of 405. We are disappointed that our AIIR was higher in 2019 and have recently introduced a new accident and safety observation reporting system to identify any trending issues more quickly.

Link to strategy

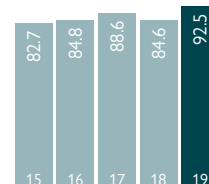
Our focus on health and safety helps keep our sites safe whilst operating at the pace we need to grow the business.



NHBC Recommend a Friend score %

92.5%

+790bps



The percentage of customers returning an NHBC post-completion customer care survey who would recommend Countryside to a friend or family member.

Performance

During 2019 we had a real focus on our customers' experience across all levels of the business. Overall, 92.5% of our customers said they would recommend us which is a significant improvement on our performance in 2018 and, if maintained, will result in five-star status when officially announced in February 2020. This is an area we will continue to focus on going forward with customers at the heart of our business.

Link to strategy

As a key indicator of our reputation in the market, the NHBC Recommend a Friend score helps us to monitor the sustainability of our growth plans.



PARTNERSHIPS

Our Partnerships model benefits from significant market opportunities. It is a resilient, low risk, lower capital model where we develop projects in partnership with local authorities and housing associations.

Key highlights

- Strong growth from mixed-tenure delivery
- Continued opportunity of new work
- Main challenge to start developments on time
- Larger sites improve profitability over time
- Margin growth through tenure mix change
- Further growth from geographical expansion



Strategy

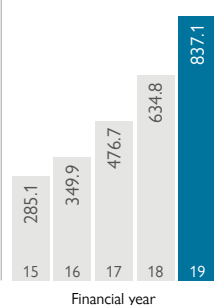
Our Partnerships division develops larger mixed-tenure communities on urban sites. The division works with local authorities and housing associations to deliver private for sale, private rented and affordable homes in roughly equal quantities to regenerate local authority estates, town centres and other brownfield land. We operate in and around London, the Midlands, the North West and Yorkshire.

We utilise a lower capital, lower risk business model, which has the benefit of priority profits and phased viability from longer-term development agreements. These agreements give both flexibility and the visibility of future profits, as well as low capital investment from residual land payments and the pre-funding of both the PRS and affordable homes. The mixed-tenure model gives us fast-paced delivery and operational efficiency, which is supported by standard house designs and modular panel construction.

Adjusted revenue¹ £m

£837.1m

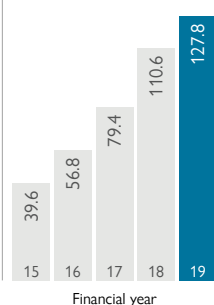
+32%



Adjusted operating profit² £m

£127.8m

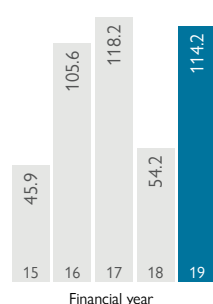
+16%



Tangible net asset value³ £m

£114.2m

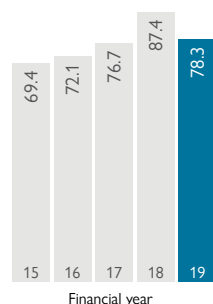
+111%



Return on capital employed^{4,5} %

78.3%

-910bps



1. Adjusted revenue includes the Group's share of revenue from joint ventures of £44.8m (2018: £44.5m; 2017: £57.9m; 2016: £36.7m; 2015: £16.4m).

2. Adjusted operating profit includes the Group's share of operating profit from joint ventures of £13.3m (2018: £9.5m; 2017: £10.7m; 2016: £7.0m; 2015: £3.1m). Divisional adjusted operating profit excludes non-underlying items of £7.4m (2018: £Nil; 2017: £Nil; 2016: £Nil; 2015: £Nil).

3. Tangible net asset value is calculated as net assets excluding intangible assets net of deferred tax.

4. Adjusted operating profit divided by average TNOAV.

5. Prior year comparatives have been restated, as described in Note 3 to the Group financial statements.

Delivering value FOR COMMUNITIES

Rochester Riverside

Rochester Riverside, Countryside and Hyde's £419m regeneration scheme in Medway, launched a Community Board in March 2019. With a total budget of £300,000 available for local projects, the Board ensures that the benefits of the landmark development are felt across Rochester.

The Board, including representatives from Medway Council, Countryside and Hyde, along with local stakeholders, helps to bring to life worthwhile community initiatives and ideas that will enhance the local area.

One of the key projects supported by the Rochester Riverside Community Board this year was the Medway Neuro-Arts Festival, which took place in July. A £5,000 grant was given to the festival that highlighted the therapeutic benefits the arts can provide to those living with neurological conditions. The festival comprised an extensive programme of events, including a range of free workshops on tai chi, yoga, mindfulness and creative writing as well as live music performances. The festival also hosted a premiere of Jane M Cullen's play "Say That Again" – based on her highly acclaimed book of the same title – which is about an award-winning playwright diagnosed with Parkinson's disease.

Another project supported by the Community Board was a photography exhibition. Schoolchildren from three different Medway schools put their photographic talent on display in a gallery exhibition hosted at the Rochester Riverside



Strood Academy visit to Rochester Riverside, Kent

marketing suite. The exhibition entitled "Love Where You Live" aims to change perceptions of the local area and show Rochester at its best. The pupils, who range in age between ten and thirteen years old, undertook five interactive photo walks between April and June in order to gather a variety of images. Rochester Riverside was the primary backer of the project that not only showcased the artistic talents of the young people in Medway, but also promoted the beauty of Rochester.

Rochester Riverside regularly works with the local community and recently supported a creative workshop run by artist Katayoun Dowlatshahi for pupils from St. Margaret's at Troy Town CofE Primary School. Working in groups, the pupils built a large, triangular bug house from natural materials and decorated the house using Cyanotype, a photographic printing process that uses light to create a silhouette effect. The bug house was designed to create a natural habitat for bug life and encourage biodiversity and is now located in the garden of the school.

Further to this Rochester Riverside supports Partners and Communities Together ("PACT"), a number of friends groups, as well as a variety of local community groups. Countryside attends regular meetings, offering support to members of the community and their projects that require funding. In addition, Countryside is always keen to back public health initiatives across Medway.



Community event, bug house building



Community event, Medway Neuro-Arts Festival

Strategy continued

The land is principally sourced through public procurement or direct negotiation and we have built up an excellent track record in winning new work over the past 30 years, in which time we have successfully completed over 100 developments. We have a land bank, including preferred bidder, of over 34,000 plots, which equates to over eight years' work at current volumes.

Market

Political support has focused on increasing the supply of all tenures of housing, driven by the need to increase delivery of new homes across the country to address the structural undersupply of housing.

This includes a sharper focus on more affordable and PRS homes, which plays to the strengths of our Partnerships model. Our mixed-tenure approach allows us to build out sites more quickly without being constrained by the rate of private sales.

The PRS market remains strong, providing an alternative to home ownership, and there is demand for good quality PRS homes in most urban areas.

The recent extension of Help to Buy to 2023 has also been welcomed, with much of our product remaining eligible under the new regional price caps.

Fire safety remains a key area of focus within the industry. The Government has published its recommendations following the enquiry into the Grenfell Tower disaster and we anticipate further changes to building regulations following the review.

Performance

Our Partnerships division continues to perform well. During the year we have continued to develop the newer regions established post the acquisition of Westleigh in April 2018 and are pleased with the outlook for those regions. We now have a well established platform across London and the Home Counties, the North West, the Midlands and Yorkshire.

Thanks to our proven record in delivering placemaking and large-scale regeneration, we continue to be highly successful at winning new business via public procurement and direct negotiation with landowners. Opportunities are increasing rapidly with bids in progress and possible future bids representing a total of 92,562 plots, over and above those already in our land bank. Given our strong land bank, we are able to select those bids which are best suited to our model where we believe we can add the most value.

Total completions increased by 47% to 4,425 homes during the year (2018: 3,019). Excluding the impact of a full year of the Westleigh acquisition, underlying growth was 25%. Private completions increased by 18% to 1,336 homes (2018: 1,137) and the Partnerships private average selling price ("ASP") decreased by 11% to £283,000 (2018: £318,000). This was largely driven by the impact of the growth of the division outside London and the impact of a full year of the Westleigh acquisition, offset by house price inflation of around 2%.

The main drivers of growth in 2019 came from the uplift in our affordable and PRS homes provision. In total, we delivered 1,760 affordable homes (2018: 1,073), an increase of 64% on 2018. We delivered 1,329 PRS homes (2018: 809), the majority of which were via our partnership with Sigma Capital. This relationship continues to be very strong, having now delivered more than 3,000 homes with Sigma Capital to date.

During the year, our Southern region around London performed well growing by 81 homes to 983 homes (2018: 902 homes). This included significant mixed-tenure delivery at Trinity Place Becontree (126 homes) and Elements, Enfield (113 homes). We also delivered a further 109 homes and the community centre at Acton Gardens in West London.

Our North West region continued its strong growth focused on Manchester and Merseyside, delivering 1,608 homes from 38 developments, an increase of 15% on 2018. The region delivers predominantly low rise family housing and provides a large proportion of the Group's PRS output with 880 homes delivered in the year (2018: 656 homes).

Our Midlands regions benefited from a full year's contribution from Westleigh and continued growth in our established West Midlands region. Overall, we delivered 1,834 homes from 57 developments in these regions, up 154% from 723 homes in the prior year. Production in our newly created South Yorkshire region has commenced with 49 equivalent affordable homes delivered in 2019 and a good pipeline of future work emerging. We have a strong platform from which to further accelerate growth in these regions with supply chains to support it.

In March 2019, we opened the Group's modular panel factory at a site in Warrington from which we delivered 376 homes in 2019. The factory is now operating two separate shifts and we estimate will deliver c.1,400 homes in the forthcoming financial year. We are already seeing the benefits of this investment with a reduction in our reliance on labour on site, increased supply chain capacity, reduced waste and improved quality.



We had another very strong year for new business, with 40 successful bids contributing an additional 10,492 new plots our future work, including 2,472 plots for our Midlands regions and 2,393 plots for our South Yorkshire region, which will help shift the tenure mix to increase the proportion of private homes of the division as these sites start to contribute. We started on 56 new developments during the year and had 28 open sales outlets as at 30 September 2019 (2018: 33), with a further 70 (2018: 41) sites under construction.

Outlook

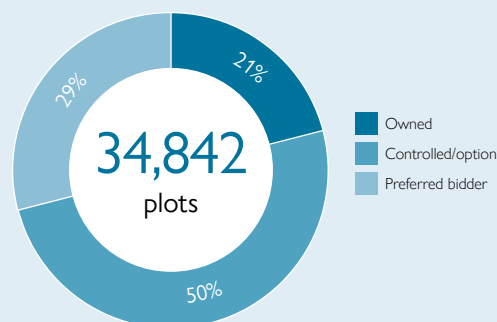
With continued demand and Government support for increased housing delivery of all tenures, Partnerships is well placed to continue its medium-term sector-leading growth. With regional expansion giving us greater scope for winning new work, we see no slowdown in the number of opportunities to grow the business further.



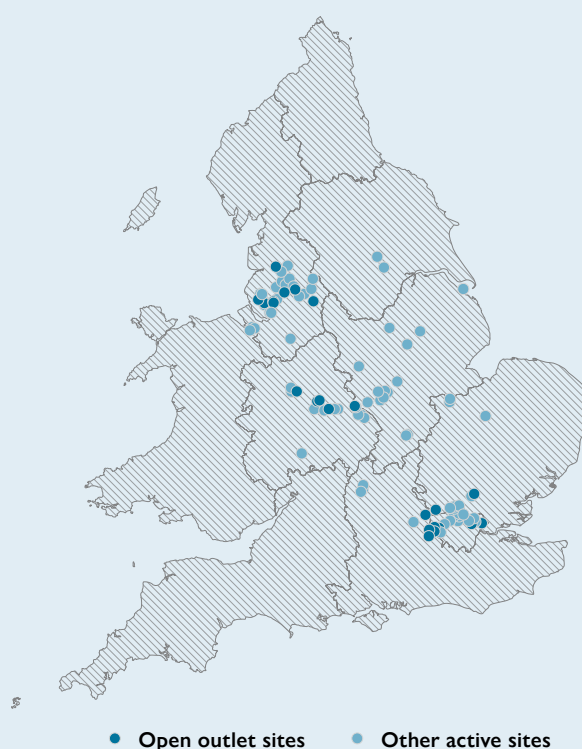
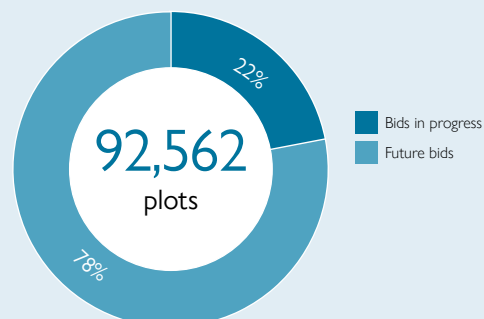
The public procurement process means that major schemes often take up to four years to fully mobilise, particularly when regenerating existing housing estates. We see continued lower growth in London from new and existing developments, with greater expansion in the regional cities from newly secured work.

We will look to selectively add new sites to our already considerable land bank and have a bid pipeline of around a further 90,000 plots, from which we aim to secure at least twice the number of plots being developed during the year.

Over eight years of pipeline



Future opportunities continue to grow



HOUSEBUILDING

Our Housebuilding division made good progress driving operational efficiency, with a 110bps growth in margin and 10bps improvement in ROCE.

Key highlights

- Industry-leading strategic led land bank
- Only 19% of land owned equivalent to 3.5 years' supply
- Housebuilding now achieving operational scale
- Increased use of standard house types supporting margins
- Management of average selling prices to ensure they remain affordable



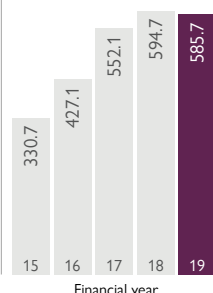
Strategy

Our Housebuilding model is based on an industry-leading strategic land bank, located in economically resilient markets around London and the Home Counties. The division uses this land to develop larger-scale sites creating a strong sense of place and providing both private and affordable housing. The Housebuilding division is growing to scale to maximise the benefits of operational efficiency and procurement benefits.

We have 39 active sites supported by four development regions around London, together with a dedicated strategic land team. Around 81% of our land is sourced strategically, assembling land holdings under purchase options to promote planning strategies. This allows us to secure the long-term supply of land in a capital-efficient way, typically at a discount to the prevailing open market value. We have been developing land in this way for over 50 years and have built up a land bank of around 24,000 plots of which 81% are held on options or controlled rather than owned. This gives us excellent visibility of future work, flexibility on draw down of land and an efficient balance sheet.

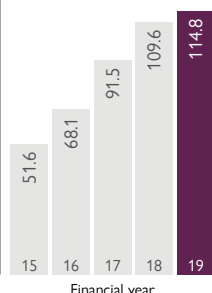
Adjusted revenue¹ £m

£585.7m
-2%



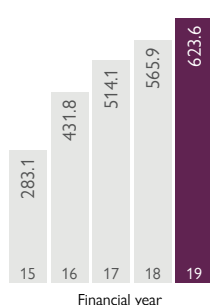
Adjusted operating profit² £m

£114.8m
+5%



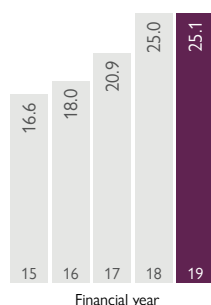
Tangible net asset value³ £m

£623.6m
+10%



Return on capital employed⁴ %

25.1%
+10bps



1. Adjusted revenue includes the Group's share of revenue from joint ventures and associate of £140.9m (2018: £166.4m; 2017: £125.1m; 2016: £69.0m; 2015: £51.9m).

2. Adjusted operating profit includes the Group's share of operating profit from joint ventures and associate of £33.5m (2018: £36.9m; 2017: £22.9m; 2016: £18.3m; 2015: £13.6m).

3. Tangible net asset value is calculated as net assets excluding intangible assets net of deferred tax.

4. Adjusted operating profit divided by average TNOAV.



The Saliendra family



Listen to the Saliendra family tell their story.
<https://qrs.ly/oyay6g7>



Ilan and Maria Saliendra

Delivering value FOR CUSTOMERS

The Saliendra family move to Trinity Place with Help to Buy London

Following a move to London from the Philippines 15 years ago Ian Saliendra, 44, and wife Maria, 44, were looking for the perfect new build home. They wanted to be within the area they had been renting and were looking for a home that was finished to a high standard that meant they could move in straight away without the hassle of decorating. The family finally settled on our Trinity Place development, in Becontree, London.

Ian comments: "We really wanted our own place, our own home, because this is something that we see as an investment... something we can pass on to our kids as they grow up."

Ian continues: "Help to Buy was very important for us in buying our first home because with a family like us, having three kids, it is very difficult for us to save some money to make our first step... it made our dream come true."

The family were reassured by the ease of the process, and the service provided to them by Countryside. They felt supported and guided throughout the whole process.

Ian added: "Countryside, in terms of customer experience, is absolutely fabulous. They make you feel that you are part of the family; they make you feel that they are there to support you."

Ilan and Maria were impressed by the design of the house, finding the rooms more spacious than initially expected. Falling in love with Trinity Place, the couple were delighted they qualified for the Help to Buy London scheme as it allowed them to make the very important step to becoming homeowners.

“
Countryside, in terms
of customer experience
is absolutely fabulous.
They make you feel that you
are part of the family; they
make you feel that they are
there to support you.”

Market

The continuing structural shortage in housing again underpinned another positive year for the housebuilding sector; particularly at the lower price points. First-time buyers continue to represent the area of highest demand, supported by initiatives like the Government's Help to Buy scheme, which featured in 52% of the year's private completions for the Group.

As in recent years, our primary focus is on ensuring that our house prices remain affordable for owner occupiers local to our resilient mix of sites across high quality locations. With the new regional price caps coming into the Help to Buy scheme, for first-time buyers to 2023, we have worked this year to plan our future sites to ensure that product meets the areas of highest demand.

There has been some softening in house prices in the South East during 2019 and in our Housebuilding division house prices deflated by 3% based on completions.

Performance

Our Housebuilding business is now of scale and 2019 was another good year for the division. As a result of a focus on capital discipline and operational efficiency it delivered another year of operating margin growth despite the diminishing tailwind from house price inflation.

We continue to look to increase the use of our standard house type range which has simplified the building process on site to improve efficiency and quality. We continue to manage average selling prices to ensure our homes remain accessible to our core target market of owner

occupiers and first-time buyers with no negative impact on quality and placemaking.

The division delivered 3% growth in completions to 1,308 homes in 2019 (2018: 1,276 homes) with private completions down 2% and affordable completions flat in the year. We also delivered 48 PRS homes for Sigma Capital in the year on our site at Newhall in Harlow and will look to continue to deliver PRS units on sites where the land economics allow it.

Our private ASP was down by 2% to £500,000 (2018: £512,000) which is in line with our target range, with no reduction in build quality or strength of location.

Demand remains strong for our homes where we are creating high quality communities in resilient locations at attractive price points for local owner occupiers. This is evidenced at Beaulieu, Essex (97 homes); St Luke's Park, Essex (70 homes); Greenwich Millennium Village, London (55 homes) and Springhead, Kent (55 homes).

We completed eight residential land sales in the year, including one at our new site at Rayleigh, Essex; two at Beaulieu, Essex; two at Bury St Edmunds, Suffolk and one at Bicester, Oxfordshire. We also made one commercial sale at Bicester and completed Abcam plc's head office at our Medipark joint venture in Cambridge.

We spent £112m on land during the year, adding 18 sites to our land bank, which at 30 September 2019 totalled 24,303 (2018: 19,778). We own 4,644 plots within the land bank, which at current volumes is equivalent to 3.5 years of forward work.



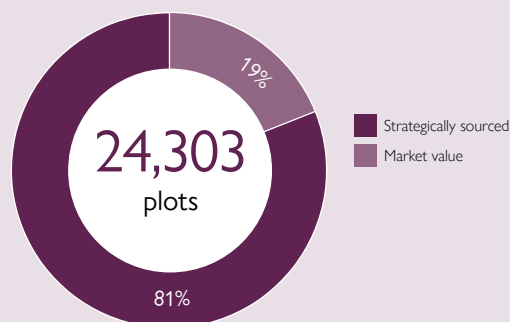


Outlook

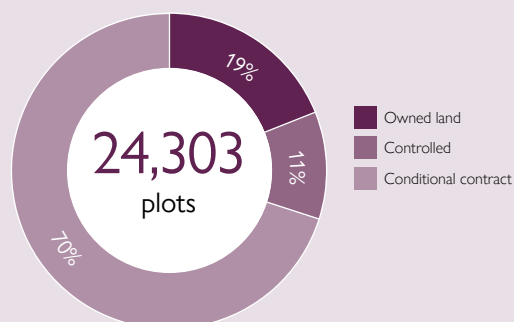
We continue to see strong demand for both private for sale and affordable homes within our areas of operation. While house price inflation has moderated and build costs have continued to rise, underlying margin will be supported from both operational efficiency and greater scale. We continue to focus our homes on local owner occupiers, with an emphasis on first-time buyers, while creating placemaking communities to accelerate sales rates and values. With five-star customer satisfaction we expect to maintain a strong following for both the Countryside and Millgate brands.

We anticipate continued Government support for housing of all tenures, but do expect the reduction and ultimate removal of Help to Buy in 2023. However, with full employment and good mortgage availability we expect to mitigate this change. We do also see further legislation on fire safety and leasehold reform and will ensure that we remain at the forefront of industry practice to maintain our reputation.

Industry-leading strategic land bank



Balance sheet efficiency driven from options and conditional contracts



SECTOR-LEADING EARNINGS AND COMPLETION GROWTH

Another year of good completions and earnings growth in both divisions.

We have continued our growth trajectory with both divisions now operating at scale and delivering solid growth in earnings this year. With a strong forward order book, low gearing and good operational execution, the Group is well positioned to continue to execute its strategy.

Group performance

Total completions were up 33% in 2019 to 5,733 homes (2018: 4,295 homes) as we delivered growth across all tenures, with particularly strong growth in affordable and PRS homes. Our private average selling price ("ASP") reduced by 9% to £367,000 (2018: £402,000) as a result of the shift in geographical mix towards the regions outside London following the acquisition of Westleigh in 2018 and our focus on price points appropriate to local owner occupiers. Affordable ASP decreased by 4% to £153,000 (2018: £159,000) again reflecting an increase in the proportion of homes delivered from our regional businesses. As a result of the increase in completions, Group adjusted revenue was up 16% year on year to £1,422.8m (2018: £1,229.5m). The legacy Westleigh business in the East Midlands contributed 1,225 homes and £163.1m of revenue in the year (2018: 465 homes; £63.5m revenue).

Reported revenue increased by 21% to £1,237.1m (2018: £1,018.6m). The difference between adjusted and reported revenue is the effect of the proportionate consolidation of the results of the Group's joint ventures and associate in the adjusted measure. Revenue at our homebuilding joint ventures was broadly consistent year on year with a reduction in revenue at our Medipark joint venture in Cambridge as it completed the development of Abcam plc's new head office in early 2019.

Group adjusted gross margin (including the Group's share of joint ventures and associate gross profit) reduced by 80bps to 21.7% (2018: 22.5%). This margin decrease was principally due to the change in tenure mix driven by the growth of our regional Partnerships businesses outside London and a return to target margins on Partnerships sites in the South.

Profit from land sales contributed £14.2m (2018: £11.0m) as we tactically sold parcels of Housebuilding land where we no longer expect to build with a further £4.4m profit (2018: £6.1m) from commercial sales principally generated from retail units at our associate in Bicester. An additional £0.9m was recognised in respect of overage receivable (2018: £4.1m).

Adjusted operating profit increased 11% to £234.4m (2018: £211.4m) largely as a result of volume growth. The Group's adjusted operating margin reduced by 70bps to 16.5% (2018: 17.2%) primarily as a result of lower gross margins described above, offset by a focus on operating costs.

Reported operating profit increased 14% to £170.4m (2018: £149.3m) with the difference to adjusted operating profit being the proportionate consolidation of the Group's joint ventures and associate and non-underlying items. Further details of the difference can be found in Note 4 to the financial statements.

Our net reservation rate per open sales outlet was 0.84 (2018: 0.80) reflecting continued strong demand for our homes. During the year, bulk sales of 212 units were made to local authorities and Sigma Capital which, if included, would have increased the net reservation rate to 0.95 (2018: 0.80). The average number of open sales outlets was up 6% on the prior year at 56 (2018: 53). A further 79 sites (2018: 55 sites) were under construction but

not yet open for sale as at 30 September 2019, sustaining the production growth underpinning our medium-term targets. This included 36 sites that will deliver only PRS and affordable homes. Our total forward order book, including private for sale reservations, affordable and PRS homes under contract, increased 30% to £1,166.1m compared to £899.7m last year, as a result of growth in all three tenures. Our private forward order book has grown 12% to £241.4m (2018: £215.1m).

We continued to see strong demand for our homes in the North West and the Midlands where prices increased by around 6%. The market in the South East and outer London boroughs has been more challenging with prices 3% lower on average. Cost price inflation remained at around 4% and we managed to offset the impact of cost inflation through operational efficiencies and through better sub-contractor availability which allowed us to place certain contracts for longer durations. In the North West and Midlands, cost pressure remained due to strong regional demand, but this was more than offset by house price inflation in the year.

We ended the year with net cash of £73.4m (2018: £45.0m), slightly lower than planned due to increased investment in the Midlands regions and the timing of land sale receipts at year end. Reported net finance costs remained in line with last year at £10.9m (2018: £10.6m), of which £3.4m represented cash interest on the Group's borrowing facility (2018: £3.3m).

Partnerships

Our Partnerships division grew strongly in 2019 driven by the full-year impact of the Westleigh acquisition in 2018 and a focus on growing the regional businesses outside the South East. In total, 4,425 homes were delivered by the Partnerships division in the year, an increase of 47% (2018: 3,019 homes), of which Westleigh delivered 1,225 homes (2018: 465 homes). Excluding these, completions grew by 25%.

The ability of mixed-tenure to accelerate delivery was demonstrated at Broughton, Salford (130 homes), Trinity Place, Becontree (126 homes) and Bilston Urban Village, Wolverhampton (121 homes), where PRS and affordable homes allowed us to deliver more completions than a traditional housebuilding site.

Completions of private housing increased by 18% to 1,336 homes (2018: 1,137 homes) driven by delivery at Wilson Chase, Huyton (93 homes); Trinity Place, Becontree (81 homes) and Elements, Enfield (96 homes). Delivery of affordable homes increased 64% to 1,760 homes (2018: 1,073 homes), and PRS homes increased 64% to 1,329 homes (2018: 809 homes), as our relationship with Sigma Capital continues to thrive.



Private average selling price decreased 11% to £283,000 (2018: £318,000), reflecting the change in mix of the business towards the North and Midlands, which typically deliver lower priced homes. Adjusted revenue increased by 32% to £837.1m (2018: £634.8m) with reported revenue, which excludes the Group's share of revenue from joint ventures, up 34% to £792.3m (2018: £590.3m).

Whilst the growth in delivery came from all tenures, private housing made up 30% of the divisional completions (2018: 38%), with affordable completions being 40% of the total and PRS the remaining 30% (2018: affordable 35%; PRS 27%). This change in the tenure mix, combined with the expansion into regional geographies and the completion of two high margin developments in London in 2018, meant that adjusted gross margin for the Partnerships division decreased 220bps to 19.6% (2018: 21.8%) as expected.

Adjusted operating margin reduced to 15.3% (2018: 17.4%) which is in line with our target level. As a result of the increased volume, adjusted operating profit was up 16% to £127.8m (2018: £110.6m) and reported Partnerships operating profit increased to £107.1m (2018: £101.1m).

We have had another very successful year in winning new business in the Partnerships division, particularly in our new regions in the Midlands and Yorkshire. In addition to those sites already in the land bank, including those with preferred bidder status, we secured 10,492 new plots in the period. We now have 34,842 Partnerships plots under our control (2018: 29,878 plots). This represents approximately eight years' supply at current volumes and provides significant visibility.

Housebuilding

Our Housebuilding division delivered a 3% increase in completions to 1,308 homes (2018: 1,276 homes). Total adjusted revenue from Housebuilding was down 2% to £585.7m (2018: £594.7m) as a result of site mix during the year and the challenging market at higher price points. Excluding the results of joint ventures and associate, on a reported basis Housebuilding revenue increased 4% to £444.8m (2018: £428.3m), with higher completion volumes offset by a reduction in ASP.

Private completions decreased by 2% to 841 homes (2018: 858 homes). Open sales outlets at the year end increased to 30 (2018: 27) and we were active on an additional nine sites

at 30 September 2019 (2018: 14). Private ASP decreased 2% to £500,000 (2018: £512,000) which is in line with our targeting of local owner occupiers and reflects the softening of prices at higher price points in the South East.

Affordable adjusted revenue increased by 2% to £79.9m (2018: £78.1m) with completions in line with last year at 419 (2018: 418) at an ASP of £191,000 (2018: £187,000), up 2% on 2018.

During the year we completed our first PRS sales in Housebuilding, with 48 PRS units being delivered in Harlow, Essex, for Sigma Capital, generating £15.4m of revenue (2018: £Nil).

A further £50.0m of adjusted revenue came from land and commercial sales (2018: £65.9m), generating £16.9m of profit (2018: £16.6m) as we sold surplus land at Rayleigh, Essex, and Bury St. Edmunds, Suffolk, as well as completing a commercial sale of retail units in our associate at Bicester. The gross margin on these sales of 33.8% was higher than in 2018 due to the nature of the land sold in the year.

Housebuilding adjusted gross margin increased by 140bps to 24.7% (2018: 23.3%), as a number of profitable legacy sites sold through and we saw the benefit of site-level operational efficiencies being realised.

Housebuilding continued

Adjusted operating margin improved by 120bps to 19.6% (2018: 18.4%) as the benefit of improved gross margins were realised. Overall, the Housebuilding adjusted operating profit increased by 5% to £114.8m (2018: £109.6m), whilst reported Housebuilding operating profit, excluding the results of the associate and joint venture, increased by 12% to £81.3m (2018: £72.7m).

In line with our strategy, we have maintained the land bank in our Housebuilding division and have acquired 6,975 plots on 18 sites during the period. The Housebuilding land bank now stands at 24,303 plots (2018: 19,778 plots), of which 80% has been strategically sourced.

Non-underlying items

In the first half of the year, a non-cash charge of £7.4m was recognised to impair the value of inventories in our Manchester region. This was the result of costs accrued over a four-year period not being appropriately recognised in the consolidated statement of comprehensive income. Management took a number of steps to rectify this and to ensure the issue was contained in this region, including the appointment of Deloitte LLP to perform a full investigation. Disciplinary action was taken against the members of staff involved, none of whom remain employed by the Group.

Following the acquisition of Westleigh in 2018, further integration costs of £1.8m were incurred during the year. The integration of Westleigh is now complete with new regions in Leicester, Solihull and Leeds now fully operational and re-branded as Countryside. As part of the agreement to purchase Westleigh, deferred consideration is payable to management who remained with the Group post acquisition. £18.1m is expected to be paid in 2020.

The amortisation of acquisition-related intangible assets is reported within non-underlying items as management does not believe this cost should be included when considering the underlying performance of the Group. The increased cost in 2019 reflects a full year of amortisation related to Westleigh.

A total tax credit of £3.4m (2018: £2.4m) in relation to all of the above non-underlying items was included within taxation in the statement of comprehensive income.

Non-underlying items		
Year ended 30 September	2019 £m	2018 £m
Recorded within operating profit:		
Amortisation of intangible assets recognised in acquisitions	10.2	5.6
Acquisition and integration costs relating to Westleigh acquisition	1.8	2.7
Deferred consideration relating to Westleigh acquisition	(2.2)	7.4
Impairment of inventories	7.4	—
Total non-underlying items	17.2	15.7

Net finance costs

The Group has a £300m revolving credit facility expiring in May 2023.

In 2019, net finance costs were £10.9m (2018: £10.6m), of which net cash costs were £2.8m (2018: £3.2m). Interest on the Group's bank loans and overdrafts remained broadly in line with last year at £3.4m (2018: £3.3m).

Finalisation of Westleigh acquisition accounting

The prior year Group financial statements presented provisional accounting for the acquisition of Westleigh, based on the assessment of fair values at 30 September 2018. The Directors' assessment of the fair values of Westleigh's assets and liabilities has now concluded. As a result, goodwill relating to Westleigh has increased by £10.0m to £72.0m, primarily due to the fair value of inventories being reduced by £8.9m. As required by IFRS 3 "Business Combinations", this change has been reflected in the comparative presentation of the consolidated statement of financial position as at 30 September 2018, with no change to reported results or cash flows.

Taxation

The income tax charge was £35.2m (2018: £32.1m), with an adjusted tax rate of 18.5% (2018: 19.0%) and, on a reported basis, an effective tax rate of 17.3% (2018: 17.8%), the main difference between the rates reflecting the treatment of joint ventures and associate and non-underlying items.

The adjusted tax rate reconciles to the reported rate as follows:

Adjusted tax rate	Profit £m	Tax £m	Rate %
Year ended 30 September 2019			
Adjusted profit before tax and tax thereon	223.5	41.3	18.5
Adjustments and tax thereon, for:			
Non-underlying items	(17.2)	(3.4)	—
Taxation on associate and joint ventures in profit before tax	(2.7)	(2.7)	—
Profit before tax and tax thereon	203.6	35.2	17.3

In 2020, Countryside expects the adjusted tax rate to continue to be slightly lower than the UK statutory corporation tax.

Earnings per share

Adjusted basic earnings per share increased by 13% to 40.8 pence (2018: 36.0 pence) reflecting the increase in adjusted operating profit during the year. The weighted average number of shares in issue was 445.1m (2018: 447.5m).

Basic earnings per share was 37.7 pence (2018: 33.1 pence). Basic earnings per share is lower than adjusted basic earnings per share due to the effect of non-underlying items that are excluded from adjusted results.

Dividend

Given the continued strong cash generation in the business, the Board has increased the recommended dividend pay-out to represent 40% of adjusted earnings. Accordingly, a final dividend of 10.3 pence per share (2018: 6.6 pence per share) has been recommended, taking the total dividend for 2019 to 16.3 pence per share (2018: 10.8 pence per share).

The proposed final dividend was recommended by the Board on 20 November 2019 and has not been included as a liability as at 30 September 2019.

In 2020, Countryside intends that the dividend will continue to represent 40% of adjusted earnings per share.

Statement of financial position

As at 30 September 2019, Group TNAV was £737.8m (2018: £620.1m), an increase of £117.7m. As we continued to grow the business, inventory grew by £67.8m to £808.6m (2018: £740.8m) as we were active on 137 sites at 30 September 2019 (2018: 115 sites). Investments in joint ventures and associate were maintained broadly in line with last year at £65.7m (2018: £67.9m).

ROCE increased to 37.8% (2018: 37.4%) as our business model continued to deliver strong returns from mixed-tenure delivery, driven by the increased proportion of Partnerships' contribution to the Group's result. Partnerships divisional ROCE of 78.3% (2018: 87.4%) remained ahead of our medium-term target with a small improvement in asset turn to 5.1 times (2018: 5.0 times) offset by the reduction in margin discussed above. Housebuilding divisional ROCE remained flat at 25.1% (2018: 25.0%) with a continued focus on operational and capital discipline.

Return on capital employed		
Year ended 30 September	2019	2018 restated
Adjusted operating profit (£m)	234.4	211.4
Average capital employed (£m) ¹	619.8	565.0
Return on capital employed (%)	37.8	37.4
Increase	40bps	

1. Capital employed is defined as tangible net operating asset value, or TNAV excluding net cash.

Cash flow

Summary cash flow statement		
Year ended 30 September	2019 £m	2018 £m
Profit before taxation	203.6	180.7
Non-cash items	(13.4)	(17.6)
Increase in inventories	(67.8)	(59.3)
Increase in receivables	(66.7)	(26.8)
Increase in payables	34.1	31.7
(Decrease)/increase in provisions	(2.9)	2.7
Cash generated from operations	86.9	111.4
Interest and tax paid	(31.7)	(25.9)
Dividends paid	(56.0)	(41.1)
Acquisition of subsidiary	—	(111.1)
Purchase of own shares	(13.0)	(11.4)
Decrease in loans to associate and joint ventures	6.8	11.5
Dividends received from associate and joint ventures	43.1	26.9
Repayment of members' interest	2.9	12.1
Proceeds of borrowings	—	2.5
Other net cash (outflows)/inflows	(10.6)	(5.1)
Net increase/(decrease) in cash and cash equivalents	28.4	(30.2)

The Group continued to be cash generative, with £86.9m generated from operations (2018: £111.4m) after investing a net £103.3m in working capital during the year. This investment related to the growth of our new Yorkshire and Midlands regions, together with significant infrastructure investment on other large Partnerships developments such as Beam Park, Dagenham, and Houghton Regis, Bedfordshire, and the acquisition of a strategic Housebuilding site in Rayleigh, Essex.

The increase in dividends paid reflects both the increase in adjusted profit after tax and the enhancement in the pay-out ratio to 40% of adjusted earnings at the half year in May 2019.

During the year, the Group's Employee Benefit Trust ("EBT") purchased 4,500,000 shares at a total cost of £13.0m (2018: 3,219,634 shares; £11.4m) to enable it to satisfy future vesting under the Group's various share plans. The EBT acquired a further 1,000,000 shares using proceeds from Save As You Earn ("SAYE") schemes.

Overall, net cash increased by £28.4m to £73.4m (2018: £45.0m).

Impact of the new accounting standards

IFRS 15 "Revenue from Contracts with Customers" was effective for the year ended 30 September 2019. The only impacts of adopting this standard are that proceeds from the sale of part exchanged properties are presented as revenue as opposed to being offset within cost of sales and where there are residual obligations in land sale contracts that are not satisfied at the balance sheet date, an element of the transaction price will be deferred into future periods.

During the year ended 30 September 2019, £9.1m of revenue was recognised on the sale of part exchange properties. The impact on adjusted revenue (including share of revenue from joint ventures and associate) was £10.3m.

£3.0m of adjusted revenue and £0.6m of related profit was deferred relating to residual obligations in land sale contracts that were not satisfied at the balance sheet date (£0.7m of reported revenue and £0.2m of related profit). This is expected to be realised during the year ended 30 September 2020.

There was no impact to the Group on transition to IFRS 9 "Financial Instruments".

IFRS 16 "Leases" is effective for the Group from the 2020 financial year commencing on 1 October 2019. We have completed our review of the impact of this standard and do not believe there will be a material impact on profit or net assets, although new offsetting right of use assets and lease liabilities will be recognised of around £35m. Further information on the impact of the change is described in Note 3 to the Group financial statements.

Mike Scott
Group Chief Financial Officer
20 November 2019

OUR PEOPLE MAKE THE DIFFERENCE EVERY DAY

Our people strategy is very simple: to enable the Group's growth through recruiting, developing and retaining talent.

Without that talent we would not be able to build sustainable communities where people love to live. This year we have continued to grow organically and our current headcount stands at approximately 1,800.

People remain a key differentiator

Countryside continues to attract and retain the best people in the housebuilding sector to deliver our strategy. We believe that our people truly differentiate us from our competition. In the last five years, we have more than trebled our employee numbers and now have approximately 1,800 people working for us. Our aim is to "grow our own" as much as we can, together with a healthy balance of new recruits. A third of our new recruits join us through our employee referral scheme.

Significant investment in developing our people

We have maintained and developed our Group-wide approach to succession and talent management as part of our "grow our own" people strategy. This year we have delivered four levels of leadership development programmes. These programmes are embedding leadership best practices and new thinking at all levels. At our most senior levels we have a well-established coaching programme for a targeted cross-section of our senior population, using a combination of internal and external coaches, tailored to the individual's needs. The second cohort of new directors completed a ten-month senior leadership development programme, and we are currently planning our third cohort's programme.

Our focus on quality of training delivery remains, particularly around induction, sales development and externally accredited



leadership programmes. All programmes are designed to complement each other and provide consistent messaging and focus. We continue to develop our people at all levels of the organisation through leadership, professional and vocational qualifications and e-learning.

Each region has a training matrix to assess and monitor people development requirements. During 2019 we ran a total of 160 training courses. Developing our people to facilitate growth and building a pipeline of talent are critical to our success.

Future talent continues to be a priority

Our two-year graduate programme was recognised as the best across the housebuilding sector and ranked 32nd overall (2018: 43rd) in the top 100 graduate employers by graduate recruitment website The Job Crowd. The programme is proving very successful and we continue to attract large numbers of high calibre graduate candidates. We currently have 27 graduates on our programme, with another large new intake this year.

We also have 94 apprentices throughout the Group. This is nearly double the number of apprentice programmes compared to last year and remains a key focus as we look to tackle the skills shortage in the industry.

We are investing in early career programmes by increasing work experience, intern, graduate and trainee opportunities both on site and in our regional offices. This enables us to grow our own talent and build employee loyalty and employee engagement.

Our people are our shareholders

In May 2019, we launched our fourth all-employee Save as You Earn ("SAYE") plan. This plan, together with the three we have launched since IPO, means that around 48% of our eligible employees are currently signed up to buy shares in Countryside.

December 2018 also saw the fourth grant of our Long-Term Incentive Plan to our most senior group as a retention tool for this key population. We believe we continue to offer a highly market-competitive reward package.

Inclusion and diversity

At Countryside, we are committed to increasing diversity by providing an inclusive working environment where everyone feels valued and respected.

In 2019 our gender statistics showed a female: male ratio of 30:70 (2018: 28:72). At management level we have a female:male ratio of 17:83 which represents an increase in the proportion of women compared with 2018. Gender equality remains an issue for our sector as a whole and we recognise that we must play our part in making the industry a more attractive career choice for women.

Earlier this year we reported our mean gender pay gap of 28%, down from 33% in the previous year. Our gender pay gap is driven by there being more men at the higher end of the pay scale.

Our gender pay gap report can be viewed at www.countrysideproperties.com/sustainability/governance.

Ratio of female:male employees

At 30 September 2019

Total employees

550; 30% 1,273; 70%

Senior management

81; 17% 406; 83%

Board

2; 29% 5; 71%



Female



Male



Victoria Beeston

Delivering value FOR OUR PEOPLE

Victoria Beeston – apprentice case study

Victoria joined Countryside in January 2017 after applying for a trainee management course. Starting her journey on the two-year apprenticeship scheme, the opportunity was perfect for Victoria as she could learn on the job and study at the same time.

Victoria comments: "Apprenticeships are not just for younger people leaving school or college, but for all ages. There is such a variety of different jobs in construction and so many opportunities for men and women. People still think that the housebuilding industry is male dominated but in over two years working here at Countryside, I've seen more and more women enter the sector."

Whilst working at Countryside, Victoria has undertaken the BTEC Level 4 HNC Diploma in Construction and the Built Environment as well as NVQ Level 4 in Construction Management. After successfully completing the scheme, Victoria immediately took up the position of Assistant Site Manager.

Victoria concludes: "Working in construction is very satisfying. When you've finished on a site, you can look back at the development and know that you helped to create it. Helping to build a project and leaving a legacy is a great feeling."

“

In over two years working here at Countryside, I've seen more and more women enter the sector.”



Armed Forces Covenant Signing;
Royal Engineers Museum, Chatham

We want our people to choose the right benefits for them and their families

Our approach to reward is centred on choice. Our benefits range from buying and/or selling up to five days of annual leave, through to reduced fees on life, dental and travel insurance, to discounted medical and cancer screenings. During our 2019 flexible benefits annual enrolment window, 55% of employees selected a new benefit or amended an existing one. For those employees who qualify for a company car or cash allowance, we offer a sector-leading fleet proposition. This again focuses on offering our employees choice based on their lifestyle, while remaining environmentally conscious by starting to offer hybrid vehicles. We offer sector-leading maternity, paternity and adoption benefits.

Health and safety

Countryside conducts its business with due regard for the health, safety and welfare of its employees, contractors, clients, visitors and members of the public. We develop a positive culture towards health and safety throughout our operations and as a minimum we observe all the requirements of the Health and Safety at Work etc. Act 1974 at all times.

Countryside operates a comprehensive health and safety management system (fully accredited to ISO 45001:2018) and we are committed to continual improvement through a comprehensive training programme and by actively encouraging feedback from all levels of our workforce. Regular on-site inspections are carried out internally by the Group's qualified health and safety professionals. The day-to-day management of these activities is overseen by the Group's Head of Health and Safety.

For more details of the Group's AIIR see page 44.



Armed Forces Covenant Signing with Ian Sutcliffe and Colonel Matt Quare MBE ADC, Corps Colonel Royal Engineers

The Company Secretary is the Executive Committee member responsible for health and safety throughout the Group.

Armed Forces pledge

Countryside signed the Armed Forces Covenant with the Royal Engineers at Brompton Barracks, home of The Royal School of Military Engineering (RSME), Chatham, demonstrating our support for the armed forces (AF) community.

As part of this commitment, we aim to double the number of Countryside employees with military connections within the next five years. We will work to open avenues of employment from the AF to our company; initially, focusing on recruitment in three key business areas - Construction, Health & Safety, and Materials & Logistics. In addition, we will be facilitating site visits for RSME students as part of their training programmes, as well as sponsoring the Royal Engineers Association Football Club and the annual Royal Engineers Excellence Awards.

Following the signing on Armistice Day, we are now recognised with the Bronze award in the

Defence Employer Recognition Scheme, which encourages employers to support the armed forces community and inspire others to do the same.

Focus on employee wellbeing

We now have 33 mental health first aiders across the Group and by the end of 2020 we expect to have 150 trained first aiders. Employee engagement groups have been set up in each region to ensure our employees have a voice.

Our offices are great places to work

As part of our growth journey, we have delivered on our plans for an extensive overhaul and upgrade of our office space; following on from our new offices last year in London and Cheshunt, we opened brand new offices in Warrington, Leeds, Solihull and Leicester. Next year, we have plans for new office space in Ealing and Wolverhampton and a significant refit of our head office in Brentwood, Essex.

CREATING PLACES PEOPLE LOVE

We are committed to managing our business in the right way, ensuring all our operations are carried out in an ethical, safe, environmentally responsible and sustainable manner which we believe is fundamental to creating Places People Love.

Our sustainability strategy

The way we design and build our homes has a positive impact on the people and communities who live in and around our developments. Our creative, design-led approach to creating communities where people want to live is at the heart of what we do and ensures we leave a lasting positive legacy.

By continuing to focus on the five areas that are most material to our business, we have made excellent progress in delivering our key sustainability objectives over the past year. Our focus areas ensure that we continue to support and create value for our key relationships and resources

We believe that it is the responsibility of our workforce and supply chain to support the delivery of our sustainability strategy. To help with this we ensure we communicate our policies, procedures and processes (see our Non-Financial Reporting Statement on page 50) and provide the right tools and training to support our people.



The process for defining our material issues and detailed objectives can be viewed online in our 2018 Sustainability Report at <https://www.countrysideproperties.com/media/3866/download>



Wren Green, Bamber Bridge



Social Value in action at South Oxhey

South Oxhey, a development within our Partnerships South division based two miles south of Watford, has become our first site to provide a year's worth of verifiable social value data. Our dedicated administration team has implemented effective processes to collect the data from our contractors and verify its accuracy, and we are pleased to be able to quantifiably demonstrate the contribution the site is making to the local community, including:

- £307,711 spent in the local supply chain;
- 250 hours of volunteering time provided to support local community projects;
- 222 weeks of work completed by apprentices;
- £4,000 of social value delivered through initiatives to reduce crime; and
- 174 homes to be constructed over two and half years with just under 30% being affordable homes.

Using South Oxhey as a benchmark, we will begin to roll out similar processes and controls across all our sites. By next year, we hope to be able to provide verifiable data for the whole Group.

Our performance

2019 has seen significant progress against some of our strategic sustainability objectives. The biggest achievement has been the introduction of the Building Research Establishment ("BRE") online SmartWaste reporting tool across the Group which has helped us improve our data collection and reporting processes for waste, energy and water. Our environmental data has been given limited assurance by RPS Group and we are pleased to be able to fully report our environmental impact this year.

In April 2018 we acquired Westleigh Homes and the integration and reporting of historical Westleigh sites coupled with increased production and the growth of the business have led to an increase in our absolute energy use and waste production.

Sustainability benchmarking

We continue to disclose our performance through public reporting benchmarking initiatives. For a second year, we have been a constituent of the FTSE4Good Index series. In addition, we participate in the Carbon Disclosure Project ("CDP") benchmarking schemes for climate change and forestry in 2019. We await the disclosure of our scores.



GOVERNANCE

The Board is responsible for the overall governance of sustainability issues, risks and opportunities. A strong and structured governance is key to achieving our objectives as is the support and participation of our staff and our supply chain. Dedicated committees assist this process at different levels of the business.

Risk management

The Board has overall responsibility for the assessment and management of risk, assisted by the Risk Management Committee (see pages 51 to 55 for more detail on risk management). Oversight of more detailed aspects is managed through the Health, Safety, Environment and Quality Committee, which meets quarterly.

We maintain an Environmental Aspects, Impacts and Opportunities Register which identifies environmental risks and opportunities throughout all our activities. The register is reviewed twice annually against the corporate sustainability targets, to ensure they are fit for purpose and that systems are in place to enable their achievement.



See pages 51 to 55 for further details on our risk management process

Management systems

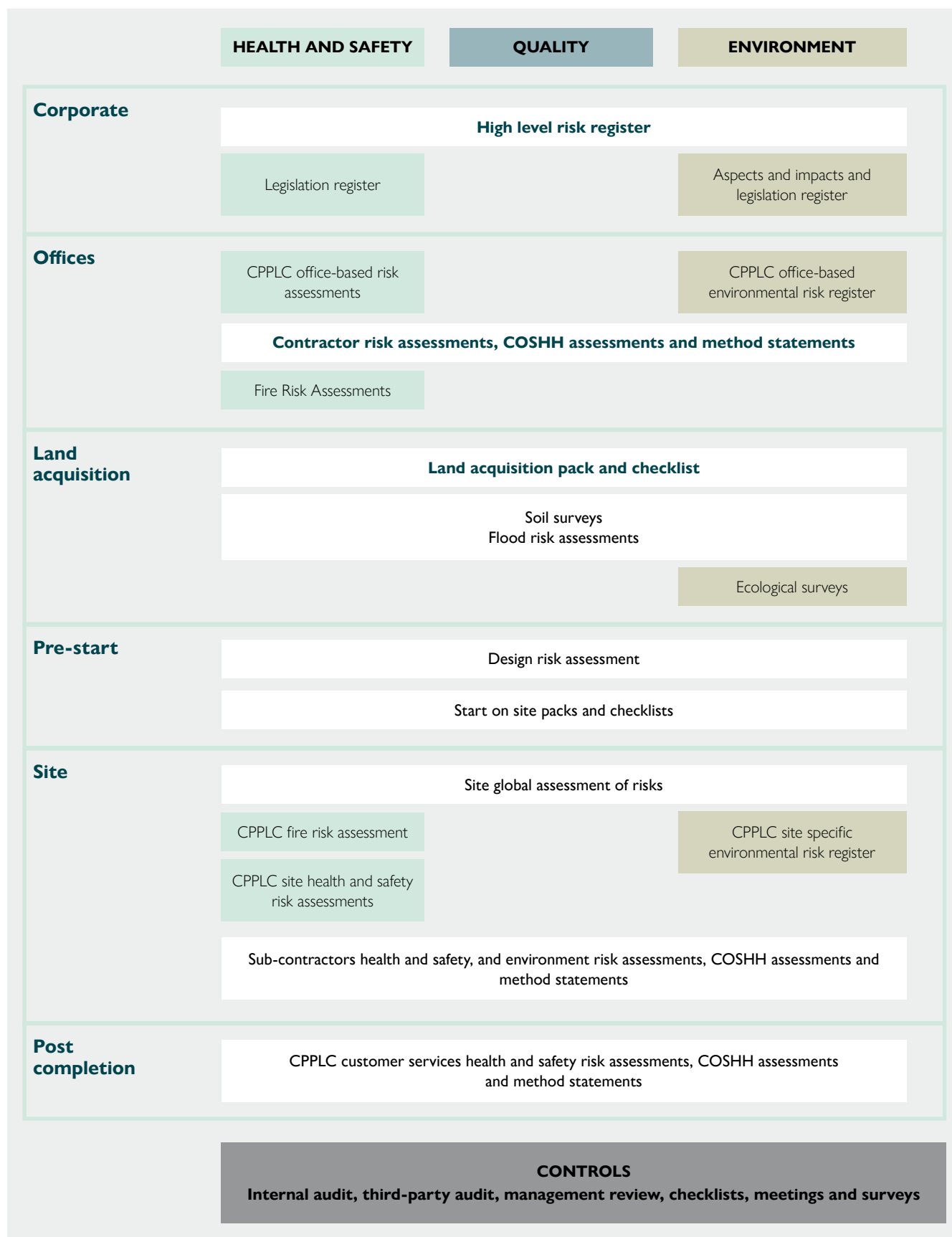
In accordance with our approach to continuous improvement and managing risk, the Group has maintained its full accreditation to ISO 9001:2015 (Quality) and ISO 14001:2015 (Environmental). For the first time the Group has been accredited to ISO 45001:2018 (Health and Safety), which has replaced the older OHSAS 18001 standard.

We amalgamated the former Westleigh regions into the Group's accreditation to ISO45001 during 2019. We will be extending our accreditations to ISO9001 and ISO14001 to these regions in 2020. This will ensure uniformity and consistent management across the business.

Legal compliance

We are pleased to report that we continue to uphold our good record in environmental compliance, with no prosecutions or fines for more than 14 years. Countryside has not received any HSE Enforcement Notices in over 11 years.

Risk is managed internally through our risk management process:



ETHICAL AND RESPONSIBLE BUSINESS

At Countryside we strive for continuous health and safety improvement and promote social and ethical best practice.

Ethical business

Our policies and procedures are designed to ensure we and our supply chain comply with UK law and best practice guidelines in areas including business conduct, equal opportunities, anti-corruption, whistleblowing and countering modern slavery and human trafficking. These policies and further information on our approach to modern slavery can be found on our website at <https://www.countrysideproperties.com/sustainability/modern-slavery-act>.

In response to the new requirements of Sections 414CA and 414CB of the Companies Act 2006, see our Non-Financial Reporting Statement on page 50.

Health and safety

Health and safety is our number one priority and we are committed to delivering the highest standards in all health, safety and welfare matters, both for the benefit of society as a whole and anybody who may be affected by our operations.

We have stringent systems in place to manage these risks and we continually review and look to improve our processes. This has ensured that our Annual Injury Incident Rate ("AIIR") was below both the industry average and the Health and Safety Executive's National Incident Rate ("NIR") for the 16th consecutive year in 2019. Our AIIR averaged 227 (2018: 188) compared with the NIR of 405 (2018: 446). Whilst we are disappointed that our AIIR was higher in 2019 than it was in 2018, our average AIIR over a five-year period remains stable, at well below the NIR. Nonetheless, we are taking a series of actions to address the increase for 2019 including: (i) the introduction of a new accident and near miss reporting system to identify and help address any trending issues more quickly; (ii) adoption of the Health & Safety Executive's SLAM (Stop, Listen, Access and Manage) technique, to raise worker awareness of potential hazards; and (iii) roll-out of a new safety observation reporting system, to encourage greater workforce engagement in the active and early identification of health and safety issues. As always, we continue to work closely with our contractors to ensure continuous improvements in health and safety performance across all of our sites.

In 2019 we introduced mental health first aiders into the Group as part of our focus on mental health and wellbeing. We plan to further expand this programme in 2020 as part of our continued drive to make the workplace a safe and healthy environment for employees, contractors and visitors.

Our people

Our people are our most valuable and important resource. Please see our dedicated People section on pages 38 to 40 of this report for information on how we seek to engage and develop our employees.

CUSTOMERS AND COMMUNITY

Customers

Buying a new home and moving into a new community is one of the most significant decisions a person makes, and we believe this should always be an exciting and enjoyable experience. This is why we continue to aspire to be a five-star builder and ensure our customers' needs are continually exceeded.

Our Recommend a Friend score for the year to 30 September 2019 has increased to 92.5% (2018: 84.6%). We are not complacent about performance and are enhancing the customer journey to ensure we maintain five-star performance through the continued review of customer feedback and other engagement tools. We will continue to hold regular customer service focused forums internally and highlight to our staff and contractors their role in providing a smooth, stress-free and enjoyable customer journey.

The availability of affordable housing has been identified as a material issue for our customers and the local community. We are working closely with the local authorities where we operate to deliver quality affordable homes that deliver the requirements of their tenants. In 2019 38% of our completed homes were affordable.



Countryside employees volunteering

Case study: Volunteers' Week

In June, in support of Volunteers' Week, teams from Countryside gave up their time to volunteer at different charities and community organisations across the UK.

A team of employees helped with garden maintenance at Kids Inspire, an Essex-based charity, which uses art, drama and play therapy to help disadvantaged young people turn their lives around and claim back their future. Many of the children supported by the charity are at an educational, social and/or economic disadvantage resulting from trauma or emerging mental health issues.

Another charity supported was the Huyton Resource Centre in Liverpool, which is part of the Knowsley Community Hub, which grows food with the community, for the community. Countryside spent the day building a potting table for children to use when planting. The charity's goal is to reduce food poverty, isolation and loneliness, whilst also boosting health and wellbeing through horticulture.

At Countryside, we are always looking for new ways to give back to the communities in which we work, so we are pleased to have several other volunteering days already lined up for the near future.

Community

Creating “Places People Love” is core to our business; this is not just for our customers but for those residents and businesses in the local area. We pride ourselves in creating great places for everyone to enjoy. We have been a leader in design, placemaking and sustainable development, and since 2000 have won 381 sustainability and design-related awards.

We always aim to have a positive effect on the communities in and surrounding the areas in which we build. However, we appreciate that existing and future residents may have concerns about potential impacts during the construction phase of our developments. We therefore put stringent procedures in place at every site to reduce any nuisances caused by our operations and actively engage with the local community at all phases of a development to address any queries or concerns they may have. We believe that local communities have a right to enjoy their homes and environment without disturbance.

Social value

As part of our ongoing commitment to provide value to the local communities, we have started to monitor the social value we add to new and evolving communities. We aim to make a real difference to people's lives by enhancing the social, environmental and economic wellbeing of those communities in which we operate, both during and post construction.

To help us achieve our goal, we have partnered with the Social Value Portal to help us measure, manage and report our financial and non-financial impacts through their online data collection tool. After a successful trial on three pilot projects within the Partnerships South division, the portal was rolled out to all sites within the first quarter of 2019. Our dedicated Social Value Manager is responsible for delivering our social value policy and establishing effective management systems to maximise the benefits of the project across the Group.

A Social Value and sustainability Committee meets monthly with representatives from across all three divisions. Its objective is to set the strategy and communicate the purpose and social value benefits to our workforce, our supply chain and the communities in which we operate. Communication channels include social value masterclasses to employees, training workshops and bi-monthly “user groups” which act as a support network for the appointed social value administrators. As the project is still in the early days, we recognise that there is further work to do to embed the social value principles throughout the business. Our focus for 2020 will be to improve our data gathering and reporting, set group targets and select charity partners that support the aims and objectives of our strategy.

We have developed a set of Themes, Outcomes and Measures (“TOMs”) which represent practical social value outcomes that Countryside can deliver. The TOMs are expressed in financial terms, drawing on a wide range of data sources such as the Office of National Statistics.



Hannah and Sam, first time buyers at Wren Green, Bamber Bridge

Case study: Buyers save deposit in record time

On average it takes most homeowners two years to save for a 5% deposit but for first-time buyers Hannah and Sam it took just six months to save for their dream home with Countryside.

Hannah (23) and Sam (26) have now moved into their brand new three-bedroom house at our popular Wren Green development in Bamber Bridge, thanks to the Government-backed Help to Buy scheme.

Sam commented: “We’d originally planned to buy our first home in early 2020, thinking we would need the extra time to get our deposit together. We’ve been saving really hard, living at home, cutting down on takeaways and nights out, but when we spoke to Countryside, we realised we could buy far sooner than we thought.”

Hannah and Sam used the Government-backed Help to Buy scheme to buy their dream home and are now starting their new life in Bamber Bridge.

Hannah added: “As first-time buyers we knew we were going into the whole thing blind but the support of the team at Countryside has been amazing. They have explained everything, and they’ve been there to help us along the way. Everything Countryside has done for us has allowed us to move into our new home as quickly and easily as we can.”

“

We’ve been saving really hard, living at home, cutting down on takeaways and nights out, but when we spoke to Countryside, we realised we could buy far sooner than we thought.”



ENVIRONMENT

Our values, compliance requirements and stakeholder needs shape all aspects of our business, but they particularly inform our approach to environmental sustainability. We set key objectives and measure performance against them in order to ensure continual improvement and encourage innovation.

The implementation of BRE's online SmartWaste reporting tool this year has improved our data collection process. The system is used to monitor and measure our energy, water and waste data on each site. In some cases, our consumption figures have increased; we attribute this not only to the growth of the business, but also the inclusion of the former Westleigh sites and offices and more accurate data gathering and monitoring.

Energy

For the fourth year, we have collated and are reporting on our energy, water and waste performance across the business. For the first year we are reporting the environmental performance of our factories. We are reporting absolute data and intensity measured data.

Intensity for energy and water figures is calculated using the formula usage/m² completed area for site activities and usage/employee for office and fleet activities. The intensity measure for waste figures is calculated using the formula tonnes of waste produced/100m² completed internal area for site activities and waste produced/employee for office activities. We are identifying an intensity factor for our manufacturing activities to be used in 2020; in 2019, manufacturing data is absolute only.

Office activities

Year	Scope 1			Scope 2			Total GHG	
	Gas (mWh)	Gas CO ₂ e (tonnes)	Total CO ₂ e (tonnes per employee)*	Electricity (mWh)	Electricity CO ₂ e (tonnes)	Total CO ₂ e (tonnes per employee)*	Total CO ₂ e (tonnes)	Total CO ₂ e (tonnes per employee)*
2019	537	99	0.05	1,741	445	0.24	544	0.29
2018	1,103	203	0.12	1,420	402	0.23	605	0.35
2017	1,127	208	0.18	1,281	450	0.39	658	0.57

* Office intensity measure is based on 1,851 employees (2018: 1,753).

During the reporting period, we reduced our overall office based CO₂e emissions by 10.1% to 544 tonnes CO₂e (605 tonnes CO₂e in 2018). The reduction in overall emissions is due to our continued drive to reduce consumption and move to more energy efficient ways of working. Our Scope 1 emissions have reduced by 53% per employee which is mainly due to the move to modern offices with heating systems powered by grid electricity instead of more conventional gas systems. As a consequence, there has been an increase in our Scope 2 emissions, which have risen by 6% per employee.

Site activities

Year	Scope 1						Scope 2			
	Gas (mWh)	Gas CO ₂ e (tonnes)	Gas oil (mWh)	Gas oil CO ₂ e (tonnes)	Total (mWh)	Total CO ₂ e (tonnes)	Total CO ₂ e (tonnes per m ²)*	Electricity (mWh)	Electricity CO ₂ e (tonnes)	Total CO ₂ e (tonnes per m ²)*
2019	4,837	889	16,582	4,389	21,419	5,278	0.009	4,913	1,331	0.002
2018	6,501	1,196	11,433	3,161	17,934	4,357	0.011	3,544	1,003	0.003
2017	4,761	877	14,933	4,120	19,694	4,997	0.009	5,040	1,772	0.004

* Site intensity measure kg CO₂e/m² based on developed area of 603,173m² completed build (2018: 397,702m²).

Although our absolute energy usage has increased due to the increase in build and number of sites, our usage per m² completed area has reduced for Scope 1 and Scope 2 energy. In 2020 we plan to improve our energy use further by reviewing the use of oil powered generators and equipment on site to identify ways in which we can reduce their use, and therefore our related CO₂e emissions.

Manufacturing

Year	Scope 1					Scope 2			
	Gas (mWh)	Gas CO ₂ e (tonnes)	Gas oil (mWh)	Gas oil CO ₂ e (tonnes)	Total (mWh)	Total CO ₂ e (tonnes)	Electricity (mWh)	Electricity CO ₂ e (tonnes)	
2019	12.0	2.2	44.9	11.5	56.9	13.7	325.7	86.9	

Scope 1: These are emissions that arise directly from sources that are owned or controlled by the Company, for example from fuels used in generators and plant on our sites.

Scope 2: These are the emissions generated by purchased electricity consumed by the Company.

Business travel

Scope 3: These emissions are a consequence of the activities of the Company but occur from sources not owned or controlled by the organisation. This includes emissions associated with business travel.

Year	CO ₂ e (tonnes)	Total CO ₂ e (tonnes per employee)*
2019	1,827	0.99
2018	1,656	1.27
2017	1,597	1.37

* Fleet intensity measure is based on 1,851 employees (2018: 1,307 excluding Westleigh Homes employees as their fleet data was not available).

Our overall fleet CO₂e emissions increased to 1,827 tonnes from 1,656 tonnes in 2018, in line with our increase in staff numbers. However, we decreased our emissions per person by 22% to 0.99 tonnes CO₂e per employee (2018: 1.27).

In 2019 we introduced the option of hybrid vehicles and rewards for our employees selecting low emission vehicles. We intend that this, coupled with improved teleconferencing facilities, cycle to work schemes and promotion of the use of public transport, will reduce our travel emissions further.

Site activities

Year	Total waste (tonnes)	Total waste (tonnes) per 100 m ² completed*	Reused/ recycled/ composted (tonnes)	Reused/ recycled/ composted	Energy from waste (tonnes)	Energy from waste	Landfill (tonnes)	% landfill	% diverted from landfill
2019	41,728	6.9	35,562	85.2%	5,136	12.3%	1,030	2.5%	97.5%
2018	30,724	7.7	24,981	81.3%	5,558	18.1%	185	0.6%	99.4%
2017	30,169	6.0	25,544	84.7%	4,289	14.2%	336	1.1%	98.9%

* Site intensity measure tonnes/100m² based on developed area of 603,173m² completed build (2018: 397,702m²).

Manufacturing

Year	Total waste (tonnes)	Recycled (tonnes)	% recycled	Energy from waste (tonnes)	% energy from waste	Landfill (tonnes)	% landfill	% diverted from landfill
2019	445.9	354.1	79.4%	80.5	18.1%	11.3	2.5%	97.5%

Water

We use water in our welfare facilities, for dust suppression, cleaning and wheel wash systems, and we are committed to reducing the amount of water we use in our operations. We do this by monitoring both our consumption (water in) and the amount of water we dispose of (water out). For the first time this year, we have recorded the water usage at our factories. Our site water use decreased for the third year in a row from 33,414m³ (2018) to 22,816m³. This is also a reduction in the normalised water consumption to 0.04m³ per m² from 0.08m³ per m² in 2018. Our office water decreased to 9,361m³ (2018: 10,387m³) which equates to 5.1m³ per employee (2018: 5.9m³). This is a decrease of 14% per employee. This is due to the move to more water efficient offices.

Office activities

Year	Water in (m ³)	Water in (m ³ per employee)*
2019	9,361	5.1
2018	10,387	5.9
2017	8,976	7.7

* Office intensity measure based on 1,851 employees (2018: 1,753).

Waste

Waste has been identified as a key issue for the Company, both from its adverse effects on the environment and cost to the Company. The new online SmartWaste system provides an accurate breakdown of waste helping us to target our highest risk areas and implement initiatives to reduce certain waste streams.

Despite our overall waste increasing, due to the inclusion of the former Westleigh sites in our data management systems, construction waste produced per 100m² completed build area has reduced by 10% to 6.9 tonnes (2018: 7.7 tonnes). A waste forum continues to meet quarterly which aims to improve co-ordination across the different business regions, implement waste reduction initiatives, improve awareness of best practice in waste management on site and ensure compliance.

Office activities

Year	Total general waste (tonnes)	Total general waste (tonnes per employee)*	Recycled (tonnes)	% recycled
2019	179	0.10	149	84%
2018	318	0.18	265	83%
2017	387	0.33	206	53%

* Office intensity measure based on 1,851 employees (2018: 1,753).

Site activities

Year	Water in (m ³)	Water in (per m ²)*	Water out (m ³)	Water out (per m ²)*
2019	22,816	0.04	14,447	0.02
2018	33,414	0.08	Not reported	Not reported
2017	42,653	0.08	Not reported	Not reported

* Site intensity measure m³/100m² based on developed area of 603,173m² completed build (2018: 397,702m²).



ENVIRONMENT CONTINUED

Water continued Manufacturing

Year	Water in (m³)	Water out (m³)
2019	1,036	1,036

Resource use

Our Group buying department is responsible for the selection and sourcing of sustainable products. All the timber we procure is certified to the Forest Stewardship Council ("FSC") or Programme for the Endorsement of Forest Certification ("PEFC") schemes. We are also committed to minimising our resource use and in 2020 we plan to engage our supply chain further to identify ways to improve our monitoring of resource use and work together towards a more circular economy. We will fully report our timber purchasing and use within the 2020 Sustainability Report.

Transport

When planning our developments, we aim to provide our customers with a range of sustainable transport options, to not just limit the impact of new homes on existing infrastructure, but also to future proof our developments in a time when the transport mix is changing. We provide an increasing number of cycling facilities and electric charging points at our developments and in 2019 we developed Green Transport Plans for seven of our strategic sites. In 2019, 97% (2018: 96%) of our developments were located within 1km, and 82% (2018: 84%) were within 500m, of a public transport node.

Biodiversity

We are committed to establishing and enhancing ecological networks and habitats that are resilient to the current and future pressures of climate change. During the year, we installed green or brown roofs on 13% of our developments (2018: 23%). The decline is due to the integration of Westleigh sites which already had planning permission without green or brown roofs prior to our acquisition.

We are currently researching how to achieve and monitor a net biodiversity gain on our future developments, and we hope to have a methodology in place in 2020.



SUPPLY CHAIN

We aim to work with suppliers and sub-contractors who share our values. They must support our business by operating safely, efficiently and ethically whilst reducing adverse effects on the environment. We require all supply chain members to complete a pre-qualification process that assures us they live up to these values. We regularly engage with them to ensure they meet our requirements. We also work with them to improve their standards, and therefore our own as well. Our Sustainable Procurement Policy sets out our commitments and our standards. This is available to read at <https://www.countrysideproperties.com/media/1553/download>.

In 2020 we plan to engage further with our supply chain on health, safety and environmental issues. We will be arranging further CITB health and safety courses for sub-contractors and will be engaging with our waste carriers and other parts of our supply chain to implement joint waste management and reduction projects on our sites.



Case study: Conservation and development in partnership

In spring 2019 our Millgate Homes Parklands Manor development in Oxfordshire received a visit from the BBC Countryfile Spring Diaries team to report on a new scheme being trialled across several local authorities with the aim of protecting great crested newts. The possible presence of great crested newts (a protected species under European and United Kingdom law) had been identified in an ancient pond adjacent to the brownfield site, a former manor house and school.

We were approached by Naturespace to trial the scheme on our site.

Funding and pond habitats in other areas were given to Naturespace which allowed us to obtain a licence which met local authority and legal requirements and enabled mitigation for the newts both on and off site, without works being delayed. This included the installation of reptile fences on site which are monitored and maintained by specialist contractors.

Despite being a brownfield site, the development is situated in a rural area near Oxford with woodlands and public footpaths adjacent to the site. We are further protecting ecology on the site by installing bat boxes on mature trees and installing further habitats for bats and birds on site.



Cllr David Molyneux and Countryside Trainee, Ben Ashcroft

Delivering value FOR OUR PARTNERS

“

There was so much about housebuilding that I didn't know before starting with Countryside and I'm finding it very rewarding.”

Ben Ashcroft – trainee at modular panel factory

Countryside works closely with local authorities in a variety of ways, with a particular focus on supporting the communities surrounding our developments. Countryside has made a commitment to invest in training for local people and, following the launch of our modular panel factory in Warrington earlier this year, this includes working in close partnership with Wigan Council to provide trainee opportunities at the factory.

In September, we welcomed the Leader of Wigan Council, Cllr David Molyneux, to the modular panel factory where young people are currently being trained. Working with the Council, Countryside is bringing extensive investment in training and employment for the borough.

Cllr Molyneux says: “It was very interesting to see the factory. North Leigh Park is a key brownfield site allocated in our local plan and regeneration strategy. Without this development, there would be a lot of pressure on our greenbelt, so we will continue to work with Countryside to ensure it suits local need. I sincerely hope the apprentices enjoy working on this development and I am sure they will learn a lot from the professionalism and commitment shown by Countryside.”

Ben Ashcroft, a Wigan resident, has been working at Countryside since March 2019, and comments: “My apprenticeship means that I can learn as I work but it also gives me the chance to learn from those around me. There was so much about housebuilding that I didn't know before starting with Countryside and I'm finding it very rewarding.”

Ian Kelley, Chief Executive, Partnerships North, adds: “We're very proud to welcome David Molyneux to our modular panel factory, to open our doors and share insight on the innovative practices that are transforming how we build our homes. Embracing modern methods of construction is very important to our business, and we're proud to do so while upskilling the future workforce.”

Countryside currently employs twelve apprentices across the North West, seven of whom are from Wigan and work across our local sites, as well as the modular panel factory.

Non-financial information statement

This section provides compliance with Non-Financial Reporting Directive requirements. The table below provides a quick guide to Countryside's non-financial activities and where to find more information on them. Those policies available on the Countryside website are marked with an asterisk. Other policies are internal and made available to the workforce via the Company intranet.

Key topic areas	Major supporting policies	Other information	Page(s)
Environmental matters (including the impact of the Company on the environment)	Environmental Policy* Climate Change Policy* Sustainable Development Policy* Waste Policy* Biodiversity Policy* Sustainable Procurement Policy* Timber Policy*	Group KPIs: business sustainability and use of natural resources	46–48
The Company's employees	Business Ethics and Code of Conduct* Equality Diversity and Inclusion Policy* Board Diversity Policy Health and Safety Policy	Our people Nomination Committee Report	38–40 72–73
Respect for human rights	Modern Slavery Statement* Business Ethics and Code of Conduct* Equality Diversity and Inclusion Policy* Health and Safety Policy* Information Privacy Policy*	Our people Group KPIs: business sustainability	38–40 46–48
Social matters	Business Ethics and Code of Conduct* Health and Safety Policy* Community and Charitable Donations Policy* Social Value Policy* Volunteering Policy*	Sustainability Group KPIs: business sustainability and use of natural resources	41–49 46–48
Anti-bribery and corruption compliance	Anti-Bribery and Corruption Policy* Gifts and Entertainment Policy* Money Laundering Policy*		
Other	Quality Policy*	Group KPIs	24–25

Risk management

“

Careful risk management is critical to the long-term sustainability and success of Countryside.”

Optimising our risk management process

This section describes how Countryside determines its appetite for risk, how risks are identified and quantified, and how they are managed and mitigated appropriately in order to deliver the Group's strategic objectives. It describes Countryside's policies and procedures for the timely identification, assessment and prioritisation of the Group's material risks and uncertainties.

How we manage risk

The Board oversees risk management within Countryside. At its March 2019 Strategy Day, it determined the Group's overall risk profile and appetite for risk, the results of which have been implemented through the conduct and decisions of the Board and Executive Committee. In July 2019, the Board carried out its annual assessment of risks and it routinely considers individual risks at each of its Board meetings.

Risk identification and management is built into every aspect of Countryside's daily operations, ranging from the appraisal of new sites, assessment of the prospects of planning success, building safely and selling effectively to achieve long-term success through the property market cycle. Risk management is built into standardised processes for each part of the business at every stage of the housebuilding process. Financial risk is managed centrally through maintenance of a strong balance sheet, forward selling new homes and the careful allocation of funds to the right projects, at the right time and in the right locations. Risk management also includes the internal controls described within the Corporate Governance Report on pages 62 to 66.

The Risk Management Committee (“RMC”) meets at least four times a year and provides a focal point for the co-ordination of the Group's risk management efforts. Its membership comprises all members of the Executive Committee and the Director of Audit and Risk Assurance and it is chaired by the Group Chief Executive.

The standing business of the RMC includes reviewing:

- the Group risk register, mitigation plans and internal controls;
- for each risk, the assessment of gross and net risk versus risk appetite, risk progression and adequacy of mitigating actions;
- the Internal Audit plan, reports and progress against recommendations;
- the management of claims and litigation;
- reports of whistleblowing and fraud;
- the forecast impact and preparation for proposed and new legislation;

- key policies and risk mitigation documentation (e.g. start on site or land acquisition checklists); and
- total cost of risk against insurance and bond requirements.

At each RMC meeting, a different “principal risk” is reviewed in depth. A description of the key areas of risk considered during 2019 is set out below.

Meetings of the management boards of each regional business are held regularly and review all operational risks. All such regional board meetings are attended by the relevant Divisional CEO, who in turn feeds back any matters requiring consideration by the RMC.

Our approach to risk

The Board		
Role and responsibilities		
• Sets the Group strategy • Determines the Group's risk policy, overall appetite for risk and the procedures that are put in place • Regularly monitors Group risks and their progression in comparison to the agreed appetite for each risk • Reviews the effectiveness of the Group's risk management and internal control procedures		
Audit Committee		Internal Audit
Role and responsibilities		Role and responsibilities
• Has delegated responsibility from the Board to oversee risk management and internal financial controls • Monitors the integrity of the Group's financial reporting process • Monitors the effectiveness of the Internal Audit function and the independence of the external audit		• Undertakes independent reviews of the effectiveness of internal control procedures • Reports on the effectiveness of management actions • Provides assurance to the Audit Committee
Risk Management Committee		
Role and responsibilities		
• Manages the Group's risk register and assessment of net risk versus risk appetite • Determines the appropriate controls for the timely identification and management of risk • Monitors the effective implementation of action plans • Reviews reports from the Internal Audit function • Reviews principal claims and litigations • Reviews the annual renewal of Group insurance cover		
Executive Committee		
Role and responsibilities		
• Responsible for the identification of operational and strategic risks • Responsible for the ownership and control of specific risks • Responsible for establishing and managing the implementation of appropriate action plans		

“ Risk identification and management is built into every aspect of Countryside’s daily operations.”

Optimising our risk management process continued How we manage risk continued

The Group’s risk register is maintained to record all principal risks and uncertainties identified in each part of the business. The most appropriate member of the Executive Committee is allocated as the “risk owner” for each risk. The risk owners call upon the appropriate expertise to conduct an analysis of each risk, according to a defined set of assessment criteria which includes:

- How does the risk relate to the Group’s business model and/or strategy?
- What is the likelihood of the risk occurring?
- What is the potential impact were the risk to occur?
- Would the consequences be short, medium or long-term?
- What mitigating actions are available and which are cost effective?
- What is the degree of residual risk and is it within the Group’s risk appetite parameters?
- Has the risk assessment changed and what is expected to change going forward?

The RMC reviews the assessments made, compares them to the Group’s appetite for each risk, reviews the current level of preparedness and determines whether further actions or resource are required. In reviewing and agreeing the mitigating actions, the RMC considers the impact of risks individually and in combination, in both the short and the longer term.

Key areas of focus during 2019 Market

Given that Countryside continues to grow, there has been renewed focus during 2019 on the Group’s mixed-tenure approach to both improve the quality of returns and maintain resilience in the event of a market downturn. Improvements have been made to the timely reporting of key sales data to enable management to monitor and react appropriately to any changes in market activity. With the opening of the Warrington modular panel factory in April 2019, we are committed to embracing innovation to reduce reliance on

sub-contract labour, secure the supply chain and achieve on-site efficiencies. Increasing off-site production will further improve product quality and drive improvements in customer satisfaction.

Government policy and regulatory change

Whilst the current Government backed Help to Buy scheme arrangements will end in 2021, the Government has announced that a revised Help to Buy scheme will extend to spring 2023. During the extension period, regional caps (set at 1.5 times the current average first-time buyer price in each region) will apply. Measures have been introduced so that all new site proposals reviewed by management and the Board for approval take account of the availability of Help to Buy funding when determining product mix.

Following Government consultation after the Grenfell Tower tragedy and in light of recommendations made by Dame Judith Hackitt’s final report on building regulations and fire safety, an amendment to Approved Document B of the Building Regulations was issued in December 2018. The amendment bans the use of combustible materials in the external walls of high rise residential buildings and bans the use of assessments in lieu of testing (so-called desktop studies). Measures are in place to ensure all ongoing and future building projects fully comply with the amended regulations. A Technical Standards Fire Committee, made up of the technical directors from each division, representatives of health and safety and legal and chaired by the Divisional CEO of Partnerships South, has been established to ensure uniform compliance across the Group with the revised regulations and any advice issued by Government, such as the June 2019 advice relating to buildings with balconies.

Following concerns raised by homeowners about the leasehold tenure of their property or the terms of their ground rent escalation clause, the Government has launched two consultations into leasehold properties and potential reform. The proposals include a ban on the sale of leasehold houses and plans to lower future ground rents to a nominal fee. Countryside no longer sells leasehold houses and has signed the Public Pledge for Leaseholders (<https://www.gov.uk/government/publications/leaseholder-pledge/public-pledge-for-leaseholders>).

In June 2019, the Competition & Markets Authority commenced an investigation into the sale of leasehold properties and in July 2019, the Government published its response to the Housing, Communities and Local Government Select Committee report on Leasehold Reform. Countryside is working closely with industry peers, the HBF and other stakeholders to prepare for and address any required changes.

Brexit

Since the result of the referendum vote to leave the European Union (“EU”) in June 2016 (“Brexit”), management and the Board have developed and maintained detailed reviews on Countryside’s exposure to risks that may flow from the United Kingdom’s departure from the EU. Key risks have been identified, such as the supply of materials and labour, the availability of capital and potential changes to Government regulation and policy, and mitigating actions and plans are in place to address the challenges should they arise.

Most of our building supplies are manufactured in the UK and are not at risk from Brexit. Where possible, we endeavour to purchase key supplies in bulk via national agreements and have preferential partnerships with many of our suppliers. Those products that have an element imported from the EU are mainly sourced through a network of UK-based suppliers. In the event of a worst case no-deal Brexit outcome, there is a risk that our supplier network may experience delays in their own supply chain and we are working closely with these distributors to understand any issues they may face. We have conducted a thorough analysis of this risk, including reviewing all such first and second tier material origins, fixed price duration, World Trade Organisation (“WTO”) tariff impact and logistical restrictions. Where appropriate, we have worked with supply chain partners who have increased stock levels and, where necessary, the quantum of stock held at sites has been increased to secure critical EU-sourced goods.

The Government has published details of the UK’s temporary tariff regime in the event of a worst case no-deal Brexit. The tariff regime is designed to minimise costs to business and its effect would be that the bulk of Countryside’s EU imports would be eligible for tariff-free access. The only commodity that appears to impact our business is ceramics. We have worked with relevant suppliers to ensure we can access materials from outside the EU to mitigate this risk where required.

We are working with our workforce and suppliers to monitor any trends, but to date have not experienced material changes that might affect production. The introduction of the Government’s “settled status” scheme is reasonably expected to materially mitigate the risk that large numbers of EU workers would otherwise be required to leave the UK.

Our internal auditor, KPMG, has recently tested Countryside’s resilience in areas of business continuity and disaster recovery, including in the event of a no-deal Brexit. Actions have been taken to address all potential areas identified for improvement.

Attracting and retaining talent

Recruiting, retaining and developing highly skilled and competent people at all levels of the organisation remains a key challenge whilst the competition for talent in a growing homebuilding industry remains fierce. During 2019 considerable effort has been made to ensure that Countryside is able to participate and win in the competition for talent. The roll-out of extended flexible benefits has proven very successful, along with improved study support, enhanced maternity and paternity policies, personal and professional development and training, enlarged graduate and apprenticeship schemes, additional recruitment resources and the determination to implement feedback obtained from employee engagement (as described on pages 38 to 40).

Westleigh acquisition

Following the acquisition of Westleigh in 2018, its integration into the Countryside Group and its compliance with Countryside's policies and procedures is now complete. This has resulted in considerable strengthening of a number of Westleigh's compliance functions, including health and safety, legal, environmental and quality. In November 2018, all Westleigh branding was replaced with the Countryside brand name.

Improving assurance and standardisation

As Countryside continues to grow, both organically and through the acquisition of Westleigh, ensuring that processes, procedures and risk mitigation actions are implemented, standardised and uniformly applied is critical. Countryside's investment in audit and assurance has been increased to address this ongoing requirement, leading in June 2019 to the appointment of a new Director of Audit and Risk Assurance.

Viability Statement

The following statement is made in accordance with the UK Corporate Governance Code (April 2016) provision C.2.2. After considering the current position of the Company, the Directors have assessed the prospects and viability of the Company over a three-year period to September 2022. In making this statement, the Board has performed a robust assessment of the principal risks facing the Company, including those risks that would threaten Countryside's business model, future performance, solvency or liquidity. The principal risks facing Countryside and how the Company addresses such risks are described in this Strategic Report and are summarised in the Principal Risks section of this report.

Although longer-term forecasts are prepared to support the strategic planning process, the nature of the risks and opportunities faced by the Group limits the Directors' ability to reliably predict the longer term. Accordingly, a three-year horizon is used to allow for a greater degree of certainty in our assumptions.

The Directors' assessment includes a financial review, which is derived from the Group's strategic forecasts and identifies divisional business performance, expected cash flows, net debt headroom and funding covenant compliance throughout the three years under review. These forecasts also incorporate severe but plausible downside case scenarios, illustrating the potential impact upon viability of one or more of the Group's principal risks crystallising during the period, both individually and in combination.

A number of key assumptions are included within these assessments, including:

- the assumption that the Group's debt facility, which expires in 2023, will continue to be available on the same or similar basis throughout the period under review;
- the assumption that, following a material event, the Group would adjust its strategy accordingly to preserve cash. This would include, inter alia, suspending the purchase of land, changing the build profile of existing developments or adjusting Group dividend policy;
- the assumption that counterparties including local authorities and housing associations honoured the phased viability terms and conditions contained in a number of the Group's Partnerships contracts; and
- the assumption that the Group will be able to effectively mitigate risks through enacted or available actions, as described in the Principal Risks section of this report.

The sensitivity analysis was performed using our experience of the 2007 to 2009 period, adjusted for changes in Countryside's business divisions, during which the Housebuilding sector saw significant reductions in sales rates and average selling prices and illiquidity in the land market during a prolonged economic recession. These assumptions include, inter alia, a 15% to 25% fall in house prices, up to 60% reductions in sales rates and 10% build cost inflation, offset by reductions of up to 75% of land purchases and up to 30% in headcount.

It considered all of our principal risks, although our assumption that we will be able to effectively mitigate some of our risks leads to a greater emphasis on those risks that are beyond our control (such as external macroeconomic factors).

Having had due regard to the sensitivity analysis, the Directors have concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of the assessment.

Ian Sutcliffe
Group Chief Executive
20 November 2019

Principal risks

Board, Audit Committee and Risk Management Committee responsibility

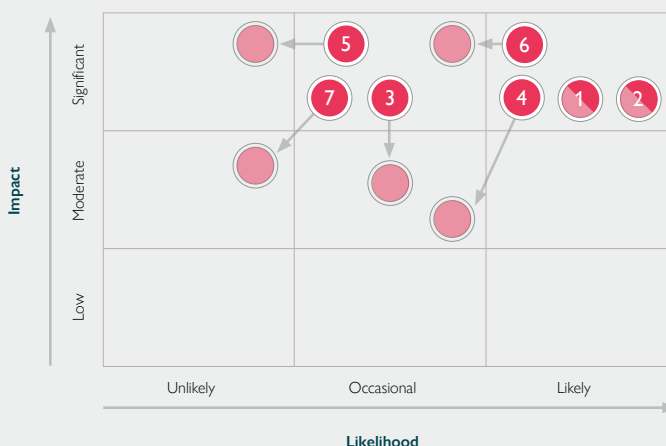
The Audit Committee reviewed the Group's risk register and the assessment of the Group's principal risks and uncertainties prepared by the Risk Management Committee at its meetings in July and October 2019. The Audit Committee also considered the effectiveness of the Group's systems and has taken this into account in preparing the Viability Statement on the previous page.

The Audit Committee reported on its findings at the Board's July and October 2019 meetings, in order to support it in making its confirmation that it had carried out a robust assessment of the principal risks.

Principal risks and uncertainties

The Group's principal risks are monitored by the Risk Management Committee, the Audit Committee and the Board. The graph to the right provides the Group's assessment of its principal risks following mitigation. The table below sets out the Group's principal risks and uncertainties and mitigation.

Current assessment of principal risks



Risk – pre- and post-mitigation

● Pre-mitigation ● Post-mitigation ● Pre- and post-mitigation

Risk and impacts

1. Adverse macroeconomic conditions*

Responsible Executive:
Group Chief Executive

A decline in macroeconomic conditions, or conditions in the UK residential property market, can reduce the propensity to buy homes. Higher unemployment, interest rates and inflation can affect consumer confidence and reduce demand for new homes. Constraints on mortgage availability, or higher costs of mortgage funding, may make it more difficult to sell homes.

How we monitor and manage the risk

- Funds are allocated between the Housebuilding and Partnerships businesses.
- In Housebuilding, land is purchased based on planning prospects, forecast demand and market resilience.
- In Partnerships, contracts are phased and, where possible, subject to viability testing.
- In all cases, forward sales, cash flow and work in progress are carefully monitored to give the Group time to react to changing market conditions.

Impact on strategy



Risk change



Risk and impacts

2. Adverse changes to Government policy and regulation*

Responsible Executive:
Group Company Secretary and General Counsel

Adverse changes to Government policy in areas such as tax, housing, the environment and building regulations may result in increased costs and/or delays. Failure to comply with laws and regulations could expose the Group to penalties and reputational damage.

How we monitor and manage the risk

- The potential impact of changes in Government policy and new laws and regulations are monitored and communicated throughout the business.
- Detailed policies and procedures are in place to address the prevailing regulations.

Impact on strategy



Risk change



Risk and impacts

3. Constraints on construction resources*

Responsible Executive:
Chief Executive, Partnerships North

Costs may increase beyond budget due to the reduced availability of skilled labour or shortages of sub-contractors or building materials at competitive prices to support the Group's growth ambitions. The Group's strategic geographic expansion may be at risk if new supply chains cannot be established.

How we monitor and manage the risk

- Optimise use of standard house types and design to maximise buying power.
- Use of strategic suppliers to leverage volume price reductions and minimise unforeseen disruption.
- Robust contract terms to control costs.
- Modular panel factory.

Impact on strategy



Risk change



Risk and impacts

4. Programme delay (rising project complexity)

Responsible Executive:
Chief Executive,
Partnerships South

Failure to secure timely planning permission on economically viable terms or poor project forecasting, unforeseen operational delays due to technical issues, disputes with third-party contractors or suppliers, bad weather or changes in purchaser requirements may cause delay or potentially termination of project.

How we monitor and manage the risk

- The budgeted programme for each site is approved by the Divisional Board before acquisition.
- Sites are managed as a portfolio to control overall Group delivery risk.
- Weekly monitoring at both divisional and Group level.

Impact on strategy



Risk change



Risk and impacts

5. Inability to source and develop suitable land

Responsible Executive:
Chief Executive,
Housebuilding

Competition or poor planning may result in a failure to procure land in the right location, at the right price and at the right time.

How we monitor and manage the risk

- A robust land appraisal process ensures each project is financially viable and consistent with the Group's strategy.

Impact on strategy



Risk change



Risk and impacts

6. Inability to attract and retain talented employees¹

Responsible Executive:
Group HR Director

Inability to attract and retain highly skilled, competent people at all levels could adversely affect the Group's results, prospects and financial condition.

How we monitor and manage the risk

- Remuneration packages are regularly benchmarked against industry standards to ensure competitiveness.
- Succession plans are in place for all key roles within the Group.
- Exit interviews are used to identify any areas for improvement.

Impact on strategy



Risk change



Risk and impacts

7. Inadequate health, safety and environmental procedures

Responsible Executive:
Group Company
Secretary and
General Counsel

A deterioration in the Group's health, safety and environmental standards could put the Group's employees, contractors or the general public at risk of injury or death and could lead to litigation or penalties or damage the Group's reputation.

How we monitor and manage the risk

- Procedures, training and reporting are all carefully monitored to ensure that high standards are maintained.
- An environmental risk assessment is carried out prior to any land acquisition.
- Appropriate insurance is in place to cover the risks associated with housebuilding.

Impact on strategy



Risk change



Impact on our strategy



GROWTH



RETURNS



RESILIENCE

Risk change



Risk increased



No change



Risk decreased

¹ The Board's review of risk, including the principal risks, takes into account the known and forecast developments flowing from plans being made for Brexit. Brexit affects many of the principal risks, but particularly those marked with an asterisk.

COMMITTED TO GOOD GOVERNANCE

Good corporate governance is vital to the success of Countryside.



Dear Shareholders,

As Chairman of the Board of Countryside, I would like to make a personal statement about the importance with which the Board regards corporate governance. Good governance is a core discipline that is vital to the success of the Group and complements our desire to continually improve upon the success of the Group on our shareholders' behalf. This report sets out our approach to governance, explaining how our governance framework supported our activities throughout the year.

I am very pleased to report that during the year ended 30 September 2019, and as at the date of this report, the Company has fully applied the main and supporting principles of the Code issued in 2016 (a copy of which is available from www.frc.org.uk) (the "2016 Code").

We have also made significant progress in preparation for the application of the updated version of the 2016 Code, and the associated Guidance on Board Effectiveness, that was published in July 2018 (the "2018 Code").

Set out below are highlights of the progress we have made implementing the 2018 Code and our response to other key governance changes during the reporting period.

Key governance developments during the reporting period

We have recently written to principal shareholders to seek feedback on the Company's proposed new Director's Remuneration Policy ("DRP"), the final version of which will be tabled for shareholder approval at the 2020 AGM.

Full details on the new DRP is set out in the Remuneration Report on pages 77 to 83, but pertinent here is that it takes into account the provisions of the 2018 Code.

Principal steps we have taken this year to address other elements of the 2018 Code and other corporate governance developments include:

- reviewing and amending all Board and Committee terms of reference to reflect the requirements of the 2018 Code;
- agreeing the division of responsibilities between the Chairman, Senior Independent Director and Group Chief Executive;
- appointing Baroness Morgan (Non-Executive Director) as the Board "Workforce Engagement Director" to represent the "voice of the workforce" at Board level;
- strengthening the Group's Whistleblowing Policy and reporting procedures (see page 69);
- improving reporting on how we engage with our key stakeholders and take account of their views in decision making (see page 91);
- continuing to improve upon the measures we take across the Group to guard against modern slavery (see countrysideproperties.com/social-value-sustainability); and
- implementing corporate governance arrangements and reporting requirements in all Group companies affected by the The Companies (Miscellaneous Reporting) Regulations 2018.

Other activities in 2019

It has been another busy year for the Board, visiting many parts of the business and engaging with our principal shareholders and other key stakeholders. More information can be found on page 67 (What the Board did in 2018/19). Some of the other principal areas pertinent to good governance are set out below.

Health and safety

Given the nature of our business, a continual focus on health and safety processes is absolutely critical for the safety and well being of our staff and many contractors who work on our sites. We describe our approach to health and safety in detail on page 44, including a description of the metrics by which we measure our performance in this area. The Board receives regular reports on health and safety performance against the agreed KPIs and in November 2019 received a presentation from the Group Head of Health and Safety.

In November 2018, a tragic incident occurred on one of the Group's sites, whereby an operative was struck by moving plant sustaining fatal injuries. Following this incident, we undertook a full review of our traffic management procedures and ran a three-month campaign to raise awareness across the Group's sites. The Coroner's assessment was death by accident and the Health and Safety Executive have confirmed no further action will be taken.

Culture, values and ethics

The Board is very aware of the importance of aligning business strategy with the Company's culture, values and ethics and on ensuring that good standards of behaviour permeate all levels of the organisation to support our long-term success. For more information on engagement with employees and other key stakeholders – see page 91.

Meeting our major shareholders

The Company maintains a comprehensive investor relations programme, designed to ensure that our Executive Directors meet with investors and analysts regularly, supported when appropriate by myself and other members of the Board. We carried out a series of shareholder engagement events during 2018/19, as outlined below. We again received positive feedback for each event and see them as a valuable opportunity to understand the views of our major shareholders and develop constructive relationships with them.

Board balance

The Board believes the balance of Executive and independent Non-Executive Directors remains appropriate having regard to the size and nature of the business. In addition, the combination of the experience, diverse backgrounds, length of service and calibre of the Non-Executive Directors further enhances this balance and the ability to deliver the Group's strategy whilst mitigating against the risk of "group think".

Full details of the recruitment process can be found on page 73.

The names, responsibilities and other details of each of the Directors of the Board are set out on pages 58 and 59 with the composition of the Board on page 62.

Independence of Directors

The Board reviewed the independence of all Non-Executive Directors (excluding the Chairman) at the Board meeting on 25 July 2019 and determined that they all continue to be independent. The Board is satisfied that the Chairman was independent upon appointment and remains independent.

Board and Committee effectiveness

An internally facilitated Board and Committee evaluation was carried out in 2019. On page 65 we outline the process and summarise the conclusions and actions. The view of the Board is that the governance structure, together with the Board and its Committees, all continue to operate effectively, with a positive and open culture.

I am satisfied that the Non-Executive Directors continue to be effective and show a high level of commitment to their roles. All Directors will, as they will every year, stand for re-election at the forthcoming Annual General Meeting ("AGM").

David Howell

Chairman

20 November 2019

Compliance with the Code

From 1 October 2018 until 30 September 2019, Countryside has complied with all the provisions of the UK Corporate Governance Code 2016.

Shareholder engagement

November/ December 2018

- Full-year results and roadshow

March 2019

- Berenberg investor conference

May 2019

- Peel Hunt investor conference
- Site visits to East London/Midlands
- Interim results and roadshow

July 2019

- Q3 trading update

January 2019

- AGM/Q1 trading update

April 2019

- Interim pre-close update and conference call

June 2019

- Capital Markets Day

September 2019

- JP Morgan investor conference

OUR BOARD OF DIRECTORS

Our Directors bring together considerable experience and expertise. They are committed to practising and promoting good governance throughout the Group and delivering strong performance.

			
	David Howell Non-Executive Chairman	Ian Sutcliffe Group Chief Executive	Mike Scott Group Chief Financial Officer
Appointment date¹	14 December 2015	19 November 2015	1 October 2018
Career and skills	David joined the Group in April 2014 as a Non-Executive Director and was appointed Non-Executive Chairman in January 2015. David is a Chartered Accountant with extensive experience covering a number of different industry sectors as either an Executive or Non-Executive Director. His last three executive roles were as: Chairman of Western & Oriental plc; Chief Financial Officer and a member of the board of lastminute.com plc; and Group Finance Director of First Choice Holidays plc. He was also a Non-Executive Director of The Berkeley Group Holdings PLC for over ten years where he chaired the Audit Committee until 2014.	Ian joined the Group in October 2013 as Executive Chairman and was appointed Group Chief Executive in January 2015. Ian previously held a number of senior roles at Shell before being appointed UK Managing Director of George Wimpey, subsequently becoming UK Chief Executive and a board member of Taylor Wimpey. He followed this with a similar role at SEGRO, before becoming Chief Executive of Keepmoat Limited.	Mike joined the Group in December 2014 as Group Financial Controller and was appointed Group Chief Financial Officer on 1 October 2018. Mike qualified as a Chartered Accountant with PricewaterhouseCoopers LLP in 2002 and has significant financial experience having served in a number of senior financial positions at J Sainsbury plc prior to joining Countryside.
External appointments	David is Non-Executive Chairman of Confidential Incident Reporting & Analysis Service Limited. He is also a Non-Executive Chairman of Lioncor Development Ltd.	Following his resignation as a Non-Executive Director of Ashted Group plc on 2 January 2019, Ian joined the board of Pegasus Life Limited as a Non-Executive Director on 25 February 2019. Ian stepped down from the board of Pegasus Life Limited on 30 September 2019.	Nil.
Committee membership	N R	E	E

1. Appointment date is the date of appointment as a Director of Countryside Properties PLC. Appointments to the Group prior to this date refer to Copthorn Holdings Limited, the ultimate parent company of the Group at the time.

- A** Audit Committee
N Nomination Committee
R Remuneration Committee
E Executive Committee
 Chair



Amanda Burton
 Independent Non-Executive
 Director

17 December 2015

Amanda joined the Group in October 2014 as a Non-Executive Director.

Amanda joined Clifford Chance LLP in 2000, leaving in December 2014 as its Global Chief Operating Officer. Prior to this, she was at Meyer International PLC where she was a Director and Chairman of its Timber Group. She also served nine years on the board at Galliford Try plc, as a Non-Executive Director from 2005 and as Senior Independent Director from 2008.

Amanda is Senior Independent Director of HSS Hire Group plc, a Non-Executive Director of Skipton Building Society and Connells Limited and Chair and Trustee of Battersea Dogs and Cats Home.

A N R



Douglas Hurt
 Senior Independent
 Non-Executive Director

1 January 2018

Douglas joined the Group on 1 January 2018 as a Non-Executive Director, Chair of the Audit Committee and Senior Independent Director of the Company.

Douglas is a Chartered Accountant and has significant financial experience, having served from 2006 to 2015 as Finance Director of IMI plc, the global engineering group. Prior to this, he held a number of senior finance and general management positions at GlaxoSmithKline plc, which he joined in 1983, having worked previously at Price Waterhouse.

Douglas is Senior Independent Director and Chair of the Audit Committee of Vesuvius PLC. He is also a Non-Executive Director and Chair of the Audit Committee of BSI Group.

A N R



**Baroness Morgan
 of Huyton**
 Independent Non-Executive
 Director

17 December 2015

Baroness Morgan joined the Group in October 2014 as a Non-Executive Director.

Baroness Morgan had a long and successful career in Central Government, serving as Director of Government Relations at 10 Downing Street from 2001 to 2005. Prior to this, she was Political Secretary to the Prime Minister from 1997 to 2001. She was appointed Minister for Women and Equalities in 2001, being made a life peer in the same year. She previously served as a board member for the Olympic Delivery Authority, as Chair of Ofsted and as a member of the advisory committee of Virgin Group Holdings Limited.

Baroness Morgan is Master of Fitzwilliam College, Cambridge, Chairman of Royal Brompton and Harefield NHS Trust, an advisor to the board of the children's charity ARK and a trustee of a number of charities.

A N R



Simon Townsend
 Independent Non-Executive
 Director

1 March 2019

Simon joined the Group on 1 March 2019 as a Non-Executive Director. He became a member of the Audit, Remuneration and Nomination Committees on 10 May 2019.

Simon has extensive experience in the UK hospitality industry, having worked for over 30 years in various sales, marketing, commercial and operational roles, previously with Whitbread PLC, Allied Domecq PLC, The Rank Group Plc and Marston, Thompson & Evershed PLC.

Simon is Chief Executive Officer of Ei Group plc. He is also Vice Chairman of the British Beer & Pub Association and a member of the advisory board of Women in Hospitality, Travel & Leisure 2020.

A N R

Executive Committee



Ian Sutcliffe

Group Chief Executive

Full biography on page 58.



Mike Scott

Group Chief Financial Officer

Full biography on page 58.



Ian Kelley

Chief Executive,
Partnerships North

Ian was appointed Chief Executive of Partnerships North on 2 May 2017.

Ian joined the Group on 12 August 1996 as Associate Director for Business Development prior to his appointment as Managing Director of the Partnerships North division in October 2000.

He previously worked for Wimpey Homes for a significant period of his career in both open-market housing and urban regeneration. This was followed by a two-year period with Lovell Partnerships in a role developing new business.



Phillip Lyons

Chief Executive, Housebuilding

Phillip joined the Group as Chief Executive of Housebuilding on 2 May 2017.

Having trained as a quantity surveyor, Phillip was previously at Taylor Wimpey where he was most recently the Divisional Managing Director, London and South East. He has over 30 years' industry experience and is responsible for all the Group's housebuilding and strategic land activities, including Millgate.



Iain McPherson

Chief Executive,
Partnerships South

Iain was appointed Chief Executive of Partnerships South on 1 November 2018.

Iain joined the Group in September 2014 as the Managing Director of the Southern region of the Housebuilding division. Iain has worked in the housing sector in London and the South East in various roles over the last 23 years. He originally worked for local Government in what is now known as Homes England before moving to join Hyde Housing Association in his first development role. He then moved into private housing by joining Crest Nicholson in 2008 where he was promoted to Managing Director.



Gary Whitaker

General Counsel and
Company Secretary

Gary was appointed General Counsel and Company Secretary on 19 November 2015.

Gary joined the Group in March 2015 having previously been the General Counsel and Company Secretary for 15 years at Xchanging plc, which specialised in technology and outsourcing. He trained as a solicitor with Norton Rose, and qualified into the corporate finance team, working in its London and Moscow offices. Prior to Norton Rose, he served an 11-year commission in the Royal Navy Fleet Air Arm.



Nick Worrall

Group HR Director

Nick joined the Group as Group HR Director in September 2014.

Nick previously held senior HR positions for over 20 years in the retail, energy and financial services industries. Immediately prior to joining the Group, he was HR Director for BrightHouse.

“

The Countryside Board and Executive Committee are committed to ensuring that high standards of corporate governance are reflected across the business.”

David Howell
Chairman



Modular panel factory board visit

GOVERNANCE IN ACTION

The Board is responsible for maintaining a strong and effective system of governance throughout the Group.

The role of the Board and its Committees

The Board is collectively responsible for leading and directing the Group. It sets our corporate strategy, key policies and objectives, and the values and culture to achieve the long-term sustainability of the business, for the benefit of shareholders, customers, suppliers and communities in which we operate. The Board also reviews and monitors the key risks the Company faces, the risk appetite of the Company and the processes in operation to mitigate these. In discharging its responsibilities, the Board is supported by its management and specialist committees. Details on the role of the Board and its Committees can be found on pages 62 and 63. Each Committee works from terms of reference which are reviewed annually and are available on the Company's website: investors.countrysideproperties.com. The most recent revision to the terms of reference for each Committee reflected substantial changes to give effect to the revised UK Corporate Governance Code 2018. They were reviewed and approved by the Board on 25 July 2019.

Additional information

The Directors' Report (see pages 91 to 93), which forms part of this Corporate Governance Report, includes information on the impact on the Company as required by the Takeover Directive, and information required under the Disclosure and Transparency Rules.

Board composition

On 30 September 2019, the Board consisted of seven Directors, being a Non-Executive Chairman, two Executive Directors and four independent Non-Executive Directors. Douglas Hurt is the Senior Independent Director.

Board changes during the year are set out on page 91.

The Board has recruited Non-Executive Directors of a high calibre with broad commercial and other relevant experience. They are expected to bring objectivity and independence of view to the Board's discussions, and to help provide the Board with effective leadership relating to the Company's strategy, performance, risk and people management while ensuring high standards of financial probity and corporate governance. Countryside believes that the Board has the appropriate balance of skills, experience, independence and knowledge of the Group to support the Company's long-term success.

Summary of matters reserved for the Board

The Board has a formal schedule of matters that are reserved for its decision. This includes the approval of half-year and full-year financial statements, changes to the Company's capital structure and any significant investments, contracts, acquisitions, mergers and disposals. The Board last reviewed these reserved matters on 9 October 2019. Other specific responsibilities are delegated to the Board Committees, which operate within clearly defined terms of reference.

Full details of the schedule of matters reserved for decision by the Board and the responsibilities delegated to the Board Committees are on the Group's website at investors.countrysideproperties.com.

The roles of the Chairman, the Group Chief Executive and the Senior Independent Non-Executive Director

The roles of the Chairman, the Group Chief Executive and the Senior Independent Non-Executive Director are clearly segregated. The division of responsibilities between them is set out in writing and was agreed by the Board on 9 October 2019. See pages 62 and 63 for full details of the roles and responsibilities of the Directors and the Company Secretary.

Directors' inductions, training and development

Countryside has a structured induction programme that is tailored for all newly appointed Directors. This includes, where appropriate, meetings with members of the Executive Committee and visits to the business divisions and their respective management teams in each of Countryside's business sectors. During the financial year under review, the Company has completed the induction of Simon Townsend to the role of Non-Executive Director.

All Directors receive ongoing updates on the Company's projects and activities and on legal and regulatory changes. In 2019 these included briefings on the Government reform of building safety regulations, the Company's IT strategy, the new UK Corporate Governance Code for financial years starting after 1 January 2019, plans for leasehold reform, modern methods of construction and customer service.

The Board

Responsible for the overall conduct of the Group's business including our long-term success; setting our values, standards and strategic objectives; reviewing our performance; and ensuring a regular dialogue with our shareholders.



Read more on [pages 58 and 59](#)

Board Committees

Delegated to by the Board and responsible for maintaining effective governance in the following areas: audit; remuneration; Board composition; succession planning; and corporate governance.

Full details of the Committees' responsibilities and activities are detailed on the following page and in the Committee reports.

Executive Committees

Responsible for implementing strategic objectives; and realising competitive business performance in line with established risk management frameworks, compliance policies, internal control systems and reporting requirements.



See Countryside's website
investors.countrysideproperties.com

Chairman

Role and responsibilities

- Leads the Board, sets the agenda and promotes a culture of open dialogue between Executive and Non-Executive Directors
- Regularly meets with the Group Chief Executive and other senior management to stay informed
- Ensures effective communication with our shareholders

Senior Independent Director

Role and responsibilities

- Provides a sounding board to the Chairman and appraises his performance
- Acts as intermediary for other Directors if needed
- Is available to respond to shareholder concerns when contact through the normal channels is inappropriate

Non-Executive Directors

Role and responsibilities

- Contribute to developing our strategy
- Scrutinise and constructively challenge the performance of management in executing our strategy

Company Secretary

Role and responsibilities

- Supports the Chairman and Group Chief Executive in fulfilling their duties
- Available to all Directors for advice and support

Group Chief Executive

Role and responsibilities

- Leads the business, implements strategy and chairs the Executive Committee

Audit Committee

Role and responsibilities

- Monitoring the integrity of the Group's financial statements
- Reviewing significant accounting and reporting judgements
- Reviewing the effectiveness of the internal and external audit processes
- Reviewing the Group's procedures for detecting and preventing fraud and bribery and the governance of anti-money laundering systems and controls



Read more on [pages 68 to 71](#)

Nomination Committee

Role and responsibilities

- Determining the structure, size and composition of the Board
- Making recommendations in relation to the re-election of Directors retiring by rotation
- Evaluating Directors' performance
- Succession planning



Read more on [pages 72 and 73](#)

Remuneration Committee

Role and responsibilities

- Recommending to the Board the Company's policy on executive remuneration
- Setting overarching principles and parameters and the governance framework of the Group's Remuneration Policy
- Determining the individual remuneration and benefits package of each of the Company's Executive Directors and the Company Secretary



Read more on [pages 74 to 90](#)

Risk Management Committee

Role and responsibilities

- Monitoring and assessing the effectiveness of the Group's risk and control processes
- Co-ordinating the implementation by management of Group policies on risk and control
- Overseeing the administration of the Group's insurance arrangements, providing assurance to the Audit Committee that the Group's internal control systems are being monitored and assessed

Health, Safety, Environment and Quality Committee

Role and responsibilities

- Determining the policy, objectives and targets for the Group's health and safety compliance and performance
- Ensuring adequate training and communication to achieve the Group's health and safety objectives
- Determining the policy, objectives and targets for the Group's quality and environmental compliance and performance
- Ensuring adequate training and communication to achieve the Group's quality and environmental objectives

Executive Committee

Role and responsibilities

- Identifying operational and strategic risks
- Responsible for the ownership and control of specific risks
- Establishing and managing the implementation of appropriate action plans
- Supporting the Chief Executive in implementing the strategy

Board and Committee attendance

The number of Board and Committee meetings attended by each Director during the 2019 financial year was as follows:

	Board	Audit Committee	Remuneration Committee	Nomination Committee	Overall attended
Number of meetings held	9	4	7	5	
David Howell	9/9	—	7/7	5/5	100%
Ian Sutcliffe	9/9	—	—	—	100%
Rebecca Worthington ¹	5/5	—	—	—	100%
Mike Scott	9/9	—	—	—	100%
Amanda Burton	9/9	4/4	7/7	5/5	100%
Baroness Morgan	9/9	4/4	7/7	5/5	100%
Douglas Hurt	9/9	4/4	7/7	5/5	100%
Simon Townsend ^{2,3}	3/4	1/1	2/2	2/2	89%

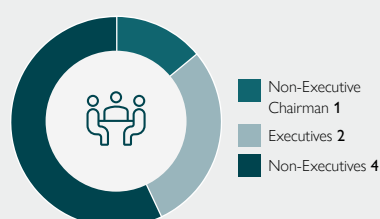
1. Rebecca Worthington resigned as a Director of the Company on 17 April 2019. The attendance table above reflects her period of office.

2. Simon Townsend was appointed a Director of the Company on 1 March 2019 and a member of the Audit, Remuneration and Nomination Committees on 10 May 2019. The attendance table above reflects his period of office as a member of the Board and the Committees.

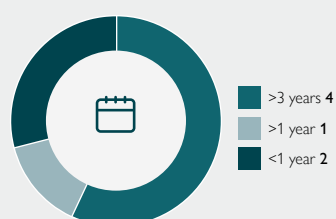
3. Simon Townsend was unable to attend one Board meeting which had been scheduled before his appointment due to prior commitments.

Board analysis (as at 30 September 2019)

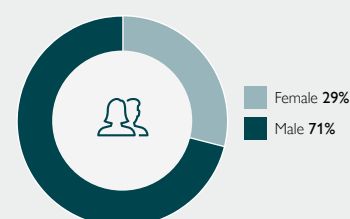
Composition



Length of tenure



Gender diversity



The role of the Board and its Committees continued

Directors' inductions, training and development continued

Directors receive formal papers before each Board meeting, which enable them to make informed decisions on the issues under consideration. In addition to formal Board meetings, the Chairman maintained regular contact with the Group Chief Executive, the Group Chief Financial Officer and other senior executive management during 2019 to discuss specific issues. The Company Secretary acts as an advisor to the Board on matters concerning governance and ensures compliance with Board procedures. All Directors had access to the Company Secretary's advice, which was sought from time to time during 2019. Directors may also take independent professional advice at the Company's expense. In the event that any Director has concerns about the running of the Company, or a proposed action that cannot be resolved within the Board forum, these may be reflected in the Board minutes. The Company Secretary circulates minutes of each Board meeting following the meeting to allow such comments to be raised.

Simon Townsend and Mike Scott



Induction programme for Simon Townsend

The timing of Simon joining the Board on 1 March 2019 enabled him to join the Board strategy away day on 21 March 2019, which gave him an overview of the Group, its operations, talent and longer-term business objectives. As well as introductory meetings with the Group Chief Executive, Group Chief Financial Officer and Company Secretary, Simon met with each of the Divisional CEOs (to learn more about their businesses and senior management teams) and the Group Head of Human Resources. Following these meetings, various site visits with the responsible Divisional CEO and his management team have been organised. Simon joined the Board on a visit to the Warrington modular build factory in June 2019, which included a tour of the factory.

Review of Board effectiveness

Following an externally facilitated review of Board and Committee effectiveness last year, by Claire Howard Consultancies, this year's review has been led by the Chairman, supported by the Company Secretary. The process started with preparatory questionnaires to identify any potential areas that the review might focus on. A one-to-one meeting was then held with each of the Directors and the Company Secretary, during which Board members were invited to evaluate and comment on the operation of the Board and its Committees. The Chairman met with the Company Secretary to discuss the results of the exercise.

The Non-Executive Directors (without the Chairman) met with Douglas Hurt, as Senior Independent Non-Executive Director, to review the performance of

David Howell during 2019. Douglas Hurt later debriefed the Chairman. David Howell reviewed the performance of each of the Non-Executive Directors during 2019, taking into account the views of the other Directors.

The principal issues raised in the 2019 performance evaluation were discussed at the 12 September 2019 Board meeting and the 12 September 2019 Nomination Committee meeting.

A list of specific actions was agreed to address the comments made by Directors, including the continued improvement of succession plans for senior management, the need to allow more time for the Board to meet with management and staff on site and office visits and to formalise the process for the co-ordination of Board agendas between the Chairman, the Company Secretary and executive management.

Board and Committee evaluation: principal actions and progress

2018 evaluation –
recommendations included

Actions taken during 2018/19

Devote additional Board time to strategy.

The Board holds a "strategy away day" in March each year and spends significant time reviewing strategic topics. Following the 2018 evaluation, a principal recommendation was for improvements to the structure and content of the March Strategy Day, and a more focused schedule of follow-up actions, to be reviewed at each Board meeting. This process was managed through the Board's "rolling agenda" which is tabled at each meeting.

Additional focus on succession planning for Executive Directors and Non-Executive Directors.

This continued to be an area of focus for the Nomination Committee and the Board during 2018, with detailed reviews of progress and consideration of alternative plans going forward, conducted at each of the Committee's meetings during 2018.

2019 evaluation –
recommendations included

Actions taken to date

Improving focus on monitoring in implementation of the strategy.

The March 2019 Board strategy away day was structured to take account of the recommendations of the 2018 Board evaluation report. The Company's strategic objectives were agreed and a report of progress against each of the follow-up actions was reviewed at each Board meeting. During 2019, the Board has closely monitored delivery of the strategy.

Refining succession planning for the Executive and Non-Executive Directors.

The Nomination Committee has spent considerable time during 2019 identifying candidates and developing succession plans for the Executive Directors and planning a sequenced succession for the Board's Non-Executive Directors.

Tenure, election and re-appointment of Directors

All Non-Executive Directors, excluding the Chairman, Douglas Hurt and Simon Townsend, had their three-year appointment from 17 December 2015 extended for a further three-year period to 16 December 2021. The Chairman's three-year appointment from 14 December 2015 was also extended for a further three-year period to 13 December 2021. The three-year appointments of Douglas Hurt and Simon Townsend commenced on 1 January 2018 and 1 March 2019 respectively.

The Board, having reviewed the findings of the 2019 Board and Committee evaluation, approved the re-appointment of the Chairman and the Non-Executive Directors, in their current roles. With regard to the re-appointment of David Howell as Non-Executive Chairman, the Board also considered the feedback from Douglas Hurt (as Senior Independent Director), following his private meeting with the Executive Directors and Amanda Burton, Baroness Morgan and Simon Townsend to review the performance of the Chairman during 2019.

All Non-Executive Director appointments may be terminated by either party upon three months' (or in the case of David Howell, six months') written notice, or by shareholder vote at the AGM. The Non-Executive Directors do not have any entitlement to compensation if their office is terminated. Full details of the remuneration of the Non-Executive Directors are on page 84 of this document in the Directors' Remuneration Report.

Under the Articles of Association, all Directors are subject to re-election at the AGM at intervals of no more than three years. Ian Sutcliffe will step down from the Board on 31 December 2019 and so will not stand for re-election. Both Simon Townsend and Iain McPherson will be put forward for election by shareholders at the 2020 AGM. In line with the 2018 code, all other Directors will be put forward for re-election at the 2020 AGM. The Board believes that each of the Directors make a valuable contribution to Countryside and supports their election and re-election in each case.

The role of the Board and its Committees continued

Directors' interests

Under Countryside's Articles of Association, the Board may authorise any actual or potential conflicts of interest for Directors. Each Director provides the Company Secretary with information about any actual or potential interests that may conflict with those of Countryside. These might include other directorships and any other potential interests that each think may cause a conflict requiring prior Board authorisation. If the circumstances of any of these disclosed interests change, the relevant Director must update the Company Secretary promptly. The register setting out each Director's current disclosures (where relevant) was last reviewed and approved by the Board at its meeting on 9 October 2019. In each such situation, the Director under consideration did not vote on the matter. The Board will continue to review the register of interests regularly to ensure that the authorisations, and any conditions attached to them, are appropriate for the relevant matter to remain authorised. The Company Secretary maintains a list of all authorisations granted to Directors, setting out the date of authorisation, its expiry and scope and any limitations imposed (as applicable).

Board diversity

The Board continues to recognise that diversity, in all its dimensions, across an organisation, including at Board level, is important to support innovation, strategic development and operational efficiency. The Board Diversity Policy is reviewed annually, most recently at the 19 November 2019 Board meeting.

The Board takes very seriously its responsibility to comply with the recommendations of the Davies Report (as built on by the Hampton-Alexander Review), encouraging increased participation by women on boards, and of the Parker Review and its Report into the Ethnic Diversity of Boards. The proportion of women on the Countryside Board, which was two out of seven, is currently 29%.

It is the Board's policy to recruit Board members based on skills and experience. The Board will keep its balance and composition under regular review and when so doing will take into account the recommendations of the above reports.

For details on Countryside's broader policy on diversity across the Group, please refer to the Our People section, on pages 38 to 40.

Board site visits

During 2019, the Board visited two different development sites (as outlined on page 67).



Board visit to modular panel factory

In June 2019 the Board visited Countryside's new modular panel factory, based in Warrington. The factory commenced production in April 2019 and will enable Countryside to reduce reliance on sub-contract labour, help secure the supply chain and improve on site efficiencies. It is an example of the Company's plans to actively seek out innovation in a progressive manner. The Board received a presentation by management of the factory's processes and impact on the supply chain. The Board then toured the factory to meet staff and view the production and distribution process. A Board meeting was later held at Countryside's Warrington office.

Major shareholders as at 15 November 2019

1. Standard Life Aberdeen	15.50%
2. Aviva Investors Global Services Ltd	10.67%
3. M&G Investment Management Ltd	7.00%
4. Ruffer LLP	5.59%
5. Invesco Ltd	5.28%

WHAT THE BOARD DID IN 2018/19

During the year ended 30 September 2019, significant discussions, transactions and appointments approved by the Board, other than the scheduled matters outlined on page 62, included:

October 2018

- Appointment of Rebecca Worthington to Group Chief Operating Officer
- Appointment of Mike Scott to Group Chief Financial Officer
- Review of health and safety performance
- Review of anti-slavery procedures and planned improvements
- Approval of Employee Benefit Trust share purchase to satisfy share plan vesting

January 2019

- Annual General Meeting
- Customer service presentation
- Cladding fire risk review
- Approval of revised share award settlement policy

February 2019

- Partnerships South site visit
- Presentation on Smart Cities
- Appointment of Simon Townsend as a Non-Executive Director
- Review of gender pay reporting



Rochester Riverside

June 2019

- Partnerships North visit (including the modular frame factory)
- Post-investment site reviews



Abbotsfield

September 2019

- Review of 2020 Budget
- Review of Board and Committee evaluation
- Approve renewal of annual Group insurance programme

2019

March 2019

- Review of the homebuilding market, product, risk and Group strategy

November 2018

- Approval of 2018 year-end results and final dividend
- Approval of 2019 Budget
- Convene Annual General Meeting
- Corporate governance review of policies and Committee terms of reference



Hanbury Place

May 2019

- Review of five-year forecast
- Approval of revised dividend policy
- Approval of 2019 interim results
- Presentation by Group Chief Information Officer of IT transformation project
- Cladding fire risk update



Newhall

July 2019

- Approve five-year forecast
- Review of Group risk register and review of principal risks
- Approve Group insurance renewal principles and process
- Approve Health and Safety Policy revisions to comply with ISO 45001



Acton Gardens

AUDIT COMMITTEE

Committee Chair

Douglas Hurt

Other members

Amanda Burton

Baroness Morgan

Simon Townsend (from 10 May 2019)

Meetings held

4

Role and responsibilities of the Audit Committee

- Monitoring the integrity of the Group's financial statements and formal announcements
- Reviewing significant accounting and reporting judgements
- Monitoring and reviewing the effectiveness of the Group's Internal Audit function
- Making recommendations in relation to the appointment, re-appointment and removal of the external auditor
- Monitoring and reviewing the effectiveness of the Group's external audit
- Monitoring auditor independence
- Developing and implementing policy on non-audit services provided by the external auditor
- Monitoring the Group's risk management framework and key internal controls
- Reviewing the Group's procedures for detecting and preventing fraud, bribery and the governance of anti-money laundering systems and controls

The Committee's terms of reference are on Countryside's website at: investors.countrysideproperties.com/governance.

Areas of focus in 2019

- Reviewing the key judgements and estimates relating to the Group's interim and full-year results
- Reviewing and challenging of the impact of the adoption of new accounting standards
- Reviewing of the organisation and management of the Internal Audit function
- Reviewing of the investigation into project accounting in the Partnerships division (Manchester region) and challenging with the external auditor the appropriate accounting for the resultant £7.4m inventory impairment (see "Inventory impairment" in "Areas of significant judgement" below and Note 7 in the Group's 2019 Half-Year Accounts)
- Considering the presentation of non-underlying items
- Considering various matters in relation to the acquisition of Westleigh
- Scrutinising the forecasts and sensitivity analyses underlying the Group's Viability Statement
- Considering applicable taxation and accounting matters



Dear Shareholders,

During the year, the Committee continued in its oversight role on behalf of the Board, protecting the interests of shareholders by monitoring the Group's internal control framework, financial management and the integrity of published financial information. It also monitored the effectiveness of the internal and external audit processes.

The Committee set the scope of internal audit activity for the 2019 financial year and reviewed the findings of audits performed during the year. In order to strengthen and improve the quality of internal audit and oversight of the risk assurance function, the Company has appointed a Director of Audit and Risk Assurance. This Director will assume leadership of the internal audit function from 1 October 2019 and lead both an internal team and call upon external support to supplement capacity as the team is built up, or as required for specialist technical assistance.

The Committee ensured that management has implemented all recommendations for internal control improvements on a timely basis. The Committee continues to monitor the integrity of the Group's financial statements, including the key judgements and estimates made by management. It also scrutinised the scope, performance and effectiveness of the external audit process.

In addition, management and the internal and external auditors provided the Committee with a number of complementary reports. The Committee met both the internal and external auditors regularly without management being present. I have also discussed various matters with the Group Chief Financial Officer and Company Secretary in relation to issues relevant to the Committee's work.

Douglas Hurt

Chair of the Audit Committee

20 November 2019

Committee attendance

The number of Committee meetings attended by each member during the 2019 financial year was as follows:

	Audit Committee	Overall attendance
Number of meetings held	4	
Douglas Hurt	4/4	100%
Amanda Burton	4/4	100%
Baroness Morgan	4/4	100%
Simon Townsend ¹	1/1	100%

1. The table above covers attendance during their period of office.

Composition

During 2019, the composition of the Committee complied with the Code. Throughout the period it has comprised at least three independent Non-Executive Directors: Douglas Hurt, Amanda Burton and Baroness Morgan, with the addition of Simon Townsend, following his appointment to the Committee on 10 May 2019. The Board considers Douglas Hurt, the Chairman, to have recent and relevant financial experience of working with financial and accounting matters. The Committee maintains a formal agenda for each year to ensure it complies with the requirements of the Code. It met four times during the year.

We set out details of attendance at the Committee meetings during the 2019 financial year on page 68.

Internal controls

The Committee assisted the Board by regularly reviewing the operation and effectiveness of the Group's internal controls. The internal control system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives. It can only provide reasonable, and not absolute, assurance against material errors, losses or fraud. The Committee also provides assurance to the Board that appropriate systems are in place to identify, assess and manage key risks.

We monitor and maintain the financial reporting process and control system (including the preparation of the consolidated financial statements) through internal control frameworks. These address key financial reporting risks, including risks arising from changes in the business or accounting standards. We use self-certification and independent testing of the controls to assess effectiveness.

Whistleblowing

The Group's whistleblowing processes have been thoroughly reviewed during 2019, supported by the appointment of a new independent external service provider. An awareness programme was implemented to educate and inform all Countryside employees and sub-contractors of the whistleblowing facilities and the confidential treatment of any information provided. All cases of whistleblowing are appropriately investigated, with the results reported to the Committee. Having reviewed the whistleblowing procedures across the Countryside Group, the Committee is satisfied that the policy and its administration remain effective.

Risk management

The successful management of risk is critical to achieving Countryside's strategic objectives. The Board has delegated responsibility for reviewing and maintaining effective internal control over risk management systems and

internal financial controls to the Committee. Day-to-day management of the Group's risk management framework has in turn been delegated to the Risk Management Committee. The Group's management of risk and the role and membership of the Risk Management Committee are detailed on pages 51 to 53.

At each Risk Management Committee meeting management discusses the key risks and its mitigating action plans. Any changes to the Group's risk register are in turn presented for review by the Committee. The Committee has monitored the Group's risk management and internal control systems throughout the year and reviews the entire Group risk register annually, with the last review occurring on 25 July 2019.

In managing risk, the Committee analyses the nature and extent of risks and considers their likelihood and impact, both on an inherent and a residual basis, after taking account of mitigating controls. This enables the Committee to determine how we should manage each risk to achieve our strategic objectives.

The Group's key risk management procedures have been in place throughout 2019 and up to the date of approval of this Annual Report.

During August 2019, KPMG carried out an internal audit of the Group's risk management processes and procedures. Its report was presented to the Committee at its meeting on 3 October 2019, where recommended actions were agreed.

Overview of the risk management process

Internal control

The Group's key internal control procedures include:

- a review of the Group's strategy and the performance of principal subsidiaries. This involves a comprehensive system of reporting based on variances to annual budgets, key performance indicators and regular forecasting;
- clearly defined procedures for the approval, set-up and running of joint ventures;
- a quarterly business review for each business division. This covers financial performance, a detailed range of strategic risks, opportunities and KPI metrics which measure the overall performance of the business sector. This process also identifies key operational issues and the actions required to address any deficiencies;
- well-defined Group policies and processes, communicated through the Group Financial Reporting Procedures Manual and the intranet;
- a defined process governing the approval of capital expenditure;

- a defined organisational structure with appropriate delegation of authority across all levels of the organisation;
- formal authorisation procedures for all investments, with clear guidelines on appraisal techniques and success criteria; and
- formal authorisation procedures for all significant contracts, including land purchases and sales, with clear guidelines on success criteria and contracting practices.

On behalf of the Board, the Committee has conducted an annual review of the effectiveness of the Group's internal control systems for 2019 and the period prior to approval of this Annual Report.

The Committee Chair reported its findings to the Board at the 9 October 2019 Board meeting. The review considered all material controls in accordance with Financial Reporting Council guidance. Following this review, no significant weaknesses or failings were identified. Management is addressing noted improvement areas. The Board and the Committee will continue to monitor and review the internal control environment.

Fair, balanced and understandable

At the request of the Board, the Committee considered whether the 2019 Annual Report was fair, balanced and understandable and whether it provided the necessary information for shareholders to assess the Group's performance, business model and strategy. The Committee took into account its own knowledge of the Group, its strategy and performance during the year. Further comprehensive reviews were undertaken at different levels in the Group to ensure consistency and overall balance. The Committee also took into account a similar detailed review undertaken by senior management and the results of the external audit.

Before the publication of both the interim and full-year results for the Group, the Committee undertook a detailed assessment of the appropriateness of the Group's use of the going concern basis in preparing the financial statements. For further information about going concern, please refer to the Directors' Report on pages 91 to 93.

Shortly before publication of the full-year financial results for 2019, the Committee undertook a detailed assessment of the Viability Statement. It recommended to the Board that the Directors can have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three-year period of their assessment. For the detailed Viability Statement, please refer to our Risk section on page 53 of the Strategic Report.

Internal audit

The work performed by KPMG, which carried out internal audit services throughout the year, focused on areas of greatest risk to the Group. These included those matters identified through the risk management framework and any significant change projects occurring within the business. As stated above, from 1 October 2019, the Director of Audit and Risk Assurance will lead a “hybrid” model, whereby internal audit services will be provided through a combination of internal resources and external specialist support.

The objective of internal audit is to give the Committee independent assurance over financial, operational and compliance controls, and to assist the Committee in assessing the effectiveness of internal controls. The Director of Audit and Risk Assurance reports to the Group Chief Financial Officer but has independent access to the Group Audit Committee Chair.

The Executive Committee and the Committee review all significant internal audit reports, and all reports are made available to the external auditor. During the year, the Committee approved the internal audit plan, reviewed the findings from audits and monitored the follow-up of actions identified in those audits.

Oversight of the external audit

Following a tender process, PricewaterhouseCoopers LLP (“PwC”) was appointed as external auditor in 2016 and its appointment was approved by shareholders at the 2018 AGM. The Company plans to re-tender the Group audit no later than for the year ending 30 September 2022. Given their length of tenure to date, we do not intend to invite PwC to participate in the re-tender.

The Committee’s oversight of the external audit includes reviewing and approving the annual audit plan and planned procedures for the Half Year Report. In reviewing the plans, the Committee discusses and challenges the auditor’s assessment of materiality and those financial reporting risk areas most likely to give rise to material error.

PwC has confirmed to the Committee its independence in accordance with ethical standards and that it has maintained appropriate internal safeguards to ensure its independence and objectivity.

The Committee assesses the effectiveness of the external audit process annually with the auditor and the Group’s management. Regular private meetings are held between the Committee and PwC without management present to discuss the auditor’s assessment of business risks and management’s activities with regard to those risks, the transparency and openness of interactions with management and confirmation that there has been no restriction in scope placed on them.

Non-audit services policy

The total of non-audit fees paid to PwC during the year is set out in the table opposite. PwC undertook its standard independence procedures in relation to each of these assignments to maintain its independence and objectivity. The Committee received a report at each meeting describing the extent of the services provided by PwC.

The award of non-audit services to the Group’s external auditor is subject to controls (agreed by the Committee) to monitor and maintain its objectivity and independence. In order to comply with the Ethical Standard for Auditors, the Committee considered and re-approved the Group’s policy for auditor independence and the provision of non-audit services at its meetings on 7 May 2019 and 3 October 2019 respectively.

The policy provides details of permitted, prohibited and audit-related services in accordance with the Ethical Standard. Prohibited services include among others those relating to taxation, internal audit, the design or implementation of internal controls and HR services. The Group Chief Financial Officer holds authority to approve permitted non-audit services, where the services are considered to be clearly trivial (defined as those with a fee of less than £50,000). Where the services are not clearly trivial, or where the cumulative fee in the financial year exceeds £100,000, pre-approval is required from the Committee. Fees for non-audit services are capped at 70% of the average audit fee for the last three financial years.

Annual evaluation of Audit Committee performance

As part of the broader evaluation process, the Committee reviewed its effectiveness during 2019. This considered areas including:

- its composition;
- its effectiveness in reviewing the work of the internal and external auditors;
- its effectiveness in reviewing the Group’s internal control systems;
- the quality of reporting; and
- the management of risk.

No significant issues were raised and the Committee concluded that it continues to operate effectively.

During the year the Group obtained the following services from the Group’s auditor:

	2019 £m	2018 £m
Fees payable to the Group’s auditor and its associates for the audit of parent and consolidated financial statements	0.2	0.1
Fees payable to the Group’s auditor and its associates for other services:		
– Audit of subsidiary companies	0.3	0.2
– Audit of joint ventures	0.1	0.1
– Audit-related services	0.1	0.1
	0.7	0.5

BUSINESS CONTINUITY PLANNING

“Testing the Group’s organisation and procedures to cope with any potential disruption to restore normal services in a minimum timeframe has been a key objective in 2019.”

During 2019, as part of the review of the Group’s business continuity planning, a particular focus was placed on the processes and procedures in place for the new modular build factory given its importance. Based in Warrington, the factory will ultimately produce panel walls for around 1,500 homes per year. A thorough review of the factory’s resilience to all forms of disruption has been carried out with the help of Willis Towers Watson risk advisors and tested by KPMG through the annual internal audit programme. All recommendations identified by KPMG are being implemented and monitored by the Audit Committee.

Areas of significant judgement considered by the Audit Committee in 2019

The Committee considered the following matters in respect of the Group's financial statements, based upon its interaction with management and the external auditor during the year.

Significant matters considered

Inventory impairment

In the first half of the year, cost overrun issues were identified in the Group's Manchester region within the Partnerships division. A detailed internal review was undertaken by management, which concluded that the controls in place were not operating as intended and costs accrued over a four-year period had not been appropriately recognised in the consolidated statement of comprehensive income.

Following the review, management has taken steps to enhance the internal controls that are in place and disciplinary action was taken against the members of staff involved, none of whom remain employed by the Group.

Deloitte LLP were appointed to perform a full investigation of the issue. Their report substantiated the work by management and confirmed the magnitude of the adjustments required.

Additional audit procedures were performed by PwC in this area to verify that this was isolated to the Manchester region and that the forecast costs to complete had been appropriately reflected at year-end.

Estimation of site profitability

As disclosed in Note 3 to the financial statements, gross profit is recognised as homes are sold based on a profit margin for the development as a whole. Calculating this margin includes forecasting revenue and costs for the development as well as allocating land and infrastructure costs on a pro-rata basis.

Profit recognition in relation to commercial land transactions can be subjective and dependent on contractual terms.

The accuracy of allocation is monitored at Board level via the monthly management accounts and quarterly forecasts. Any judgements are discussed with the Audit Committee.

Carrying value of inventory

Inventory is material to the Group's balance sheet. There is a risk that the carrying value will exceed its net realisable value, particularly in challenging market conditions.

Management regularly reviews the carrying value of all sites under development and of other inventory such as undeveloped land. These reviews take into account the latest cash flow forecasts for the relevant development or land parcel and comparable market valuations for land where applicable.

Viability Statement

The Viability Statement testing that management undertook was based on the latest available three-year forecast. To ensure that the financial position of the Group was robust, management performed downside sensitivity testing by applying a range of overlays including reduced sales rates and average selling prices, a reduction in land sales and reduced affordable housing sales. This also included operational inefficiency downsides, including delays to the delivery of key sites and enhanced cost inflation.

Each of the above assumptions was based on management's assumption of a reasonable downside outcome.

Adoption of IFRS 16 "Leases"

The new International Financial Reporting Standard "Leases", which will be adopted by the Group from October 2019, will result in the recognition of a new right to use asset and related liability for assets which are leased which fall within the scope of this standard.

Management carried out a comprehensive review of all leased assets across the Group to ascertain the impact of adoption on the Group financial statements.

Our response to these matters

The Audit Committee reviewed and challenged both management's approach to the issue and the findings of the Deloitte LLP report. The Audit Committee is satisfied that, following these reviews and the enhancement to internal controls implemented by management, appropriate corrective action has been taken on this issue.

The Audit Committee agreed that the costs relating to overstated inventory valuation should be included in the FY19 half year results as a non-underlying expense and that the item did not require a prior year adjustment.

PwC reported on this matter to the Audit Committee at the half-year review and again as part of the final audit. No issues were identified from the additional audit procedures performed

The Audit Committee has overseen both control enhancements implemented by management and the adoption of additional audit procedures by PwC.

The Audit Committee reviewed and approved the Group's accounting policy in relation to profit recognition.

The external auditor regularly examines the allocation of revenue and costs as a routine part of the external audit. It has identified no significant issues in this regard.

The Audit Committee considered management's review of the carrying value of inventory and the appropriateness of the level of provisions held.

The external auditor reported on this matter to the Audit Committee at the half-year review and again for the final audit.

The Audit Committee was satisfied that the carrying value of inventory is appropriate.

The Audit Committee reviewed and challenged the assumptions applied by management in arriving at the conclusion on the Group's viability. It agreed that they were reasonable.

The Audit Committee considered management's review of the lease categories and the quantification of the lease asset and related liability. The Committee also challenged management's approach to adoption and concurred with the choice not to retrospectively apply the standard to the previous year.

NOMINATION COMMITTEE

Committee Chair

David Howell

Other members

Amanda Burton

Baroness Morgan

Douglas Hurt

Simon Townsend (from 10 May 2019)

Meetings held

5

Role and responsibilities of the Nomination Committee

- Determining the structure, size and composition of the Board
- Making recommendations on the re-election of Directors retiring by rotation
- Leading the process for new Board appointments and making recommendations to the Board
- Conducting Directors' performance evaluations

The Committee's terms of reference are on Countryside's website at: [investors.countrysideproperties.com/governance](https://www.countrysideproperties.com/governance).

Areas of focus in 2019

- Reviewing succession plans for appointments to the Board and to senior management, so as to maintain an appropriate balance of skills and experience
- Reviewing the balance of skills, knowledge and diversity of experience of the Board, leading to the appointment of Simon Townsend on 1 March 2019
- Considering any changes to the Board and succession plans following the departure of Rebecca Worthington on 17 April 2019
- Leading the process for the identification and selection of a successor to the role of Group Chief Executive, resulting in the appointment by the Board of Iain McPherson to the role with effect from 1 January 2020



Dear Shareholders,

I am pleased to report on the main responsibilities of the Committee, how it has fulfilled these during the reporting period and its plans for the coming year.

During the last 12 months, the Committee has overseen a number of significant changes to the Board.

It led the search to find an additional Non-Executive Director with senior Executive Director experience, resulting in the appointment of Simon Townsend from 1 March 2019.

As reported on 17 April 2019, Rebecca Worthington stood down as Group Chief Operating Officer. Rebecca played a critical role in the successful IPO process in 2016 and helping drive the subsequent strong growth of the business. The Board is extremely grateful for Rebecca's valued contribution to the Company over her four years of service.

The Committee has also led the search for a successor to the role of Group Chief Executive, resulting in the appointment by the Board of Iain McPherson to the role with effect from 1 January 2020.

Further details about the appointment of Simon Townsend and his induction programme can be found on page 64 and details about the process to find a suitable successor to Iain Sutcliffe can be found on the following page.

During 2019, the Committee has remained fully compliant with the Code and comprised all independent Non-Executive Director members of the Board.

The feedback from this year's Board and Committee effectiveness evaluation process is summarised on page 65 and the Committee's objectives for the forthcoming financial year (set out below) take into account the feedback received.

David Howell

Chair of the Nomination Committee

20 November 2019

Committee attendance

The number of Committee meetings attended by each member during the 2019 financial year was:

	Nomination Committee	Overall attendance
Number of meetings held	5	
David Howell	5/5	100%
Amanda Burton	5/5	100%
Baroness Morgan	5/5	100%
Douglas Hurt ¹	5/5	100%
Simon Townsend ¹	2/2	100%

1. The table above covers attendance during their period of office.

The work of the Committee

While the Board is responsible for succession generally, the Committee advises the Board on appropriate succession planning over time. This involves reviewing the Board's composition, balance, diversity, skill-sets and individual Directors' time commitments. The Committee also oversees the long-term succession planning for the members of the Executive Committee and key managerial promotions during the year.

The Committee leads the process for all Board appointments and is responsible for reviewing candidates and making a final recommendation to the Board, in compliance with the Code. The Board's Diversity Policy recognises that diversity, in all its dimensions, is important to support innovation, strategic development and operational efficiency. The policy makes clear that when proposing candidates for appointment to the Board, the recommendations of the Hampton-Alexander Review and the Parker Report (regarding the representation of female and ethnic minority directors respectively) will be taken into account.

During 2019, the Committee met five times to agree a succession plan strategy for the Directors, to agree changes to the membership, composition and responsibilities of the Executive Committee, and to review the findings of the 2019 Board and Committee evaluation process.

The rigorous and transparent procedure for making appointments to the Board and its Committees involves assessing the skills and capabilities required, drafting a description of the role, and evaluating potential candidates, before making a recommendation to the Board.

Following a review of the balance of the Board's skills and experience, the Committee commenced a search process for a Non-Executive Director with senior Executive Director experience. Having determined the search criteria and instructed an external executive search firm, Board members met various potential candidates, before selecting Simon Townsend, who joined the Board as a Non-Executive Director from 1 March 2019.

The search for a successor to the role of Group Chief Executive involved a review of both internal and external candidates for the role. Having appointed an external executive search firm, it conducted various interviews and tests of the internal candidates to assess their suitability and aptitude for the role against the agreed criteria. This process identified one potential internal candidate (Iain McPherson, the Divisional CEO for Partnerships South) for the role, whose suitability was assessed as subject to the satisfactory achievement of certain development objectives identified by the executive search firm. The search

firm also identified a number of potential external candidates, with Group Chief Executive experience, who were interviewed by the majority of the Board members. The Committee agreed that Iain McPherson was the best candidate for appointment with Simon Townsend to provide mentoring to Iain post-appointment, given Simon's current Chief Executive experience.

Following receipt by the Chairman of Ian Sutcliffe's notice of intention to retire and step down as Group Chief Executive, the Committee convened at short notice on 20 November 2019 and agreed to recommend that 31 December 2019 should be Ian's last day of service as Group Chief Executive. The Committee also agreed to recommend the appointment of Iain McPherson as Group Chief Executive, to take effect from 1 January 2020, his having successfully met all development requirements. The following Board meeting approved the recommendations of the Committee.

The Committee's objectives for the coming year

The Committee has agreed a revision to its terms of reference to take into account the UK Corporate Governance Code 2018, which applies to the Company from 1 October 2019 investors.countrysideproperties.com/governance. The Committee will continue to focus on ensuring that the composition of the Board and the Group's executive management is appropriate for delivery of the Group's strategy and that the requirements of the new 2018 Code continue to be met.

For the next 12 months the Committee will continue to keep the Board's composition, balance, diversity and skill-set under careful review and will work to ensure that succession plans reflect the various Government initiatives to increase diversity, including gender and ethnicity.

Directors' remuneration report

Introduction to the Directors' remuneration report

REMUNERATION COMMITTEE

Committee Chair

Amanda Burton

Other members

David Howell

Baroness Morgan

Douglas Hurt

Simon Townsend (from 10 May 2019)

Meetings held

7

Role and responsibilities of the Remuneration Committee

- Recommending to the Board the Company's policy on executive remuneration
- Setting overarching principles and parameters and the governance framework of the Group's Remuneration Policy
- Determining the individual remuneration and benefits package of each of the Company's Executive Directors

You can see the Remuneration Committee's terms of reference on Countryside's website at: investors.countrysideproperties.com/governance.

Areas of focus in 2019

- Review of the Remuneration Policy and impact of the updated UK Corporate Governance Code
- Review of the Committee's terms of reference
- Review of gender pay gap
- Consideration and approval of grants under the Deferred Bonus Plan and SAYE plan
- Determination of LTIP recipients, grant level, targets and post-vesting holding periods
- Determination of bonus targets and awards
- Determination of annual salary increases for the Executive Directors and senior management
- Review and benchmarking of Executive Director and senior management remuneration
- Determination of the financial leaving arrangements for Rebecca Worthington
- Review and benchmarking of overall employee benefits
- Consideration of the structure and targets for the 2020 annual bonus



Dear Shareholders,

I am pleased to present on behalf of the Board the Directors' Remuneration Report of the Remuneration Committee (the "Committee").

The Committee strives to align pay with strategy. Our strategy continues to focus on the three factors of sector-leading growth, superior return on capital and building resilience throughout the business cycle. Our remuneration strategy supports these three factors, and the long-term and short-term targets we agree for our Executive Directors and senior management aim to incentivise our most senior people towards successful delivery of the strategy.

The Directors' Remuneration Policy ("DRP") was approved for three years at the Group's Annual General Meeting in January 2017, where more than 99% of votes were in favour. Last year's Annual Report on Remuneration was approved by 98.9% at the Annual General Meeting in January 2019.

We will be seeking shareholder approval for a new DRP at the AGM in January 2020. In preparing for this vote, the Committee has reviewed the DRP to ensure it remains aligned with Countryside's business strategy, investor expectations and market practice and takes account of recent governance developments. We shared these changes with our top ten shareholders over the summer. The proposed key changes to the DRP are as follows:

- Pension: for new Executive Directors the maximum contribution will be 10% of base salary, in line with our senior management population but below the level of the external market for roles at this level. The average contribution we make to our employee base as a whole is 6% (in line with the market). The Committee recognises investor views in this area and will keep the maximum level of provision permitted under the Policy under review so that we are able to reach alignment over time as the market adjusts.
- LTIP: a two-year post-vesting holding period has been introduced, taking the total period from grant to release to five years for all awards from December 2018.
- Post-employment shareholding requirement: Executive Directors are required to retain the lower of their existing shareholding from incentive awards granted from 1 October 2019 or two times their base salary for two years post-employment.
- Committee discretion: the Committee recognises that it is expected to use discretion to override formulaic outcomes in incentive schemes if they produce a result that is not as intended, and has updated the rules of the incentive plans to ensure that it has appropriate powers of discretion. During the year the Committee reviewed the leaving arrangements for Rebecca Worthington determining that, in light of her outstanding contribution to the business and the reasons for her departure, that she should be treated as a good leaver under the Deferred Bonus and LTIP.

A table outlining the core terms of the proposed new DRP for Executive Directors is set out on page 75.

On behalf of the Remuneration Committee, I would like to thank shareholders for their continued support.

The work of the Remuneration Committee

Gender pay gap

The Committee undertook a full review of Countryside's gender pay gap during the year. Our mean gender pay gap is now 28%, a reduction from the 33% we reported last year. Although there is still work to be done to address the gender pay gap, we are confident that there are no equal pay issues. We continue to address the underlying issues relating to this gap, and this will be an ongoing focus for the Committee in 2020.

Share plans

The Committee approved grants under the Group's share plans, including the 20% discount to market value that was again applied to the grant under the SAYE plan. Around half of our employees now participate in the SAYE plan.

How did we perform in 2019?

The annual bonus in 2019 was measured against stretching targets with the component conditions summarised below:

		2019 max possible	2019 pay-out
Annual bonus	Adjusted operating profit	50%	19.1%
	Group return on capital employed ("ROCE")	20%	20%
	Adjusted operating margin	15%	15%
	NHBC Recommend a Friend	15%	15%

In total our bonus pay-out for 2019 was 69.1%. The Committee believes the bonus outcome is fully warranted given the Group's strong financial performance in challenging market conditions.

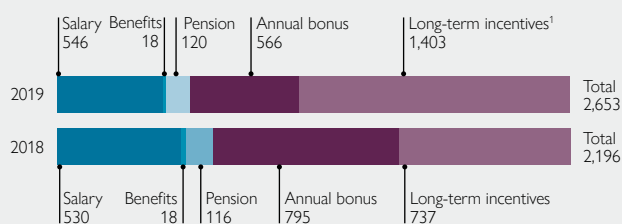
Notwithstanding our sector-leading growth in 2019 and a marked improvement in customer service as measured by the NHBC Recommend a Friend metric, the stretching bonus target for adjusted operating profit was not achieved. The bonus outcome is calculated with reference to published adjusted operating profit.

Adjusted operating margin was at the upper end of our expectations and Group ROCE was again strong. 2019 saw the introduction of a customer satisfaction metric into the bonus for the first time. It was particularly pleasing that our overall customer satisfaction score was over 90%, which is in line with five-star builder status as awarded by the HBF.

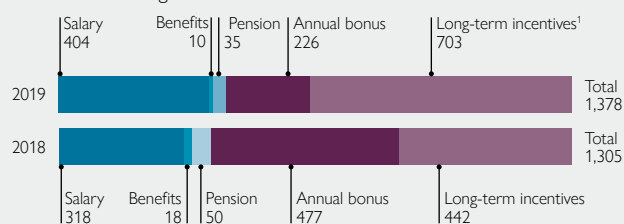
We provide full details of the targets and our performance against them in the Annual Report on Remuneration (see page 84).

Executive Directors' pay in 2019

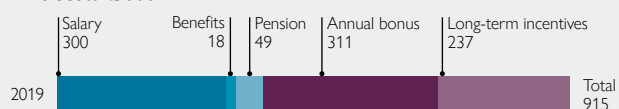
Ian Sutcliffe £'000



Rebecca Worthington £'000



Mike Scott £'000



Fixed pay

■ Salary ■ Benefits ■ Pension

Performance-related pay

■ Annual bonus ■ Long-term incentives

1. Includes TSR element of February 2016 LTIP award and all elements of the December 2016 LTIP award.

The performance period for the December 2016 LTIP award ended on 30 September 2019. As disclosed later in this report, the ROCE target vested at 100%, TNAV target vested at 64.3% and TSR vested at 67.8%, resulting in an overall vesting of 77.9%. The TNAV outcome was adjusted for the impact of shares purchased by the Employee Benefit Trust and the increase in the dividend pay-out ratio from 30% to 40% announced in May 2019.

Remuneration Policy for 2020

Summary of Remuneration Policy

Element	Policy summary
Base salary	Base salaries will be set based on the market value of the role and the experience and performance of the individual.
Pension	The Company will provide either contributions to the Group's defined contribution pension scheme or a pension salary supplement.
Annual bonus	A maximum award of 150% of salary. The annual bonus is paid annually and is dependent on the achievement of financial and other strategic performance metrics over the financial year. Two-thirds of amounts earned are paid in cash, with one-third deferred as shares for a period of three years.
Long-Term Incentive Plan ("LTIP")	A maximum award of 200% of salary. LTIP awards will vest subject to stretching targets, which for awards granted in the 2020 financial year include EPS and ROCE. A post-vesting holding period of two years applies for Executive Directors for grants made from 1 October 2018.

Directors' remuneration report continued

Introduction to the Directors' remuneration report continued

Remuneration Policy for 2020 continued

Changes to salaries

Following a detailed review of Executive Director remuneration last year performed with support from Aon, the Committee determined that the Group Chief Executive's salary should this year again be increased by 3%, in line with the award to the wider employee base. On 17 April 2019 the Group Chief Operating Officer left the Group, and her role was not replaced. As she has now secured alternative employment, we have applied mitigation to amounts payable under her leaving arrangements as agreed on her departure.

Upon his appointment as Group Chief Financial Officer in October 2018, Mike Scott's base salary was set at £300,000, below the Committee's view of the market rate for the role and below that of his predecessor. To reflect his excellent performance in this role and following consultation with major shareholders, the Committee has agreed an increase to £350,000 from 1 October 2019. Subject to continued performance and development in the year, a further increase to £400,000 is proposed from 1 October 2020. Once the realignment has been completed, it is anticipated future increases will be in line with the general workforce.

The Executive Directors will again be eligible for a maximum bonus opportunity of 150% and LTIP of 200% of base salary for the forthcoming financial year.

Changes to bonus metrics

In 2020, Group ROCE will be removed as a bonus measure, with annual bonus targets to be based on Group adjusted operating profit, Group adjusted operating margin, and Group NHBC Recommend a Friend score. ROCE will remain as a long-term measure of performance in the LTIP (see below) to ensure the requisite focus remains on this important measure. In line with the overall discretion of the Remuneration Committee to determine the size of any bonus payment, as described on page 81, and in line with previous years, the Committee will take into account the overall performance of an Executive Director against the in-year and longer-term strategic goals of the Group when determining bonus awards. The Committee expects that 2020 Group adjusted operating profit should be at least equal to the 2019 outturn for bonuses to be paid to the Executive Directors.

Changes to LTIP metrics

As we approach four years since the IPO, the Committee considered it appropriate to review more fundamentally the metrics used under the LTIP. As a result of this review, the Committee decided to retain ROCE and replace the relative total shareholder return ("TSR") and TNAV measures with adjusted basic EPS as outlined opposite.

Committee attendance

The number of Remuneration Committee meetings attended by each member during the 2019 financial year was:

	Remuneration Committee	Overall attendance
Number of meetings held	7	
Amanda Burton	7/7	100%
David Howell	7/7	100%
Douglas Hurt	7/7	100%
Baroness Morgan	7/7	100%
Simon Townsend ¹	2/2	100%

1. The table above covers attendance during since the date of appointment.

The Committee is mindful that there are a variety of views amongst investors on relative TSR as a measure and therefore considered the continued use of relative TSR carefully. Its conclusion was that in a cyclical industry such as housebuilding, measuring relative TSR against a broad market index such as the FTSE 250 may result in a misalignment and potentially "boom and bust" vesting outcomes. The Committee also considered whether the other housebuilders may provide a more appropriate comparator group than the FTSE 250 against which to measure relative TSR. However, it was concerned that high pay-outs could still be generated when the housing market is in a downturn for performing "less badly" than other housebuilders. It was also concerned given the Group's strong growth rate in recent years that retaining TSR but measuring performance against other housebuilders may not provide an appropriate degree of stretch.

Whilst TNAV has been an important area of focus for the period since IPO, as the Company enters the next phase of its development, the Committee felt that a metric that is based on sustainable growth in earnings would be more appropriate and would better capture the value created for shareholders. We therefore intend to introduce an adjusted basic EPS growth metric to replace TNAV. Use of earnings is more consistent with the measures used by our peers (and companies generally) and is favoured by some investors as an all-encompassing measure of the growth of the business. We also feel that this provides a good line of sight between management performance and their reward and gives clear alignment with the Company's share price via the price/earnings multiple. Used together with ROCE, this provides a focus on profitable growth and the efficient use of capital. The definition of adjusted basic EPS will be based on basic adjusted basic EPS as disclosed in Countryside's Annual Report and Accounts.

The LTIP targets for the December 2019 grant will be approved by the Committee nearer to the date of grant and will be fully disclosed to shareholders.

We will continue to disclose annual bonus targets on a retrospective basis, given the commercial sensitivity of these targets.

Conclusion

The Committee recognises the importance of developing a close relationship with shareholders in facilitating its work in developing the Remuneration Policy. We were extremely pleased with the levels of support received for our Policy and Annual Report on Remuneration at the Company's AGM in January 2019. We will continue to ensure that our Remuneration Policy is both aligned with shareholders' interests and attracts and retains executives of the required calibre to ensure the Company's continued success. On behalf of the Committee, I welcome your feedback and ask for your support at the forthcoming Annual General Meeting.

Amanda Burton

Chair of the Remuneration Committee

20 November 2019



Remuneration policy report

Summary of remuneration for 2019 – alignment between performance and pay

In 2019, the meetings of the Committee covered the following key areas:

- review of the Remuneration Policy and impact of the updated UK Corporate Governance Code;
- review of the Committee's terms of reference;
- review of gender pay gap;
- consideration and approval of grants under the Deferred Bonus Plan and SAYE plan;
- determination of LTIP recipients, grant level, targets and post-vesting holding periods;
- determination of bonus targets and awards;
- determination of annual salary increases for the Executive Directors and senior management;
- review and benchmarking of Executive Director and senior management remuneration;
- determination of the financial leaving arrangements for Rebecca Worthington;
- review and benchmarking of overall employee benefits; and
- consideration of the structure and targets for the 2020 annual bonus.

Overview of Remuneration Policy

The Company's first Remuneration Policy was reviewed fully prior to listing in 2016, in accordance with the regulations and guidance in force at that time. This ensured the Remuneration Policy in place was appropriate for a listed company. The Policy was effective from the 2017 AGM and, subject to formal approval by shareholders, will be replaced at the 2020 AGM by the new Policy outlined in this report. Accordingly, during the year the Committee undertook a thorough review of the current Policy to ensure that it remains aligned with the business strategy and culture, reflects the best practice expectations of the Group's investors and is appropriately positioned relative to the market.

The Company's aim remains the same: to attract, retain and motivate the best talent to help drive continued growth and success. Our Remuneration Policy aims to align the interests of the Executive Directors, senior executives and employees with the long-term interests of shareholders. It aims to support a high performance culture with appropriate reward for superior performance without creating incentives that will encourage excessive risk taking or unsustainable Company performance.

Overall remuneration levels have been set at a level that is considered by the Committee to be appropriate for the size and nature of the business.

Considerations when determining Remuneration Policy

Shareholder views

The Committee is committed to maintaining a dialogue with our shareholders and we welcome their feedback. Any feedback received will be considered as part of the Committee's annual review of Remuneration Policy. Dialogue with shareholders has underpinned the new Remuneration Policy as we have continued our dialogue with shareholders during the year and we have had no adverse comments from shareholders about our Policy or remuneration payments during the year.

Group employees

As part of the Board's process of engagement with the workforce it is able to obtain information on the views of the workforce in relation to remuneration. The Committee also reviews the policies for the wider workforce and receives updates regarding remuneration for employees across the Company and considers these when determining the remuneration for the Directors.

The Policy described below applies to the Group's Executive Directors. Whilst the principles of the Policy are designed with due regard to employees across the Group, there are differences that exist between Executive Director and senior management remuneration and that of the general workforce, primarily driven by the need to incentivise Executives around longer-term strategic performance which, in turn, places a greater proportion of pay "at risk". Variable remuneration, particularly the LTIP, is restricted to more senior employees who may directly influence Group performance. However, the Committee is committed to promoting a culture of widespread share ownership, including the provision of an all-employee share plan. Around half of eligible employees participate in at least one share plan.

Governance best practice

In determining the Executive Director Remuneration Policy and practices, the Committee has also considered alignment with the 2018 UK Corporate Governance Code with respect to the following characteristics:

- **Clarity:** we are committed to transparent Director pay decisions, with the rationale for decisions, awards and, in particular, incentive targets and outcomes published in detail.
- **Simplicity:** our Policy consists of fixed remuneration and annual and long-term variable incentive components only. The share incentive and bonus schemes were designed with simplicity and shareholder preference in mind and we received no adverse comment from shareholders about our proposed plans/schemes.
- **Risk:** the combination of reward for short-term business performance (paid partly in cash and partly in deferred shares) and long-term, sustainable performance and shareholder returns ensures the incentives drive the right behaviours for the Group, its shareholders, employees and customers. Formulaic outcomes produced by the performance conditions can be overridden where in the Committee's opinion they do not reflect the true performance of the business or individual Directors' contributions. Furthermore, all variable pay awards are subject to malus and clawback provisions.
- **Predictability:** there are defined threshold and maximum pay scenarios which we have disclosed on page 83.
- **Proportionality:** there is a clear and direct link between Group performance and individual rewards under the annual bonus and LTIP. The Remuneration Committee reserves the right to withhold bonuses where Group performance falls below a defined threshold level.
- **Alignment to culture:** the Remuneration Committee has worked hard to formulate a Policy and incentive plans that support a high performance culture, driving sustainable growth while also rewarding appropriate short-term business performance, without encouraging excessive risk taking or unsustainable Company performance. Financial and non-financial incentive measures reflect and support business strategy, in particular to build "Places People Love". Our assessment of annual performance considers both what is delivered and how the Executive Directors have delivered it.

Directors' Remuneration Policy

The following table summarises the key components of the Executive Director and Non-Executive Director remuneration arrangements, which will form part of the Remuneration Policy subject to formal approval by shareholders at the 2020 AGM in accordance with the regulations set out in the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. It is intended that this Policy will apply for

Executive Directors

Objective	Link to strategy	Operation
Base salary	Recognises the market value of an Executive Director's role, skill, responsibilities, performance and experience.	Salaries are normally reviewed annually, with any changes effective as of 1 October each year. Current salaries, effective from 1 October 2019, are as follows: – Group Chief Executive: £563,000 – Group Chief Financial Officer: £350,000 Salaries are set by reference to a market benchmark based on companies of a comparable size operating in a similar sector. Salary reviews will also take into consideration an individual's performance, responsibility levels and internal relativities.
Other benefits	Provides a market-competitive package.	We review benefits periodically to ensure they remain market competitive. The main benefits currently provided include: – car or car allowance; – life, personal accident, disability and health insurance; – Directors' and officers' insurance; and – other benefits, including flexible benefits, as provided from time to time (for example where a Director relocates). Executive Directors are eligible for other benefits which are introduced on broadly similar terms for the wider workforce. In addition, the Company may reimburse any reasonable business expenses and tax thereon.
Annual bonus scheme	Incentivises the Executive Directors to deliver against goals linked to the Company's strategy. The deferral element ensures long-term alignment with shareholder interests.	Bonus awards will be granted annually. The performance period is one financial year. The Committee determines pay-outs following the year end, based on achievement against a range of performance targets. In line with the overall discretion of the Remuneration Committee to determine the size of any bonus payment, as described on page 81, when determining bonus awards the Committee will take into account the overall performance of an Executive Director against the Group's in-year and longer-term strategic goals. The Committee also retains a broader discretion to override bonus outcomes if it deems necessary. Up to two-thirds of the bonus award will be paid out in cash, with the remainder deferred into shares for a period of three years (subject to continued employment). Malus and clawback arrangements will apply to annual bonus awards. This enables a reduction in vesting or the recovery of amounts paid in certain circumstances.
Long-Term Incentive Plan ("LTIP")	Incentivises Executive Directors to successfully deliver the Company's objectives over the longer term. Creates alignment with investors over this period.	Awards of shares that vest three years from the date of grant. This is subject to achievement of performance conditions, normally measured over a three-year period. Awards are subject to malus and clawback provisions that enable reduced vesting or recovery of amounts paid in certain circumstances. Awards granted from 1 December 2018 will normally be subject to a two-year post-vesting holding period, during which Executive Directors will not be permitted to sell vested shares other than to pay tax or National Insurance contributions. This takes the total period from grant to release of LTIP shares to five years. Awards granted from 1 October 2019 onwards will also be subject to a broad discretion to override the outturn if the Committee deems necessary.
Pension	Provides competitive levels of retirement benefit to aid retention.	Pension contributions are made into the Group's defined contribution scheme. Alternatively, a participant may receive a cash allowance in lieu of pension (typically when they have reached the annual or lifetime allowance for pension tax relief set by HMRC). We pay the cash allowance less a reduction to reflect the Company's obligation to pay Employer's National Insurance on the sum paid.
Save As You Earn ("SAYE") plan	The purpose of this plan is to encourage all employees to become shareholders in the Company and thereby align their interests with shareholders.	Executive Directors are able to participate in HMRC-approved savings-based share plans available to all employees of the Company. Executive Directors will be eligible to participate in any all-employee share plan operated by the Company on the same terms as other eligible employees.
Shareholding guidelines	Aligns Executive Directors' interests with those of our long-term shareholders and other stakeholders.	Executive Directors are expected to build and maintain a holding in the Company's shares to a minimum value of two times their base salary over a five-year period. Executive Directors must also retain the lower of their existing shareholding or two times their base salary for two years post-employment; this requirement applies only to vested shares acquired from share awards granted from 1 October 2019.

three years from that date. The key changes to the Policy which was approved at the 2017 AGM are a requirement for Executive Directors to retain shares awarded after 1 October 2018 for two years post-employment and a reduction in the maximum Company pension contribution for new Executive Directors. There are also changes to the performance measures in the LTIP which are being changed from TSR, TNAV and ROCE to adjusted basic EPS and ROCE for grants made after 1 October 2019.

Maximum opportunity	Performance measures and assessment
There is no formal maximum salary. Other than where there is a change of role or responsibility, any increases will normally be only for inflation and/or in line with the wider workforce. Starting salaries on appointment may be set below the market level and, in this circumstance, subject to performance, increased by more than inflation as the employee gains experience over time.	Not applicable.
Benefit values vary year on year depending on premiums. The maximum potential value is the cost of providing these benefits.	Not applicable.
The maximum opportunity is 150% of salary. Participants may be entitled to dividends or dividend equivalents on the deferred shares that represent the value of dividends paid during the deferral period.	The Committee will set performance targets annually, based on a range of financial and strategic measures selected to reflect the in-year goals of the business and its longer-term strategy and KPIs. At least 50% of the bonus will be based on financial measures in any year. Targets are normally set on a sliding scale, with no more than 25% of the maximum typically payable at threshold performance and 50% of the maximum typically payable for on-target performance.
The maximum LTIP award level is 200% of base salary. Participants may at the Committee's discretion receive dividends or dividend equivalents representing the value of dividends paid during the performance period on LTIP awards.	LTIP performance will be assessed against a mix of metrics, including a balance between financial growth and return metrics. For the awards to be granted in the 2020 financial year these metrics are: – adjusted basic EPS; and – ROCE. Targets are set on a sliding scale, with no more than 25% of each element vesting at threshold performance. The Committee will review and set weightings for measures and appropriate targets before each grant. The Committee may change the balance of the measures, or use different measures for subsequent awards as appropriate.
The maximum contribution or equivalent allowance is up to 10% of base salary. ¹ For Ian Sutcliffe, the maximum is 25% of base salary in accordance with his service agreement.	Not applicable.
Maximum participation levels will be set based on the applicable limits set by HMRC from time to time.	Not applicable.
Not applicable.	Not applicable.

1. This is in line with the level of pension provided to our senior management population.

Notes to the Policy table

For the avoidance of doubt, in approving this Directors' Remuneration Policy, authority is given to the Company to honour any commitments entered into previously with Directors.

Malus and clawback

The circumstances in which malus and clawback may apply include a material misstatement of the Company's accounts, error in assessment of performance or calculation of the number of awards, individual gross misconduct or conduct resulting in reputational damage to the Group and corporate failure resulting in the appointment of administrators for the Group. Clawback may be applied for up to two years after the determination of bonus or vesting of long-term incentives.

Performance measures and targets

The short and long-term incentive plans include a number of different financial performance measures aligned to the performance of the Company. Targets will be set with reference to prior-year performance, internal budgets and external market expectations. Performance targets will be set so as to represent an achievable but stretching performance for the business.

We determine annual bonus performance metrics at the start of each financial year based on the key business priorities for the year ahead. The majority will be linked to a profit metric, as this is the primary indicator of our sustainable growth. We consider the target ranges for the measures used in the annual bonus scheme to be commercially sensitive at the start of the financial year. Prospective disclosure is therefore not in the interest of shareholders. Other than in exceptional circumstances where elements remain commercially sensitive, we will publish actual targets, performance achieved and awards made at the end of the performance periods so that shareholders can fully assess the basis for any pay-outs.

We determine LTIP metrics at the time of grant, selecting performance measures to support the Company's long-term strategy. Future metrics will align our long-term goal of value creation for shareholders through strong underlying financial growth and the efficient use of capital to generate cash. Accordingly, the Committee considered the LTIP metrics during 2019 and has decided that an adjusted EPS measure will account for 50% of the December 2019 grant and a ROCE measure the remaining 50%.

Discretion

The Remuneration Committee retains discretion over certain elements of the Policy as set out in the report including the operation of the variable incentive schemes. The Committee may adjust elements of the unapproved plans including, but not limited to:

- participation;
- the timing of the grant of award and/or payment;
- the size of an award (up to plan limits) and/or payment;
- in exceptional circumstances, to grant and/or settle an LTIP award in cash;
- discretion relating to the measurement of performance in the event of a change of control;
- determination of a good leaver (in addition to any specified categories) for incentive plan purposes;
- adjustments required in certain circumstances (e.g. rights issues, corporate restructuring and special dividends); and
- the ability to recognise exceptional events within existing performance conditions.

Should any such discretion be exercised, an explanation would be provided in the following Committee Chair's Statement and Annual Report on Remuneration and may be subject to shareholder consultation as appropriate.

Non-Executive Director remuneration policy

The Board as a whole is responsible for setting the remuneration of the Non-Executive Directors, other than the Chairman, whose remuneration is determined by the Committee and recommended to the Board. The table below sets out the key elements of the policy for Non-Executive Directors:

Objective	Link to strategy	Operation	Maximum potential value
Fees	The core element of remuneration. It is set at a level sufficient to attract and retain individuals with appropriate knowledge and experience in organisations of broadly similar size and complexity.	Fee levels are sufficient to attract individuals with appropriate knowledge and experience. Non-Executive Directors are paid a base fee and additional fees in relation to extra responsibilities undertaken such as chairmanship of Committees and the role of Senior Independent Director or another designated role. In exceptional circumstances, fees may also be paid for additional time spent on the Company's business outside of normal duties.	Fees are reviewed each year, with any increases normally effective from 1 October. Any increases in fees will be determined based on time commitment and will take into consideration the level of responsibility and fees paid in other companies of comparable size and complexity, e.g. median fee levels of comparable companies within the FTSE 250 (excluding investment trusts). Non-Executive Directors do not receive any variable remuneration element or receive any other benefits, other than being covered for disability benefits under the Company's insurance whilst travelling on Company business. The Company will pay reasonable expenses incurred by the Chairman and Non-Executive Directors. The Company may also provide limited hospitality and selected benefits and settle any tax thereon provided that this is in connection with the performance of their role.

Approach to recruitment remuneration

The Committee's approach to recruitment remuneration is to pay no more than is necessary to attract candidates of the appropriate calibre and experience needed for the role. The remuneration package for any new recruit would be assessed following the same principles as for the Executive Directors, as set out in the Remuneration Policy table.

Where an existing employee is promoted to the Board, the Executive Director policy would apply. Historical entitlements would continue to be honoured and allowed to pay out on their original terms, and will be fully disclosed in the Annual Report on Remuneration at the relevant time.

The table below summarises our key policies with respect to recruitment remuneration:

Remuneration element	Recruitment policy
Base salary and benefits	We will set the salary level taking into account a number of factors, including market practice, the individual's experience and responsibilities and other pay structures within Countryside. It will also be consistent with the salary policy for existing Executive Directors. Starting salaries may therefore be set below the market level and, subject to performance, increased by more than inflation as the employee gains experience over time. The Executive Director will be eligible to receive benefits in line with Countryside's benefits policy as set out in the Remuneration Policy table.
Pension	An Executive Director will be able to participate in Countryside's defined contribution pension scheme, or receive a cash allowance in lieu of pension benefits in line with the policy for existing Executive Directors up to a maximum of 10% of salary.
Annual bonus	An Executive Director will be eligible to participate in the annual bonus scheme as set out in the Remuneration Policy table. The maximum opportunity will be no more than 150% of salary, of which up to two-thirds of the bonus award will be paid out in cash, with the remainder deferred into shares, as per the policy for existing Executive Directors. Depending on the timing of the appointment, the Committee may deem it appropriate to set different annual bonus performance conditions for Executive Directors during their first year of appointment.
Long-term incentives	An Executive Director will be eligible to participate in Countryside's Long-Term Incentive Plan as set out in the Remuneration Policy table. The maximum opportunity offered may be up to 200% of salary, as per the policy for existing Executive Directors. An LTIP award can be made shortly following an appointment (assuming the Company is not in a close period).
Share buy-outs/ replacement awards	The Committee's policy is to not provide buy-outs as a matter of course. However, should the Committee believe it necessary to grant awards to replace those from a previous employer, the Committee will seek to structure any replacement awards so that overall they are no more favourable than the awards due to be forfeited. In determining the quantum and structure of any buy-out, the Committee will take into account the fair value and, as far as practicable, the timing and performance requirements of foregone remuneration. Where possible, existing arrangements will be used, although in unusual circumstances the Committee may also make use of the flexibility provided by the Listing Rules to make awards without prior shareholder approval.
Relocation policies	Should a newly recruited Executive Director be required to relocate, the Company will meet reasonable associated costs for a limited time period. Such relocation support could include but not be limited to: the payment of legal fees; removal costs; temporary accommodation/hotel costs; a contribution to Stamp Duty; the replacement of non-transferable household items; and related taxes incurred. In addition, and in appropriate circumstances, the Committee may grant additional support relating to the payment of school fees.

The Company's policy when setting fees for the appointment of new Non-Executive Directors is to apply the policy which applies to current Non-Executive Directors.

Service agreements and compensation for loss of office

When setting notice periods, the Committee has regard to market practice and corporate governance best practice. Our policy is that notice periods for Executive Directors should be no longer than 12 months. The Group Chief Executive and the Group Chief Financial Officer have contracts with notice periods of 12 months on either side. The notice period for Non-Executive Directors is three months, save in the case of the Chairman whose notice period is six months.

The Non-Executive Directors do not have service contracts but are appointed under letters of appointment, which provide for a review after an initial three-year term with the possibility of annual renewal. All service contracts and letters of appointment are available for viewing at the Company's registered office and at the AGM.

When approving any termination payments for a departing Director, the Committee will always seek to minimise cost to the Company whilst complying with the contractual terms and seeking to reflect the circumstances in place at the time.

The Committee reserves the right to make additional payments where considered in the best interests of the Company:

- where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation); or
- by way of settlement or compromise of any claim arising in connection with the termination of an Executive Director's office or employment; the Committee may also provide assistance with outplacement costs or settle reasonable legal fees where considered appropriate.

The table below sets out, for each element of total remuneration, the Company's policy on payment for loss of office in respect of Executive Directors and any discretion available to the Committee. Broadly, treatment will depend on the circumstances of departure, in particular whether a leaver is a "good leaver". For a "good leaver" the following will normally apply:

Remuneration element	Treatment on cessation
Salary, benefits and pension	Received for the notice period or payment in lieu of notice. Statutory redundancy payments as appropriate.
Annual bonus	No entitlement to a bonus; however, a pro-rata bonus may be paid in cash, following the end of the financial year in which they leave.
Deferred bonus	Deferred bonus share awards will normally vest on the original vesting date.
LTIP	The rules of the LTIP set out the treatment of "good leavers". In summary, awards will normally vest on the normal vesting date and be subject to pro-rating. However, the Committee has discretion to allow awards to vest on cessation and to waive pro-rating where it feels doing so is appropriate. Any post-vesting holding obligations will continue to apply on the original terms, subject to Committee discretion to waive. The Committee has discretion to amend awards post-cessation of employment if the circumstances of the former Executive Director by which good leaver treatment was originally determined materially change so that such treatment is no longer appropriate.

Change of control

On a change of control of the Group, the following provisions would apply to Executive Directors:

Remuneration element	Treatment on change of control
Salary, benefits and pension	Received for the notice period or payment in lieu of notice if notice is given. Statutory redundancy payments as appropriate.
Annual bonus	No entitlement to a bonus; however, a pro-rata bonus may be paid following the end of the financial year in which they leave.
Deferred bonus	Vesting of deferred bonus shares, although the Committee may determine that awards should be rolled over into shares in the acquiring company.
LTIP	The rules of the LTIP set out the treatment on a change of control. In summary, awards will normally vest at the date of change of control and normally be subject to pro-rating. However, the Committee has discretion to waive pro-rating where it feels it is appropriate to do so and may determine that awards should be rolled over into shares in the acquiring company.

Directors' service contracts and letters of appointment

Executive Directors also receive life assurance, private health insurance and car allowances.

Executive Directors	Date of current contract	Payment in lieu of notice	Pension	Restrictive covenants	Notice (Executive/Company)
Ian Sutcliffe	29 January 2016	12 months' salary and benefits	25% of salary and only as a cash allowance	Non-compete (6 months) Non-poaching (12 months) Non-solicit (12 months)	12 months/ 12 months
Mike Scott	1 October 2018	12 months' salary and benefits	10% of salary	Non-compete (6 months) Non-poaching (12 months) Non-solicit (12 months)	12 months/ 12 months

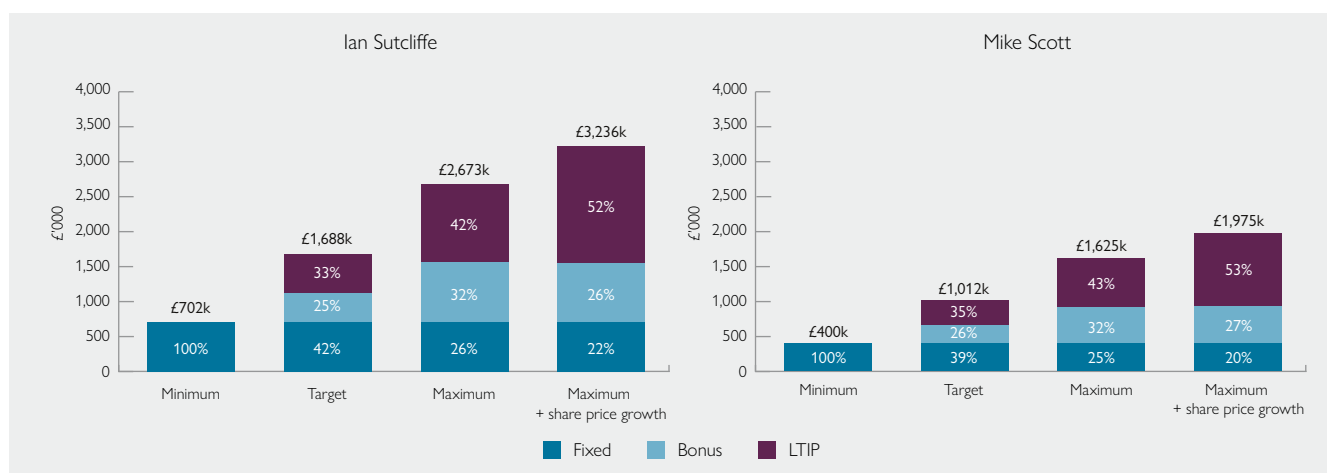
Non-Executive Directors	Date of appointment to the Board	Date of current letter of appointment	Unexpired term of appointment
David Howell	14 December 2015	1 October 2018	2 years
Amanda Burton	17 December 2015	14 September 2018	2 years
Baroness Morgan	17 December 2015	14 September 2018	2 years
Douglas Hurt	1 January 2018	14 September 2018	2 years
Simon Townsend	1 March 2019	15 February 2019	3 years

The Non-Executive Directors are entitled to claim out of pocket expenses incurred in the performance of their duties (and the Company may settle any tax thereon) and payment in lieu of notice where notice is served. They are not entitled to participate in the Company's share, bonus or pension schemes.

Policy in respect of external Board appointments for Executive Directors

It is recognised that external non-executive directorships may be beneficial for both the Company and the Executive Director concerned. At the discretion of the Board, Executive Directors are permitted to retain fees received in respect of any such non-executive directorship.

Application of Remuneration Policy



The assumptions noted for "on-target" performance in the graph above are provided for illustration purposes only:

Minimum: fixed pay only (salary + benefits + pension).

Target: fixed pay + 50% pay-out of the annual bonus entitlement (75% of salary) + 50% vesting of the LTIP (100% of salary).

Maximum: fixed pay + 100% pay-out of the annual bonus (150% of salary) + 100% vesting of the LTIP (200% of salary).

Maximum plus 50% share price growth: shows maximum performance plus the impact on the LTIP of a hypothetical 50% increase in the share price.

- Salary levels are based on those as at 1 October 2019.
- The value of benefits is that disclosed in the single figure for 2019.
- Pension is 25% of salary (excluding bonus) for Ian Sutcliffe and 10% of salary (excluding bonus) for Mike Scott.
- Amounts have been rounded to the nearest £1,000 and for simplicity the value of SAYE, in which all employees may participate on the same terms, are excluded.
- We have taken no account of share price growth (except in the fourth scenario) or dividends on share awards.

Annual report on remuneration

Single total figure of remuneration (audited)

The table below sets out a single remuneration figure for Executive and Non-Executive Directors for all qualifying services for the year ended 30 September 2019:

		Salary/fees £'000	Benefits ¹ £'000	Pension ² £'000	Annual bonus ³ £'000	Long-term incentives ⁴ £'000	Total £'000
Executive Directors							
Ian Sutcliffe ⁵	2019	546	18	120	566	1,403	2,653
	2018	530	18	116	795	737	2,196
Rebecca Worthington ⁵	2019	404	10	35	226	703	1,378
	2018	318	18	50	477	442	1,305
Mike Scott	2019	300	18	49	311	237	915
	2018	—	—	—	—	—	—
Non-Executive Directors							
David Howell	2019	175	—	—	—	—	175
	2018	175	—	—	—	—	175
Amanda Burton	2019	55	—	—	—	—	55
	2018	50	—	—	—	—	50
Baroness Morgan	2019	50	—	—	—	—	50
	2018	45	—	—	—	—	45
Douglas Hurt	2019	60	—	—	—	—	60
	2018	41	—	—	—	—	41
Simon Townsend ⁶	2019	29	—	—	—	—	29
	2018	—	—	—	—	—	—

1. Benefits include both cash and non-cash benefits, which are valued at their taxable amount. For Ian Sutcliffe this included a car allowance (£1,325 per month) and private medical insurance (£1,639 per annum). For both Rebecca Worthington and Mike Scott this included a car allowance (£1,325 per month) and private medical insurance (£2,048 per annum).

2. Pension payments are stated net of employer's National Insurance contributions where a cash allowance is paid in lieu of pension contributions. Mike Scott received a pension payment of £21,000 in December 2018 which related to the 2018 annual bonus. This was an entitlement of his contractual arrangements prior to joining the Board on 1 October 2018.

3. The annual bonus relates to performance during the financial year. The cash element is paid in December in the following financial year.

4. Long-term incentives for 2019 include the value of the TSR component of the February 2016 award which vested on 18 February 2019 as well as the full vesting of the December 2016 award. The February 2016 TSR value was not included in the 2018 amount as the vesting percentage was not known at the date of the 2018 Annual Report and Accounts.

5. The Executive Directors are entitled to retain fees earned from non-executive appointments outside the Company. Ian Sutcliffe served as a Non-Executive Director of Ashted Group plc during the year until 2 January 2019 and received £18,750 for his services (2018: £62,000). He was a Non-Executive Director of Pegasus Life Limited from 25 February 2019 to 30 September 2019 and received £60,000 for his services to this company during his period in office. Rebecca Worthington served as a Non-Executive Director of The British Land Company PLC and up to her date of departure on 17 April 2019 received £44,830 (2018: £69,000). Her salary and benefits are shown pro-rata according to her period in office for the year ended 30 September 2019.

6. Simon Townsend joined the Board on 1 March 2019. His fees are shown pro-rata according to the number of months' service for the year ended 30 September 2019.

Further details of each element of the Executive Directors' remuneration package are set out on pages 78 and 79.

Annual bonus targets and outcomes (audited)

The table below sets out the 2019 bonus targets and outcomes relating to the annual bonus figures shown in the single figure in the table above. The Committee was satisfied that these payments fairly reflected Group performance in the year.

The annual bonus targets were set to focus management on the growth of the business in line with our strategy and on improving operational efficiency to improve returns to shareholders.

2019 measure	Performance required			Achieved	Pay-out level (% of maximum)
	Threshold (25% pay-out)	Target (50% pay-out)	Maximum (100% pay-out)		
Adjusted operating profit (50% weighting)	£228.0m	£240.0m	£250.2m	£234.4m	38.2%
Return on capital employed (20% weighting)	33.0%	34.0%	35.0%	37.8%	100%
Adjusted operating margin (15% weighting)	15.0%	15.5%	16.0%	16.5%	100%
NHBC Recommend a Friend score (15% weighting)	80.0%	85.0%	90.0%	92.5%	100%

Payment of bonuses is subject to the Committee being satisfied with the overall performance of an Executive Director against the in-year and longer-term strategic goals of the Group. The Remuneration Committee considered the personal performance of the Executive Directors during the year. It concluded that both Executive Directors had made significant contributions to the Group's strategy and financial performance. As a result, the Committee confirmed that the amounts as shown above were appropriate.

Bonus payments vest in a straight line between threshold and target, and between target and maximum. For Executive Directors and certain members of senior management, one-third of bonus payments are deferred in shares which vest after three years. The deferred shares have no performance conditions, but the individual must remain employed by the Group, subject to Remuneration Committee discretion.

The breakdown of the cash and deferred elements of the annual bonus is set out in the table below:

	Total		To be paid in cash		To be deferred in shares	
	£	% of salary	£	% of bonus	£	% of bonus
Ian Sutcliffe	566,049	103.67	377,366	66.7	188,683	33.3
Rebecca Worthington	226,090	103.67	150,727	66.7	75,363	33.3
Mike Scott	311,016	103.67	207,344	66.7	103,672	33.3

Share scheme interests awarded during the year (audited)

The Executive Directors were invited to participate in the Company's Long-Term Incentive Plan ("LTIP") in line with our Remuneration Policy. An award equivalent to 200% of salary was made to each Executive Director. The table below sets out details of the Executive Directors' participation in the LTIP.

There is no minimum value guaranteed on vesting, with the following shares subject to a two-year holding period.

	Date of grant	Award	Type	No. of shares	Value of the award ¹	% of salary	Performance conditions	Performance period
Ian Sutcliffe	19 December 2018	Performance	Conditional award	386,863	£1,091,998	200	35% target ROCE 35% target TNAV 30% relative TSR ²	Three years ending 30 September 2021
Rebecca Worthington	19 December 2018	Performance	Nil-cost option ³	283,416	£799,998	200	35% target ROCE 35% target TNAV 30% relative TSR	Three years ending 30 September 2021
Mike Scott	19 December 2018	Performance	Conditional award	212,562	£599,998	200	35% target ROCE 35% target TNAV 30% relative TSR	Three years ending 30 September 2021

1. Calculated based on the average of the closing mid-market share prices for the three dealing days prior to the date of grant of 282.27 pence per share.

2. Relative total shareholder return compared to a comparator group comprising the FTSE 250 index, excluding investment trusts.

3. Directors may choose to receive LTIP awards as nil-cost options or conditional share awards.

The following Executive Directors also received deferred awards under the Deferred Bonus Plan in respect of the deferred element of their 2018 bonus, details of which were set out in the 2018 Annual Report and Accounts. The table below sets out further details of the Executive Directors' awards.

	Date of grant	Award	Type	No. of shares	Value of the award ¹	% of salary	Performance conditions	Performance period
Ian Sutcliffe	19 December 2018	Performance	Conditional award	77,410	£265,000	50	None	19 December 2021
Rebecca Worthington ²	19 December 2018	Performance	Conditional award	46,446	£159,000	50	None	19 December 2021

1. Calculated based on an average share price of 342.33 pence per share over the last 30 days of the financial year ended 30 September 2018.

2. As described above the Committee exercised discretion to grant good leaver status to Rebecca Worthington; see later paragraphs for her full exit package.

Mike Scott did not receive a deferred bonus award in December 2018 as he joined the Board on 1 October 2018.

Vesting criteria for the FY19 LTIP awards (audited)

The vesting criteria for LTIP awards made in December 2018 are set out below:

	Relative total shareholder return (30% of awards)		Tangible net asset value (35% of awards)		Return on capital employed for the year ending 30 September 2021 (35% of awards)	
	TSR vs FTSE 250	Pay-out % of element	TNAV £m	Pay-out % of element	ROCE %	Pay-out % of element
Below threshold	Below median	—	<1,075	—	<33.0	—
Threshold	Median	20	1,075	25	33.0	25
Target	—	—	1,100	50	35.0	50
Maximum	Upper quartile	100	1,125	100	37.0	100

For the TNAV and ROCE performance conditions outlined above, vesting occurs on a linear basis between threshold and target and between target and maximum. For the TSR performance condition, vesting occurs on a linear basis between threshold and maximum.

Long-Term Incentive Plan awards included in 2019 total remuneration figure (audited)

LTIP vesting criteria

LTIP award	Performance condition	Threshold (20% vesting)	Maximum (100% vesting)	Actual	% vesting
February 2016	TSR	Threshold (median)	Upper quartile	96th percentile	93.0%
December 2016	TSR	Threshold (median)	Upper quartile	80th percentile	67.8%

LTIP award	Performance condition	Threshold (25% vesting)	Target (50% vesting)	Maximum (100% vesting)	Actual	% vesting
December 2016	TNAV (£m)	720.0	758.0	796.0	768.9	64.3%
	ROCE (%)	30.0%	31.0%	32.0%	37.8%	100.0%

LTIP vesting

LTIP award	Performance condition	Weighting	% vesting (max 100%)	Total shares vesting	Date of end of performance period	Date of vesting	Share price of vesting pence
February 2016 ¹	TSR	30%	93.0%	204,467	18 February 2019	18 February 2019	307.00 ¹
December 2016 ^{2,3,4}	TNAV	35%	64.3%	164,927	30 September 2019	16 December 2019	300.87 ²
	ROCE	35%	100%	256,330	30 September 2019	16 December 2019	300.87 ²
	TSR	30%	67.8%	148,942	30 September 2019	16 December 2019	300.87 ²

1. The share price of 307 pence is the spot price of the shares on the vesting date of 18 February 2019.

2. The share price of 300.87 pence is the average of the share prices for the dealing days in the three months to 30 September 2019.

3. The vesting outcome of 77.9% relating to the December 2016 performance conditions was measured at 30 September 2019.

4. The overall vesting percentage for the December 2016 scheme was 77.9%.

Total pension entitlements (audited)

Executive Directors are eligible to participate in the Group's pension plan, a defined contribution arrangement. Ian Sutcliffe does not participate in the plan and receives cash in lieu of pension benefits. In respect of ongoing pension benefits, Ian Sutcliffe receives a salary supplement equal to 25% of salary reduced for employer's National Insurance contributions in lieu of pension. Rebecca Worthington was a member of the plan. Rebecca Worthington received employer pension contributions of 17.5% of salary subject to personal contributions of 5% of salary until 17 April 2019. Mike Scott received pension contributions and a salary supplement which were together equivalent to 10% of salary. A further sum of £21,000 was paid in the year by the employer which was subject to personal contributions of 5% of salary and related to the previous year's pensionable bonus. This was an entitlement of his contractual arrangements prior to joining the Board on 1 October 2018.

None of the Executive Directors had a prospective entitlement to a defined benefit pension plan by reference to qualifying services.

Directors' shareholdings (audited)

Under the terms of their service contracts, Executive Directors are required to hold shares in the Company to the value of 200% of annual salary within five years of their appointment. Non-Executive Directors are expected to hold shares in the Company to the value of 50% of annual fee within five years of their appointment. The beneficial interests of the Directors in office at the year end in the shares of the Company are shown below:

Director	Total share interests at 30 September 2019	Shares held, including connected persons, at 30 September 2019	Outstanding LTIP share awards at 30 September 2019	Outstanding deferred share bonus awards at 30 September 2019	Outstanding SAYE options at 30 September 2019	Shareholding (excluding outstanding LTIP and SAYE) as a percentage of salary ¹
Ian Sutcliffe	5,249,254	3,850,558	1,142,909	253,912	1,875	2,526%
Mike Scott	388,635	36,009	344,673	—	7,953	40%
David Howell	47,000	47,000	—	—	—	90%
Amanda Burton	10,767	10,767	—	—	—	66%
Baroness Morgan	9,444	9,444	—	—	—	63%
Douglas Hurt	11,600	11,600	—	—	—	65%
Simon Townsend	10,000	10,000	—	—	—	67%

1. Assumes closing mid-market share price on 30 September 2019 of 336.0 pence per share.

There have been no movements in Directors' shareholdings from the year end to the date of this report.

Rebecca Worthington – past Director's shareholding

Director	Total share interests at termination date	Shares held, including connected persons, at termination date	Outstanding LTIP share awards at termination date	Outstanding deferred share bonus awards termination date	Outstanding SAYE options at termination date
Rebecca Worthington	1,089,662	626,170	309,543	153,909	—

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

As announced on 17 April 2019, Rebecca Worthington left Countryside Properties PLC, having stepped down from her role as Group Chief Operating Officer and as a Director of the Company on 17 April 2019 (the "Termination Date"). Rebecca Worthington:

- received her basic salary and contractual benefits up to the Termination Date;
- post-termination up to 30 September 2019 continued to receive payments in lieu of her salary, car allowance and pension contributions during her 12-month notice period, paid in monthly instalments, which totalled £184,336;
- received the sum of £2,286 as a statutory redundancy payment;
- received £5,000 (plus VAT) which was paid directly to third-party providers to cover the cost of outplacement support;
- received £5,000 (plus VAT) which was paid directly to a third-party provider to cover legal fees incurred in obtaining advice in respect of the termination of her employment with the Company;
- remained eligible for a bonus for the financial year ended 30 September 2019 pro-rated to reflect the period she served as a Director (i.e. up to the Termination Date). £226,090 was payable, of which two-thirds will be paid in cash in December 2019 with the balance being deferred under the Deferred Bonus Plan for three years; and
- after pro-rating holds the following outstanding employee share plan awards at 30 September 2019:

Plan	Grant year	Award type	No. of Company shares subject to award	Vesting year
Deferred Bonus Plan	2016	Conditional award	62,016	2019
	2017	Conditional award	45,447	2020
	2018	Conditional award	46,446	2021
Long-Term Incentive Plan ("LTIP")	2016	Conditional award	208,531	2019
	2017	Conditional award	77,394	2020
	2018	Nil-cost option	23,618	2021

"Good leaver" treatment has been afforded, meaning these awards (and the Deferred Bonus Plan award to be granted in December 2019) will remain capable of vesting in accordance with their terms on their normal vesting dates. For the LTIP awards, vesting will be subject to the achievement by the Company of applicable performance conditions and pro-rating to reflect the period from the award date to the termination date. To the extent it vests, the 2018 LTIP award will be subject to a two-year holding period.

Application of the Policy in 2020

Base salary

Salaries were reviewed with effect from 1 October 2019 with an increase of 3% awarded to the Group Chief Executive in line with the wider workforce. Upon his appointment as Group CFO in October 2018, Mike Scott's base salary was set at £300,000, below the Committee's view of the market rate for the role. To reflect his excellent performance in the role, the Committee agreed an increase to £350,000 from 1 October 2019. Subject to continued performance and development in the year, a further increase to £400,000 is proposed from 1 October 2020. Once the realignment has been completed, it is anticipated future increases will be in line with the general workforce.

	2019	2020	% increase
Ian Sutcliffe	£546,000	£563,000	3.1%
Mike Scott	£300,000	£350,000	16.7%

Pension and benefits

As described in the Policy report, Ian Sutcliffe will receive a pension contribution of 25% and Mike Scott will receive a pension contribution of 10% of base salary. No other elements of remuneration are pensionable.

Annual bonus

Executive Directors are eligible to receive up to 150% of base salary as an annual bonus. The metrics and their weightings for 2020 are as follows:

Metric	% of maximum bonus
Group adjusted operating profit	50
Group adjusted operating margin	35
Group NHBC Recommend a Friend score	15

Note: Details of the targets for each metric are commercially sensitive and will not be disclosed prospectively.

Long-Term Incentive Plan

The Committee intends to grant Mike Scott an award at a level of 200% of salary shortly after the announcement of the 2019 results. Following the announcement that Ian Sutcliffe is to retire on 31 March 2020, he will not receive an award in December 2019. The proposed performance metrics and their weightings are set out below:

	Adjusted basic EPS (50%)		ROCE (50%)	
	3 year compound adjusted basic EPS growth	Pay-out % of element	%	Pay-out % of element
Below threshold	<4%	0%	<35.0	0%
Threshold	4%	25%	35.0	25%
Target	6.5%	50%	37.0	50%
Maximum	9.0%	100%	39.0	100%

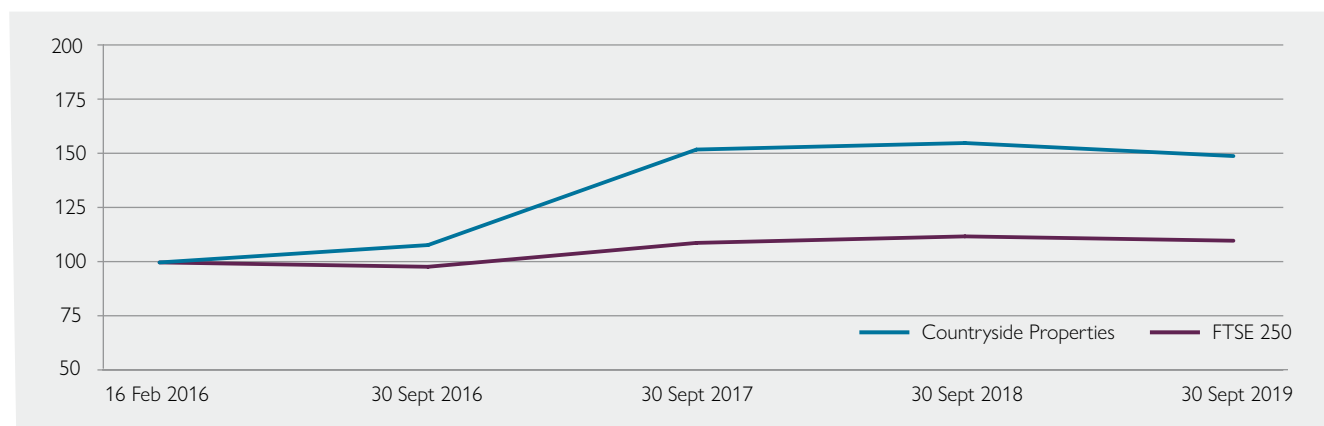
For each performance condition, vesting occurs on a linear basis for performance between each point. ROCE performance is measured for the year ending 30 September 2022. Adjusted basic EPS growth is measured over the three years ending 30 September 2022.

Fees for the Chairman and the Non-Executive Directors

During the year, a review of the Chairman's fees was undertaken and it was deemed that a market adjustment was appropriate. As a result, the Chairman received an increase of £25,000 in fees effective 1 October 2019, taking his basic fee to £200,000. Following a review of NED fees, the base fees were deemed to be appropriate, and so remain unchanged. The £5,000 increment for Committee Chairmanship and the Senior Independent Director was found to be below market median, and so this has been increased to £7,500. A summary of current annual fees is shown below:

Role	2019 fee £'000	2020 fee £'000	Percentage change
Chairman	175	200	14.3%
Non-Executive Director	50	50	—
Additional fees:			
Senior Independent Director	5	7.5	50%
Audit Committee Chair	5	7.5	50%
Remuneration Committee Chair	5	7.5	50%

Performance graph and table



As the Group is a member of the FTSE 250, management believes this to be a representative comparator for the Group.

Group Chief Executive pay table

Financial year	Name	Total remuneration £'000	Annual bonus as % of maximum	Vesting of LTIP as % of maximum
2019	Ian Sutcliffe	2,653¹	69.1%	77.9%
2018	Ian Sutcliffe	2,196 ²	100%	85.6% ³
2017	Ian Sutcliffe	1,418	100%	Not relevant

1. The 2019 total remuneration includes the LTIP TSR element of the February 2016 award, which vested during the year.

2. The 2018 total remuneration has been restated to reflect the actual vesting price of the shares from the February 2016 Scheme, which vested in the current year.

3. The 2018 LTIP vesting percentage has been updated to reflect the finalisation of the TSR vesting percentage on 18 February 2019.

The annual change in base salary, benefits and annual variable pay is set out below. Annual variable pay includes vestings under the Group's Long-Term Incentive Plan relating to awards granted in February 2016 and December 2016. Excluding these amounts, annual variable pay for 2019 was £566,000 (2018: £795,000), a decrease of 29% on 2018.

	2019 £'000	2018 £'000	Change %
Group Chief Executive ¹			
Base salary	546	530	3
Benefits	18	18	—
Annual variable pay	1,969	1,532	29
Average of all employees ¹			
Base salary	43	46	(7)
Benefits	4	5	(20)
Annual variable pay	11	14	(21)

1. All employees were awarded an average pay rise of 3% with effect from 1 October 2019.

The relative importance of remuneration in relation to other significant uses of the Group's cash is outlined below:

	2019 £m	2018 £m
Total staff costs	131.6	124.9
Dividend	56.0	41.1
Taxation paid	27.9	22.7
Interest paid	3.8	3.2

Dilution

The Group's share plans comply with the Investment Association's guidelines on dilution limits of 5% in ten years for discretionary schemes and 10% in ten years for all schemes. As at 30 September 2019, the Group had utilised 2.7% of the 10% in ten years limit and 2.0% of the 5% in ten years limit.

Remuneration Committee

The Remuneration Committee assists the Board in fulfilling its responsibilities in relation to remuneration. This includes: making recommendations to the Board on the Company's policy on executive remuneration; setting the overarching principles, parameters and governance framework of the Group's Remuneration Policy; and determining the individual remuneration and benefits package of each of the Company's Executive Directors.

The Remuneration Committee will also ensure compliance with the UK Corporate Governance Code in relation to remuneration. The UK Corporate Governance Code provides that a Remuneration Committee should comprise at least three members who are independent Non-Executive Directors (other than the Chairman).

Advisors

Aon plc provided independent advice to the Committee during the financial year, having been appointed by the Committee following an extensive competitive tendering process, which included a review of services to be provided and associated fees, after the Group's Listing in February 2016.

Aon has not provided any other services to the Company. The Committee is satisfied that the advice received from Aon in relation to executive remuneration matters during the year was objective and independent. Terms of engagement are available on request from the Company Secretary. Aon is a member of the Remuneration Consultants Group and abides by the Remuneration Consultants Group Code of Conduct, which requires its advice to be objective and impartial. The fees paid to Aon for advice during the year were £84,814 (excluding VAT).

Statement of shareholder voting

Votes cast at the Annual General Meeting held on 24 January 2019 in respect of the Remuneration Report are shown below:

	Remuneration Report	
	Total number of votes	Percentage of votes cast
For	390,660,070	98.96%
Against	4,095,736	1.04%
Total	394,755,806	100%
Withheld	2,396	N/A

Approval

This report and Policy was approved by the Board of Directors on 20 November 2019 and signed on its behalf by:

Amanda Burton

Chair of the Remuneration Committee

20 November 2019

Directors' report

The Directors present their report and the audited financial statements of Countryside Properties PLC (the "Company") and its subsidiaries (together, the "Group") for the year ended 30 September 2019.

The Directors' Report comprises pages 91 to 93 of this Annual Report, in addition to the sections incorporated by reference, including the Board biographies, the Corporate Governance Report, the Audit Committee Report, the Nomination Committee Report and the Directors' Remuneration Report.

In accordance with the UK Financial Conduct Authority's Listing Rules (LR 9.8.4C), the information to be included in the Annual Report and Accounts, where applicable, under LR 9.8.4, is set out in this Directors' Report.

General information

Countryside Properties PLC is a public limited company, listed on the Main Market of the London Stock Exchange, incorporated and domiciled in the UK. The registered address of the Company is Countryside House, The Drive, Brentwood, Essex CM13 3AT. The Company acts as the holding company and ultimate parent for the Group. More information on the Company, its financial position and its financial statements can be found on pages 140 to 148.

Principal activities and Strategic Report

Countryside is a UK homebuilder and urban regeneration partner, operating in locations across London, the South East, the North West of England, the Midlands and Yorkshire. We operate through two divisions: Housebuilding and Partnerships. Our Strategic Report on pages 2 to 55 sets out detailed information on the Group and its strategy, its principal activities, the operation of the businesses, and the results and financial position for the year ended 30 September 2019. Information on the principal risks and uncertainties facing the Group, trends and economic factors impacting the business and likely future developments can also be found in the Strategic Report.

Board changes

On 1 October 2018, Mike Scott joined the Board as Group Chief Financial Officer and Rebecca Worthington was appointed as Group Chief Operating Officer. On 15 February 2019 we announced the appointment of Simon Townsend as a Non-Executive Director of the Company with effect from 1 March 2019. Simon was subsequently appointed to each of the Board's Committees on 10 May 2019. On page 64 we set out Simon's induction process. On 17 April 2019 we announced that Rebecca Worthington was leaving the Group and stepping down from her role as Group Chief Operating Officer.

As reported on 21 November 2019, Ian Sutcliffe's last day as Group Chief Executive will be 31 December 2019, with Iain McPherson being promoted to the role with effect from 1 January 2020.

For more details on the members of the Board, see pages 58 and 59. The Corporate Governance Report on pages 62 to 66 gives more information on how the Board functioned during the year.

Directors' interests

The Directors' interests in the shares and share options of the Company are shown on page 87 of the Directors' Remuneration Report.

Significant contractual agreements

We do not consider that the Group is dependant upon any particular customer or supplier contract or other arrangement that is essential to the Group. Countryside has a £300m revolving credit facility which expires in May 2023.

Significant agreements – change of control

Upon a change of control of the Company, a number of significant agreements alter or terminate as follows:

- Revolving credit facility: Under the terms of the £300m revolving credit facility, which expires in May 2023, provided by a syndicate of banks to Countryside Properties, the lenders may, following such change in control, elect to continue to provide such facility, or alternatively cancel it and require all monies borrowed under such facility to be repaid.
- Directors and employees: There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid or change of control.

Equal opportunities

The Group is committed to employment policies which follow best practice based on equal opportunities for all employees, irrespective of gender, race, nationality, colour, disability, marital status, sexual orientation, age or religion. All decisions relating to employment practices are objective, free from bias and based upon work criteria and individual merit. The Group's policy is to offer appropriate training and career development to disabled persons that are, as far as possible, identical to other employees and in line with best practice. In the event of a member of staff becoming disabled, the Group makes every effort to continue employment, arrange appropriate retraining and offer opportunities for promotion. For more information on our diversity statistics, please refer to the Our People section on page 39.

Engagement with employees

The Group systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly so that their views can be taken into account when the Group makes decisions likely to affect their interests. During the year we have appointed Baroness Sally Morgan to represent the "employee voice" as a Non-Executive Director on the Board.

We encourage employee involvement in the Group; a common awareness of the financial and economic factors affecting the Group on the part of all employees plays a major role in maintaining the Group's customer-focused approach. For more information on how the Group engages its employees, refer to page 38 of this report. For more information on how employees can participate in the Group's performance through membership of the Long-Term Incentive Plan and Save As You Earn employee share plans, refer to pages 135 and 136 of the report.

Engagement with other key stakeholders

It is critical for the success of the Group that it engages with all of its key stakeholders, seeks their views and takes into consideration their interests as part of its decision-making process. On pages 14 to 17 of this report we set out the ways in which we engage with key stakeholders, what they are telling us and how that has been taken into account in the Board's decision-making process.

Policy on financial instruments

The policy on financial instruments is covered in the accounting policy (Note 3) to the financial statements. The Notes to the financial statements include the Company's policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

Independent auditor

The Board is satisfied that PricewaterhouseCoopers LLP ("PwC") remained independent for the purpose of the 2019 audit.

Corporate governance

A report on Countryside's corporate governance framework, together with how we comply with the principles and provisions of the UK Corporate Governance Code, can be found in the Corporate Governance Report on pages 62 to 66. This forms part of this Directors' Report and is incorporated into it by cross-reference.

Political contributions

The Group does not make political contributions.

Dividend

The Directors recommend the payment of a final dividend of 10.3 pence (2018: 6.6 pence) per ordinary share, taking the total dividend for 2019 to 16.3 pence per ordinary share (2018: 10.8 pence). If approved by shareholders at the Annual General Meeting, this will be paid on 7 February 2020 to those shareholders on the register at the close of business on 20 December 2019.

The Company will continue to operate a Dividend Reinvestment Plan ("DRIP"), further details of which can found on our website at <https://investors.countrysideproperties.com/shareholder-information/dividend-information>. The DRIP will operate automatically in respect of the 2019 final dividend for those shareholders who have previously registered a DRIP mandate (unless changed beforehand by shareholders). It will also operate in respect of all future dividends, until such time as each participating shareholder elects to withdraw from the DRIP or the DRIP is suspended or terminated in accordance with its terms and conditions. The Board will continue to keep the availability of the DRIP under regular review.

Substantial shareholdings

At 15 November 2019, being the latest practicable date prior to the publication of this Annual Report, the Company has been notified of the following interests amounting to 3% or more of the voting rights in the issued share capital of the Company:

	Interest in Countryside
Standard Life Aberdeen	15.50%
Aviva Investors	10.67%
M&G Investment Management Ltd	6.94%
Ruffer	5.64%
Invesco	5.28%
Blackrock Inc	4.19%
Blackrock (Transitional Manager)	3.95%
The Vanguard Group	3.83%
Kames Capital	3.71%
JO Hambro Capital Management	3.04%

Shareholders are again reminded to check their position regarding any dividend mandates in place, should they either wish to participate in the DRIP or discontinue or change their participation. Existing mandates will apply to all dividend payments unless or until revoked.

The Trustee of the Company's Employee Benefit Trust has waived the right to receive any dividend over the shares held by that Trust.

Power of the Directors

Subject to the Company's Articles of Association, the Companies Act and any directions given by the Company by special resolution, the business of the Company will be managed by the Board, which may exercise all powers of the Company.

Directors' indemnities

By means of a Deed of Indemnity entered into separately by the Company and each Director, there is a qualifying third-party indemnity provision (as per the Companies Act 2006). This provides, for the financial year ended 30 September 2019 and as at the date of this document, that the Company may pay for Directors' indemnities out of its own assets. The Company has obtained directors' and officers' insurance for this purpose.

Share capital

At the date of this report, 450,000,000 ordinary shares (the same number as at admission to the London Stock Exchange) of £0.01 each have been issued, are fully paid up and are admitted to trading on the London Stock Exchange. The Company's Articles of Association, copies of which can be obtained from the Company's website, set out the rights and obligations attaching to the Company's ordinary shares, as well as the powers of the Company's Directors.

We provide details of employee share plans in Note 30 to the Group financial statements.

Purchase of the Company's own shares

At the 2019 AGM, shareholders approved a resolution permitting the Company to make purchases of its own shares up to a maximum of 45,000,000 ordinary shares (representing 10% of the issued share capital at 12 December 2018). This resolution remains in force until the conclusion of the 2020 AGM. The Company has made no purchases of its own shares to date.

The Company will seek to renew this authority at the 2020 AGM.

Authority to allot shares

At the 2019 AGM, shareholders approved a resolution permitting the Directors to allot shares up to an aggregate nominal value of £1,500,000. Shareholders also approved a resolution authorising the Directors to allot shares up to a further aggregate nominal amount of £1,500,000 in connection with a rights issue. As at 20 November 2019, the Directors had not used these authorities, which will remain in force until the conclusion of the 2020 AGM.

The Company will seek to renew this authority at the 2020 AGM.

Statement of disclosure of information to the auditor

Each Director of the Company confirms that, as far as each is aware, there is no relevant audit information of which the Company's auditor is unaware and that each of the Directors has taken all the steps they ought to have taken individually as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Going concern

The Group's business activities, together with the factors likely to affect its future development, are set out in the Strategic Report on pages 2 to 55. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described on pages 34 to 37 of the Strategic Report. Further disclosures regarding borrowings are provided in Note 21.

As described in the Viability Statement, the Directors have assessed the prospects and viability of the Company over a three-year period to September 2022. The Board has performed a robust assessment of the principal risks facing the Company, including those risks that would threaten Countryside's business model, future performance, solvency or liquidity.

Having considered the Group's cash flow forecasts, the Directors are satisfied the Group has sufficient liquidity and covenant headroom to enable the Group to conduct its business and meet its liabilities as they fall due for at least the next 12 months. Accordingly, these financial statements are prepared on a going concern basis.

The Directors' Viability Statement is in the Strategic Report on page 53.

Parent company financial position

As at 30 September 2019, the parent company had net assets of £588.2m and net current liabilities of £138.8m. The parent company's ability to continue as a going concern is inextricably linked to the results of the Group as a whole. Having considered the Group's cash flow forecasts, the Directors are satisfied that the parent company has sufficient liquidity and covenant headroom to enable the parent company to meet its liabilities as they fall due for at least the next 12 months.

Carbon emissions

We set out details of the Group's approach to the environment, including information in relation to its carbon emissions, in the section headed Environment on pages 46 to 48. This forms part of the Sustainability Report section of the Annual Report on pages 41 to 48.

Annual General Meeting

The 2020 Annual General Meeting of the Company will be held at the offices of Linklaters LLP, One Silk Street, London EC2Y 8HQ, at 1.00 pm on 23 January 2020.

The notice convening the meeting, together with details of the business to be considered and explanatory notes, is distributed separately to shareholders. It is also available on our website.

By order of the Board

Gary Whitaker
Company Secretary
20 November 2019

Statement of Directors' responsibilities

In respect of the financial statements

The Directors are responsible for preparing the Annual 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 ("IFRSs") as adopted by the European Union and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 parent company and of the profit or loss of the Group and parent 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 IFRSs as adopted by the European Union have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 102, 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 parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and parent 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 parent 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 parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and parent company's performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Board of Directors section, confirms that, to the best of their knowledge:

- the parent company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law), give a true and fair view of the assets, liabilities, financial position and loss of the Company;
- the Group financial statements, which have been prepared in accordance with IFRSs 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 includes a fair review of the development and performance of the business and the position of the Group and parent company, together with a description of the principal risks and uncertainties that it faces.

By order of the Board

Ian Sutcliffe
Group Chief Executive
20 November 2019

Mike Scott
Group Chief Financial Officer
20 November 2019

Independent auditor's report

To the members of Countryside Properties PLC

Report on the audit of the financial statements

Opinion

In our opinion:

- Countryside Properties PLC's Group financial statements and Parent company financial statements (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 30 September 2019 and of the Group's profit and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 Report, which comprise: the Consolidated and Parent company statements of financial position as at 30 September 2019; the Consolidated statement of comprehensive income, the Consolidated cash flow statement, and the Consolidated and Parent company statements of changes in equity for the year then ended; the accounting policies; and the notes to the Consolidated and Parent company financial statements.

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 Parent company.

Other than those disclosed in note 7 to the financial statements, we have provided no non-audit services to the Group or the Parent company in the period from 1 October 2018 to 30 September 2019.

Our audit approach

Context

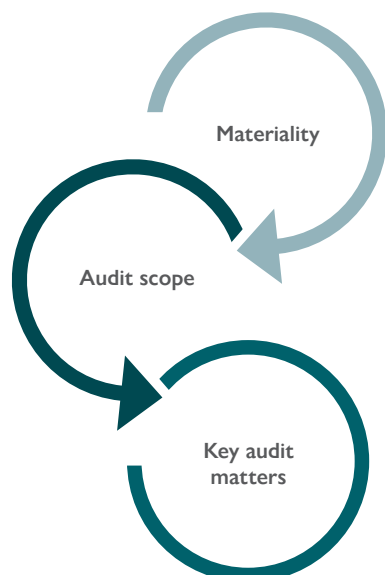
Countryside Properties PLC is a British housebuilder and urban regeneration company listed on the London Stock Exchange. The Group is wholly UK based, operating in London and the South East of England, and in the Midlands, Yorkshire and North West of England through its Partnerships division.

The Group is susceptible to external macro-economic factors such as government regulation, mortgage availability and changes in the wider building sector such as customer demand, supply chain availability and build cost inflation. This is particularly relevant for our work in the areas of margin forecasting and the valuation of inventory.

Report on the audit of the financial statements continued

Our audit approach continued

Overview



- Overall Group materiality: £11.0 million (2018: £9.8 million), based on 5% of profit before tax, adjusted for non-underlying items.

- Overall Parent company materiality: £8.0 million (2018: £8.0 million), based on 1% of total assets, restricted to an amount below the Group overall materiality.

- The Group operates in two divisions, Partnerships and Housebuilding, as set out in the Annual Report (refer to pages 26 to 33). Each of the divisions is broken down into a number of reporting units which are consolidated into the Group financial statements along with central reporting entities.
- We performed audit work over the complete financial information of 31 reporting units, including central reporting entities and the Parent company which accounted for 92 per cent of the Group's revenues and 82 per cent of the Group's profit before tax, adjusted for non-underlying items.
- We also performed audit work over material revenue and inventory balances outside of these 31 reporting units. Together, this accounted for 97 per cent of the Group's revenues and 92 per cent of the Group's profit before tax, adjusted for non-underlying items.

- Cost forecast and margin estimates (Group).
- Land and inventory valuation (Group).
- Commercial land transactions (Group).
- Finalisation of acquisition accounting – Westleigh (Group).
- Recoverability of investments (Parent).

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.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the acts by the Group which were contrary to applicable laws and regulations including fraud and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to inflated revenue and profit. Audit procedures performed included: review of the financial statement disclosures to underlying supporting documentation, review of correspondence with and reports to the regulators, review of correspondence with legal advisors, enquiries of management and review of internal audit reports in so far as they related to the financial statements, and testing of journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, 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.

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.



Report on the audit of the financial statements continued

Our audit approach continued

Key audit matters continued

Key audit matter	How our audit addressed the key audit matter
Cost forecast and margin estimates (Group) <i>Refer to Note 3 (Accounting policies) and Note 2 (Critical accounting judgements and estimates).</i> The Group's margin recognition framework is based on the margin forecast for each site. These margins, which drive the recognition of costs as each unit is sold, reflect estimated selling prices and costs for each development. This process is effectively a method of allocating the total forecast costs, representing both land and build costs of a development, over each individual unit. There is a risk that the margin forecast for the site and the margin subsequently recognised on each unit sale is not appropriate and reflective of the actual final profit margin that will be recognised on a development. We consider the appropriate margin recognition across the life of the site to be the most significant financial reporting risk for the Group, principally due to the high level of management judgement involved in the accounting for the Group's developments given that sales prices and build costs are inherently uncertain and are influenced by changes in external market factors, such as the availability of mortgages and build cost inflation.	We obtained an understanding of management's process for preparing a site forecast and evaluated management's controls over cost forecasting and changes to forecasts. We tested management's controls over the approval of initial forecasts as well as the controls over the regular updating of forecasts. In response to costs not having been appropriately recognised within the Manchester region as reported at the half year, we also attended an increased number of management's monthly cost review meetings which gave us additional evidence over the robustness of the forecasting process across the Group. We held discussions with management to understand the status and progress of a sample of sites and tested that the explanations received were consistent with the latest management forecast. Our substantive procedures focused on sites that generated significant revenue in the year and we: - assessed the appropriateness of a sample of underlying assumptions within the forecasts, including sales prices and costs which have a significant impact on the site forecasts; - assessed management's historical forecasting accuracy on completed sites in FY19, understanding the reasons and testing, where appropriate, differences from the FY18 forecast margin; - tested a sample of forecast sales prices to the actual sales price attained for similar properties to support the validity of the estimated sales price in the forecast; and tested a sample of costs incurred to third-party support to assess the completeness and accuracy of the costs. We also recalculated the forecast margin. We performed specific audit procedures in response to the impairment of inventory as a result of costs not being appropriately recognised in the Manchester region. This included procedures to verify that this was isolated to the Manchester region and that the forecast costs to complete had been appropriately reflected at the year end. Based on the procedures performed, we did not identify any sites where we considered the forecast margin to be inappropriate.
Land and inventory valuation (Group) <i>Refer to Note 3 (Accounting policies) and Note 2 (Critical accounting judgements and estimates).</i> Inventory is comprised of land held for development, work in progress, raw materials and completed units/part-exchanged properties. Inventory is the most significant balance in the consolidated statement of financial position and is held at the lower of cost and net realisable value ("NRV") being the margin the development is forecast to make over its lifecycle based upon forecast sales prices and build costs. The NRV of each development is forecast and monitored as described in the "Cost forecast and margin estimates" 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 a development's NRV may be subject to estimation error, leading to inventory being held at an incorrect value and an unrecorded impairment charge.	We obtained an understanding of management's process for preparing a site forecast. We understood and evaluated management's controls over the cost forecasting process and tested the key controls over the approval of the initial forecasts and the monitoring of updates required to the forecasts over the course of a site's life. We considered margins for all material sites to identify those with low or eroding margins, due to specific issues or underperformance. We discussed these sites with management, including considering the level of provisions, if any, held against these sites and corroborated the explanations with available external evidence. We obtained an analysis of the composition of the inventory balance, specifically the level of completed but unreserved units, to understand if completed stock is held at the appropriate carrying value. We also assessed the historical accuracy of management's forecasting on completed sites in FY19, understanding the reasons and testing, where appropriate, differences to the forecast margin. For sites with a provision, we compared the inventory valuation with the forecast NRV. Based on the procedures performed, we did not identify any sites where we determined additional impairments were required, above those already recorded by management.
Commercial land transactions (Group) <i>Refer to Note 3 (Accounting policies).</i> The Group has entered into a number of commercial land transactions during the year. The nature of these transactions can be complex and bespoke. Due to their complex nature, we focused on this area to ensure that the accounting reflected the underlying agreements.	We held discussions with management to understand the substance of material commercial land transactions. Where applicable, we read the relevant extracts from management's papers on the proposed accounting treatment of the transactions. We substantively tested material or complex land acquisitions and disposals through examination of contracts and agreements to check that the transaction and subsequent overage terms had been identified and accounted for appropriately, and that all the related liabilities had been properly recorded in the financial statements. We assessed the accounting treatment of the transactions against IFRS 15 as applicable. We were satisfied that management had appropriately accounted for these transactions.

Independent auditor's report continued

To the members of Countryside Properties PLC

Report on the audit of the financial statements continued

Our audit approach continued

Key audit matters continued

Key audit matter	How our audit addressed the key audit matter
Finalisation of acquisition accounting – Westleigh (Group) The Group completed the acquisition of Westleigh Group Limited, a Partnerships house builder, headquartered in Leicester, on 12 April 2018. The Group Financial Statements within the 2018 Annual Report presented provisional accounting for the acquisition, based on an assessment of fair values that was underway at that time. The Directors' assessment of the fair values of Westleigh's assets and liabilities has now concluded within the measurement period, as defined by IFRS 3. As a result, during 2019, goodwill relating to Westleigh has increased by £10.0m to £72.0m, primarily due to the fair value of inventories being reduced by £8.9m. This change has been reflected in the comparative presentation of the Consolidated Statement of Financial Position as at 30 September 2018, with no change to reported results or cash flows. There were no other changes to goodwill during the period.	We read the technical papers prepared by management in respect of the acquisition and inspected relevant contracts and information. During 2018 we challenged the methodology and assumptions used in determining the brand, customer relationships and order book value and there has been no change in the assessment. During 2019 management has finalised the fair value calculation of the inventory and other balance sheet items. We have tested a sample of the adjustments and understood management's rationale for adjustments made. Based upon the above, we are satisfied that the Directors have made appropriate adjustments in finalising the acquisition accounting of Westleigh Group Limited.
Recoverability of investments (Parent) The Parent company holds investments in its subsidiaries totalling £727 million. We focused on this area due to the size of the investment balance as there is a risk of material misstatement if the underlying investments are under-performing.	We obtained management's assessment of the carrying value of the investments. We agreed the cash flow forecast used in the assessment to formally approved forecasts. We assessed key assumptions within management's forecasts. We performed a sensitivity analysis over key assumptions, including the discount and growth rates. We did not identify any exceptions in our audit procedures.

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 Parent company, the accounting processes and controls, and the industry in which they operate.

The Group is comprised of two divisions, Housebuilding and Partnerships. Each of the divisions is broken down into a number of reporting units (which also include joint ventures and an associate) which are consolidated into the Group financial statements, along with the centralised functions.

The reporting units vary in size and we identified 31 reporting units, including centralised functions and the Parent company which required an audit of their complete financial information due to their individual size. These 31 reporting units were all audited by the Group engagement team and, where applicable, included the audit of the joint ventures and the associate. The reporting units where we performed an audit of the complete financial information accounted for 82 per cent of the Group's profit before tax, adjusted for non-underlying items and 92 per cent of the Group's revenue.

We also performed audit work over material revenue and inventory balances outside of these 31 reporting units. Together, this accounted for 97 per cent of the Group's revenues and 92 per cent of the Group's profit before tax, adjusted for non-underlying items. Our audit work at these reporting units, together with the additional procedures performed at Group level on the consolidation, goodwill, joint ventures, tax, the acquisition of the Westleigh Group, and share based payments, gave us the evidence we needed for our opinion on the Group and Parent 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	Parent company financial statements
Overall materiality	£11.0 million (2018: £9.8 million).	£8.0 million (2018: £8.0 million).
How we determined it	5% of profit before tax, adjusted for non-underlying items.	1% of total assets, restricted to an amount below the Group overall materiality.
Rationale for benchmark applied	Based on our professional judgement, we determined materiality by applying a benchmark of 5% of profit before tax, adjusted for non-underlying items. We believe that underlying profit before tax is the most appropriate measure as it eliminates any disproportionate effect of non-underlying charges and credits and provides a consistent year-on-year basis for our work.	We believe that total assets is the primary measure used by the shareholders in assessing the position of the entity, and is an 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 £0.03 million and £8.0 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 £500,000 (Group audit) (2018: £500,000) and £500,000 (Parent company audit) (2018: £500,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Report on the audit of the financial statements continued

Our audit approach continued

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 Parent 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. As not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Parent company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Group's trade, customers, suppliers and the wider economy.
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 30 September 2019 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 Parent 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 53 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 53 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 Parent company and their environment

Independent auditor's report continued

To the members of Countryside Properties PLC

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the Directors, on page 94, 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 Parent company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Parent company obtained in the course of performing our audit.
- The section of the Annual Report on pages 68 to 71 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 Parent 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, 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 Parent 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 Parent 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 Parent 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 Parent 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 Parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

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 19 November 2015 to audit the financial statements for the year ended 30 September 2016 and subsequent financial periods. The period of total uninterrupted engagement is four years, covering the years ended 30 September 2016 to 30 September 2019.

John Waters (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

20 November 2019



Consolidated statement of comprehensive income

For the year ended 30 September 2019

	Note	2019 £m	2018 £m
Revenue	6	1,237.1	1,018.6
Cost of sales		(983.5)	(788.9)
Gross profit		253.6	229.7
Administrative expenses		(83.2)	(80.4)
Operating profit		170.4	149.3
Analysed as:			
Adjusted operating profit		234.4	211.4
Less: share of joint ventures and associate operating profit	15, 16	(46.8)	(46.4)
Less: non-underlying items	7	(17.2)	(15.7)
Operating profit		170.4	149.3
Finance costs	8	(11.9)	(12.0)
Finance income	9	1.0	1.4
Share of post-tax profit from joint ventures and associate	15, 16	44.1	42.0
Profit before income tax		203.6	180.7
Income tax expense	10	(35.2)	(32.1)
Profit for the year		168.4	148.6
Profit is attributable to:			
– Owners of the parent		167.7	147.9
– Non-controlling interest		0.7	0.7
		168.4	148.6
Other comprehensive income/(expense)			
Items that may be reclassified to profit and loss:			
– Increase in the fair value of available for sale financial assets		—	0.1
Items reclassified to profit and loss:			
– Reclassification of available for sale reserve to profit and loss		—	(0.4)
Total comprehensive income for the year		168.4	148.3
Total comprehensive income for the year attributable to:			
– Owners of the parent		167.7	147.6
– Non-controlling interest		0.7	0.7
		168.4	148.3
Earnings per share (expressed in pence per share):			
Basic	11	37.7	33.1
Diluted	11	37.3	32.6

Revenue and operating profits arise from the Group's continuing operations.

Consolidated statement of financial position

As at 30 September 2019

	Note	2019 £m	2018 restated £m
Assets			
Non-current assets			
Intangible assets	12	170.9	179.5
Property, plant and equipment	13	12.8	7.7
Investment in joint ventures	15	62.2	62.5
Investment in associate	16	3.5	5.4
Financial assets at fair value through profit or loss	17	—	4.1
Deferred tax assets	18	5.3	9.3
Trade and other receivables	20	15.2	21.8
		269.9	290.3
Current assets			
Inventories	19	808.6	740.8
Financial assets at fair value through profit or loss	17	5.0	—
Trade and other receivables	20	232.8	165.9
Cash and cash equivalents	21	75.6	47.2
		1,122.0	953.9
Total assets		1,391.9	1,244.2
Liabilities			
Current liabilities			
Trade and other payables	22	(322.6)	(317.6)
Current income tax liabilities		(24.7)	(18.7)
Provisions	23	(1.8)	(4.2)
		(349.1)	(340.5)
Non-current liabilities			
Borrowings	21	(2.2)	(2.2)
Trade and other payables	22	(130.0)	(93.8)
Deferred tax liabilities	18	(10.9)	(12.9)
Provisions	23	(0.6)	(1.1)
		(143.7)	(110.0)
Total liabilities		(492.8)	(450.5)
Net assets		899.1	793.7
Equity			
Share capital	24	4.5	4.5
Reserves		892.3	787.6
Equity attributable to owners of the parent		896.8	792.1
Equity attributable to non-controlling interest		2.3	1.6
Total equity		899.1	793.7

The Group's financial position as at 30 September 2018 has been restated, as described in Note 3.

The notes on pages 105 to 139 form part of these financial statements.

These financial statements were approved by the Board of Directors on 20 November 2019.

On behalf of the Board

Ian Sutcliffe
Director

Mike Scott
Director



Consolidated statement of changes in equity

For the year ended 30 September 2019

	Note	Share capital £m	Retained earnings £m	Available for sale reserve £m	Equity attributable to owners of the parent £m	Non-controlling interest £m	Total equity £m
At 1 October 2017		4.5	684.8	0.3	689.6	0.9	690.5
Comprehensive income							
Profit for the year		—	147.9	—	147.9	0.7	148.6
Other comprehensive expense		—	—	(0.3)	(0.3)	—	(0.3)
Total comprehensive income		—	147.9	(0.3)	147.6	0.7	148.3
Transactions with owners							
Share-based payments, net of deferred tax	18, 30	—	7.4	—	7.4	—	7.4
Purchase of shares by Employee Benefit Trust	24	—	(11.4)	—	(11.4)	—	(11.4)
Dividends paid	35	—	(41.1)	—	(41.1)	—	(41.1)
Total transactions with owners		—	(45.1)	—	(45.1)	—	(45.1)
At 30 September 2018		4.5	787.6	—	792.1	1.6	793.7
Comprehensive income							
Profit for the year		—	167.7	—	167.7	0.7	168.4
Total comprehensive income		—	167.7	—	167.7	0.7	168.4
Transactions with owners							
Share-based payments, net of deferred tax	18, 30	—	6.0	—	6.0	—	6.0
Purchase of shares by Employee Benefit Trust	24	—	(13.0)	—	(13.0)	—	(13.0)
Dividends paid	35	—	(56.0)	—	(56.0)	—	(56.0)
Total transactions with owners		—	(63.0)	—	(63.0)	—	(63.0)
At 30 September 2019		4.5	892.3	—	896.8	2.3	899.1

Consolidated cash flow statement

For the year ended 30 September 2019

	Note	2019 £m	2018 £m
Cash generated from operations	25	86.9	111.4
Interest paid		(3.8)	(3.2)
Tax paid		(27.9)	(22.7)
Net cash inflow from operating activities		55.2	85.5
Cash flows from investing activities			
Purchase of intangible assets	12	(3.1)	(1.4)
Purchase of property, plant and equipment	13	(7.8)	(5.3)
Proceeds from disposal of available for sale financial assets		—	4.8
Proceeds from disposal of property, plant and equipment		0.3	—
Acquisition of subsidiary (net of cash acquired)		—	(39.9)
Funding to settle subsidiary's net debt on acquisition		—	(71.2)
Repayment of advances to joint ventures and associate	27	6.8	11.5
Investment in new joint ventures	15	—	(3.2)
Repayment of members' interest	15	2.9	12.1
Dividends received from joint ventures and associate	15, 16	43.1	26.9
Net cash inflow/(outflow) from investing activities		42.2	(65.7)
Cash flows from financing activities			
Dividends paid	35	(56.0)	(41.1)
Purchase of shares by Employee Benefit Trust	24	(13.0)	(11.4)
Borrowings under revolving credit facility		—	125.0
Repayment of borrowings under revolving credit facility		—	(125.0)
Proceeds from other borrowings	21	—	2.5
Net cash outflow from financing activities		(69.0)	(50.0)
Net increase/(decrease) in cash and cash equivalents		28.4	(30.2)
Cash and cash equivalents at the beginning of the year		47.2	77.4
Cash and cash equivalents at the end of the year	21	75.6	47.2

Notes to the consolidated financial statements

For the year ended 30 September 2019

1. General information

Countryside Properties PLC (the "Company") is a public limited company incorporated and domiciled in the United Kingdom whose shares are publicly traded on the London Stock Exchange. The Company's registered office is Countryside House, The Drive, Brentwood, Essex CM13 3AT.

The Group's principal activities are building new homes and regeneration of public sector land.

The parent company financial statements are on pages 140 to 145.

2. Critical accounting judgements and estimates

The preparation of the Group's financial statements under International Financial Reporting Standards ("IFRS"), as adopted by the European Union, requires the Directors to make estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income, expenses and related disclosures.

Critical accounting judgements

In the process of applying the Group's accounting policies, which are described in Note 3, the Directors have made no individual judgements that have a significant impact on the financial statements, apart from those involving estimates which are described below.

Key sources of estimation uncertainty

Estimates and underlying assumptions affecting the financial statements are based on historical experience and other relevant factors and are reviewed on an ongoing basis. This approach forms the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. 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. Such changes are recognised in the year in which the estimate is revised.

The key sources of estimation uncertainty that have a risk of causing a material adjustment to the carrying value of assets and liabilities are described below.

Estimation of site profitability

In order to determine the profit or loss that the Group recognises on its developments and construction contracts in a specific period, the Group allocates the total cost of each development or construction contract between the proportion completing in the period and the proportion to complete in a future period. The assessment of the total costs to be incurred requires a degree of estimation due to the long-term nature of the Group's activities and because actual costs are subject to market fluctuations. Group management has established internal controls to review and ensure the appropriateness of estimates made on an individual development or contract basis. No individual development or contract is sufficiently large that a plausible change in estimates would result in a material change to the Group's results. However, a change in estimated margins on several sites (due, for example, to changes in estimates of cost inflation or a material reduction in house prices in the private market) could materially alter future profitability. As an illustration, a reasonably possible change in margins of 5% across all sites in 2019 would have reduced gross profit and net assets by an estimated £60m, or £70m on an adjusted basis.

3. Accounting policies

Basis of preparation

These financial statements for the year to 30 September 2019 are those of the Company and all of its subsidiaries. They have been prepared in accordance with IFRS as adopted by the European Union, IFRS Interpretations Committee ("IFRS IC") interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

These financial statements have been prepared on a going concern basis in Sterling and rounded to the nearest £0.1m under the historical cost convention, except for financial assets at fair value through profit or loss, share-based payments and certain other assets and liabilities recognised at fair value in business combinations.

Prior year restatement

During the prior financial year, the Group acquired 100% of Westleigh Group Limited ("Westleigh"). The fair values of acquired net assets have been finalised during the year and the statement of financial position as at 30 September 2018 restated accordingly, as required by IFRS 3 "Business Combinations". There was no change to the reported financial performance or cash flows of the Group. Refer to Note 14 for further detail.

Going concern

The Group's business activities, together with the factors likely to affect its future development, are set out in the Strategic Report on pages 2 to 33. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described on pages 34 to 37 of the Strategic Report. Further disclosures regarding borrowings are provided in Note 21.

As described in the Viability Statement on page 53, the Directors have assessed the prospects and viability of the Company over a three-year period to September 2022. The Board has performed a robust assessment of the principal risks facing the Company, including those risks that would threaten Countryside's business model, future performance, solvency or liquidity.

The Board has also performed a further assessment of the Group's going concern status over the next 12 months. Having considered the Group's cash flow forecasts, the Directors are satisfied that the Group has sufficient liquidity and covenant headroom to conduct its business and meet its liabilities as they fall due for at least 12 months from the date of these financial statements. Accordingly, these financial statements have been prepared on a going concern basis.

Notes to the consolidated financial statements continued

For the year ended 30 September 2019

3. Accounting policies continued

Adoption of new and revised accounting standards

During the financial year ended 30 September 2019, the Group adopted the following standards and amendments issued by the International Accounting Standards Board ("IASB"):

- IFRS 9 "Financial Instruments";
- IFRS 15 "Revenue from Contracts with Customers";
- Amendments to IFRS 2 "Share-based Payment" regarding the classification and measurement of share-based payment transactions; and
- Annual Improvements to IFRSs 2014–2016 Cycle.

Information on the initial application of IFRS 9 and IFRS 15, including the impact on the financial position and performance of the Group, has been disclosed in Note 36. The adoption of the other amendments in the year did not have any impact on the financial statements.

Standards, interpretations and amendments in issue but not yet effective

IFRS 16 "Leases" has been issued, and is effective for the Group for the financial year ending 30 September 2020. IFRS 16 addresses the definition, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. The standard replaces IAS 17 "Leases" and related interpretations.

IFRS 16 requires lessees to recognise right of use assets and lease liabilities on the statement of financial position for all leases, except short-term and low value asset leases. At commencement of the lease, the lease liability equals the present value of future lease payments, and the right of use asset equals the lease liability, adjusted for payments already made, lease incentives, initial direct costs and any provision for dilapidation costs.

For operating leases entered into prior to the adoption of IFRS 16, the rental charge is replaced by depreciation of the right of use asset and interest on the lease liability. IFRS 16 therefore results in an increase to operating profit, which is reported prior to interest being deducted. Depreciation is charged on a straight line basis; however, as interest is charged on outstanding lease liabilities it reduces over the life of the lease. As a result, the impact on profit before tax is highly dependent on lease maturity.

The Group has carried out a detailed exercise to determine the impact of IFRS 16 on the Group's financial position and performance based on the lease commitments of the Group as at 30 September 2019.

The Group will adopt the modified retrospective approach to transition, applying the practical expedients available under this approach. A right of use asset of around £35m will be recognised on the statement of financial position with a corresponding lease liability recognised of the same value. There will therefore be no impact on net assets on transition to IFRS 16.

The approximate impact on operating profit for the financial year ending 30 September 2020 is an increase of c.£1m with a small reduction in profit before tax after the unwind of the discount on the lease liability through finance costs.

The following amendments to standards and interpretations have also been issued, but are not yet effective and have not been early adopted for the financial year ended 30 September 2019:

- Annual Improvements to IFRSs 2015–2017 Cycle;
- Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" regarding the definition of material; and
- Amendments to IAS 28 "Investments in Associates and Joint Ventures" regarding long-term interests in associates and joint ventures.

The adoption of these amendments is not expected to have a material impact on the Group.

Basis of consolidation

Subsidiaries are entities which the Group has the power to control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to govern the financial and operating policies so as to obtain economic benefits from its activities. The financial statements of subsidiaries are consolidated in the Group financial statements using the acquisition method of accounting from the date on which control is obtained up until the date that control ceases.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the statement of comprehensive income, the statement of changes in equity and the statement of financial position.

Where the accounting policies of a subsidiary or equity-accounted investee do not conform in all material respects to those of the Group, adjustments are made on consolidation to reflect the accounting policies of the Group.

Intragroup transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated in preparing the financial statements. Gains arising from transactions with joint arrangements and associates are eliminated as described below.

Joint ventures and associates

Where the Group collaborates with other entities on a development or contract, a judgement is made of the nature of the relationship. Where there is joint control (as described by IFRS 11), the arrangement is classified as a joint arrangement and accounted for using the equity method (for joint ventures) or on the basis of the Group's proportional share of the arrangement's assets, liabilities, revenues and costs (for joint operations).

The Group's joint ventures are disclosed in Note 15.

An associate is an entity over which the Group is in a position to exercise significant influence but does not exercise control or joint control. Investments in associates are accounted for using the equity method. The Group's associates are disclosed in Note 16.

3. Accounting policies continued

Joint ventures and associates continued

Under the equity method of accounting, interests in joint ventures and associates are initially recognised at cost and adjusted thereafter to recognise the Group's share of profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture or associate equals or exceeds its interests in the joint venture or associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture or associate.

Unrealised losses arising on transactions between the Group and its joint ventures and associates are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The Group funds its joint ventures and associates through a combination of equity investments and shareholder loans. The Directors review the recoverability of investments and shareholder loans for impairment annually. Where an investment is held in a joint venture or associate which has net liabilities, the investment is held at £Nil and other long-term interests, such as shareholder loans, are reduced by the value equal to the net liabilities, unless the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture or associate.

Purchase of shares by Employee Benefit Trust

From time to time, the Employee Benefit Trust ("EBT") purchases shares of the Company in order to hold an appropriate level of shares towards the future settlement of outstanding share-related incentives on behalf of the Group. The EBT is funded directly by the Group. The EBT waives its dividend and voting rights in respect of the shares it holds. The purchase value of EBT shares is charged to retained earnings.

Business combinations

All acquisitions are accounted for using the acquisition method of accounting. The cost of an acquisition is the aggregate of the fair values of the assets transferred, liabilities incurred or assumed and equity instruments issued at the date of acquisition. The consideration transferred includes the fair value of the asset or liability resulting from a deferred or contingent consideration arrangement, unless that arrangement is dependent on continued employment of the beneficiaries.

The identified assets and liabilities are measured at their fair value at the date of acquisition. The excess of consideration over the Group's share of the fair value of the total identifiable net assets acquired is recorded as goodwill.

Costs directly relating to an acquisition are expensed to the statement of comprehensive income.

Intangible assets

Goodwill

Goodwill recognised on acquisition of a subsidiary represents the excess of consideration over the Group's share of the fair value of the total identifiable net assets acquired. If the total consideration transferred is less than the fair value of the net assets acquired, the difference is recognised directly in the statement of comprehensive income.

An impairment review is carried out annually or when circumstances arise that may indicate an impairment is likely. The carrying value of goodwill is compared to its recoverable amount, being the higher of its value in use and its fair value less costs of disposal. Any impairment is charged immediately to the statement of comprehensive income and is not subsequently reversed.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ("CGUs"), or groups of CGUs, that are expected to benefit from the synergies of the combination. Each CGU or group of CGUs to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Brands

The Group carries assets on the statement of financial position for brands that have been acquired. Internally generated brands are not recognised. Cost is determined at acquisition as being directly attributable cost or, where relevant, by using an appropriate valuation method. The assets are tested for impairment when a triggering event is identified and are amortised over a period of between five and twenty years.

Customer-related assets

The Group carries customer-related intangible assets on the statement of financial position resulting from acquisitions. Internally generated relationships are not recognised. These assets are recognised at fair value. The assets are tested for impairment when a triggering event is identified and are amortised over a period of between two and a half and ten years.

Computer software

Computer software that generates an economic benefit of greater than one year is recognised as an intangible asset and carried at cost less accumulated amortisation. Computer software costs that are recognised as assets are amortised on a straight line basis over their economic useful life of either four or five years. These are reviewed for impairment at such time as there is a change in circumstances due to which the carrying value may no longer be recoverable.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any applicable impairment losses.

Depreciation is charged at rates to write off the cost of the asset (to its residual value) on a straight line basis over the estimated useful life of the asset. The applicable annual rates are:

- Plant and machinery 20% to 25%
- Fixtures and fittings 10%

The Group does not own any land or buildings considered to be non-trade related.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Notes to the consolidated financial statements continued

For the year ended 30 September 2019

3. Accounting policies continued

Financial assets

The Group classifies its financial assets in the following categories:

- financial assets at amortised cost; and
- financial assets at fair value through profit or loss.

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. Financial assets are derecognised only when the contractual rights to the cash flows from the financial assets expire or when the Group is no longer considered to have control over the assets.

Financial assets at amortised cost

Financial assets at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's financial assets at amortised cost comprise "trade and other receivables" and "cash and cash equivalents" in the statement of financial position.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are non-derivative assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Changes in the fair value of financial assets at fair value through profit or loss are recorded in the statement of comprehensive income.

Inventories

Inventories are normally stated at cost (or fair value if acquired as part of a business combination) and held at the lower of cost or net realisable value. Costs comprise direct materials, applicable direct labour and those overheads incurred to bring the inventories to their present location and condition. Net realisable value represents estimated selling price less all estimated costs to sell, including sales and marketing costs.

Land options purchased are initially stated at cost. Option costs are written off on a straight line basis over the remaining life of the option and are also subject to impairment review. Impairment reviews are performed when circumstances arise which indicate an impairment is likely, such as a refusal of planning permission. Any impairments are recognised immediately in the statement of comprehensive income. Upon exercise, the unamortised balance of an option is included within the value of inventory.

Land inventory is recognised when the Group obtains control of the land, which is considered to be on unconditional exchange of contracts. Where land is purchased on deferred payment terms, a corresponding liability is recognised within trade and other payables.

Pre-contract expenditure is capitalised into inventories where it is probable that a contract will be signed or otherwise is recognised as an expense within costs of sales in the statement of comprehensive income.

Provisions for inventories are made, where appropriate, to reduce the value of inventories and work in progress to their net realisable value.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less any provision for impairment.

The Group applies the simplified approach under IFRS 9 to measure expected credit losses ("ECL") associated with trade receivables. The carrying value of the receivable is reduced at each reporting date for any increase in the lifetime ECL, with an impairment loss recognised in the statement of comprehensive income.

If collection is expected in one year or less, receivables are classified as current assets. If not, they are classified as non-current assets.

Where land is sold on deferred payment terms, the revenue and associated receivable are discounted to their fair value. The discount to fair value is amortised over the period to the settlement date and credited to finance income using the effective interest rate method. Changes in estimates of the final amount due are recognised in revenue in the statement of comprehensive income.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and other short-term deposits held by the Group with maturities of three months or less. Bank overdrafts are classified within current liabilities.

Trade payables

Trade payables on normal terms are not interest bearing and are stated initially at their fair value and subsequently amortised cost.

Where land is purchased on deferred payment terms, the land and associated liability are discounted to their fair value. The discount to fair value is amortised over the period of the credit term and charged to finance costs using the effective interest rate method. Changes in estimates of the final payment due are capitalised into inventories and, in due course, to cost of sales in the statement of comprehensive income.

Trade payables also includes overage payable where the Group is committed to make contractual payments to land vendors related to the performance of the development in the future. Overage payable is estimated based on expected future cash flows in relation to relevant developments and, where payment will take place in more than one year, is discounted.

Deposits received from customers relating to sales of new properties are classified within current trade payables.

Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are classified as non-current liabilities.

3. Accounting policies continued

Borrowings

Interest-bearing bank loans and overdrafts are recorded initially at their fair value and bank loans are reported net of direct transaction costs to the extent that borrowings are available for offset. Such instruments are subsequently carried at amortised cost and finance charges, including premiums payable on settlement or redemption, are amortised over the term of the instrument using the effective interest rate method. The excess of unamortised borrowing costs is disclosed within prepayments.

Bank loans are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the date of the statement of financial position. Overdrafts are classified as current liabilities.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event which is probable to result in an outflow of economic benefits that can be reliably estimated. Where the effect of the time value of money is material, the provision is discounted at the pre-tax discount rate that reflects the risks specific to the liability. Provisions for onerous leases are recognised when the foreseeable net cash outflows on a lease exceed the benefits derived from the lease which has more than one year before expiring or option to exercise a break.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in share premium as a deduction from the proceeds.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Revenue

Revenue comprises the fair value of the consideration received or receivable, net of applicable Value-Added Tax, Stamp Duty Land Tax, rebates and discounts and after eliminating sales within the Group.

The Group's two divisions – Partnerships and Housebuilding – operate a range of legal and contractual structures which are tailored to the land structure and parties to the contract. Recognition of revenue reflects the underlying nature of these contracts, as described below in more detail by category. We generically refer to our arrangements with housing associations and local authorities as “partnerships”, but this should not be taken to mean these arrangements are accounted for as joint arrangements or take the legal form of partnerships (see policy on joint ventures and associates above).

Private housing

Revenue is recognised in the statement of comprehensive income at a point in time on legal completion as this is when the customer obtains control of the property. Revenue is recognised at the fair value of the consideration received.

Cash is received by the Group on legal completion and there is no variable or financing component to the consideration received.

Part exchange

In certain instances, property may be accepted as part consideration in the sale of a Countryside property. The fair value of the part exchange property is established by independent surveyors and reduced for costs to sell. The sale of the Countryside property is recorded in line with the accounting policy for private housing described above, with the fair value of the part exchange property replacing cash receipts.

The subsequent sale of the part exchange property is treated as a separate transaction with revenue recognised in line with the treatment of private housing described above. The proceeds are presented in private revenue in Note 6.

Cash incentives

Cash incentives are considered to be a discount from the purchase price offered to the acquirer and are therefore accounted for as a reduction to revenue.

Affordable housing and PRS contracts

Contract revenue for affordable housing and PRS contracts is recognised over time based on surveyor-certified valuations of work performed at the balance sheet date. As the build progresses, customer-controlled assets are created, with the design tailored to the specification of the customer. The Group has an enforceable right to be paid for the work completed to date and invoices are issued and paid over the life of the development.

Variations in contract work and claims are included to the extent that it is highly probable that there will not be a significant reversal when the value of such payments are finalised.

Where progress towards the satisfaction of performance obligations cannot be reasonably determined, revenue is recognised over time as the work is performed to the extent that costs have been incurred and are expected to be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately in the statement of comprehensive income within cost of sales.

Notes to the consolidated financial statements continued

For the year ended 30 September 2019

3. Accounting policies continued

Revenue continued

Land sales

Revenue is recognised in the statement of comprehensive income at a point in time on unconditional exchange of contracts as this is the point at which the Group is considered to have satisfied its performance obligations. Revenue is measured as the fair value of consideration received or receivable.

Where there are residual obligations in the land sale contract that are not satisfied at the balance sheet date, an element of the transaction price is deferred into future periods. If the stand-alone selling price of the residual obligations is not directly observable, the transaction price is derived by calculating a value for the land element of the contract and deducting this from the total transaction price. The remainder is allocated to the residual obligations. Revenue is recognised on the residual obligations at a point in time when the performance obligations have been satisfied.

Cash is either received on completion or on deferred settlement terms. Where land is sold on deferred settlement terms the revenue and associated receivable are discounted to their fair value. The discount to fair value is amortised over the period to the settlement date and credited to finance income using the effective interest rate method. Changes in estimates of the final amount due are recognised in revenue in the statement of comprehensive income.

Commercial sales

Revenue is typically recognised in the statement of comprehensive income at a point in time on unconditional exchange of contracts as this is the point at which the Group is considered to have satisfied its performance obligations. Cash is received on legal completion and in most cases there is no variable or financing component to the consideration received.

In some cases, where longer-term performance obligations are present, for example design and build contracts, revenue is recognised over time as described above in "Affordable housing and private rented sector contracts". Revenue is measured as the fair value of consideration received or receivable.

Project management services

Revenue earned for the provision of project management services, typically to the Group's joint ventures and associates, are recognised on an accruals basis in line with the underlying contract.

Cost of sales

The Group determines the value of inventories charged to cost of sales based on the total forecast margin of developing a site or a phase of a site. Once the total expected margin of the site or phase of a site is established it is allocated based on revenue to calculate a build cost per plot. These costs are recognised within cost of sales when the related revenue (private, affordable or PRS contracts) is recognised in accordance with the Group's revenue recognition policy.

To the extent that additional costs or savings are identified and the expected margin changes as the site progresses, the change is recognised over the remaining plots.

Cost of sales for land and commercial property which form part of a larger site are recognised based on forecast site margin as described above. Where land and commercial property relates to the entirety of a site, cost of sales represents the carrying value of the related inventory in the Group's statement of financial position and is recognised within cost of sales when revenue is recognised in accordance with the Group's revenue recognition policy.

Leases

Where a significant portion of the risks and rewards of ownership are retained by the lessor, leases are classified as operating leases.

Rentals payable and incentives receivable under operating leases are recognised on a straight line basis over the term of the relevant lease.

Finance costs and finance income

Borrowing costs

Borrowing costs in relation to the Group's debt facility are recognised on an accruals basis. Also included in borrowing costs is the amortisation of fees associated with the arrangement of the financing. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the statement of comprehensive income 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.

The Group capitalises borrowing costs into developments only where project-specific debt is used.

Unwind of discounting

The finance costs and income associated with the time value of money on discounted payables and receivables is recognised within finance costs and income as the discount unwinds over the life of the relevant item.

Current and deferred income taxation

Income tax comprises current and deferred tax.

Current taxation

The current taxation payable is based on taxable profit for the period which differs from accounting profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and those items never taxable or deductible. The Group's liability for current tax is measured using tax rates that have been enacted or substantively enacted by the reporting date.

3. Accounting policies continued

Current and deferred income taxation continued

Deferred taxation

Deferred taxation is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and their corresponding tax values used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the taxable profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based upon tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items credited or charged directly to the statement of changes in equity, in which case the deferred tax is also dealt with in equity.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the Group intends to settle the balances on a net basis.

Segmental reporting

Segmental reporting is presented in the financial statements in respect of the Group's business segments. Segmental reporting reflects the Group's management structure and primary basis of internal reporting.

Segmental results include items directly attributable to the segment, as well as those that can be allocated on a reasonable basis.

The chief operating decision maker ("CODM") has been identified as the Group's Executive Committee. The CODM reviews the Group's internal reporting in order to assess performance and allocate resources. The CODM assesses the performance of the operating segments based on adjusted operating profit, return on capital employed ("ROCE") and tangible net asset values ("TNAV").

Pension plans

The Group operates a defined contribution pension plan. A defined contribution plan is a pension plan under which the Group pays fixed contributions to a separate entity.

The Group has no further payment obligations once the contributions have been paid. The contributions are recognised on an accruals basis as employee benefit expenses.

Share-based payments

The Group provides benefits to employees of the Group, including Directors, in the form of equity-settled share-based awards, whereby employees render services in exchange for rights over shares. For equity-settled share-based payments, the fair value of the employee services rendered is determined by reference to the fair value of the shares awarded or options granted, excluding the impact of any non-market vesting conditions. All share options are valued using an option-pricing model (Black Scholes or Monte Carlo). This fair value is charged to the statement of comprehensive income over the vesting period of the share-based awards.

The Company recharges its subsidiary undertakings an amount equivalent to the fair value of the grant of options over its equity instruments to the employees of subsidiaries. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

The Group does not operate any cash-settled share-based payment plans.

Non-underlying items

Certain items which do not relate to the Group's underlying performance are presented separately in the statement of comprehensive income as non-underlying items where, in the judgement of the Directors, they need to be disclosed separately by virtue of their nature, size or incidence in order to obtain a clear and consistent presentation of the Group's underlying business performance. As these non-underlying items can vary significantly from year to year, they create volatility in reported earnings.

In addition, the Directors believe that in discussing the performance of the Group, the results of joint ventures and associates should be proportionally consolidated, including the Group's share of revenue and operating profit given their importance to the Group's operations.

As such, the Directors adjust for the above in the calculation of the Group's Alternative Performance Measures ("APMs"), which are set out on pages 146 to 147.

Examples of material and non-recurring items which may give rise to disclosure as non-underlying items are:

- costs incurred directly in relation to business combinations or capital market transactions including advisory costs, one-off integration costs and employment-related deferred consideration costs;
- adjustments to the statement of financial position that do not relate to trading activity such as the recognition and reversal of non-trade impairments;
- accelerated write off of unamortised issue costs on the re-financing of borrowings; and
- the costs of Group restructuring exercises.

In addition, the amortisation of acquisition-related intangible assets is treated as a non-underlying item as management does not believe this cost should be included when considering the underlying trading performance of the Group.

Dividends

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Dividends payable are recorded in the period in which they are approved or paid, whichever is earliest.

Notes to the consolidated financial statements continued

For the year ended 30 September 2019

4. Segmental reporting

Segmental reporting is presented in respect of the Group's business segments reflecting the Group's management and internal reporting structure and is the basis on which strategic operating decisions are made by the Group's CODM. The Group's two business segments are Partnerships and Housebuilding; these are described below and in more detail in the Strategic Report, in particular on pages 26 to 33.

The Partnerships division specialises in medium to large-scale housing regeneration schemes delivering private and affordable homes in partnership with public sector landowners and operates primarily in and around London, the Midlands, the North West of England and Yorkshire.

The Housebuilding division develops large-scale sites, providing private, PRS and affordable housing on land owned or controlled by the Group, primarily around London and in the South East of England, operating under both the Countryside and Millgate brands.

Segmental adjusted operating profit and segmental operating profit include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Central head office costs are allocated between the segments where possible, or otherwise allocated between the segments using a percentage of units sold basis.

Segmental TNAV and tangible net operating asset value ("TNOAV") include items directly attributable to the segment as well as those that can be allocated on a reasonable basis, with the exception of intangible assets and net cash or debt.

Adjusted revenue, adjusted operating profit, TNAV and TNOAV are Alternative Performance Measures ("APMs") for the Group. Further detail on APMs is provided on pages 146 to 147.

Countryside operates entirely within the United Kingdom.

(a) Segmental financial performance

	Partnerships £m	Housebuilding £m	Group items £m	Total £m
Year ended 30 September 2019				
Adjusted revenue	837.1	585.7	—	1,422.8
Less: share of revenue from joint ventures and associate	(44.8)	(140.9)	—	(185.7)
Revenue	792.3	444.8	—	1,237.1
Adjusted operating profit/(loss)	127.8	114.8	(8.2)	234.4
Less: share of operating profit from joint ventures and associate	(13.3)	(33.5)	—	(46.8)
Less: non-underlying items (Note 7)	(7.4)	—	(9.8)	(17.2)
Operating profit/(loss)	107.1	81.3	(18.0)	170.4
	Partnerships £m	Housebuilding £m	Group items £m	Total £m
Year ended 30 September 2018				
Adjusted revenue	634.8	594.7	—	1,229.5
Less: share of revenue from joint ventures and associate	(44.5)	(166.4)	—	(210.9)
Revenue	590.3	428.3	—	1,018.6
Adjusted operating profit/(loss)	110.6	109.6	(8.8)	211.4
Less: share of operating profit from joint ventures and associate	(9.5)	(36.9)	—	(46.4)
Less: non-underlying items (Note 7)	—	—	(15.7)	(15.7)
Operating profit/(loss)	101.1	72.7	(24.5)	149.3



4. Segmental reporting continued

(b) Segmental financial position

Segmental TNAV represents the net assets of the Group's two operating divisions. Segmental TNAV includes divisional net assets less intangible assets (net of deferred tax) and excludes inter-segment cash funding. TNOAV is the Group's measure of capital employed, as used in the calculation of ROCE.

	Partnerships £m	Housebuilding £m	Group items £m	Total £m
TNAV at 30 September 2018 (restated)	54.2	565.9	—	620.1
Operating profit/(loss)	107.1	81.3	(18.0)	170.4
Add back items with no impact on TNAV:				
– Share-based payments, net of deferred tax	—	—	6.0	6.0
– Amortisation of intangible assets	—	—	11.7	11.7
Other items affecting TNAV:				
– Share of post-tax profit from joint ventures and associate	13.3	30.8	—	44.1
– Dividends paid	(29.5)	(26.5)	—	(56.0)
– Taxation	(18.5)	(16.7)	—	(35.2)
– Purchase of shares by EBT	(6.8)	(6.2)	—	(13.0)
– Other	(5.6)	(5.0)	0.3	(10.3)
TNAV at 30 September 2019	114.2	623.6	—	737.8
Inter-segment cash funding/(net cash)	62.6	(136.0)	—	(73.4)
Segmental capital employed (TNOAV)	176.8	487.6	—	664.4

TNAV as at 30 September 2018 has been restated, as described in Note 14.

(c) Segmental other items

	Partnerships £m	Housebuilding £m	Group items £m	Total £m
Year ended 30 September 2019				
Investment in joint ventures	17.4	44.8	—	62.2
Investment in associate	—	3.5	—	3.5
Share of post-tax profit from joint ventures and associate	13.3	30.8	—	44.1
Capital expenditure – property, plant and equipment	5.0	2.8	—	7.8
Capital expenditure – software	0.2	—	2.9	3.1
Depreciation and amortisation	1.5	0.7	11.7	13.9
Share-based payments	—	—	6.7	6.7
	Partnerships £m	Housebuilding £m	Group items £m	Total £m
Year ended 30 September 2018				
Investment in joint ventures	13.6	48.9	—	62.5
Investment in associate	—	5.4	—	5.4
Share of post-tax profit from joint ventures and associate	9.6	32.4	—	42.0
Capital expenditure – property, plant and equipment	4.5	0.8	—	5.3
Capital expenditure – software	—	—	1.4	1.4
Depreciation and amortisation	0.7	0.4	6.6	7.7
Share-based payments	—	—	6.8	6.8

Notes to the consolidated financial statements continued

For the year ended 30 September 2019

5. Employees and Directors

(a) Staff costs for the Group during the year

	2019 £m	2018 £m
The aggregate remuneration for the employees and Directors of the Group comprised:		
Wages and salaries	108.6	100.0
Social security costs	11.2	11.3
Other pension costs	5.1	6.8
Share-based payments (Note 30)	6.7	6.8
	131.6	124.9

The average monthly number of employees (including Directors) for the year for each of the Group's principal activities was as follows:

	2019 Number	2018 Number
Development	1,674	1,388
Head office	177	169
	1,851	1,557

(b) Retirement benefits

All the Group's employees are entitled to join the Group's defined contribution schemes, which are invested with Aegon. Annual contributions to these plans expensed in the statement of comprehensive income amounted to £5.1m (2018: £6.8m), of which £0.7m (2018: £0.5m) was outstanding as at 30 September 2019. The Group does not operate any defined benefit pension schemes.

(c) Directors' emoluments

	2019 £m	2018 £m
Aggregate emoluments	4.3	3.7

(d) Emoluments of the highest paid Director

	2019 £m	2018 £m
Aggregate emoluments	2.3	2.3

(e) Key management compensation

The following table details the aggregate compensation expensed in respect of the members of the Board of Directors and of the Executive Committee.

	2019 £m	2018 £m
Salaries and bonus	7.2	6.7
Retirement benefits	0.3	0.5
Share-based payments	3.5	1.6
	11.0	8.8

The disclosures of shares granted under the long-term incentive schemes are included in Note 30.

6. Revenue

An analysis of Group reported revenue by type is set out below:

	2019 £m	2018 £m
Partnerships:		
– Private	355.2	336.7
– Affordable	243.1	122.2
– PRS	167.1	94.5
– Other	26.9	36.9
	792.3	590.3
Housebuilding:		
– Private	312.2	332.2
– Affordable	70.1	62.3
– PRS	15.4	—
– Other	47.1	33.8
	444.8	428.3
Total	1,237.1	1,018.6

At 30 September 2019, the aggregate amount of revenue allocated to unsatisfied performance obligations was £893.5m (2018: £596.9m). The reasons for the increase in the forward order book are discussed in the Strategic Report. Approximately half of these amounts will be recognised within one year with the remainder recognised over varying contractual lengths.

7. Group operating profit

(a) Group operating profit is stated after charging/(crediting)

	Note	2019 £m	2018 £m
Inventories expensed to cost of sales		964.9	780.6
Staff costs	5a	131.6	124.9
Amortisation of intangible assets	12	11.7	6.6
Depreciation of property, plant and equipment	13	2.2	1.1
Net provisions against inventories	19	(0.5)	2.1
Impairment of inventories	19	7.4	—
Operating leases		7.7	6.3
Auditor's remuneration		0.7	0.5

During the year the Group obtained the following services from the Group's auditor:

	2019 £m	2018 £m
Fees payable to Group's auditor and its associates for the audit of parent and consolidated financial statements	0.2	0.1
Fees payable to Group's auditor and its associates for other services:		
– Audit of subsidiary companies	0.3	0.2
– Audit of joint ventures and associate (Group share)	0.1	0.1
– Audit-related services	0.1	0.1
	0.7	0.5

Notes to the consolidated financial statements continued

For the year ended 30 September 2019

7. Group operating profit continued

(b) Non-underlying items

	2019 £m	2018 £m
Non-underlying items included within cost of sales:		
– Impairment of inventories	(7.4)	—
Non-underlying items included within administrative expenses:		
– Amortisation of acquisition-related intangible assets	(10.2)	(5.6)
– Acquisition and integration costs relating to the Westleigh acquisition	(1.8)	(2.7)
– Deferred consideration relating to the Westleigh acquisition	2.2	(7.4)
Total non-underlying items	(17.2)	(15.7)

Impairment of inventories

During the year, a non-cash charge of £7.4m was recognised to impair the value of inventories in the Group's Manchester region. This is the result of costs accrued over a four-year period not being appropriately recognised in the statement of comprehensive income. The Directors have taken appropriate steps to rectify this and to ensure the issue was contained in this region, including the appointment of Deloitte LLP to assist in the investigation. Disciplinary action has been taken against the members of staff involved.

The amount has been excluded from adjusted operating profit on the basis of its size and non-recurring nature in the year. In accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", as the amount is not material either individually or in aggregate in preceding financial years, it has not required the restatement of prior years' financial statements.

Amortisation of acquisition-related intangible assets

Amortisation of acquisition-related intangible assets is reported within non-underlying items as management does not believe this cost should be included when considering the underlying trading performance of the Group.

Acquisition and integration costs relating to the Westleigh acquisition

During the prior financial year, the Group incurred advisory costs relating to the acquisition of Westleigh and subsequent integration costs. During the year ended 30 September 2019, further integration costs have been incurred, including those of property moves and employee severance. No further integration costs will be included in non-underlying items after 30 September 2019.

Deferred consideration relating to the Westleigh acquisition

As part of the agreement to purchase Westleigh, deferred consideration is payable to management who remained with the Group post-acquisition. These costs are being accrued over the period to March 2020 with changes to the estimated amount payable recognised in the statement of comprehensive income.

Taxation

A total tax credit of £3.4m (2018: £2.4m) in relation to all of the above non-underlying items was included within taxation in the statement of comprehensive income.

8. Finance costs

	Note	2019 £m	2018 £m
Bank loans and overdrafts		3.4	3.3
Unwind of discount		7.9	8.1
Amortisation of debt finance costs	21	0.6	0.6
		11.9	12.0

Unwind of discount relates to land purchases on deferred payment terms.

9. Finance income

	2019 £m	2018 £m
Interest receivable	0.6	0.1
Unwind of discount	0.4	1.3
	1.0	1.4

Unwind of discount relates to land sales on deferred settlement terms.

10. Income tax expense

Analysis of charge for the year	2019 £m	2018 £m
Current tax		
Current year	33.9	33.7
Adjustments in respect of prior periods	—	(0.1)
Total current tax	33.9	33.6
Deferred tax (Note 18)		
Origination and reversal of temporary differences	1.3	(1.6)
Adjustments in respect of prior periods	—	0.1
Total deferred tax	1.3	(1.5)
Total income tax expense	35.2	32.1

Changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2016 on 15 September 2016. These include reductions to the main rate to 19.0% from 1 April 2017 and to 17.0% from 1 April 2020. This will reduce the Group's future tax charge accordingly. Deferred taxes at the balance sheet date have been measured using the enacted rates that are expected to apply to the unwind of each asset or liability.

The Group effective tax rate for the year of 17.3% (2018: 17.8%) is lower (2018: lower) than the standard rate of corporation tax in the United Kingdom, which is 19.0% (2018: 19.0%).

The table below shows the reconciliation of profit before tax to the income tax expense.

	2019 £m	2018 £m
Profit before income tax	203.6	180.7
Tax calculated at the parent entity rate of tax: 19.0% (2018: 19.0%)	38.7	34.3
Adjustments to deferred tax due to reduction in UK tax rates	—	0.8
Income not taxable	(0.3)	—
Expenses not deductible for tax	0.1	0.4
Deferred tax (charged)/credited directly to reserves	(0.7)	0.6
Enhanced deductions for land remediation	(0.2)	(0.5)
Other timing differences	(0.2)	(0.6)
Associate and joint venture tax	(2.2)	(2.9)
Income tax expense	35.2	32.1

Notes to the consolidated financial statements continued

For the year ended 30 September 2019

11. Earnings per share

Basic and diluted earnings per share are calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue.

(a) Basic and diluted earnings per share

	2019	2018
Profit from continuing operations attributable to equity holders of the parent (£m)	167.7	147.9
Basic weighted average number of shares (millions)	445.1	447.5
Basic earnings per share (pence per share)	37.7	33.1
Diluted weighted average number of shares (millions)	450.1	453.6
Diluted earnings per share (pence per share)	37.3	32.6

The basic weighted average number of shares of 445.1 million (2018: 447.5 million) excludes the weighted average number of shares held in the EBT during the year of 4.9 million (2018: 2.5 million).

(b) Adjusted basic and diluted earnings per share

Adjusted basic and diluted earnings per share are APMs for the Group. Refer to page 146.

Adjusted earnings exclude non-underlying items from Group profit as presented below:

	2019	2018
Profit from continuing operations attributable to equity holders of the parent (£m)	167.7	147.9
Add: non-underlying items net of tax (£m)	13.8	13.3
Adjusted profit from continuing operations attributable to equity holders of the parent (£m)	181.5	161.2
Basic weighted average number of shares (millions)	445.1	447.5
Adjusted basic earnings per share (pence per share)	40.8	36.0
Diluted weighted average number of shares (millions)	450.1	453.6
Adjusted diluted earnings per share (pence per share)	40.3	35.5

Non-underlying items net of tax include costs of £17.2m, net of tax of £3.4m (2018: costs of £15.7m, net of tax of £2.4m).

12. Intangible assets

	Software £m	Customer- related £m	Brand £m	Goodwill £m	Total £m
Cost					
At 1 October 2017	3.0	—	24.2	37.8	65.0
Acquired in business combinations (restated)	0.7	42.1	10.4	72.0	125.2
Additions	1.4	—	—	—	1.4
At 30 September 2018 (restated)	5.1	42.1	34.6	109.8	191.6
Additions	3.1	—	—	—	3.1
At 30 September 2019	8.2	42.1	34.6	109.8	194.7
Accumulated amortisation					
At 1 October 2017	0.6	—	4.9	—	5.5
Amortisation	1.0	3.4	2.2	—	6.6
At 30 September 2018	1.6	3.4	7.1	—	12.1
Amortisation	1.7	6.7	3.3	—	11.7
At 30 September 2019	3.3	10.1	10.4	—	23.8
Net book value					
At 30 September 2019	4.9	32.0	24.2	109.8	170.9
At 30 September 2018 (restated)	3.5	38.7	27.5	109.8	179.5

12. Intangible assets continued

Goodwill

Goodwill held by the Group comprises that resulting from the following acquisitions:

	2019 £m	2018 restated £m
Cophthorn Holdings Limited (April 2013)	19.3	19.3
Millgate Developments Limited (February 2014)	18.5	18.5
Westleigh Group Limited (April 2018)	72.0	72.0
	109.8	109.8

In all three cases, the acquired entities represent cash generating units ("CGUs") or groups of CGUs for the purpose of impairment testing.

The prior year Group financial statements presented provisional accounting for the acquisition of Westleigh. The Directors' assessment of the fair values of the acquired assets and liabilities has now concluded. As a result, goodwill relating to Westleigh has been restated, as required by IFRS 3 "Business Combinations". Refer to Note 14 for further details.

Impairment testing

Goodwill is tested annually for impairment.

The recoverable amount has been determined as the value in use of the applicable CGU or group of CGUs. The key estimates for the value in use calculation are the forecast cash flows and the discount rates.

Forecast cash flows are derived from the most recent Board-approved five-year plan. The five-year plan considers current market trends and the Group's growth plans and incorporates management's assumptions around economic activity, planned changes to the business model, and expected regulatory and tax changes.

Cash flows beyond the five-year plan are extrapolated using a growth rate of 1% per annum based on GDP growth forecasts by HM Treasury.

Forecast cash flows are discounted using a pre-tax discount rate that reflects the time value of money and the estimated risk profile of the CGU or group of CGUs. The discount rate applied to the Cophthorn and Millgate CGUs was 10.7%. The discount rate applied to the Westleigh CGU was 12.7%.

Sensitivity analysis has been undertaken for each impairment review by changing discount rates, cash flows and long-term growth rates applicable to each CGU or group of CGUs to which goodwill has been allocated. Neither an increase in the discount rate of 3%, a reduction in cash flows of 10% per annum, nor a reduction of the long-term growth rate to 0% would indicate impairment in any of the CGUs or groups of CGUs.

Brands

Brands reflect those acquired in business combinations and are not internally generated:

	Acquired (year)	Life (years)	2019 £m	2018 £m
Countryside	2013	20	9.1	9.8
Millgate	2014	20	7.7	8.3
Westleigh	2018	5	7.4	9.4
			24.2	27.5

Customer-related intangible assets

Customer-related intangible assets of £32.0m (2018: £38.7m) include customer relationships and customer contracts recognised on the acquisition of Westleigh in the prior financial year. Useful economic lives of these assets range between two and a half and ten years, reflecting the range of expected timeframes over which the Group will derive value from these assets.

Amortisation is charged to administrative expenses in the statement of comprehensive income.

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13. Property, plant and equipment

	Plant and machinery £m	Fixtures and fittings £m	Total £m
Cost			
At 1 October 2017	5.8	4.1	9.9
Acquired in business combinations (restated)	0.5	0.4	0.9
Additions	2.4	2.9	5.3
Disposals	(0.2)	—	(0.2)
At 30 September 2018 (restated)	8.5	7.4	15.9
Additions	2.8	5.0	7.8
Disposals	(0.9)	(1.2)	(2.1)
At 30 September 2019	10.4	11.2	21.6
Accumulated depreciation			
At 1 October 2017	4.6	2.7	7.3
Depreciation charge for the year	0.8	0.3	1.1
Disposals	(0.2)	—	(0.2)
At 30 September 2018	5.2	3.0	8.2
Depreciation charge for the year	1.5	0.7	2.2
Disposals	(0.8)	(0.8)	(1.6)
At 30 September 2019	5.9	2.9	8.8
Net book value			
At 30 September 2019	4.5	8.3	12.8
At 30 September 2018 (restated)	3.3	4.4	7.7

Depreciation is charged to administrative expenses in the statement of comprehensive income.

Property, plant and equipment as at 30 September 2018 has been restated, as described in Note 14.

14. Business combination

On 12 April 2018, the Group acquired 100% of Westleigh, a well-established partnerships homebuilder based in Leicester, as part of the Group's strategy to expand the Partnerships business.

The prior year Group financial statements presented provisional accounting for the acquisition, based on the assessment of fair values that was underway at the time. The Directors' assessment of the fair values of Westleigh's assets and liabilities has now concluded within the measurement period, as defined by IFRS 3. As a result, goodwill relating to Westleigh has been restated as required by IFRS 3. The increase is goodwill of £10.0m is primarily due to the fair value of inventories being reduced by £8.9m, as set out in the table below:

	30 September 2018 reported £m	Adjustments within the measurement period £m	30 September 2018 restated £m
Property, plant and equipment	1.1	(0.2)	0.9
Intangible assets	53.2	—	53.2
Inventory	24.9	(8.9)	16.0
Cash	23.9	—	23.9
Other current assets	23.9	(0.8)	23.1
Other payables	(31.0)	(0.1)	(31.1)
Deferred tax liabilities	(8.5)	—	(8.5)
Borrowings	(72.9)	—	(72.9)
Total identifiable net assets	14.6	(10.0)	4.6
Goodwill	62.0	10.0	72.0
Total	76.6	—	76.6

These changes have been reflected in the comparative presentation of the statement of financial position as at 30 September 2018, with no change to reported financial performance or cash flows of the Group.

15. Investment in joint ventures

The Directors have aggregated the disclosure of the joint ventures' statements of financial position and statements of comprehensive income, and separately disclosed material joint ventures below. The Group's aggregate investment in joint ventures is represented by:

	2019			2018		
	Partnerships £m	Housebuilding £m	Group £m	Partnerships £m	Housebuilding £m	Group £m
Summarised statement of financial position:						
Non-current assets	1.7	7.1	8.8	0.5	0.8	1.3
Current assets excluding cash	78.6	212.5	291.1	69.1	257.6	326.7
Cash	3.5	15.5	19.0	10.8	11.6	22.4
Current liabilities	(45.6)	(37.8)	(83.4)	(51.4)	(45.0)	(96.4)
Non-current liabilities	(3.4)	(107.7)	(111.1)	(1.7)	(127.2)	(128.9)
	34.8	89.6	124.4	27.3	97.8	125.1
Movements in net assets:						
At 1 October	27.3	97.8	125.1	7.8	110.9	118.7
Profit for the year	26.6	54.6	81.2	19.2	56.9	76.1
Dividends paid	(19.1)	(56.1)	(75.2)	(6.1)	(45.3)	(51.4)
Repayment of members' interest	—	(5.8)	(5.8)	—	(24.2)	(24.2)
Other movements	—	(0.9)	(0.9)	—	(0.5)	(0.5)
Investment in new joint ventures	—	—	—	6.4	—	6.4
At 30 September	34.8	89.6	124.4	27.3	97.8	125.1
Summarised statement of comprehensive income:						
Revenue	89.6	263.5	353.1	89.0	307.2	396.2
Expenses	(63.0)	(204.7)	(267.7)	(69.9)	(243.3)	(313.2)
Operating profit	26.6	58.8	85.4	19.1	63.9	83.0
Finance costs	—	(0.5)	(0.5)	—	(1.6)	(1.6)
Income tax expense	—	(3.8)	(3.8)	0.1	(5.4)	(5.3)
Profit for the year	26.6	54.5	81.1	19.2	56.9	76.1
Group's share in %			50.0%			50.0%
Share of revenue			176.6			198.1
Share of operating profit			42.7			41.5
Dividends received by the Group			37.6			25.8
Investment in joint ventures			62.2			62.5

The amount due from joint ventures is £49.7m (2018: £56.5m) and the amount due to joint ventures is £0.4m (2018: £0.4m). Transactions between the Group and its joint ventures are disclosed in Note 27.

The table below reconciles the movement in the Group's aggregate investment in joint ventures:

	2019 £m	2018 £m
At 1 October	62.5	59.4
Share of post-tax profit	40.6	38.0
Dividends received	(37.6)	(25.8)
Investment in new joint ventures	—	3.2
Repayment of members' interest	(2.9)	(12.1)
Other movements	(0.4)	(0.2)
At 30 September	62.2	62.5

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15. Investment in joint ventures continued

Individually material joint ventures

The Directors consider that joint ventures are material where they contribute to 5% or more of either Group profit after tax or Group net assets. The summarised results and position of individually material joint ventures are highlighted below:

2019	Acton Gardens LLP £m	Greenwich Millennium Village Ltd £m	Countryside Zest (Beaulieu Park) LLP £m	Countryside L&Q (Oaks Village) LLP £m
	Partnerships	Housebuilding	Housebuilding	Housebuilding
Summarised statement of financial position:				
Non-current assets	1.7	0.1	6.6	0.4
Current assets excluding cash	70.9	48.0	134.4	27.0
Cash	1.7	1.0	8.9	0.4
Current liabilities	(43.9)	(13.8)	(20.2)	(2.3)
Non-current liabilities	(3.4)	(4.7)	(99.5)	(3.5)
	27.0	30.6	30.2	22.0
Movements in net assets:				
At 1 October	19.5	37.9	22.1	32.3
Profit for the year	26.6	14.6	30.1	7.6
Dividends paid	(19.1)	(21.9)	(22.0)	(12.2)
Repayment of members' interest	—	—	—	(5.8)
Other movements	—	—	—	0.1
At 30 September	27.0	30.6	30.2	22.0
Summarised statement of comprehensive income:				
Revenue	89.6	71.9	130.5	33.7
Expenses	(63.0)	(53.4)	(100.5)	(26.0)
Operating profit	26.6	18.5	30.0	7.7
Finance (costs)/income	—	(0.5)	0.1	(0.1)
Income tax expense	—	(3.4)	—	—
Profit for the year	26.6	14.6	30.1	7.6

2018	Acton Gardens LLP £m	Greenwich Millennium Village Ltd £m	Countryside Zest (Beaulieu Park) LLP £m	Countryside L&Q (Oaks Village) LLP £m
	Partnerships	Housebuilding	Housebuilding	Housebuilding
Summarised statement of financial position:				
Non-current assets	0.4	0.8	—	—
Current assets excluding cash	57.6	46.1	171.7	34.5
Cash	8.8	3.4	1.6	0.6
Current liabilities	(47.3)	(8.1)	(28.3)	(2.8)
Non-current liabilities	—	(4.3)	(122.9)	—
	19.5	37.9	22.1	32.3
Movements in net assets:				
At 1 October	6.5	42.9	9.7	52.1
Profit for the year	19.1	15.1	21.4	12.2
Dividends paid	(6.1)	(20.1)	(9.0)	(7.7)
Repayment of members' interest	—	—	—	(24.2)
Other movements	—	—	—	(0.1)
At 30 September	19.5	37.9	22.1	32.3
Summarised statement of comprehensive income:				
Revenue	89.0	80.7	117.3	43.2
Expenses	(69.9)	(62.1)	(94.7)	(31.0)
Operating profit	19.1	18.6	22.6	12.2
Finance costs	—	(0.2)	(1.2)	—
Income tax expense	—	(3.3)	—	—
Profit for the year	19.1	15.1	21.4	12.2



15. Investment in joint ventures continued

Group's investment in joint ventures

The Group's joint ventures, all of which are incorporated and domiciled in the UK and are accounted for using the equity method, comprise:

	Country of incorporation	Ownership interest %	Principal activity
Acton Gardens LLP	UK	50.0	Development
Brenthall Park (Commercial) Limited	UK	50.0	Dormant
Brenthall Park (Infrastructure) Limited	UK	50.0	Dormant
Brenthall Park (Three) Limited	UK	50.0	Dormant
Brenthall Park Limited	UK	50.0	Dormant
Cambridge Medipark Limited	UK	50.0	Commercial
CBC Estate Management Limited ¹	UK	50.0	Estate management
C.C.B. (Stevenage) Limited ²	UK	33.3	Non-trading
Countryside 27 Limited	UK	50.0	Commercial
Countryside L&Q (Oaks Village) LLP	UK	50.0	Development
Countryside Annington (Colchester) Limited (in liquidation) ³	UK	50.0	Development
Countryside Annington (Mill Hill) Limited	UK	50.0	Development
Countryside Clarion (Eastern Quarry) LLP	UK	50.0	Development
Countryside Clarion (North Leigh) LLP	UK	50.0	Dormant
Countryside Properties (Accordia) Limited	UK	50.0	Non-trading
Countryside Properties (Booth Street 2) Limited	UK	39.0	Dormant
Countryside Properties (Merton Abbey Mills) Limited	UK	50.0	Non-trading
Countryside Maritime Limited	UK	50.0	Development
Countryside Neptune LLP	UK	50.0	Development
Countryside Zest (Beaulieu Park) LLP	UK	50.0	Development
Greenwich Millennium Village Limited	UK	50.0	Development
iCO Didsbury Limited	UK	50.0	Commercial
Mann Island Estate Limited	UK	50.0	Estate management
Marrco 25 Limited	UK	50.0	Non-trading
Oaklands Hamlet Resident Management Limited	UK	50.0	Estate management
Peartree Village Management Limited	UK	50.0	Estate management
Silversword Properties Limited	UK	50.0	Commercial
Westleigh Cherry Bank LLP	UK	50.0	Non-trading
Woolwich Countryside Limited (in liquidation) ⁴	UK	50.0	Non-trading

All joint ventures hold the registered address of Countryside House, The Drive, Great Warley, Brentwood, Essex CM13 3AT, except where noted otherwise.

During the year, the Group acquired the remaining shares of Countryside Properties (Salford Quays) Limited from the joint venture partner. This legal entity is now a 100% owned subsidiary undertaking as disclosed in Note 26. There was no gain or loss recorded on acquisition in the statement of comprehensive income, and the consideration was not material.

No joint venture was committed to the purchase of any property, plant and equipment or software intangible assets as at 30 September 2019 (2018: £Nil).

1. CBC Estate Management has the registered address of The Control Tower, 29 Liberty Square, Kings Hill, West Malling, Kent ME19 4RG.

2. C.C.B. Stevenage has the registered address of Croudace House, Tupwood Lane, Caterham, Surrey CR3 6XQ.

3. Countryside Annington (Colchester) has the registered address of The Old Exchange, 234 Southchurch Road, Southend On Sea, Essex SS1 2EG.

4. Woolwich Countryside has the registered address of 15 Canada Square, London E14 5GL.

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For the year ended 30 September 2019

16. Investment in associate

The Group holds 28.5% of the ordinary share capital with pro-rata voting rights in Countryside Properties (Bicester) Limited, a company incorporated and domiciled in the UK, whose principal activity is the sale of serviced parcels of land, and for segmental purposes is disclosed within the Housebuilding division. It is accounted for using the equity method.

The Group's investment in associate is represented by:

	2019 £m	2018 £m
Summarised statement of financial position:		
Non-current assets	1.0	—
Current assets excluding cash	20.8	37.3
Cash	24.8	25.0
Current liabilities	(32.8)	(41.4)
Non-current liabilities	(1.5)	(1.7)
	12.3	19.2
Movements in net assets:		
At 1 October	19.2	9.0
Profit for the year	12.4	14.2
Dividends paid	(19.3)	(4.0)
At 30 September	12.3	19.2
Summarised statement of comprehensive income:		
Revenue	32.1	45.1
Expenses	(17.6)	(27.5)
Operating profit	14.5	17.6
Finance income	1.0	0.1
Income tax expense	(3.1)	(3.5)
Profit for the year	12.4	14.2
Group's share in %	28.5%	28.5%
Share of revenue	9.1	12.8
Share of operating profit	4.1	4.9
Dividends received by the Group	5.5	1.1
Investment in associate	3.5	5.4

No amounts are due to or from the associate as at 30 September 2019 (2018: £Nil).

Transactions between the Group and its associate are disclosed in Note 27.

The below table reconciles the movement in the Group's investment in associate:

	2019 £m	2018 £m
Reconciliation to carrying amount:		
At 1 October	5.4	2.6
Share of post-tax profit	3.5	4.0
Dividends received	(5.5)	(1.1)
Other movements	0.1	(0.1)
At 30 September	3.5	5.4

The address of the registered office of the associate is Countryside House, The Drive, Brentwood, Essex CM13 3AT.

17. Financial assets at fair value through profit or loss

	2019 Overage receivable £m	2018 Overage receivable £m	2018 Shared equity loans £m
At 1 October	4.1	—	7.4
Newly recognised assets	—	4.1	—
Increase in fair value	0.9	—	0.1
Unwind of discount	—	—	0.2
Disposal	—	—	(7.4)
Redemptions	—	—	(0.3)
At 30 September	5.0	4.1	—

Overage receivable

Financial assets at fair value through profit or loss at 30 September 2019 relate solely to a deferred land overage receivable. This receivable reflects sums which the Group is virtually certain to receive, resulting from agreements where land has been sold to a third-party and in which the Group is entitled to a share of surplus profits once development is completed on the land sold. The carrying value of the receivable is adjusted to fair value at each reporting date and the timing of receipt is uncertain.

The overage receivable is held at fair value, being the Directors' best estimate of the value that could be achieved in a presumed sale of these assets to a third-party, after taking into account judgements of the variability of the expected final cash value, the time value of money and the degree of completion of the developments.

Given that the inputs are estimated and not observed in a market, the fair value is classified as Level 3 in the fair value hierarchy.

Shared equity loans

During the prior financial year, the Group disposed of all of its shared equity loans that were previously classified as available for sale financial assets. IAS 39 continues to apply to these assets as they were derecognised prior to the date of initial application of IFRS 9.

18. Deferred tax assets and liabilities

Deferred tax assets held on the balance sheet date have the following expected maturities:

	2019 £m	2018 £m
Amounts due to be recovered within one year	1.6	2.2
Amounts due to be recovered after more than one year	3.7	7.1
	5.3	9.3

Deferred tax liabilities held on the balance sheet date have the following expected maturities:

	2019 £m	2018 £m
Amounts due to be settled after more than one year	10.9	12.9

The movement in the year in the Group's net deferred tax position was as follows:

	Losses £m	Share-based payments £m	Other timing differences £m	Total £m
At 1 October 2017	0.9	1.9	—	2.8
(Charge)/credit to the statement of comprehensive income for the year	(0.9)	1.1	1.3	1.5
Amount transferred to the statement of changes in equity	—	0.6	—	0.6
Deferred tax recorded on acquisition	—	—	(8.5)	(8.5)
At 30 September 2018	—	3.6	(7.2)	(3.6)
Charge to the statement of comprehensive income for the year	—	(0.6)	(0.7)	(1.3)
Amount transferred to the statement of changes in equity	—	(0.7)	—	(0.7)
At 30 September 2019	—	2.3	(7.9)	(5.6)

Temporary differences arising in connection with interests in joint ventures and associate are not significant. Unrecognised tax assets on joint ventures and associate are £0.6m on historical losses of £3.5m (2018: £0.6m on historical losses of £3.5m). No deferred tax asset has been recognised in relation to losses where it is considered that they are not recoverable in the near future. The Group has unrecognised deferred tax assets of £1.2m on historical losses of £7.0m (2018: £1.2m on historical losses of £7.0m).

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19. Inventories

	2019 £m	2018 restated £m
Development land and work in progress	741.4	672.6
Completed properties unsold or awaiting sale	67.2	68.2
	808.6	740.8

Development land and work in progress includes land options with a carrying value of £24.2m (2018: £20.5m).

Interest incurred on deferred land purchases amounting to £Nil (2018: £Nil) was capitalised during the year to inventories.

Total provisions against inventories as at 30 September 2019 were £3.5m (2018: £5.7m), as set out below. An impairment charge of £7.4m (2018: £Nil) was recognised against inventories during the year, as described in Note 7.

	2019 £m	2018 £m
At 1 October	5.7	4.8
Charged in the year	—	2.4
Released in the year	(0.5)	(0.3)
Utilised in the year	(1.7)	(1.2)
At 30 September	3.5	5.7

Inventories as at 30 September 2018 have been restated, as described in Note 14.

20. Trade and other receivables

	2019 £m	2018 restated £m
Amounts falling due within one year:		
Trade receivables	57.2	45.1
Amounts recoverable on construction contracts	78.5	45.2
Amounts owed by joint ventures	49.7	56.5
Other taxation and social security	14.9	9.5
Other receivables	0.3	1.8
Prepayments and accrued income	32.2	7.8
	232.8	165.9
Amounts falling due in more than one year:		
Trade receivables	—	12.8
Amounts recoverable on construction contracts	15.2	9.0
	15.2	21.8
Total trade and other receivables	248.0	187.7

The Group applies the simplified approach under IFRS 9 to measure expected credit losses ("ECL") associated with trade and other receivables. The carrying value of the receivable is reduced at each reporting date for any increase in the lifetime ECL, with an impairment loss recognised in the statement of comprehensive income.

The Directors are of the opinion that there are no significant concentrations of credit risk (Note 29). Trade receivables outstanding past their due date are £1.1m (2018: £0.8m); however, £Nil was impaired (2018: £Nil).

A provision of £8.0m (2018: £8.0m) is held against amounts due from Countryside Neptune LLP, a joint venture, to reflect the Directors' view of the recoverability of this advance. The other classes within trade and other receivables do not contain impaired assets.

Trade and other receivables includes £25.7m of contract assets (2018: £3.0m) relating to uninvoiced amounts where revenue has been recognised in the statement of comprehensive income. Substantially all of the uninvoiced amounts as at 1 October 2018 were subsequently invoiced and the cash received during the year.

The fair value of the financial assets included in trade and other receivables is not considered to be materially different from their carrying value. The fair values are based on discounted cash flows and are within Level 3 of the fair value hierarchy.

Trade and other receivables as at 30 September 2018 have been restated, as described in Note 14.

21. Cash and borrowings

(a) Net cash and cash equivalents

	2019 £m	2018 £m
Net cash and cash equivalents	75.6	47.2

Net cash and cash equivalents comprise cash and short-term deposits of £75.6m (2018: £47.2m) and overdrafts of £Nil (2018: £Nil). Cash and cash equivalents of £34.4m (2018: £34.5m) are available to offset against amounts drawn under the Group's revolving credit facility. There is £Nil (2018: £Nil) ring-fenced for specific developments. At 30 September 2019, all financial assets held were in Sterling.

Cash and cash equivalents available for offset

Within the revolving credit facility the Group has a £30m overdraft facility which can be drawn by any Group company which is in the pooling arrangement. Cash and overdrafts are presented on a gross basis in the statement of financial position.

(b) Borrowings

	2019 £m	2018 £m
Other loans	2.2	2.2

Bank loans

The Group has a £300m revolving credit facility with Lloyds Bank plc, Barclays Bank PLC, HSBC Bank plc and Santander UK plc, expiring in May 2023. The agreement has a variable interest rate based on LIBOR and includes an overdraft facility of £30m. As at 30 September 2019, the Group had drawn down £Nil of the facility (2018: £Nil).

Subject to obtaining credit approval from the syndicate banks, the Group also has the option to extend the facility by a further £100m. This facility is subject to both financial and non-financial covenants and is secured by floating charges over all the Group's assets.

Bank loan arrangement fees are amortised over the term of the facility. At 30 September 2019, unamortised loan arrangement fees were £2.0m (2018: £2.6m) and £0.6m (2018: £0.6m) of amortisation is included in finance costs in the statement of comprehensive income (Note 8). As the Group did not have any debt under this facility at 30 September 2019 or 30 September 2018, the unamortised loan arrangement fees are included within prepayments in the statement of financial position.

Other loans

During the prior financial year, the Group received an interest-free loan of £2.5m for the purpose of remediation works in relation to one of its joint operations. The loan is repayable on 22 November 2022. The carrying value of the loan is equal to the fair value, and was recognised initially at fair value and subsequently carried at amortised cost.

(c) Alternative Performance Measure – Net debt

Net debt is calculated as borrowings less net cash and cash equivalents, and excludes debt arrangement fees including in borrowings. The table below presents the calculation of net debt:

	2019 £m	2018 £m
Borrowings	2.2	2.2
Less: net cash and cash equivalents	(75.6)	(47.2)
Net debt/(cash)	(73.4)	(45.0)

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22. Trade and other payables

	2019 £m	2018 restated £m
Amounts falling due within one year:		
Trade payables	50.7	69.4
Deferred land payments	73.0	82.0
Overage payable	7.4	27.7
Accruals and deferred income	160.2	131.6
Other taxation and social security	3.3	3.0
Other payables	27.6	3.5
Amounts due to joint ventures	0.4	0.4
	322.6	317.6
Amounts falling due in more than one year:		
Trade payables	17.9	1.3
Deferred land payments	85.3	45.6
Overage payable	26.5	25.2
Accruals and deferred income	0.3	1.4
Other payables	—	20.3
	130.0	93.8
Total trade and other payables	452.6	411.4

Trade and other payables principally comprise amounts outstanding for trade purchases and land acquired on deferred terms. The Directors consider that the carrying amount of trade payables approximates to their fair value. The carrying amount of deferred land payments and overage payable represents the discounted payment obligations. At 30 September 2019, the liabilities had been discounted by £12.4m (2018: £12.4m), reflecting the time value of money.

Land acquired on deferred payment terms is discounted using an interest rate of 3.4% for transactions entered into from 1 April 2017 and 6.0% for transactions prior to this date. Discount rates are regularly reviewed to ensure that the most appropriate rate is applied at the inception of new developments.

Deferred land payments include £2.4m (2018: £4.8m) relating to land acquisitions using promissory notes, issued under the Group's revolving credit facility.

Other payables include £18.1m (2018: £20.2m) of acquisition-related deferred consideration and remuneration payable in March 2020.

Trade and other payables include £2.3m (2018: £1.9m) of contract liabilities, where the value of payments made by customers exceeds the revenue recognised in the statement of comprehensive income. Substantially all of the contract liabilities at 1 October 2018 have been recognised as revenue during the year.

Trade and other payables as at 30 September 2018 have been restated, as described in Note 14.

23. Provisions

	2019 £m	2018 £m
At 1 October	5.3	2.6
Charged in the year	0.4	1.2
Released in the year	(2.5)	—
Utilised in the year	(0.9)	(0.3)
Reclassification	0.1	1.8
At 30 September	2.4	5.3
Disclosed as current liabilities	1.8	4.2
Disclosed as non-current liabilities	0.6	1.1
	2.4	5.3

Provisions held relate mostly to dilapidation and onerous lease costs. Provisions are discounted, where appropriate.

24. Share capital

	Number of shares			
	2019 m	2018 m	2019 £m	2018 £m
Allotted, issued and fully paid				
Ordinary shares of £0.01 each	450	450	4.5	4.5

24. Share capital continued

Purchase of shares by Employee Benefit Trust

The Employee Benefit Trust ("EBT") was established by the Company to acquire shares on its behalf. The EBT has waived its right to vote and to dividends on the shares it holds which are unallocated.

The EBT acquired 4,500,000 shares in the Group through purchases on the London Stock Exchange in October 2018 to meet the Group's expected obligations under share-based incentive arrangements. The total amount paid to acquire the shares was £13.0m.

The EBT acquired a further 1,000,000 shares on 15 July 2019 for £3.0m using proceeds from Save As You Earn ("SAYE") schemes.

The number of shares held in the EBT as at 30 September 2019 was 3,959,289 (2018: 3,164,054).

25. Notes to the cash flow statement

Reconciliation of profit before income tax to cash generated from operations

	Note	2019 £m	2018 £m
Profit before income tax		203.6	180.7
Adjustments for:			
– Amortisation charge	12	11.7	6.6
– Depreciation charge	13	2.2	1.1
– Share of post-tax profit from joint ventures and associate	15, 16	(44.1)	(42.0)
– Share-based payments (pre-tax)	30	6.7	6.8
– Finance costs	8	11.9	12.0
– Finance income	9	(1.0)	(1.4)
– Loss on disposal of property, plant and equipment		0.2	—
– Profit on disposal of available for sale financial assets		—	(1.0)
– Fair value gain on financial assets held at fair value through profit or loss	17	(0.9)	—
– Other non-cash items		(0.1)	0.3
Changes in working capital:			
– Increase in inventories		(67.8)	(59.3)
– Increase in trade and other receivables		(66.7)	(26.8)
– Increase in trade and other payables		34.1	31.7
– (Decrease)/increase in provisions	23	(2.9)	2.7
Cash generated from operations		86.9	111.4

26. Investments

The Company substantially owns, directly or indirectly, the whole of the issued and fully paid ordinary share capital of its subsidiary undertakings.

Subsidiary undertakings of the Group as at 30 September 2019 are presented below:

	Country of incorporation	Voting rights %	Principal activity
Direct investment			
Copthorn Holdings Limited	UK	100	Holding company
Stonefield Edge (Bilston) Management Company Limited	UK	100	Estate management
Indirect investment			
Alma Estate (Enfield) Management Company Limited	UK	100	Estate management
Beaulieu Park Limited	UK	100	Dormant
Brenthall Park (One) Limited	UK	100	Dormant
Breedon Place Management Company Limited	UK	100	Estate management
Countryside 26 Limited	UK	100	Development
Countryside 28 Limited	UK	100	Development
Countryside Build Limited	UK	100	Dormant
Countryside Cambridge One Limited	UK	100	Holding land
Countryside Cambridge Two Limited	UK	100	Holding land
Countryside Commercial & Industrial Properties Limited	UK	100	Dormant
Countryside Developments Limited	UK	100	Dormant
Countryside Eight Limited	UK	100	Dormant
Countryside Four Limited	UK	100	Holding company
Countryside Investments Limited	UK	100	Dormant
Countryside Properties (Commercial) Limited	UK	100	Dormant

Notes to the consolidated financial statements continued

For the year ended 30 September 2019

26. Investments continued

	Country of incorporation	Voting rights %	Principal activity
Indirect investment continued			
Countryside Properties (Holdings) Limited	UK	100	Holding company
Countryside Properties (In Partnership) Limited	UK	100	Dormant
Countryside Properties (Joint Ventures) Limited	UK	100	Holding company
Countryside Properties Land (One) Limited	UK	100	Holding land
Countryside Properties Land (Two) Limited	UK	100	Holding land
Countryside Properties (London & Thames Gateway) Limited	UK	100	Dormant
Countryside Properties (Northern) Limited	UK	100	Non-trading
Countryside Properties (Salford Quays) Limited	UK	100	Non-trading
Countryside Properties (Southern) Limited	UK	100	Dormant
Countryside Properties (Special Projects) Limited	UK	100	Dormant
Countryside Properties (Springhead) Limited	UK	100	Development
Countryside Properties (Uberior) Limited	UK	100	Development
Countryside Properties (UK) Limited	UK	100	Development
Countryside Properties (WGL) Limited	UK	100	Holding company
Countryside Properties (WHL) Limited	UK	100	Holding company
Countryside Properties (WPL) Limited	UK	100	Development
Countryside Residential Limited	UK	100	Dormant
Countryside Residential (South Thames) Limited	UK	100	Dormant
Countryside Residential (South West) Limited	UK	100	Dormant
Countryside Seven Limited	UK	100	Dormant
Countryside Sigma Limited	UK	74.9	Development
Countryside Thirteen Limited	UK	100	Development
Countryside Timber Frame Limited	UK	100	Manufacturing
Countryside (UK) Limited	UK	100	Dormant
Dunton Garden Suburb Limited	UK	100	Land promotion
Fresh Wharf Residents Management Company Limited	UK	100	Estate management
Harold Wood Management Limited	UK	100	Estate management
Hilborn Management Company Limited	UK	100	Estate management
Knight Strategic Land Limited	UK	100	Land promotion
Lakenmoor Ltd	UK	100	Dormant
Mandeville Place (Radwinter) Management Limited	UK	100	Estate management
Millgate Developments Limited	UK	100	Development
Millgate Homes Limited	UK	100	Dormant
Millgate Homes UK Limited	UK	100	Dormant
Millgate (UK) Holdings Limited	UK	100	Holding company
New Avenue (Cockfosters) Management Company Limited	UK	100	Estate management
Newhall Land Limited	UK	100	Development
Newhall Resident Management Company Limited	UK	100	Estate management
Parklands Manor Management Company Limited	UK	100	Estate management
Skyline 120 Management Limited	UK	100	Estate management
Skyline 120 Nexus Management Limited	UK	100	Estate management
Springhead Resident Management Company Limited	UK	100	Estate management
South at Didsbury Point Two Management Limited	UK	100	Estate management
Trinity Place Residential Management Company Limited	UK	100	Estate management
Urban Hive Hackney Management Limited	UK	100	Estate management
Watersplash Lane Management Company Limited	UK	100	Estate management
Westframe Limited	UK	100	Dormant
Westleigh Construction Limited	UK	100	Dormant
Westleigh LNT Limited	UK	100	Dormant
Westleigh Homes Limited	UK	100	Dormant
Wychwood Park Golf Club Limited	UK	100	Dormant
York Road (Maidenhead) Management Limited	UK	100	Estate management

26. Investments continued

All subsidiaries are fully consolidated, after eliminating intergroup transactions. The address of the registered office of all the subsidiaries is Countryside House, The Drive, Brentwood, Essex CM13 3AT, except for the following. The registered office address of Millgate Developments Limited, Breedon Place Management Company Limited, Hilborn Management Company Limited, Parklands Manor Management Company Limited and Watersplash Lane Management Company Limited is Millgate House, Ruscombe Lane, Twyford, Berkshire RG10 9JT. The registered office address of Stonefield Edge (Bilston) Management Company Limited is Unit 7 Portal Business Park, Eaton Lane, Tarporley CW6 9DL.

27. Related party transactions

Transactions with joint ventures and associate

	Joint ventures		Associate	
	2019 £m	2018 £m	2019 £m	2018 £m
Sales during the year	29.8	20.2	2.4	1.7
Net advances to joint ventures and associate at 1 October	56.1	67.6	—	—
Net repayments during the year	(6.8)	(11.5)	—	—
Net advances to joint ventures and associate at 30 September	49.3	56.1	—	—

The transactions noted above are between the Group and its joint ventures and associate, the details of which are described in Note 15 and Note 16 respectively.

Sales of goods and services to related parties related principally to the provision of services to the joint ventures and associate at contractually agreed prices. No purchases were made by the Group from its joint ventures or associate. The amounts outstanding ordinarily bear no interest and will be settled in cash.

Remuneration of key management personnel

Key management personnel are deemed to be the Executive Committee, along with other Directors of the Company, including the Non-Executive Directors. The aggregate remuneration of these personnel during the year was £11.0m (2018: £8.8m).

Transactions with key management personnel

In 2014, properties were sold at market value by the Group to a company of which Graham Cherry is a Director and shareholder. The Group leased back these properties incurring rental expenses of £21,000 in the prior financial year. The Group no longer leases these properties and therefore payments during the year ended 30 September 2019 were £Nil.

During the prior financial year, a close family member of Ian Sutcliffe and a close family member of Graham Cherry were employed by a subsidiary of the Group. During the year ended 30 September 2019, two close family members of Phillip Lyons were also employed by a subsidiary of the Group. All of these individuals were recruited through the normal interview process and are employed at salaries commensurate with their experience and roles. The combined annual salary and benefits of these individuals is less than £190,000 (2018: less than £110,000).

28. Financial instruments

The following tables categorise the Group's financial assets and liabilities included in the statement of financial position:

	Financial assets at amortised cost £m	Financial assets at fair value through profit or loss £m	Total £m
2019			
Assets			
Financial assets at fair value through profit or loss	—	5.0	5.0
Trade and other receivables	151.2	—	151.2
Amounts due from joint ventures	49.7	—	49.7
Cash and cash equivalents	75.6	—	75.6
	276.5	5.0	281.5
2018			
Assets			
Financial assets at fair value through profit or loss	—	4.1	4.1
Trade and other receivables	113.9	—	113.9
Amounts due from joint ventures	56.5	—	56.5
Cash and cash equivalents	47.2	—	47.2
	217.6	4.1	221.7

Trade and other receivables presented above excludes "Prepayments and accrued income" and "Other taxation and social security".

Notes to the consolidated financial statements continued

For the year ended 30 September 2019

28. Financial instruments continued

	Other financial liabilities at amortised cost £m
2019	
Liabilities	
Other loans	2.2
Deferred land payments and overage payable	192.2
Other trade and other payables	96.2
Amount due to joint ventures	0.4
	291.0
2018	
Liabilities	
Other loans	2.2
Deferred land payments and overage payable	180.5
Other trade and other payables	94.5
Amount due to joint ventures	0.4
	277.6

Other trade and other payables presented above excludes "Accruals and deferred income" and "Other taxation and social security".

Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the Group's assets that are measured at fair value:

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
2019				
Assets				
Financial assets at fair value through profit or loss	—	—	5.0	5.0
2018				
Assets				
Financial assets at fair value through profit or loss	—	—	4.1	4.1

There were no transfers between levels during the year.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

29. Financial risk management

The main financial risks associated with the Group have been identified as liquidity risk, interest rate risk, housing market risk and credit risk. The Directors are responsible for managing these risks and the policies adopted are set out below.

Liquidity risk

The Group finances its operations through a mixture of equity (Company share capital, reserves and retained earnings) and debt (bank loan facilities). The Group manages its liquidity risk by monitoring its existing facilities for both financial covenant compliance and funding headroom against forecast requirements based on short-term and long-term cash flow forecasts.

Maturity analysis

The following table sets out the contractual undiscounted maturities, including estimated cash flows, of the financial assets and liabilities of the Group at 30 September:

	Less than one year £m	One to two years £m	Two to five years £m	Over five years £m	Total £m
2019					
Assets					
Cash and cash equivalents	75.6	—	—	—	75.6
Financial assets at fair value through profit or loss	5.0	—	—	—	5.0
Trade and other receivables	136.4	9.9	5.3	—	151.6
Amounts due from joint ventures	49.7	—	—	—	49.7
	266.7	9.9	5.3	—	281.9
2019					
Liabilities					
Other loans	—	—	2.5	—	2.5
Deferred land payments and overage payable	82.2	80.0	26.7	15.7	204.6
Other trade and other payables	78.3	9.5	8.2	0.2	96.2
Amounts due to joint ventures	0.4	—	—	—	0.4
	160.9	89.5	37.4	15.9	303.7
2018					
Assets					
Cash and cash equivalents	47.2	—	—	—	47.2
Financial assets at fair value through profit or loss	4.1	—	—	—	4.1
Trade and other receivables	95.4	19.0	—	—	114.4
Amounts due from joint ventures	56.5	—	—	—	56.5
	203.2	19.0	—	—	222.2
2018					
Liabilities					
Other loans	—	—	2.5	—	2.5
Deferred land payments and overage payable	110.4	34.3	33.1	15.1	192.9
Other trade and other payables	72.9	21.6	—	—	94.5
Amounts due to joint ventures	0.4	—	—	—	0.4
	183.7	55.9	35.6	15.1	290.3

Notes to the consolidated financial statements continued

For the year ended 30 September 2019

29. Financial risk management continued

Interest rate risk

Interest rate risk reflects the Group's exposure to fluctuations in interest rates in the market. This risk arises from bank loans that are drawn under the Group's loan facilities with variable interest rates based upon UK LIBOR. For the year ended 30 September 2019 it is estimated that an increase of 0.5% to UK LIBOR would have decreased the Group's profit before tax by £0.5m (2018: £0.3m).

The following table sets out the interest rate risk associated with the Group's financial liabilities:

	Fixed rate £m	Floating rate £m	Non-interest bearing £m	Total £m
2019				
Liabilities				
Other loans	—	—	2.2	2.2
Deferred land payments and overage payable	—	2.4	189.8	192.2
Other trade and other payables	—	—	96.2	96.2
Amounts due to joint ventures	—	—	0.4	0.4
	—	2.4	288.6	291.0
2018				
Liabilities				
Other loans	—	—	2.2	2.2
Deferred land payments and overage payable	—	4.8	175.7	180.5
Other trade and other payables	3.0	—	91.5	94.5
Amounts due to joint ventures	—	—	0.4	0.4
	3.0	4.8	269.8	277.6

Floating rate deferred land payments and overage payable of £2.4m (2018: £4.8m) relates to land acquisitions using promissory notes, issued under the Group's revolving credit facility.

The Group's financial assets are non-interest bearing with the exception of cash and cash equivalents of £75.6m (2018: £47.2m) which attracts interest at floating rates.

The Group has no exposure to foreign currency risk.

Housing market risk

The Group is affected by price fluctuations in the UK housing market. These are in turn affected by the wider economic conditions such as mortgage availability and associated interest rates, employment and consumer confidence. Whilst these risks are beyond the Group's ultimate control, risk is spread across business activities undertaken by the Group and the geographic regions in which it operates.

Credit risk

The Group's exposure to credit risk is limited solely to the UK for housebuilding activities and by the fact that the Group receives cash at the point of legal completion of its sales.

The Group's remaining credit risk predominantly arises from trade receivables, amounts recoverable from construction contracts and cash and cash equivalents.

Trade receivables on deferred settlement terms arise from land sales. The amount deferred is secured by a charge over the land until payment is received.

Trade and other receivables primarily comprise amounts receivable from Homes England (in relation to Help to Buy), housing associations and joint ventures. The Directors consider the credit rating of the various debtors to be good in respect of the amounts outstanding and therefore credit risk is considered to be low.

Cash and cash equivalents are held with UK clearing banks which are either A or A- rated.

Capital management

The Group's policies seek to protect returns to shareholders by ensuring the Group will continue to trade profitably in the foreseeable future. The Group also aims to optimise its capital structure of debt and equity over the medium-term so as to minimise its cost of capital, though for operational flexibility may choose to use varying levels of debt in the short term. The Group manages its capital with regard to the risks inherent in the business and the sector within which it operates by monitoring its actual cash flows against bank loan facilities, financial covenants and the cash flow forecasts approved by the Directors.

	2019 £m	2018 £m
Total borrowings	2.2	2.2
Total equity	899.1	793.7
Total capital	901.3	795.9

30. Share-based payments

The Group recognised £6.7m (2018: £6.8m) of employee costs related to share-based payment transactions during the financial year, excluding accrued National Insurance contributions. A deferred tax asset of £2.3m (2018: £3.6m) is held in relation to these transactions, of which £0.6m was charged to the statement of comprehensive income (2018: £1.1m credit) and £0.7m was charged directly to equity (2018: £0.6m credit).

National Insurance contributions are payable in respect of certain share-based payment transactions and are treated as cash-settled transactions. The cost of these contributions during the year was £0.8m (2018: £1.1m). At 30 September 2019, the carrying amount of National Insurance contributions payable was £2.0m (2018: £2.3m), which is included in accruals within trade and other payables in the statement of financial position.

The Group operated a number of share-based payment schemes during the financial year (all of which are equity settled) as set out below:

(a) Savings-Related Share Option Scheme (“SRSOS”)

The Group operates an SRSOS, which is open to all employees at the date of invitation. This is a UK tax-advantaged SAYE plan.

Under the SAYE, eligible participants are granted options over such number of shares as determined by reference to their monthly savings contract over three years. Participants remaining in the Group’s employment at the end of the three-year savings period are entitled to use their savings to purchase shares in the Company at a stated exercise price (set at a discount of up to 20% of the share price on the day preceding the date of grant). Employees leaving for certain reasons are able to use their savings to purchase shares within six months of their cessation of employment. A reconciliation of option movements is shown below.

Options granted during the year were valued using the Black Scholes option-pricing model. No performance conditions or assumptions regarding service were included in the fair value calculations. The fair value per option granted during the year and the assumptions used in the calculation are detailed in the table below:

Date of grant	27 June 2019	19 December 2017	22 December 2016	16 March 2016
Options granted (millions)	2.1	0.6	0.8	3.0
Share price at date of grant (pence)	293	349	236	240
Exercise price (pence)	245	282	192	192
Volatility (%)	30	38	28	29
Option life (years)	3	3	3	3
Expected dividend yield (%)	3.9	3.6	3.0	3.0
Risk-free rate (%)	0.6	0.6	1.0	1.0
Fair value per option – Black Scholes (pence)	63	93	55	57

Movements in the year	Instruments m	Instruments m	Instruments m	Instruments m
Options outstanding at 1 October 2017	—	—	0.7	2.3
Granted	—	0.6	—	—
Lapsed	—	—	—	—
Forfeited	—	(0.1)	(0.1)	(0.2)
Options outstanding at 30 September 2018	—	0.5	0.6	2.1
Granted	2.1	—	—	—
Lapsed	—	—	—	—
Forfeited	—	(0.1)	(0.1)	—
Exercised	—	—	—	(2.0)
Options outstanding at 30 September 2019	2.1	0.4	0.5	0.1

The resulting fair value is expensed over the service period of three years, on the assumption that 15% p.a. of options will lapse over the service period as employees leave the Company based on the Group’s experience of employee attrition rates.

Options under the March 2016 grant vested on 1 April 2019, with 67% of potential options vesting. The average share price during the year ended 30 September 2019 was 307 pence.

Awards under the December 2016 grant will vest on 1 February 2020.

The weighted average remaining contractual life of share options outstanding at 30 September 2019 was 2.1 years (2018: 0.9 years).

(b) Long-Term Incentive Plan (“LTIP”)

Under the LTIP, shares are conditionally awarded to senior managers of the Group. The core awards are calculated as a percentage of the participants’ salaries and scaled according to grade. The awards are assessed against ROCE, TNAV and relative total shareholder return (“TSR”).

Straight line vesting will apply if performance falls between threshold and target or target and maximum. Performance will be measured at the end of the three-year performance period. If the required level of performance has been reached, the awards vest and the shares under award will be released. For grants from 1 October 2018, once released, the shares are subject to a two-year post-vesting holding period. Dividends do not accrue on the shares that vest.

Notes to the consolidated financial statements continued

For the year ended 30 September 2019

30. Share-based payments continued

(b) Long-Term Incentive Plan ("LTIP") continued

The weighted average remaining contractual life of LTIP awards outstanding at 30 September 2019 was 1.2 years (2018: 1.3 years). Details of the shares conditionally allocated at 30 September 2019 are set out below.

The conditional shares were valued using the following methods:

- for the non-market-based elements of the award, a combination of a Black Scholes option-pricing model; and
- for the relative TSR elements of the award, a Monte Carlo simulation model.

The key assumptions underpinning the Black Scholes option-pricing model and Monte Carlo simulation model are set out in the table below:

Date of grant	19 December 2018	19 December 2017	22 May 2017	15 December 2016	18 February 2016
Awards granted (millions)	3.5	2.7	0.2	3.7	3.8
Share price at date of grant (pence)	288	349	299	236	237
Exercise price (pence)	nil	nil	nil	nil	nil
Volatility (%)	35	38	28	28	29
Award life (years)	3	3	3	3	3
Expected dividend yield (%)	4.8	3.5	3.0	3.0	3.0
Risk-free rate (%)	0.7	0.6	1.0	1.0	1.0
TNAV/ROCE fair value per conditional share – Black Scholes (pence)	170	220	179	151	153
TSR fair value per conditional share – Monte Carlo (pence)	45	54	46	40	42
Fair value per conditional share – total (pence)	215	274	225	191	195

Movements in the year	Instruments m	Instruments m	Instruments m	Instruments m	Instruments m
Awards outstanding at 1 October 2017	—	—	0.2	3.4	3.4
Granted	—	2.7	—	—	—
Lapsed	—	—	—	(0.2)	(0.2)
Awards outstanding at 30 September 2018	—	2.7	0.2	3.2	3.2
Granted	3.5	—	—	—	—
Lapsed	(0.4)	(0.1)	—	(0.1)	(0.5)
Forfeited	(0.1)	(0.1)	—	—	—
Exercised	—	—	—	—	(2.7)
Awards outstanding at 30 September 2019	3.0	2.5	0.2	3.1	—

The first awards under the Plan vested on 18 February 2019 with 71.1% of potential awards vesting. Awards under the December 2016 grant will vest on 16 December 2019. The performance conditions for this award were measured at 30 September 2019 and 77.9% of the awards outstanding will vest.

(c) Deferred Bonus Plan ("DBP")

Under the DBP, certain senior managers and Directors of the Group receive one-third of their annual bonus entitlement as a conditional share award. The number of shares awarded is calculated by dividing the value of the deferred bonus by the average mid-market share price on the three business days prior to grant. The shares vest after three years subject to the employee remaining in the employment of the Group. If an employee leaves during the three-year period, the shares are forfeited except in certain circumstances as set out in the Plan rules. Dividends accrue on the shares that vest.

The fair value of the awards is equal to the share price on the date of grant. The fair value is expensed to the statement of comprehensive income in a straight line over four years, being the year in which the bonus is earned and the three-year holding period.

During the year, 0.4 million shares were conditionally allocated on 19 December 2018 (2018: 0.4 million) with the share price on the date of grant being 288 pence. A reconciliation of the number of shares conditionally allocated is shown below:

Movements in the year	19 December 2018 m	19 December 2017 m	15 December 2016 m
Awards outstanding at 1 October 2017	—	—	0.5
Granted	—	0.4	—
Awards outstanding at 30 September 2018	—	0.4	0.5
Granted	0.4	—	—
Awards outstanding at 30 September 2019	0.4	0.4	0.5

31. Operating lease commitments

The Group has various leases under non-cancellable operating lease agreements. The lease terms are between one and 20 years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

The Group also leases various vehicles, under cancellable lease agreements. The Group is required to give a six-month notice for termination of these agreements.

The charge to the statement of comprehensive income relating to operating leases during the year was £7.7m (2018: £6.3m).

At 30 September the future aggregate minimum lease payments under non-cancellable operating leases were as follows:

	2019 £m	2018 £m
Within one year	5.6	5.2
Later than one year and less than five years	13.8	10.2
After five years	7.5	10.7
	26.9	26.1

32. Capital commitments

The Group was not committed to the purchase of any property, plant and equipment or software intangible assets at 30 September 2019 (2018: £Nil).

33. Parent company guarantees

The Group has made parent company guarantees to its joint ventures and associate in the ordinary course of business.

The Group has entered into counter indemnities to banks, insurance companies, statutory undertakings and the National House Building Council in the ordinary course of business, including those in respect of joint ventures and associate, from which it is anticipated that no material liabilities will arise.

34. Litigation, claims and contingent liabilities

The Group is subject to various claims, audits and investigations that have arisen in the ordinary course of business. These matters include but are not limited to employment and commercial matters. The outcome of all of these matters is subject to future resolution, including the uncertainties of litigation. Based on information currently known to the Group and after consultation with external lawyers, the Directors believe that the ultimate resolution of these matters, individually and in aggregate, will not have a material adverse impact on the Group's financial condition. Where necessary, applicable costs are included within the cost to complete individual developments or are otherwise accrued in the statement of financial position.

During the year, the Competition & Markets Authority commenced an inquiry into the sale of leasehold properties. We are fully co-operating with this sector-wide inquiry and the Directors believe that no liability exists in relation to this matter as at 30 September 2019.

During the year, an amendment to Building Regulations banned the use of combustible materials on the external cladding of tall buildings. The Directors have commissioned an independent third-party review of historical developments and no provision has been made for remedial works as at 30 September 2019. This will be reviewed in the year ending 30 September 2020 when the third-party review has been concluded.

35. Dividends

The following dividends have been recognised as distributions and paid in the year:

	2019 £m	2018 £m
Prior year final dividend per share of 6.6 pence (2018: 5.0 pence)	29.2	22.3
Current year interim dividend per share of 6.0 pence (2018: 4.2 pence)	26.8	18.8
	56.0	41.1

The Board of Directors recommend a final dividend of 10.3 pence per share, amounting to a total dividend of £45.9m (2018: £29.2m) which will be paid on 7 February 2020 to shareholders on the register on 20 December 2019, subject to shareholder approval. The recommended dividend has not been recognised as a liability in these financial statements as the shareholders' right to receive the dividend had not been established at 30 September 2019.

Notes to the consolidated financial statements continued

For the year ended 30 September 2019

36. Adoption of new and revised accounting standards

During the financial year ended 30 September 2019, the Group has adopted the following accounting standards issued by the International Accounting Standards Board ("IASB"):

- IFRS 9 "Financial Instruments"
- IFRS 15 "Revenue from Contracts with Customers"

The impact of the adoption of these new standards on the Group's financial statements is explained below.

IFRS 9 "Financial Instruments"

Classification and measurement of financial assets

IFRS 9 replaces the guidance in IAS 39 "Financial Instruments: Recognition and Measurement" and addresses the classification, measurement, impairment and recognition of financial assets and financial liabilities.

Financial assets previously classified as loans and receivables under IAS 39 have been classified and measured at amortised cost under IFRS 9.

Financial assets previously classified as available for sale have been classified and measured at fair value through profit or loss under IFRS 9. Prior to the implementation of IFRS 9, changes to the fair value of available for sale financial assets were recorded within reserves, to the extent available. On transition to IFRS 9, fair value gains and losses are recorded directly in the statement of comprehensive income.

At the date of initial application of IFRS 9, available for sale financial assets related solely to a deferred land overage receivable (Note 17). There had been no changes to fair value recorded on the overage receivable from the date of initial recognition to the date of transition to IFRS 9. As a result, no adjustments were required on transition to IFRS 9.

During the prior financial year, the Group disposed of all of its shared equity loans that were previously classified as available for sale financial assets. IAS 39 continues to apply to these assets as they were derecognised prior to the date of initial application of IFRS 9.

Impairment of financial assets

IFRS 9 also requires the Group to recognise expected credit losses ("ECL") and to update the amount of ECL recognised at each reporting date to reflect changes in the credit risk of financial assets.

The Group applies the simplified approach under IFRS 9. This involves measuring the lifetime ECL for trade and other receivables at all times. Given the nature of the receivables and lack of significant exposure to ECL, no adjustments were required on transition to IFRS 9.

IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 replaces IAS 18 "Revenue", IAS 11 "Construction Contracts" and related interpretations. The core principle of IFRS 15 is that an entity will recognise revenue to reflect the transfer of goods and services to customers at the amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

IFRS 15 introduces a five-step approach to the timing of revenue recognition based on performance obligations in 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.

A full assessment of the Group's principal revenue streams against the requirements of IFRS 15 has been performed as set out in the table opposite.

IFRS 15 has been adopted using the modified retrospective approach with no restatement of comparative information.

The impact of IFRS 15 on the Group is as follows:

- proceeds from the sale of part exchange properties are now presented as revenue, as opposed to an offset to cost of sales; and
- where there are residual obligations in land sale contracts that are not satisfied at the balance sheet date, an element of the transaction price is deferred into future periods.

During the year ended 30 September 2019, £9.1m of revenue has been recognised on the sale of part exchange properties, or £10.3m on an adjusted basis. Income from the sale of part exchange properties recognised within cost of sales for the year ended 30 September 2018 was £9.9m, or £11.8m on an adjusted basis.

During the year ended 30 September 2019, £0.7m of revenue, and £0.2m of related profit, has been deferred relating to residual obligations in land sale contracts that have not been satisfied at the balance sheet date (£3.0m of revenue and £0.6m of related profit on an adjusted basis). This is expected to be realised during the year ending 30 September 2020.

36. Adoption of new and revised accounting standards continued

IFRS 15 “Revenue from Contracts with Customers” continued

An assessment of the Group's principal revenue streams against the requirements of IFRS 15 is set out below:

Revenue stream	Nature, timing of satisfaction of performance obligations and significant payment terms	Impact of IFRS 15 compared with previous accounting standards
Private housing	Revenue is recognised at a point in time on legal completion as this is when the customer obtains control of the property. Cash is received by the Group on legal completion and there is no variable or financing component to the consideration received.	Under IAS 18, revenue was recognised when the risks and rewards were transferred to the customer, which was deemed to be on legal completion. There is therefore no impact on the timing of revenue recognition on transition to IFRS 15.
Sale of part exchange properties	Revenue is recognised at a point in time on legal completion of the part exchange property as this is when the customer obtains control of the property. Cash is received on completion and there is no variable or financing component to the consideration received.	Under IAS 18, the profit/(loss) on the sale of a part exchange property was included within cost of sales, linked to a sale of a Countryside property. Under IFRS 15, the sale of the part exchange property is treated as a separate transaction with revenue recognised in line with the treatment of private housing. The proceeds are presented within private revenue.
Affordable housing and PRS contracts	Revenue is recognised over time based on surveyor-certified valuations of work performed at the balance sheet date. As the build progresses, customer-controlled assets are created, with the design tailored to the specification of the customer. The Group has an enforceable right to be paid for the work completed to date and invoices are issued and paid over the life of the development.	These contracts were previously recognised in accordance with IAS 11 with revenue and costs recognised by reference to stage of completion of the contract activity. There is therefore no impact of the timing of revenue recognition on transition to IFRS 15.
Land sales	Revenue is recognised at a point in time on unconditional exchange of contracts as this is the point at which the Group is considered to have satisfied its performance obligations. Where there are residual obligations in the land sale contract that are not satisfied at the balance sheet date, an element of the transaction price is deferred into future periods. Revenue is recognised on the residual obligations at a point in time when the performance obligations have been satisfied. Cash is either received on completion or on deferred settlement terms. Where land is sold on deferred settlement terms, the revenue and associated receivable are discounted to their fair value.	Under IAS 18, revenue was recognised when the risks and rewards were transferred to the customer, which was deemed to be on unconditional exchange of contracts. Under IFRS 15, the land sale will continue to be recognised on unconditional exchange of contracts. If there are residual obligations in the land sale contract that are not satisfied at the balance sheet date, an element of the transaction price is deferred into future periods.
Commercial sales	Revenue is typically recognised at a point in time on unconditional exchange of contracts as this is the point at which the Group is considered to have satisfied its performance obligations. Cash is received on legal completion and in most cases there is no variable or financing component to the consideration received. In some cases, where longer-term performance obligations are present, for example design and build contracts, revenue is recognised over time as described above in “Affordable housing and PRS contracts”.	Under IAS 18, revenue was recognised when the risks and rewards were transferred to the customer. For commercial sales recognised at a point in time, this was deemed to be on unconditional exchange of contracts. There is therefore no impact on the timing of revenue recognition on transition to IFRS 15. For revenue recognised over time there is no impact on transition to IFRS 15 as described above in “Affordable housing and PRS contracts”.

Parent company statement of financial position

As at 30 September 2019

	Notes	2019 £m	2018 £m
Fixed assets			
Investments	4	727.0	727.0
Current assets			
Debtors	5	76.3	75.8
Cash and cash equivalents		0.1	—
Creditors: amounts falling due within one year	6	(215.2)	(149.0)
Net current (liabilities)/assets		(138.8)	(73.2)
Total assets less current liabilities		588.2	653.8
Capital and reserves			
Retained earnings:			
At 1 October		649.3	698.1
Loss for the year		(3.3)	(3.0)
Dividends paid		(56.0)	(41.1)
Other changes in retained earnings		(6.3)	(4.7)
		583.7	649.3
Called up share capital	7	4.5	4.5
Total equity		588.2	653.8

The notes on pages 142 to 145 are part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 20 November 2019 and are signed on its behalf by:

Ian Sutcliffe **Mike Scott**
Director Director

Company Registration No. 09878920



Parent company statement of changes in equity

For the year ended 30 September 2019

	Called up share capital £m	Profit and loss account £m	Total equity £m
At 1 October 2017	4.5	698.1	702.6
Loss for the year	—	(3.0)	(3.0)
Total comprehensive expense for the year	—	(3.0)	(3.0)
Dividends paid	—	(41.1)	(41.1)
Share-based payment expense	—	6.7	6.7
Purchase of shares by Employee Benefit Trust	—	(11.4)	(11.4)
At 30 September 2018	4.5	649.3	653.8
Loss for the year	—	(3.3)	(3.3)
Total comprehensive expense for the year	—	(3.3)	(3.3)
Dividends paid	—	(56.0)	(56.0)
Share-based payment expense	—	6.7	6.7
Purchase of shares by Employee Benefit Trust	—	(13.0)	(13.0)
At 30 September 2019	4.5	583.7	588.2

Notes to the parent company financial statements

For the year ended 30 September 2019

1. Accounting policies

Company information

Countryside Properties PLC (the "Company") was incorporated on 18 November 2015 to serve as a holding company for the purposes of listing on the London Stock Exchange. Countryside Properties PLC was admitted to the premium segment of the London Stock Exchange on 17 February 2016.

The Company is a limited company domiciled and incorporated in England and Wales. The Company's registered office is Countryside House, The Drive, Brentwood, Essex CM13 3AT.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the requirements of the Companies Act 2006.

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions which have been complied with, including notification of, and no objection to, the use of exemptions by the Company's shareholders.

The Company has taken advantage of the following exemptions:

- from preparing a statement of cash flows, on the basis that it is a qualifying entity and the statement of cash flows, included in these financial statements, includes the Company's cash flows;
- from the financial instrument disclosures, required under FRS 102 paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29, as the information is provided in the consolidated financial statement disclosures;
- from disclosing share-based payment arrangements, required under FRS 102 paragraphs 26.18(c), 26.19 to 26.21 and 26.23, concerning its own equity instruments. The Company financial statements are presented with the consolidated financial statements and the relevant disclosures are included therein; and
- from disclosing the Company key management personnel compensation, as required by FRS 102 paragraph 33.7.

As permitted by Section 408 of the Companies Act 2006, the parent company's profit and loss account has not been presented in these financial statements.

The financial statements are prepared in Sterling, which is the functional currency of the Company, and are rounded to the nearest hundred thousand pounds.

The financial statements are prepared on a going concern basis under the historical cost convention. The principal accounting policies adopted are set out below.

The Company has not disclosed the information required by regulation 5(1)(b) of the Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008 as the Group accounts of the Company are required to comply with regulation 5(1)(b) as if the undertakings included in the consolidation were a single group.

1.2 Going concern

The Company's ability to continue as a going concern is inextricably linked to the results of the Group as a whole. Having considered the Group's cash flow forecasts, the Directors are satisfied that the Company has sufficient liquidity and covenant headroom to enable the Company to meet its liabilities as they fall due for at least the next 12 months. The Directors have also received confirmation from Group undertakings that there is no intent to recall amounts owed of £214.8m in the next 12 months. As such, the Directors consider the Company to be a going concern and these financial statements have been prepared on this basis.

The Group's business activities, together with the factors likely to affect its future development, are set out in the Strategic Report on pages 2 to 33. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described on pages 34 to 37 of the Strategic Report. Further disclosures regarding borrowings are provided in Note 21 to the Group financial statements.

1.3 Fixed asset investments

The value of the investment in each subsidiary held by the Company is recorded at cost less any impairment in the Company's statement of financial position.

A subsidiary is an entity that the Company has the power to control.

1.4 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and other short-term deposits held by the Company with maturities of three months or less. Bank overdrafts are classified within current liabilities.

1. Accounting policies *continued*

1.5 Financial instruments

Fair value measurement of financial instruments

The Company has elected to adopt the recognition and measurement provisions of IAS 39 “Financial Instruments: Recognition and Measurement” and the disclosure requirements of Sections 11 and 12 of FRS 102.

Financial assets

Financial assets primarily represent loans to subsidiary companies and cash, which are initially recognised at fair value.

Borrowings

Interest-bearing bank loans and overdrafts are recorded initially at their fair value, net of direct transaction costs. Borrowings are subsequently carried at their amortised cost and loan arrangement fees are amortised over the term of the instrument. Finance costs associated with each individual drawdown are expensed over the period of that drawdown.

Further details of the Company's bank loans can be found in Note 21 to the Group financial statements.

1.6 Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the Company.

1.7 Taxation

The current tax payable is based on taxable profit for the period which differs from accounting profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and those items never taxable or deductible. The Group's liability for current tax is measured using tax rates that have been enacted or substantively enacted by the reporting date.

1.8 Dividend

Dividend distributions to the Company's shareholders are recognised in the Company's financial statements in the periods in which the final dividends are approved in the Annual General Meeting, or when paid in the case of an interim dividend.

1.9 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction from the proceeds.

1.10 Related parties

The Group discloses transactions with related parties as described in Note 27 to the Group financial statements. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the Directors, separate disclosure is necessary to understand the effect of the transactions on the Group financial statements.

2. Critical accounting judgements and estimates

The preparation of the financial statements requires the Directors to make estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income, expenses and related disclosures.

Critical accounting judgements

In the process of applying the Company's accounting policies, which are described above, the Directors have made no individual judgements that have had significant impact upon the financial information, apart from those involving estimations, which are dealt with below.

Key sources of estimation uncertainty

Estimates and underlying assumptions affecting the financial statements are based on historical experience and other relevant factors and are reviewed on an ongoing basis. This approach forms the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. 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. Such changes are recognised in the year in which the estimate is revised.

The key sources of estimation uncertainty that have a risk of causing a material adjustment to the carrying value of assets and liabilities are described below.

Impairment of fixed asset investments

Determining whether fixed asset investments are impaired requires judgement and estimation. The Directors periodically review fixed asset investments for possible impairment when events or changes in circumstances indicate, in management's judgement, that the carrying amount of an asset may not be recoverable. Such indicating events would include a significant planned restructuring, a major change in market conditions or technology and expectations of future operating losses or negative cash flows. When such impairment reviews are conducted, the Company will perform valuations based on cash flow forecasts, following the same valuation methodologies and assumptions as set out in the Group's annual goodwill reviews described in Note 12 to the Group financial statements.

Notes to the parent company financial statements continued

For the year ended 30 September 2019

3. Operating loss

The Company had no employees during the year (2018: none).

Directors' emoluments are disclosed in Note 5 to the Group financial statements.

Details of the audit fees can be found in Note 7 to the Group financial statements.

4. Investments

	2019 £m	2018 £m
At 1 October and 30 September	727.0	727.0

Details of the Company's subsidiaries at 30 September 2019 are included in Note 26 to the Group financial statements.

The Company conducted an impairment review following the same valuation methodologies and assumptions as set out in the Group's annual goodwill reviews described in Note 12 to the Group financial statements. Neither an increase in the discount rate of 3%, a reduction in Group cash flows of 10% per annum, nor a reduction in the long-term growth rate to 0% would indicate an impairment in the Company's investments. Therefore, the Company did not record an impairment charge during the year ended 30 September 2019 (2018: £Nil).

5. Debtors

Amounts falling due within one year:

	2019 £m	2018 £m
Amounts owed by Group undertakings	71.0	70.6
Corporation tax recoverable	3.3	2.6
Prepayments and accrued income	2.0	2.6
	76.3	75.8

The amounts owed by Group undertakings to the Company are unsecured, repayable on demand and non-interest bearing.

6. Creditors: amounts falling due within one year

	2019 £m	2018 £m
Amounts owed to Group undertakings	214.8	148.4
Accruals and deferred income	0.4	0.6
	215.2	149.0

The amounts owed to Group undertakings by the Company are unsecured, repayable on demand and non-interest bearing.

Bank loans

Details of the Group's facilities and borrowings are disclosed in Note 21 to the Group financial statements.

Cash and cash equivalents available for offset

Within the revolving credit facility the Group has a £30m overdraft facility which can be drawn by any Group company which is in the pooling arrangement.

7. Called up share capital

	2019			2018		
	Number of shares m	Called up share capital £m	Share premium £m	Number of shares m	Called up share capital £m	Share premium £m
Issued, called up and fully paid						
At 1 October and 30 September	450	4.5	—	450	4.5	—

Note 24 to the Group financial statements provides details of shares purchased and held by the Employee Benefit Trust during the year.



8. Commitments and contingent liabilities

Guarantees

The Company has made guarantees to the Group's joint ventures and associate, in the ordinary course of business.

The Company has entered into counter indemnities to banks, insurance companies, statutory undertakings and the National House Building Council in the normal course of business, including those in respect of joint ventures from which it is anticipated that no material liabilities will arise.

9. Dividends

The following dividends have been recognised as distributions in the year:

	2019 £m	2018 £m
Prior year final dividend per share of 6.6 pence (2018: 5.0 pence)	29.2	22.3
Current year interim dividend per share of 6.0 pence (2018: 4.2 pence)	26.8	18.8
	56.0	41.1

The Board of Directors recommends a final dividend of 10.3 pence per share, amounting to a total dividend of £45.9m (2018: £29.2m) which will be paid on 7 February 2020 to shareholders on the register on 20 December 2019, subject to shareholder approval. The recommended dividend has not been recognised as a liability in these financial statements as the shareholders' right to receive the dividend had not been established at 30 September 2019.

Alternative Performance Measures (unaudited)

In the reporting of financial information, the Directors have adopted various Alternative Performance Measures (“APMs”). These measures are not defined by IFRS and therefore may not be directly comparable with other companies’ APMs, including those in the Group’s industry. APMs should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measurements.

The Directors believe that the inclusion of the Group’s share of joint ventures and associate and the removal of non-underlying items from financial information presents a clear and consistent presentation of the underlying performance of the ongoing business for shareholders.

(a) Financial performance

Adjusted revenue

Adjusted revenue includes the Group’s share of revenue from joint ventures and associate. Refer to Note 4a for a reconciliation to reported revenue.

Adjusted gross margin

Adjusted gross margin is calculated as adjusted gross profit divided by adjusted revenue. The table below reconciles adjusted gross profit to reported gross profit and presents the calculation of adjusted gross margin.

Adjusted gross profit includes the Group’s share of gross profit from joint ventures and associate and excludes non-underlying items.

	Note	2019 £m	2018 £m
Gross profit		253.6	229.7
Add: non-underlying items	7	7.4	—
Add: share of gross profit from joint ventures and associate		47.8	47.2
Adjusted gross profit		308.8	276.9
Adjusted revenue	4a	1,422.8	1,229.5
Adjusted gross margin		21.7%	22.5%

Adjusted operating profit

Adjusted operating profit includes the Group’s share of operating profit from joint ventures and associate and excludes non-underlying items. Refer to Note 4 for a reconciliation to reported operating profit.

Adjusted operating margin

Adjusted operating margin is calculated as adjusted operating profit divided by adjusted revenue. The table below presents the calculation of adjusted operating margin.

	Note	2019 £m	2018 £m
Adjusted operating profit	4a	234.4	211.4
Adjusted revenue	4a	1,422.8	1,229.5
Adjusted operating margin		16.5%	17.2%

Adjusted basic and diluted earnings per share

Adjusted basic and diluted earnings per share exclude the impact of non-underlying items on Group profit. Refer to Note 11 for a reconciliation to reported basic and diluted earnings per share.

Return on capital employed (“ROCE”)

ROCE is calculated as adjusted operating profit divided by average tangible net operating asset value (“TNOAV”). The table below presents the calculation of ROCE.

	Note	2019 £m	2018 restated £m
Opening TNOAV		575.1	554.9
Closing TNOAV	4b	664.4	575.1
Average TNOAV		619.8	565.0
Adjusted operating profit	4a	234.4	211.4
ROCE		37.8%	37.4%

**(b) Financial position****Tangible net asset value (“TNAV”)**

TNAV is calculated as net assets excluding intangible assets net of deferred tax. The table below reconciles TNAV to reported net assets.

	Note	2019 £m	2018 restated £m
Net assets		899.1	793.7
Less: intangible assets	12	(170.9)	(179.5)
Add: deferred tax on intangible assets		9.6	5.9
TNAV		737.8	620.1

Tangible net operating asset value (“TNOAV”)

TNOAV is calculated as TNAV excluding net cash/debt. The table below presents the calculation of TNOAV.

	Note	2019 £m	2018 restated £m
TNAV		737.8	620.1
Less: Net debt/(cash)	21c	(73.4)	(45.0)
TNOAV		664.4	575.1

Net debt

Net debt is calculated as borrowings less net cash and cash equivalents, and excludes debt arrangement fees including in borrowings. Refer to Note 21 for the calculation of net debt.

Gearing

Gearing is calculated as net debt divided by net assets. The table below presents the calculation of gearing.

	Note	2019 £m	2018 £m
Net debt/(cash)	21c	(73.4)	(45.0)
Net assets		899.1	793.7
Gearing		(8.2)%	(5.7)%

Adjusted gearing

Adjusted gearing is calculated as net debt, including deferred land payments (excluding overage), divided by net assets. The table below presents the calculation of adjusted gearing.

	Note	2019 £m	2018 £m
Net debt/(cash)	21c	(73.4)	(45.0)
Add: Deferred land payments (excluding overage)	22	158.3	127.6
Adjusted net debt/(cash)		84.9	82.6
Net assets		899.1	793.7
Adjusted gearing		9.4%	10.4%

Shareholder information

Financial calendar 2020

Ex-dividend date	19 December 2019
Record date	20 December 2019
Payment of final dividend	7 February 2020
Annual General Meeting	23 January 2020
Trading update	23 January 2020

Five-year summary (unaudited)

	2019	2018 restated	2017	2016	2015
Adjusted revenue	£1,422.8m	£1,229.5m	£1,028.8m	£777.0m	£615.8m
Adjusted operating profit	£234.4m	£211.4m	£165.3m	£122.5m	£91.2m
Adjusted operating margin	16.5%	17.2%	16.1%	15.8%	14.8%
Reported revenue	£1,237.1m	£1,018.6m	£845.8m	£671.3m	£547.5m
Reported operating profit	£170.4m	£149.3m	£128.9m	£87.3m	£67.9m
Reported operating margin	13.8%	14.7%	15.2%	13.0%	12.4%
Return on capital employed	37.8%	37.4%	30.6%	26.8%	24.7%
Tangible net asset value	£737.8m	£620.1m	£632.3m	£537.4m	£329.0m
Completions (homes)	5,733	4,295	3,389	2,657	2,364
Private average selling price	£367,000	£402,000	£430,000	£465,000	£385,000
Net reservation rates ¹	0.84	0.80	0.84	0.78	0.76
Average open sales outlets	56	53	47	36	27
Land bank (plots)	49,000	43,523	34,581	27,204	26,213

1. Net reservation rate including bulk sales was 0.95 for the year ended 30 September 2019 (2018: 0.80).

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