



COUNTRYSIDE

CELEBRATING 60 YEARS OF
Places People Love



A child is running across a grassy field towards the camera. In the background, there are modern, multi-story houses with large windows and balconies. The entire image has a teal color overlay.

PLACES PEOPLE LOVE

COUNTRYSIDE WAS FOUNDED IN 1958
BY ALAN CHERRY, WITH THE VISION TO
CREATE PLACES PEOPLE LOVE THROUGH
DESIGN-LED MASTER PLANNING.

CELEBRATING 60 YEARS OF PLACES PEOPLE LOVE

1960s

Small residential developments in Essex and East London were carried out.

1970s

Residential developments continued to expand with our first involvement in commercial property.

1980s

Chelmer Village

Our first large-scale residential development at Chelmer Village, Chelmsford formed the start of our master planning expertise.



Beaulieu Park 1988–2026

Beaulieu Park delivered 615 new homes, parks and open spaces including playing fields and a sports pavilion. It was an early phase of what has become a much larger Beaulieu development that will deliver an additional 3,600 homes.



1990s

Five Estates Peckham Partnership 1995–2008

13 year regeneration programme in London Borough of Southwark including 2,000 new mixed-tenure homes.

Great Notley Village 1993

The development of Great Notley Village commenced in 1993 with a masterplan for 2,000 mixed-tenure homes, of which 10% was affordable, a 500,000 sq ft employment park and extensive community and leisure facilities.

2000s

Greenwich Millennium Village 2000–2029

Built through a joint venture with Taylor Wimpey, Greenwich Millennium Village will provide over 2,000 homes alongside the Thames on the Greenwich Peninsula.



Accordia 2002

Accordia in Cambridge is widely regarded as setting a new benchmark for housing in the UK and was the first ever residential scheme to receive the most prestigious architectural accolade – the RIBA Stirling Prize.



Crossways Estate, Bow 2006–2012

Refurbishment of two 24 storey tower blocks in Tower Hamlets and construction of 360 new, mixed-tenure homes.



2010s

Norris Green Village 2010–2018

The mixed-tenure development of Norris Green Village, Liverpool was completed in 2018 providing a total of 839 new affordable, PRS and private for sale homes.



Acton Gardens 2010–2026

Acton Gardens will deliver up to 3,000 new homes, of which 50% will be affordable, and will provide over 500,000 sq ft of open space.

“

We have continued our trajectory of strong growth and improving returns from our differentiated business model.

Ian Sutcliffe
Group Chief Executive

What we do

In Partnerships, we work with local authorities and housing associations to provide estate regeneration and development of brownfield land. In Housebuilding we use our expertise to develop larger scale communities.

Why we do it

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.

How we create value

We create a strong sense of community and a common vision of identity on our developments. Our low capital and mixed-tenure Partnerships model, together with our high quality strategic land bank in Housebuilding, enable us to lock in strong returns.



Read more about our business model on [pages 10 and 11](#)

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CREATING PLACES PEOPLE LOVE

The continued success of our mixed-tenure model together with our acquisition of Westleigh has delivered another year of sector-leading growth.

Group

Adjusted revenue¹

£1,229.5m

2017: £1,028.8m

Adjusted operating profit^{1,2}

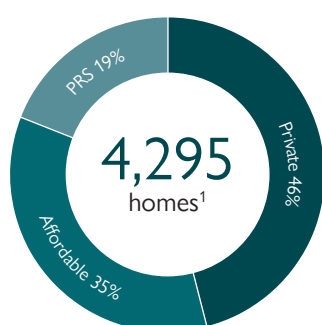
£211.4m

2017: £165.3m

2018 has been a year of strong growth driven by the success of our mixed-tenure model and the acquisition of Westleigh Group ("Westleigh") in April 2018.

Fewer than half of our completions in the year were private homes, with affordable home delivery and Private Rental Sector ("PRS") allowing us to increase build rates and accelerate our growth.

We grew our pipeline of Partnerships work and maintained our Housebuilding land bank which gives us confidence in our medium term growth targets of 10 to 15 per cent per annum.



➔ Read more about Group performance on pages 28 to 31

Partnerships

Adjusted revenue

£634.8m

2017: £476.7m

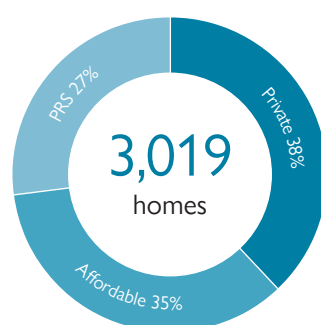
Adjusted operating profit

£110.6m

2017: £79.4m

Our Partnerships division specialises in urban regeneration of public sector land, delivering private, affordable and PRS homes in partnership with local authorities and housing associations. It operates in and around London, the Midlands and North West England. We expanded into the East Midlands and Yorkshire with the acquisition of Westleigh.

- Public sector land-led regeneration
- Relationships with local authorities established over 30 years
- Reputation for placemaking and urban regeneration
- Low-risk/low-capital model
- Ten years of visibility of future work
- Continued political support from both central and local government



➔ Read more about our Partnerships division on pages 20 to 23

Housebuilding

Adjusted revenue

£594.7m

2017: £552.1m

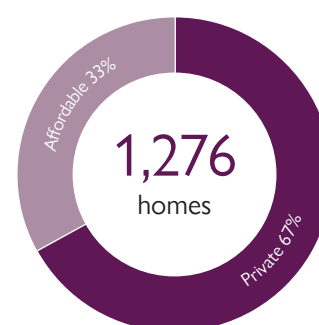
Adjusted operating profit

£109.6m

2017: £91.5m

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. It operates under the Countryside and Millgate brands.

- Over ten years' supply of strategic land
- Focused on outer London and the South East
- Flexibility and balance sheet efficiency from controlled and optioned land
- Strong average selling prices from placemaking
- Operating efficiency from increasing scale



➔ Read more about our Housebuilding division on pages 24 to 27

1. Results presented here represent adjusted measures, with a full reconciliation to statutory results presented on page 4, and in Note 6 to the Group financial statements.

2. Prior year comparative has been restated, as described in Note 3 to the financial statements.

Business overview

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 brownfield land.

In Housebuilding, we combine our 60 years of placemaking expertise with a leading strategic land bank, embedding strong margins.

Partnerships active sites at September 2018

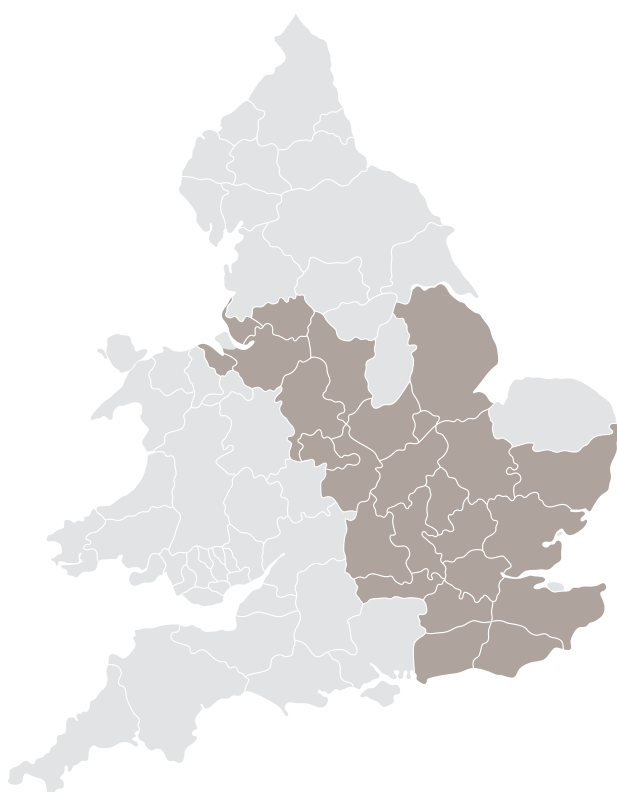
74

2017: 46

Housebuilding active sites at September 2018

41

2017: 42



■ Areas of operation

Our investment case

Countryside has a strong track record of placemaking and benefits from long-term relationships in both the Partnerships and Housebuilding divisions.

INCREASING SCALE
WITH FURTHER
PLATFORM FOR
GROWTH

4,295
homes completed
in the year

EXCELLENT
VISIBILITY THROUGH
PARTNERSHIPS PIPELINE

29,878
plots of land giving
us ten years' visibility

IMPRESSIVE
TRACK RECORD
OF WINNING NEW
PARTNERSHIPS BUSINESS

9,646
new plots won
in the year

BALANCED BUSINESS
MODEL DELIVERING
MIXED-TENURE HOMES

£1,229.5m
adjusted revenue

SIGNIFICANT
IMPROVEMENT
IN RETURNS

37.1%
ROCE, a 650bps
increase

STRONG BALANCE
SHEET WITH CAPACITY
FOR GROWTH

£45m
net cash at year end

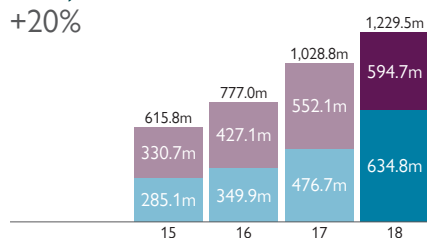
INCREASED
GEOGRAPHIC
REACH WITH 13
REGIONAL TEAMS

1,818
directly employed
staff

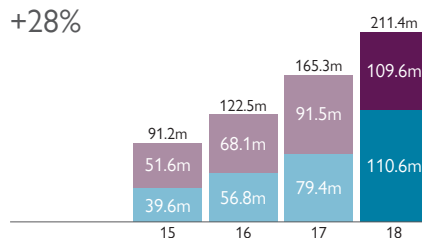
2018 performance and highlights

- Completions up 27 per cent to 4,295 homes (2017: 3,389 homes)
- Private average selling price ("ASP") down 7 per cent to £402,000 (2017: £430,000)
- Net reservation rate upper end of target range at 0.80 (2017: 0.84)
- Open sales outlets up 28 per cent at 60 (2017: 47)
- Total order book up 40 per cent to £899.7m (2017: £643.7m)
- Total land bank increased to 43,523 plots (2017: 34,581 plots)
- Adjusted earnings per share of 36.0 pence (2017: 27.7 pence)⁵
- Reported revenue up 20 per cent to £1,018.6m (2017: £845.8m)
- Reported operating profit up 16 per cent to £149.3m (2017: £128.9m)
- Net cash of £45.0m (2017: £77.4m)
- Basic earnings per share of 33.1 pence (2017: 27.2 pence)⁵
- Accident Injury Incident Rate ("AIIR")⁶ of 162 (2017: 220)
- NHBC Recommend a Friend score of 84.6 per cent (2017: 88.6 per cent)

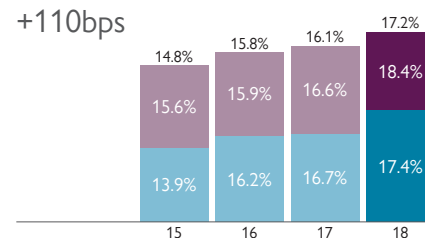
Adjusted revenue¹ £m
£1,229.5m
+20%



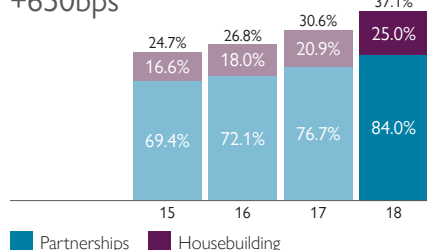
Adjusted operating profit^{2,5} £m
£211.4m
+28%



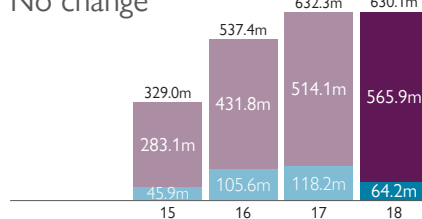
Adjusted operating margin^{2,5} %
17.2%
+110bps



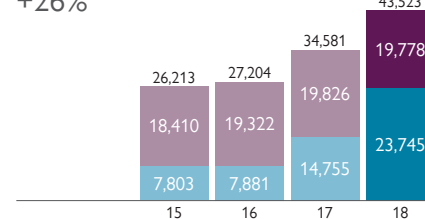
Return on capital employed^{3,5} %
37.1%
+650bps



Tangible net asset value^{4,5} £m
£630.1m
No change



Land bank # plots
43,523
+26%



Partnerships Housebuilding

1. Adjusted revenue includes the Group's share of revenue from associate and joint ventures of £210.9m (2017: £183.0m; 2016: £105.7m; 2015: £68.3m).

2. Adjusted operating profit includes the Group's share of operating profit from associate and joint ventures of £46.4m (2017: £33.6m; 2016: £25.3m; 2015: £16.7m) and excludes non-underlying items of £15.7m (2017: £2.8m; 2016: £9.9m; 2015: £6.6m). Divisional adjusted operating profit excludes Group items of £8.8m (2017: £5.6m; 2016: £2.4m; 2015: £Nil), being share-based payment expenses and amortisation of software intangibles.

3. 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.

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

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

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

→ See our KPIs on [pages 18 and 19](#)

Chairman's statement

I am delighted to report on another year of significant progress in 2018, which marked 60 years since Countryside was founded.

We were the UK's fastest-growing listed homebuilder during the year, exceeding the targets we set at the time of our Initial Public Offering ("IPO") in February 2016. This demonstrates the success of our differentiated business model and commitment to creating Places People Love. We see further opportunities for future growth, which form the basis for our new medium-term targets outlined at our Capital Markets Day in June 2018.

Accelerating growth

We acquired Westleigh during the year, accelerating the growth of our Partnerships division in line with our mixed-tenure approach and expanding our geographic reach into Yorkshire and the East Midlands. We also moved to improve efficiency and build greater resilience in the supply chain by investing in a closed-panel timber frame factory. (See page 15 for full details.)

Our Housebuilding division continued to gain scale during the year, increasing completion numbers by seven per cent and improving margins through enhanced operational efficiency. We also successfully managed our ASP to remain relevant and accessible to our core target audience of local owner-occupiers.

Our financial and operational results for the year were excellent, leading the sector in both earnings and completions growth. Improving efficiencies across our business, particularly within our Housebuilding business, enabled us once more to exceed our ROCE target.

Despite the significant investments made during the year, our balance sheet remains strong and we continue to have clear visibility over our future growth plans. We ended the year with a secure balance sheet and £45m of net cash. Our forward order position and pipeline in both divisions are very strong, positioning us well to continue delivering against our ambitious growth plans.

Returns to shareholders

After another year of strong profit growth, the Board proposes a final dividend of 6.6 pence per share. Subject to approval at the Annual General Meeting ("AGM") on 24 January 2019, the dividend will be paid on 8 February 2019 to shareholders registered at 21 December 2018. Together with the interim dividend of 4.2 pence per share, this will give a total dividend of 10.8 pence per share.

Priorities of the Board

The Board regards corporate governance as a key discipline that supports our aim of increasing value for our shareholders by continually improving Group performance. During 2018, we focused on further refining Group strategy, with particular emphasis on the role of the Partnerships division as protection against any future slowdown in the housing market. We also conducted a wide-ranging Board evaluation exercise – see page 50 for full details.

As we enter 2019, our key areas of focus continue to be to support implementation of the Group's business strategy, to enhance succession planning for the Board and Executive Committee and to embed corporate governance and risk mitigation plans further across the business.

Various Board changes took place during the year. Federico Canciani's last day of service was 5 December 2017, Richard Adam stepped down on 31 December 2017, and Douglas Hurt joined the Board on 1 January 2018.

On 1 October 2018, we announced that Becky Worthington had been appointed Chief Operating Officer and Mike Scott was promoted to the Board as Chief Financial Officer. I wish them both well in their new roles.

Our people

As at 30 September 2018, we had over 1,800 employees, which is a more than 50 per cent increase on a year ago, largely driven by the Westleigh acquisition. We recognise that our people are the most important factor in delivering planned future growth and maintaining quality, satisfaction and safety standards. In response to the labour-supply issues faced by the industry, we therefore concentrated on developing people at all levels, as well as investing in a new modular build factory in Warrington. We also continued to recruit apprentices, graduates and trainees in significant numbers.

Once again, I would like to thank our customers and our partners during the year, and every one of our employees for all their hard work and commitment to our business.

David Howell
Chairman

20 November 2018



Group Chief Executive's review

SECTOR-LEADING EARNINGS AND COMPLETION GROWTH

The Group continues to deliver against its strategic objectives of growth, returns and resilience.

IPO targets exceeded

| | 2018 | IPO target |
|----------------------------|--------------|------------|
| Total completions | 4,295 | 3,600+ |
| Adjusted operating margin | 17.2% | 17%+ |
| Return on capital employed | 37.1% | 28%+ |

Future resilience

| | 2018 | 2015 |
|---|---------------|----------|
| Partnerships preferred bidder and land bank | 29,878 | 10,760 |
| Housebuilding land bank | 19,778 | 18,410 |
| Net cash/(debt) | £45.0m | £(59.5)m |

Non-financial metrics

| | 2018 | 2015 |
|---|--------------|-------|
| Health and safety (AIIR) | 162 | 265 |
| Customer Satisfaction (NHBC Recommend a friend) | 84.6% | 82.7% |
| Build Quality (Reportable Incidents, "RIs") | 0.22 | 0.22 |

Group strategy

Our strategic objectives of growth, returns and resilience – underpinned by our strong operational performance – have enabled us to continue to grow strongly in 2018.

Our ability to deliver on these priorities is based on a number of strategic choices we took ahead of the IPO. At the forefront of these was our decision to cease a number of peripheral activities and focus instead on the core activities of our balanced operating model: Partnerships and Housebuilding.

In particular, our mixed-tenure approach to development that comprises private, affordable and PRS homes gives us the ability to deliver accelerated growth, returns and resilience.

In terms of growth, we have outperformed our sector in both earnings and homes completed during 2018. We have built on our strong new business pipeline in both our operating divisions to underpin the medium term. Our Partnerships pipeline and Housebuilding strategic land bank are industry-leading, delivering balance sheet efficiency and continuing to underpin our future growth.

Our excellent asset turn, particularly in our Partnerships division and our strong operational execution means we are highly efficient in generating revenue and cash from our assets. This helps us operate a capital-light model and deliver a superior return on capital employed while maintaining strong operating margins.

Our Housebuilding division continued to grow to scale with operating margins and ROCE both improving strongly in the year.

Our resilience is supported by a number of factors. The mixed-tenure model reduces our exposure to the private housing market which we expect will represent around one third of delivery in 2019. In addition, forward-funding of affordable and PRS homes helps to reduce our balance sheet risk while accelerating growth in sectors of high demand.



“

Our 2018 results, combined with a strong forward order book at year end, give us great confidence in delivering our medium-term growth target of 10 to 15 per cent per annum.

We support our three strategic priorities through prudent financial management, ensuring we deploy capital appropriately through the cycle. We have a clear focus on cash generation and manage debt carefully. During 2018, we were able to use our own cash to make two important investments to accelerate our future growth – the purchase of Westleigh in April 2018 and the development of an offsite modular build factory, which will come on stream in 2019.

Overall, we believe our low-capital mixed-tenure model provides strong growth and remains more resilient to the cyclical nature of the UK housebuilding sector.

Our target customers

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 grown our delivery of affordable housing during the year, both organically and with the acquisition of Westleigh. We are one of the largest providers of affordable homes in London as a proportion of total completions.

The rapidly expanding PRS sector remains a focus for us, with over 2,000 homes now completed with our partner Sigma Capital in the North West and the Midlands. We plan to expand this relationship further with the aim of delivering an additional 5,000 PRS homes over the next three years.

63 per cent of our private sales during the year were to first time buyers in areas of strong demand. By focusing on this customer segment we were able to reduce our private average selling price to £402,000. This has been achieved while still focusing on placemaking with no reduction in the quality of build or strength of location.

Group Chief Executive's review continued

A step change in growth

Our acquisition in April 2018 of Westleigh, a long-established partnerships home builder covering the East Midlands and Yorkshire, increased the scale of our Partnerships division and extended our operational footprint into new geographies.

Having tracked Westleigh for some years prior to the acquisition, we recognised that it already met a number of the requirements of our own business model and strategy, including strong relationships across its markets, a high-quality supply chain and a highly experienced workforce. The acquisition added around 5,000 plots to our land bank and a further new business bid pipeline of potential sites, delivering a strong platform for future growth. By introducing our mixed-tenure model to Westleigh, we aim to accelerate growth and improve underlying returns.

We are well advanced with the integration and expansion of the business and expect it to deliver accretion to adjusted earnings per share in the first full year of ownership.

Off-site construction

One of the biggest challenges facing Countryside and the industry as a whole is a shortage of labour, in areas including project and site management as well as skilled labour on site. While it is possible to address the issue to some degree through training and development programmes, we also need to challenge the way we build our homes. We believe the right approach is to automate some parts of the construction process off site to ensure skilled people on site can concentrate on the tasks that add the most value.

This was the motivating factor behind our decision to invest in a new off-site manufacturing facility that will enable us to achieve more with our existing people, supporting the faster delivery of new homes.

We have for some years used an open-panel timber frame system in our Northern and Midlands regions to produce standard components offsite for around 40 per cent of our output. From 2019, our new £6m facility in Warrington will take this further, producing more complete, quality-assured wall and flooring systems with first-fix plumbing and electrical channels installed, windows in place and insulation sealed into the unit, ensuring all relevant regulations are met in a production environment.

These panels will be delivered to sites for assembly, where skilled tradespeople will supply finishes. The new facility will ultimately produce around 1,500 units per year to serve the Partnerships division across the Midlands and the North West.

We anticipate that this approach will allow us to take a building from foundations to completed property in around ten weeks from the current 12 to 14 weeks, increasing the number of homes our sites can deliver in a year. As well as significantly improving our operational efficiency, there are a number of other benefits including protection from site labour shortages, reduced waste and improved quality control.

Market overview

Overall demand for housing of all tenures remains strong across all our areas of operation. Mortgage availability and the recently announced extension of Help to Buy until 2023 have ensured that demand from first time buyers has remained robust. 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 macro-economic backdrop. 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.

At the same time, according to the National House-Building Council (NHBC), 2017 was the best year for new builds in the decade since the financial crisis, with builders delivering 160,000 new homes, up by six per cent on 2016.

Government and all-party recognition of the need for additional housing continued to be strong during the year, with nearly 200,000 new homes expected in 2018 and the Government's stated annual target of 300,000 new homes.

Two important Government reviews have been published in 2018 – the Letwin Review on tackling barriers to building and the recommendations following the inquiry into the Grenfell Tower disaster.

The Letwin Review concluded that 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 absorption rate for private homes.

In response to the Grenfell fire tragedy, we acted quickly to review all tall buildings constructed by Countryside, taking corrective action where required. We anticipate further changes to Building Regulations following the review.

Our performance

During 2018, we delivered another year of strong growth and improved financial returns. Our mixed-tenure approach and decision to reposition average selling prices to improve affordability saw us being able to adapt to the areas of strongest demand.

During the year, we saw house price inflation of around two per cent as price growth moderated particularly at the upper end of the market. Whilst build cost inflation varied between three and five per cent, we had already largely allowed for this in our development forecasts and there was therefore no impact on gross margin.

Our Health and Safety record improved again in 2018 with the AIIR falling to 162 per 100,000 people at risk (2017: 220). Regrettably, an incident at one of our sites post year end has resulted in the fatality of one of our subcontractors, which is currently under investigation. Our sympathies are with the family and everyone connected with this tragic event. We maintained our high level of build quality as measured by the NHBC Reportable Incidents at 0.22 per plot versus 0.21 in 2017. Our customers' satisfaction is very important to us and we were disappointed that our NHBC Recommended a Friend score decreased to 84.6 per cent. (2017: 88.6 per cent). We have taken a number of steps to improve this performance in 2019, including setting targets to be included in the Group bonus metrics and appointing Graham Cherry to lead the improvement initiatives at the Executive Committee.

Strong company values

The fact that 2018 was our 60th anniversary served as a reminder to everyone connected with our business that it was founded based on a very strong set of core values, which still influence how we engage with our staff, partners, investors and other stakeholders today.

As the business has grown, and we have constantly sought ways of becoming more efficient and effective, these values have continued to have an important role in our success. In particular, our impressive performance in winning bids is still based on building long-term relationships and delivering high-quality placemaking to create Places People Love.

They provide us with tangible competitive strength, and an anniversary of this kind is a good moment to remember and reflect on their importance.



“

Our 60th anniversary served as a reminder to everyone connected with our business that Countryside was founded on a very strong set of values that still prevail today.

Investing in our people

The rapid growth in our business over the last five years has brought with it a threefold increase in our directly employed workforce, from around 600 to more than 1,800. We are very aware that continued fast growth means that we need to focus on maintaining our standards. It is therefore vital that we retain our best people, investing in their development and reward to ensure they feel valued by the Group.

Further detail is set out in the People section on pages 32 and 33.

Outlook

Despite some of the political and economic uncertainty around Brexit, we have started the new financial year in a strong position. We enter 2019 with a record forward order book, we have excellent visibility over future Partnerships work and a strategic land bank that continues to feed the business with high quality land. Our mixed-tenure model is expected to deliver strong growth and resilient returns over the medium-term.

Many of the large Partnerships developments secured over the last two years together with the acquisition of Westleigh will deliver homes in 2019, underpinning the future growth of the division.

Our Housebuilding division continues to see the benefits of greater scale and operational efficiency. As more strategic land is pulled through into the business and our core house type range is delivered, we anticipate a strong underpin to our future performance.

At this time, it is paramount that we maintain our build quality, customer satisfaction and health and safety standards, all of which 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.

Overall, I am confident that we are ideally placed to continue to meet the market's expectations of our future growth.

Ian Sutcliffe
Group Chief Executive
20 November 2018

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.

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 20 to 27



People

Highly experienced and motivated employees together with strong supply chain relationships

Read our People section on pages 32 and 33



Partnerships

Enduring relationships with local authorities, housing associations and major land owners

Read our Sustainability Report on pages 34 to 37



Reputation

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

Read our risk management section on pages 38 to 41



Financial strength

Strong balance sheet with net cash and debt capacity if required

Read our Group Chief Financial Officer's Review on pages 28 to 31

Our balanced business model

PARTNERSHIPS

Low-risk model with high return on capital employed

Our Partnerships division applies our master planning and design capabilities in an urban environment on predominantly public sector land. Developments are delivered through development agreements generically referred to as 'partnerships' with local authorities and housing associations.

Significant visibility over production

- 6,133 plots awarded as preferred bidder
- Current land bank of 23,745 plots
- Around ten years visibility at current production
- Low planning risk

HOUSEBUILDING

Investment in growth and margin potential

In Housebuilding we develop homes using our well established master planning skills, often on strategically sourced land. For larger developments, we may seek a joint venture partner to complement our skills and share the risk.

Significant land bank in place

- 19,778 plots owned or controlled in South East England
- Greater scale driving improved operating margins
- 85 per cent of the land bank has been strategically sourced

Established platform for growth

- Selling from 33 open sales outlets at 30 September 2018
- Further 41 sites under construction
- 9,646 additional plots secured in 2018
- Continued expansion of our Partnerships division through acquisition of Westleigh

Strong pipeline of future work

- Further 56,722 plots identified as bid opportunities
- Good track record winning bids
- Significant market opportunity



Read more about Partnerships on pages 20 to 23

Established platform for growth

- Selling from 27 sales outlets at 30 September 2018
- Further 14 sites under construction
- 1,334 additional plots secured in 2018

Regional infrastructure in place for growth

- Improved efficiency from operational scale
- Highly experienced management team



Read more about Housebuilding on pages 24 to 27

The outcomes we delivered

Plots

54%

affordable and PRS homes

Strong pipeline

29,878

plots within Partnerships pipeline and land bank

Work

10

years of Partnerships work secured

Completions

4,295

homes delivered in 2018

Training

4,187

training courses completed by employees

Employee participation

68%

of eligible employees are shareholders

Plots

19,778

within our Housebuilding land bank

Land

85%

of land strategically sourced

Trusted partner

84.6%

of customers would recommend us to a friend

Accident Injury Incident Rate

162

AIIR below the industry average

Net cash

£45.0m

Return on capital employed

37.1%

Stakeholder engagement

We engage in constant two-way communication with a diverse group of stakeholders who help us understand their needs, improve our performance and deliver on our strategy.

Employees

How we engage

- New joiner inductions with Executive team
- Quarterly business update presentations
- Quarterly staff magazine
- Bi-annual staff survey
- Social committee
- Group and regional employee engagement groups
- Regular employee breakfast with the Group Chief Executive

Key priorities

- Maintain top-quartile staff engagement
- Develop the talent pipeline
- Improve staff retention
- Succession planning

Activity

- Launch of new staff intranet
- 61 people undertaking apprenticeship programmes and 14 new graduates hired
- Shortlisted for UK Business Awards in two categories: Best Place to Work and Management, Education & Training
- Placed 43rd in the top 100 companies for graduates to work for by The Job Crowd, ahead of our competitors

Customers

How we engage

- Dedicated development websites
- Social media
- Site tours of our developments and Partners
- “Meet the Builder” events
- Pre-completion home tours
- Handover demonstrations and post-completion courtesy calls
- Dedicated sales progression representative to enhance customer journey

Key priorities

- Achieve NHBC five-star builder status
- Develop high-quality homes and communities
- Improving post-completion customer experience
- Create a fully integrated customer journey

Activity

- Appointment of a designated Executive Committee member to focus on the customer journey
- Achieved a recommend a friend score of 84.6% (2017: 88.6%)
- Achieved a reportable incident score of 0.22 (2017: 0.21)
- Staff remuneration to be linked to customer care performance for 2019

Shareholders

How we engage

- Annual General Meeting
- Quarterly trading updates
- Regular engagement with shareholders through one to one meetings
- Private Client Fund Manager meetings
- Round table lunches
- Shareholder site visits

Key priorities

- Maintain sustainable growth
- Build business resilience to the cycle
- Appropriate Executive succession planning

Activity

- Capital Markets Day held in June 2018
- 28% growth in adjusted operating profit
- Dividend increase of 29% to 10.8p
- Redesign of investor relations website



Communities

How we engage

- Local consultation on planning and regeneration
- On-site community engagement events
- Encourage local employment and use of local sub-contractors

Key priorities

- Ensure local views are considered
- Keep local people informed on developments
- Maintain strong focus on placemaking

Activity

- Over £36m Investment in new community facilities
- £180,000 raised for local and national charities
- 1,690 school places provided to local communities
- Local school visits to sites
- Launched 60 days of charity initiative to mark our 60th anniversary



Supply chain

How we engage

- Formal tenders for new contracts
- Regular meetings and “toolbox talks”
- Annual Supply Chain Partner Awards dinner
- Partnering awards recognising good working relationships

Key priorities

- Manage Brexit-related availability and cost issues
- Ensure supply base keeps pace with business growth
- Understanding key risks within our supply chain

Activity

- Reduction in time taken to pay suppliers to an average of 36 days
- Set up of new timber frame factory
- 100% of timber sourced from certified schemes such as FSC and PEFC
- Team building events, including dragon boat racing and cycling

Government and regulators

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

Key priorities

- Engage in policy discussions over leasehold reform and fire safety
- Increase delivery of homes through our mixed-tenure model
- Introduce closed-panel timber frame construction

Activity

- HMRC site visit in July 2018
- Active member of HBF contributing to policy discussion
- Implemented GDPR compliance
- Inclusion on the FTSE4Good index



Market trends

Despite a tougher second-hand market and a slowdown among more expensive properties during 2018, the UK housing market remains strong at lower price points. Countryside's commitment to offering a balanced mix of tenure types, unique among major housebuilders, gives us resilience against a slowing private for sale market.

The UK market

Demand for all tenures remains robust with strong mortgage availability across the market. The extension of Help to Buy to 2023 provides continued support for the private market and first time buyers. A slowing second hand market, particularly in the higher price point as a result of stamp duty change and market uncertainty as a result of the Brexit vote.

How we are positioned

Government policy supports our mixed-tenure model. This, combined with continued geographic expansion through the Westleigh acquisition, and our move to automated construction methods, leaves us well positioned to deliver our growth strategy.



Structural undersupply of housing

The UK housing market continues to have high latent demand

The minimum number of new homes required each year to maintain the balance of supply and demand is now estimated to be in excess of 250,000. The last year in which this was achieved was 1979–80. 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. The findings of the Letwin Review in October 2018 focus on speeding up delivery on large strategic sites, aligning well with our mixed-tenure model.

Our response

We operate across the UK in areas of strong housing demand and have grown our total annual completions every year since 2012, from 1,903 then to 4,295 in 2018. Our business has the human and financial resources to continue this growth in the medium term, both in our existing areas of strength and newer geographies such as the East Midlands and Yorkshire. Our commitment to mixed-tenure development and automation drive rapid growth, and we continue to see significant growth opportunities in both our operating divisions.



Mixed-tenure delivery

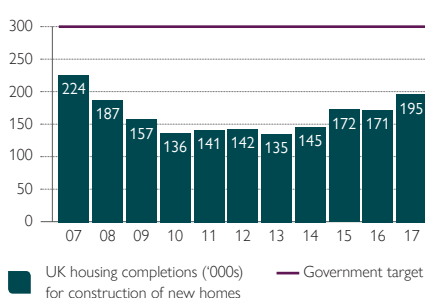
Our mixed-tenure approach helps us deliver much needed homes more quickly

In recent decades, the structural undersupply of housing in England has been partly caused by a lack of new affordable housing. There has been no equivalent of the large-scale local authority housing estates last built in the 1970s, and the provision of social housing within private developments under Section 106 agreements has not kept up with demand. Little purpose-built Private Rental Sector ("PRS") housing has been constructed in recent years. While there is increased appetite from institutional investors, there remains a structural undersupply of good-quality homes for market rent in most urban areas.

Our response

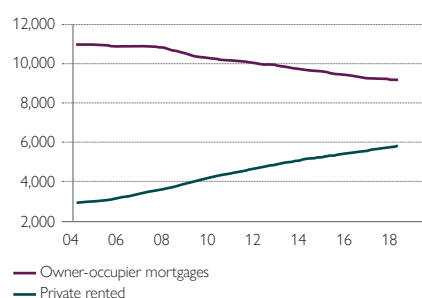
It is a key part of our strategic approach that we take a mixed-tenure approach on all our developments. We remain the UK's only major housebuilder for whom private for sale homes comprised less than half (46 per cent) of total completions. In 2018, we built 35 per cent affordable and 19 per cent PRS homes. Our Partnerships division provides a balanced mix of all three tenure types, enabling rapid growth as well as business resilience.

UK housing shortfall



Source: Barclays research.

Growth in PRS demand



Source: CML, Lazarus Economics & Strategy.



Government policy and future regulation

Government policy remains supportive of housebuilding and mixed-tenure delivery

It is Government policy to encourage additional housing via initiatives like the Help to Buy programme and National Planning Policy Framework. New schemes announced this year include £100m to back the Mayor of the West Midlands' plan to deliver 215,000 homes and confirmation of a £1.67bn funding package for London to build affordable homes. The Letwin Review on overcoming obstacles to building concluded that build-out rates could be accelerated if housebuilders offered a greater variety of homes in more distinct settings. An independent review of building regulations and fire safety, commissioned following the Grenfell Tower tragedy, was published in May 2018.

Our response

We remain ideally placed to benefit from the Government's commitment to deliver new homes of all tenure types. In 2018, 89 per cent of our private homes were eligible for the Help to Buy scheme, which was used on 29 per cent of our total completions across the Group. We deliver a greater proportion of affordable housing in London than any other major housebuilder. We also have an industry-leading owned or controlled land bank within 50 miles of London, 85 per cent of which has been strategically sourced. We welcome the Letwin and the post-Grenfell reviews, which we believe will make a sensible contribution to the regulatory environment.

PRS market

4.5m

PRS households in England
(M&G Real Estate)



Labour supply

Tight labour supply across the UK means we are focused on staff retention

Factors including chronic underinvestment over the last quarter century, the impact of the 2008 financial crisis and the uncertainties created by the Brexit vote and subsequent negotiations have led to a shortage of skilled and experienced labour at all levels of the housebuilding industry.

Our response

We have continued to lobby the Government alongside the Home Builders Federation to protect the status of EU construction workers as a vital part of the UK economy. We are also recruiting significant numbers of apprentices and trainees, alongside expanding our graduate recruitment programme, to protect our business against labour-supply risks. As well as acting to attract, develop and retain the best talent, we are automating production of timber frame panels in our Partnerships division to secure our supply chain and enable skilled workers to focus on value-adding processes.

61

People currently undertaking apprenticeship programmes

14

New graduates hired in 2018



Off-site construction

Our new modular build capability will give us more control over quality and speed delivery

The industry needs to look at different building methodologies if it is to deliver the growth in output required to meet increased demand in the face of labour shortages. Although the industry still has yet fully to embrace non-traditional build, several methods of off-site construction are emerging, from 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 onsite and the opportunity to do more with the existing workforce.

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 49 per cent of our output, now including that of the Westframe facility we purchased as part of the Westleigh acquisition. During 2018 and 2019, we are investing £6m in a new factory where an automated production line will include all windows, first-fix plumbing and electrical channels, insulation and plasterboard in a closed-panel system. With production starting in 2019, this will deliver around 1,500 homes a year.

1,500

Expected unit capacity from new modular timber frame factory

100%

Of timber sourced from sustainable, certified schemes

Our strategy

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 18 and 19](#)

2018 Highlights

Open sales outlets

60

up 28 per cent on 2017

Net reservation rate

0.80

upper end of our target range

- 54 per cent of completions from affordable and PRS homes
- Managed reduction in private ASP to £402,000 driven by geographical mix
- Underlying sales price growth of 2 per cent
- 27 per cent increase in completions

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
- Grow two new regions in Yorkshire and the South Midlands

Adjusted gross margin¹

22.5%

Adjusted operating profit

+28%

- Improved adjusted operating margin by 110bps to 17.2 per cent through operational efficiency
- 650bps improvement in ROCE to 37.1 per cent
- Dividend increased to 10.8 pence per share
- 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

54%

were affordable or PRS

Plots

6,133

added to our Partnerships pipeline

- Operating profit delivery balanced across our two divisions
- Net cash position of £45.0m at year end with adjusted gearing (including land creditors within debt) of 10.4 per cent
- 78 per cent 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. Adjusted gross margin is defined in Note 6 to the financial statements on page 100.

Our key performance indicators

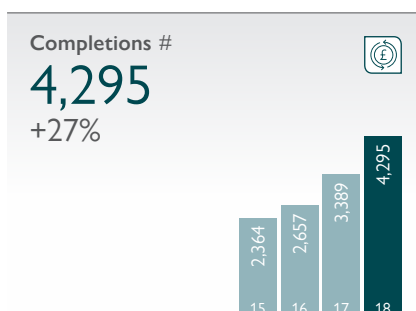
We use 11 key performance indicators to monitor our progress against our strategic objectives of growth, returns and resilience.

Our 2018 performance

2018 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 KPIs and remuneration through our Group bonus scheme which has targets including adjusted operating profit and return on capital.



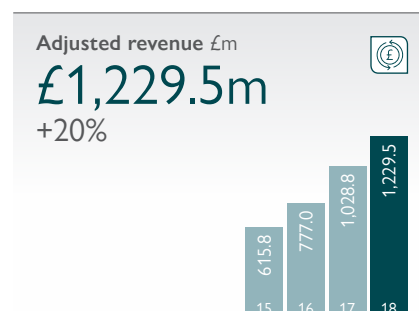
The number of homes sold in the financial year, including our share of associate and joint ventures' completions. For private homes, this is the number of legal completions during the year. For affordable and PRS homes and design and build contracts, this represents the equivalent number of units sold,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

Performance

Completions increased by 27 per cent in 2018 as we increased our open sales outlets from 47 to 60 as the investments made in recent years began to deliver sales. Our net reservation rate of 0.80 was at the top of our target range.

Link to strategy

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



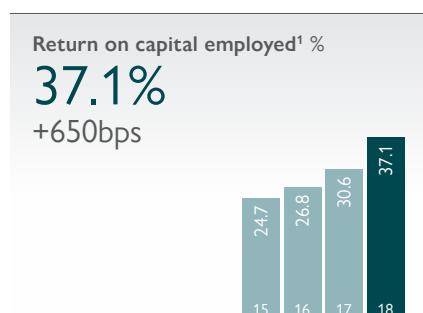
Revenue consists of sales proceeds for private homes and contractual payments made for affordable homes and PRS units as well as the proceeds from land and commercial sales and project management fees. Adjusted revenue includes our share of revenue from associate and joint ventures.

Performance

Adjusted revenue increased by 20 per cent to £1,229.5m in 2018 (2017: £1,028.8m) as our completion numbers increased during the year. Private ASP decreased to £402,000 (2017: £430,000) as planned, 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.



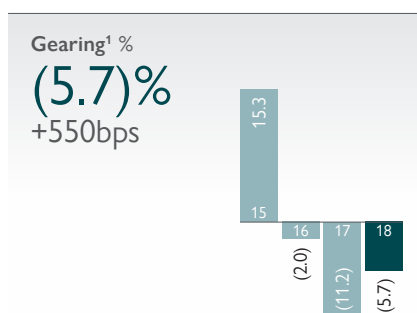
Adjusted operating profit divided by the average of opening and closing tangible net operating asset value ("TNOAV"). TNOAV is calculated as TNAV excluding net debt or cash.

Performance

Our focus on capital efficiency and growth in the Partnerships business contributed to an increase in asset turn to 2.2 times (2017: 1.9 times) which, combined with the improvement in adjusted operating margin, increased ROCE by 650bps.

Link to strategy

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



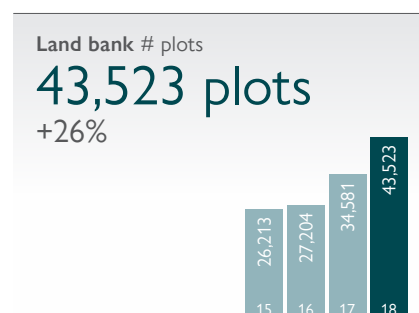
Net debt divided by net assets.

Performance

We ended the year with net cash of £45.0m compared to £77.4m in 2017. This, combined with an increase in TNAV, resulted in gearing of (5.7) per cent (2017: (11.2) per cent). Adjusted gearing², which includes land creditors as debt, was 10.4 per cent (2017: 6.9 per cent).

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.



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

Performance

Our land bank increased by 8,942 plots during the year as we continued to add to the Partnerships pipeline with significant new business wins.

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.



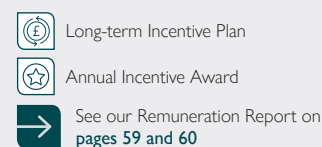
1. Prior year comparatives have been restated, as described in note 3 to the Group Financial Statements.

2. Adjusted measures are described in note 6 to the Group financial statements.

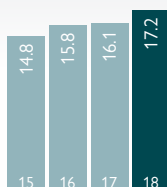
Links to strategy



Links to remuneration

Adjusted operating margin¹ %

17.2%
+110bps



Adjusted operating profit divided by adjusted revenue.

Performance

Adjusted operating margin increased by 110bps as we benefitted from the increasing scale of the business partly offset by the increase in production in our Partnerships division, particularly in the West Midlands and the North West of England.

Link to strategy

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

Adjusted operating profit¹ £m

£211.4m
+28%



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 28 per cent to £211.4m as our investment in new developments contributed to a 20% increase in revenue and adjusted operating margin increased during the year.

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

£630.1m
No change



Net assets excluding intangible assets net of deferred tax.

Performance

TNAV is broadly stable reflecting the increase in retained profits, offset by the creation of intangible assets on the acquisition of Westleigh.

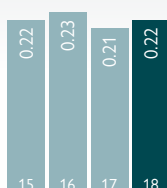
Link to strategy

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



NHBC Reportable Items ("RIs")

0.22
+5%



Defects reported per plot at National House Building Council ("NHBC") inspections at key build stages.

Performance

Our number of reported defects was broadly unchanged during the year as we continued to focus on the quality of our build. This remains below the industry average of 0.30.

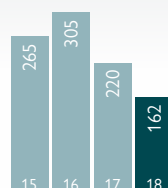
Link to strategy

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")

162
-26%



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 15th consecutive year, a record of which we are proud.

Overall, our AIIR was 26 per cent lower in the year at 162 compared to the Health and Safety Executive national average of 446.

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 %

84.6%
-400bps



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

Performance

We were disappointed that our NHBC score fell during the year and have appointed Graham Cherry as Chief Executive, Communities to focus on improving the customer experience.

Overall 84.6 per cent would recommend us to their friends. While this maintains our 4 star status, we believe this is an area for improvement in 2019.

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.



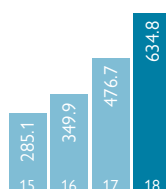
PARTNERSHIPS

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

Adjusted revenue¹ £m

£634.8m

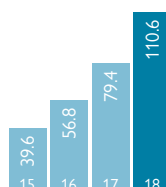
+33%



Adjusted operating profit² £m

£110.6m

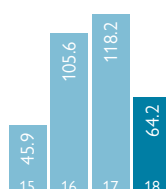
+39%



Tangible net asset value³ £m

£64.2m

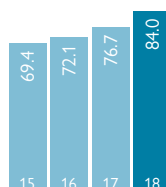
-46%



Return on capital employed^{4,5} %

84.0%

+730bps



Strategy

Our Partnerships division operates in London and the South East, the Midlands, Yorkshire and the North West of England. It delivers private, affordable and PRS homes on mixed-tenure brownfield sites. This approach enables us to build out sites quickly, delivering strong growth and resilience, as we are less reliant on the private housing market.

Typically we work on public-sector land and local authority regeneration schemes. We source land via public procurement or direct negotiation and develop it in partnership with local authorities, housing associations or PRS providers. This resilient, low-risk and low-capital model offers priority returns and the security of long-term development agreements, many including phased viability assessments which help us manage risk through the cycle. We have more than 30 years' experience of delivering Partnerships schemes and in that time we have completed over 100 successful developments to date.

In our Southern region, we largely focus on local-authority estate regeneration, delivering increased density in apartment-led schemes across the London boroughs and the surrounding areas. The Midlands and North West regions typically focus on delivering low-rise family housing on brownfield land.

Looking ahead, our strong relationships with our local authority and housing association partners, together with our land bank and current bid pipeline, give us excellent visibility of our future growth. Our land bank (including preferred bidder) stands at 29,878 plots, equivalent to approximately ten years of work at current production levels.

1. Adjusted revenue includes the Group's share of revenue from associate and joint ventures of £44.5m (2017: £57.9m; 2016: £36.7m; 2015: £16.4m).
2. Adjusted operating profit includes the Group's share of operating profit from associate and joint ventures of £9.5m (2017: £10.7m; 2016: £7.0m; 2015: £3.1m). Divisional adjusted operating profit excludes Group items of £8.8m (2017: £5.6m; 2016: £2.4m; 2015: £Nil), being share-based payment expense and amortisation of software intangibles.
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.





CASE STUDY

Modular Timber Frame Factory

The continued pressure to build more homes combined with a skills and labour shortage has led Countryside to look at more innovative and efficient production methods. During 2018, Countryside invested in a factory to manufacture modular wall panels using leading technology to support production in the North West region of our Partnerships division, where all of our homes are timber frame. The manufacture and installation of panels will cover 95% of our standard house type portfolio in our Partnerships North regions and create substantial savings in both site handling and house erection time. The factory will produce fully assembled modular wall panels to include

windows, plasterboard, vapour control and fixings. A more simplified build programme will allow Countryside to:

- better control its supply chain
- reduce waste and improve quality
- improve health and safety by reducing the number of trade operatives working on each site, a reduction in material movements, and a reduction in the overall level of construction activity.

The first timber frame panel will be delivered to site in February 2019 and the factory is expected to supply modular wall panels for 1,500 homes per annum.

Operational review continued

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 private sales absorption. The number of opportunities for brownfield and estate regeneration increased during the year as local authorities continued to seek to use public sector land to increase housing supply and improve the quality of their affordable housing stock.

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

Performance

The performance of our Partnerships division has gone from strength to strength over the last two years. Our geographic expansion, which started in 2017 with our West Midlands region, continued in 2018 with the acquisition of Westleigh in April 2018, expanding our footprint into the East Midlands and Yorkshire. This will allow us to accelerate the growth of our Partnerships division in the coming years. Moving into these regions also positions us well in the areas of the strongest growth.

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 74,631 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. To maintain our growth trajectory, we aim to secure new business at twice our plot utilisation in any year.

Total completions increased by 38 per cent to 3,019 homes during the year (2017: 2,192), including a contribution of 465 from Westleigh since acquisition in April 2018. Private completions continued to play a strong role, increasing by 38 per cent to 1,137 homes (2017: 825), of which 48 were delivered by Westleigh. Partnerships private average selling price ("ASP") decreased by seven per cent to £318,000 (2017: £343,000).

This was largely driven by the impact of the growth of the division outside London and the impact of the Westleigh acquisition, offset by house price inflation of around three per cent.

In total, we delivered 1,073 affordable homes (2017: 646), an increase of 66 per cent on 2017. 417 of these homes were delivered by Westleigh. We delivered 809 PRS homes (2017: 721), the majority of which were via our partnership with Sigma Capital. This relationship continues to be very strong, having now delivered more than 2,000 homes since 2015. During the year we announced an updated Framework Agreement with Sigma which will target delivery of 5,000 additional homes over the next three years and will help provide a strong platform for future PRS growth in the East and West Midlands.

During the year, our Southern region around London performed well growing by six per cent to 902 units (2017: 847 units). We completed our successful developments at St Paul's Square, Bow and East City Point, Canning Town delivering 192 units and delivered a further 141 homes at Acton Gardens in West London. We also commenced work on three large-scale regeneration projects at Beam Park in Dagenham, Fresh Wharf in Barking and Rochester Riverside in Kent, which will deliver over 5,000 homes in the coming years.

Our North West region continued its strong growth focused on Manchester and Merseyside, delivering 1,394 homes from 18 developments, an increase of 20 per cent on 2017. The region delivers predominantly low-rise family housing and provides the majority of the Group's PRS output with 656 homes delivered in the year (2017: 570 homes). In 2019, we will open the Group's first closed-panel timber frame factory at a site in Warrington, which will be in production from February 2019. This exciting development for the Group will reduce our reliance on labour onsite, increase our supply chain capacity and should provide improved quality and health and safety conditions.

On 12 April 2018, we acquired Westleigh, based in Leicester, for up to £135.4m on a cash-free, debt-free basis. The acquisition provides us with an expanded geographical footprint for the Partnerships division in the East Midlands and the opportunity to grow the business in the South Midlands and Yorkshire. Westleigh delivered 465 homes during the period and we began the process of integration with the rest of the Countryside Group. For further details of the acquisition, see Note 13 to the financial statements.

We had another very strong year for new business, with 24 successful bids contributing an additional 9,646 new plots to the land bank, including 1,780 plots at North Leigh in Lancashire, 615 plots at Bromley in Kent and 308 plots at Brent in London. We started on 41 new developments during the year and had 33 open sales outlets as at 30 September 2018 (2017: 23), with a further 41 (2017: 23) sites under construction.



Outlook

The scale of the opportunity for our Partnerships division is expanding significantly as we have expanded our geographic reach during the year and our newer regions grow to scale. Our new modular build factory will open in early 2019 which will help secure future supply and improve quality. We continue to be successful in winning new business with 9,646 plots won in 2018, with increased bid opportunity in all regions. We are planning 22 new site starts in 2019, five of which are large regeneration schemes around London. Our operations at the sites launched in 2018 will also escalate during the year. At 30 September 2018, we were either bidding or negotiating on a further 17,909 plots (2017: 16,267), demonstrating the scale of opportunity for the Partnerships division.

Celebrating 60 years of Places People Love



JIM MCDADE
SENIOR CONSTRUCTION MANAGER

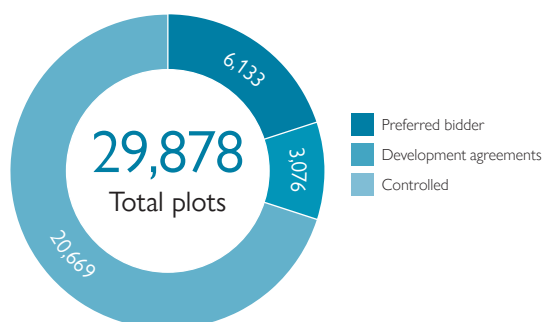
Jim McDade joined Countryside in August 1996, after being introduced to the company by a friend who had been a Countryside employee for many years. Starting his journey in junior management as Assistant Site Manager, Jim quickly progressed through the company to his current position as Senior Construction Manager. Jim comments "I have had an amazing 22 year career so far at Countryside and feel privileged to have been offered so many training courses throughout my time here. I am truly grateful for the opportunities I have been given as it has meant that I have been able to continually develop my management skills, enabling me to progress to where I am today".

Jim has worked on several projects taking them from initial pre-development stage to final construction, alongside managing a direct team of around 15, as well as hundreds of subcontractors. Currently working on three large development sites in Cambridge and Bury St Edmunds, Jim has had experience of all aspects of construction including traditional build, refurbishments, timber frames and concrete structures.

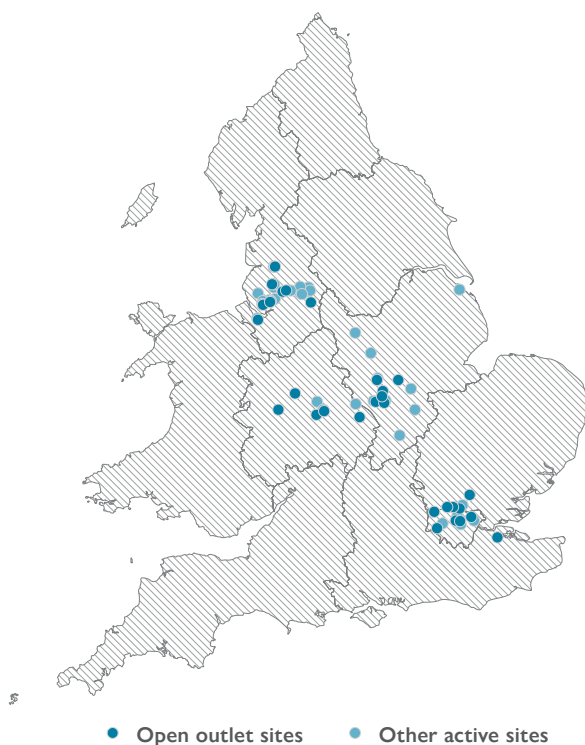
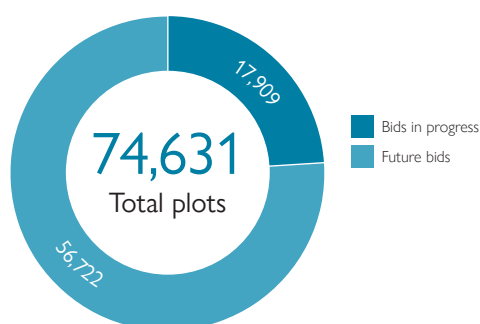
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I truly believe that if I were with another developer I would not have gained the level of knowledge and experience that I have at Countryside.

Over 10 years of pipeline



Future opportunities continue to grow



HOUSEBUILDING

Our Housebuilding division made good progress with operational efficiency, with a 180bps growth in margin and 410bps improvement in ROCE.

Adjusted revenue¹ £m

£594.7m

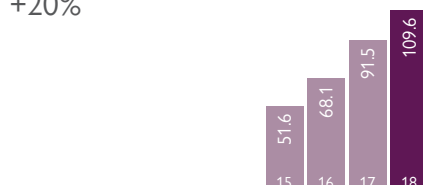
+8%



Adjusted operating profit² £m

£109.6m

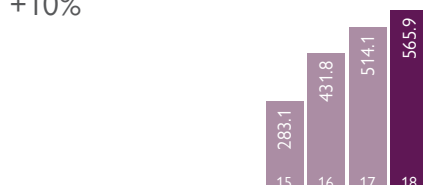
+20%



Tangible net asset value^{3,5} £m

£565.9m

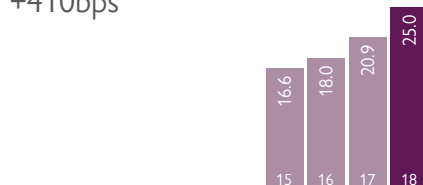
+10%



Return on capital employed^{4,5} %

25.0%

+410bps



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.

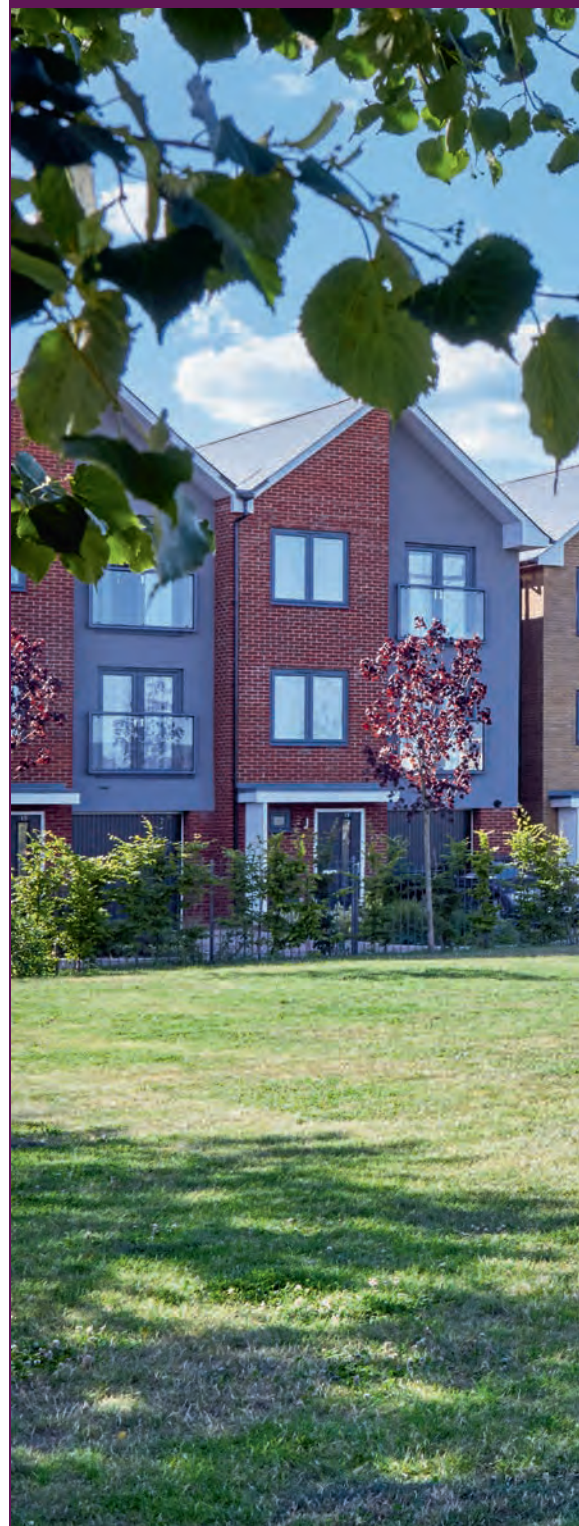
Around 85 per cent of our land bank is strategically sourced via long-term planning promotion, which offers us typically ten per cent discount to the prevailing open-market value as well as more than ten years' visibility of future supply. Having 88 per cent of this land controlled via options or conditional contracts enables us to use our balance sheet efficiently and gives added flexibility throughout the cycle.

In total, our land bank comprised 19,778 plots at 30 September 2018 (2017: 19,826).

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 per cent of the year's completions.

1. Adjusted revenue includes the Group's share of revenue from associate and joint ventures of £166.4m (2017: £125.1m; 2016: £69.0m; 2015: £51.9m).
2. Adjusted operating profit includes the Group's share of the operating profit from associate and joint ventures of £36.9m (2017: £22.9m; 2016: £18.3m; 2015: £13.6m). Divisional adjusted operating profit excludes Group items of £8.8m (2017: £5.6m; 2016: £2.4m; 2015: £Nil), being share-based payments and amortisation of software intangibles.
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.





CASE STUDY

Springhead Park

- 800 homes comprising apartments and houses
- 288 affordable homes
- New primary school and community facilities
- Use of timber frame enhancing speed of delivery

Springhead Park is a new community in North Kent centred around a 2.5 acre Central Park, and part of the newly established Ebbsfleet Garden City. Springhead Park is meticulously planned with well thought out streetscapes, tree-lined boulevards and eight acres of open spaces and gardens. The development boasts beautifully designed homes in an enviable

location, with access to excellent transport links including high speed trains from Ebbsfleet International train station cutting commuting times to London to just 17 minutes.

Construction has recently commenced on the final phase of this established and thriving community. The first phase began in 2006, with works due to be completed in 2022.

Operational review continued

Market continued

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.

As in 2017, the Government's continuing support of the National Planning Policy Framework continued to simplify the planning environment, significantly enhancing our ability to pull sites through more quickly. In October 2018, the Government announced an extension to the Help to Buy scheme, for first time buyers to 2023, subject to regional price caps. This was positive news which brings greater certainty to our forward planning.

Our performance

2018 was another very good year for our Housebuilding division, during which it continued to grow to scale and improve capital discipline to achieve further operational efficiency. Its market-leading strategic land bank continued to drive improving returns and growth, particularly as our historical legacy sites have been completed.

The increasing use of our standard house type range has simplified the building process onsite 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.

Following a 53 per cent growth in completions in 2017, the division has delivered further growth from this higher base with completions up seven per cent to 1,276 homes in 2018 (2017: 1,197 homes). This included a three per cent growth in private completions on top of last year's remarkable 68 per cent growth.

This growth was delivered alongside an improvement in operational efficiency through enhanced management in areas such as procurement, variation orders and site loss and damage.

Our ASP was down by one per cent to £512,000 (2017: £515,000) with no reduction in build quality or strength of location. This contributed to a seven per cent increase in completions during the year to 1,276 homes (2017: 1,197). This included further growth in the delivery of private homes, up three per cent to 858 homes (2017: 837).

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 Springhead Park, Ebbsfleet where we completed 153 homes; and Beaulieu Park, Chelmsford where we completed 105 homes across five phases. We also saw strong sales at St Luke's Park, Runwell where we completed 101 homes in the period.

We completed four residential land sales in the year, one at Beaulieu Park, Chelmsford, one at Bury St Edmunds and two at Bicester where we are an associate partner and do not build our own homes. We also made two commercial sales, one at Cambridge Medipark and one at Beaulieu Park, Chelmsford.

We spent £93m on land during the year, adding ten sites to our land bank, which at 30 September 2018 totalled 19,778 (2017: 19,826). We own 4,767 plots within the land bank, which at current volumes, is equivalent to four years of forward work.



Outlook

We started work on 15 new Housebuilding sites during 2018, and we had 27 open sales outlets at 30 September 2018 (2017: 24). Our forward-order book is strong and we therefore have excellent visibility of our future work, and are confident that 2019 will be another year of growth. We have identified approximately 90 per cent of our planned delivery for the next four years, 70 per cent of which already has some form of planning in place.

Overall, the market remains positive with strong employment, real wage growth and good mortgage availability, Government support from the National Planning Policy Framework and extension of Help to Buy for first time buyers.

Together, this will allow us to continue to focus on growing the Housebuilding division to scale and drive further growth and operational efficiency.

Becky Worthington
Group Chief Operating Officer
20 November 2018



Celebrating 60 years of Places People Love



CHRIS BLADON
MANAGING DIRECTOR,
HOUSEBUILDING, EASTERN REGION

Chris Bladon joined Countryside's graduate scheme before starting his career as an Assistant Land Buyer. Chris comments, "I was attracted to Countryside as it was renowned as a well-established developer. I was excited by the wide range of schemes and their approach to development and I felt it really stood apart from its competitors."

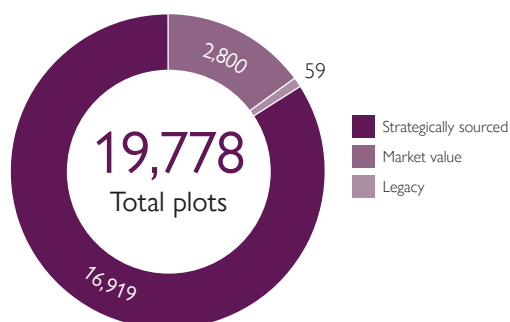
After Chris completed the Graduate Scheme, he moved on to the Land team until he made the move to Development where he ran the department for 8 years. In 2014 with the expansion of the Housebuilding operations Chris took on the role as Managing Director for the Eastern Region, growing it from an output of 169 units in 2015 to 650 units in 2018. Chris reflects, "I can see how the business has significantly changed over the 20 years that I have worked here, but the greatest part is Countryside has still maintained the core values and continued to build upon them. Countryside really values its employees and has a strong interest in development and training – which is proved by the vast amount of successful careers that have grown here."

Chris' current role involves overseeing 11 active construction sites with 9 on site sales developments. Chris manages the business delivery for the Eastern Region, from working with land owners and agents to secure new business, through to final delivery and customer services. Chris states, "I have enjoyed many experiences over the years but my highlight has to be the opportunity to become Managing Director of the Eastern Region. It has been a truly fantastic experience and very rewarding to grow the business and team over the past four years. With over 19,000 plots in the pipeline and the skills within the business to secure planning consent, we are uniquely positioned to convert these opportunities into high quality developments. The company delivers a high quality product, yet still focuses on providing places that people love to live in and can enjoy in the future. I am excited for the future of Countryside".

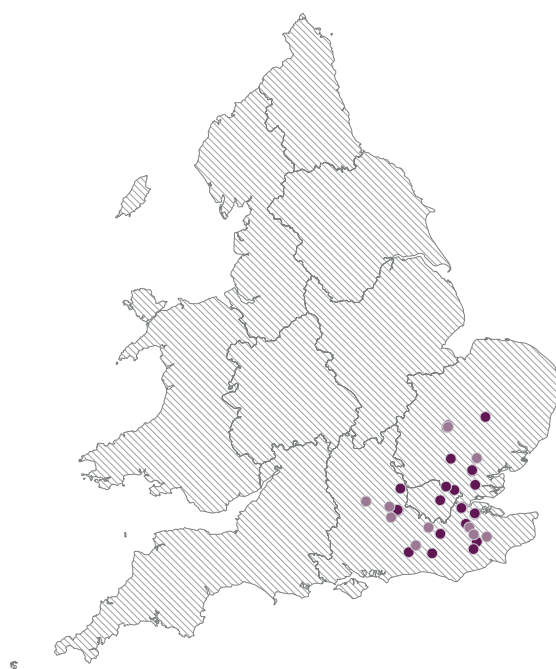
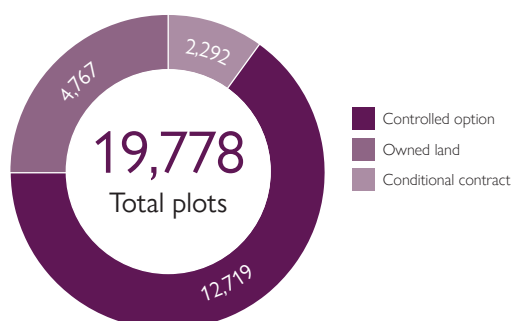
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Countryside really values its employees and has a strong interest in development and training – which is proved by the vast amount of successful careers that have grown here.

Over 85 per cent of the land bank in strategically sourced



Balance sheet efficiency driven from options and conditional contracts



● Open outlet sites ● Other active sites

Group Chief Financial Officer's review

A year of strong growth, in which we exceeded our medium-term targets.



+650bps
improvement in ROCE

+28%

increase in adjusted operating profit

Our 60th anniversary year has delivered another year of strong growth in both operating divisions. We exceeded the targets set prior to our IPO in 2016. With excellent pipelines in both operating divisions, together with a strong balance sheet, the Group is well-positioned for the future.

Group performance

Total completions were up 27 per cent in 2018 to 4,295 homes (2017: 3,389 homes) as we delivered strong growth across private, affordable and private rented sector tenures. Our private ASP reduced by seven per cent to £402,000 (2017: £430,000) as a result of our focus on price-points appropriate to local owner occupiers, together with a shift in geographical mix away from London and the South East. Affordable ASP decreased by seven per cent to £159,000 (2017: £171,000). Taking these factors into account, Group adjusted revenue was £1,229.5m (2017: £1,028.8m), up 20 per cent year on year.

Statutory revenue increased by 20 per cent from £845.8m to £1,018.6m. The difference between adjusted and statutory revenue is the effect of the proportionate consolidation i.e. the Group's share of the results of the Group's associate and joint ventures in the adjusted measure. We saw significant sales growth at our joint ventures at Oaklands Hamlet, Chigwell, Beaulieu, Chelmsford and Greenwich Millennium Village, London during the year. Westleigh contributed £63.5m to revenue in the year.

Group adjusted gross margin (including the Group's share of associate and joint venture gross profit) improved by 130bps to 22.5 per cent (2017: 21.2 per cent). This margin improvement came from a range of operational improvements and improved site discipline with respect to variations and wastage and we also saw the benefit of procurement savings come through on large developments which ended this year. We sold our shared equity portfolio during the fourth quarter, which realised a profit of £1m.

Profit from land sales contributed £11.0m (2017: £10.7m) as we tactically sold parcels of land where we no longer expect to build, and £6.1m (2017: £5.6m) from commercial sales, principally at the Medipark joint venture in Cambridge, where we have constructed a new head office for Abcam plc. We also recognised overage receivable of £4.1m on an historical land sale at our site in Cambridge.

These gross margin improvements helped us increase the Group's adjusted operating margin, which increased by 110bps to 17.2 per cent from 16.1 per cent last year. These improvements together with increased completions allowed us to offset the impact of reduced average selling prices, delivering a 28 per cent increase in adjusted operating profit to £211.4m (2017: £165.3m).

Reported operating profit increased 16 per cent to £149.3m (2017: £128.9m) with the difference to adjusted operating profit being the proportionate consolidation of the Group's associate and joint ventures and non-underlying items relating mainly to the Westleigh acquisition in April 2018. Further details of the difference can be found in Note 6 to the financial statements.

Our net reservation rate per open sales outlet was broadly in line with last year at 0.80 (2017: 0.84) and at the top end of our target range which reflected continued strong demand for our homes, with an increase in open sales outlets to 60 (2017: 47) helping to drive the increase in revenue. A further 55 sites (2017: 41 sites) were under construction but not yet open for sale, sustaining the production growth underpinning our medium-term targets.

Our total forward order book including affordable and private rented sector homes under contract increased 40 per cent to £899.7m compared to £643.7m last year. As the year-on-year phasing of new developments has changed, our private forward order book is lower than last year's record delivery at £215.1m (2017: £242.4m).

House price inflation moderated in the South East and outer London boroughs, at around one per cent for the year, down from three per cent last year. We continued to see strong demand for our homes in the North West and the Midlands where prices increased by around nine per cent. Cost price inflation moderated in the South East and London, where the softness of the London construction market saw us able to take advantage of sub-contractor availability and in some cases place contracts for longer durations. In the North West and Midlands, there was more pressure on costs due to strong demand, but this was more than offset by house price inflation in the year.

We ended the year with net cash of £45.0m (2017: £77.4m), slightly higher than planned due to a stronger contribution from Partnerships with its higher asset turn. The Group's bank interest cost rose to £3.3m (2017: £3.0m). Reported net finance costs decreased to £10.6m (2017: £10.9m), with the 2017 comparative restated as described below.

Partnerships

Our Partnerships division continued its strong growth trajectory during the year, complemented from April 2018 by the acquisition of Westleigh to expand our geographical footprint into the East Midlands and Yorkshire. 3,019 homes were delivered during the year, an increase of 38 per cent on the prior year (2017: 2,192 homes), with Westleigh delivering 465 homes, of which 90 per cent were affordable homes. Westleigh contributed over 2 per cent of the Group's adjusted operating profit in the first six months of ownership.

Average selling price decreased seven per cent to £318,000 (2017: £343,000), reflecting the change in mix of the business towards the North and Midlands which typically deliver lower-priced homes. Adjusted revenue increased by 33 per cent to £634.8m (2017: £476.7m) with reported revenue, which excludes the Group's share of revenue from joint ventures, up 41 per cent to £590.3m (2017: £418.8m).

The growth in delivery came from an increase in all tenures with private housing up 38 per cent to 1,137 homes (2017: 825 homes), affordable homes up 66 per cent at 1,073 homes (2017: 646 homes), and an increase to 809 Private Rental Sector homes (2017: 721 homes), predominantly for our ongoing relationship with Sigma Capital in the North and Midlands, an increase of 11 per cent.

The adjusted gross margin for the Partnerships division was 21.8 per cent, an improvement of 120bps in the year (2017: 20.6 per cent) which reflected the realisation of procurement savings as we closed some developments and the impact of our ongoing focus on site efficiency. Adjusted operating margin increased to 17.4 per cent (2017: 16.7 per cent) despite our investment in the growth of our newer region and the Westleigh business. As a result of the increased volume and improved operating margin, adjusted operating profit of £110.6m was up 39 per cent (2017: £79.4m).

On a reported basis, Partnerships revenue increased to £590.3m, up 41 per cent (2017: £418.8m) as a result of the growth in sales outlets delivering a greater number of completions. Reported Partnerships operating profit increased to £101.1m (2017: £68.7m).

As the scale of opportunity continues to grow, we have had another very successful year in winning new business in the Partnerships division, underpinning our longer-term growth plans. In addition to those sites already in the land bank, including those with preferred bidder status, we secured 9,646 new plots in the period. We now have 29,878 Partnerships plots under our control (2017: 19,223 plots). This represents approximately ten years' supply at current volumes and provides significant visibility.

Housebuilding

Our Housebuilding division continues to grow to scale, with an increase in completions of 7 per cent to 1,276 homes (2017: 1,197 homes). Total adjusted revenue from Housebuilding was up 8 per cent to £594.7m (2017: £552.1m).

Private completions increased by 3 per cent to 858 homes (2017: 837 homes). With the high rate of sales, we sold out on a number of sites during the year, resulting in open sales outlets at the year end of 27 (2017: 24). With an additional 14 active sites in production, we anticipate an increase in open selling outlets by the end of the 2019 financial year. Private ASP of £512,000 was broadly in line with last year (2017: £515,000) as our management of price points stabilised following planned reductions in previous years.

Affordable revenue increased by 16 per cent to £76.0m (2017: £65.7m) with completions up 16 per cent to 418 (2017: 360) at an ASP of £187,000 (2017: £205,000), down nine per cent driven by the nature of the underlying contractual arrangements.

A further £65.9m of revenue came from land and commercial sales (2017: £45.7m), generating £16.6m of profit, with a further £4.1m of overage receivable.

Housebuilding adjusted gross margin increased by 170bps to 23.3 per cent (2017: 21.6 per cent), as the legacy site at Mill Hill sold through and we saw the benefit of site-level operational efficiencies being realised.

As the Housebuilding regional businesses delivered operational efficiencies in the year, adjusted operating margin improved by 180bps to 18.4 per cent (2017: 16.6 per cent) as the benefit of improved gross margins were realised. Overall, the Housebuilding adjusted operating profit increased by 20 per cent to £109.6m (2017: £91.5m).

The majority of the Group's joint ventures are reported within the Housebuilding division with the largest of these being Beaulieu in Chelmsford and Oaklands Hamlet in Chigwell, with our long-established partner L&Q, and Greenwich Millennium Village in London with Taylor Wimpey. We also have a joint venture with Liberty at Medipark in Cambridge focused on the delivery of commercial property at the Biomedical Science campus in Trumpington and an associate in Bicester which sells serviced land parcels to other developers. Excluding the results of the associate and joint ventures, on a reported basis Housebuilding revenue was broadly flat at £428.3m (2017: £427.0m), with higher completion volumes offset by a reduction in ASP. Reported Housebuilding operating profit increased to £72.7m (2017: £68.6m).

In line with our strategy, we have maintained the land bank in our Housebuilding division and have acquired 1,334 plots on ten sites during the period. The Housebuilding land bank now stands at 19,778 plots (2017: 19,826 plots), of which 85 per cent has been strategically sourced.

Non-underlying items

As a result of the Westleigh acquisition, the Group incurred a number of deal-related and other large or non-recurring expenses during the year. These principally related to the cost of deferred consideration being paid to management who remained with the Group post-acquisition and certain post-acquisition restructuring costs, which we incurred in the second half as we established the platform for future growth at Westleigh. In addition, the amortisation of 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.

A total tax credit of £2.4m (2017: £0.5m) in relation to all of the above non-underlying items was included within taxation in the income statement.



Non-underlying items

| Year ended 30 September | 2018 £m | 2017 Restated £m |
|--|-------------|------------------------|
| Recorded within operating profit: | | |
| Amortisation of intangible assets recognised in acquisitions | 5.6 | 1.2 |
| Acquisition and integration costs relating to Westleigh | 10.1 | — |
| Head office restructuring | — | 1.6 |
| Total non-underlying items | 15.7 | 2.8 |

Group Chief Financial Officer's review continued

Net finance costs

In 2018, net finance costs were £10.6m (2017: £10.9m), of which net cash costs were £3.2m (2017: £3.0m). Interest on the Group's bank loans and overdrafts increased from £3.0m to £3.3m as a result of higher interest rates during 2018.

Prior year restatement

Following the review of the 2017 Annual Report and Accounts by the Financial Reporting Council, the Directors have concluded that, in applying IAS 39 'Financial Instruments: Recognition and Measurement', the discount rates applied to liabilities for deferred land and overage payments should not have been changed subsequent to their initial recognition. As a result, 2017 net finance costs were overstated by £6.0m and profit after tax and net assets, taking into account also tax and the impact on joint ventures, were understated by £5.3m.

| Net finance costs | | |
|---|--------------|------------------------|
| Year ended 30 September | 2018 £m | 2017 Restated £m |
| Recorded within operating profit: | | |
| Bank loans and overdrafts | 3.3 | 3.0 |
| Unwind of discount | 8.1 | 6.7 |
| Amortisation of debt finance costs | 0.6 | 0.6 |
| Impairment of interest receivable from joint ventures | — | 2.0 |
| Finance income | (1.4) | (1.4) |
| Net finance costs | 10.6 | 10.9 |

Countryside expects net finance costs in 2019 to be broadly similar to the current year.

In June 2018, the Group signed a further one-year extension to its £300m revolving credit facility agreement. The agreement has a variable interest rate based on LIBOR and now expires in May 2023.

Taxation

The Group's tax strategy remained unchanged during the year. In line with Countryside's broader corporate strategy, the key goals directing our tax strategy are:

- adherence to applicable laws and regulations;
- maximisation of shareholder value on a sustainable basis; and
- protection of our reputation and brand.

We believe that our obligation is to pay the amount of tax legally due at the right time in accordance with rules set by the relevant authorities. We also have a responsibility to shareholders to ensure that strategic business objectives are met without incurring unnecessary tax costs.

The income tax charge was £32.1m (2017: £25.4m), with an adjusted tax rate of 19.0 per cent (2017: 18.5 per cent) and, on a reported basis, an effective tax rate of 17.8 per cent (2017: 17.1 per cent), the main difference between the rates reflecting the treatment of joint venture limited company profits.

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

| Adjusted tax rate | | | |
|--|--------------|-------------|-------------|
| Year ended 30 September 2018 | Profit £m | Tax £m | Rate % |
| Adjusted profit before tax, and tax thereon | 200.0 | 38.1 | 19.0 |
| Adjustments, and tax thereon, for: | | | |
| Non-underlying costs: Westleigh acquisition and Group amortisation | (15.7) | (2.4) | — |
| Taxation on associate and joint ventures in profit before tax | (£3.6m) | (£3.6m) | — |
| Profit before tax and tax thereon | 180 | 32.1 | 17.8 |

In 2019, Countryside expects the adjusted tax rate to continue to be slightly lower than the UK statutory corporation tax rate due to claims for enhanced tax relief in relation to land remediation costs.

Earnings per share

Adjusted basic earnings per share increased by 30 per cent to 36.0 pence (2017: 27.7 pence) reflecting the increase in adjusted operating profit during the year, together with a decrease in adjusted net finance costs and a higher adjusted effective tax rate.

The weighted average number of shares in issue was 447.5m (2017: 450.0m).

Basic earnings per share was 33.1 pence (2017: 27.2 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

The Board has recommended a final dividend of 6.6 pence per share (2017: 5.0 pence per share), taking the total dividend for 2018 to 10.8 pence per share (2017: 8.4 pence per share), representing a pay out of 30 per cent of adjusted earnings per share.

The proposed final dividend was recommended by the Board on 20 November 2018 and, as such, has not been included as a liability as at 30 September 2018.

In 2019, Countryside intends that the dividend will continue to represent 30 per cent of adjusted earnings per share.

Acquisition of Westleigh

On 12 April 2018, the Group acquired Westleigh, a Leicester-based provider of predominantly affordable housing. The agreed enterprise value on a cash-free, debt-free basis was up to £135.4m. The acquisition created goodwill of £62m and other intangible assets of £53.2m, principally in relation to the affordable housing contracts and relationships in place with local authorities and Registered Providers of social housing. Further details of the acquisition are set out in Note 13 to the financial statements.

Statement of financial position

As at 30 September 2018, TNAV was £630.1m (2017: £632.3m), a decrease of £2.2m resulting from retained earnings being offset by intangible assets of £110.6m generated from the Westleigh acquisition. As we continued to grow the business, inventory grew by £82.6m to £749.7m (2017: £667.1m) as we were active on 115 sites at 30 September 2018 (2017: 88 sites). Investments in associate and joint ventures were maintained at £67.9m (2017: £62.0m).

Celebrating 60 years of Places People Love



ANGELA DOWDING
GROUP CHIEF SOLICITOR

Angela Dowding started at Countryside in 1995 as an Assistant Solicitor and in 1998 was invited to take on the role of Head of Legal. Maintaining this role ever since, Angela now manages a team of 20 staff. Angela comments "It's an extremely busy and pressurised department but I am fortunate to have a team of loyal staff." Angela has a comprehensive picture of the whole development process working as an in-house lawyer and has played a role in signing some of the Group's most important land contracts, including the initial 1999 agreement at Beaulieu Park and the Development Agreement with the London Borough of Ealing at Acton Gardens.

Angela concludes, "I have always felt a sense of belonging, which is why I am still here after 23 years. The company has seen many changes over that time, however there is still a family feel to the company with a number of family members working for Countryside across the group. This is a great testament to the type of company we work for – we wouldn't recommend our family and friends to work at a place unless we felt proud to work there ourselves. I look forward to the future and overseeing the department as we continue to grow and address the increase in plot numbers forecast over the coming years. It really is an exciting time ahead for us all at Countryside."

“

I have always felt a sense of belonging which is why I am still here after 23 years.

Improving returns

During the year, we saw a significant improvement in return on capital employed, driven by the strong margin improvement in both divisions and the growth of Partnerships with an asset turn of 4.8 times. Overall the Group's asset turn improved from 1.9 times last year to 2.2 times in 2018. Return on capital employed increased by 650bps to 37.1 per cent (2017: 30.6 per cent), 900bps ahead of the target set at IPO.

| Return on capital employed | | |
|--|---------------|-------|
| Year ended 30 September | 2018 | 2017 |
| Adjusted operating profit (£m) | 211.4 | 165.3 |
| Average capital employed (£m) ¹ | 570.0 | 540.2 |
| Return on capital employed (%) | 37.1 | 30.6 |
| Increase | 650bps | |

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 | 2018 £m | 2017 £m |
| Cash generated from operations | 111.4 | 78.2 |
| Interest and tax paid | (25.9) | (26.0) |
| Dividends paid | (41.1) | (30.6) |
| Acquisition of subsidiary net of cash acquired | (39.9) | — |
| Settlement of subsidiary's net debt on acquisition | (71.2) | — |
| Purchase of own shares | (11.4) | — |
| Decrease in loans to associate and joint ventures | 11.5 | 16.2 |
| Dividends received from associate and joint ventures | 26.9 | 28.8 |
| Repayment of members' interest | 12.1 | — |
| Proceeds of borrowings | 2.5 | — |
| Other net cash (outflows)/inflows | (5.1) | (1.2) |
| Net increase/(decrease) in cash and cash equivalents | (30.2) | 65.4 |

Impact of the new accounting standards

The new revenue accounting standard, IFRS 15 'Revenue from Contracts with Customers' is effective for the Group for the 2019 financial year commencing on 1 October 2018. The only impact of adopting this standard is the requirement to recognise revenue on the sale of second-hand homes taken in part exchange for new homes, which in 2018 would have resulted in the recognition of c. £12m of additional revenue.

IFRS 16 'Leases' is effective for the Group from the 2020 financial year commencing on 1 October 2019. We have substantially completed our review of the impact of this standard and do not believe there will be a material impact on profit or TNAV, although new leasing assets and liabilities will be recognised. We will provide further information on the impact of the changes in due course.

Mike Scott
Group Chief Financial Officer
20 November 2018

Our people

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 want to live. This year we have grown both organically and through the acquisition of Westleigh and our current headcount stands at over 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 four years, we have more than trebled our employee numbers and now have over 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 quarter of our new recruits join us through our employee referral scheme.

We again saw record 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 launched 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 first cohort of new directors began a 10-month senior leadership development programme, and our second cohort is about to start their programme. At other levels we introduce and build on the leadership skills of our newer leaders and managers. All programmes are designed to complement each other and provide consistent messaging and focus.

Our focus on quality of training delivery remains, particularly around induction, sales development and externally accredited leadership programmes. We continue to develop our people at all levels of the organisation through leadership, professional and vocational qualifications and e-learning. Developing our people to facilitate growth and building a pipeline of talent is critical to our success.

Our approach to future talent continues to be a priority

Our two-year graduate programme was placed 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 have nearly 30 graduates on our programme, with a large new intake in 2018.

In total we have over 100 early careers programme members – graduates, apprentices and interns – with us, both on site and in our offices.

Our people are our shareholders

In December 2017, we launched our third all-employee Save as You Earn ("SAYE") plan. This plan, together with the two we have launched since IPO, means that around 70 per cent of our eligible employees have signed up to buy shares in Countryside.

December 2017 also saw the third grant of our Long-Term Incentive Plan to our Director 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.

During the year we established a steering committee to focus on inclusion and diversity initiatives which will provide additional momentum on these issues in 2019.

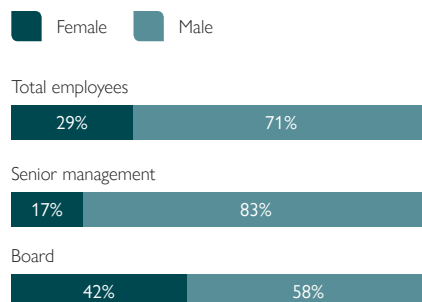
In 2018 our gender statistics were balanced prior to the acquisition of Westleigh with a female:male ratio of 34:66. As the Westleigh business employs direct labour, roles traditionally filled by men, our ratio of female:male stood at 28:72 at 30 September 2018.

Earlier this year we reported our mean gender pay gap of 33 per cent. Our gender pay gap is driven by there being more males at the higher end of the pay scale. We reported our figures in advance of the acquisition of Westleigh; we anticipate inclusion of the Westleigh statistics next year will reduce the gap.



Ratio of female:male employees

At 19 November 2018



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 days of annual leave, through to reduced fees on life, dental and travel insurance, to discounted medical and cancer screening. During our 2018 flexible benefits annual enrolment window, 80 per cent of employees logged in to the benefits site and 50 per cent of employees selected a new benefit or amended an existing one. For those employees who qualify for a car or cash allowance, we offer a sector-leading fleet proposition. This focuses on offering our employees choice based on their lifestyle, while remaining environmentally conscious by starting to offer hybrids.

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 registered to OHSAS 18001) 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 AIRR see page 19.

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

Our offices are great places to work

As part of our growth journey, we have begun an extensive overhaul and upgrade of our office space; we opened brand new offices in London and Cheshunt, took on additional space in Sevenoaks for the expanded team there and revamped our offices in Brentwood. Next year we have plans for new offices across our Partnerships North regions.



7/10

of eligible employees participated in our SAYE plan



ASPIRE

Our values reflect what is important to us as well as the behaviours that drive the business and underpin our brand.

Aspirational

We build homes people aspire to live in and a company people aspire to be part of

Sustainable

We ensure the long term through our thinking and approach future of our developments, our people and our company

Partnering

We collaborate with our partners to achieve shared goals, mutual success and places of exceptional quality

Integrity

We deliver our promises and hold ourselves to a high standard of personal conduct

Respectful

We respect everyone we work with, the communities in which we develop and the future we contribute to building

Excellence

We strive for excellence and continuous improvement in every endeavour

Growing our talent pipeline



GRACE ALDERSON GRADUATE

Grace joined Countryside in October 2018, as part of the latest intake of 14 graduates onto the Countryside Graduate Scheme. The Scheme first began in 1980 and so far has seen over 130 graduates pass through it.

Grace holds a degree in Architecture and whilst working as an Architectural Assistant for one year became interested in development. Grace comments "Countryside has a really good reputation in the industry as a great company to work for so I was really keen to apply for the scheme. I also have a friend who is already on the graduate scheme and they have had a really positive experience here – reinforcing my decision to apply!". With the first rotation in Development for Partnerships South, Grace is eager to learn about the different departments, furthering her experience and gaining a good understanding of the company as a whole.

CREATING PLACES PEOPLE LOVE

For us, ensuring that we carry out our work in an ethical, safe, environmentally responsible and sustainable manner is fundamental to creating Places People Love.

Our sustainability strategy

The desire to have a positive impact on the people and communities who live in and around our developments is at the heart of our creative, design-led approach to building communities where people want to live.

This is in line with our sustainability strategy, which focuses on the five areas that are most material to our business:



GOVERNANCE



ETHICAL AND RESPONSIBLE BUSINESS



CUSTOMERS AND COMMUNITY



ENVIRONMENT



SUPPLY CHAIN

→ (Visit <https://www.countrysideproperties.com/media/2900/download> for information on the material issues our business faces and how our sustainability strategy relates to our business model)

We keep our workforce and supply chain fully informed about the policies, procedures, processes and responsibilities in place to support our sustainability strategy. This is key to maintaining a collaborative culture that enables our people to apply the strategy throughout our business. Communications channels include monthly presentations, new starter inductions, training courses, toolbox talks and intranet content.

This is our 18th year of sustainability reporting, the longest record in our sector. During this time, we have won 370 awards for our sustainability and design practices, including 13 during 2018.

Our performance in 2018

We continued to set strategic sustainability targets based on our material issues. Divisional, site-specific and personal objectives further support these aims.

As a result of these, the Group achieved sustainability-related cost savings of £4.7m (2017: £3.3m).

In 2018, the Group was included for the first time on the FTSE4Good Index, which assesses companies' environmental, social and governance (ESG) performance. Group CEO Ian Sutcliffe said: "It's a testament to the hard

work of all our staff that we have been included on the FTSE4Good Index and we recognise that we must maintain these high corporate standards to remain a constituent of the Index."

We maintained our focus on sustainability, embedding improvement programmes across the organisation as the Group continued on its strong growth trajectory.

We have commenced the integration of Westleigh within our health, safety, environment and quality management systems and this will be further extended in 2019 to ensure uniformity across the business. Improved reporting of greenhouse gas emissions, water, waste and fleet is being targeted to ensure we can fully report our environmental impact in 2019.





GOVERNANCE

The Board is responsible for the overall governance of sustainability issues, risks and opportunities. Dedicated committees assist this process at different levels of the business.

Risk management and standards

The Board has overall responsibility for the assessment and management of risk, assisted by the Risk Management Committee. All compliance aspects of sustainability are overseen in detail by the Health, Safety, Environment and Quality Committee. We maintain an Environmental Aspects, Impacts and Opportunities Register which identifies environmental risks and opportunities throughout all of our activities.

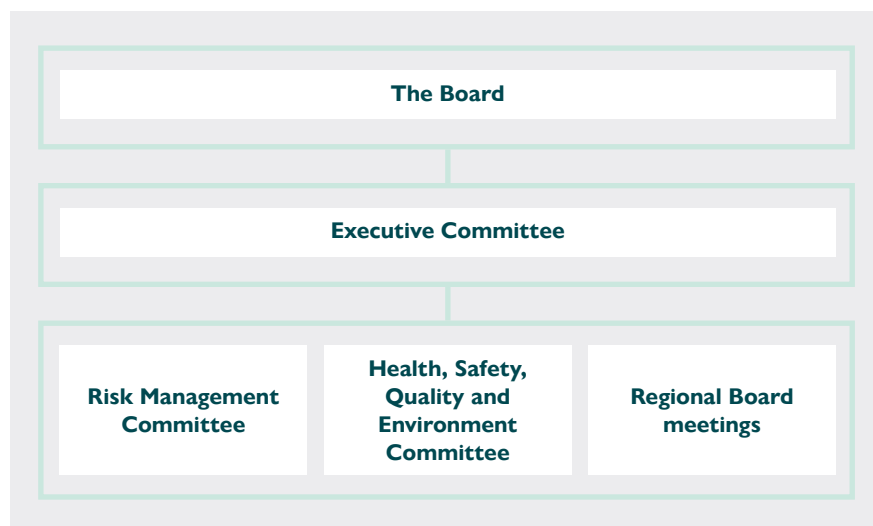
(See pages 38 to 41 for further details on our risk management process.)

In accordance with our approach to continuous improvement and managing risk, the Group is fully accredited to the ISO 9001:2015 (Quality), ISO 14001:2015

(Environmental) and BS OHSAS 18001:2007 (Health and Safety) standards. Each is certified by a certification body that is accredited by the UK Accreditation Service. In 2018 we maintained our certification, and this was extended to our Partnerships Midlands division during the year: Westleigh also has certification to these three standards.

Legal compliance

We continue to uphold our good record in environmental compliance, with no prosecutions or fines for more than 13 years. Countryside has not received any HSE Enforcement Notices in over 10 years.



ETHICAL AND RESPONSIBLE BUSINESS

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, whistle-blowing and countering modern slavery and human trafficking.

Health and safety

The Group recognises the critical value and importance of promoting and delivering high 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.

Our AIIR was below both the industry average and the Health and Safety Executive's National Incident Rate ("NIR") for the 15th consecutive year in 2018. Our AIIR averaged 162 (2017: 220) compared with the NIR of 446 (2017: 398).

We continue to focus on making our sites a safe environment for employees, contractors and visitors. During the year we introduced the Health and Safety Executive's Stop, Look, Assess, Manage (SLAM) initiative on all sites. This promotes behavioural change to help reduce accidents and incidents.

Our people

Our people are our most valuable and important resource. Please see our dedicated People section on pages 32 and 33 of this report for information on how we seek to engage and develop our employees.

Sustainability report continued



CUSTOMERS AND COMMUNITY

Customers

We believe that moving into a new home in a new community should always be an exciting and enjoyable experience. Our Recommend a Friend score during the year 2018 was 84.6 per cent. This is a decline on 2017 (88.6 per cent) therefore a Group-wide plan to raise the customer satisfaction ratings, under the supervision of the Executive Committee, is being implemented. This includes improvements in the customer journey, focusing on service standards and customer engagement during the purchase process and dealing quickly with any quality issues.

Communities

We always aim to have a positive effect on the communities in and close to where we build. However, we appreciate that existing and future residents may have concerns about potential impacts during the construction phase of our developments.

We believe that local communities have a right to enjoy their homes and environment without nuisance caused by our operations. We therefore put stringent procedures in place at every site to reduce noise, dust and nuisance caused by additional traffic during construction.



ENVIRONMENT

Our values, compliance requirements and stakeholder needs all inform our approach to environmental sustainability, which applies to all aspects of our business. It involves setting objectives and measuring performance against them to enable continuous improvement.

Energy

For the third year running, we have collated and are reporting on our energy-use performance covering office, sites and business travel usage. Energy use and associated CO₂e emissions are normalised by per m² completed area for site activities and per employee for office and fleet activities. Work to integrate Westleigh into Countryside processes and procedures to ensure that data is obtained and measured in the same way is on-going for 2019. For 2018, Westleigh site and office absolute energy use is therefore reported separately covering the period since acquisition. In 2019 we will report energy usage for office, sites, fleet and manufacturing for the entire Group.

Office activities

Countryside Properties

| Year | Scope 1 | | | Scope 2 | | | Total GHG | |
|------|-----------|--------------------------|-------------------------------------|-----------------|----------------------------------|-------------------------------------|----------------------------|-------------------------------------|
| | Gas kWh | Gas CO ₂ e kg | Total CO ₂ e kg per head | Electricity kWh | Electricity CO ₂ e kg | Total CO ₂ e kg per head | Total CO ₂ e kg | Total CO ₂ e kg per head |
| 2018 | 1,102,667 | 202,847 | 155.20 | 1,385,678 | 392,244 | 300 | 595,091 | 0.46 |
| 2017 | 1,127,253 | 207,595 | 178.63 | 1,280,792 | 450,275 | 387 | 657,870 | 0.57 |
| 2016 | 940,247 | 173,005 | 159.16 | 1,290,908 | 542,457 | 499 | 715,462 | 0.66 |

Westleigh

| Year | Electricity kWh | Electricity CO ₂ e kg |
|------|-----------------|----------------------------------|
| 2018 | 1,385,678 | 202,847 |

During the reporting period, we cut our overall office-based CO₂e emissions by 10 per cent to 595 tonnes CO₂e (658 tonnes CO₂e in 2017). This equates to 0.46 tonnes CO₂e per employee (0.57 tonnes CO₂e in 2017), a reduction of 20 per cent per employee. We have engaged with office staff on behavioural change via our newsletters and intranet.

Site activities

Countryside Properties

| Year | Scope 1 | | | | | | | Total CO ₂ e kg per m ² |
|------|-----------|--------------------------|-------------|------------------------------|------------|----------------------------|---|---|
| | Gas kWh | Gas CO ₂ e kg | Gas Oil kWh | Gas Oil CO ₂ e kg | Total kWh | Total CO ₂ e kg | Total CO ₂ e kg per m ² | |
| 2018 | 6,496,233 | 1,195,047 | 10,308,362 | 2,850,468 | 16,804,596 | 4,045,515 | 10.17 | |
| 2017 | 4,761,337 | 876,848 | 14,933,110 | 4,119,746 | 19,694,447 | 4,996,595 | 9.92 | |
| 2016 | 2,193,480 | 403,965 | 8,523,068 | 2,352,426 | 10,716,548 | 2,756,391 | 9.89 | |

| Year | Scope 2 | | |
|------|-----------------|----------------------------------|---|
| | Electricity kWh | Electricity CO ₂ e kg | Total CO ₂ e kg per m ² |
| 2018 | 3,218,579 | 911,083 | 2.29 |
| 2017 | 5,040,372 | 1,771,994 | 3.52 |
| 2016 | 1,954,542 | 814,010 | 2.92 |

Westleigh

| Year | Scope 1 | | | | | Scope 2 | |
|------|---------|--------------------------|-------------|------------------------------|-----------|-----------------|----------------------------------|
| | Gas kWh | Gas CO ₂ e kg | Gas Oil kWh | Gas Oil CO ₂ e kg | Total kWh | Electricity kWh | Electricity CO ₂ e kg |
| 2018 | 434,979 | 80,019 | 1,348,351 | 372,846 | 1,783,330 | 452,865 | 120,854 |

Business Travel – Scope 3

Our overall fleet CO₂e emissions increased to 1645 tonnes from 1597 tonnes (2017). However, this equates to 1.26 tonnes CO₂e per employee (2017: 1.37), a decrease of 8 per cent. In 2019 we have introduced the option of hybrid vehicles and rewards for selecting low emission vehicles for our employees. With this initiative and the use of Skype, cycle to work schemes and promotion of the use of public transport we hope to reduce our travel emissions further.

| Year | Scope 3 | | |
|-------------|------------------|----------------------|---|
| | kWh | CO ₂ e kg | Total CO ₂ e tonnes per head |
| 2018 | 6,300,714 | 1,645,151 | 1.26 |
| 2017 | 6,339,503 | 1,597,045 | 1.37 |
| 2016 | 7,555,351 | 1,858,011 | 1.71 |

Waste

The Group has implemented more stringent practices in gathering data which in 2018 includes waste disposed of by third parties on behalf of our contractors, in particular plasterboard and hazardous waste. Consequently there has been an increase in waste produced per 100m² completed build area of 7.71 tonnes per 100m² compared to 5.99 tonnes per 100m² in 2017. This is the first year of reporting hazardous waste for site. 11 tonnes were produced during the year.

Waste reported does not include Westleigh who are being integrated into our environmental monitoring and measurement systems and their waste will be reported in 2019.

A quarterly waste forum has been set up to improve coordination across the different business regions, with the aim of reducing waste, improving awareness of best practice in waste management on site and ensuring compliance.

Office activities

| Year | Total General Waste tonnes | Total General Waste tonnes per head | Recycled tonnes | Recycled % |
|-------------|----------------------------|-------------------------------------|-----------------|------------|
| 2018 | 318.15 | 0.24 | 264.62 | 83% |
| 2017 | 387.34 | 0.33 | 206.10 | 53% |

Site activities

| Year | Total Waste tonnes | Total Waste tonnes per 100 m ² completed | Recycled/Composted tonnes | Recycled/Composted % | Energy from Waste tonnes | Energy from Waste % | Landfill tonnes | % Landfill | % Diverted from Landfill |
|-------------|--------------------|---|---------------------------|----------------------|--------------------------|---------------------|-----------------|------------|--------------------------|
| 2018 | 30,678.4 | 7.71 | 24,459 | 77.5% | 6,926 | 21.9% | 185 | 0.6 | 99.4% |
| 2017 | 30,169.68 | 5.99 | 24,449 | 81% | 4,289 | 14.2% | 355 | 1.2 | 98.8% |

Site Intensity measure kg CO₂e/m² based on developed area of 397,702 m² completed build (2017: 503,544 m²).

Office and fleet intensity measure based on 1,307 employees (2017: 1,164).

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.

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.

Water usage

We monitor water usage in our offices and at our sites. Our site water use decreased in 2018 from 42,653m³ (2017) to 33,414m³. However, when normalised this equates to 0.08m³ per m² (the same as 2017). Our office water increased to 10,387m³ (2017: 8976m³) which equates to 7.95m³ per employee (2017: 7.71m³) an increase of 3 per cent related to an increase in the number of offices across the Group.

Transport

We provide an increasing number of cycling facilities around the Group and electric charging points at our developments to enable and encourage the use of sustainable transport by our customers. We also aim to give them access to a range of transport modes. In 2018, 96 per cent

(2017: 95 per cent) of our developments were located within 1km, and 84 per cent (2017: 79 per cent) within 500m of a public transport node.

Ecology

We are committed to establishing and enhancing ecological networks that are resilient to the current and future pressures of climate change. During the year, for example, we installed green or brown roofs on 23 per cent of our developments (2017: 22 per cent).

We managed local risks in 2018 by employing qualified ecologists to undertake full ecological surveys during the site evaluations for 92 per cent of our projects (2017: 95 per cent).



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>.

OPTIMISING OUR RISK MANAGEMENT PROCESS

Countryside has policies and procedures in place for the timely identification, assessment and prioritisation of the Group's material risks and uncertainties. This section describes how these risks are identified, managed and mitigated appropriately in order to deliver the Group's strategic objectives.

How we manage risk

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 48 to 53.

The Risk Management Committee ("RMC") meets four times a year and provides a focal point for the coordination of the Group's risk management efforts. Its membership comprises all members of the Executive Committee 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;
- the Internal Audit plan and reports;
- the management of claims/litigation;
- the forecast impact and preparation for proposed and new legislation;
- key policies and risk mitigation documentation (e.g. start onsite or land acquisition check lists); and
- total cost of risk against insurance and bond requirements.

At each RMC meeting, a different "principal risk" is also reviewed in depth by the RMC. A description of the key areas of risk considered during 2018 is set out below.

A review of the principal risks is also a standing agenda item for all regional business board meetings. All such board meetings are attended by the relevant Divisional CEO, who in turn feeds back any matters requiring consideration by members of the RMC.

The Group's risk register is maintained to record all principal risks and uncertainties identified in each part of the business. A member of the Executive Committee is allocated, as appropriate, 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 it 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.

Our approach to risk



Key areas of focus during 2018

Market

Given the planned continued growth of Countryside, the Board, Executive Committee and RMC have spent considerable time during 2018 to ensure that the Group's mixed-tenure approach and product mix are best suited to ensure we maintain affordability and serve the areas of strongest demand. In order to better monitor potential changes in market risk, management has engaged Lazarus Economics & Strategy, an independent economics advisor, to provide a rigorous and detailed statistical analysis of a broad range of indicators across the UK and the geographies in which Countryside operates.

Brexit

A detailed review was undertaken to assess Countryside's exposure to risks that may flow from the United Kingdom's departure from the EU ("Brexit"). Plans have been formulated to put in place mitigating actions to reduce risks, covering areas such as the supply of materials and labour, the availability of capital and potential changes to Government regulation and policy.

Government policy and regulatory change

The RMC and Board have spent considerable time to determine actions required to prepare for and address significant changes in Government potential regulation and policy in areas such as the continuing availability of Help to Buy, building regulations (following the Grenfell tower fire tragedy in June 2017) and leasehold reform (following the Government announcement on 21 December 2017 on measures to tackle unfair leasehold practices).

Attracting and retaining talent

The success of Countryside's business and growth depends on recruiting, retaining and developing highly-skilled, competent people at all levels of the organisation. During 2018 considerable effort has been made to ensure that Countryside is able to participate and win in the competition for talent. This has included the extension of flexible benefits, 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 the biannual employee survey.

Westleigh acquisition

On 12 April 2018, Countryside announced the acquisition of Westleigh Group Limited and its subsidiaries (together "Westleigh"). An integration team was established, consisting of key financial and operational leaders from both Countryside and Westleigh, who are overseeing a detailed integration plan to progressively and safely bring Westleigh into compliance with Countryside's policies and procedures. This will result in considerable strengthening of a number of Westleigh's compliance functions, including health and safety, legal, environmental and quality.

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 2021. 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 and uncertainties" 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 reasonable assumptions are included within these assessments, including:

- 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;
- 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;
- 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 and uncertainties" section of this report.

The sensitivity analysis is performed based on assumptions modelled on 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 15–20 per cent fall in house prices, up to 50 per cent reduction in sales rates and 10 per cent build cost inflation, offset by reductions of up to 75 per cent of land purchases and up to 20 per cent in salary costs.

It considers 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 2018

Risk management continued

Board, Audit Committee and Risk Management Committee responsibility

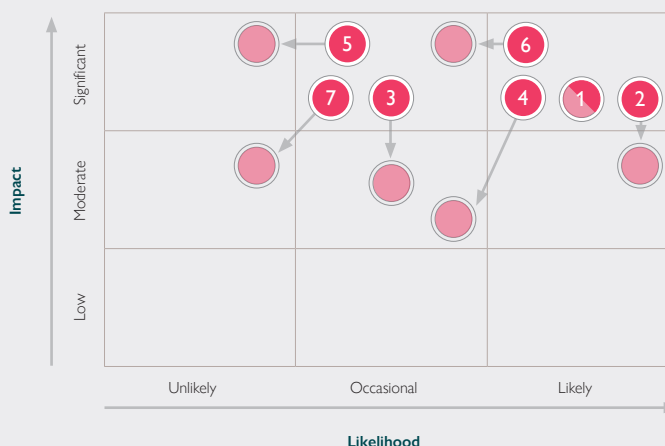
The Audit Committee reviewed the Group's risk register and the assessment of the Group's principal risks and uncertainties prepared by the Risk Management Committee at its meetings in July and October 2018. The Audit Committee also considered the effectiveness of the Group's systems, and has taken this 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 2018 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.

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 employees*

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

Note

* The Risk Management Committee's review of risk, including the principal risks, takes into account the known and forecast developments flowing from plans being made for the UK's planned exit from membership of the European Union by March 2019 ("Brexit"). Brexit affects many of the principal risks, but particularly those marked with an asterisk.

Chairman's introduction to governance

COMMITTED TO GOOD GOVERNANCE

Corporate governance is a core discipline that is vital to the success of the Group.



Dear Shareholders,

This report sets out our approach to governance, explaining how our governance framework supported our activities throughout the year.

The Board regards corporate governance as a core and vital discipline that complements our desire to continually improve upon the success of the Group on our shareholders' behalf. Our governance framework (described in this report) allows the continued monitoring, review, development and implementation of the policies, procedures and culture that support our high governance standards.

During 2018, the Board spent considerable time focusing on developing the Company's culture, values and ethics to align with implementation of the business strategy and on ensuring that good standards of behaviour permeate all levels of the organisation to support our long-term success.

I am pleased to report that our boardroom culture is good, underpinned by a genuine sense of mutual respect between all Directors. This is borne out by our externally facilitated performance evaluation process for 2018, the results of which we describe on page 50.

“

Central to Countryside's business strategy is the objective to build “Places People Love”.

During 2018, the principal areas of focus for the Board were:

- supporting implementation of the business strategy;
- developing the Company's culture, values and ethics to align with implementation of the business strategy;
- considering ways to accelerate growth of the Partnerships business (resulting in the acquisition of Westleigh in April 2018);
- ongoing succession planning for the Board and Executive Committee;
- improving risk management to support implementation of the Group's strategic goals;
- considering alternative forms of construction, leading to the establishment of a new factory for modular construction;
- overseeing a programme to improve operational efficiency; and
- developing an IT strategy that will support the continued growth of the business.

We made good progress against all of these focus areas during the year.

Supporting implementation of the business strategy

The Board has been heavily involved in monitoring and supporting the implementation across the Group of the strategy first outlined during Countryside's initial public offering (“IPO”) in February 2016 and most recently described at our Capital Markets Day on 27 June 2018.

Developing the Company's culture, values and ethics

Central to Countryside's business-strategy is the objective to build “Places People Love”. Considerable work has been undertaken to continue to develop and embed a Group-wide business culture, values and ethics that support this objective.

Accelerating growth of the Partnerships business

The acquisition of Westleigh in April 2018 helped to progress Countryside's strategy to expand its Partnerships business. Westleigh broadens the geographical reach of Partnerships into regions where underlying demand is strong. It provides a strong strategic and cultural fit with the Countryside model and provides an excellent platform for accelerating the delivery of Partnerships.

Succession planning for the Board and Executive Committee

Led by our Nomination Committee, we are focused on ensuring that our talent pipeline supports the Group's strategy.

The Board continued to support and review the success of our leadership development programmes. We are confident that these, our talent pipeline and other initiatives such as tailored development programmes for different levels of high potential management candidates, mean we are well set to continue successfully developing employees into diverse and experienced managers.

Succession planning for the Board and Committees was also on the Nomination Committee's agenda, particularly given the Board changes as a result of Oaktree Shareholders' share sell-down. There is more detail on our succession planning activity set out below and in the Nomination Committee Report on page 58.

Improving risk management to support the implementation of the Group's strategic goals

Risk management, in particular of the principal risks faced by the Group, is a key element of the Board's ongoing agenda. The principal risks were in particular focus during 2018 as we monitored the housebuilding market and related issues following the UK's vote in June 2016 to leave the European Union. We set out details of our principal risks and uncertainties on pages 40 and 41.

Considering modern methods of construction

The planned opening of a new 130,000 sqft factory in Warrington, together with the closed-panel timber frame factory that is part of the Westleigh acquisition, is in response to the Board's agenda to remain innovative, improve efficiency and mitigate supply risks as the Group continues to grow.

Overseeing a programme to improve operational efficiency

The Board continues to focus on operational efficiency, as a key measure to drive margin improvement.

Developing an IT strategy that will support the continued growth of the business

We strengthened our IT governance and security during 2018. Security in general (and cyber security in particular) remained high on our agenda. The Group completed a thorough risk assessment of information security during the year, and the Audit Committee considered regular reports on progress.

Other activities in 2018

Health and safety

A continual focus on health and safety processes is critical for our business and the Board regularly reviews health and safety KPIs.

We describe our approach to health and safety in detail on page 35, including a description of the metrics by which we measure our performance in this area.

The Board's third statement relating to Section 54 of the Modern Slavery Act outlines the further improvements we made during 2018 to combat modern slavery. This was published on the Group's website in November 2018.

Developing talent

Given the high degree of competition for talent, considerable effort has been made to identify, develop and promote home-grown talent. Details on this can be found in the "Our people" section on pages 32 and 33.

Meeting our major shareholders

As part of our comprehensive investor relations programme, our Executive Directors meet investors and analysts regularly, supported when appropriate by myself and other members of the Board. Our investor relations programme is described on page 53. We carried out a series of shareholder engagement events during 2017/18, as shown opposite. 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.

The Board

On 2 October 2017 we announced that Richard Adam's last day of service as a Non-Executive Director would be 31 December 2017.

Federico Canciani's last day of service as a Non-Executive Director of the Company was on 5 December 2017. Appointed by Oaktree Shareholders under the terms of the Relationship Agreement (as described on page 48), Federico stepped down from the Board following the sell-down of shares in the Company by Oaktree Shareholders, as announced on 1 December 2017. On 8 December 2017 we announced that Douglas Hurt would join the Board as a Non-Executive Director, Chairman of the Audit Committee and Senior Independent Director of the Company, with his first day of service being 1 January 2018.

On 1 October 2018, the Company announced that Becky Worthington was appointed Group Chief Operating Officer from that date and the appointment of Mike Scott to the Board, as Group Chief Financial Officer. With these changes, it brings the Board to a total of seven Directors.

Independence of Directors

The Board reviewed the independence of all Non-Executive Directors (excluding the Chairman) at the Board meeting on 26 July 2018 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 externally facilitated Board and Committee evaluation was carried out in 2018. I am delighted to confirm that no significant issues were raised. 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. The review process is described in more detail on page 50.

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 2018

Compliance with the Code

From 1 October 2017 until 30 September 2018, Countryside has complied with all the provisions of the UK Corporate Governance Code 2016 (the "Code").

Shareholder engagement

2018

November/ December 2017

- Full year results and roadshow

January 2018

- AGM/Q1 trading update

March 2018

- Site visit to Acton Gardens

April 2018

- Interim pre-close update and conference call



May 2018

- Interim results and roadshow

June 2018

- Capital Markets Day

July 2018

- Q3 trading update








September 2018

- JP Morgan investor conference

2019

OUR BOARD OF DIRECTORS

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

| | | | |
|------------------------------|--|---|---|
| |  |  |  |
| | David Howell Non-Executive Chairman | Ian Sutcliffe Group Chief Executive | Becky Worthington Group Chief Financial Officer (until 30 September 2018) Group Chief Operating Officer (appointed on 1 October 2018) |
| Appointment date | 14 December 2015 | 19 November 2015 | 19 November 2015 |
| Career and skills | <p>David joined the Group in April 2014 as a Non-Executive Director and was appointed Non-Executive Chairman in January 2015.</p> <p>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 also was a Non-Executive Director of The Berkeley Group Holdings PLC for over ten years where he chaired the audit committee until 2014.</p> | <p>Ian joined the Group in October 2013 as Executive Chairman and was appointed Group Chief Executive in January 2015.</p> <p>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.</p> | <p>Becky joined the Group in August 2015 as Chief Financial Officer. She was appointed as Group Chief Operating Officer on 1 October 2018.</p> <p>Becky qualified as a chartered accountant with PricewaterhouseCoopers LLP in 1997. She subsequently worked at Quintain Estates and Development PLC for 15 years, first as Finance Director and latterly as Deputy Chief Executive. Following that she spent two years as Chief Executive of Lodestone Capital Limited, a business advising on operational real estate assets.</p> |
| External appointments | David is Non-Executive Chairman of Confidential Incident Reporting & Analysis Service Limited. | Ian is a Non-Executive Director of Ashted Group plc. | As a result of her appointment as a Non-Executive Director of The British Land Company PLC on 1 January 2018, Becky stepped down from the board of Hansteen Holdings PLC on 20 March 2018. |
| Committee membership |   |  |  |

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 Cophthorn 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



Mike Scott
Group Chief Financial Officer

1 October 2018

Mike joined the Group in December 2014 as Group Financial Controller. He 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.

None

E



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 Chairman 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, Chairman 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 of Tate & Lyle PLC and Vesuvius PLC. He is also a Non-Executive Director 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 Chairman of Ofsted and as a member of the advisory committee of Virgin Group Holdings Limited.

Baroness Morgan is Vice Chairman of King's College London, 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

Executive Committee



Ian Sutcliffe
Group Chief Executive

Full biography on page 44.



Phillip Lyons
Chief Executive, Housebuilding

Phillip was appointed 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.



Graham Cherry
Chief Executive, Communities

Graham was appointed Chief Executive of Communities on 1 November 2018, having previously been Chief Executive of Partnerships South from 2 May 2017.

Graham joined the Group as a graduate trainee from the University of Reading in 1980. Previous roles with the Group include Group Chief Executive of Copthorn Holdings Limited, a position he held for over 20 years and Chief Executive of the New Homes and Communities division.



Ian Kelley
Chief Executive, Partnerships North

Ian was appointed Chief Executive of Partnerships North on 2 May 2017, having previously been Managing Director of the Partnerships North Division.

Ian joined the Group on 12 August 1996 as Associate Director for Business Development. Ian was appointed Managing Director of Partnerships North 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.



Becky Worthington
Group Chief Financial Officer
(until 30 September 2018)
Group Chief Operating Officer
(appointed on 1 October 2018)

Full biography on page 44.



Nick Worrall
Group HR Director

Nick was appointed as Group HR Director on 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.



Gary Whitaker
General Counsel and
Company Secretary

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

Previously, Gary was 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 their London and Moscow offices. Prior to Norton Rose, he served an 11-year commission in the Royal Navy Fleet Air Arm.



Iain McPherson
Chief Executive,
Partnerships South

Iain was appointed Chief Executive of Partnerships South on 1 November 2018, having previously been Managing Director of the Southern region of the Housebuilding Division from September 2014 when he joined the Group.

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.



Mike Scott
Group Chief Financial Officer

Full biography on page 45.

“

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

David Howell
Chairman



Corporate governance report

GOVERNANCE IN ACTION

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

Board role and composition

The Board is responsible for reviewing and guiding corporate strategy, establishing key policies and objectives and understanding the key risks the Company faces. It also determines the risk tolerance of the Company and the processes in operation to mitigate these.

The Board has overall responsibility for the management of the Company to maximise shareholder value. In discharging its responsibilities, the Board is supported by its management and specialist committees. In compliance with the Code, the Board has established three Committees: an Audit Committee, a Nomination Committee and a Remuneration Committee. Each Committee works from terms of reference which are reviewed annually and are available on the Company's website: investors.countrysideproperties.com. The Board last approved the terms of reference for each Committee on 19 November 2018.

The Board Committees have appropriately skilled members and senior management participation. They also have access to specialist advice when considered necessary. The minutes of the Audit, Nomination and Remuneration Committee meetings are sent to all Directors and oral updates are given at Board meetings. The Report of the Audit Committee (which includes an overview of the Company's control and risk management framework) can be found on pages 54 to 57. Page 58 describes the remit and activities of the Nomination Committee. The activities of the Remuneration Committee are described in the Report of the Remuneration Committee on pages 59 to 75. The Board is also supported by an Executive Committee, further details of which can be found on page 46.

Additional information

The Directors' Report (see pages 76 to 78), 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.

The Board

Board composition

On 30 September 2018, the Board consisted of six Directors, being a Non-Executive Chairman, two Executive Directors and three independent Non-Executive Directors. Douglas Hurt is the Senior Independent Director.

Following a review of Board succession planning by the Nomination Committee at its meeting on 13 September 2018, and its recommendations to the Board meeting on 28 September 2018, the Company announced on 1 October 2018 the promotion of Becky Worthington to Group Chief Operating Officer and the appointment of Mike Scott to the Board, as Group Chief Financial Officer. Post the 1 October 2018 changes, the Board has a total of seven Directors and remains compliant with the Code, having a Non-Executive Chairman, three Executive Directors and three independent Non-Executive Directors.

Shareholders who have concerns that cannot be addressed through the normal channels can contact David Howell, our Chairman, and any of the Non-Executive Directors. Further information about communication between the Board and shareholders is on page 52. 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.

Relationship Agreement with Oaktree

When the Company listed on the London Stock Exchange in February 2016, it entered into a Relationship Agreement with Oaktree Shareholders (further details of which are set out in the Directors' Report on pages 76 and 77). The operative provisions of the Relationship Agreement ceased to apply on 24 April 2018, when Oaktree Shareholders completed the sale of all remaining shares they held in Countryside.

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 successful dialogue with our shareholders.



Read more on [pages 44 and 45](#)

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 54 to 57](#)

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 [page 58](#)

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 59 to 75](#)

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

Corporate governance report continued

Board and Committee attendance

The number of Board and Committee meetings attended by each Director during the 2018 financial year was as follows:

| | Board | Audit Committee | Remuneration Committee | Nomination Committee | Overall attended |
|--------------------------------|-----------|-----------------|------------------------|----------------------|------------------|
| Number of meetings held | 13 | 4 | 6 | 4 | |
| David Howell | 13/13 | — | 6/6 | 4/4 | 100% |
| Ian Sutcliffe | 13/13 | — | — | — | 100% |
| Becky Worthington | 13/13 | — | — | — | 100% |
| Richard Adam ¹ | 2/2 | 2/2 | 2/2 | 2/2 | 100% |
| Amanda Burton ² | 12/13 | 4/4 | 6/6 | 4/4 | 96% |
| Federico Canciani ¹ | 2/2 | — | — | 1/2 | 75% |
| Baroness Morgan | 13/13 | 4/4 | 6/6 | 4/4 | 100% |
| Douglas Hurt ³ | 9/11 | 2/2 | 4/4 | 2/2 | 89% |

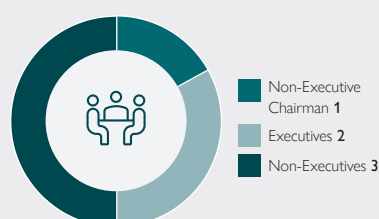
1. Federico Canciani and Richard Adam resigned as Directors with effect on 5 December 2017 and 31 December 2017 respectively, so the attendance table above covers their period of office.

2. Amanda Burton was unable to attend a Board Meeting which was called at short notice due to a prior engagement.

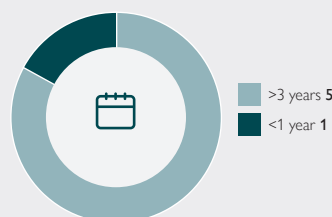
3. Douglas Hurt was unable to attend two Board Meetings, which had been scheduled before his appointment, due to prior business commitments.

Board analysis (as at 30 September 2018)

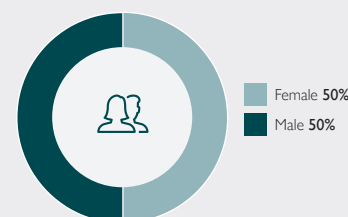
Composition



Length of tenure



Gender diversity



Review of Board effectiveness

Claire Howard Consultancies facilitated the 2018 Board and Committee evaluation. The process started with preparatory meetings between Claire Howard and each of the Chairman, the Group Chief Executive, the Company Secretary and the Group HR Director to identify any potential areas that the review might focus on. A one-to-one meeting with each of the Directors and Claire Howard was then held, during which Board members were invited to evaluate and comment on the operation of the Board and its Committees. The Chairman met with Claire Howard to discuss the results of the exercise. A report was submitted to the Board in July setting out the principal issues raised and suggesting appropriate action points.

The principal issue raised in the 2018 performance evaluation was Board and Executive succession planning, which was discussed at the 26 July 2018 Board meeting and the 13 September 2018 Nomination Committee meeting. Based on the feedback received from the evaluation, the Board concluded that the Board and its Committees continue to operate effectively.

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 Non-Executive Directors (without the Chairman) met with Douglas Hurt, as Senior Independent Non-Executive Director, to review the performance of David Howell during 2018. Douglas Hurt later debriefed the Chairman. David Howell reviewed the performance of each of the Non-Executive Directors during 2018, taking into account the views of the other Directors.

STAGE 1 One-on-one interviews

Claire Howard met with each of the Directors to discuss a broad range of topics, ranging from Board composition to allocation of time to particular topics, and further explored issues raised or comments made.

STAGE 2 Evaluation

Having prepared a draft report of the principal issues and observations made, Claire Howard met with the Chairman to discuss the report and to determine proposed actions for consideration by the Board.

STAGE 3 Reporting and discussion with the Board

The Board discussed the content of the report at its meeting on 26 July. It also discussed the effectiveness of actions taken following the 2017 review and agreed actions for improvement during 2018.

STAGE 4 Non-Executive Directors meeting with the Senior Independent Director

The Non-Executive Directors met with the Senior Independent Director to evaluate the performance of the Chairman, taking into account the views of the Executive Directors.

The Board continued

Role and responsibilities of the Board

The Board is collectively responsible to shareholders for the long-term success of the Group and creating and sustaining shareholder value through the management of the Group's businesses. It sets the Group's strategic plan and budgets and monitors their implementation. With the assistance of the Audit Committee, it ensures that executive management maintains a system of internal operational, financial and regulatory controls that identify and appropriately manage the risks set out on pages 40 and 41.

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 19 November 2018. 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.countrysidproperties.com.

The roles of the Chairman and the Group Chief Executive

The roles of the Chairman and the Group Chief Executive are clearly segregated. The division of responsibilities between them is set out in writing and was last agreed by the Board on 19 November 2018. The Chairman is responsible for leading the Board and ensuring its effectiveness by facilitating debate and the contribution of Non-Executive Directors. The Chairman, the Group Chief Executive and the Company Secretary collaborate to set meeting agendas. The Group Chief Executive is responsible for running Countryside's business and providing strategic leadership to the Group, in consultation with the Board.

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. When Douglas Hurt joined the Board on 1 January 2018, he commenced Countryside's induction programme. In addition to exposure gained at regular Board meetings, newly appointed Directors have access to the Company Secretary's assistance in learning about the Countryside Group.

All Directors receive ongoing updates on the Company's projects and activities and on legal and regulatory changes. In 2018 these included briefings on the Company's IT strategy, reporting requirements for the payment of suppliers, the new UK Corporate Governance Code for financial years starting after 1 January 2019 and various reviews of the UK housing market.

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 2018 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 2018. 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.

Board site visits

During 2018, the Board visited eight different development sites, including at least one in each business region (as outlined on page 53).

Board visit to Rochester Riverside

Rochester Riverside is a new landmark address for Medway to be delivered by Countryside and the Hyde Group, supported by Medway Council and Homes England. When complete it will comprise up to 1,400 new homes and extensive facilities. On 28 June 2018, the Board visited Rochester Riverside to receive a project overview from the Partnerships South development team, meet the site staff, learn about the partnership work with Hyde Group, Medway Council and Homes England and tour the site. A Board meeting was then held in the nearby marketing suite of Countryside's St Mary's Island development.

“

Site visits are a critical part of the Board's engagement with the business.



Corporate governance report continued

The Board 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 thinks 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 19 November 2018. 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).

Tenure, election and re-appointment of Directors

All Non-Executive Directors, excluding the Chairman and Douglas Hurt, have three-year appointments commencing on 17 December 2015. The Chairman's three-year appointment commenced on 14 December 2015. Douglas Hurt's appointment commenced on 1 January 2018. At its 13 September 2018 meeting the Nomination Committee made a recommendation to the 28 September 2018 Board meeting to re-appoint David Howell, Amanda Burton and Baroness Morgan in their existing roles for a further term of three years. The Board, having reviewed the findings of the externally facilitated Board and Committee evaluation, approved the re-appointment of the three Non-Executive Directors, in their current roles, each for a further term of three years to run from expiry of their existing appointments in December 2018. 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 Amanda Burton and Baroness Morgan to review the performance of the Chairman during 2018.

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 69 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. In the case of Mike Scott, he will be put forward for election by shareholders at the 2019 AGM. In line with the Code, all other Directors will be put forward for re-election at the 2019 AGM. The Board believes that each of the Directors makes a valuable contribution to Countryside and supports their re-election in each case.

Board diversity

The Board recognises 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 November 2018 Board meeting. It is not the Board's policy to set specific targets but to continue to recruit Board members based on skills and experience, having regard to the requirements of the Code in respect of diversity, including gender. All Board appointments are made on merit, in the context of the skills and experience the Board as a whole requires to remain effective. When seeking candidates for appointment to the Board, it is the Board's policy to:

1. Use only executive search firms signed up to the Voluntary Code of Conduct for Executive Search Firms as recommended by the Davies Report;

2. use only "long lists" that include at least 30% female candidates, where practical; and
3. consider candidates for appointment as Non-Executive Directors from a wider pool, including those with little or no listed company board experience, but with relevant skills or sector knowledge to complement the existing Board.

For details on Countryside's broader policy on diversity across the Group, please refer to the Our People section, on pages 32 and 33.

Communications with shareholders

The Board regards communications with shareholders of high importance, giving them the opportunity to meet the Chairman and Directors as appropriate. This opportunity will continue in the coming 12 months. Arrangements can be made for major shareholders to meet with any newly appointed Directors. The Company's Investor Relations team organises an ongoing programme of dialogue and meetings for institutional investors, fund managers and analysts with the Group Chief Executive, the Group Chief Operating Officer and the Group Chief Financial Officer. Brokers' reports and investors' feedback are circulated regularly to the Board, who discuss these and any other key matters relating to investors. In conjunction with advisors where appropriate, the Board determines the strategy to address significant issues raised in each case.

The Company's AGM on 24 January 2019 will provide a valuable opportunity for private investors to communicate with the Board. We encourage shareholders to attend the meeting and to ask questions of any of the Directors following the conclusion of the formal part of the meeting. We will make available on request details of proxy voting by shareholders, including votes withheld, and place them on the Company's website following the meeting.

Major shareholders as at 20 November 2018

| | |
|--|--------|
| 1. Standard Life Aberdeen | 15.19% |
| 2. Woodford Investment Management Ltd | 14.60% |
| 3. Aviva Investors Global Services Ltd | 10.93% |
| 4. M&G Investment Management Ltd | 7.26% |
| 5. Ruffer LLP | 6.00% |



WHAT THE BOARD DID IN 2017/18

In the year ended 30 September 2018, significant discussions, transactions and appointments approved by the Board other than the scheduled matters outlined on page 51 included:

October 2017

- Housebuilding (Millgate) site visits
- Review of health and safety
- Review of Housebuilding division
- Briefing on UK economy
- Review of anti-slavery procedures



January 2018

- Annual General Meeting

February 2018

- Partnerships North site visits
- Approval of acquisition of Westleigh Group Limited
- Approval of closed-panel timber frame factory
- Review of gender pay reporting



June 2018

- Partnerships South and Housebuilding South site visits
- Update on operational efficiencies project
- Presentation on IT strategy
- Review of Group delegated authorities



September 2018

- Review of 2019 Budget
- Approval of insurance renewal programme
- Review of NED fees

2018

2017

March 2018

- Review of market, product and Group strategy

November 2017

- Housebuilding Central and East site visits
- Approval of 2017 year-end results
- Approval of Employee Benefit Trust share purchase to satisfy share plan vesting
- Review of redemption plan for Group's shared equity portfolio



May 2018

- Partnerships South site visits
- Review of five-year forecast
- Review of cyber security
- Review of alternative provider for Registrar and share plan administrator
- Approval of 2018 interim results



July 2018

- Review of Private Rental Schemes as part of mixed-tenure review
- Review of Board and Committee evaluation
- Risk review
- Presentation on people strategy
- Presentation on branding and communications
- Post-investment site reviews



Report of the Audit Committee



Committee Chairman

Douglas Hurt (From 1 January 2018)

Other members

Amanda Burton

Baroness Morgan

Richard Adam (From 1 October 2017 to 31 December 2017)

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 Company'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 Company's external audit
- Monitoring auditor independence
- Developing and implementing policy on non-audit services provided by the external auditor
- Reviewing 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 Audit Committee's terms of reference are on Countryside's website at: investors.countrysideproperties.com/governance.

Areas of focus in 2018

- Reviewing the key judgements and estimates relating to the Group's interim and full-year results
- Considering the presentation of non-underlying items
- Considering various matters in relation to the acquisition of Westleigh, including the purchase price allocation and related accounting
- Reviewing the forecasts and sensitivity analyses underlying the Group's Viability Statement
- Considering applicable taxation and accounting matters
- Considering the restatement of 2017 results in relation to discounting of deferred land and overage payments

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.

To ensure that the Group received the best support in managing its risk framework, we decided to run an external tender process for the Group's internal audit services. As well as reviewing high-quality proposals from KPMG and Mazars, the Audit Committee considered the alternative of bringing the internal audit function in house. It decided ultimately to recommend the appointment of KPMG from 1 October 2017, a decision that was subsequently approved by the Board on 16 October 2017.

The Committee set the scope of internal audit activity for the 2018 financial year and reviewed the findings of audits performed during the year.

It also ensured that management was implementing recommendations for internal control improvements on a timely basis. The Committee continued 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. Particular areas of focus were accounting for the acquisition of Westleigh, testing the Viability Statement and presenting non-underlying items.

In addition, management and the internal and external auditors provide 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

Chairman of the Audit Committee

20 November 2018

Composition

During 2018, the composition of the Audit Committee complied with the Code and comprised three independent Non-Executive Directors: Amanda Burton and Baroness Morgan have been members throughout the period, Richard Adam from 1 October until 31 December 2018 and Douglas Hurt from 1 January until 30 September 2018. The Board considers Douglas Hurt, the Chairman, to have recent and relevant financial experience of working with financial and accounting matters. The Audit 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 Audit Committee meetings during the 2018 financial year on page 55.

Internal controls

The Board, assisted by the Audit Committee, is responsible for 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 Board is also responsible for ensuring that appropriate systems are in place to enable it 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 policy is supported by an independent external service provider. The Company Secretary investigates all cases of whistleblowing, reporting the results to the Audit Committee. 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 Audit Committee. The Risk Management Committee carries out day-to-day management of the Group's risk management framework. The Group's management of risk and the role and membership of the Risk Management Committee are detailed on page 38.

The Board has monitored the Group's risk management and internal control systems throughout the year and reviews the Group risk register annually, with the last review occurring on 26 July 2018. In managing risk, we analyse the nature and extent of risks and consider their likelihood and impact, both on an inherent and a residual basis, after taking account of mitigating controls. This allows us to determine how we should manage each risk to achieve our strategic objectives.

At the Risk Management Committee's meetings, management discusses the key risks and their mitigating action plans. Following sign-off by the Executive Committee, the output of this review is presented to the Audit Committee. The Group's key risk management procedures have been in place throughout 2018 and up to the date of approval of this Annual Report.

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;
- 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 sales opportunities and 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 sales opportunities and bid management, with clear guidelines on success criteria and contracting practices.

On behalf of the Board, the Audit Committee has conducted an annual review of the effectiveness of the Group's internal control systems for 2018 and the period prior to approval of this Annual Report.

The Audit Committee Chairman reported its findings to the Board at the 10 October 2018 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 Audit Committee will continue to monitor and review the internal control environment.

The Committee met to consider the review of the 2017 Annual Report and Accounts undertaken by the Corporate Reporting Review Team of the Financial Reporting Council. Following this review we have made some improvements to disclosures in our 2018 Annual Report. The most significant issue raised was the retrospective

adjustment to the discount rate used to value deferred land and overage payments, which was not in accordance with IAS 39 'Financial Instruments'. The Committee concluded that the 2017 amounts should be restated and the impact of this restatement is discussed in Note 3 to the financial statements.

Fair, balanced and understandable

At the request of the Board, the Audit Committee considered whether the 2018 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 Audit 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 Audit 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 Audit 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 76 to 78.

Shortly before publication of the full-year financial results for 2018, the Audit 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 39 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.

The objective of internal audit is to give the Audit Committee independent assurance over financial, operational and compliance controls, and to assist the Audit Committee in assessing the effectiveness of internal controls. Internal audit reports directly to the Group Chief Financial Officer but has the right to report to the Audit Committee Chairman independently of the Executive Directors. The Executive Committee and the Audit Committee review all significant internal audit reports, and all reports are made available to the external auditor. During the year, the Audit 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 their appointment was approved by shareholders at the 2017 AGM. The PwC audit partner will be required to rotate off the audit following completion of the 2021 audit. The Committee plans to undertake a retender of the Group audit no later than for the 2026 audit and will not invite PwC to retender, following their long association with Countryside Properties and its predecessor entities. The Audit Committee has recommended to the Board that PwC be reappointed auditor for 2019.

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 have confirmed to the Audit Committee their independence in accordance with ethical standards and that they have maintained appropriate internal safeguards to ensure their independence and objectivity.

The Audit Committee assesses the effectiveness of the external audit process annually with the auditor and the Company's management. Regular private meetings are held between the Audit Committee and the 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.

Committee attendance

The number of Audit Committee meetings attended by each member during the 2018 financial year was as follows:

| | Audit Committee | Overall attendance |
|--------------------------------|-----------------|--------------------|
| Number of meetings held | 4 | |
| Douglas Hurt ¹ | 2/2 | 100% |
| Richard Adam ¹ | 2/2 | 100% |
| Amanda Burton | 4/4 | 100% |
| Baroness Morgan | 4/4 | 100% |

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

Report of the Audit Committee continued

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 Audit Committee received a report at each meeting describing the extent of the services provided by PwC.

The award of non-audit services to the Company's external auditor is subject to controls (agreed by the Audit Committee) to monitor and maintain its objectivity and independence. In order to comply with the Ethical Standard for Auditors, the Audit Committee considered and re-approved the Group's policy for auditor independence and the provision of non-audit services at its meeting on 3 October 2018.

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 Audit Committee. Further Audit Committee approval is required when non-audit fees reach 70 per cent of the average audit fees over the last three years. This cap will not formally apply to the Group until the financial year beginning on 1 October 2019.

Annual evaluation of Audit Committee performance

As part of the broader evaluation process, the Audit Committee reviewed its effectiveness during 2018. 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 Audit Committee concluded that it continues to operate effectively.

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

| | 2018 £m | 2017 £m |
|--|------------|------------|
| Fees payable to the Group's auditor and its associates for the audit of parent and consolidated financial statements | 0.1 | 0.1 |
| Fees payable to the Group's auditor and its associates for other services: | | |
| – Audit of subsidiary companies | 0.2 | 0.1 |
| – Audit of joint ventures | 0.1 | 0.1 |
| – Audit-related services | 0.1 | 0.1 |
| | 0.5 | 0.4 |

INFORMATION SECURITY REVIEW

“Ensuring that the Group's information is secure and managed correctly has been a key focus in 2018.”

As part of Countryside's continued review of IT risk management, an Information and Cyber Security Risk Management Committee was established in January 2018 and meets on a regular basis. Led by the Group IT Director, Countryside continues to work through its roadmap of security enhancements supported by our security partners, Saepio and Pen Test Partners.

During the year our internal auditors, KPMG, have reviewed ongoing workstreams and the latest progress report was reviewed at the Audit Committee meeting in October 2018. In addition, our insurance brokers, Willis Towers Watson, undertook a Cyber Risk Review in July 2018, which assessed the Group's current cyber risk profile as low.

Further enhancements to the Group's Security Information and Event Management capability are planned during 2019.



Areas of significant judgement considered by the Audit Committee in 2018

The Audit 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

Our response to these matters

Estimation of site profitability

As disclosed in Note 1 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.

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.

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.

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.

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, we 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. We 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.

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

Presentation of non-underlying items

The Committee met to consider the review of the Group's 2017 Annual Report and Accounts undertaken by the Financial Reporting Council (the FRC). The FRC's review did not benefit from detailed knowledge of the Company's business or the specific transactions entered into. The most significant issue raised was the retrospective adjustment to a discount rate used to value deferred land and overage payments, which was not in accordance with IAS 39 'Financial Instruments' and resulted in a non-underlying interest charge in 2017.

The Committee concluded that the 2017 amounts should be restated and the impact of this restatement is discussed in Note 3 to the financial statements.

Acquisition of Westleigh

The accounting for the acquisition of Westleigh during the year involved a number of significant judgements by management, including in particular those relating to the fair value of assets and liabilities recognised.

The Audit Committee reviewed the judgements and estimates made by management with the assistance of external valuers, including the assumptions incorporated into fair value estimates, and concluded that these were reasonable and appropriate.

In assessing the assumptions made by management, the Committee also considered the independent opinion of the external auditor's valuation experts and noted that it supported management's conclusions.

Report of the Nomination Committee



Committee Chairman
David Howell

Other members

Amanda Burton
Baroness Morgan
Federico Canciani (From 1 October 2017 to 5 December 2017)
Richard Adam (From 1 October 2017 to 31 December 2017)
Douglas Hurt (From 1 January 2018)

Meetings held

4

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
- Conducting Directors' performance evaluations

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

Areas of focus in 2018

- Ensuring that plans are in place for orderly succession 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 promotion of Becky Worthington to Group Chief Operating Officer and the appointment of Mike Scott as Group Chief Financial Officer, each on 1 October 2018

Dear Shareholders,

The report below describes the main responsibilities of the Nomination Committee and how it fulfilled these in 2018. I would like to draw your attention to the work of the Nomination Committee in 2018 and on what we will focus in 2019.

While the Board is responsible for succession generally, the Nomination Committee advises the Board on appropriate succession planning in the year ahead. During 2018, the Nomination Committee has reviewed the composition of the Board and made various recommendations to the Board, leading to the extension of service of David Howell, Amanda Burton and Baroness Morgan. And on 1 October 2018, based on the recommendations of the Nomination Committee, Becky Worthington was appointed to Group Chief Operating Officer and Mike Scott joined the Board as Group Chief Financial Officer. The Nomination Committee also led the search to replace Richard Adam, which resulted in the appointment of Douglas Hurt from 1 January 2018.

As part of its role, the Nomination Committee oversees the long-term succession planning for the members of the Executive Committee and key managerial promotions during the year.

I am pleased to report that the feedback from the Board effectiveness evaluation process (which you can read about on page 50) confirmed that the Board and its Committees continue to operate effectively.

David Howell
Chairman of the Nomination Committee
20 November 2018

Review of Board composition

The Nomination Committee leads the process for all Board appointments. It is responsible for reviewing candidates and making a final recommendation to the Board, in compliance with the Code. The Nomination Committee also reviews the structure, size and membership of the Board itself, as well as Board Committees from time to time. This ensures an appropriate mix of experience and skill and orderly succession as required. During 2018, the composition of the Nomination Committee comprised a majority of independent Non-Executive Directors in compliance with the Code.

The Nomination Committee recognises that diversity in all dimensions across an organisation, including at Board level, is important to support innovation, strategic development and operational efficiency. The Nomination Committee will consider candidates for appointment as Non-Executive Directors from a wider pool, including those with limited (or no) listed company experience. It is not the Board's policy to have specific voluntary targets. It will continue to recruit Board members based on skills and experience, taking into account the diversity requirements of the Code, including gender.

The Nomination Committee meets at least once a year. During 2018 it met four 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 2018 Board and Committee evaluation.

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.

During 2019, the Nomination Committee will continue to develop plans for the orderly succession of the Board and its committees.

Details of the Nomination Committee's meetings during the 2018 financial year are set out below.

Committee attendance

The number of Nomination Committee meetings attended by each member during the 2018 financial year was:

| | Nomination Committee | Overall attendance |
|--------------------------------|----------------------|--------------------|
| Number of meetings held | 4 | |
| David Howell | 4/4 | 100% |
| Richard Adam ¹ | 2/2 | 100% |
| Amanda Burton | 4/4 | 100% |
| Federico Canciani ¹ | 1/2 | 50% |
| Baroness Morgan | 4/4 | 100% |
| Douglas Hurt ¹ | 2/2 | 100% |

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

Directors' remuneration report

Introduction to the Directors' remuneration report



Committee Chairman
Amanda Burton

Other members

David Howell
Baroness Morgan
Richard Adam
(From 1 October 2017
to 31 December 2017)
Douglas Hurt
(From 1 January 2018)

Meetings held

6

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 2018

- Reviewing the gender pay gap
- Considering and approving grants under the LTIP and SAYE plans
- Determining LTIP recipients, grant level, targets and holding periods
- Considering the impact of the Westleigh acquisition on the Group's in-flight incentive plans
- Setting bonus targets and awards
- Deciding annual salary increases for the Group
- Reviewing/benchmarking Executive Director remuneration
- Reviewing/benchmarking employee benefits package
- Considering structures and measures for the annual bonus schemes

Dear Shareholders,

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

The Directors' Remuneration Policy was approved for three years at the Group's Annual General Meeting on 26 January 2017, where more than 99 per cent of votes were in favour. There was therefore only a single advisory vote on this statement and the Annual Report on Remuneration at the Annual General Meeting in January 2018.

Since the date of that meeting, the Committee has determined that for future grants under the Long Term Incentive Plan, Executive Directors will be required to hold shares for a period of two years post vesting. There have been no other changes to scheme structure this year.

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

Amanda Burton
Chairman of the Remuneration Committee
20 November 2018

The work of the Remuneration Committee

The Committee undertook a full review both of Countryside's benefits package and of Countryside's gender pay gap during the year. The review concluded that Countryside's benefit package is competitive. For 2019 we now need to focus on communication and creating the right employee value proposition to attract and retain the team we require to continue growing our business. Our mean gender pay gap is 33 per cent. Although this is relatively high, we are confident that there are no equal pay issues. We are now addressing the underlying issues relating to this gap, and this will continue to be a focus for the Committee in 2019. The Committee also approved grants under the Group's share schemes, including the 20 per cent discount to market value that was again applied to the SAYE scheme.

The Committee also reviewed the impact of the Group's acquisition of Westleigh in April 2018 on the in-flight grants under the Long-Term Incentive Plan and the annual bonus. As the acquisition resulted in the recognition of material goodwill and intangible assets, the Committee has reviewed the performance targets for the three in-flight LTIP awards to ensure that it was satisfied that the TNAV and ROCE target ranges remained appropriately stretching in light of the acquisition. As a result of this review, the targets were adjusted as set out in more detail on page 71.

No adjustment was made to annual bonus targets as the acquisition occurred mid way through the year and the committee reviewed opportunities which were turned down in order to fund the acquisition.

In determining the result of the TNAV and the ROCE performance measures for the February 2016 LTIP grant, the Committee took account of the impact of shares purchased by the Employee Benefit Trust on the TNAV outcome. These shares were purchased to satisfy vesting of employee share plans rather than issuing new equity which would dilute existing shareholders. Further detail is set out on page 71.

As disclosed in Note 3 to the accounts, the 2017 comparative financial information has been restated

to reverse the non-underlying adjustment to finance costs for a change in discount rate. The Committee considered whether this restatement impacted the 2017 bonus out-turn. There was no effect on adjusted operating profit or adjusted operating margin. ROCE would have been 0.1 per cent higher, but this measure had paid out at maximum. No changes were therefore necessary.

During 2019, the Committee will continue to review the Group's gender pay reporting.

Committee attendance

The number of meetings attended by each member during 2018 was as follows:

| | Remuneration Committee | Overall attendance |
|--------------------------------|------------------------|--------------------|
| Number of meetings held | 6 | |
| Richard Adam ¹ | 2/2 | 100% |
| Douglas Hurt ¹ | 4/4 | 100% |
| Amanda Burton | 6/6 | 100% |
| David Howell | 6/6 | 100% |
| Baroness Morgan | 6/6 | 100% |

1. Richard Adam resigned from the Board on 31 December 2017 and Douglas Hurt was appointed on 1 January 2018. The number of meetings shown are the number which they were eligible to attend.

How did we perform in 2018?

The Group delivered another year of strong growth in both divisions with total completions up 27 per cent to 4,295 as our Partnerships business continued to deliver on its new business delivery and we achieved scale in Housebuilding. This enabled us to deliver a 28 per cent growth in adjusted operating profit to £211.4m and ROCE up 650bps to 37.1 per cent.

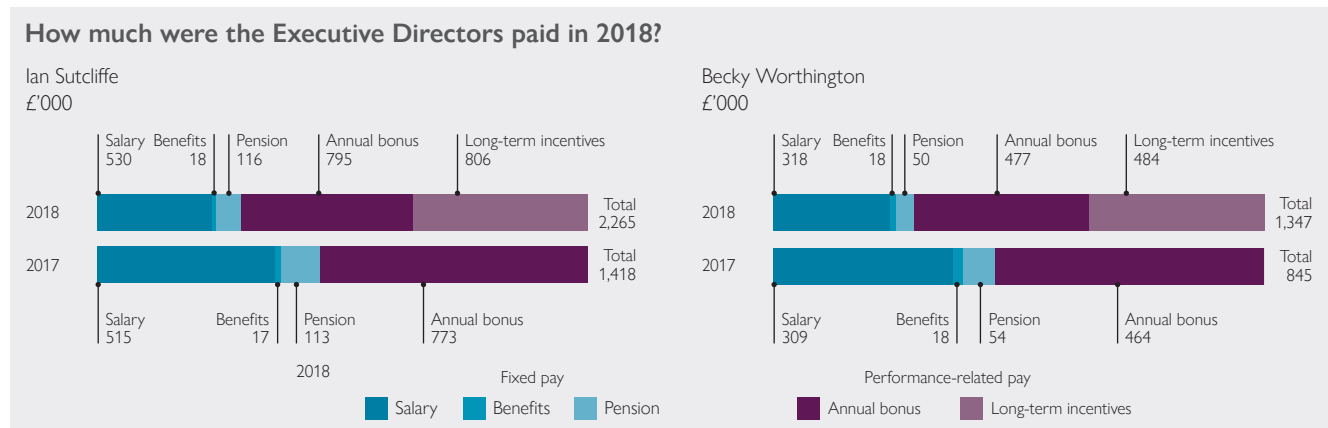
As highlighted above, 2018 was another year of continued growth building on two strong prior years. The annual bonus in 2018 was measured against stretching conditions summarised below:

| | 2018 pay-out |
|----------------------------------|--------------|
| Annual bonus | |
| Adjusted operating profit | 60% |
| Adjusted operating margin | 20% |
| Group return on capital employed | 20% |

The Committee believes the bonus outcome is fully warranted and reflects the sector-leading growth that the Group delivered. We provide full details of the targets and our performance against them in the Annual Report on Remuneration (see page 69).

Directors' remuneration report continued

How did we perform in 2018? continued



The performance period for the ROCE and TNAV elements of the February 2016 LTIP award ended on 30 September 2018. The TSR performance period ends on 18 February 2019. As disclosed later in this report, the ROCE target was fully met and the TNAV target was partially met. As a result these elements will vest on 18 February 2019 at 100 per cent and 64.6 per cent respectively.

Remuneration Policy for 2019

| 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 | <p>A maximum award of 150 per cent of salary.</p> <p>The annual bonus is paid annually and is dependent on the achievement of financial and other strategic performance metrics over the financial year.</p> <p>Two-thirds of amounts earned are paid in cash, with one-third deferred as shares for a period of three years.</p> |
| Long Term Incentive Plan ("LTIP") | <p>A maximum award of 200 per cent of salary.</p> <p>LTIP awards will vest subject to stretching targets, which may include relative TSR, ROCE and TNAV.</p> <p>The Committee has agreed to introduce a post-vesting holding period of two years for Executive Directors for new grants after 1 October 2019.</p> |

The Committee conducted a detailed review of Executive Director remuneration in July 2018. This was performed by Aon. After due consideration, the Committee determined that the Group Chief Executive's salary should be increased by three per cent, in line with the award to the wider employee base. On 1 October 2018, the Company announced that the Group Chief Financial Officer was to be appointed Group Chief Operating Officer from that date assuming operational leadership of our Housebuilding and Partnerships divisions. Her salary increased from £318,000 to £400,000, reflecting her increased responsibilities. The Group Financial Controller was promoted to become Group Chief Financial Officer on that date. The remuneration of both the Group Chief Operating Officer and Group Chief Financial Officer was determined in line with the Group's approach to recruitment remuneration outlined on page 65. No other changes were made to the Executive Directors' remuneration during 2018. The Executive Directors will be eligible for a maximum bonus opportunity of 150 per cent and LTIP of 200 per cent of base salary for the forthcoming financial year.

The structure of the annual bonus and LTIP will remain largely unchanged in 2019. The annual bonus targets will be based on Group adjusted operating profit, Group adjusted operating margin, Group return on capital employed, and, for the first time in 2019, Group NHBC Recommend a Friend score. The LTIP performance measures will remain unchanged. In line with the overall discretion of the Remuneration Committee to determine the size of any bonus payment, as described on page 65, 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. LTIP targets will continue to be based on return on capital employed, tangible net asset value and relative total shareholder return.

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 2018. 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

Chairman of the Remuneration Committee

20 November 2018

Remuneration policy report

Summary of remuneration for 2018 – alignment between performance and pay

In 2018, the meetings of the Committee covered the following key areas:

- Review of gender pay gap
- Consideration and approval of grants under the LTIP and SAYE plans
- Determination of LTIP recipients, grant level, targets and holding periods
- Determination of bonus targets and awards
- Determination of annual salary increases for the Group
- Review/benchmarking of Executive Director remuneration, including determining the remuneration of the Group Chief Operating Officer and Group Chief Financial Officer from 1 October 2018
- Consideration of impact of the Group's acquisition of Westleigh on the annual bonus and LTIP
- Review/benchmarking of employee benefits package
- Consideration of structures and measures for the 2019 annual bonus

The full Directors' Remuneration Policy is on pages 62 to 64. We have made no changes to the wording of the policy other than to reflect the passage of time.

Overview of Remuneration Policy

The Company's Remuneration Policy was reviewed fully prior to listing in 2016, in accordance with current regulation and guidance. This ensured the Remuneration Policy in place was appropriate for a listed company. The Policy was effective from the 2017 AGM and full policy is shown on pages 62 and 63 for reference. The information shown has been updated to take account of the fact that the policy is now approved and enacted rather than proposed.

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 are set at a level that are considered by the Committee to be appropriate for the size and nature of the business. All variable pay awards are subject to malus and clawback provisions in accordance with the requirements of the UK Corporate Governance Code.

Remuneration policy report continued

Directors' Remuneration Policy

The following table summarises the key components of the remuneration arrangements for Executive Directors and Non-Executive Directors. These formed part of the Remuneration Policy approved by shareholders on 26 January 2017 at the first AGM of the Company following admission in accordance with the regulations set out in the Large and Medium-sized Companies and Groups (Accounts and Report) (Amendment) Regulations 2013. It is intended that this policy should apply for three years from that date.

Executive Directors

| Objective | Link to strategy | Operation |
|--|--|--|
| Base salary | Recognises the market value of an Executive Director's role, skill, responsibilities, performance and experience. | <p>Salaries are normally reviewed annually, with any changes effective as of 1 October each year.</p> <p>Current salaries, effective from 1 October 2018, are as follows:</p> <ul style="list-style-type: none"> – Group Chief Executive: £546,000 – Group Chief Operating Officer: £400,000 – Group Chief Financial Officer: £300,000 <p>Salaries are set by reference to a market benchmark based on companies of a comparable size operating in a similar sector. Salary reviews also take into consideration an individual's performance, responsibility levels and internal relativities.</p> |
| Other benefits | Provides a market-competitive package. | <p>We review benefits periodically to ensure they remain market competitive.</p> <p>The main benefits currently provided include:</p> <ul style="list-style-type: none"> – 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 when a Director relocates). <p>Executive Directors are eligible for other benefits which are introduced on broadly similar terms for the wider workforce.</p> <p>In addition, the Company may reimburse any reasonable business expenses and tax thereon.</p> |
| Annual bonus scheme | <p>Incentivises the Executive Directors to deliver against goals linked to the Company's strategy.</p> <p>The deferral element ensures long-term alignment with shareholder interests.</p> | <p>Bonus awards will be granted annually.</p> <p>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.</p> <p>In line with the overall discretion of the Remuneration Committee to determine the size of any bonus payment, as described on page 65, 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.</p> <p>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).</p> <p>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.</p> |
| 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. | <p>Awards of shares that vest three years from the date of grant. This is subject to achievement against performance measures, 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.</p> <p>From 2019, the Committee has agreed to incorporate a two-year post-vest holding period as part of the LTIP, during which Executive Directors will not be permitted to sell vested shares. This would take the total period from grant to release of LTIP shares to five years and will apply to new awards from 1 October 2018.</p> |
| Pension | Provides competitive levels of retirement benefit to aid retention. | <p>Pension contributions are made into the Group's defined contribution scheme.</p> <p>Alternatively, a participant may receive a cash allowance in lieu of pension (typically when they have reached the lifetime allowance for pension tax relief set by HMRC). We pay the cash allowance reduced to reflect the Company's obligation to pay Employer's National Insurance on the sum paid.</p> |
| Save As You Earn Plan ("SAYE") | Encourages all employees to become shareholders in the Company, thereby aligning their interests with those of shareholders. | <p>Executive Directors are able to participate in HMRC-approved savings-based share plans available to all employees of the Company.</p> <p>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.</p> |
| Shareholding guidelines | Aligns Executive Directors' interests with those of our long-term shareholders and other stakeholders. | Executive Directors are expected to build a holding in the Company's shares to a minimum value of two times their base salary over a five year period. |

The details of the Group's Executive Director and Non-Executive Director remuneration for the financial year, including the operation of the Group's incentive plans and payments made under them, will be set out each year in an Annual Report on Remuneration contained in the Group's Annual Report, as required by the Regulations.

The table below sets out the key elements of the policy for Executive Directors, including the rationale for their use and details of their operation:

| 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. | 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 per cent 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. | <p>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 per cent of the bonus will be based on financial measures in any year.</p> <p>Targets are normally set on a sliding scale, with no more than 25 per cent of the maximum typically payable at threshold performance and 50 per cent of the maximum typically payable for on-target performance.</p> |
| The maximum LTIP award level is 200 per cent 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. | <p>LTIP performance will be assessed against a mix of metrics, including a balance between financial and shareholder metrics. For the awards to be granted in the 2019 financial year these metrics are:</p> <ul style="list-style-type: none"> – relative TSR measured against a broad-based comparator group; – TNAV; and – ROCE. <p>Targets are set on a sliding scale, with no more than 25 per cent of each element vesting at threshold performance. The Committee will review and set weightings for measures and appropriate targets before each grant.</p> <p>The Committee may change the balance of the measures, or use different measures for subsequent awards as appropriate.</p> |
| The maximum contribution or equivalent allowance is up to 25 per cent of base salary for the Group Chief Executive, 17.5 per cent for the Group Chief Operating Officer, and 10 per cent for the Group Chief Financial Officer. For new Executive Directors, the maximum will be set at 10 per cent in line with other senior staff at the Group. | Not applicable. |
| Maximum participation levels will be set based on the applicable limits that HMRC sets from time to time. | Not applicable. |
| Not applicable. | Not applicable. |

Remuneration policy report continued

Notes to the policy table

For the avoidance of doubt, in approving this Directors' Remuneration Policy at the 2017 AGM for a three-year period, authority was given to the Company to honour any commitments previously entered into 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.

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, budget and brokers' forecasts (and other 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. We intend to make awards under the December 2018 grant on the same basis as the three existing awards, using TNAV, ROCE and relative TSR as the performance measures.

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 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 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 for chairing Committees and the role of Senior Independent Director. In exceptional circumstances, fees may also be paid for additional time spent on the Company's business outside of normal duties. | We review fees each year, with any increases normally effective from 1 October. Any increases in fees will be determined based on time commitment. They 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 when 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, paying any tax thereon provided that this is in connection with the performance of their role with the Company. |

Approach to recruitment remuneration

The Committee's approach to recruitment remuneration is to pay the necessary amount 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. We would fully disclose these 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 | <p>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.</p> <p>The Executive Director will be eligible to receive benefits in line with Countryside's benefits policy as set out in the Remuneration Policy table.</p> |
| Pension | <p>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 per cent of salary, in line with other senior staff of the Group.</p> |
| Annual bonus | <p>An Executive Director will be eligible to participate in the annual bonus scheme as set out in the Remuneration Policy table.</p> <p>The maximum opportunity will be no more than 150 per cent of salary, of which up to one-third may be deferred in shares, as per the policy for existing Executive Directors.</p> <p>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.</p> |
| Long-term incentives | <p>An Executive Director will be eligible to participate in Countryside's Long-Term Incentive Plan as set out in the Remuneration Policy table.</p> <p>The maximum opportunity offered may be up to 200 per cent of salary, as per the policy for existing Executive Directors.</p> <p>An LTIP award can be made shortly following an appointment (assuming the Company is not in a closed period).</p> |
| Share buy-outs/ replacement awards | <p>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.</p> <p>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.</p> <p>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.</p> |
| Relocation policies | <p>Should a newly recruited Executive Director be required to relocate, the Company will meet reasonable associated costs. 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.</p> |

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.

Remuneration policy report continued

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, Group Chief Operating Officer and the Group Chief Financial Officer all 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 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. In the latter case, the Committee may provide assistance with outplacement costs.

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 following the end of the financial year in which they leave. |
| Deferred bonus | Vesting of deferred bonus shares on cessation. |
| 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. |

The Committee may pay any statutory entitlements or settle compromise claims in connection with a termination of employment, when considered in the best interests of the Company.

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. |
| 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. |

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 | Non-compete (6 months) Non-poaching (12 months) Non-solicit (12 months) | 12 months/ 12 months |
| Becky Worthington | 29 January 2016 | 12 months' salary and benefits | 17.5% of salary | 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 | 3 years |
| Amanda Burton | 17 December 2015 | 14 September 2018 | 3 years |
| Baroness Morgan | 17 December 2015 | 14 September 2018 | 3 years |
| Douglas Hurt | 1 January 2018 | 14 September 2018 | 3 years |

The Non-Executive Directors are entitled to claim out-of-pocket expenses incurred in the performance of their duties 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. The notice period for Non-Executive Directors is three months, save in the case of the Chairman whose notice period is six months.

Statement of consideration of employment conditions elsewhere in the Group

Whilst the Committee does not consult directly with employees on Executive Directors' remuneration, the Committee does receive updates regarding remuneration for employees across the Company. This is considered when determining remuneration for the Directors.

Differences in Remuneration Policy between Executive Directors and other employees

The policy described above applies to the Group's Executive Directors. The principles of the policy are designed with due regard to employees across the Group. Variable remuneration, particularly the LTIP, is restricted to the most senior employees in the Company who may directly influence Company performance. However, the Committee is committed to promoting a culture of widespread share ownership, including the provision of an all-employee share scheme.

Policy in respect of external Board appointments for Executive Directors

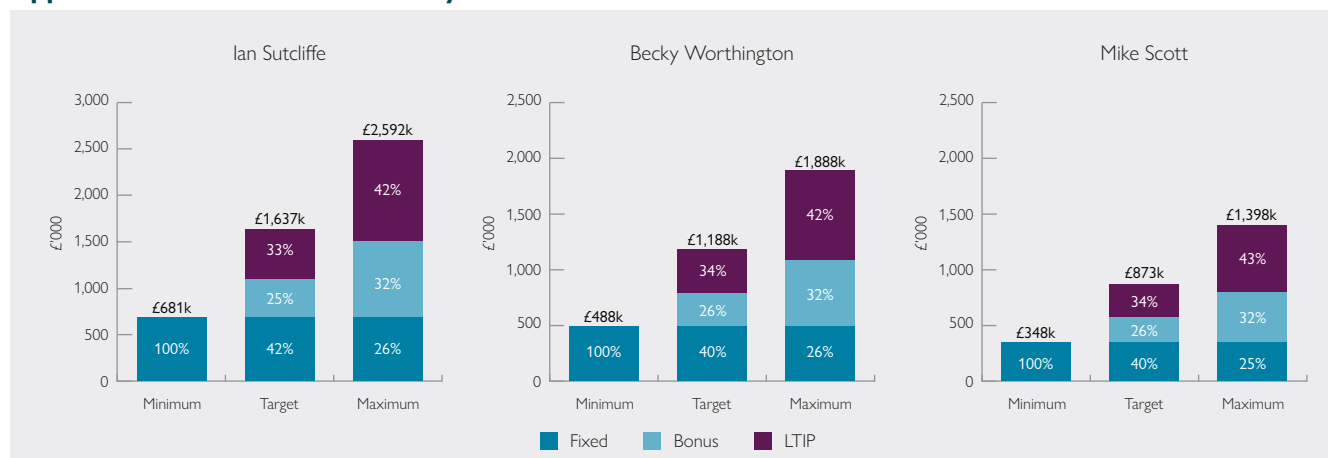
It is recognised that external non-executive directorships may be beneficial for both the Company and the Executive Director concerned. At the discretion of the Board, Executive Directors are permitted to retain fees received in respect of any such non-executive directorships.

Statement of consideration of shareholder views

The Committee is committed to maintaining a dialogue with our shareholders, and we welcome their feedback. We will consider any feedback received as part of the Committee's annual review of Remuneration Policy. 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. We have had no adverse comments from shareholders about our policy or remuneration payments during the year.

Remuneration policy report continued

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 per cent pay-out of the annual bonus entitlement (75 per cent of salary) + 50 per cent vesting of the LTIP (100 per cent of salary).

Maximum: fixed pay + 100 per cent pay-out of the annual bonus (150 per cent of salary) + 100 per cent vesting of the LTIP (200 per cent of salary).

- Salary levels are based on those as at 1 October 2018.
- The value of benefits is that disclosed in the single figure for 2018.
- Pension is 25 per cent of salary (excluding bonus) for Ian Sutcliffe, 17.5 per cent of salary (excluding bonus) for Becky Worthington and 10 per cent of salary for Mike Scott.
- Amounts have been rounded to the nearest £1,000. For simplicity the value of SAYE, in which all employees may participate on the same terms, is excluded.
- We have taken no account of share price growth 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 2018:

| | | Salary/fees £'000 | Benefits ¹ £'000 | Pension ² £'000 | Annual bonus ³ £'000 | Long-term incentives £'000 | Total £'000 |
|--------------------------------|-------------|----------------------|--------------------------------|-------------------------------|---------------------------------------|----------------------------------|----------------|
| Executive Directors | | | | | | | |
| Ian Sutcliffe ⁴ | 2018 | 530 | 18 | 116 | 795 | 806 | 2,265 |
| | 2017 | 515 | 17 | 113 | 773 | — | 1,418 |
| Becky Worthington ⁴ | 2018 | 318 | 18 | 50 | 477 | 484 | 1,347 |
| | 2017 | 309 | 18 | 54 | 464 | — | 845 |
| Non-Executive Directors | | | | | | | |
| David Howell | 2018 | 175 | — | — | — | — | 175 |
| | 2017 | 159 | — | — | — | — | 159 |
| Richard Adam ⁵ | 2018 | 14 | — | — | — | — | 14 |
| | 2017 | 55 | — | — | — | — | 55 |
| Amanda Burton | 2018 | 50 | — | — | — | — | 50 |
| | 2017 | 50 | — | — | — | — | 50 |
| Baroness Morgan | 2018 | 45 | — | — | — | — | 45 |
| | 2017 | 45 | — | — | — | — | 45 |
| Douglas Hurt | 2018 | 41 | — | — | — | — | 41 |
| | 2017 | — | — | — | — | — | — |
| Federico Canciani | 2018 | — | — | — | — | — | — |
| | 2017 | — | — | — | — | — | — |

1. Benefits include both cash and non-cash benefits, which are valued at their taxable amount. For Ian Sutcliffe this includes a car allowance (£1,325 per month) and private medical insurance (£1,700 per annum). For Becky Worthington this includes a car allowance (£1,325 per month) and private medical insurance (£1,864 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.

3. The annual bonus relates to performance during the financial year. The cash element is paid in December in the following financial year.

4. 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 and received £62,000 for his services (2017: £60,000). Becky Worthington served as a Non-Executive Director of The British Land Company PLC and received £69,000 (2017: £nil). She also served as a Non-Executive Director of Hansteen Holdings plc until 31 March 2018 and received £27,000 (2017: £58,000) for her services.

5. Richard Adam departed on 31 December 2017 and Federico Canciani departed on 5 December 2017. Douglas Hurt joined the Board on 1 January 2018. Their fees are shown pro-rata according to the number of months' service for the year ended 30 September 2018.

Further details of each element of the Executive Directors' remuneration package are set out on pages 62 and 63. Note that Mike Scott was not an Executive Director during the year and therefore his remuneration is not included in the above table.

Annual bonus targets and outcomes (audited)

The table below sets out the 2018 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.

| 2018 measure | Performance required | | | Achieved | Pay-out level (% of maximum) |
|--|---------------------------|-------------------------|---------------------------|----------|---------------------------------|
| | Threshold (25% payout) | Target (50% pay-out) | Maximum (100% pay-out) | | |
| Adjusted operating profit (60% weighting) | £189.1m | £199.4m | £209.1m | £211.4m | 100% |
| Return on capital employed (20% weighting) | 29.0% | 30.0% | 31.0% | 37.1% | 100% |
| Adjusted operating margin (20% weighting) | 16.1% | 16.6% | 17.1% | 17.2% | 100% |

Payment on 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.

Annual report on remuneration continued

Annual bonus targets and outcomes (audited) continued

Payment on 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 Ian Sutcliffe and Becky Worthington had made significant contributions to the Group's strategy and financial performance. This included focusing on the growth of Partnerships, driving returns and cash, development of a new IT Roadmap and delivering the acquisition of Westleigh. As a result, the Committee concluded that both Executive Directors should receive their full entitlement for the year.

Bonus payments vest in a straight line between threshold and maximum. No bonus is paid if performance falls below the threshold adjusting operating profit measure. 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.

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 | 795,000 | 150 | 530,265 | 66.7 | 264,735 | 33.3 |
| Becky Worthington | 477,000 | 150 | 318,259 | 66.7 | 158,741 | 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 per cent 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.

| | Date of grant | Award | Type | No. of shares | Value of the award ¹ | % of salary | Performance conditions | Performance period |
|-------------------|------------------|-------------|-------------------|---------------|---------------------------------|-------------|---|--------------------------------------|
| Ian Sutcliffe | 19 December 2017 | Performance | Conditional award | 309,579 | £1,059,999 | 200 | 35% target ROCE ² 35% target TNAV ³ 30% relative TSR ⁴ | Three years ending 30 September 2020 |
| Becky Worthington | 19 December 2017 | Performance | Conditional award | 185,747 | £635,997 | 200 | 35% target ROCE 35% target TNAV 30% relative TSR | Three years ending 30 September 2020 |

1. Calculated based on a closing mid-market share price of 342.4 pence per share on 15 December 2017.
2. Return on capital employed.
3. Tangible net asset value.
4. Relative total shareholder return compared to a comparator group comprising the FTSE 250 index, excluding investment trusts.

The Executive Directors also received deferred awards under the Deferred Bonus Plan in respect of the deferred element of their 2017 bonus, details of which were set out in the 2017 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 | 18 December 2017 | Performance | Conditional award | 75,746 | £257,499 | 50 | None | 18 December 2020 |
| Becky Worthington | 15 December 2017 | Performance | Conditional award | 45,447 | £154,497 | 50 | None | 18 December 2020 |

1. Calculated based on an average share price of 339.95 pence per share over the last 30 days of the financial year ended 30 September 2017.

Vesting criteria for the 2018 LTIP awards

The vesting criteria for LTIP awards made in December 2017 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 2020 (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 | 0 | <967 | 0 | <30.0 | 0 |
| Threshold | Median | 20 | 967 | 25 | 30.0 | 25 |
| Target | — | — | 1,018 | 50 | 31.0 | 50 |
| Maximum | Upper quartile | 100 | 1,069 | 100 | 32.0 | 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.

Amendment to performance conditions for the Westleigh acquisition

Following the Group's acquisition of Westleigh in April 2018, material additional goodwill and intangible assets of £115.2m were recognised on the Group's balance sheet. As a result, the Committee exercised the discretion available to it under the Remuneration Policy to amend the TNAV and ROCE performance conditions, with the aim of ensuring the performance conditions remained as stretching for management as if the acquisition hadn't taken place.

The following changes to the performance conditions were made:

| | February 2016 grant | | December 2016 and May 2017 grants | | December 2017 grant | |
|-----------------|---------------------|---------------------|-----------------------------------|---------------------|---------------------|---------------------|
| | Pre Westleigh (£m) | Post Westleigh (£m) | Pre Westleigh (£m) | Post Westleigh (£m) | Pre Westleigh (£m) | Post Westleigh (£m) |
| TNAV | | | | | | |
| Below threshold | <707 | <600 | <820 | <720 | <967 | <879 |
| Threshold | 707 | 600 | 820 | 720 | 967 | 879 |
| Target | 744 | 632 | 863 | 758 | 1,018 | 925 |
| Maximum | 781 | 664 | 906 | 796 | 1,069 | 971 |
| ROCE | | | | | | |
| Below threshold | <27.0 | <27.9 | <28.0 | <30.0 | <30.0 | <32.6 |
| Threshold | 27.0 | 27.9 | 28.0 | 30.0 | 30.0 | 32.6 |
| Target | 28.0 | 28.9 | 29.0 | 31.0 | 31.0 | 33.6 |
| Maximum | 29.0 | 29.9 | 30.0 | 32.0 | 32.0 | 34.6 |

No changes were necessary to the TSR performance condition.

Long-Term Incentive Plan awards included in 2018 total remuneration figure (audited)

| LTIP award | Performance condition | Threshold (25% vesting) | Target (50% vesting) | Maximum (100% vesting) | Actual | % vesting |
|---------------|-----------------------|-------------------------|----------------------|------------------------|--------|-----------|
| February 2016 | TNAV | 600.7 | 632.3 | 663.9 | 641.5 | 64.6% |
| | ROCE | 27.9% | 28.9% | 29.9% | 37.1% | 100% |

The TNAV out-turn was adjusted for the Westleigh acquisition as set out above and increased by £11.4m to add back shares purchased by the Employee Benefit Trust. The shares purchased by the Trust will be used to satisfy future vesting of employee share plans so as to avoid issuing new equity which would dilute existing shareholders.

| 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 ^{1,2} | TNAV | 35% | 64.6% | 150,733 | 30 September 2018 | 18 February 2019 | 335.87 ¹ |
| | ROCE | 35% | 100% | 233,333 | 30 September 2018 | 18 February 2019 | 335.87 ¹ |

1. The share price shown is the average of the share prices for the dealing days in the last three months of the financial year (1 July 2018 to 30 September 2018) and will be restated in next year's Annual Report and Accounts to reflect the actual share price on vesting on 18 February 2019.

2. The percentage vesting outcome relating to the TSR performance condition will be measured at 18 February 2019.

Annual report on remuneration continued

Total pension entitlements (audited)

Executive Directors are eligible to participate in the Group's pension plan, a defined contribution arrangement. Becky Worthington is a member of the plan. 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 per cent of salary reduced for Employer's National Insurance contributions in lieu of pension. Becky Worthington receives employer pension contributions of 17.5 per cent of salary subject to personal contributions of 5 per cent of salary.

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 per cent 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 per cent of annual fee within five years of their appointment.

| Measure | Total share interests at 30 Sept 2018 | Shares held, including connected persons, at 30 Sept 2018 | Outstanding LTIP share awards at 30 Sept 2018 | Outstanding deferred share bonus awards at 30 Sept 2018 | Outstanding SAYE options at 30 Sept 2018 | Shareholding (excluding outstanding LTIP and SAYE) as a percentage of salary ¹ |
|-----------------------|---------------------------------------|---|---|---|--|---|
| Ian Sutcliffe | 5,015,492 | 3,656,902 | 1,172,713 | 176,502 | 9,375 | 2,431% |
| Becky Worthington | 1,327,442 | 506,977 | 703,627 | 107,463 | 9,375 | 532% |
| David Howell | 47,000 | 47,000 | — | — | — | 93% |
| Amanda Burton | 10,343 | 10,343 | — | — | — | 72% |
| Baroness Sally Morgan | 9,444 | 9,444 | — | — | — | 65% |
| Douglas Hurt | 11,600 | 11,600 | — | — | — | 80% |

1. Assumes closing mid-market share price on 30 September 2018 of 346.2 pence per share.

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

There were no payments to past Directors or payments for loss of office for Directors of the Company during the year (2017: £Nil).

Application of the policy in 2019

Base salary

Salaries were reviewed with effect from 1 October 2018 with an increase of three per cent awarded to the Group Chief Executive in line with the wider workforce. Becky Worthington was appointed Group Chief Operating Officer and Mike Scott was appointed Group Chief Financial Officer with effect from 1 October 2018 and their salaries were amended on appointment to reflect the significantly increased responsibilities associated with their new roles. It is expected that in future years, the salary increases of Executive Directors will be more closely aligned to the increase seen by the average employee.

| | 2018 | 2019 | % increase |
|-------------------|----------|-----------------|------------|
| Ian Sutcliffe | £530,000 | £546,000 | 3% |
| Becky Worthington | £318,000 | £400,000 | 26% |
| Mike Scott | — | £300,000 | — |

Pension and benefits

As described in the policy report, Ian Sutcliffe will receive a pension contribution of 25 per cent, Becky Worthington will receive a pension contribution of 17.5 per cent of base salary and Mike Scott will receive a pension contribution of 10 per cent of base salary. No other elements of remuneration are pensionable.

Annual bonus

Executive Directors are eligible to receive up to 150 per cent of base salary as an annual bonus. The metrics and their weightings for 2019 are as follows:

| Metric | % of maximum bonus |
|-------------------------------------|--------------------|
| Group adjusted operating profit | 50 |
| Return on capital employed | 20 |
| Group adjusted operating margin | 15 |
| 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 all three Executive Directors awards at a level of 200 per cent of salary shortly following the announcement of the 2018 results. The proposed performance metrics and their weightings 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 in FY21 (£m) | Pay-out (% of element) | ROCE in FY21 (%) | Pay-out (% of element) |
| Below threshold | Below median | 0 | <1,075 | 0 | <33% | 0 |
| Threshold | Median | 20 | 1,075 | 25 | 33% | 25 |
| Target | — | — | 1,100 | 50 | 35% | 50 |
| Maximum | Upper quartile | 100 | 1,125 | 100 | 37% | 100 |

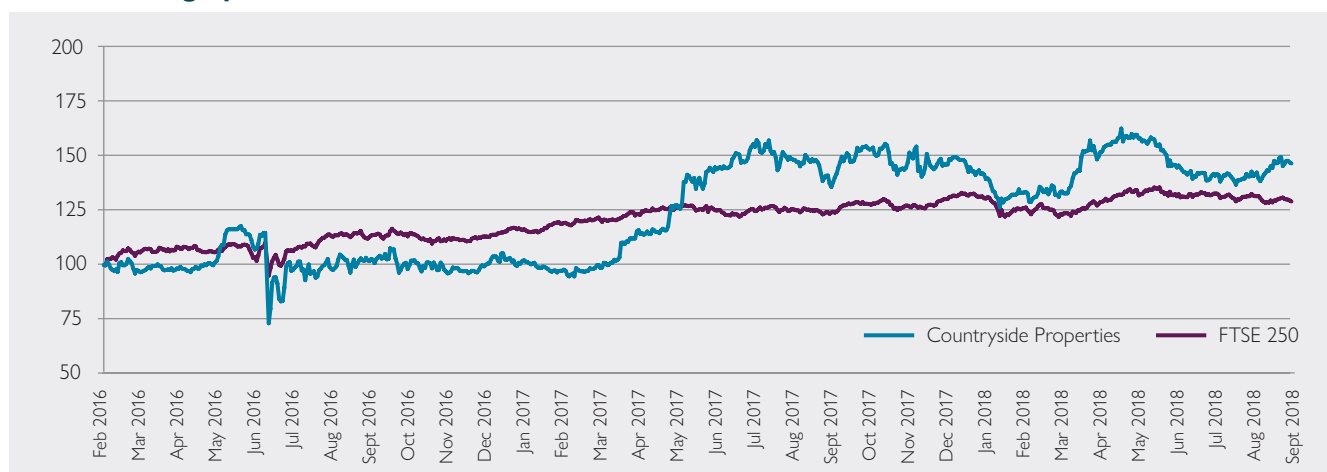
For each performance condition, vesting occurs on a linear basis for performance between each point. Performance is measured on the basis of TNAV at 30 September 2021, and ROCE for the year ending 30 September 2021. The TSR performance condition is measured on the third anniversary of the grant date based on the average share price for the three months prior to vesting.

Fees for the Chairman and the Non-Executive Directors

During the year, a review of the Non-Executive Directors' fees was performed and it was deemed that a market adjustment was appropriate. Following an independent external benchmarking review of Non-Executive Directors' fees, it was determined that a market adjustment was appropriate. Non-Executive Directors received an increase of £5,000 in fees effective 1 October 2018, taking their basic fee to £50,000. The £5,000 increment for Committee Chairmanship and the Senior Independent Director remained unchanged. A summary of current annual fees is shown below:

| Role | 2019 fee (£'000) | 2018 fee (£'000) | Percentage change |
|---------------------------------|---------------------|---------------------|----------------------|
| Chairman | 175 | 175 | — |
| Non-Executive Director | 50 | 45 | 11% |
| Additional fees: | | | |
| Senior Independent Director | 5 | 5 | — |
| Audit Committee Chairman | 5 | 5 | — |
| Remuneration Committee Chairman | 5 | 5 | — |

Performance graph and table



As the Group is a member of the FTSE250, management believes this to be a representative comparator for the Group.

Annual report on remuneration continued

Performance graph and table continued

| Group Chief Executive pay table | | | | |
|---------------------------------|----------------------|-----------------------------|---------------------------------|------------------------------------|
| Financial year | Name | Total remuneration £'000 | Annual bonus as % of maximum | Vesting of LTIP as % of maximum |
| 2018 | Ian Sutcliffe | 2,265 | 100 | 58 |
| 2017 | Ian Sutcliffe | 1,418 | 100 | Not relevant |
| 2016 | Ian Sutcliffe | 1,415 | 100 | Not relevant |

The annual change in base salary, benefits and annual variable pay is set out below. Annual variable pay includes the first vesting under the Group's Long-Term Incentive Plan relating to awards granted in February 2016. Excluding this amount, annual variable pay was £795,000, an increase of 3 per cent on 2017.

| | 2018 £'000 | 2017 £'000 | Change % |
|---------------------------------------|---------------|---------------|-------------|
| Group Chief Executive ¹ | | | |
| Base salary | 530 | 515 | 3 |
| Benefits | 18 | 17 | 6 |
| Annual variable pay | 1,601 | 773 | 115 |
| Average of all employees ¹ | | | |
| Base salary | 46 | 47 | (3) |
| Benefits | 5 | 6 | (17) |
| Annual variable pay | 14 | 13 | 7 |

1. All employees were awarded an average pay rise of three per cent with effect from 1 October 2018. The percentage change in the table above reflects the change in mix of seniority of employees during the year as the business grew and the effect of the Westleigh acquisition.

The relative importance of remuneration in relation to other significant uses of the Group's cash is outlined below:

| | 2018 £m | 2017 £m |
|-------------------|------------|------------|
| Total staff costs | 124.9 | 92.0 |
| Dividend | 41.1 | 30.6 |
| Taxation paid | 22.7 | 23.2 |
| Interest paid | 3.2 | 2.8 |

Dilution

The Group's share plans comply with the Investment Association's guidelines on dilution limits of five per cent in ten years for discretionary schemes and ten per cent in ten years for all schemes. As at 30 September 2018, the Group has utilised 2.2 per cent of the ten per cent in ten years limit and 2.0 per cent of the five per cent in ten years limit.

Remuneration Committee

The Remuneration Committee assists the Board in determining 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

New Bridge Street ("NBS"), part of Aon plc, provided independent advice to the Committee during the financial year, having been appointed by the Committee following Admission. Neither NBS nor Aon provide any other services to the Company. The Committee is satisfied that the advice received by NBS in relation to executive remuneration matters during the year was objective and independent. Terms of engagement are available on request from the Company Secretary. NBS 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 NBS for advice during the year were £58,000 (excluding VAT).

Statement of shareholder voting

Votes cast at the Annual General Meeting held on 25 January 2018 in respect of the Remuneration Report are shown below:

| | Remuneration Report | |
|----------|-----------------------|--------------------------|
| | Total number of votes | Percentage of votes cast |
| For | 394,425,839 | 99.67% |
| Against | 1,323,076 | 0.33% |
| Total | 395,748,915 | 100% |
| Withheld | 3,709,139 | N/A |

Approval

This report and policy was approved by the Board of Directors on 20 November 2018 and signed on its behalf by:

Amanda Burton

Chairman of the Remuneration Committee

20 November 2018

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 2018.

The Directors' Report comprises pages 76 to 78 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 124 to 128.

Principal activities and Strategic Report

Countryside is a UK homebuilder and urban regeneration partner, operating in locations across outer London, the South East, the North West of England and the Midlands. We operate through two divisions: Housebuilding and Partnerships. Our Strategic Report on pages 2 to 41 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 2018. 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

Following the reduction of the Oaktree Shareholders' shareholding in the Company to below 25 per cent, announced on 1 December 2017, Federico Canciani, a Non-Executive Director appointed to the Board by Oaktree Shareholders, resigned in accordance with the terms of the Relationship Agreement (described below). His last day of service as a Non-Executive Director was on 5 December 2017. Richard Adam stepped down from the Board on 31 December 2017 (as set out in the announcement on 2 October 2017) and he was replaced by Douglas Hurt, who joined the Board on 1 January 2018 as a Non-Executive Director, Senior Independent Director, Chairman of the Audit Committee and member of the Nomination and Remuneration Committees.

Further Board changes, as announced by the Company on 1 October 2018, are described on pages 48 to 53 of the Corporate Governance Report.

For more details on the members of the Board, see pages 44 and 45. The Corporate Governance Report on pages 48 to 53 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 72 of the Directors' Remuneration Report.

Significant contractual agreements

The Strategic Report describes the most important customer and supplier contracts and other arrangements essential to the Group. We do not consider ourselves to be dependent on a single key supplier. Countryside entered into a £300m revolving credit facility on 12 May 2016, expiring in May 2021. The credit facility contained two options to extend the term on the first and second anniversaries. Both one year options have now been exercised and so the credit facility has been extended to May 2023.

Relationship Agreement with controlling shareholders

Where a listed company has a controlling shareholder, it is required to have in place at all times a written and legally binding agreement to ensure that the controlling shareholder complies with the independence provisions set out in LR 6.1.4D. (A "controlling shareholder" is defined as any person who exercises or controls on their own, or together with any person with whom they are acting in concert, 30 per cent or more of the votes able to

be cast on all or substantially all matters at general meetings of a company.) LR 6.1.4D requires that the agreement must contain undertakings that:

- (a) transactions and arrangements with the controlling shareholder (and/or any of its associates) will be conducted at arm's length and on normal commercial terms;
- (b) neither the controlling shareholder nor any of its associates will take any action that would prevent the listed company from complying with its obligations under the Listing Rules; and
- (c) neither the controlling shareholder nor any of its associates will propose or procure the proposal of a shareholder resolution which is intended or appears to be intended to circumvent the proper application of the Listing Rules.

The Board confirms that, in accordance with the Listing Rules, on 29 January 2016, the Company entered into such an agreement (the "Relationship Agreement") with, among others, OCM Luxembourg Coppice Topco S.À R.L. and various Oaktree funds¹ (together, the "Oaktree Shareholders"). At the time, these had a combined total holding of approximately 56 per cent of the Company's voting rights. Under the terms of the Relationship Agreement, the Oaktree Shareholders agreed to the independence obligations contained in the Relationship Agreement.

On 1 December 2017, we announced that the Oaktree Shareholders had sold shares in the Company, reducing their combined total shareholding to approximately 8 per cent of the Company's voting rights. Consequently, the Oaktree Shareholders no longer retained the right to appoint any Non-Executive Directors to the Board of the Company and Federico Canciani resigned from the Board. His last day of service was on 5 December 2017. The Relationship Agreement terminated on 24 April 2018, when Oaktree completed the sale of the remaining shares they held in Countryside.

1. The Oaktree funds were: Oaktree Opportunities Fund VIIIb, L.P., Oaktree Opportunities Fund VIIIb (Parallel), L.P., Oaktree Opportunities Fund IX, L.P., Oaktree Opportunities Fund IX (Parallel), L.P., Oaktree Opportunities Fund IX (Parallel 2), L.P., Oaktree European Principal Fund III, L.P. and Oaktree European Principal Fund III (Parallel), L.P.

The Board confirms that whilst the Relationship Agreement remained in force until 1 December 2017:

- (i) the Company complied with the independence provisions included in the Relationship Agreement; and
- (ii) so far as the Company is aware, the Oaktree Shareholders and their associates complied with the independence provisions included in the Relationship Agreement.

As there have been no controlling shareholders of the Company other than the Oaktree Shareholders, there has been no need for the Relationship Agreement to require the Oaktree Shareholders to procure compliance by any third parties with the independence provisions of the Relationship Agreement.

Significant agreements – change of control

Upon a change of control of Countryside Properties, a number of significant agreements take effect, alter or terminate as follows:

- Revolving credit facility: Under the terms of the £300m revolving credit facility, entered into on 12 May 2016, extended in maturity until May 2023 on 19 June 2018 and 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.

Substantial shareholdings

At 20 November 2018, 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 per cent or more of the voting rights in the issued share capital of the Company:

| | Interest in Countryside |
|-------------------------------------|-------------------------|
| Standard Life Aberdeen | 15.19% |
| Woodford Investment Management Ltd | 14.60% |
| Aviva Investors Global Services Ltd | 10.93% |
| M&G Investment Management Ltd | 7.26% |
| Ruffer LLP | 6.00% |
| BlackRock Investment Management Ltd | 4.86% |
| Kames Capital | 3.47% |
| The Vanguard Group Inc. | 3.25% |

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 32.

Employee involvement

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. 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 32 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 121 and 122 of the report.

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 2018 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 page 48. This forms part of this Directors' Report and is incorporated into it by cross-reference.

Political contributions

The Group does not make political contributions.

Directors' report continued

Dividend

The Directors recommend the payment of a final dividend of 6.6 pence (2017: 5.0 pence) per ordinary share. If approved by shareholders at the Annual General Meeting, this will be paid on 8 February 2019 to those shareholders on the register at the close of business on 21 December 2018.

The Company will be operating a Dividend Reinvestment Plan ("DRIP"), further details of which can be found on our website at [investors.countryside-properties.com/dividend-information](https://www.countryside-properties.com/dividend-information). The DRIP will operate automatically in respect of the 2018 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.

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 2018 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 31 to the Group financial statements.

Purchase of the Company's own shares

At the 2018 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 per cent of the issued share capital at 12 December 2017). This resolution remains in force until the conclusion of the 2019 AGM. The Company has made no purchases of its own shares to date.

The Company will seek to renew this authority at the 2019 AGM.

Authority to allot shares

At the 2018 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 2018, the Directors had not used these authorities, which will remain in force until the conclusion of the 2019 AGM.

The Company will seek to renew this authority at the 2019 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 auditors are 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 41. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described on pages 28 to 31 of the Strategic Report. Further disclosures regarding borrowings are provided in Note 24.

As described in the Viability Statement, the Directors have assessed the prospects and viability of the Company over a three-year period to September 2021. 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 39.

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 page 36. This forms part of the Sustainability Report section of the Annual Report on pages 34 to 37.

Annual General Meeting

The 2019 Annual General Meeting of the Company will be held at the offices of Linklaters LLP, One Silk Street, London EC2Y 8HQ, at 2 pm on Thursday, 24 January 2019. 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 2018

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 2018

Mike Scott
Group Chief Financial Officer
20 November 2018

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 2018 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 2018; 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; and the notes to the financial statements, which include a description of the significant accounting policies.

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

Basis for opinion

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

Independence

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

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

Other than those disclosed in note 6 to the financial statements, we have provided no non-audit services to the Group or the parent company in the period from 1 October 2017 to 30 September 2018.

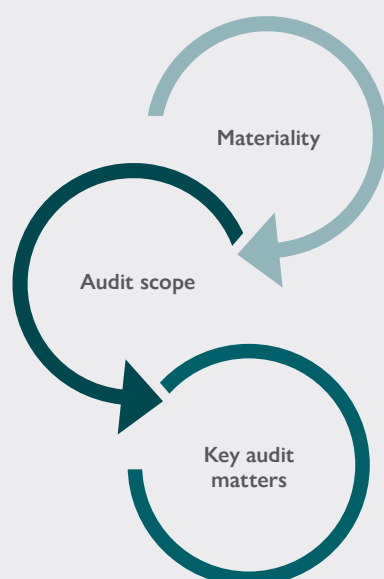
Our audit approach

Context

Countryside Properties PLC is a 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 with a presence in the Midlands and North West of England through its Partnerships division; including the recently acquired Westleigh.

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.

Overview



- Overall Group materiality: £9.8 million (2017: £7.2 million), based on 5% of profit before tax, adjusted for non underlying items.
- Overall parent company materiality: £8.0 million (2017: £6.5 million), based on 1% of total assets, restricted to an amount below the Group overall materiality.
- The Group operates in two business segments, Partnerships and Housebuilding, as set out in the Annual Report (refer to pages 10 to 27). Each of the operating segments 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 20 reporting units, including central reporting entities and the parent company which accounted for 90 per cent of the Group's revenues and 93 per cent of the Group's profit before tax, adjusted for non-underlying items.
- Cost forecast and margin estimates (Group).
- Acquisition accounting – Westleigh (Group).
- Land and inventory valuation (Group).
- Commercial land transactions (Group).
- Recoverability of investments (Parent).

Report on the audit of the financial statements continued

Our audit approach continued

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud. We designed audit procedures at Group and significant component level to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focused on laws and regulations that could give rise to a material misstatement in the Group and parent company financial statements, including, but not limited to, the Companies Act 2006, the Listing Rules, pensions legislation and UK tax legislation. Our tests included, but were not limited to, 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. 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.

We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

| Key audit matter | How our audit addressed the key audit matter |
|--|---|
| <p>Cost forecast and margin estimates (Group) Refer to Note 3 (Accounting policies) and Note 2 (Critical accounting policies).</p> <p>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.</p> <p>There is a risk that the margin forecast for the site and the margin subsequently recognised on each unit sale is not appropriate and reflective of the actual final profit margin that will be recognised on a development.</p> <p>We consider the appropriate margin recognition across the life of the site to be the most significant financial reporting risk for the Group, principally due to the high level of management judgment 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.</p> | <p>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.</p> <p>We tested management's controls over the approval of initial forecasts as well as the controls over the regular updating of forecasts. We also attended a number of management's monthly divisional board meetings which gave us additional evidence over the robustness of the forecasting process. 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.</p> <p>Our substantive procedures focused on sites that generated significant revenue in the year and we:</p> <ul style="list-style-type: none"> 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 historic forecasting accuracy on completed sites in FY18, understanding the reasons and testing, where appropriate, differences from the FY17 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. <p>Based on the procedures performed, we did not identify any sites where we considered the forecast margin to be inappropriate.</p> |
| <p>Acquisition accounting – Westleigh (Group) Refer to Note 3 (Accounting policies) and Note 2 (Critical accounting policies).</p> <p>The Group completed the acquisition of Westleigh Group Limited, a Partnerships house builder, headquartered in Leicester, on 12 April 2018.</p> <p>Business combinations involve judgements in relation to the value of assets and liabilities that are recognised on acquisition, particularly the allocation of purchase consideration to goodwill and separately identified intangible assets. This can be a judgemental process given the range of assumptions that are adopted to determine the valuations. Any misstatement made in the identification and/or valuation of acquired intangibles gives rise to an equal, compensating misstatement in goodwill.</p> <p>Based on an exercise performed by management, the Directors identified £52.5 million of intangibles relating to Westleigh's brand, customer relationships and order book.</p> | <p>We read the technical papers prepared by management in respect of the acquisition and inspected relevant contracts and information.</p> <p>Management relied on an external valuation specialist to value significant intangibles acquired in business combinations. We assessed their objectivity and competency and tested the results of their work and found no material issues with the final conclusions.</p> <p>We used our own valuation experts to challenge the methodology and key assumptions used in determining the value of the brand, customer relationships and order book assets. We determined that the cash flows applied within the valuation models and the key assumptions, such as the discount rates, growth rates, customer attrition and period for amortisation, were appropriate.</p> <p>We assessed the provisional fair value calculation of the other assets acquired, including assessing the completeness and quantum of adjustments made by management.</p> <p>Based upon the above, we are satisfied that the Directors have applied reasonable judgements in the provisional accounting for the acquisition of Westleigh Group Limited.</p> |

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 |
|---|---|
| <p>Land and inventory valuation (Group) <i>Refer to Note 3 (Accounting policies) and Note 2 (Critical accounting policies).</i></p> <p>Inventory is comprised of land held for development, work in progress, raw materials and completed units/part-exchanged properties.</p> <p>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.</p> <p>The NRV of each development is forecast and monitored as described in the key audit matter above and is therefore subject to the same key assumptions. Due to the influence of the same external factors and the cyclical nature of the housing industry, with periodic downturns in customer demand, there is a risk that the calculation of a development's NRV may be subject to estimation error, leading to inventory being held at an incorrect value and an unrecorded impairment charge.</p> | <p>We obtained an understanding of management's process for preparing a site forecast.</p> <p>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 the site's life.</p> <p>We considered margins for all material sites to identify those with low or eroding margins, due to specific issues or underperformance. We discussed the identified sites with management, including considering the level of provisions, if any, held against these sites and corroborated the explanations with available external evidence in respect of the carrying value of inventory.</p> <p>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.</p> <p>We also assessed the historical accuracy of management's forecasting on completed sites in FY18, understanding the reasons and testing where appropriate, differences to the FY17 forecast margin.</p> <p>For sites with a provision, we compared the inventory valuation with the forecast NRV.</p> <p>Based on the procedures performed, we did not identify any sites where we determined additional impairments were required, above those already recorded by management</p> |
| <p>Commercial land transactions (Group) <i>Refer to Note 3 (Accounting policies).</i></p> <p>The Group has entered into a number of commercial land transactions during the year. The nature of these transactions can be complex and bespoke. The format of the agreements introduces potential accounting complexity to reflect the terms of the agreements.</p> <p>Due to their complex nature, we focused on this area to ensure that the accounting reflected the underlying agreements.</p> | <p>We held discussions with management to understand the substance of material commercial land transactions.</p> <p>Where applicable, we read the relevant extracts from management's papers on the proposed accounting treatment of the transactions.</p> <p>We substantively tested material or complex land acquisitions through examination of contracts and agreements to check that the acquisition 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.</p> <p>We assessed the accounting treatment of the transactions against IAS 18/IAS 11 as applicable.</p> <p>We were satisfied that management had appropriately accounted for these transactions.</p> |
| <p>Recoverability of investments (Parent) <i>Refer to Note 1 (Accounting policies)</i></p> <p>The parent company holds investments in its subsidiaries totalling over £700 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.</p> | <p>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.</p> <p>We assessed key assumptions within management's forecasts.</p> <p>We performed a sensitivity analysis over key assumptions, including the discount and growth rates.</p> <p>We assessed for impairment indicators of which there were none.</p> <p>We did not note any exceptions arising from our audit procedures.</p> |

Report on the audit of the financial statements continued

Our audit approach continued

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 segments, Housebuilding and Partnerships. These are then further broken down into seven operating divisions, five for Housebuilding and two for Partnerships. Each of the divisions is broken down into a number of reporting units (which also include joint ventures) that are included in the Group financial statements, along with the centralised functions.

The reporting units vary in size and we identified 20 reporting units, including centralised functions and the parent company which required an audit of their complete financial information due to their individual size. These 20 reporting units were all audited by the Group engagement team and, where applicable, included the audit of the joint ventures. The reporting units where we performed an audit of the complete financial information accounted for 93 per cent of the Group's profit before tax, adjusted for non-underlying items and 90 per cent of the Group's revenue. 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 Group materiality | £9.8 million (2017: £7.2 million). | £8.0 million (2017: £6.5 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 was less than our overall Group materiality. The range of materiality allocated across components was between £0.8 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 £0.5 million (Group audit) (2017: £0.3 million) and £0.5 million (Parent company audit) (2017: £0.3 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

| Reporting obligation | Outcome |
|--|--|
| We are required to report if we have anything material to add or draw attention to in respect of the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Group's and the 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. |
| 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. |

Independent auditor's report continued to the members of Countryside Properties PLC

Report on the audit of the financial statements continued

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 2018 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 39 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 39 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 obtained in the course of the audit. (Listing Rules)

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the Directors, on page 79, 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 54 to 57 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)

Report on the audit of the financial statements continued

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of the financial statements set out on page 79, 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 3 years, covering the years ended 30 September 2016 to 30 September 2018.

John Waters (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

20 November 2018

Consolidated statement of comprehensive income

For the year ended 30 September 2018

| | Note | 2018 £m | 2017 restated £m |
|---|--------|----------------|------------------------|
| Revenue | | 1,018.6 | 845.8 |
| Cost of sales | | (788.9) | (662.5) |
| Gross profit | | 229.7 | 183.3 |
| Administrative expenses | | (80.4) | (54.4) |
| Group operating profit | | 149.3 | 128.9 |
| Analysed as: | | | |
| Adjusted Group operating profit | | 211.4 | 165.3 |
| Less: share of associate and joint ventures' operating profit | 14, 15 | (46.4) | (33.6) |
| Less: non-underlying items | 6 | (15.7) | (2.8) |
| Group operating profit | | 149.3 | 128.9 |
| Finance costs | 7 | (12.0) | (12.3) |
| Finance income | 8 | 1.4 | 1.4 |
| Share of post-tax profit from associate and joint ventures | 14, 15 | 42.0 | 30.3 |
| Profit before income tax | | 180.7 | 148.3 |
| Income tax expense | 9 | (32.1) | (25.4) |
| Profit for the year | | 148.6 | 122.9 |
| Profit is attributable to: | | | |
| – Owners of the parent | | 147.9 | 122.5 |
| – Non-controlling interest | | 0.7 | 0.4 |
| | | 148.6 | 122.9 |
| Other comprehensive income | | | |
| Items that may be reclassified to profit and loss: | | | |
| Increase in the fair value of available-for-sale financial assets | 16 | 0.1 | 0.2 |
| Items reclassified to profit and loss: | | | |
| Reclassification of available-for-sale reserve to profit and loss | 16 | (0.4) | — |
| Total comprehensive income for the year | | 148.3 | 123.1 |
| Total comprehensive income for the year attributable to: | | | |
| – Owners of the parent | | 147.6 | 122.7 |
| – Non-controlling interest | | 0.7 | 0.4 |
| | | 148.3 | 123.1 |
| Earnings per share (expressed in pence per share): | | | |
| Basic | 10 | 33.1 | 27.2 |
| Diluted | 10 | 32.6 | 27.0 |

Revenue and operating profits arise from the Group's continuing operations. Results for 2017 have been restated, as described in Note 3.

Consolidated statement of financial position

As at 30 September 2018

| | Note | 2018 £m | 2017 restated £m |
|---|------|----------------|------------------------|
| Assets | | | |
| Non-current assets | | | |
| Intangible assets | 11 | 169.5 | 59.5 |
| Property, plant and equipment | 12 | 7.9 | 2.6 |
| Investment in joint ventures | 14 | 62.5 | 59.4 |
| Investment in associate | 15 | 5.4 | 2.6 |
| Available-for-sale financial assets | 16 | 4.1 | 7.4 |
| Deferred tax assets | 17 | 9.3 | 2.8 |
| Trade and other receivables | 20 | 21.8 | 12.9 |
| | | 280.5 | 147.2 |
| Current assets | | | |
| Inventories | 18 | 749.7 | 667.1 |
| Trade and other receivables | 20 | 166.7 | 138.8 |
| Cash and cash equivalents | 21 | 47.2 | 77.4 |
| | | 963.6 | 883.3 |
| Total assets | | 1,244.1 | 1,030.5 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 22 | (317.5) | (250.5) |
| Current income tax liabilities | | (18.7) | (7.1) |
| Provisions | 23 | (4.2) | (0.6) |
| | | (340.4) | (258.2) |
| Non-current liabilities | | | |
| Borrowings | 24 | (2.2) | — |
| Trade and other payables | 22 | (93.8) | (79.8) |
| Deferred tax liabilities | 17 | (12.9) | — |
| Provisions | 23 | (1.1) | (2.0) |
| | | (110.0) | (81.8) |
| Total liabilities | | (450.4) | (340.0) |
| Net assets | | 793.7 | 690.5 |
| Equity | | | |
| Share capital | 25 | 4.5 | 4.5 |
| Reserves | | 787.6 | 685.1 |
| Equity attributable to owners of the parent | | 792.1 | 689.6 |
| Equity attributable to non-controlling interest | | 1.6 | 0.9 |
| Total equity | | 793.7 | 690.5 |

Results for 2017 have been restated, as described in Note 3.

The notes on pages 90 to 123 form part of these financial statements.

These financial statements were approved by the Board of Directors on 20 November 2018.

On behalf of the Board

Ian Sutcliffe
Mike Scott
Directors

Consolidated statement of changes in equity

For the year ended 30 September 2018

| | Note | Share Capital £m | Share Premium £m | Retained Earnings £m | Available-for-sale financial assets £m | Equity attributable to owners of the parent £m | Non-controlling Interest £m | Total Equity £m |
|--|--------|---------------------|---------------------|-------------------------|--|--|-----------------------------------|-----------------------|
| At 30 September 2016 | | 4.5 | — | 587.8 | 0.1 | 592.4 | 0.5 | 592.9 |
| Comprehensive income | | | | | | | | |
| Profit for the year (restated) | | — | — | 122.5 | — | 122.5 | 0.4 | 122.9 |
| Other comprehensive income | | — | — | — | 0.2 | 0.2 | — | 0.2 |
| Total comprehensive income (restated) | | — | — | 122.5 | 0.2 | 122.7 | 0.4 | 123.1 |
| Transactions with owners | | | | | | | | |
| Share-based payment expense, net of deferred tax | 31 | — | — | 5.1 | — | 5.1 | — | 5.1 |
| Dividends paid | | — | — | (30.6) | — | (30.6) | — | (30.6) |
| Total transactions with owners | | — | — | (25.5) | — | (25.5) | — | (25.5) |
| At 30 September 2017 (restated) | | 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 income | | — | — | — | (0.3) | (0.3) | — | (0.3) |
| Total comprehensive income | | — | — | 147.9 | (0.3) | 147.6 | 0.7 | 148.3 |
| Transactions with owners | | | | | | | | |
| Share-based payment expense, net of deferred tax | 17, 31 | — | — | 7.4 | — | 7.4 | — | 7.4 |
| Purchase of shares by Employee Benefit Trust | 25 | — | — | (11.4) | — | (11.4) | — | (11.4) |
| Dividends paid | 36 | — | — | (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 |

Results for 2017 have been restated, as described in Note 3.

Consolidated cash flow statement

For the year ended 30 September 2018

| | Note | 2018 £m | 2017 £m |
|---|--------|----------------|------------|
| Cash generated from operations | 26 | 111.4 | 78.2 |
| Interest paid | | (3.2) | (2.8) |
| Tax paid | | (22.7) | (23.2) |
| Net cash inflow from operating activities | | 85.5 | 52.2 |
| Cash flows from investing activities | | | |
| Purchase of intangible assets | 11 | (1.4) | (2.3) |
| Purchase of property, plant and equipment | 12 | (5.3) | (0.8) |
| Proceeds from disposal of available-for-sale financial assets | 16 | 4.8 | 2.5 |
| Acquisition of subsidiary (net of cash acquired) | 13 | (39.9) | — |
| Funding to settle subsidiary's net debt on acquisition | 13 | (71.2) | — |
| Decrease in advances to associate and joint ventures | 28 | 11.5 | 16.2 |
| Investment in new joint ventures | 14 | (3.2) | — |
| Repayment of members' interest | 14 | 12.1 | — |
| Dividends received from associate and joint ventures | 14, 15 | 26.9 | 28.8 |
| Net cash inflow/(outflow) from investing activities | | (65.7) | 44.4 |
| Cash flows from financing activities | | | |
| Dividends paid | 36 | (41.1) | (30.6) |
| Purchase of shares by Employee Benefit Trust | 25 | (11.4) | — |
| Borrowings under revolving credit facility | | 125.0 | — |
| Repayment of borrowings under revolving credit facility | | (125.0) | — |
| Borrowing facility arrangement fee | | — | (0.6) |
| Proceeds from other borrowings | 24 | 2.5 | — |
| Net cash outflow from financing activities | | (50.0) | (31.2) |
| Net (decrease)/increase in cash and cash equivalents | | (30.2) | 65.4 |
| Cash and cash equivalents at the beginning of the year | | 77.4 | 12.0 |
| Cash and cash equivalents at the end of the year | 21 | 47.2 | 77.4 |

Notes to the consolidated financial statements

For the year ended 30 September 2018

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 124 to 128.

2. Critical accounting judgements and estimates

The preparation of the Group's financial statements under International Financial Reporting Standards ("IFRS") 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 and carrying value of inventory

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 change in margins of 5% across all sites in 2018 would have changed gross profits by an estimated £60m.

3. Accounting policies

Basis of preparation

These financial statements for the year to 30 September 2018 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 available-for-sale financial assets, share-based payments and for certain other assets and liabilities recognised at fair value in business combinations.

Prior year restatement

Following the review of the 2017 Annual Report and Accounts by the Financial Reporting Council described on page 30, the directors have concluded that, in applying IAS 39 'Financial Instruments: Recognition and Measurement', the discount rates applied to liabilities for deferred land and overage payments should not have been changed subsequent to their initial recognition. As a result, 2017 net finance costs were overstated by £6.0m and profit after tax and net assets, taking into account also tax and the impact on joint ventures, were understated by £5.3m.

The comparatives for 2017 have been restated accordingly and the impact on affected line items is set out in the below table:

| | 2017 Restated £m | 2017 Original £m |
|---|------------------------|------------------------|
| Finance costs | 12.3 | 18.3 |
| Share of post-tax profit from associates and joint ventures | 30.3 | 29.7 |
| Profit before income tax | 148.3 | 141.7 |
| Income tax expense | 25.4 | 24.1 |
| Profit for the year | 122.9 | 117.6 |
| Investment in joint ventures | 59.4 | 58.8 |
| Current income tax liabilities | 7.1 | 5.8 |
| Current trade and other payables | 250.5 | 251.9 |
| Non-current trade and other payables | 79.8 | 84.4 |
| Net assets | 690.5 | 685.2 |
| Earnings per share – basic | 27.2 | 26.0 |
| Earnings per share – adjusted | 27.0 | 25.8 |

3. Accounting policies continued

Prior year restatement continued

In addition, in our interim results we updated our policy on non-underlying items to include the amortisation of acquisition related intangibles. This change was made as, in the opinion of the Directors, the new policy allows for a better reflection of the underlying results of the Group. As a result of this, the prior year results have been re-presented to show £1.2m of amortisation within non-underlying items.

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 31. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described on pages 28 to 31 of the Strategic Report. Further disclosures regarding borrowings are provided in Note 24.

As described in the Viability Statement, the Directors have assessed the prospects and viability of the Company over a three-year period to September 2021. 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.

New standards, amendments and interpretations

No new standards, amendments or interpretations effective for the first time for the financial year beginning on 1 October 2017 have had a material impact on the financial statements.

The following amendments to standards and interpretations which will be relevant to the preparation of the Group's financial statements have been issued, but are not effective and have not been early adopted for the financial year ended 30 September 2018:

- **IFRS 9 'Financial Instruments', on 'Classification and Measurement'** (effective 1 October 2018) addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income and fair value through Profit and Loss ("P&L"). Given our historic experience of default rates and assessment of expected future losses and based on the profile of our receivables, it is not expected that this change will have a material impact on the reported results of the Group. Items currently classified as available-for-sale financial assets will be classified as held at fair value through profit and loss on transition to IFRS 9.
- **IFRS 15 'Revenue from Contracts with Customers'** (effective 1 October 2018) deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The Group currently recognises revenue either at legal completion or over time, depending on the nature of the activity and in line with IAS 18, IAS 11 and IFRIC 15 (which are replaced by IFRS 15), and has concluded that its approach will not be changed by the introduction of the new standard. It is not expected that this change will have a material impact on the reported results of the Group. The only impact of this standard is that the Group will recognise revenue on the sale of part exchanged properties which in 2018 would have resulted in c.£12m of additional revenue being recognised. Previously, such sales were recognised within cost of sales and there will be no change to reported profits.
- **IFRS 16 'Leases'** (effective 1 October 2019) addresses the definition of a lease, 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. A key change arising from IFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The standard replaces IAS 17 'Leases' and related interpretations. The Group is currently undertaking a detailed exercise to determine the impact of this standard on the Group's results. The principal impact on the Group is likely to be the recognition of additional leasing assets and liabilities, although the net impact on net assets and profit is not expected to be material.

There are no IFRSs or IFRS IC interpretations that are not yet effective that would be expected to have a material impact on the Group for the financial year beginning 1 October 2018.

Notes to the consolidated financial statements continued

For the year ended 30 September 2018

3. Accounting policies continued

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 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 income statement, 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 associate are eliminated as described below.

Associate and joint ventures

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.

Where the Group collaborates with other entities on a development or contract, a judgement is made of the nature of the relationship and, 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 14.

Under the equity method of accounting, interests in the associate and joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in an associate or joint venture equals or exceeds its interests in the associate or joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

Unrealised losses arising on transactions between the Group and its associate and joint ventures are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The Group funds its associate and joint ventures through a combination of equity investment and shareholder loans. The Directors review the recoverability of investments and shareholder loans for impairment annually. Where an investment is held in an associate or joint venture 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 it has incurred legal or constructive obligations or made payments on behalf of its associate or joint ventures.

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 and no cash is retained in the EBT. 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.

Costs directly relating to an acquisition are expensed to the income statement. The identified assets and liabilities and contingent liabilities are measured at their fair value at the date of acquisition. The excess of cost of acquisition over the aggregate fair value of the Group's share of the net identified assets plus identified intangible assets is recorded as goodwill.

Intangible assets

Goodwill

Goodwill represents the excess of the consideration on acquisition of a subsidiary over the interest in net fair value of the identifiable net assets and contingent liabilities acquired. If the total consideration transferred is less than the fair value of the net assets acquired, the difference is recognised directly in the income statement.

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 income statement 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 unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

3. Accounting policies continued

Intangible assets continued

Brands

The Group carries assets on the balance sheet 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. Acquired brands are tested for impairment when a triggering event is identified. Acquired brands are amortised over a period of between five and 20 years.

Customer-related assets

The Group carries customer-related intangible assets on the balance sheet 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 amortised over a period of between two and a half and ten years.

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 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 per cent to 25 per cent
- Fixtures and fittings 10 per cent

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.

Financial assets

The Group classifies its financial assets in the following categories:

- loans and receivables; and
- available for sale.

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 asset expire or the Group transfers substantially all risks and rewards of ownership.

Loans and receivables

Loans and receivables 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 loans and receivables comprise "trade and other receivables" and "cash and cash equivalents" in the consolidated statement of financial position.

Available-for-sale financial assets

Available-for-sale financial assets 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.

Prior to sale in 2018, equity share scheme loans were classified as available-for-sale financial assets and were initially recorded at fair value net of transaction costs. Fair value was assessed annually with gains and losses being recognised directly in the consolidated statement of other comprehensive income until the loan was repaid. The loans were discounted at an interest rate equivalent to market rate. On repayment the accumulated fair value, which had been recognised in the consolidated statement of changes in equity, was recognised in the income statement. If a loan was determined to be impaired, any impairment loss was recognised immediately in the income statement.

Increases in the fair value of available-for-sale assets are initially deferred and recorded within reserves. Reductions in the fair value of available-for-sale assets are recorded as a reduction in reserves, to the extent available, with any additional reduction recorded in the income statement. The net deferral of increases in fair value are disclosed in the available-for-sale reserve.

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 and 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 income statement. Upon exercise, the unamortised balance of options is included within the value of inventory.

Land inventory is recognised when the substantial risks and rewards of ownership transfer to the Group after unconditional exchange of contracts. Where land is purchased with deferred payment terms, a corresponding liability is recognised within trade and other payables.

Pre-contract expenditure is capitalised where it is probable that a contract will be signed or otherwise is recognised as an expense within costs of sales in the income statement.

Provisions for inventories are made, where appropriate, to reduce the value of inventories and work in progress to their net realisable value.

Notes to the consolidated financial statements continued

For the year ended 30 September 2018

3. Accounting policies continued

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less any provision for impairment. A provision for impairment is established when the carrying value of the receivable exceeds the present value of the future cash flows discounted using the original effective interest rate. The carrying value of the receivable is reduced and any impairment loss is recognised in the income statement. If collection is expected in one year or less, receivables are classified as current assets. If not, they are classified as non-current assets.

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 settlement 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 inventory and, in due course, to cost of sales in the income statement.

Trade payables also include liabilities in respect of land overage where the Group is committed to make contractual payments to land vendors related to the performance of the development in the future. Land overage 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.

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 their 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 legal obligation as a result of a past event which it is probable will 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.

Where any Group company holds shares in the Company's equity share capital, the consideration paid, including any directly attributable incremental costs, is deducted from equity until the shares are cancelled or reissued.

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. Our 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 that all of these arrangements are accounted for as joint arrangements or take the legal form of partnerships (see policy on joint ventures separately below).

Private housing

Revenue is recognised in the income statement on legal completion at the fair value of the consideration received.

Part exchange

In certain instances, property may be accepted in part consideration for a sale of a residential property. The fair value is established by independent surveyors, reduced for cost to sell. Differences between net proceeds received and fair value are recorded as a reduction/increase in cost of sales. The original sale is recorded in the normal way, with the fair value of the exchanged property replacing cash receipts.

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.

3. Accounting policies continued

Revenue continued

Land and commercial sales

The Group assesses the terms of sale arrangements and, based on this assessment, applies either IAS 18 or IAS 11 as appropriate. Typically, revenue is recognised when substantially all of the risks and rewards of ownership of the land or commercial property transfer to the buyer; generally when there is an unconditional exchange of contracts. In some cases, however, revenue is recognised on a stage of completion basis in accordance with the principles of IAS 11 as noted below.

Revenue is measured as the fair value of consideration received or receivable.

Affordable housing and private rental sector contracts

Contract revenue and costs are recognised in accordance with IAS 11 'Construction Contracts'.

Where the outcome of a long-term contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date. This is normally measured by surveys of work performed to date. Variations in contract work, claims and incentive payments are included to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

Where the outcome of a long-term contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will 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 income statement within cost of sales.

Project management services

Revenue earned for the provision of project management services, typically to the Group's joint ventures and associate, are recognised on an accruals basis in line with the underlying contract.

Cost of sales

For sales of private housing, the Group determines the value of inventory charged to cost of sales based on the total forecast cost of developing a site. Once the total expected costs of development are established they are allocated to individual plots to achieve a build cost per plot. These costs are recognised within cost of sales when the related revenue is recognised in accordance with the Group's revenue recognition policy.

To the extent that additional costs or savings are identified as the site progresses, these are recognised over the remaining plots unless they are specific to a particular plot, in which case they are recognised in the income statement at the point of sale.

For land and commercial property sales, cost of sales represents the carrying value of the related inventory on the Group's statement of financial position and this is recognised within cost of sales when revenue is recognised in accordance with the Group's revenue recognition policy.

As outlined above, costs in relation to the sale of affordable housing and private rental sector contracts are recognised in accordance with IAS 11.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor 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 income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

The Group does not capitalise borrowing costs into developments.

Unwind of discounting

The finance cost associated with the time value of money on discounted receivables and payables is recognised within finance income and costs 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 income statement 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.

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 substantively enacted 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 comprehensive income, except when it relates to items credited or charged directly to 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.

Notes to the consolidated financial statements continued

For the year ended 30 September 2018

3. Accounting policies continued

Segment reporting

Segment reporting is presented in the consolidated 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 and tangible net operating asset values ("TNOAV").

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 as employee benefit expense when they fall due.

Share-based payments

The Group provides benefits to employees (including Directors) of the Group 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 income statement over the vesting period of the share-based awards.

Countryside Properties PLC invoices its subsidiary undertakings an amount equivalent to the fair value of the grant by the Company 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 consolidated 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 associate should be proportionally consolidated, including the Group's share of revenue, operating profit and TNOAV given their importance to the Group's operations.

As such, the Directors believe that the "adjusted revenue", "adjusted Group operating profit" and "adjusted basic and diluted earnings per share" measures presented provide a clear and consistent presentation of the underlying performance of the Group's ongoing business for shareholders. Adjusted Group operating profit is not defined by IFRS and therefore may not be directly comparable with the "adjusted" or "underlying" profit measures of other companies.

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. Adjusted Group operating profit is one of the key measures used by the Board to monitor Group's performance.

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.

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 Chief Operating Decision-Maker ("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 10, 20 and 24.

The Partnerships division specialises in medium to large-scale housing regeneration schemes delivering private and affordable homes in partnership with public sector land owners and operates primarily in and around London, the West Midlands and the North West of England.

The Housebuilding division develops large-scale sites, providing private 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 have been allocated between the segments using a percentage of units sold basis. Items below Group operating profit have not been allocated. This methodology differs from that applied in previous years, where central head office costs were allocated using a percentage of revenue basis. The change, which was made from 1 April 2018, was made on the basis that the units sold basis is judged by the Directors to be a better reflection of the degree of support provided from head office to the segments. The results of prior years have not been re-presented. Had the 2018 results been presented on the same basis as 2017, the segment result for Housebuilding would have been £1.6m lower, with a corresponding increase in the segment result of Partnerships. The measurement of Group operating profit is unaffected.

Segmental net assets and tangible net operating asset value includes items directly attributable to the segment as well as those that can be allocated on a reasonable basis with the exception of intangibles, and net cash or bank debt (excluding unamortised bank loan and arrangement fees).

Countryside operates entirely within the United Kingdom.

(a) Segmental income statement

| | Partnerships £m | Housebuilding £m | Group items £m | Total £m |
|---|--------------------|---------------------------------|-------------------------------|-------------------------|
| Year ended 30 September 2018 | | | | |
| Adjusted revenue including share of associate and joint ventures' revenue | 634.8 | 594.7 | — | 1,229.5 |
| Share of associate and joint ventures' revenue | (44.5) | (166.4) | — | (210.9) |
| Revenue | 590.3 | 428.3 | — | 1,018.6 |
| Segment result: | | | | |
| Adjusted operating profit including share of operating profit from associate and joint ventures | 110.6 | 109.6 | (8.8) | 211.4 |
| Less: share of operating profit from associate and joint ventures | (9.5) | (36.9) | — | (46.4) |
| Less: non-underlying items | — | — | (15.7) | (15.7) |
| Operating profit/(loss) | 101.1 | 72.7 | (24.5) | 149.3 |
| | Partnerships £m | Housebuilding restated £m | Group items restated £m | Total restated £m |
| Year ended 30 September 2017 | | | | |
| Adjusted revenue including share of associate and joint ventures' revenue | 476.7 | 552.1 | — | 1,028.8 |
| Share of associate and joint ventures' revenue | (57.9) | (125.1) | — | (183.0) |
| Revenue | 418.8 | 427.0 | — | 845.8 |
| Segment result: | | | | |
| Adjusted operating profit including share of operating profit from associate and joint ventures | 79.4 | 91.5 | (5.6) | 165.3 |
| Less: share of operating profit from associate and joint ventures | (10.7) | (22.9) | — | (33.6) |
| Less: non-underlying items | — | — | (2.8) | (2.8) |
| Operating profit/(loss) | 68.7 | 68.6 | (8.4) | 128.9 |

Notes to the consolidated financial statements continued

For the year ended 30 September 2018

4. Segmental reporting continued

(b) Segmental other items

| | Partnerships £m | Housebuilding £m | Group items £m | Total £m |
|--|--------------------|---------------------------------|-------------------|-------------------------|
| Year ended 30 September 2018 | | | | |
| Investment in associate | — | 5.4 | — | 5.4 |
| Investment in joint ventures | 13.6 | 48.9 | — | 62.5 |
| Share of post-tax profit from associate and joint ventures | 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 |
| | Partnerships £m | Housebuilding restated £m | Group items £m | Total restated £m |
| Year ended 30 September 2017 | | | | |
| Investment in associate | — | 2.6 | — | 2.6 |
| Investment in joint ventures | 3.9 | 55.5 | — | 59.4 |
| Share of post-tax profit from associate and joint ventures | 10.7 | 19.6 | — | 30.3 |
| Capital expenditure – property, plant and equipment | 0.4 | 0.4 | — | 0.8 |
| Capital expenditure – software | — | — | 2.3 | 2.3 |
| Depreciation and amortisation | 0.4 | 0.5 | 1.7 | 2.6 |
| Share-based payments | — | — | 5.1 | 5.1 |

(c) Alternative Performance Measure – segmental TNAV

Segmental TNAV represents the net assets of the Group's two operating divisions. During the year, following the acquisition of Westleigh, segmental TNAV was defined to include divisional net assets less intangible assets (net of deferred tax) and to exclude inter-segment cash funding. TNOAV is defined as net assets less intangible assets (net of deferred tax), excluding net cash or debt.

| | Partnerships £m | Housebuilding £m | Group items £m | Total £m |
|--|--------------------|---------------------|-------------------|--------------|
| TNAV at 30 September 2017 | 118.2 | 514.1 | — | 632.3 |
| Operating profit/(loss) | 101.1 | 72.7 | (24.5) | 149.3 |
| Add back items with no impact on TNAV: | | | | |
| Share-based payments, net of deferred tax | — | — | 7.4 | 7.4 |
| Amortisation of intangible assets | — | — | 6.6 | 6.6 |
| Other items affecting TNAV: | | | | |
| Intangibles and related deferred tax from acquisitions | (110.6) | — | — | (110.6) |
| Results of joint ventures and associates | 9.6 | 32.4 | — | 42.0 |
| Dividends paid | (20.6) | (20.5) | — | (41.1) |
| Taxation | (16.1) | (16.0) | — | (32.1) |
| Purchase of shares by EBT | (5.7) | (5.7) | — | (11.4) |
| Other | (11.7) | (11.1) | 10.5 | (12.3) |
| TNAV at 30 September 2018 | 64.2 | 565.9 | — | 630.1 |
| Inter-segment cash funding/net cash | 95.3 | (140.3) | — | (45.0) |
| Segmental capital employed (TNOAV) | 159.5 | 425.6 | — | 585.1 |

5. Employees and Directors

(a) Staff costs for the Group during the year

| | 2018 £m | 2017 £m |
|--|--------------|------------|
| The aggregate remuneration for the employees and Directors of the Group comprised: | | |
| Wages and salaries | 100.0 | 72.9 |
| Social security costs | 11.3 | 8.4 |
| Other pension costs (Note 5b) | 6.8 | 5.6 |
| Share-based payments (Note 31) | 6.8 | 5.1 |
| | 124.9 | 92.0 |

5. Employees and Directors continued

(a) Staff costs for the Group during the year continued

The average monthly number of employees (including Directors) for the period for each of the Group's principal activities was as follows:

| | 2018 Number | 2017 Number |
|-------------|----------------|----------------|
| Development | 1,388 | 1,036 |
| Head office | 169 | 128 |
| | 1,557 | 1,164 |

(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 charged against income amounted to £4.6m (2017: £3.6m), of which £0.5m (2017: £0.4m) was outstanding at 30 September 2018. The Group does not operate any defined benefit pension schemes.

(c) Directors' emoluments

| | 2018 £m | 2017 £m |
|----------------------|------------|------------|
| Aggregate emoluments | 3.7 | 2.6 |

(d) Emoluments of the highest paid Director

| | 2018 £m | 2017 £m |
|----------------------|------------|------------|
| Aggregate emoluments | 2.3 | 1.4 |

(e) Key management compensation

The following table details the aggregate compensation expensed in respect of the members of the Executive Committee of the Board of Directors, including the Executive Directors and Non-Executive Directors.

| | 2018 £m | 2017 £m |
|----------------------|------------|------------|
| Salaries and bonus | 6.7 | 7.0 |
| Retirement benefits | 0.5 | 0.6 |
| Share-based payments | 1.6 | 1.9 |
| | 8.8 | 9.5 |

The disclosures of shares granted under the long-term incentive schemes are included in Note 31.

6. Group operating profit

(a) Group operating profit is stated after charging

| | Note | 2018 £m | 2017 £m |
|---|------|------------|------------|
| Staff costs | 5a | 124.9 | 92.0 |
| Depreciation of property, plant and equipment | 12 | 1.1 | 0.9 |
| Amortisation of intangible assets | 11 | 6.6 | 1.7 |
| Net provisions against inventories | 18 | 2.1 | 0.5 |
| Inventories expensed to cost of sales | 18 | 780.6 | 662.0 |
| Operating leases | | 6.3 | 4.2 |
| Auditor's remuneration | 6a | 0.5 | 0.4 |

During the year the Group obtained the following services from the Group's auditor as detailed below:

| | 2018 £m | 2017 £m |
|--|------------|------------|
| Fees payable to Group's auditor and its associates for the audit of parent and consolidated financial statements | 0.1 | 0.1 |
| Fees payable to Group's auditor and its associates for other services: | | |
| – Audit of subsidiary companies | 0.2 | 0.1 |
| – Audit of joint ventures (group share) | 0.1 | 0.1 |
| – Audit-related services | 0.1 | 0.1 |
| | 0.5 | 0.4 |

Notes to the consolidated financial statements continued

For the year ended 30 September 2018

6. Group operating profit continued

(b) Non-underlying items

| | 2018 £m | 2017 restated £m |
|--|-------------|------------------------|
| Non-underlying items were charged as follows: | | |
| Acquisition and integration costs relating to Westleigh | 10.1 | — |
| Amortisation of intangible assets recognised in acquisitions | 5.6 | 1.2 |
| Restructuring expense | — | 1.6 |
| Total non-underlying items | 15.7 | 2.8 |

Acquisition and integration costs relating to Westleigh

During the year, the Group has incurred costs relating to the acquisition of Westleigh (as described in Note 13) and subsequent integration costs. These costs included £7.4m of deferred consideration being paid to management who remained with the Group post-acquisition, along with certain post-acquisition restructuring costs and advisory costs relating to the purchase itself.

Restructuring expense

During the prior year, certain Group operations were restructured, principally the outsourcing of architecture and design services. As a result of this, a number of people left the Group at a cost of £1.6m.

Taxation

A total tax credit of £2.4m (2017: £0.5m) in relation to all of the above non-underlying items was included within taxation in the income statement.

(c) Non-GAAP performance measures

The Directors believe that adjusted revenue (including share of revenue from associate and joint ventures), adjusted operating profit (including share of operating profit from associates and joint ventures) and underlying diluted and basic earnings per share measures presented provide a clear and consistent presentation of the underlying performance of the Group's ongoing business for shareholders. These are not measures that are defined by IFRS and therefore may not be directly comparable with the adjusted or underlying profit measures of other companies.

The following table reconciles revenue to adjusted revenue:

| | 2018 £m | 2017 £m |
|---|----------------|----------------|
| Revenue | 1,018.6 | 845.8 |
| Add: share of revenue from associate and joint ventures | 210.9 | 183.0 |
| Adjusted revenue | 1,229.5 | 1,028.8 |

The following table reconciles gross profit to adjusted gross profit:

| | 2018 £m | 2017 £m |
|--|--------------|--------------|
| Gross profit | 229.7 | 183.3 |
| Add: share of gross profit from associate and joint ventures | 47.2 | 34.5 |
| Adjusted gross profit | 276.9 | 217.8 |
| Adjusted gross profit margin | 22.5% | 21.2% |

The following table reconciles operating profit to adjusted operating profit:

| | 2018 £m | 2017 £m |
|--|--------------|--------------|
| Operating profit | 149.3 | 128.9 |
| Add: non-underlying items | 15.7 | 2.8 |
| Add: share of operating profit from associate and joint ventures | 46.4 | 33.6 |
| Adjusted operating profit | 211.4 | 165.3 |
| Adjusted operating profit margin | 17.2% | 16.1% |

6. Group operating profit continued

(c) Non-GAAP performance measures continued

The following table reconciles net debt/(cash) to adjusted gearing:

| | 2018 £m | 2017 restated £m |
|---|--------------|------------------------|
| Net debt/(cash) | (45.0) | (77.4) |
| Add: Land creditors (excluding overage) | 127.6 | 124.7 |
| Adjusted net debt/(cash) | 82.6 | 47.3 |
| Equity | 793.7 | 690.5 |
| Adjusted gearing | 10.4% | 6.9% |

7. Finance costs

| | Note | 2018 £m | 2017 restated £m |
|--|------|-------------|------------------------|
| Bank loans and overdrafts | | 3.3 | 3.0 |
| Unwind of discount | | 8.1 | 6.7 |
| Amortisation of debt finance costs | 24 | 0.6 | 0.6 |
| Impairment of interest receivable from joint venture | | — | 2.0 |
| | | 12.0 | 12.3 |

As described in Note 3 above, we have restated our 2017 net finance cost adjustment in respect of deferred land and overage payments. As a result, 2017 finance costs have been decreased by £6.0m.

8. Finance income

| | 2018 £m | 2017 £m |
|---------------------|------------|------------|
| Interest receivable | 0.1 | — |
| Unwind of discount | 1.3 | 1.4 |
| | 1.4 | 1.4 |

9. Income tax expense

| | 2018 £m | 2017 restated £m |
|---|--------------|------------------------|
| Analysis of charge for the year | | |
| UK corporation tax | | |
| Current year | 33.7 | 25.1 |
| Adjustments in respect of prior periods | (0.1) | (0.9) |
| Total current tax | 33.6 | 24.2 |
| Deferred tax (Note 17) | | |
| Origination and reversal of temporary differences | (1.6) | 2.1 |
| Adjustments in respect of prior periods | 0.1 | — |
| Other differences | — | (0.9) |
| Total deferred tax | (1.5) | 1.2 |
| Income tax expense | 32.1 | 25.4 |

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 per cent from 1 April 2017 and to 17.0 per cent 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 17.8% (2017: 17.1%) is lower (2017: lower) than the standard rate of corporation tax in the United Kingdom, which is 19.0 per cent (2017: 19.5 per cent).

Notes to the consolidated financial statements continued

For the year ended 30 September 2018

9. Income tax expense continued

The table below shows the reconciliation of profit before tax to the income tax expense.

| | 2018 £m | 2017 restated £m |
|--|------------|------------------------|
| Profit before income tax | 180.7 | 148.3 |
| Tax calculated at the parent entity rate of tax: 19.0 per cent (2017: 19.5 per cent) | 34.3 | 28.9 |
| Adjustments to deferred tax due to reduction in UK tax rates | 0.8 | (0.3) |
| Expenses not deductible for tax | 0.4 | 0.5 |
| Adjustments in respect of prior periods | — | (1.8) |
| Enhanced deductions for land remediation | (0.5) | — |
| Associate and joint venture tax | (2.9) | (1.9) |
| Income tax expense | 32.1 | 25.4 |

Expenses not deductible for tax

This includes disallowable expenses incurred in respect of the acquisition of Westleigh.

Deferred tax recorded directly to equity

Tax of £0.6m (2017: £0.7m) was credited directly to equity in relation to share-based payments.

10. 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.

The earnings per share value for 2017 has been restated to reflect a change to net finance costs in that year, as described in Note 3.

(a) Basic and diluted earnings per share

| | 2018 | 2017 restated |
|---|-------|------------------|
| Profit from continuing operations attributable to equity holders of the parent (£m) | 147.9 | 122.5 |
| Basic weighted average number of shares (millions) | 447.5 | 450.0 |
| Basic earnings per share (pence per share) | 33.1 | 27.2 |
| Diluted weighted average number of shares (millions) | 453.6 | 453.2 |
| Diluted earnings per share (pence per share) | 32.6 | 27.0 |

(b) Adjusted basic and diluted earnings per share

Adjusted Group operating profit represents a key measure for the Group. Adjusted earnings per share excludes non-underlying items from Group profit as follows:

| | 2018 | 2017 restated |
|--|-------|------------------|
| Profit from continuing operations attributable to equity holders of the parent (£m) | 147.9 | 122.5 |
| Add: non-underlying items net of tax (£m) | 13.3 | 2.3 |
| Adjusted profit from continuing operations attributable to equity holders of the parent (£m) | 161.2 | 124.8 |
| Basic weighted average number of shares (millions) | 447.5 | 450.0 |
| Basic adjusted earnings per share (pence per share) | 36.0 | 27.7 |
| Diluted weighted average number of shares (millions) | 453.6 | 453.2 |
| Diluted adjusted earnings per share (pence per share) | 35.5 | 27.5 |

Non-underlying items net of tax include costs of £15.7m, net of tax of £2.4m (2017: costs of £2.8m, net of tax of £0.5m).

The above analysis represents a non-GAAP measure which has been included to assist understanding of the Group's business.

11. Intangible assets

| | Software £m | Customer- related £m | Brand £m | Goodwill £m | Total £m |
|-----------------------------------|----------------|----------------------------|-------------|----------------|--------------|
| Cost | | | | | |
| At 1 October 2016 | 0.7 | — | 24.2 | 37.8 | 62.7 |
| Additions | 2.3 | — | — | — | 2.3 |
| At 30 September 2017 | 3.0 | — | 24.2 | 37.8 | 65.0 |
| Acquired in business combinations | 0.7 | 42.1 | 10.4 | 62.0 | 115.2 |
| Additions | 1.4 | — | — | — | 1.4 |
| At 30 September 2018 | 5.1 | 42.1 | 34.6 | 99.8 | 181.6 |
| Accumulated amortisation | | | | | |
| At 1 October 2016 | 0.1 | — | 3.7 | — | 3.8 |
| Amortisation | 0.5 | — | 1.2 | — | 1.7 |
| At 30 September 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 |
| Net book value | | | | | |
| At 30 September 2018 | 3.5 | 38.7 | 27.5 | 99.8 | 169.5 |
| At 30 September 2017 | 2.4 | — | 19.3 | 37.8 | 59.5 |

Goodwill

Goodwill held by the Group comprises that resulting from the following acquisitions:

| | 2018 £m | 2017 £m |
|---|-------------|------------|
| Copthorn Holdings Limited (April 2013) | 19.3 | 19.3 |
| Millgate Developments Limited (February 2014) | 18.5 | 18.5 |
| Westleigh Group Limited (April 2018) | 62.0 | — |
| | 99.8 | 37.8 |

In all three cases, the acquired entities represent CGUs or groups of CGUs for the purpose of impairment testing.

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, assessed on the basis of current five-year cash flow forecasts. Forecast cash flows are derived from the most recent Board-approved five-year plan which takes into account current market trends and the Group's growth plans. Cash flows beyond the five-year period are extrapolated using a growth rate of 1 per cent per annum. Cash flows generated by the CGUs are discounted using a pre-tax discount rate as described below. None of the goodwill assets considered at 30 September 2018 was deemed to be impaired.

The key assumptions incorporated into each asset's impairment review include the below:

1. those underlying our cash flow forecasts, relating to our expectations surrounding economic activity, planned changes to our business model and expected regulatory and tax changes.
2. the most appropriate discount rate for each CGU or group of CGUs, reflecting the estimated risk profile of the CGU or group of CGUs.

The discount rate applied to the Copthorn Holdings and Millgate CGUs was 10.1%. The discount rate applied to the Westleigh CGU was 16.6%.

Sensitivity analysis has been undertaken on each goodwill impairment review, by changing the discount rates, profit margins, growth rates and other variables applicable to each CGU.

For CGUs reviewed at 30 September 2018, no impairment would occur under any reasonably possible changes in assumptions upon which the recoverable amount was estimated.

Notes to the consolidated financial statements continued

For the year ended 30 September 2018

11. Intangible assets continued

Brands

Brands reflect those acquired in business combinations and are not internally generated:

| | Acquired (year) | Life (years) | 2018 £m | 2017 £m |
|-------------|--------------------|-----------------|-------------|------------|
| Countryside | 2013 | 20 | 9.8 | 10.5 |
| Millgate | 2014 | 20 | 8.3 | 8.8 |
| Westleigh | 2018 | 5 | 9.4 | — |
| | | | 27.5 | 19.3 |

Customer-related intangible assets

Intangible assets of £42.1m (on initial recognition) were recognised on the acquisition of Westleigh during the year (see Note 13). We have chosen to present the combined value of customer relationships and customer contracts in the table above, given the similar nature of these assets. Useful economic lives of these assets range between 2.5 and 10 years, reflecting the range of expected timeframes over which the Group will derive value from these assets.

Amortisation charges on intangibles are recorded within administrative expenses.

12. Property, plant and equipment

| | Plant and machinery £m | Fixtures and fittings £m | Total £m |
|-----------------------------------|------------------------------|--------------------------------|-------------|
| Cost | | | |
| At 1 October 2016 | 5.4 | 3.7 | 9.1 |
| Additions | 0.4 | 0.4 | 0.8 |
| At 30 September 2017 | 5.8 | 4.1 | 9.9 |
| Acquired in business combinations | 0.6 | 0.5 | 1.1 |
| Additions | 2.4 | 2.9 | 5.3 |
| Disposals | (0.2) | — | (0.2) |
| At 30 September 2018 | 8.6 | 7.5 | 16.1 |
| Accumulated depreciation | | | |
| At 1 October 2016 | 4.0 | 2.4 | 6.4 |
| Depreciation charge for the year | 0.6 | 0.3 | 0.9 |
| At 30 September 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 |
| Net book value | | | |
| At 30 September 2018 | 3.4 | 4.5 | 7.9 |
| At 30 September 2017 | 1.2 | 1.4 | 2.6 |

Depreciation is charged to administrative expenses.

13. Business combination

On 12 April 2018, the Group acquired 100 per cent of Westleigh Group Limited ('Westleigh'), a well-established partnerships home builder based in Leicester, as part of our strategy to expand our Partnerships business. Consideration comprised £76.6m in cash, including £12.8m of deferred consideration that will be settled in March 2020. In addition to this consideration, the Group provided £71.2m of cash to Westleigh, which was used along with Westleigh's cash balances to settle its external debts.

The net assets of the acquired business were as below:

| | £m |
|--------------------------------------|-------------|
| Property, Plant and Equipment | 1.1 |
| Intangible non-current assets | 53.2 |
| Inventory | 24.9 |
| Cash | 23.9 |
| Other current assets | 23.9 |
| Payables | (31.0) |
| Deferred tax liabilities | (8.5) |
| Borrowings | (72.9) |
| Total identifiable net assets | 14.6 |
| Provisional goodwill | 62.0 |
| Total | 76.6 |

Total consideration is reconciled to the disclosed net cash flow on acquisition below:

| | £m |
|--|-------------|
| Total consideration | 76.6 |
| Less: cash element deferred until 2020 | (12.8) |
| Less: cash in Westleigh following settlement of debt and costs | (23.9) |
| Net cash flow on acquisition | 39.9 |

Goodwill of £62.0m has been recognised in this acquisition, representing opportunities for further growth leveraging Westleigh's expertise and business model and the workforce in place. None of this goodwill is expected to be deductible for tax purposes.

Within "other current assets" are £10.2m of receivables stated at fair value and whose contractually receivable cash flows do not materially differ.

Since acquisition, Westleigh has contributed £63.5m to revenue and generated a £0.5m loss after tax. Had the acquisition occurred on 1 October 2017, the effects upon Group revenue and profit after tax would have been increases of £133.4m and £1.2m respectively.

All fair values are provisional until 31 March 2019.

Notes to the consolidated financial statements continued

For the year ended 30 September 2018

14. Investment in joint ventures

The Directors have aggregated disclosure of joint ventures' statements of financial position and income statements and separately disclosed material joint ventures below. The Group's aggregate investment in its joint ventures is represented by:

| | Partnerships | Housebuilding | Group 2018 | Partnerships | Housebuilding restated | Group 2017 restated |
|---|--------------|---------------|------------|--------------|------------------------|---------------------|
| | £m | £m | £m | £m | £m | £m |
| Summarised statement of financial position: | | | | | | |
| Non-current assets | 0.5 | 0.8 | 1.3 | — | 0.8 | 0.8 |
| Current assets excluding cash | 69.1 | 257.6 | 326.7 | 45.8 | 321.5 | 367.3 |
| Cash | 10.8 | 11.6 | 22.4 | 1.3 | 16.1 | 17.4 |
| Current liabilities | (51.4) | (45.0) | (96.4) | (37.1) | (64.7) | (101.8) |
| Non-current liabilities | (1.7) | (127.2) | (128.9) | (2.2) | (162.8) | (165.0) |
| | 27.3 | 97.8 | 125.1 | 7.8 | 110.9 | 118.7 |
| Movements in net assets: | | | | | | |
| At 1 October | 7.8 | 110.9 | 118.7 | 12.9 | 94.9 | 107.8 |
| Profit for the year | 19.2 | 56.9 | 76.1 | 21.3 | 36.0 | 57.3 |
| Dividends paid | (6.1) | (45.3) | (51.4) | (27.5) | (21.7) | (49.2) |
| Repayment of members' interest | — | (24.2) | (24.2) | — | — | — |
| Other movements | — | (0.5) | (0.5) | 1.1 | 1.7 | 2.8 |
| Investment in new joint ventures | 6.4 | — | 6.4 | — | — | — |
| At 30 September | 27.3 | 97.8 | 125.1 | 7.8 | 110.9 | 118.7 |
| Summarised statement of comprehensive income: | | | | | | |
| Revenue | 89.0 | 307.2 | 396.2 | 115.7 | 240.3 | 356.0 |
| Expenses | (69.9) | (243.3) | (313.2) | (94.4) | (198.2) | (292.6) |
| Operating profit | 19.1 | 63.9 | 83.0 | 21.3 | 42.1 | 63.4 |
| Finance cost | — | (1.6) | (1.6) | — | (1.9) | (1.9) |
| Income tax | 0.1 | (5.4) | (5.3) | — | (4.2) | (4.2) |
| Profit for the year ended 30 September 2018 | 19.2 | 56.9 | 76.1 | 21.3 | 36.0 | 57.3 |
| Group's share in per cent | | | 50.0% | | | 50.0% |
| Share of revenue | | | 198.1 | | | 178.0 |
| Share of operating profit | | | 41.5 | | | 31.7 |
| Dividends received by the Group | | | 25.8 | | | 24.6 |
| Investment in joint ventures | | | 62.5 | | | 59.4 |

The aggregate amount due from joint ventures is £56.5m (2017: £67.9m). The amount due to joint ventures is £0.4m (2017: £0.3m). Transactions between the Group and its joint ventures are disclosed in Note 28.

The table below reconciles the movement in the Group's net investment in joint ventures:

| | 2018 | 2017 restated |
|----------------------------------|--------|---------------|
| | £m | £m |
| At 1 October 2017 | 59.4 | 53.9 |
| Share of post-tax profit | 38.0 | 28.7 |
| Dividends paid | (25.8) | (24.6) |
| Investment in new joint ventures | 3.2 | — |
| Repayment of members' interest | (12.1) | — |
| Other movements | (0.2) | 1.4 |
| At 30 September 2018 | 62.5 | 59.4 |

14. Investment in joint ventures continued

Individually material joint ventures

The Directors consider that joint ventures are material where they contribute to 5 per cent or more of either Group profit after tax or Group net assets. The summarised results and position of individually material joint ventures and joint operations are highlighted below:

| | Acton Gardens LLP £m | Cambridge Medipark Ltd £m | Greenwich Millennium Village Ltd £m | Countryside Zest (Beaulieu Park) LLP £m | Countryside L&Q (Oaks Village) LLP £m |
|---|-------------------------------|------------------------------------|--|--|--|
| | Partnerships | Housebuilding | Housebuilding | Housebuilding | Housebuilding |
| Summarised statement of financial position: | | | | | |
| Non-current assets | 0.4 | — | 0.8 | — | — |
| Current assets excluding cash | 57.6 | 5.3 | 46.1 | 171.7 | 34.5 |
| Cash | 8.8 | 5.1 | 3.4 | 1.6 | 0.6 |
| Current liabilities | (47.3) | (5.6) | (8.1) | (28.3) | (2.8) |
| Non-current liabilities | — | — | (4.3) | (122.9) | — |
| | 19.5 | 4.8 | 37.9 | 22.1 | 32.3 |
| Movements in net assets: | | | | | |
| At 1 October 2017 | 6.5 | 4.8 | 42.9 | 9.7 | 52.1 |
| Profit for the year | 19.1 | 8.7 | 15.1 | 21.4 | 12.2 |
| Dividends paid | (6.1) | (8.5) | (20.1) | (9.0) | (7.7) |
| Repayment of members' interest | — | — | — | — | (24.2) |
| Other movements | — | (0.2) | — | — | (0.1) |
| At 30 September 2018 | 19.5 | 4.8 | 37.9 | 22.1 | 32.3 |
| Summarised statement of comprehensive income: | | | | | |
| Revenue | 89.0 | 34.7 | 80.7 | 117.3 | 43.2 |
| Expenses | (69.9) | (24.0) | (62.1) | (94.7) | (31.0) |
| Operating profit | 19.1 | 10.7 | 18.6 | 22.6 | 12.2 |
| Finance cost | — | — | (0.2) | (1.2) | — |
| Income tax | — | (2.0) | (3.3) | — | — |
| Profit for the year ended 30 September 2018 | 19.1 | 8.7 | 15.1 | 21.4 | 12.2 |

Notes to the consolidated financial statements continued

For the year ended 30 September 2018

14. Investment in joint ventures continued

Individually material joint ventures continued

| | Acton Gardens LLP £m | Cambridge Medipark Ltd £m | Greenwich Millennium Village Ltd restated £m | Countryside Zest (Beaulieu Park) LLP restated £m | Countryside L&Q (Oaks Village) LLP £m |
|---|-----------------------------------|--|--|--|--|
| | Partnerships | Housebuilding | Housebuilding | Housebuilding | Housebuilding |
| Summarised statement of financial position: | | | | | |
| Non-current assets | — | — | 0.8 | — | — |
| Current assets excluding cash | 35.3 | 7.4 | 71.5 | 194.8 | 50.9 |
| Cash | 8.7 | 6.8 | 2.2 | 2.6 | 3.6 |
| Current liabilities | (37.5) | (9.7) | (25.8) | (29.7) | (2.4) |
| Non-current liabilities | — | — | (4.6) | (158.0) | — |
| | 6.5 | 4.5 | 44.1 | 9.7 | 52.1 |
| Movements in net assets: | | | | | |
| At 1 October 2016 | 12.9 | 7.4 | 33.7 | 4.8 | 49.7 |
| Profit for the year | 21.1 | 8.6 | 10.4 | 9.7 | 7.7 |
| Dividends paid | (27.5) | (11.5) | — | (4.8) | (2.6) |
| Repayment of members' interest | — | — | — | — | (2.8) |
| Other movements | — | — | — | — | 0.1 |
| At 30 September 2017 | 6.5 | 4.5 | 44.1 | 9.7 | 52.1 |
| Summarised statement of comprehensive income: | | | | | |
| Revenue | 111.0 | 34.5 | 57.6 | 60.1 | 29.4 |
| Expenses | (89.9) | (24.3) | (45.7) | (48.0) | (21.7) |
| Operating profit | 21.1 | 10.2 | 11.9 | 12.1 | 7.7 |
| Finance cost | — | 0.1 | (0.3) | (2.4) | — |
| Income tax | — | (1.7) | (1.2) | — | — |
| Profit for the year ended 30 September 2017 | 21.1 | 8.6 | 10.4 | 9.7 | 7.7 |

14. Investment in joint ventures continued

Individually material joint ventures continued

The Group's investments in joint ventures, all of which are incorporated in the United Kingdom 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 | Non-trading |
| Brenthall Park (Infrastructure) Limited | UK | 50.0 | Dormant |
| Brenthall Park (Three) Limited | UK | 50.0 | Dormant |
| Brenthall Park Limited | UK | 50.0 | Non-trading |
| 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 | Non-trading |
| Countryside Properties (Merton Abbey Mills) Limited | UK | 50.0 | Non-trading |
| Countryside Properties (Salford Quays) 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 | Dormant |
| Silversword Properties Limited | UK | 50.0 | Commercial |
| Westleigh Cherry Bank LLP ⁴ | UK | 50.0 | Non-trading |
| Woolwich Countryside Limited (in liquidation) ⁵ | 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.

No joint venture was committed to the purchase of any property, plant and equipment or software intangible assets at 30 September 2018 (2017: £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. Westleigh Cherry Bank and Marrco 25 both have the registered address of Tudorgate Grange Business Park Enderby Road, Whetstone, Leicester, LE8 6EP.

5. Woolwich Countryside has the registered address of 15 Canada Square, London, E14 5GL.

Notes to the consolidated financial statements continued

For the year ended 30 September 2018

15. Investment in associate

The Group holds 28.5 per cent of the ordinary share capital with pro-rata voting rights in Countryside Properties (Bicester) Limited, a company incorporated in the United Kingdom, 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 its associate is represented by:

| | 2018 £m | 2017 £m |
|---|------------|------------|
| Summarised statement of financial position: | | |
| Non-current assets | — | — |
| Current assets excluding cash | 37.3 | 13.9 |
| Cash | 25.0 | 10.9 |
| Current liabilities | (41.4) | (15.4) |
| Non-current liabilities | (1.7) | (0.4) |
| | 19.2 | 9.0 |
| Movements in net assets: | | |
| At 1 October | 9.0 | 18.4 |
| Profit for the year | 14.2 | 5.4 |
| Dividends paid | (4.0) | (14.8) |
| At 30 September | 19.2 | 9.0 |
| Summarised statement of comprehensive income: | | |
| Revenue | 45.1 | 17.4 |
| Expenses | (27.5) | (10.7) |
| Operating profit | 17.6 | 6.7 |
| Finance income | 0.1 | — |
| Income tax | (3.5) | (1.3) |
| Profit for the year ended 30 September 2018 | 14.2 | 5.4 |
| Group's share in per cent | 28.5% | 28.5% |
| Share of revenue | 12.8 | 5.0 |
| Share of operating profit | 4.9 | 1.9 |
| Dividends paid | (1.1) | (4.2) |
| Investment in associate | 5.4 | 2.6 |

The amount due from the associate is £Nil (2017: £Nil).

Transactions between the Group and its associate are disclosed in Note 28.

The below table reconciles the movement in the Group's net investment in associate:

| | 2018 £m | 2017 £m |
|------------------------------------|------------|------------|
| Reconciliation to carrying amount: | | |
| At 1 October | 2.6 | 5.2 |
| Share of post-tax profit | 4.0 | 1.6 |
| Dividends paid | (1.1) | (4.2) |
| Other movements | (0.1) | — |
| At 30 September | 5.4 | 2.6 |

The address of the registered office of the associate is Countryside House, The Drive, Brentwood, Essex CM13 3AT.

16. Available-for-sale financial assets

| | 2018 Overage Receivable £m | 2018 Shared Equity Loans £m | 2017 Shared Equity Loans £m |
|-------------------------|-------------------------------------|--------------------------------------|--------------------------------------|
| At 1 October | — | 7.4 | 8.7 |
| Newly-recognised assets | 4.1 | — | — |
| Increase in fair value | — | 0.1 | 0.2 |
| Unwind of discount | — | 0.2 | 0.7 |
| Disposal | — | (7.4) | — |
| Redemptions | — | (0.3) | (2.2) |
| At 30 September | 4.1 | — | 7.4 |

Shared equity loans

During the year, the Group disposed of all of its shared equity loans to a third party, with the sale agreed based on the 31 December 2017 portfolio value, for consideration of £8.0m payable in cash, of which £3.2m was deferred until July 2020. A profit of £1.0m was recognised within cost of sales, including a reclassification from reserves as presented below:

| | 2018 Shared Equity Disposal £m |
|--|---|
| Cash and deferred consideration | 8.0 |
| Less: carrying value of asset on disposal | (7.4) |
| Profit on disposal before reclassification of amounts held in reserves | 0.6 |
| Reclassification from reserve | 0.4 |
| Profit on disposal recognised in income statement | 1.0 |

In previous years and until their derecognition during the year, the available-for-sale financial assets comprised loans advanced to homebuyers to assist in the purchase of their property under shared equity schemes. The loans were secured by either a first or second legal charge over the property and were either interest free or had interest chargeable from the fifth or tenth year onwards, dependent upon the scheme under which the loans were issued.

The assets were held at fair value, representing the current market value of the properties held discounted to fair value, based on the redemption date of the loan. These loans were subject to credit risk, where loans might potentially not be repaid if the borrower defaulted on repayment. An adjustment for credit risk was built into the calculation by using a discount rate equivalent for home loans, which rank behind mortgages.

The estimated value took into consideration movements in house prices, the anticipated timing of the repayment of the asset and associated credit risk. As the precise valuation and timing of the redemption of these assets was uncertain, the Group applied assumptions based upon extant market conditions and the Group's experience of actual cash flows resulting from these transactions. These assumptions were reviewed at the end of each financial year as part of the impairment review conducted by the Directors. The difference between the estimated future value and the initial fair value was credited to finance income over the term of the loan. The inputs used were by nature estimated and the resultant fair value was classified as Level 3 under the fair value hierarchy.

Overage receivable

Available-for-sale financial assets at 30 September 2018 relate solely to a deferred land overage receivable. These reflect 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 will be adjusted to fair value at each reporting date and it is expected that this balance will be recovered in the year to 30 September 2020.

The overage receivable is held at fair value – that is, 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.

17. Deferred tax assets and liabilities

Deferred tax assets held on the balance sheet date have the following expected maturities:

| | 2018 £m | 2017 £m |
|--|------------|------------|
| Amounts due to be recovered within one year | 2.2 | 2.8 |
| Amounts due to be recovered after more than one year | 7.1 | — |
| | 9.3 | 2.8 |

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17. Deferred tax assets and liabilities continued

Deferred tax liabilities held on the balance sheet date have the following expected maturities:

| | 2018 £m | 2017 £m |
|--|-------------|------------|
| Amounts due to be settled within one year | — | — |
| Amounts due to be settled after more than one year | 12.9 | — |
| | 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 2016 | 2.4 | 0.4 | 0.5 | 3.3 |
| Charge to the income statement for the year | (1.5) | 0.8 | (0.5) | (1.2) |
| Amount transferred to the statement of changes in equity | — | 0.7 | — | 0.7 |
| At 30 September 2017 | 0.9 | 1.9 | — | 2.8 |
| Charge to the income statement 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) |

Temporary differences arising in connection with interests in associate and joint ventures are not significant. Unrecognised tax assets on joint ventures and associates are £0.6m on historical losses of £3.5m, (2017: £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 (2017: £1.2m on historical losses of £7.0m).

18. Inventories

| | 2018 £m | 2017 £m |
|--|--------------|------------|
| Development land and work in progress | 681.5 | 598.4 |
| Completed properties unsold or awaiting sale | 68.2 | 68.7 |
| | 749.7 | 667.1 |

The value of inventories expensed during the year and included in cost of sales was £780.6m (2017: £662.0m). During the year inventories were written down through cost of sales by £2.4m (2017: £1.0m). During the year, impairment of inventories in previous years amounting to £0.3m (2017: £0.5m), has been reversed due to improved market conditions. During the year provisions of £1.2m (2017: £1.7m) were utilised as inventory was consumed.

Development land and work in progress includes land options with a carrying value of £20.5m (2017: £14.7m).

Total provisions against inventory at 30 September 2018 were £5.7m (2017: £4.8m).

Interest incurred on deferred land purchases amounting to £Nil (2017: £Nil) was capitalised during the year to inventories.

19. Construction contracts

| | 2018 £m | 2017 £m |
|--|------------|------------|
| Contracts in progress at the reporting date: | | |
| Amounts due from contract customers included in trade and other receivables | 37.0 | 21.6 |
| Retentions held by customers for contract work included in trade and other receivables | 17.2 | 10.3 |
| Revenue generated from contracting activities during the year | 210.6 | 150.9 |
| Advances received | 1.9 | 17.7 |
| Retentions payable to suppliers included in trade and other payables | 27.2 | 22.6 |

20. Trade and other receivables

| | 2018 £m | 2017 £m |
|---|--------------|--------------|
| Amounts falling due within one year: | | |
| Trade receivables | 45.1 | 21.5 |
| Amounts recoverable on construction contracts | 45.2 | 27.5 |
| Amounts owed by joint ventures | 56.5 | 67.9 |
| Other taxation and social security | 9.5 | 5.4 |
| Other receivables | 1.8 | 0.9 |
| Prepayments and accrued income | 8.6 | 15.6 |
| | 166.7 | 138.8 |
| Amounts falling due in more than one year: | | |
| Trade receivables | 12.8 | 8.5 |
| Amounts recoverable on construction contracts | 9.0 | 4.4 |
| | 21.8 | 12.9 |
| Total trade and other receivables | 188.5 | 151.7 |

The Directors are of the opinion that there are no significant concentrations of credit risk (Note 30). The fair value of the financial assets 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 receivables at year end have been assessed for recoverability. A provision for impairment is made when there is objective evidence of impairment, which is usually indicated by a delay in the expected cash flows or non-payment from customers. Trade receivables remaining outstanding past their due date are £0.8m (2017: £1.3m); however, none was impaired.

A provision of £8.0m (2017: £8.0m) has been made 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.

21. Cash and cash equivalents

| | 2018 £m | 2017 £m |
|-------------------------------|------------|------------|
| Cash and cash equivalents | 47.2 | 77.4 |
| Overdrafts | — | — |
| Net cash and cash equivalents | 47.2 | 77.4 |

Cash and cash equivalents of £47.2m (2017: £77.4m) comprise cash and short-term deposits held, of which £34.5m (2017: £74.5m) is available to offset against loans drawn under the Group's revolving credit facility and overdrafts and £Nil (2017: £0.9m) is ring-fenced for specific developments. At the year end, 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.

Notes to the consolidated financial statements continued

For the year ended 30 September 2018

22. Trade and other payables

| | 2018 £m | 2017 restated £m |
|--|--------------|------------------------|
| Amounts falling due within one year: | | |
| Trade payables | 179.1 | 136.4 |
| Accruals and deferred income | 131.5 | 107.0 |
| Other taxation and social security | 3.0 | 2.7 |
| Other payables | 3.5 | 4.1 |
| Advances due to joint ventures | 0.4 | 0.3 |
| | 317.5 | 250.5 |
| Amounts falling due in more than one year: | | |
| Trade payables | 72.1 | 79.8 |
| Accruals and deferred income | 1.4 | — |
| Other payables | 20.3 | — |
| | 93.8 | 79.8 |
| Total trade and other payables | 411.3 | 330.3 |

Trade and other payables principally comprise amounts outstanding for trade purchases and land acquired on deferred terms. As at 30 September 2018, deferred land payments totalled £180.5m, including £52.9m of overage payable (2017: £166.0m, of which £41.3m overage). The Directors consider that the carrying amount of trade payables approximates to their fair value, as the impact of discounting is not significant. Land acquired on deferred payment terms is discounted using an interest rate of 3.4 per cent for transactions entered into from 1 April 2017 and 6 per cent for transactions prior to this date.

Other payables include acquisition related deferred consideration along with acquisition-related deferred remuneration.

As described in Note 3 above, we have restated our 2017 land creditor adjustment in respect of deferred land and overage payments. As a result, 2017 trade payables have increased by £6.0m.

23. Provisions

| | 2018 £m | 2017 £m |
|--------------------------------------|------------|------------|
| At 1 October | 2.6 | 1.5 |
| Provisions charged in the year | 1.2 | 0.2 |
| Provisions utilised during the year | (0.3) | (0.5) |
| Reclassification | 1.8 | 1.4 |
| At 30 September | 5.3 | 2.6 |
| Disclosed as current liabilities | 4.2 | 0.6 |
| Disclosed as non-current liabilities | 1.1 | 2.0 |
| | 5.3 | 2.6 |

Provisions held relate mostly to dilapidation and onerous lease costs. Provisions are discounted, where appropriate.

24. Borrowings

| | 2018 £m | 2017 £m |
|--------------------------------|------------|------------|
| Bank loans | — | — |
| Other loans | 2.2 | — |
| Bank loan and arrangement fees | — | — |
| | 2.2 | — |

Bank loans

In May 2016, the Group signed a £300m revolving credit facility with Lloyds Bank plc, Barclays Bank PLC, HSBC Bank plc and Santander UK plc. The agreement has a variable interest rate based on LIBOR and had an initial expiry of May 2021 with options to extend the term of the facility by a further two years. 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. In June 2018, the Group exercised its option to extend the facility by an additional year to May 2023.

24. Borrowings continued

Bank loans continued

Bank loan arrangement fees are amortised over the term of the facility. At 30 September 2018, unamortised loan arrangement fees were £2.6m (2017: £2.6m) and £0.6m (2017: £0.6m) of debt fee amortisation finance costs are included in finance costs (Note 7). As the Group did not have any debt under this facility at 30 September 2018 or 30 September 2017, the unamortised loan arrangement fees are included within prepayments.

Other Loans

During the year, the Group received an interest free loan of £2.5m for the purpose of remediation works in relation to one of its joint arrangements. The loan is repayable on the 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.

The Group has the following undrawn facilities:

| | 2018 £m | 2017 £m |
|-----------------------------------|------------|------------|
| Floating rate: | | |
| Expiring after more than one year | 300 | 300 |

25. Share capital

| | Number of shares | | | |
|--|------------------|-----------|------------|------------|
| | 2018 m | 2017 m | 2018 £m | 2017 £m |
| Allotted, issued and fully paid | | | | |
| Ordinary shares of £0.01 each | 450 | 450 | 4.5 | 4.5 |

Purchase of shares by Employee Benefit Trust

The EBT acquired 3,219,634 shares in the Group through purchases on the London Stock Exchange in December 2017 to meet the Group's expected obligations under share-based incentive arrangements. 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 total amount paid to acquire the shares was £11.4m.

The number of shares held in the EBT at 30 September 2018 was 3,164,054 (30 September 2017: 9,997).

26. Notes to the cash flow statement

Reconciliation of operating profit to cash generated from operations

| | Note | 2018 £m | 2017 restated £m |
|--|--------|--------------|------------------------|
| Cash flows from operating activities | | | |
| Profit before taxation | | 180.7 | 148.3 |
| Adjustments for: | | | |
| – Depreciation charge | 12 | 1.1 | 0.9 |
| – Amortisation charge | 11 | 6.6 | 1.7 |
| – Non-cash items | | 0.3 | (1.2) |
| – Share of post-tax profit from joint ventures and associate | 14, 15 | (42.0) | (30.3) |
| – Share-based payment pre-tax | 31 | 6.8 | 4.2 |
| – Finance costs | 7 | 12.0 | 12.3 |
| – Finance income | 8 | (1.4) | (1.4) |
| – Profit on disposal of available-for-sale financial assets | 16 | (1.0) | (0.3) |
| Changes in working capital: | | | |
| – Increase in inventories | | (59.3) | (83.0) |
| – Increase in trade and other receivables | | (26.8) | (8.2) |
| – Increase in trade and other payables | | 31.7 | 34.1 |
| – Increase in provisions for liabilities and charges | 23 | 2.7 | 1.1 |
| Cash generated from operations | | 111.4 | 78.2 |

The presentation of movements in inventories and in trade and other payables has been updated this year to better reflect the non-cash movements relating to deferred land payments, the impact of which is £92.3m (2017: £79.1m). The impact of this change is to gross up the movements in working capital for deferred land payments reflected in trade and other payables and for movement in the corresponding land values within inventory. The change, which has been reflected in the comparatives above, has no impact on the net changes in working capital or on the cash generated from operations in either period presented.

Notes to the consolidated financial statements continued

For the year ended 30 September 2018

27. 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 at 30 September 2018 are presented below:

| | Country of incorporation | Voting rights % | Principal activity |
|--|-----------------------------|--------------------|-----------------------|
| Direct investment | | | |
| Copthorn Holdings Limited | UK | 100 | Holding company |
| 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 |
| Cliveden Village 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 |
| 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 | Dormant |
| Countryside Properties (Southern) Limited | UK | 100 | Dormant |
| Countryside Residential (South Thames) 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 Residential 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 |
| Knight Strategic Land Limited | UK | 100 | Land Promotion |
| Harold Wood Management Limited | UK | 100 | Estate Management |
| 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 |

27. Investments continued

| | Country of incorporation | Voting rights % | Principal activity |
|--|-----------------------------|--------------------|-----------------------|
| Indirect investment continued | | | |
| Millgate (UK) Holdings Limited | UK | 100 | Holding Company |
| Newhall Land Limited | UK | 100 | Development |
| 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 |
| Westframe Limited | UK | 100 | Dormant |
| Westleigh Construction Limited | UK | 100 | Dormant |
| Westleigh LNT Limited | UK | 100 | Dormant |
| Westleigh Group Limited | UK | 100 | Holding Company |
| Westleigh Holdings Limited | UK | 100 | Holding Company |
| Westleigh Homes Limited | UK | 100 | Dormant |
| Westleigh Partnerships Limited | UK | 100 | Development |
| Wychwood Park Golf Club Limited | UK | 100 | Dormant |

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 Millgate Developments Limited and Breedon Place Management Company Limited, whose registered office address is Millgate House, Ruscombe Lane, Twyford, Berkshire RG10 9JT.

28. Related party transactions

Transactions with Group joint ventures and associate

| | Joint ventures | | Associate | |
|--|----------------|------------|------------|------------|
| | 2018 £m | 2017 £m | 2018 £m | 2017 £m |
| Sales during the year | 20.2 | 24.0 | 1.7 | 1.1 |
| Net advances to joint ventures and associate at 1 October | 67.6 | 84.2 | — | — |
| Net repayments during the year | (11.5) | (16.6) | — | — |
| Net advances to joint ventures and associate at 30 September | 56.1 | 67.6 | — | — |

Included within the advances movement are non-cash items of £(2.3)m (2017: £(0.7)m) relating to deferred revenue and £1.4m (2017: £1.1m) relating to joint ventures reporting net liabilities.

The transactions noted above are between the Group and its joint ventures and associate, the details of which are described in Note 14 and Note 15 respectively.

Sales of goods and services to related parties were made at the Group's usual list 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 was £8.8m (2017: £9.5m).

Transactions with key management personnel

In 2014, properties were sold at market value by the Group to parties related to key management personnel who continue to lease them back to the Group. Payments under those leases were made to the individuals as follows:

- Close family members of Ian Sutcliffe received £Nil (2017: £17,250).
- A company of which Graham Cherry, a member of the Group's Executive Committee, is a Director and shareholder received £21,000 (2017: £21,000).

From 2015, a close family member of Ian Sutcliffe and a close family member of Graham Cherry were employed by a subsidiary of the Group. Both 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 £110,000 (2017: less than £100,000).

Notes to the consolidated financial statements continued

For the year ended 30 September 2018

29. Financial instruments

The following tables categorise the Group's financial assets and liabilities included in the consolidated statement of financial position:

| | Loans and receivables £m | Available for sale £m | Total £m |
|---|--------------------------------|-----------------------------|--------------|
| 2018 | | | |
| Assets | | | |
| Available-for-sale financial assets | — | 4.1 | 4.1 |
| Trade and other receivables | 112.1 | — | 112.1 |
| Amounts due from associate and joint ventures | 56.5 | — | 56.5 |
| Cash and cash equivalents | 47.2 | — | 47.2 |
| | 215.8 | 4.1 | 219.9 |
| 2017 | | | |
| Assets | | | |
| Available-for-sale financial assets | — | 7.4 | 7.4 |
| Trade and other receivables | 61.9 | — | 61.9 |
| Amounts due from associate and joint ventures | 67.9 | — | 67.9 |
| Cash and cash equivalents | 77.4 | — | 77.4 |
| | 207.2 | 7.4 | 214.6 |

| | Other financial liabilities at amortised cost £m |
|---|---|
| 2018 | |
| Liabilities | |
| Overdrafts | — |
| Other loans | 2.2 |
| Trade and other payables (excluding non-financial liabilities) | 278.0 |
| Amount due to joint ventures | 0.4 |
| | 280.6 |
| 2017 | |
| Liabilities | |
| Overdrafts | — |
| Trade and other payables (excluding non-financial liabilities) (restated) | 223.0 |
| Amount due to joint ventures | 0.3 |
| | 223.3 |

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 at 30 September:

| | Level 1 £m | Level 2 £m | Level 3 £m | Total £m |
|-------------------------------------|---------------|---------------|---------------|-------------|
| 2018 | | | | |
| Assets | | | | |
| Available-for-sale financial assets | — | — | 4.1 | 4.1 |
| 2017 | | | | |
| Assets | | | | |
| Available-for-sale financial assets | — | — | 7.4 | 7.4 |

29. Financial instruments continued

Fair value estimation continued

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.

30. 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 (excluding financial derivatives) 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 |
|---|-----------------------------|---------------------------|----------------------------|--------------------------|-------------|
| 2018 | | | | | |
| Assets | | | | | |
| Cash and cash equivalents | 47.2 | — | — | — | 47.2 |
| Available-for-sale financial assets | 4.1 | — | — | — | 4.1 |
| Trade and other receivables | 114.7 | 17.9 | — | — | 132.6 |
| Amounts due from joint ventures and associate | 56.5 | — | — | — | 56.5 |
| | 222.5 | 17.9 | — | — | 240.4 |
| 2018 | | | | | |
| Liabilities | | | | | |
| Overdrafts | — | — | — | — | — |
| Other loans | — | — | 2.5 | — | 2.5 |
| Trade and other payables | 320.4 | 54.6 | 33.1 | 15.1 | 423.2 |
| Amounts due to joint ventures | 0.4 | — | — | — | 0.4 |
| Provisions | 4.2 | 1.1 | — | — | 5.3 |
| | 325.0 | 55.7 | 35.6 | 15.1 | 431.4 |
| 2017 | | | | | |
| Assets | | | | | |
| Cash and cash equivalents | 77.4 | — | — | — | 77.4 |
| Available-for-sale financial assets | 0.9 | 2.3 | 4.9 | 5.8 | 13.9 |
| Trade and other receivables | 69.5 | 10.8 | 2.5 | — | 82.8 |
| Amounts due from joint ventures and associate | 67.9 | — | — | — | 67.9 |
| | 215.7 | 13.1 | 7.4 | 5.8 | 242.0 |
| 2017 | | | | | |
| Liabilities | | | | | |
| Overdrafts | — | — | — | — | — |
| Trade and other payables | 253.3 | 50.3 | 38.2 | 0.3 | 342.1 |
| Amounts due to joint ventures | 0.3 | — | — | — | 0.3 |
| Provisions | 0.6 | 1.4 | 0.6 | — | 2.6 |
| | 254.2 | 51.7 | 38.8 | 0.3 | 345.0 |

Cash and cash equivalents includes £34.5m (2017: £74.5m), which is available for offset against loans drawn under the Group's revolving credit facility and overdrafts.

Notes to the consolidated financial statements continued

For the year ended 30 September 2018

30. 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 2018 it is estimated that an increase by 0.5 per cent in interest rates would have decreased the Group's profit before tax by £0.3m (2017: £0.4m).

The following table sets out the interest rate risk associated with the Group's financial liabilities at 30 September 2018:

| | Fixed rate £m | Floating rate £m | Non-interest bearing £m | Total £m |
|--|------------------|---------------------|----------------------------|-------------|
| 2018 | | | | |
| Liabilities | | | | |
| Bank loans, other loans and finance cost | — | — | 2.2 | 2.2 |
| Trade and other payables | 3.0 | — | 254.7 | 257.7 |
| Amounts due to joint ventures | — | — | 0.4 | 0.4 |
| | 3.0 | — | 257.3 | 260.3 |
| 2017 | | | | |
| Liabilities | | | | |
| Bank loans, other loans and finance cost | — | — | — | — |
| Trade and other payables (restated) | — | — | 223.0 | 223.0 |
| Amounts due to joint ventures | — | — | 0.3 | 0.3 |
| | — | — | 223.3 | 223.3 |

With the exception of cash and cash equivalents amounting to £47.2m (2017: £77.4m) and other taxation and social security £9.5m (2017: £5.4m), the financial assets of the Group amounting to £225.3m (2017: £215.7m) are all non-interest bearing.

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 United Kingdom 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 terms arise from land sales. The amount deferred is secured by a charge over the land until such time payment is received.

Trade and other receivables comprise mainly the amounts receivable from the Homes England in relation to the Help to Buy scheme, housing associations, joint ventures and the associate. The Directors consider the credit rating of the various debtors is good in respect of the amounts outstanding and therefore credit risk is considered to be low.

Cash and cash equivalents and derivative financial instruments 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.

| | 2018 £m | 2017 £m |
|----------------------|--------------|------------|
| Total borrowings | 2.2 | — |
| Total equity | 793.7 | 690.5 |
| Total capital | 795.9 | 690.5 |

31. Share-based payments

The Group recognised £6.8m (2017: £5.1m) of employee costs related to share-based payment transactions during the financial year, excluding accrued national insurance contributions. A deferred tax asset of £3.6m (2017: £1.9m) is held in relation to these transactions, of which £1.1m (2017: £0.8m) was credited to the income statement and £0.6m (2017: £0.7m) was credited directly to equity.

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 is included within the share-based payment expense. At 30 September 2018, the carrying amount of National Insurance contributions payable was £2.3m (2017: £1.2m), which was recognised in the consolidated statement of financial position within accruals.

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 per cent 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 | 19 December 2017 | 22 December 2016 | 16 March 2016 |
|---|---------------------|---------------------|------------------|
| Options granted (millions) | 0.6 | 0.8 | 3.0 |
| Share price at date of grant (pence) | 349 | 236 | 240 |
| Exercise price (pence) | 282 | 192 | 192 |
| Volatility (per cent) | 38 | 28 | 29 |
| Option life (years) | 3 | 3 | 3 |
| Expected dividend yield (per cent) | 3.6 | 3.0 | 3.0 |
| Risk-free rate (per cent) | 0.6 | 1.0 | 1.0 |
| Fair value per option – Black Scholes (pence) | 93 | 55 | 57 |
| | Instruments m | Instruments m | Instruments m |
| Movements in the year | | | |
| Options outstanding at 1 October 2016 | — | — | 2.8 |
| Granted | — | 0.8 | — |
| Lapsed | — | — | (0.1) |
| Forfeited | — | (0.1) | (0.4) |
| Options outstanding at 30 September 2017 | — | 0.7 | 2.3 |
| Granted | 0.6 | — | — |
| Lapsed | — | — | — |
| Forfeited | (0.1) | (0.1) | (0.2) |
| Outstanding at 30 September 2018 | 0.5 | 0.6 | 2.1 |

The resulting fair value is expensed over the service period of three years, on the assumption that 15 per cent 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.

None of the options are currently exercisable. The weighted average remaining contractual life of share options outstanding at 30 September 2018 was 0.9 years (2017: 1.6 years).

Notes to the consolidated financial statements continued

For the year ended 30 September 2018

31. Share-based payments continued

(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 granted in 2017 and 2018 are assessed against ROCE, TNAV and relative TSR. Straight line vesting will apply if performance falls between two thresholds. 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. Dividends do not accrue on the shares that vest.

The weighted average remaining contractual life of LTIP awards outstanding at 30 September 2018 was 1.3 years. Details of the shares conditionally allocated at 30 September 2018 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 2017 | 22 May 2017 | 15 December 2016 | 18 February 2016 |
|--|---------------------|----------------|---------------------|---------------------|
| Awards granted (millions) | 2.7 | 0.2 | 3.7 | 3.8 |
| Share price at date of grant (pence) | 349 | 299 | 236 | 237 |
| Exercise price (pence) | nil | nil | nil | nil |
| Volatility (per cent) | 38 | 28 | 28 | 29 |
| Award life (years) | 3 | 3 | 3 | 3 |
| Expected dividend yield (per cent) | 3.5 | 3.0 | 3.0 | 3.0 |
| Risk-free rate (per cent) | 0.6 | 1.0 | 1.0 | 1.0 |
| Fair value per conditional share – Black Scholes (pence) | 220 | 179 | 151 | 153 |
| Fair value per conditional share – Monte Carlo (pence) | 54 | 46 | 40 | 42 |
| Fair value per conditional share – Total (pence) | 274 | 225 | 191 | 195 |

| Movements in the year | Instruments m | Instruments m | Instruments m | Instruments m |
|---|------------------|------------------|------------------|------------------|
| Awards outstanding at 1 October 2016 | — | — | — | 3.6 |
| Granted | — | 0.2 | 3.7 | — |
| Lapsed | — | — | (0.3) | (0.2) |
| Awards outstanding at 30 September 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 |

The first awards under the Plan will vest on 18 February 2019. This vesting includes two performance conditions determined with reference to the Group's results as at 30 September 2018, being ROCE and TNAV, which each comprise 35 per cent of the total vesting. Refer to page 70 for further details. It was determined that ROCE of 37.1 per cent resulted in 35 per cent vesting and TNAV of £641.5m (as adjusted for EBT share purchases, as described on page 71) resulted in 22.6 per cent vesting. The final performance condition, being Relative TSR is measured in February 2019.

(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.

The fair value of the awards is equal to the share price on the date of grant. The fair value is expensed to the income statement in a straight line over four years, being the year in which the bonus is earned and the three-year holding period.

31. Share-based payments continued

(c) Deferred Bonus Plan ("DBP") continued

During the year, 0.4 million shares were conditionally allocated on 18 December 2017 (2017: 0.5 million) with the share price on the date of grant being 346p. A reconciliation of the number of shares conditionally allocated is shown below:

| | 18 December 2017 m | 15 December 2016 m |
|---|--------------------------|--------------------------|
| Movements in the year | | |
| Awards outstanding at 1 October 2016 | — | — |
| Granted | — | 0.5 |
| Lapsed | — | — |
| Awards outstanding at 30 September 2017 | — | 0.5 |
| Granted | 0.4 | — |
| Lapsed | — | — |
| Awards outstanding at 30 September 2018 | 0.4 | 0.5 |

32. 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 lease expenditure charged to the income statement during the year is disclosed in Note 6.

At 30 September the future aggregate minimum lease payments under non-cancellable operating leases were as follows:

| | 2018 £m | 2017 £m |
|--|-------------|------------|
| Within one year | 5.2 | 4.3 |
| Later than one year and less than five years | 10.2 | 7.2 |
| After five years | 10.7 | 2.4 |
| | 26.1 | 13.9 |

33. Capital commitments

The Group was not committed to the purchase of any property, plant and equipment or software intangible assets at 30 September 2018 (2017: £Nil).

34. 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 venture from which it is anticipated that no material liabilities will arise.

35. Litigation and claims

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 on the Group's balance sheet.

36. Dividend

The following dividends have been recognised as distributions in the year:

| | 2018 £m | 2017 £m |
|--|-------------|------------|
| Prior year final dividend per share of 5.0 pence (2017: 3.4 pence) | 22.3 | 15.3 |
| Current year interim dividend per share of 4.2 pence (2017: 3.4 pence) | 18.8 | 15.3 |
| | 41.1 | 30.6 |

The Board of Directors recommend a final dividend of 6.6 pence per share, amounting to a total dividend of £29.2m (2017: £22.3m) which will be paid on 8 February 2019 to shareholders on the register on 21 December 2018, subject to shareholder approval. The liability has not been recognised in these financial statements as the shareholders' right to receive the dividend had not been established at 30 September 2018.

Parent company statement of financial position

As at 30 September 2018

| | Notes | 2018 £m | 2017 £m |
|--|-------|----------------|------------|
| Fixed assets | | | |
| Investments | 4 | 727.0 | 727.0 |
| Current assets | | | |
| Debtors | 5 | 75.8 | 74.7 |
| Cash and cash equivalents | | — | 0.6 |
| Creditors: amounts falling due within one year | 6 | (149.0) | (99.7) |
| Net current (liabilities)/assets | | (73.2) | (24.4) |
| Total assets less current liabilities | | 653.8 | 702.6 |
| Capital and reserves | | | |
| Retained earnings: | | | |
| At 1 October | | 698.1 | 726.9 |
| Loss for the year | | (3.0) | (2.6) |
| Dividends paid | | (41.1) | (30.6) |
| Other changes in retained earnings | | (4.7) | 4.4 |
| | | 649.3 | 698.1 |
| Called up share capital | 7 | 4.5 | 4.5 |
| Total equity | | 653.8 | 702.6 |

The notes on pages 126 to 128 are an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 20 November 2018 and are signed on its behalf by:

Ian Sutcliffe
Director

Mike Scott
Director

Company Registration No. 09878920

Parent company statement of changes in equity

For the year ended 30 September 2018

| | Called up share capital £m | Profit and loss account £m | Total equity £m |
|--|-------------------------------------|-------------------------------------|-----------------------|
| At 1 October 2016 | 4.5 | 726.9 | 731.4 |
| Loss for the year | — | (2.6) | (2.6) |
| Total comprehensive expense for the year | — | (2.6) | (2.6) |
| Dividends paid | — | (30.6) | (30.6) |
| Share-based payment expense | — | 4.4 | 4.4 |
| At 30 September 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 |

Notes to the parent company financial statements

For the year ended 30 September 2018

1. Accounting policies

Company information

Countryside Properties PLC 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.

Countryside Properties PLC is a limited company domiciled and incorporated in England and Wales. The 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:

- i. from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the Company's cash flows;
- ii. 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;
- iii. 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
- iv. 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 loss for the year was £3.0m (2017: £2.6m).

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 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 31. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described on pages 28 to 31 of the Strategic Report. Further disclosures regarding borrowings are provided in Note 24 to the Group financial statements.

As described in the Viability Statement, the Directors have assessed the prospects and viability of the Company over a three-year period to September 2021. 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 Company's ability to continue as a going concern is inextricably linked to the results of the Group as a whole. As such, the Directors consider the Company to be a going concern and these financial statements are prepared on this basis.

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.

1.5 Financial instruments

Fair value measurement of financial instruments

The Company has adopted IAS 39 'Recognition and Measurement of Financial Instruments'.

Financial assets

Financial assets which primarily represent loans to subsidiary companies and cash 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.

Borrowings are classified as non-current liabilities unless the Group has an unconditional right to defer settlement of the liability until the end of the term of the agreement. Further details of the Company's bank loans can be found in Note 24 of the Group financial statements.

1. Accounting policies continued

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

Current taxation

Income tax for the years presented comprises current and deferred tax.

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 Countryside Properties PLC 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 28 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. Judgements and key sources of estimation uncertainty

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

The estimates and underlying assumptions 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 assumptions about the future and 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 11 to the Group financial statements.

The Company did not record any impairment charges during the year ended 30 September 2018.

3. Operating loss

The Company had no employees during the year (2017: none).

Directors' emoluments are disclosed in Note 5 of the Group financial statements.

Details of the audit and tax fees can be found in Note 6 of the Group financial statements.

4. Investments

| | 2018 £m | 2017 £m |
|-----------------|------------|------------|
| At 1 October | 727.0 | 727.1 |
| Disposals | — | (0.1) |
| At 30 September | 727.0 | 727.0 |

Details of the Company's subsidiaries at 30 September 2018 are included in Note 27 to the Group financial statements.

Notes to the parent company financial statements continued

For the year ended 30 September 2018

5. Debtors

Amounts falling due within one year:

| | 2018 £m | 2017 £m |
|------------------------------------|------------|------------|
| Trade debtors | — | — |
| Amounts owed by Group undertakings | 70.6 | 70.3 |
| Corporation tax recoverable | 2.6 | 1.8 |
| Prepayments and accrued income | 2.6 | 2.6 |
| | 75.8 | 74.7 |

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

Amounts falling due within one year:

| | 2018 £m | 2017 £m |
|------------------------------------|------------|------------|
| Amounts owed to Group undertakings | 148.4 | 99.2 |
| Accruals and deferred income | 0.6 | 0.5 |
| Bank loans and overdrafts | — | — |
| | 149.0 | 99.7 |

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 24 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

| | 2018 | | | 2017 | | |
|---|---------------------|----------------------------------|------------------------|---------------------|----------------------------------|------------------------|
| | Number of shares | Called up share capital £m | Share premium £m | Number of shares | Called up share capital £m | Share premium £m |
| Issued, called up and fully paid | | | | | | |
| At 1 October and 30 September | 450,000,000 | 4.5 | — | 450,000,000 | 4.5 | — |

Note 25 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

Parent company guarantee

The Company has made parent company guarantees to its associate and joint ventures 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:

| | 2018 £m | 2017 £m |
|--|------------|------------|
| Prior year final dividend per share of 5.0 pence (2017: 3.4 pence) | 22.3 | 15.3 |
| Current year interim dividend per share of 4.2 pence (2017: 3.4 pence) | 18.8 | 15.3 |
| | 41.1 | 30.6 |

The Board of Directors recommend a final dividend of 6.6 pence per share, amounting to a total dividend of £29.2m (2017: £22.3m) which will be paid on 8 February 2019 to shareholders on the register on 21 December 2018, subject to shareholder approval. The liability has not been recognised in these financial statements as the shareholders' right to receive the dividend had not been established at 30 September 2018.

Shareholder information

Financial calendar 2019

| | |
|---------------------------|------------------|
| Ex-dividend date | 20 December 2018 |
| Record date | 21 December 2018 |
| Payment of final dividend | 8 February 2019 |
| Annual General Meeting | 24 January 2019 |
| Trading update | 24 January 2019 |

Five-Year Summary

| | 2018 | 2017 restated | 2016 | 2015 | 2014 |
|-------------------------------|------------------|------------------|----------|----------|----------|
| Adjusted revenue | £1,229.5m | £1,028.8m | £777.0m | £615.8m | £468.7m |
| Adjusted operating profit | £211.4m | £165.3m | £122.5m | £91.2m | £47.1m |
| Adjusted operating margin | 17.2% | 16.1% | 15.8% | 14.8% | 10.0% |
| Reported revenue | £1,018.6m | £845.8m | £671.3m | £547.5m | £452.8m |
| Reported operating profit | £149.3m | £128.9m | £87.3m | £67.9m | £42.2m |
| Reported operating margin | 14.7% | 15.2% | 13.0% | 12.4% | 9.3% |
| Return on capital employed | 37.1% | 30.6% | 26.8% | 24.7% | 15.6% |
| Tangible net asset value | £630.1m | £632.3m | £537.4m | £329.0m | £287.8m |
| Completions | 4,295 | 3,389 | 2,657 | 2,364 | 2,044 |
| Private average selling price | £402,000 | £430,000 | £465,000 | £385,000 | £329,000 |
| Net reservation rates | 0.80 | 0.84 | 0.78 | 0.76 | 0.89 |
| Open sales outlets | 60 | 47 | 43 | 29 | 26 |
| Land bank | 43,523 | 34,581 | 27,204 | 26,213 | 23,990 |

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designportfolio



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