



COUNTRYSIDE

Places People Love

COUNTRYSIDE PARTNERSHIPS

THE MARKET LEADER IN MIXED-TENURE DEVELOPMENTS

Countryside Properties PLC
Annual Report and Accounts 2021



We create
places where
people love
to live, with
sustainable
communities
built to last.



COUNTRYSIDE

Places People Love

Why we are here

We create places where people love to live, where they feel at home and come together as a community.

What we do

We design and develop high quality homes and sustainable communities that are not only beautiful but built to last.

Who we are

What unites us is our commitment to creating places that people love and communities that continue to grow. We always deliver in the right way, the Countryside way.

How we do it

We create places people love by designing our homes with future residents in mind, by building more sustainably, by working hand in hand with local communities and partners, and by nurturing a solid team that truly cares.

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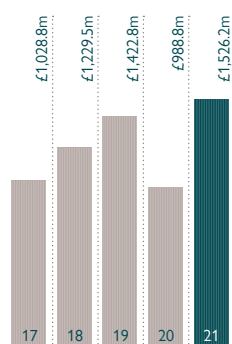
Highlights of the year

Financial highlights

Adjusted revenue¹

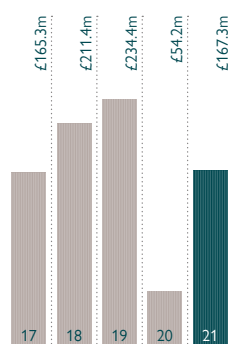
£1,526.2m

Change since 2020: +54%

Adjusted operating profit²

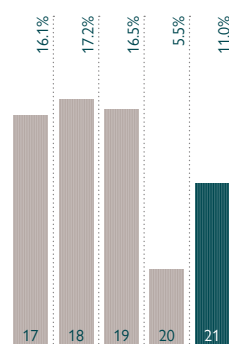
£167.3m

Change since 2020: +209%

Adjusted operating margin²

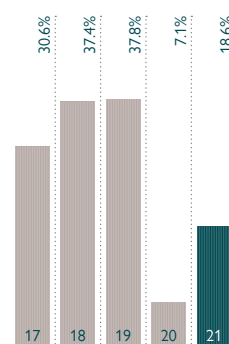
11.0%

Change since 2020: +550bps

Return on capital employed³

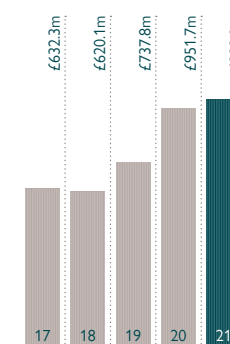
18.6%

Change since 2020: +1,150bps

Tangible net asset value⁴

£988.0m

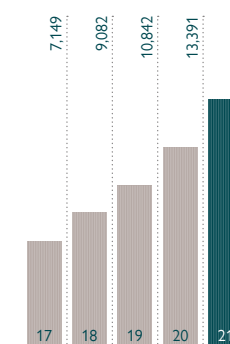
Change since 2020: +4%



Plots owned and with planning (# plots)

16,605

Change since 2020: +24%



Operational highlights

Strategic milestones

- In July 2021, the Board concluded that in future, for the benefit of all stakeholders and in order to maximise shareholder value, the Group will focus all its resources on its very successful Partnerships business and create a new division in the Home Counties.
- The proceeds of realisation of surplus assets of at least £450m will be returned to shareholders via the on-market purchase of the Company's own shares over the period up to September 2023.
- In the period we completed the construction of our second modular factory at Bardon, Leicester, which will supply closed panel timber frames to our low-rise developments in the Midlands helping to secure our supply chain, improve quality and speed up production plus achieve more sustainable outcomes.

Operating milestones

- We completed 5,385 homes in the period, up 33% on the prior year and showing a significant recovery from the impact caused by the Covid-19 pandemic.
- In the period we delivered our 5000th closed panel modular home. The acceleration of modern methods of construction remains a key priority for the business as well as Government and Homes England.
- We continued to win new Partnerships work with 9,008 new plots secured (2020: 8,369), in addition to 10,435 plots where we have agreed terms on option sites (2020: 3,005). Of these, 4,597 plots were for our newly established regions supporting our double digit volume and profit growth ambitions over the medium-term.

Sustainability milestones

- We developed a new approach to sustainability that is focused and impact driven. Our approach is underpinned by a range of ambitious targets further details of which can be found on pages 45 to 61 of this report.
- In October 2021, we launched our Pathfinder report outlining our pathway to achieving net zero by 2030. This is supported by science-based carbon reduction targets which have been validated by the SBTi confirming our commitment.
- We have made excellent progress in embedding our values launched in November 2020 and are continuing our focus on the social elements of our approach with the launch of our Diversity Equity and Inclusion strategy. To read more see pages 66 and 67.

Reported measures

- Reported revenue up 54% to £1,371.4m (2020: £892.0m)
- Reported operating profit of £71.3m (2020: £(5.4)m)
- Net cash of £41.0m (2020: £98.2m)
- Basic earnings/(loss) per share 13.8 pence (2020: (0.8) pence)

1. Adjusted revenue includes the Group's share of revenue from joint ventures and associate of £154.8m (2020: £96.8m; 2019: £185.7m; 2018: £210.9m; 2017: 183.0m).

2. Adjusted operating profit includes the Group's share of operating profit from joint ventures and associate of £32.8m (2020: £17.2m; 2019: £46.8m; 2018: £46.4m; 2017: £33.6m) and excludes non-underlying items of £(63.2)m (2020: £(42.4m); 2019: £(17.2)m; 2018: £(15.7)m; 2017: £2.8m).

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 net assets net of deferred tax.



UNIQUELY FOCUSED ON PARTNERSHIPS

Our mixed-tenure model and track record of collaborative working with partners means we are well placed to meet the demand for good quality housing across the UK

“

Placemaking is at the heart of everything we do at Countryside. Our people, our culture and our approach to effective partnerships are our greatest assets.”

Countryside at a glance



Focused on Partnerships

2021 has been a pivotal year for the Group. We announced in July 2021 that we would focus all our resources on our successful Partnerships business with the creation of a new Home Counties division that fits this model.

- 15 Partnerships operating regions including four in the Home Counties giving good coverage of the UK population.
- Traditional Housebuilding operations are to be run off with surplus assets of at least £450m to be returned to shareholders.
- Group to be renamed 'Countryside Partnerships' subject to shareholder approval.



More than just new homes

We bring together partners, investors, land owners, housing associations, government bodies and the communities to develop places people love. Placemaking is at the heart of everything we do at Countryside. Our people, our culture and our approach to effective partnerships are our greatest assets.

- Building communities is the foundation of what we do creating a sense of place. Delivering community infrastructure is an integral part of what we do.
- Our approach is aligned to the needs of our partners providing high quality sustainable homes, at pace and scale.
- Placemaking unlocks greater socio-economic value and community well being.
- Our approach delivers long-term value for stakeholders.



Browse our videos online:

bit.ly/36sDnwF



Countryside at a glance continued



Mixed-tenure business model

We are a specialist and the market leader in mixed tenure housing development. This means delivering private, affordable and institutional Private Rental Sector ("PRS") homes on a single development creating dynamic and diverse communities.

- We often deliver affordable homes in excess of minimum requirements as there is high demand.
- The mixed tenure approach increases the speed of delivery which is key for partners and local authorities.
- Introduction of private homes on regeneration sites stimulates economic diversity.
- We de-risk delivery and improve cashflow through the pre-sale of affordable and institutional PRS.



A modern approach

We embrace a range of Modern Methods of Construction ("MMC") including offsite manufacturing and onsite techniques that provide alternatives to traditional housebuilding. This includes the offsite preparation of open and closed timber frame panels from our three factories.

- Capacity to deliver 6,000 homes per annum.
- High quality product.
- Supporting our planned growth and offering us security of our supply chain.
- We have a target of 50% of our homes to be built using modern methods of construction by 2025.



A sustainable business

We place sustainability across all pillars of our approach to development and are planning for a sustainable business into the future.

- We target 60% of homes to be built on brownfield land, whether that is estate regeneration, town centre regeneration, ex industrial use land or other prior uses.
- We are mindful of the impact that our developments have on the environment and seek to both enhance biodiversity and reduce our carbon footprint. You can read more on this on pages 56 to 61.
- Our approach enables us to deliver long term sustainable growth.



40

We have completed more projects than anyone else in the sector over the past 40 years

50%

Our target for homes to be built using modern methods of construction by 2025

9,008

New plots added to our Partnerships pipeline

>60%

target of land from brownfield sources

3

timber frame factories supporting delivery and Modern Methods of Construction ("MMC")



Chair's statement

Stronger and fitter for a bright future

I am delighted and honoured to have been invited earlier this year to join the Board of Countryside. The Company is very special: it has a real purpose and an unrivalled opportunity to provide positive, life-improving opportunities to our customers and communities. Our by-line, almost uniquely, has real meaning: we create places where people love to live and we design homes, environments and physical infrastructure to support communities that are sustainable over the very long term.

We are the market leader in the delivery of high quality mixed-tenure communities. Creating places where people love to live is more than just creating quality, sustainable buildings. It's about supporting and engaging with communities at every stage of the development process. From understanding the needs of the communities and responding in the way we design our developments, to working closely with our partners and clients to engage and empower people throughout the development process. We place communities at the heart of everything we do.

In many respects 2021 has been a pivotal year for the Group and this report outlines how the Group has recovered from the impact of Covid-19 and the economic uncertainty it created. It also outlines the Group's focused future strategy with all resources dedicated to driving Countryside Partnerships.

Our financial and operational results show a significant improvement from last year and we ended the period in a strong position to deliver on our simplified, focused strategy with a clear plan for future growth.

Priorities of the Board

The achievements of the year, including the recovery from the impact of Covid and laying the foundations for the major expansion of our Partnerships business, have been significant and I would like to thank our colleagues, suppliers, sub-contractors and partners for the huge contribution that they have made, and continue to make, towards the development of Countryside Partnerships.

I would like to highlight two important milestones in the evolution of the Company over the last 12 months. Firstly, having approved the Company's purpose and values last year, the Board spent considerable time considering how best to embed them across the Group and with all stakeholders. This is important because our colleagues and other stakeholders have choices where they pursue their careers and do their business and it is important that they prefer us and choose to invest their time, energy and enthusiasm with us. The Group's Diversity Equity and Inclusion strategy was recently approved, which will reinforce our cultural objective to promote integrity and openness. Further details of these workstreams can be found on pages 66 and 67.

Secondly, after considerable analysis and consideration, the Board concluded that in future, for the benefit of all stakeholders and in order to maximise shareholder value, the Group will focus all its resources on its very successful Partnerships business and create a new division in the Home Counties. The proceeds of realisation of surplus assets of at least £450m will be returned to shareholders via the on-market purchase of the Company's own shares over the period up to September 2023. As a consequence of this refocusing, the Group will be renamed "Countryside Partnerships", subject to shareholder approval at the AGM in January.



Chair's statement continued

Priorities of the Board continued

Countryside Partnerships is uniquely positioned in attractive markets to fulfil the considerable demand for homes in mixed-tenure developments and we believe that this represents a multi-year growth opportunity. The Group has invested considerably in Partnerships land and work in progress with assets employed increasing from £103m to £610m over the last five years (including £209m from the former Housebuilding division). It has also invested significantly in the regional teams and central support functions to generate significant capacity for profitable growth. We believe this investment will generate very attractive returns for our shareholders in a low-risk way over the medium term and we have set out a new plan for Partnerships in the Chief Executive's Review which was also the focus of the Capital Markets Event on 30 November 2021.

Historical sale of leasehold properties

On 15 September 2021 the Company announced that it had agreed voluntary undertakings with the CMA which brings their investigation into the historical sale of leasehold properties with doubling ground rent clauses by Countryside to a close. This followed a constructive period of engagement with Countryside. The Board is pleased that this will lead to a positive outcome for affected leaseholders.

Building safety and quality

The quality of the homes that we build is a central tenet of our strategy and is of paramount importance to us and our customers. Since the Grenfell Tower fire, there has been considerable analysis of the impact of cladding and fire safety issues in multi-occupancy tall buildings. We have examined all buildings developed by Countryside over the last 15 years and identified 69 buildings across 17 sites where remedial works are required to bring them in line with current building regulations. Throughout the year, we have engaged with building owners, carried out invasive surveys and priced building owners' scope of works. This has enabled us to more accurately estimate the potential costs associated with these buildings. As a result, we have established a

provision of £41m to cover the cost of remedial works and losses suffered by building owners where it is identified that the works are necessary because we fell short of our high standards at the time of construction. We are committed to high quality design and construction to deliver a positive legacy for future generations.

Board changes

Having joined the Board on 13 April 2021, I assumed the role of Chair with effect from 1 May 2021. David Howell stood down from the Board on 30 April 2021 after seven years' service, including five as Chair. On behalf of the Board, I would like to thank David for his significant contribution to Countryside, which developed considerably under his Board leadership, and wish him every success for the future.

On 29 June 2021 we announced the resignation of Mike Scott as CFO, and he left the Company on 29 November 2021 to take up the CFO role at Barratt Developments plc. I would like to thank Mike for his sterling service to Countryside over the last seven years, including serving as CFO for the last three years and wish him every success in his new role.

On 16 November 2021, we announced the appointment of Tim Lawlor as CFO and we greatly look forward to welcoming him to Countryside in the new year when he has fulfilled his exit obligations with Wincanton plc. During the selection process, we targeted candidates with an exceptional focus on driving operational performance as well as outstanding financial management and Tim fulfils these requirements, having served in several finance leadership roles, most recently as CFO of Wincanton plc.

During the year, Simon Townsend also assumed responsibility as the Board representative and Chair of the Group's new Sustainability Committee. The Committee focuses on assessing our sustainability approach and how it identifies and prioritises sustainability issues material to the business strategy, including climate change.

Stakeholder engagement

In the months since I have taken on the role of Chair I have had the opportunity to meet with a broad range of the Group's stakeholders including colleagues, partners, customers and shareholders. Across all stakeholder groups there is strong recognition of the unique capability of our business to be a positive influence in the community, to provide great career opportunities and to generate attractive returns for shareholders.

The opportunities for long term sustainable growth present our Executive team with many exciting challenges, and I am encouraged by the enthusiasm that they have shown in addressing them. I am particularly encouraged by the engagement with shareholders who have offered their support via constructive feedback which the Board and Executive team value highly.

Capital allocation and shareholder returns

We have begun the programme of realising more than £450m from the sale of certain legacy Housebuilding assets. Proceeds from this programme have already started to be returned via the share buyback programme and this will continue for the next two years.

The priorities of the business in designing the appropriate capital structure for the Partnerships business going forward are clear. We will maintain a prudent approach to net debt and ensure that all stakeholders are comfortable with our balance sheet. Our Partnerships business model is highly cash generative and there are substantial opportunities for profitable reinvestment to deliver double-digit organic growth over the long term. This will take precedence over shareholder returns for the foreseeable future.

AGM

Our 2022 Annual General Meeting will be held at the offices of Linklaters, One Silk Street, London EC2Y 8HQ on Thursday 20 January 2022, at 12.30pm. Full details can be found in the Notice of AGM.

John Martin
Chair

29 November 2021



Our investment case

5,385

Completions

(2020: 4,053)

Investment in assets

we have a well invested platform for significant profitable growth

£947m

tangible net operating assets

18.6%

return on capital employed

(2020: 7.1%)

Strong growth

significant opportunity for multi-year double digit volume and profit growth from new and existing regions in the UK market

Attractive return on capital employed

driven by a capital light and mixed-tenure approach to delivering housing with a target ROCE of 40%+

Social impact

through our enhanced Private Rental Sector ("PRS") and affordable homes delivery, resulting in creation of mixed and balanced communities with development at pace

A sustainable business model

that takes a long-term view of our business, values our partners needs and leverages our modular panel factories

COUNTRYSIDE
PARTNERSHIPS

£243m

**social value generated;
16% of adjusted revenue**

Focused capital structure

strong cash generation, clear capital allocation policy and prudent balance sheet

£41m

net cash

(2020: £98m)

6,000

MMC unit capacity from our factories



Market review

Investment in all tenures is driving sector growth

Macroeconomic environment

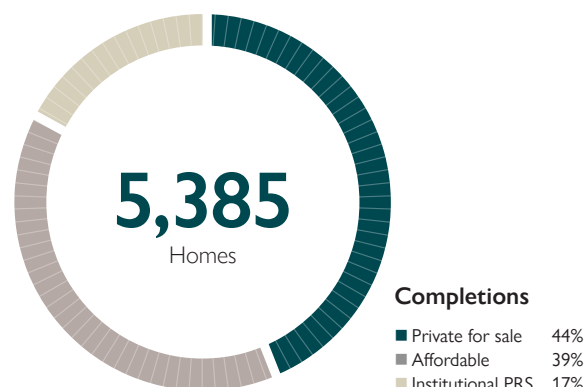
Demand for housing of all tenures has been very strong as homeowners and renters have taken the opportunity to re-assess the ideals which they look for in a home. Mortgage availability has returned following a reactionary pullback from lenders at the time of the initial lockdowns, with rates now very competitive as a result of the economic stimulus introduced by the Bank of England.

Whilst inflationary pressures are likely to push interest rates higher, potentially affecting affordability at current pricing levels in the absence of longer-term wage inflation. Recent data in respect of falling unemployment provides some comfort, and we are also beginning to see some relaxation of the supply side constraints which have driven build cost upwards over the past 12 months.

Our response

We have capitalised on the buoyant market of 2021 through unwinding much of the work in progress which had accumulated through the original cycle of lockdowns. Our geographical expansion continues to diversify our risk across England and our decision to focus solely on our Partnerships business further establishes our lower risk, high returns business model as the market continues to evolve.

In addition, we invested further in our modular capabilities during the course of the year with our second semi-automated modular factory recently opened, providing some security over our future supply chain.





Market review continued

Government policy and future regulation

Government regulation continues to become an ever-greater factor in driving decision making. The establishment of a New Homes Ombudsman with statutory powers to award compensation and fix poor building work will raise quality standards while the introduction of building safety and materials regulators in the wake of the Grenfell Tower disaster will enhance safety across the industry. Heightened standards of sustainability are outlined in the Future Homes Standard which will require new homes to achieve c80% lower CO₂ emissions than current standards through renewable heating systems and improved fabric energy efficiency; this will come into force from June 2025.

Amendments to planning regulation have slowed during the year; the Government released its “Planning for the Future” white paper in August 2020 which outlined a series of reforms to speed up and modernise the planning system. However recent announcements have paused work on the Planning Bill and suggested that many proposals could be dropped or altered.

There has been an increased focus on climate change, with the recent IPCC report and COP-26 bringing global attention to these matters. In addition, local authorities are now declaring a specific interest in low/net zero carbon developments.

The most significant operational demand-side policy remains the Government’s Help to Buy scheme which continues to support people’s ability to own and move home, with many UK home purchases in 2021 being via the scheme. During the year the Help to Buy scheme was amended to introduce regional price caps; this amendment was well communicated ahead of implementation with the revised scheme scheduled to run until 2023.

There have been two significant changes in tax rates during the year, with the first being the temporary relaxation of stamp duty rules coming to an end in September. The staggered removal of this relaxation resulted in significant spikes in transaction volumes as

buyers sought to benefit from reduced levies during the year. Also of note is the introduction of a Residential Property Developer Tax (expected to be 4%) from April 2022, for which draft legislation was issued in September.

Our response

In 2021 Help to Buy was used on 51% of our private completions excluding bulk sales or 23% of our total completions. This is strongly linked to the proportion of first-time buyers (55% excluding bulk sales of private completions). We ensure that our product is affordable for local owner occupiers who represented over 96% of our private completions in 2021.

We are actively involved in several industry initiatives to ensure a smooth transition from Help to Buy in 2023; this includes working with lenders to ensure suitable mortgage availability for our purchasers.

We continue to progress remedial works on a number of legacy projects and have set aside a provision of £41m in total to cover the costs of these works.

We firmly believe that adopting MMC, such as modular timber frames, is key to delivering homes at scale, pace, quality and to upcoming regulatory changes, while ensuring more sustainable outcomes. Countryside has invested £6m in a manufacturing facility at Warrington which produces fully formed, closed panel timber frames, and a new £20m factory in Bardon, Leicestershire.

As well as our investment in MMC, we have detailed our approach to dealing with climate change issues. During the year we launched our Net Zero Pathway, engaging our partners in that journey, which is backed up by science based carbon reduction targets. In addition we joined the Supply Chain Sustainability School to upskill and raise awareness within our supply chain as well as becoming a member of the UK Green Building Council. These relationships will ensure that we work with others to help solve some of the big climate related challenges facing the industry.

Mixed-tenure delivery

Demand for mixed-tenure homes remains strong. Institutional investors are continuing to drive demand for institutional Private Rental Sector (“PRS”) homes which deliver favourable yields in the current climate. The Government’s ongoing affordable housing programme, which has committed £11.5bn of funding from 2021 to 2026, and is intended to deliver 180,000 homes across England also supports the mixed-tenure model.

This intervention from institutional investors and Government has been necessitated as home ownership rates have consistently reduced since 2003 owing to a lack of affordable housing as well as increasing barriers to private ownership as house price growth has outstripped earnings growth.

Over the past 12 months we have seen a number of changes to the affordable housing model in England, notably the introduction of the First Homes scheme which will become effective for planning applications determined after 28 December 2021 and several amendments to the shared ownership model which were launched in the Spring 2021.

Our response

As outlined in July, following a strategic review of the business, the Group will focus solely on delivering Partnerships schemes through a mixed-tenure delivery model with the intention of renaming the Group “Countryside Partnerships” subject to shareholder approval at the next Annual General Meeting (“AGM”). This mixed-tenure model has enabled us to deliver strong returns from a low capital base which will form the basis of Countryside Partnerships going forwards.

During the year we delivered a total of 5,385 new homes, of which 2,394 were private for sale, 2,107 affordable homes and 884 PRS homes. Our Partnerships division provides a balanced mix of all three tenure types, enabling rapid growth as well as business resilience.

In August 2021 we created the role of Chief Investment Officer. The purpose of this role is to identify, develop and enhance long-term partnerships with public sector partners and local Government, as well as private partners such as institutional investors.



Market review continued



Labour and materials supply

Supply and demand imbalances in the construction sector have pushed cost inflation to a 24 year high. Delayed construction projects due to Covid restrictions in 2020 all restarted in 2021.

Supply issues have been exacerbated by pressures on the logistics infrastructure due to container shortages, shipping costs, the Suez Canal blockage and a lack of HGV drivers during the course of the past 12 months.

Other contributing factors include climate change, carbon usage penalties, Brexit related port delays and fuel and energy price rises.

The key risks around stock availability continue to be driven by stronger demand in certain categories such as timber, particle boards, steel, polymers, bricks, blocks and plasterboard.

Some of the inflationary pressures have started to ease as supply into the UK has picked up to meet demand.

The construction labour market has also been impacted by a number of contributing factors including the impact of Brexit on the ability for EU citizens to freely work in the UK. Covid's furlough scheme and the loss of construction skilled workers from the industry due to generational retirements have also had an impact.

Our response

We look to manage our supply and logistics needs through working closely with our supply chain partners. Regular dialogue allows both parties to understand expectations and plan ahead. We also work with our tier two and three suppliers to ensure we get sufficient allocation of materials, even though we may not be procuring directly from these suppliers.

Our suppliers are key stakeholders in the business, ensuring that they are paid promptly is critical to becoming the customer of choice in an environment where demand is outstripping supply. Countryside are making every effort to streamline the payment process in order to improve settlement timeframes.

Offsite manufacturing

Offsite manufacturing is one of a number of Modern Methods of Construction ("MMC"). MMC is a key Government and industry focal point both in terms of how housing delivery can be sped up but also as a way of improving build quality and building safety and sustainability. We are seeing an increase in the numbers of public procurement bids, including tenders put out by Homes England, requiring the use of MMC and commitment to a pace of build for participants to qualify to bid.

Our response

This year saw the construction of our third manufacturing facility in Bardon, Leicestershire, which is our largest and most sophisticated facility, capable of delivering 3,200 closed panel modular homes per year. Together with our facilities in Warrington and Narborough this brings our total capacity to c.6,000 homes per year. We have a dedicated Chief Executive, Manufacturing and Operations to ensure we have consistent processes and quality control across this part of our business. We are tremendously excited about this aspect of our business and are well positioned to deliver a market-leading product at scale over the next couple of years.

Government housing programme to deliver

300,000

homes target

Off-site timber frame construction used on

59%

of our output

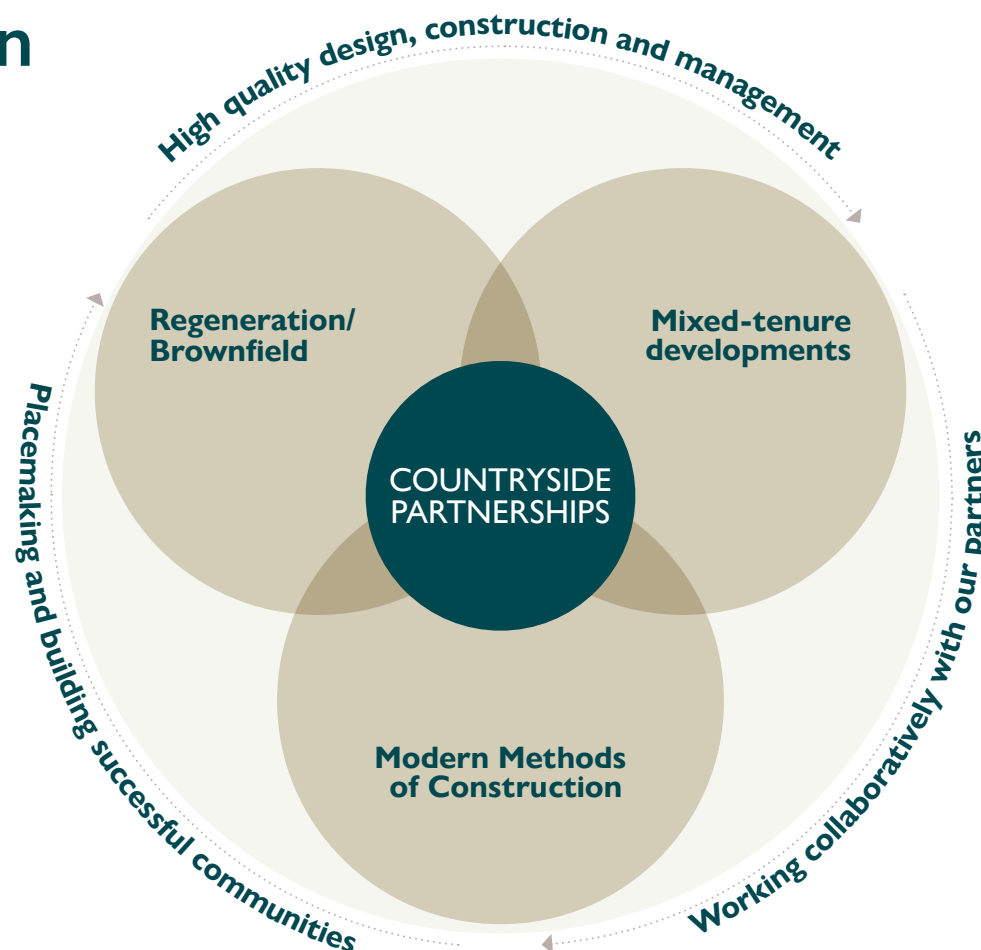


Our business model

Collaboration and innovation

Our Partnerships model is built around six key pillars which form the basis of our approach to development. We look to build in a responsible way with our approach to sustainability embedded across this model. We look to reuse land wherever possible, focusing on high quality mixed-tenure developments that deliver positive social impact for those communities with placemaking at the heart of what we do.

This is only possible by working collaboratively with our partners. We bring together a range of stakeholders including partners, investors, land owners, housing associations, government bodies and the community to develop places people love with sustainable communities built to last.



The value we create

Trusted partner

Over 40

years of Partnerships experience

[Read more on pages 2 and 3](#)

Employee participation

c.50%

of eligible employees in our share save schemes

[Read more on pages 62 to 65](#)

Shareholder returns

67.6%

total shareholder return since IPO

[Read more on pages 28 and 29](#)

Homebuilder of choice

91.6%

of customers would recommend us to a friend

[Read more on page 16](#)

Social value generated

£243m

16% of adjusted revenue

[Read more on pages 45 to 61](#)

Member of FTSE4GOOD for

3 years

since June 2018

[Read more on page 35](#)

Read more online:



bit.ly/36sDnwF



Our business model continued

Our key resources



Land

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

[Link to sustainability](#)



[Read more on page 3](#)



People

Highly experienced and motivated employees together with strong supply chain relationships.

[Link to sustainability](#)



[Read more on pages 62 to 65](#)



Partnerships

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

[Link to sustainability](#)



[Read more on page 30](#)



Reputation

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

[Link to sustainability](#)



[Read more on pages 28 to 35](#)



Financial strength

Strong balance sheet with net cash and debt capacity when required.

[Link to sustainability](#)



[Read more on pages 22 to 27](#)

[Link to our approach to sustainability](#)



Built to Last



Sustainable Communities



Thriving Together

Our Partnerships model is built around six key pillars

Mixed-tenure development

Our mixed-tenure approach offers choice to individuals as to how they want to live with a mix of private for sale, affordable and institutional Private Rental Sector ("PRS") homes on a single development. This increases the speed of delivery on our developments, as they are not reliant on a private sales absorption rate.

The approach derisks delivery and improves cashflow through the forward funding of affordable and PRS homes.

Modern Methods of Construction ("MMC")

Countryside's manufacturing capabilities are spread across three locations across the UK. Being the only major housebuilder with this capability we can achieve our net zero carbon goals faster.

Our factories can supply our sites with panels for up to 6,000 homes p.a., 4,600 of which are our advanced closed-panel systems. In addition, we have capacity to produce 6,000 floor cassettes from our factories with further innovation planned for future years.

Regeneration and brownfield land

We target 60% of our land to come from brownfield sources, looking to use space efficiently through design intended to optimise the use of land to minimise environmental impact whilst maximising urban regeneration.

Our approach to urban regeneration involves remodelling existing estates to increase quality and numbers of homes on a development. Previously industrial suburban brownfield sites are redeveloped in a way that improves the environment and communities, rather than encroaching on greenfield sites.

Placemaking and building successful communities

Creating places where people love means thinking critically about the social and digital infrastructure, transport and using green spaces wisely. It is more than just creating quality, sustainable buildings.

We engage with our communities at every stage, from understanding their needs and responding through design to working closely with our partners to empower communities through the whole development process, placing them at the heart of everything we do.

Collaborative working with partners

We have a strong track record of delivery working with a range of partners from local authorities and housing associations to community groups and other key stakeholders in a local community.

In our estate regenerations, we seek to involve residents throughout the development to ensure we provide the best mix of services and public open space for that community and that the community feels part of creating the new development.

High quality design & construction

With over 40 years' experience of master planning and placemaking, we pride ourselves on the quality of the places we create.

We provide homes built to a high standard and this has been recognised by our customers, over 90% of whom would recommend Countryside to a friend.



Our strategy



1.

Growth

Strong growth

Significant opportunity for multi-year double digit growth from new and existing regions in the UK market

Our approach

- 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
- Business development solely focused on Partnerships
- Revenue growth from increased volume

2021 highlights

- 44% of completions from private homes
- Private ASP to £380,000 as a result of some house price inflation within both the Partnerships and Legacy Operations business
- Growth in the new South Midlands and Yorkshire regions, contributing 710 units
- Conclusion of strategic review with 100% of new business development on Partnerships

Outlook

- Sustainable growth as new regions announced in 2020 and in the Home Counties develop to maturity
- Focus on the continued growth in sales outlets
- Continue to focus product on areas of strongest demand
- Manage sales values to maintain affordability
- Target net reservation rate between 0.6 and 0.8
- Flex the tenure mix depending on levels of demand

Average open sales outlets

61

during 2021

Net reservation rate

0.74

within our target range



2.

Returns

Attractive returns

High ROCE can be generated from our capital-efficient mixed-tenure strategy and efficient development approach

Our approach

- Focus on improving operating margin over the medium term
- Improved operational efficiency from greater scale
- Use of modular panel construction to increase asset turn
- Lower capital model to deliver higher returns
- Agile model allows flexibility through the cycle, protecting returns

2021 highlights

- Adjusted operating margin increased by 550bps to 11.0% reflecting changing mix of business and recovery from Covid-19
- 1,150bps increase in ROCE reflecting the recovery from the Covid impact in the prior year
- Commitment to return £450m of cash from legacy operations to shareholders via share buyback programme

Outlook

- 100% Partnerships focus
- Return to target operating margins across the Group
- Improve operational efficiency through greater scale
- Maintain capital discipline to drive ROCE improvement
- Investment in growth while managing gearing levels
- Maintain a conservative approach to net debt and invest in Partnerships growth. Reinvestment to take precedence over shareholder returns

Adjusted operating margin

11.0%

Return on capital employed

18.6%



Our strategy continued



3. Social impact

Positive social impact

Our focus is on affordable homes to buy or rent and the creation of mixed and balanced communities – places people love

Our approach

- Mixed-tenure development, with private, PRS and affordable homes
- Experts at regeneration and working closely with communities
- New developments created with our placemaking expertise focused on long-term positive outcomes

2021 Highlights

- Measured social impact on all our developments
- £1m Communities Fund into second year
- £243m of social value generated, equivalent to 16% of adjusted revenue
- Launched our new Building Communities strategy

Outlook

- Grow the Partnerships pipeline of future work
- Continue to focus on mixed-tenure developments
- Continue measuring social impact of our developments
- Communities Fund retained for another year

Homes

56%

were affordable or PRS

£243m

of social value generated



4. A sustainable business

Unceasing focus on sustainability

We re-use land whenever possible, and build high-quality low-maintenance homes in the most sustainable way, leveraging our significant investment in MMC

Our approach

- Record of incremental environmental impact reduction and social value generation
- Strong culture of ethical and responsible decision making

2021 Highlights

- Launched new approach to sustainability
- Set science-based targets
- Launched pathway to net zero report
- Made further progress in modular construction

Outlook

- Committed to Task Force on Climate-related Financial Disclosures disclosure by 2022
- Report the changes needed in the regulatory environment to the Sustainability Committee, particularly the use renewable heating systems in homes and net biodiversity gains on sites
- Continued investment in modern methods of construction including modular panel capabilities

53%

developments built on brownfield land

99.5%

site waste diverted from landfill



Key performance indicators

We have maintained a consistent set of KPIs at all levels of the business to ensure that all of our people understand what drives value for our shareholders. There is a clear link between performance against our financial and non-financial KPIs and remuneration through our Group bonus scheme which has targets including adjusted operating profit, adjusted operating margin, ROCE and our HBF Recommend a Friend score. Links to remuneration are highlighted by the appropriate icon. Further information on remuneration can be found on pages 93 to 119.

Our KPIs are also a good indicator of how we are delivering on our new Partnerships only focused strategy with the outcomes of growth, returns, social impact and sustainability.

Links to strategy



Growth



Returns



Social impact



A sustainable business

Links to remuneration



Annual incentive award

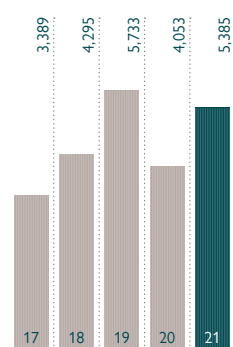


Long-Term Incentive Plan

Completions (#)

5,385

Change since 2020: +33%



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

Performance

Completions increased 33% in 2021 reflecting our recovery from 2020 where Covid-19 and start on site delays heavily impacted performance. The private forward order book unwound during the year and totalled £426m at the year end (2020: £528m), as a result of record private completions in year of 2,394 (2020: 1,454), coupled with a slightly reduced private reservation rate of 0.74 (2020: 0.78).

Links

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

Adjusted revenue¹

£1,526.2m

Change since 2020: +54%



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

Performance

Adjusted revenue increased by 54% to £1,526.2m in 2021 (2020: £988.8m) as our completion numbers increased during the year, alongside an increase in ASP across all tenures.

Links

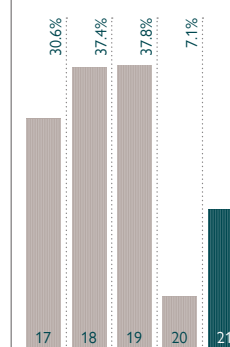
Adjusted revenue is a key measure of the growth the business has delivered.



Return on capital employed

18.6%

Change since 2020: +1,220bps



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 led to an increase in asset turn to 1.7 times (2020: 1.3 times), which coupled with the recovery of adjusted operating margin, resulted in a ROCE of 18.6% (2020: 7.1%).

Links

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



1. Adjusted revenue includes the Group's share of revenue from joint ventures and associate of £154.8m (2020: £96.8m; 2019: £185.7m; 2018: £210.9m; 2017: 183.0m).

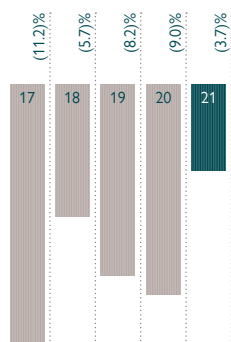


Key performance indicators continued

Gearing

(3.7)%

Change since 2020: +530bps



Net debt divided by net assets.

Performance

We ended the year with net cash of £41.0m (2020: £98.2m). This, combined with an increase in TNAV, resulted in gearing of (3.7)% (2020: (9.0)%). Adjusted gearing, which includes deferred land payments as debt, was 16.7% (2020: 8.7%).

Links

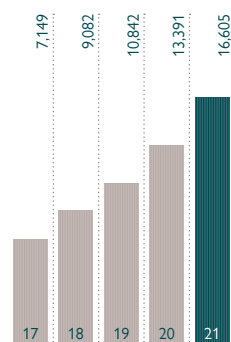
Maintaining the Group's gearing level at an appropriate level means that we maintain a resilient balance sheet which helps us to manage the business through the economic cycle.



Plots owned and with planning (# plots)

16,605

Change since 2020: +7%



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

Performance

Plots owned and with planning increased by 3,214 plots during the year as we continued to add to the Partnerships land bank with significant new business wins.

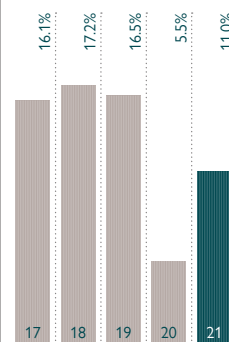
Links

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.

Adjusted operating margin²

11.0%

Change since 2020: +550bps



Adjusted operating margin divided by adjusted revenue.

Performance

Adjusted operating margin increased by 550bps driven by a change in tenure mix, with a higher proportion of private completions, in addition to our continued focus on operational efficiency.

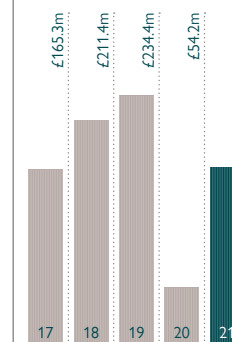
Links

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

Adjusted operating profit²

£167.3m

Change since 2020: +209%



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 209% to £167.3m (2020: £54.2m) as we continue to recover from the impact of Covid-19.

Links

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



2. Adjusted operating profit includes the Group's share of operating profit from joint ventures and associate of £32.8m (2020: £17.2m; 2019: £46.8m; 2018: £46.4m; 2017: £33.6m) and excludes non-underlying items of £(63.2)m (2020: £(42.4m); 2019: £(17.2m); 2018: £(15.7m); 2017: £2.8m).

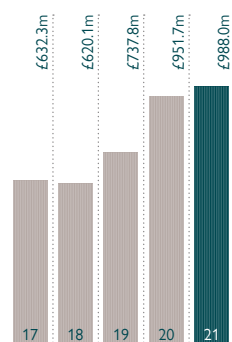


Key performance indicators continued

Tangible net asset value⁴
£m

£988.0m

Change since 2020: +4%



Net assets excluding intangible assets net of deferred tax.

Performance

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

Links

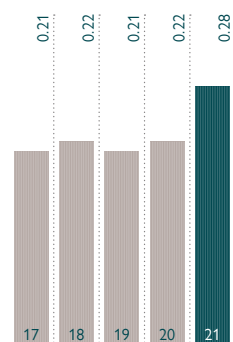
Growth in TNAV is a key measure of the success of our strategy to grow the business.



NHBC Reportable Items ("RIs")

0.28

Change since 2020: +27%



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

Performance

The number of reportable items per inspection was slightly higher during the year. We continue to focus on the quality of our build and expect the rate to reduce in the near future.

Links

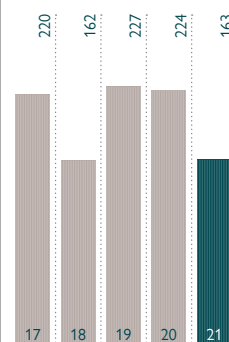
Building homes to a high standard helps minimise customer care issues and maintain our reputation for high quality homes. The strength of our reputation underpins our ability to grow the business.



Accident injury incident rate ("AIIR")

163

Change since 2020: -27%



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

Performance

We maintained the AIIR below the industry average for the 18th consecutive year. Overall, our AIIR was 163 (2020: 224) compared to the Health and Safety Executive national average of 372 (2020: 416).

Links

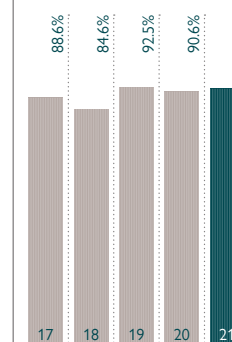
Our focus on health and safety helps keep our sites safe whilst operating at the pace we need to grow the business.



NHBC Recommend a friend score %

91.6%

Change since 2020: +100bps



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

Performance

During 2021 we had a real focus on our customers' experience across all levels of the business. Overall, 91.6% of our customers said they would recommend us which is an improvement on our performance in 2020 and, if maintained, will result in five-star status when officially announced in February 2022. This is an area we will continue to focus on going forward with customers at the heart of our business.

Links

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.



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



Group Chief Executive's review

A focused strategy for long-term success

Our strategy

We are proud to be the market leader in the delivery of high quality mixed-tenure communities. Our Partnerships business works closely with housing associations, public bodies and institutional private rental operators to deliver a balanced portfolio of affordable, private rental and private for sale homes.

We operate a highly differentiated mixed-tenure model underpinned by over 40 years of experience and a strong track record of delivery through collaborative working with partners. Our continual focus on establishing positive social change through the homes and communities we create means we are the partner of choice.

Our master planning and design capabilities ensure we utilise scarce land efficiently to create diverse, integrated and balanced communities. This is complemented by our capability to act as master developer on large sites, creating options for land owners in the development of large scale communities. Our investment in off-site manufacturing facilities supports the delivery of high quality developments of scale and at pace, in a highly energy efficient and sustainable manner. During the year, we completed construction of our second modular panel factory in Bardon, Leicestershire providing us with the infrastructure to deliver up to 4,700 closed panel homes across England each year and establishing our position in the use of modern methods of construction. In addition, our open-panel timber frame factory has capacity for a further 1,300 homes, supporting our low-rise home delivery.

Our model focuses on regeneration with opportunities generally sourced through public procurement processes or through direct negotiation with local authority partners. We also develop brownfield land or other land where we can deploy our mixed-tenure model, with both private and public sector landowners.

We utilise a lower capital business model, which is efficient with the pre-funding of both the private rental and affordable homes we develop with our trusted partners. Against the backdrop of continued demand across all housing tenures, this capital efficient, high return on capital employed model uniquely positions us to deliver multi-year double-digit growth from new and existing regions in the UK.

Group structure

In July 2021 we announced that, after a strategic review of the business, the Group would focus all its resources on Partnerships and that we would no longer operate a two-division structure. We believe that this approach will create the greatest value for shareholders and all our stakeholders over the long-term. We have established a new Partnerships division to serve the Home Counties using people and resources from the legacy Housebuilding operations.



More detail on our website:
bit.ly/36sDnwF

continued
overleaf →



Group Chief Executive's review continued

Group structure continued

A small number of current Housebuilding sites and certain sites in the strategic land bank, identified as fitting the mixed-tenure Partnerships model, will be utilised by this new Partnerships division. The strategy is aligned to the rest of the Partnerships business. Any assets that do not fit the Partnerships model are being realised over the course of the next two years with the proceeds to be returned to shareholders. It is the Group's intention to return surplus cash of at least £450 million to shareholders via on-market purchases of ordinary shares in the Company's share capital by 30 September 2023.

In August 2021, we appointed a Chief Investment Officer to identify, develop and enhance long-term partnerships with public sector partners and local Government, as well as private partners such as institutional investors. This is to support our growth and movement into new geographical areas.

The market has been robust as it recovers from Covid

In a recovery from Covid, we have seen homeowners and renters re-assess the ideals which they look for in a home and this has fuelled the "race for space" to take advantage of the stamp duty holiday which ended in September 2021. Demand has been sustained through low interest rates; improved mortgage availability, particularly in higher loan-to-value products; and the Government's Help to Buy scheme. With the latter coming to an end in 2023, we have been actively involved in several industry initiatives including working with lenders to ensure suitable mortgage availability for our customers.

Whilst household formation has been increasing, there has been a chronic under-supply of quality homes in recent years – well below the Government's annual target of 300,000 new homes. Commitment to this target was further strengthened through the announcement of a £1.8bn stimulus package to regenerate brownfield land that could unlock up to 160,000 new homes. The Group's strength in creating lasting communities and sustainably delivering large scale developments means we are well placed to access opportunities and continue to strengthen our relationships across the industry.

The shortage of homes is particularly acute within the Affordable sector and demand from registered providers of social housing continues to remain strong. Government initiatives including the £12bn Affordable Homes Programme and First Homes scheme continue to be supportive of the sector. Whilst we have experienced some delays in the planning process during the year, which has impacted our start on site, the market fundamentals remain highly attractive and our presence on the key delivery panels ensures we are well placed to capitalise on future growth opportunities.

Demand from institutional investors for private rental housing has been further stimulated by the current economic climate as investors seek attractive yields from high quality homes with low maintenance costs. The Group has established a strong presence in key build to rent growth regions outside main city hubs, particularly in the North and Midlands. Our commitment to putting our customers at the heart of everything we do is built on a deep understanding of their needs and governed by the framework agreements under which we operate.

Sustainability

The Government's commitment to making the UK net zero by 2050 will require all companies to make significant operational changes to reduce the impact of their carbon emissions. Changes to Part L and F of building regulations in England will come into effect in 2022 requiring new homes to achieve a 31% reduction in carbon emissions compared to current standards. This will increase to 75%-80% under the 2025 Future Homes Standard, through the use of low carbon heating systems and improved fabric efficiency. We recently launched our route to achieving net zero emissions by 2030, supported by science-based reduction targets. Our pathway is underpinned by the need to modernise construction and collaborate with our stakeholders to identify challenges and mutually beneficial net zero emission opportunities.

Our state-of-the-art manufacturing facilities in Bardon, Warrington and Narborough provide us the infrastructure to build at least 50% of new homes using modern methods of construction by 2025. We will work closely with our customers, suppliers and sub-contractors as we



We are proud to be the market leader in the delivery of high quality mixed-tenure communities."

transition to a net zero business. Further detail on our sustainability targets can be found in the Sustainability report on pages 45 to 61.

Our performance

The Group has recovered strongly since the Covid crisis in 2020 and made excellent progress on executing our growth plans, which is testament to the effort and commitment of our employees and strength of relationships with our partners.

We increased total completions by 33% to 5,385 homes (2020: 4,053 homes), driven by a strong increase in private delivery, where completions were 65% higher than last year at 2,394 homes (2020: 1,454 homes) as we completed on homes deferred as a result of Covid from the prior year.

Our net reservation rate of 0.74 (2020: 0.78) remained within the Group's target range of 0.6 to 0.8, slightly lower than last year as a result of our strong forward sales position as we entered the year.

Affordable completions increased by 25% to 2,107 homes (2020: 1,691 homes). PRS completions decreased by 3% to 884 homes (2020: 908 homes) impacted by delays to site starts as we recognise completions on an equivalent unit basis in line with construction activity. Underlying demand for these tenures remains strong and these delays are not expected to impact delivery over the medium term.



Group Chief Executive's review *continued*

Our performance *continued*

Our private average selling price ("ASP") increased by 4% to £380,000 (2020: £364,000) reflecting house price inflation of 2.6% in the year and an increase in weighting of delivery in the South which typically has higher ASPs. House price inflation in the forward order book is around 6% (2020: 2%). Affordable ASP increased year on year by 7% to £161,000 (2020: £151,000), and PRS ASP increased 19% to £170,000 (2020: £143,000) reflecting geographical mix as we recorded a higher proportion of completions in London where pricing is stronger.

Overall, our total forward order book at £1,528m (2020: £1,432m) was up 7% year on year. Our private forward order book at £426m (2020: £528m, 2019: £241m) was 19% lower than last year as we completed on homes deferred from the prior year as a result of the pandemic.

The quality of our homes and our exceptional customer service act as key differentiators from our peers. For the second consecutive year we have been awarded five-star builder status by the HBF demonstrating the exceptional attention that goes into planning, designing and constructing our homes. Our customer satisfaction rating, as measured independently by the NHBC Recommend a Friend score, improved to 91.6% (2020: 90.6%).

The health and safety of our colleagues, customers and sub-contractors remains our key priority. We continued with our Covid-safe operating procedures across the business, and our sites operated without disruption throughout the period. Our Accident Injury Incident Rate ("AIIR") showed an improvement over the prior year at 163 people injured over a year per 100,000 workers at risk (2020: 224) compared with the national average of 372 (2020: 416).

In March 2021, the CMA announced that it had commenced the consultation stage of its inquiry into the sale of leasehold properties. In September 2021 we announced that we had agreed voluntary undertakings

with the CMA where we would seek to address all leases where the ground rent doubled more frequently than every 20 years either directly or through negotiations with the current freeholder; a positive outcome for affected leaseholders.

We made further progress with our three newer regions established in July 2020, adding 1,519 plots to the land bank in our Chilterns, South West and South London regions during the course of the year. Overall our Partnerships land bank plus preferred bidder stood at 73,391 plots at 30 September 2021, of which 13,949 were owned and had planning, up 12% on the prior year.

Outlook

While supply side constraints are continuing to generate inflationary pressure, we continue to see strong demand across all tenures with house price inflation off-setting much of the build cost inflation. Our unique and attractive model allows us to secure opportunities with partners and to work on a variety of opportunities, especially brownfield and sites requiring regeneration.

We are 48% forward sold for 2022 including £426m from private sales (as at 30 September 2021) with a private net reservation rate in the nine weeks to 28 November 2021 at 0.94.

As the growth plans set out last year progress and our attractive market conditions are expected to continue, we expect to deliver adjusted operating profit in the range of £200m to £210m in the year to 30 September 2022, including a c.£40m contribution from Legacy Operations.

New medium-term plan

Following the clarification of the Group's strategy, our Partnerships teams are established and securing development sites in all regions including excellent progress establishing the Home Counties division.

The Board is focused on delivering lower risk, sustainable double-digit growth at target returns. We set out below our new medium-term plan for Countryside Partnerships for profitability and margins, ROCE and growth.

- We expect to make meaningful improvements in the performance of all our regions, including our established regions, over time.
- Group operating margins to be at least 13% when our new regions are all reasonably established.
- We have invested substantially in the expansion of Partnerships. TNOAV has increased from £103m to £610m over the last five years (including £209m from the former Housebuilding division). Going forward, we plan to maintain TNOAV for Partnerships at £750m (+/- £50m) until we achieve the optimised ROCE. We expect this to be achieved within two to three years. We continue to target ROCE of 40%+.
- Attractive market conditions are expected to continue and provide a significant multi-year growth opportunity.
- After reaching our optimised ROCE, we expect to resume double-digit growth in the range 10% to 15% per annum, with growth funded from retained earnings.

Iain McPherson
Group Chief Executive
29 November 2021



Embedding our values



**RESKILLING
THE RECOVERY**

**WE
REALLY
CARE**

about each other, our customers,
partners, and everyone who
deals with Countryside.

 bit.ly/314AxWG

**Countryside pledges £70,000
of apprenticeship funding to
small businesses**

Countryside has partnered with London Progression Collaboration and pledged £70,000 of apprenticeship levy funds towards its Reskilling in Recovery campaign. SMEs represent 99% of the UK's business community and we believe hiring apprentices and providing high-quality training are crucial for our industry.

**WE
GROW
TOGETHER**

as one solid team,
overcoming shared challenges
and achieving shared goals.

 bit.ly/3HQkQvK

**Midland Heart Partnership
brings 700 new homes in
two years**

In 2019 along with Midland Heart, we pledged to deliver 1,000 affordable homes over three years. Two years into this framework and we have brought 700 new homes to site with a further 200 in contract and 300 in the pipeline across the East, West and South Midlands.





Embedding our values continued



WE TAKE PRIDE

in everything we do to
make places and communities
people love.



bit.ly/3FMwxSF

How Countryside convinced us to buy new – Phil & Jen, Baberton Grange

When Phil and Jen started looking for a new home they were adamant on getting an older build. The pair have always been attached to the character and features of secondhand homes but after just one visit to Nuneaton's Baberton Grange they instantly fell in love with their Countryside home.

WE ALWAYS DELIVER

in the right way,
the Countryside way.



bit.ly/3CEEI1e

5000th MMC home delivered

Countryside has delivered its 5,000th closed panel home to Ribblesdale Place in Accrington, Lancashire. Modern methods of construction is not only a priority for us but for the Government and Homes England. This is a momentous occasion as we bring to life our ambition to deliver and futureproof homes and communities.





Group Chief Financial Officer's review

Stronger and fitter for a bright future

Group performance

As a result of the increase in volume and shift in mix, Group adjusted revenue increased by 54% year on year to £1,526.2m (2020: £988.8m). Reported revenue increased by 54% to £1,371.4m (2020: £892.0m). The difference between adjusted and reported revenue is the effect of the proportionate consolidation of the results of the Group's joint ventures and associate in the adjusted measure.

Group adjusted gross margin (including the Group's share of joint ventures and associate gross profit) increased by 430bps to 17.1% (2020: 12.8%). This margin increase was due to a recovery of margins in the Midlands towards target levels as we exited lower margin Westleigh sites and a higher proportion of land and commercial sales. During 2021 the Group recorded Covid-19 costs of £14.8m (2020: £21.6m). Current year costs relate to ongoing social distancing and health and safety measures at our sites and office locations.

Operating profit from land and commercial sales contributed £23.7m (2020: £7.8m), as we continue to realise value from our Legacy Operations land bank and focus the Group's resources on the Partnerships business. We sold land at Whittington Way, Bishop's Stortford and Sutton Road, Maidstone during the year. Land sales remain a part of our core Partnerships strategy for managing the balance sheet and geographical exposure, and are expected to deliver £15m to £20m of operating profit per annum in the medium term. We would also expect land sales to play a big role in accelerating the cash generation from our Legacy Operations.

Additionally, as part of Legacy Operations strategy, we sold our interest in the Cambridge Medipark Limited joint venture to the JV Partner Prologis for £16.2m. The joint venture delivers commercial units at a single site in Cambridge, which is not seen as core to our Partnerships model.

During the year, we continued to invest in future growth, opening two new offices, continuing our software upgrade programme and commissioning our new factory in Bardon. Together, these growth costs amounted to around £21m.

Adjusted operating profit increased by 209% to £167.3m (2020: £54.2m). This is stated after charging £5.9m of costs relating to the development and implementation of cloud-based IT systems, predominantly relating to the roll-out of our new accounting software, Microsoft Dynamics, including its integration to our wider IT infrastructure. These costs are required to be written off as incurred.

The Group's adjusted operating margin increased by 550bps to 11.0% (2020: 5.5%) reflecting the higher gross margins described above, lower Covid related costs and overhead efficiency savings.

Build cost inflation in the year was around 5% (2020: 0.2%) driven by challenges in the supply chain as a result of a shortage of HGV drivers and the blockage of the Suez Canal, with materials cost seeing the biggest impact. Significant inflation was seen across several categories including timber and steel and we expect inflationary pressure to continue in the short term. With construction costs contributing around 40% of our cost base, combined with a focus to limit our exposure to cost increases through early procurement, the impact of build cost inflation on margin was 0.5% (2020: 0.1%).

We continue to focus on operational efficiency to minimise the impact of cost increases through the use of standard house types, use of Group buying deals and leveraging our off-site manufacturing capabilities.



Group Chief Financial Officer's review continued



During the year, we continued to invest in future growth, opening two new offices, continuing our software upgrade programme and commissioning our new factory in Bardon”

Group performance continued

The Group reported a statutory operating profit of £71.3m (2020: £5.4m operating loss) with the difference to adjusted operating profit being the proportionate consolidation of the Group's joint ventures and associate and non-underlying items recognised during the year. Further details of the difference can be found in Note 4 to the financial statements.

Our net reservation rate per open sales outlet remained at the upper end of our target range at 0.74 (2020: 0.78). As expected, this was slightly lower than the prior year as a result of our strong forward order position as we started the year. The average number of open sales outlets was broadly in line with the prior year at 60 (2020: 63). In total, 51 sites (2020: 62 sites) were under construction but not yet open for sale as at 30 September 2021, 18% lower than last year following the completion of a number of smaller, affordable-only sites.

NET ZERO CARBON READY HOMES

Alongside Chelmsford City Council and Homes England we have agreed to the funding of the first stage of work which will see an early phase of the Chelmsford Garden Community being delivered as net zero-carbon ready homes, as proposed by the Government's emerging Future Homes Standard.

The award-winning Beaulieu and Channels developments are among the first neighbourhoods being built as part of Chelmsford Garden Community with over 1,500 homes already completed. The Beaulieu neighbourhood is already identified as an exemplar development in line with the national design guidance and decarbonisation plans.



Read the full article on our website

continued
overleaf →



Group Chief Financial Officer's review continued

Partnerships

Our Partnerships business has recovered well from the Covid-19 pandemic with strong underlying demand across all tenures.

Our three new operating regions in the Chilterns, the South West and South London are now established and operational. We appointed two new divisional Chief Executives to support the delivery of our growth plans in the North and Midlands. Construction of our new modular panel factory in Bardon, Leicestershire is complete and will begin production by the end of 2021.

The below results include the results of developments transferred from Housebuilding to Partnerships Home Counties unless stated otherwise. The results of the Partnerships Home Counties operating region are shown below:

Partnerships Home Counties		
Year ended 30 September	2021 £m	2020 £m
Completions:		
Private	121	46
Affordable	90	38
PRS	34	—
Adjusted revenue (£m)	113.3	39.8
Adjusted operating profit (£m)	21.5	4.7
Adjusted operating margin (%)	19.0	11.8
ROCE (%)	12.3	4.0
Reported revenue (£m)	29.2	5.2
Reported operating profit/(loss) (£m)	1.7	(1.2)
Reported operating margin (%)	5.8	(23.1)

In total, 4,393 homes were delivered by the Partnerships business in the year, an increase of 33% (2020: 3,297 homes). Completions of private housing increased by 67% to 1,649 homes (2020: 985 homes) as we completed on homes deferred from the prior year due to Covid-19. As expected, our private forward order book reduced by 32% to 645 homes (2020: 949 homes) as a consequence. Delivery of affordable homes increased by 32% to 1,887 homes (2020: 1,428 homes) and PRS volume reduced by 3% to 857 homes (2020: 884 homes) with both non-private tenures impacted by delayed site starts. Our total forward order book for the business stands at £1,235m (2020: £1,092m).

Private ASP increased 5% to £329,000 (2020: £314,000), reflecting slightly stronger house price inflation in the Midlands and North and a greater proportion of delivery from the South particularly our London developments such as Acton Gardens, Ealing and Home Counties at Beaulieu, Chelmsford. Adjusted revenue increased by 54% to £1,033.2m (2020: £669.2m), with reported revenue, which excludes the Group's share of revenue from joint ventures, up 53% to £902.3m (2020: £590.5m).

Adjusted gross margin increased by 430bps to 17.1% (2020: 12.8%) as a result of operational gearing due to a return to normal delivery levels after the Covid-19 pandemic. Adjusted operating profit was up 187% to £107.7m (2020: £37.5m) and reported operating profit increased to £34.4m (2020: £15.0m).

In one of our under-performing Northern regions we have a large site that, whilst profitable, is not currently achieving expected financial hurdles. We are working with local partners to improve the financial performance of this scheme. If we are unable to achieve this, we may choose to exit from this particular site which could result in a write-down of inventory of up to £20m.

During the year we secured 9,008 new plots (2020: 8,369) in addition to a further 9,665 plots where we have agreed terms on options (2020: 3,005), with significant new projects across all of our regions. These wins led to our Partnerships land bank, including preferred bidder, increasing by 12% to 73,391 plots under our control (2020: 65,705), of which 13,949 are owned and with planning (2020: 9,340).

Legacy Operations

As previously noted, during the year the Group completed a strategic review of its Housebuilding business and announced its intention to focus all its resources on its Partnerships business going forward.

Whilst a number of current developments, joint venture operations and strategic land bank sites fitting the mixed-tenure model have been transferred into the Partnerships segment, the legacy Housebuilding operations (hereafter referred to as Legacy Operations) still made a significant contribution to the Group's results for the year.

Legacy Operations include several large multi-phase developments including Newhall in Harlow, Hazel End in Bishops Stortford and Runwell, Essex, as well as the St Mary's Island, Chatham and Oaklands Hamlet, Chigwell joint ventures. Legacy Operations also include the Millgate business which we had already decided to close, and, during the year, we have accelerated the amortisation of the Millgate brand to align with the completion of the final Millgate sites.

The performance of Legacy Operations during the year was strong, as the business caught up with build delays caused by the Covid-19 pandemic and private sales were supported by strong demand in the Home Counties regions outside of London and by government incentives for new home buyers.

Private completions, including the Group's share from joint ventures, increased to 745 (2020: 469), and private ASPs increased by 4% to £489,000 (2020: £469,000). Affordable and PRS completions decreased to 247 homes (2020: 289) at a blended ASP of £208,000 (2020: £192,000).



Group Chief Financial Officer's review continued

Legacy Operations continued

In keeping with previous years, the results also include a number of land and commercial sales during the year, largely from the strategic land bank, which contributed £73.3m of revenue and £15.8m of profit (2020: revenue of £36.8m; profit of £6.8m). As part of the strategy to exit non-Partnerships activities, the Group also disposed of its interest in the Cambridge Medipark Limited joint venture, recognising a gain on disposal of £13.9m, reflecting the market value of the underlying land bank controlled by the joint venture. We expect to use land sales as a way of accelerating run off of Legacy Operations over the next two years.

Gross margin for Legacy Operations increased by 320 bps to 17.4% (2020: 14.2%), largely reflecting increased volumes and increased recovery of production overheads, increased house price inflation, and due to the one-off impacts of the Covid-19 pandemic in the previous year. Similarly, adjusted operating profit increased by 790 bps from 6.4% in 2020 to 14.3% in 2021.

As at 30 September 2021, the land bank for Legacy Operations, including strategic land parcels held for third party sales, totalled 3,903 plots (2020: 5,779). The Group expects to have disposed of the majority of these plots by the end of the 30 September 2023 year end, either through the traditional speculative build and sales model (underpinned by a strong forward sold position on private sales as at 30 September 2021 of 60%) or through land parcel disposals.

Non-underlying items

The quality and safety of the homes we deliver is of the utmost importance to the Group. Since December 2020, EWS1 surveys have identified 69 buildings on 17 sites, constructed between 2008 and 2017, where the current building owner believes there are defects in the building which need to be remediated. We have recognised a provision of £41m (2020: £Nil) in respect of these costs.

Following the Competition and Markets Authority's ("CMA") review into the sale of leasehold properties, on 15 September 2021 Countryside announced that it had agreed voluntary undertakings with the CMA to seek the removal of all 10 and 15 yearly doubling clauses from

leases where the ground rent is not for the ultimate benefit of a local authority or registered provider of social housing, at no cost to leaseholders. These undertakings have resulted in an increase to the Ground Rent Assistance Scheme provision of £3.8m (2020: £10.0m), taking the total provision to £13.8m and the recognition of an inventory provision of £0.7m (2020: £Nil) relating to leases where Countryside is the freeholder.

Following the conclusion of the Group strategy review into the separation of the Housebuilding business and our subsequent announcement in July 2021 to focus all resources on our Partnerships business, the Group has recognised £6.0m of non-underlying costs. These costs comprise legal, tax, and accounting advisory services relating to the review.

The amortisation/de-recognition of acquisition-related intangible assets is reported within non-underlying items as management does not believe this cost should be included when considering the underlying performance of the Group.

A total tax credit of £11.6m (2020: £4.7m) in relation to all of the above non-underlying items was included within taxation in the statement of comprehensive income.

Net finance costs

The Group has a £300m revolving credit facility expiring in May 2023. The agreement has a floating interest rate based on LIBOR. As at 30 September 2021 the Group had no drawings under the facility (2020: £Nil). The reference interest rate will be changed to SONIA later in 2021 following the retirement of LIBOR as a reference rate. This change is not expected to have a material impact on the Group's borrowing costs.

In 2021, net finance costs were £15.8m (2020: £13.5m), of which net cash costs were £2.4m (2020: £5.1m). Interest on the Group's bank loans and overdrafts was 40% lower than last year with total charges of £3.2m (2020: £5.3m).

Year ended 30 September	2021 £m	2020 £m
Non-underlying items included within cost of sales:		
Remediation costs for multi-occupancy buildings	(41.0)	—
Ground Rent Assistance Scheme	(0.7)	—
Write-down of inventories	—	—
Non-underlying items included within administrative expenses:		
Costs relating to the Housebuilding separation	(6.0)	—
Ground Rent Assistance Scheme	(3.8)	(10.0)
Amortisation / de-recognition of acquisition-related intangible assets	(11.7)	(10.2)
Impairment of goodwill	—	(18.5)
Restructuring costs	—	(3.5)
Deferred consideration relating to Westleigh	—	(0.2)
Total non-underlying items	(63.2)	(42.4)

continued
overleaf →



Group Chief Financial Officer's review continued

Taxation

The income tax charge was £13.1m (2020: £2.1m), with an adjusted tax rate of 17.6% (2020: 17.2%) and, on a reported basis, an effective tax rate of 15.3% (2020: (107.7)%), the main difference between the rates reflecting non-underlying items and the treatment of joint ventures and associate. The adjusted tax rate reconciles to the reported rate as follows:

Adjusted tax rate

Year ended 30 September 2021

	Profit £m	Tax £m	Rate %
Adjusted profit before tax and tax thereon	150.3	26.4	17.6%
Adjustments and tax thereon:			
Non-underlying items	(63.2)	(11.6)	—
Taxation on joint ventures and associate in profit before tax	(1.7)	(1.7)	—
Reported profit before tax and tax thereon	85.4	13.1	15.3%

In April 2017 Countryside obtained clearance from HMRC in respect of the VAT treatment of its supplies to Registered Providers, allowing us to treat the sale of land and supply of homes as one VAT supply. HMRC have notified us of their intention to withdraw this clearance and that they now view this as two separate VAT supplies. The withdrawal of the clearance will impact on the timing of receipts from Registered Providers and profit recognition.

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate would increase to 25% and this rate had been enacted at the reporting date.

In the Autumn Statement 2021, the Government confirmed that a Residential Property Developer Tax ("RPDT") will be introduced with effect from 1 April 2022. The RPDT will be charged at 4% on relevant profits exceeding an annual allowance of £25m.

In 2022, Countryside expects the adjusted tax rate to be higher than the UK statutory corporation tax rate due to the introduction of the RPDT.

Share buyback

On 7 July 2021 we announced the results of our Strategic Review, including the return of £450m of surplus cash generated from our Legacy Operations Division to shareholders by 30 September 2023.

As at close of 30 September 2021, we had repurchased 7,124,979 shares at a cost of £34.8m. As at 29 November 2021, we had purchased a total of 9,474,979 shares at a cost of £49.9m.

Earnings per share

Adjusted basic earnings per share increased by 220% to 23.7 pence (2020: 7.4 pence) reflecting the increase in adjusted operating profit during the year, offset by the higher number of shares in issue following the equity placing in July 2020. The basic weighted average number of shares in issue was 523.0m (2020: 462.1m).

The Group recorded a basic earnings per share of 13.8 pence (2020 basic loss per share: 0.8 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 reviewed the capital allocation policy of the Group and considers that sufficient growth opportunities exist for the Partnerships business that all cash available for investment should be used to fund that growth. Accordingly, the Board does not recommend the payment of a final dividend in respect of 2021 performance (2020: £Nil).





Group Chief Financial Officer's review continued

Statement of financial position

As at 30 September 2021, Group TNAV was £988.0m (2020: £951.7m), an increase of £36.3m.

The Group's net working capital increased by £140.7m primarily due to an increase in inventory of £84.7m as a result of later than expected site starts which has delayed unit completions. Receivables were £47.5m lower at year end due to higher than normal levels of amounts due from customers in 2020, as a result of the phasing of construction activity. This was partially offset by the recognition of additional provisions in the year in respect of remediation costs for multi-occupancy buildings and the Ground Rent Assistance Scheme.

Our net investment in joint ventures and associate, including loans from the Group, totalled £101.3m (2020: £111.3m) as increased levels of stock within our active investments were offset by reduced production from our Greenwich Millennium Village investment.

Deferred land and overage payables totalled £250.6m (2020: £224.1m), with £197.3m in Partnerships and £53.3m in Legacy Operations (2020: £129.3m in Partnerships, £94.8m in Legacy Operations). The decrease in Legacy Operations was driven by the settlement of payables during the year relating to Bishop's Stortford, Hertfordshire, and Maidstone, Kent.

ROCE increased to 18.6% (2020: 7.1%) reflecting the increase in adjusted operating margin. The Partnerships business achieved ROCE of 20.0% (2020: 10.1%).

Return on Capital Employed

Year ended 30 September	2021	2020
Adjusted operating profit (£m)	167.3	54.2
Average capital employed (£m) ¹	900.3	759.0
Return on capital employed (%)	18.6	7.1
Increase	1,150bps	(3,070bps)

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	2021 £m	2020 £m
Profit/(loss) before taxation	85.4	(1.9)
Non-cash items	(0.3)	38.5
Increase in inventories	(84.7)	(250.5)
(Increase)/decrease in receivables	(47.5)	48.2
(Decrease)/increase in payables	(8.5)	11.8
Increase/(decrease) in provisions	45.6	9.0
Cash used in operations	(10.0)	(144.9)
Interest and tax paid	(23.7)	(33.7)
Dividends paid	—	(50.5)
Purchase of own shares	(34.8)	(2.0)
Decrease/(increase) in advances to joint ventures and associate	6.8	(19.8)
Dividends received from joint ventures and associate	24.3	35.8
Repayment of members' interest	5.8	4.4
Proceeds of issue of share capital	—	243.0
Other net cash outflows	(25.5)	(7.4)
Net (decrease)/increase in cash and cash equivalents	(57.1)	24.9

The Group's cash position reduced by £57.1m in the year to 30 September 2021 to £43.4m. The Group invested £10.0m in its operations (2020: £144.9m cash investment) predominantly through a £84.7m increase in inventories during the year (2020: £250.5m) to support the growth into new regions.

The Group also repurchased 7.1 million shares as part of our share buyback programme at a cost of £34.8m (2020: nil). Overall, net cash reduced by £57.2m to £41.0m (2020 £98.2m).

Mike Scott

Group Chief Financial Officer

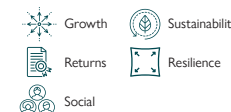
29 November 2021



Our Partnerships business has recovered well from the Covid-19 pandemic with strong underlying demand across all tenures.”



Strategic priorities



Building stronger relationships

To promote the success of the Company, we strive to foster strong business relationships with customers, suppliers and the communities in which we operate, and meet the interests of our employees while acting fairly for the benefit of shareholders as a whole. Engagement with our key stakeholders helps to ensure we have a long-term sustainable business model that provides good quality homes for our customers.

Section 172 of the Companies Act 2006 requires Directors to take into consideration the interests of stakeholders in their decision making. Whilst the importance of giving due consideration to our stakeholders is not new, this part of the report serves as our Section 172 statement and sets out how we engage with, and take into consideration, the interests of those key stakeholders who are material to the long-term success of the business.

Our key stakeholders are our shareholders, our business partners (such as the housing associations and local authorities that we work with), our employees, our suppliers, the communities in which we operate, our customers and the Government and regulators.

The stakeholder voice is brought into the boardroom throughout the annual cycle through information provided by management and also by direct engagement with stakeholders themselves.

The following pages describe the engagement process in more detail.

Shareholders

Strategic priority



Regular engagement with shareholders in order to understand their views on governance and performance against the strategy is facilitated through a comprehensive investor relations programme. It ensures that Board members meet with investors and analysts regularly, supported when appropriate by other members of the senior Executive team.

How we engage

Programme of investor meetings

- Following release of year-end and half-year results, the Executive Directors meet with a range of the Company's investors and sell-side analysts to discuss the Group's strategy and results
- Throughout the year, the Executive Directors, MD Corporate Affairs and other members of management participate in calls and investor conferences to meet prospective and existing investors, to communicate Group strategy and respond to questions
- In FY21, following the appointment of John Martin as Chair, we engaged with many shareholders in one-to-one meetings

Annual General Meeting

- At the AGM on 20 January 2022, the Group Chief Executive will update shareholders on the Group's performance and activities during the year and shareholders will have the opportunity to raise questions about the business tabled at the meeting

- The Chair and all other members of the Board (including the Chairs of the Remuneration and Audit Committees) will be present to answer questions
- Shareholders will be able to submit questions to the Board in advance of the AGM

Capital Markets Event

- A Capital Markets Event was held on 30 November 2021 at which the Group Chief Executive and senior members of Group management presented an update on the Group's strategy and growth plans

Website

- The Group maintains an Investor Relations website which contains details of the Group's results, strategy and share price

General correspondence

- The Company Secretarial team notify the Chair and the Group Chief Executive of any correspondence received from shareholders

What they tell us

- The investment case for the Group should be communicated more clearly
- The Group should focus its activities on growing the Partnerships business
- Management should set out their capital allocation Policy in more detail for investors
- It is critical to articulate and demonstrate the Company's ESG credentials



Strategic priorities



Stakeholder engagement continued

Shareholders continued

Board decisions and what we are doing

- The Board receives regular updates from the Executive Directors and the Company's brokers on investor relations activities and feedback from investors and analysts to enable all Board members to have a clear understanding of the views of key shareholders
- Regular shareholder communication ensures that the Group's performance and prospects are understood by the investment community
- A Capital Markets event was arranged for 30 November 2021 to communicate the Group's strategy to investors
- Following a strategic review of the future of the Group's Housebuilding division, the Company announced on 7 July 2021 the decision to focus all of its resources on the Partnerships business and, in so doing, generate at least £450m of surplus cash to be returned to shareholders via on-market purchase of its own shares (for more information see page 163)
- Approval and implementation of the Group's ESG strategy and a commitment to deliver science-based carbon reduction targets for the Group



A Capital Markets event was arranged for 30 November 2021 to communicate the Group's strategy to investors."



Strategic priorities



Stakeholder engagement continued

Partners

Strategic priority



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

How we engage

- Engagement with large housing associations through the G15 group and other forums
- Membership of the Home Builders Federation
- District Council Network, County Council Network, Civic Voice and National Planning Forum
- Regular engagement meetings with other partners

What they tell us

- Community engagement is key
- Use of local labour and suppliers is encouraged
- Accelerated delivery of affordable housing is critically important for communities
- We must minimise disruption to existing residents

Board decisions and what we are doing

- Introduction of regular engagement sessions with different partners at Board meetings
- Early planning discussions, public engagement and master planning workshops
- Regular community events to engage residents in planning and design
- Commitment to apprenticeships and local supply chains on our developments
- Creation of tenure-blind communities
- Clear delivery programmes and communication at all stages
- Annual partnering awards to celebrate supply chain excellence



Building strong relationships and working partnership with an equally focused and committed team as Countryside are, sits comfortably alongside our values and aims.”

Graham Barnet, Sigma Capital Group



Strategic priorities



Stakeholder engagement continued

Employees

Strategic priority



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

How we engage

- New joiner inductions with Executive team
- Quarterly business update presentations
- Staff intranet and magazine
- Meet the CEO breakfast meetings
- Staff engagement groups at a regional level, with feedback to Group Executive Committee and NED involvement
- Board visits to different sites and offices
- Increased virtual training and personal development sessions and HR roadshows
- Staff survey
- Employee mailers sent to all employee addresses

What they tell us

- Working for a company with a strong positive culture drives employee engagement
- Training and development are key to engaging the workforce
- Flexible working and benefits are a differentiator when choosing an employer
- Managing mental health and wellbeing is increasingly important

Board decisions and what we are doing

- Approved a programme to modernise and transform the Group's working environments
- Approved the Company's purpose and values and a programme of events to embed them across the Group
- Approved the Company's Diversity Equity & Inclusion strategy
- Launched the 2021 employee engagement survey
- Programme of visits by Baroness Sally Morgan, the designated Non-Executive Director to represent views of the workforce, to sites across the business
- Continually reviewing the employee journey including training, benefits and culture



We want to build a greater culture of inclusion, where we celebrate and value individual difference. An environment where everyone can be their true selves and feel included and belong.”



Strategic priorities



Stakeholder engagement continued

Suppliers

Strategic priority



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

How we engage

- Detailed tendering process
- Liaison through central procurement department working closely with major suppliers nationally
- Centralised process to provide unified data, trend analysis and risk profiling
- Local buying teams engaging with local suppliers
- Networking events and liaison with wider supply chain partners (sub-contractors and distributors)
- Contractors and supply chain survey
- Collaborative scoping meetings
- Regular meetings, engagement groups, training and “toolbox talks”

What they tell us

- They value the visibility of future projects and workload
- Regular review meetings to discuss performance, quality and risk
- Prompt payment is important in managing their business
- Regular communication helps manage issues relating to production levels, constraints and lead times
- 90% of feedback positive when asked if Countryside worked collaboratively

Board decisions and what we are doing

- Regular meetings with all key suppliers, through the Group Procurement department, to discuss:
 - our core policies and principles on sustainability
 - key risks and mitigation plans
 - project pipeline and tender feedback to help improve transparency
- Introduction of a new supplier management system automating the order to payment process
- Approving a programme to improve the timing of payments to suppliers
- Managing cost inflation by fostering robust volume-based long-term agreements with our supply chain partners
- Securing required volume in exchange for continuity of supply
- Signed up to Supply Chain Sustainability School to raise awareness of key sustainability issues with our suppliers





Strategic priorities



Stakeholder engagement continued

Communities

Strategic priority



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

How we engage

- Consultation through the planning process to understand the needs of the local community
- Meetings with councillors, planning officers and other key officials such as in highways and education
- Town hall meetings, consultation events and drop-in sessions
- Collaboration with local charities and community groups
- Developing scheme-specific websites and social media to reach a wider group of people
- Newsletter drops to surrounding community to keep them informed of proposals
- Employing local people who understand local needs
- Dedicated community development team with community liaison officers

What they tell us

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

Board decisions and what we are doing

- Maintaining the £1m Communities Fund
- Ensuring that community engagement is at the heart of developing new proposals
- Supporting community champions
- Delivering timely infrastructure to support our new communities
- Creating "community chests" where residents choose how money is invested on our regeneration projects
- Employee volunteering within communities as part of our charity initiatives
- Visiting local schools



At Countryside, we have been creating award-winning, sustainable communities for over 60 years. We are proud to put people at the heart of everything we do."



Stakeholder engagement continued

Strategic priorities



Customers

Strategic priority



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

How we engage

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

What they tell us

- Regular communication is important
- Community facilities are important
- Importance of clarity on moving dates
- Availability of customer service teams and prompt resolution of issues
- Whether they would recommend us to a friend

Board decisions and what we are doing

- Maintaining customer service as one of the employee bonus metrics
- Continued investment in the standardisation of Group policies and procedures to drive consistency and best practice across the Group and enhance the overall customer journey from initial enquiry through to legal completion and beyond
- Approving clear plans to address leasehold and building safety issues
- Regular reviews of customer service data
- Ensuring feedback informs future design and specification
- Designated Executive Committee member with responsibility for the customer journey
- Continued website enhancements and virtual adaptations – including online reservations, video and virtually assisted show home tours, and home demonstration videos



We love that our new home is designed to keep the heat in and costs low. We also like the eco features that are included with Countryside.”



Strategic priorities



Stakeholder engagement continued

Government and regulators

Strategic priority



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

How we engage

- Regular dialogue with Government and industry groups
- Active member of the HBF
- Ongoing engagement with planning authorities
- Regular communication with other regulators such as HMRC and HSE

What they tell us

- Industry needs to deliver more homes
- Help to Buy caps to be introduced in 2021 with the scheme extended to 2023
- Fire safety and leasehold reform under review
- Modern methods of construction and speed of build required on Homes England sites
- Fossil fuels will no longer be used in new homes from 2025

Board decisions and what we are doing

- Engaging with Government departments directly, or through the Home Builders Federation, on the industry's opportunities and challenges
- Engaging with local planning authorities
- Embracing modern methods of construction with investment in modular panel factories
- Inclusion in the FTSE4Good Index
- Approval of undertakings given to the CMA





Risk management

Our approach to risk

Given the cyclical nature of the UK housing market and the changing political, regulatory and legislative conditions, risk identification, assessment and management are built into every aspect of Countryside's operations.



Iain McPherson
Group Chief Executive

How we manage risk

The Board has ultimate responsibility for risk management within Countryside and determines the Group's overall risk profile and appetite for risk in achieving its strategy for long-term value creation. This includes an assessment of the Group's principal and emerging risks. The Board completed its annual assessment of risks at its meeting on 4 October 2021, the results of which are set out on pages 40 to 44.

The Audit Committee supports the Board in the management of risk and reports to the Board on its assessment of the effectiveness of the Group's risk management and internal control processes during the year. This includes approval of the Group's internal audit assurance programme and monitoring the effectiveness of the external auditors.

The day-to-day management of risk is delegated to the Risk Management Committee ("RMC"), which provides a focal point for the co-ordination of the Group's risk management efforts. It meets at least three times a year and its membership comprises all members of the Executive Committee and the Director of Audit and Risk Assurance.

The RMC is chaired by the Group Chief Executive.

The standing business of the RMC includes reviewing:

- the Group risk register, mitigation plans and internal controls;
- for each risk, the assessment of gross and net risk versus risk appetite, risk progression and adequacy of mitigating actions;
- emerging risks, material changes in risk and risks identified by regional management teams;
- the internal audit plan, reports and progress against recommendations;
- key developments from the Sustainability Committee
- the management of claims and litigation;
- reports of whistleblowing and fraud;
- the forecast impact of and preparation for proposed and new legislation;
- key policies and risk mitigation documentation (e.g. start on site or land acquisition checklists); and
- total cost of risk against insurance and bond requirements.

At regular RMC meetings, a different "principal risk" or "emerging risk" is reviewed in depth. A description of the key areas of risk considered during 2021 is set out on the following pages.

The management boards of each regional business review operational risks and in turn report to the RMC. The introduction of regional risk registers and the process of standardised reporting up to the Group's RMC has contributed to a better overall awareness of risk and implementation of mitigating actions.

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

the "risk owner". 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 level of risk that the Group is prepared to accept in pursuit of its objectives (risk appetite)?
- Has the risk assessment changed and what is expected to change going forward?

The risk assessments made are scored against a "risk scoring matrix" that grades the likelihood of occurrence and impact based on a range of types of impact (such as reputational, financial, operational and environmental) to improve consistency. The results are reviewed by the RMC, which compares them to the Group's appetite for each risk, reviews the current level of preparedness and determines whether further actions or resource are required. In reviewing and agreeing the mitigating actions, the RMC considers the impact of risks individually and in combination, in both the short and the longer term.

Risk identification and management are 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 achieving 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 85 and 86.



Risk management continued

Our risk management framework

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

Key areas of focus during 2021

Covid-19

Whilst Countryside has followed all Government restrictions for the duration of the pandemic, all of the Group's sales offices re-opened on 1 June 2020 and a phased re-opening of offices progressed until the full re-opening of all offices from 6 September 2021. Whilst this is a positive step forward in the journey back to more normal times, we remain cautious. The "Smart Working" guidelines, described in greater detail on page 64, have been rolled out to promote a more flexible approach to work longer term. The guidelines reflect the lessons learnt during the pandemic and the Government lockdowns and the feedback received from employees. They are one part of the various ways we have adapted our business model to take into account the fact that life has to a degree changed. Other measures include an increased online presence for both new and existing customers for matters such as customer visits by video conference, as well as a number of virtual home tours.

Supply chain resilience

Maintaining strong and stable relationships with key suppliers has, more than ever, been critical during 2021 and the ongoing Covid-19 pandemic. Combined with the impact of Brexit (following cessation of the transition period on 31 December 2020) and a series of events such as the Suez Canal blockage and a shortage of HGV drivers, there have been major challenges in maintaining the required supply of materials and personnel. A global shortage of construction materials has also contributed to longer lead times and increased prices. The combined impact of these factors has pressured many manufacturers to place key materials on allocation, due to a lack of stock and ongoing production capacity issues. In mitigation, the Company's Group Buying team has carried out in-depth negotiations where increases were originally imposed, requiring fair compromises on both sides, leading to reasonable controls on price increases and improved security of the volumes required to meet our build programmes.

The Board has always recognised the critical importance of maintaining strong relations with the Group's suppliers to underpin its operations and especially so during the challenges of the last 18 months.

continued
overleaf →

**Risk management** continued**Key areas of focus during 2021** continued**Supply chain resilience** continued

All steps were taken to support existing suppliers through dialogue, improved transparency of future requirements, maintenance of commercial terms and a focus on sub-contractor safety. As the year has progressed, we have seen certain product shortages and cost increases start to ease and would expect this to continue as we move into 2022.

Innovation and development of the Group's modern methods of construction ("MMC")

Countryside has invested significantly to develop its MMC capability, given the consequent benefits of reduction in on-site labour, better control of costs and improved efficiency and security of supply. But a greater reliance on MMC product both potentially increases certain existing risks and introduces new risks that the Committee has spent considerable time reviewing and addressing during FY21.

A principal consideration has been how to minimise the risk of a break in supply due to production capacity problems (including from machinery failure, poor weather, labour shortages or other business continuity risks). The key mitigating strategy has been to decouple supply from demand and to create a buffer of product that can continue to be delivered irrespective of the majority of risks that might emerge in terms of production capability. The addition of the Group's new Bardon factory, which commences production from quarter 1 in FY22, further enhances this strategy. The "decoupling" helps create sufficient headroom to accommodate both minor repairs and planned maintenance activities that will typically be carried out by the factories' direct employees. Service contracts are in place for ongoing manufacturing support and the most recent factory at Bardon, the machinery is also "real-time" connected via data links back to the original equipment manufacturer.

The factories have also developed a bespoke supply chain strategy to suit manufacturing operations that is purposefully focused on surety of supply and the reduction/elimination of risks associated with having to use substitute (equivalent or approved) products/materials/components.





Risk management continued

Key areas of focus during 2021 continued

Climate change

Failure to adequately prepare for the impacts of climate change has, for the first time, become a principal risk for the Group.

There is a marked increase in climate change responsive Government policies and regulations. A significant proportion of these legislative changes is targeted at reducing the greenhouse gas emissions of the built environment, such as through tightening building regulations. A number of local authorities have additionally declared climate emergencies requiring them to embed climate action in their decision making and climate change mitigation and adaptation requirements are weighted heavily by Homes England. Investors too have increased the levels of climate change performance reporting that they require.

During FY21, considerable time has been devoted to consideration of the impacts of climate change on our business, recognising that ongoing analysis is essential to inform our medium to long-term decision making.

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 2024. In making this statement, the Board has performed a robust assessment of the principal risks facing the Company, including those risks that would threaten Countryside's business model, future performance, solvency, or liquidity. The principal risks facing Countryside and how the Company addresses such risks are described in this Strategic Report and are summarised in the Principal Risks section of this report.

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

The Directors' assessment includes a financial review, which is derived from the Group's strategic forecasts and identifies 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 the Group's principal risks crystallising during the period.

Scenario analysis has been undertaken, considering the downside impacts of two scenarios: the effect of a prolonged economic downturn, and the effect of a major incident causing the business to shut down for a period of two months. The analysis was performed using our experience of the 2007 to 2009 period, during which the Housebuilding sector saw significant reductions in sales rates and average selling prices and illiquidity in the land market, and our experience of the disruption caused by national lockdowns during the Covid-19 pandemic.

Several key assumptions are included within these assessments, including:

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

The analysis has shown that the Group has sufficient cash reserves to remain liquid, without breaching covenants across the scenarios which have been considered.

A prolonged economic downturn would result in a reduction of adjusted operating profit of up to £266m across the three-year period however through the mitigation measures noted above, liquidity and covenant headroom would be maintained throughout the testing period.

A major incident would result in a reduction of adjusted operating profit of up to £289m across the three-year period however through the mitigation measures noted above, liquidity and covenant headroom would be maintained throughout the testing period.

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.

Iain McPherson
Group Chief Executive
29 November 2021



Principal and emerging risks

Managing risk effectively

The Board and Executive Committee take their risk management obligations very seriously and keep the Group's risk register under regular review

Board, Audit Committee and Risk Management Committee responsibility

The Board reviewed the Group's risk register and the assessment of the Group's principal and emerging risks, most recently at its meeting on 4 October 2021.

The Audit Committee has 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 4 October 2021 meeting, in order to support it in making its confirmation that it had carried out a robust assessment of the principal and emerging 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 Board's assessment of the principal and emerging risks, including those that would threaten its business model, future performance, solvency or liquidity. This year, the following new principal risks have been added: climate change, poor operational performance and failure to generate or access adequate capital.

Emerging risks

The Risk Management Committee regularly undertakes an assessment of emerging risks and, where identified, agrees steps to monitor the likelihood of the risk developing further and its potential quantum. The results are reported to the Audit Committee and in turn the Board.

Current assessment of principal risks – pre- and post-mitigation

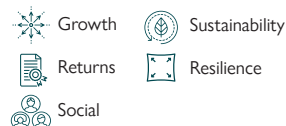




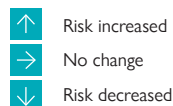
Principal and emerging risks continued

Risk and impacts	How we monitor and manage the risk	Impact on strategy
1. A major incident impacts the United Kingdom or countries where key suppliers are located and significantly impacts the business Responsible Executive: Group Chief Executive The impact of a catastrophic event, such as flooding, failure of the National Grid, or the spread of an infectious disease on an epidemic or pandemic scale, can lead to the imposition of Government controls on the movement of people with the associated cessation of large parts of the economy for a significant period of time. The cessation of business can lead to zero or reduced revenues until business activity can be safely recommenced.	→ Maintenance of a strong balance sheet to sustain periods of complete or partial cessation of business. → Monitoring of World Health Organization and/or UK Government health warnings. → Robust and tested business interruption plans, including “slow down” and “stop” procedures for all supply and contractor agreements. → Site layouts and planning to facilitate swift roll-out of social distancing requirements.	Risk change
2. 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.	→ Funds are allocated between the businesses according to the Company's capital allocation principles. → 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.	Risk change
3. Adverse changes to Government policy and regulation Responsible Executive: Group Company Secretary and General Counsel Adverse changes to Government policy in areas such as climate change, tax, housing, planning, the environment and building regulations (including the potential for extending historical liability periods) may result in increased costs and/or delays. Failure to comply with laws and regulations could expose the Group to penalties and reputational damage. The discontinuation of Government backed purchase assistance programmes (such as Help to Buy) may adversely affect the Group's sales.	→ 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.	Risk change

Impact on our strategy



Risk change





Principal and emerging risks continued

Risk and impacts

How we monitor and manage the risk

Impact on strategy

4. Climate change

Responsible Executive: Managing Director, Corporate Affairs

Failure to adequately recognise and prepare for the impacts of climate change on our operations and value chain, the risks of which are severe resource constraints, significant delays to programme, rising build costs, an inability to meet new, more demanding regulations and loss of customer confidence.

- Carbon Net Zero Pathway in place with a comprehensive spread of actions covering operations and central support activities.
- GHG Management Plan in place to assimilate climate change data collection and reporting mechanisms.
- Group-level targets cascaded down and addressed at monthly regional board meetings and within quarterly central services forums (e.g. Group technical forum).
- Group technical team evaluating and addressing significant changes to building regulations.
- Close liaison with the HBF Future Homes Hub.
- Adaptation/flood risk assessment undertaken as part of land acquisition process.



Risk change
NEW

5. 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.

- Optimise use of standard house types and design to maximise buying power.
- Use of strategic suppliers to leverage volume price reductions and minimise unforeseen disruption.
- Robust contract terms to control costs.
- Modular panel factory mitigates supply chain exposures.
- Resource efficient processes on sites and in the factory to minimise wastage



Risk change
↑

6. Poor operational performance

Responsible Executive: Group Chief Executive

Inadequate controls or failures in compliance will impact the Group's operational and financial performance.

- Uniform implementation of Group-wide policies and procedures.
- Clear delegated authorities.
- Group Directors responsible for key functions across the Group (e.g. Finance, Commercial, Technical, Sales, Health and Safety and Legal).
- Regular training.
- Regular review of all applicable policies and procedures with accompanying "bring-up" system.
- Systematic audit process of all key procedures over an agreed time period.

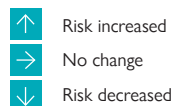


Risk change
NEW

Impact on our strategy



Risk change

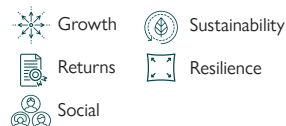




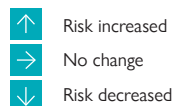
Principal and emerging risks continued

Risk and impacts	How we monitor and manage the risk	Impact on strategy
7. Land availability Responsible Executive: Group Chief Executive Inability to source suitable land or obtain necessary planning. Failure to secure timely planning permission on economically viable terms may cause delay or potentially termination of project.	→ Identify land needs and requirements for at least a five-year period. → Maintain a significant forward land bank (with as much controlled but not owned) to ensure forward visibility of earnings. → Maintain strong relationships and reputation with land owners and agents. → Sufficient and skilled internal land and associated technical teams. → Use methods of land acquisition that give best opportunity of acquiring land at below current market value (e.g. use of optional/conditional contracts subject to planning).	 Risk change 
8. Inability to attract and retain talented employees Responsible Executive: Group Chief People & Culture Officer Inability to attract and retain highly skilled, competent people, with adequate diversity and inclusion, at all levels could adversely affect the Group's results, prospects and financial condition.	→ 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. → People development training programmes. → Embedding the culture, values and behaviours to support the agreed strategy. → Flexible working policy where practical.	 Risk change 
9. Inadequate health, safety and environmental procedures Responsible Executive: Group Chief Executive 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.	→ 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. → Health and Safety audits. → Professional Health & Safety team.	 Risk change 

Impact on our strategy



Risk change





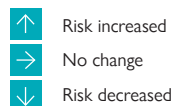
Principal and emerging risks continued

Risk and impacts	How we monitor and manage the risk	Impact on strategy
10. Cyber security Responsible Executive: Group Chief Financial Officer A failure of the Group's IT systems, a security breach of the internal systems or website, loss of data or ransomware could significantly impact the Group's business.	→ Maintenance and communication of Group-wide IT policies and procedures. → Regular systems updates, backups and storage of data off site. → Compulsory GDPR and IT/cyber risk training for all employees within the business. → All systems have the ability to accommodate home working. → Third-party assessments, including penetration testing.	 Risk change
11. Failure to generate or access adequate capital Responsible Executive: Group Chief Financial Officer The Group may fail to generate or access enough liquidity to manage the short or long-term funding or investment requirements.	→ Five-Year Corporate Plan/budget process and timetable are clearly communicated. → Rigour around the forecasting process with the Development Managers updating the underlying financial appraisals supported by information provided by the Surveyors and market research team, etc. → Thorough market testing at estimating stage (pre-bid) and at procurement stage is undertaken to ensure costs are correctly forecast. → Performance vs budget and forecast is assessed on a monthly basis with commentary on all significant variances. → Regular updates to cash flow forecasts and regular reviews of forecasting accuracy. → Assessment of risks and opportunities is documented and reviewed on a monthly basis.	 Risk change NEW
12. Reputational damage Responsible Executive: Group Chief Executive The perception of Countryside and its brand and values deteriorate in the eyes of investors, customers, suppliers, local authorities, housing associations, banks, analysts or auditors which could lead to increased operational and financial risks.	→ Agreement of Company "purpose" and implementation of culture and values to support agreed strategy. → Code of Conduct and Business Ethics. → Alignment of actions with cultural values. → Clear environmental, social and governance objectives and plan to achieve them. → Clear Whistleblowing Policy and independent whistleblowing reporting hotline. → Shareholder engagement programme.	 Risk change

Impact on our strategy



Risk change





Sustainability report

Together, we are building homes and communities for the future

Creating places people love is what we do, day in, day out. But in this rapidly changing world we also need to ask ourselves: how do we continue to create places people love while securing a better future for us all?

We know that the homes and communities we build impact our daily lives, affecting our health, happiness and the world around us too. As a developer, we're in a position of influence. The decisions we make affect communities and the environment.

To ensure that our approach remains focused and impact-driven, the Sustainability Committee reviews its efficacy and progress through three lenses a year:

Materiality

Is it addressing our material issues?

Intentionality

Are our sustainability intentions being met?

Additionality

What have our efforts added to society or the environment?

Find out more about the Sustainability Committee on page 76

Our approach to sustainability

Our purpose: Creating places people love with sustainable communities built to last

Built to Last



We will take pride in efficiently and responsibly building 45,000 new sustainable homes by 2025

Our commitments

Build responsibly

Build efficiently

Build with pride



Sustainable Communities



We will work with our partners to deliver sustainable communities that enhance the quality of life for over one million people by 2030

Our commitments

Community embrace

Nature-rich and healthy place

Affordable and thriving space



Thriving Together



We will create an inclusive, rewarding and caring workplace where all our people feel they can thrive and create places people love by 2025

Our commitments

Develop, grow and thrive

Happy, healthy and engaged

Inclusive, diverse and fair





Sustainability report continued

Our approach to sustainability continued

Our vision for the future is that every act of planning, design and construction we do helps to make the world a better place. To do that, we must first get to grips with the challenges we face – globally and locally – and understand the role Countryside plays in addressing them. We don't have all the answers yet, but we're committed to working together with our partners, local communities, supply chain and others to tackle these complex and interconnected challenges head on.

That's why in May 2021, we published our Approach to Sustainability with 25 targets. We followed this up with our net zero strategy in October 2021, adding a further six targets. This includes science-based targets, which have been verified by the Science-Based Target Institute.

Our Approach is grounded in three key areas of influence: constructing quality homes that are built to last, leaving a positive legacy in the communities where we work, and helping our people to thrive.



Our vision for the future is that every act of planning, design and construction we do helps to make the world a better place.”

Measuring the impact we make

Thirty-one targets guide the sustainability trajectory that Countryside has set for itself. Within this summarised sustainability report, we provide our performance against these targets in a simple table, split out in the three pillars of our approach. Given that our approach was only finalised halfway through the Financial Year, there are some targets where we have not previously acquired the data necessary to report performance. This is noted in the tables.

Our full Sustainability Report provides a more detailed performance table for the year, including the secondary performance measures we are tracking as part of measuring the impact of our approach. See our 2021 Sustainability Report available on our website.

Over the next year, we will conduct an in-depth review of the environmental and social and governance data we gather from across our operations to ensure we can accurately report our performance against our targets.

Sustainability governance and risk management

Having a clear direction, through our approach to sustainability, and accountability at all levels of our organisation is crucial to embedding sustainability at the heart of what we do. At Countryside, we have a progressive and robust governance framework that demonstrates our commitment to sustainability. For more information on our corporate governance and risk management framework please see page 37.

Responsibility for governance of sustainability is delegated to the Executive Committee. In 2021, we reconfigured our governance structure to launch a Sustainability Committee, chaired by a Non-Executive Director of the Countryside Board, and attended by senior representatives from across the organisation. Different areas of the committee's responsibilities are addressed over three annual meetings, to ensure effective delivery of our sustainability programme. To find out more about how sustainability is governed, please see our 2021 Sustainability Report available on our website.

Managing our sustainability risks

The Board is responsible for managing key sustainability risks that may impact business strategy. These risks form part of the Group Risk Register and are overseen by the Risk Management Committee.

Through collaboration with the Director of Audit and Risk Assurance, a new Group Sustainability and Climate Change Risk Register was created in 2021, replacing the Aspects and Impacts Register. By being more closely aligned to the Group Risk Register, significant sustainability risks are more easily escalated to Group level. The register is reviewed quarterly by the Risk Management Committee. This year climate change has become a principal risk to the business, recognising the increasing importance of this global issue to the successful delivery of our business model. More information about this can be found on page 42.

The Health, Safety, Environment and Quality (HSEQ) Committee manage site-specific environmental and quality risks. In conjunction with the Group Health and Safety team, we regulate risk and foster continuous improvement through our business-wide accreditations to ISO 9001:2015 (Quality), ISO14001:2015 (Environmental) and ISO45001:2018 (Health and Safety).

Legal compliance

We have had no environmental prosecution or fines for more than 16 years nor received any HSE Enforcement Notices in the past 13 years.



Sustainability report continued

Task Force on Climate-related Financial Disclosures (TCFD)

We support the recommendations of the Financial Stability Board's (FSB) Task Force on Climate-related Financial Disclosures (TCFD). We launched our net zero strategy in a bid to drive a swift transition to a decarbonised economy and society by 2030. The net zero strategy is a key component of Countryside's wider approach to sustainability and demonstrates the company's commitment to delivering real and positive impacts.

Our roadmap to full disclosure in 2021/22

Our roadmap to full disclosure in 2021/22 and planned future actions to achieve this is outlined below. In addition, the response we provide to the CDP further details the progress we are making towards meeting the TCFD recommendations.

Progress we have made to date	Planned actions to achieve full disclosure in 2021/22
Governance The Chief Executive has ultimate responsibility for sustainability, including climate change. He sits on the Sustainability Committee chaired by a Non-Executive Board Director. This Committee evaluates the approach adopted by the Company to identify and prioritise global, national and regional sustainability issues material to the business strategy, including climate change. Significant progress has been made during the year, further embedding sustainability within key governance channels and arrangements. The MD of Corporate Affairs, part of the Executive Committee, ensures sustainability aspects are considered alongside other important business issues. In addition, other members in the Executive Committee have taken on sponsorship of thematic sustainability improvement delivery programmes, like the transition to becoming carbon net zero.	The terms of reference for all governance committees are to be reviewed and enhanced to further embed sustainability The terms of reference for governance committees such as the Investment and the Audit Committees are being enhanced, to further embed sustainability and climate change considerations. An example of this will be ensuring the Investment Committee considers climate change in capital allocation decisions. In addition, discussions have been held at the Remuneration Committee to incorporate ESG linked incentives, including climate change mitigation into the Company bonus scheme for application in FY23. Board training programmed Training on climate change and associated business risks will be carried out for Board members, early in FY22. Full TCFD alignment report to be produced and presented to the Sustainability Committee A report will be produced and submitted to the Sustainability Committee for approval that will outline the work required to ensure full TCFD alignment.

Strategy

The failure to adequately recognise and prepare for the impacts of climate change on our operations and value chain has been identified as a principle risk. The potential impacts of this risk are severe resource constraints, significant delays to programme, rising build costs, an inability to meet new more demanding regulations and loss of customer confidence. The Sustainability Committee's remit includes determining the suitability and sufficiency of sustainability and climate change mitigation and adaptation programmes to address the identified principle issues and risks. Climate related risks and opportunities are also disclosed in our annual CDP response.

2030 Net zero strategy

We launched our net zero strategy in a bid to support a swift transition to a decarbonised economy and society by 2030. The net zero strategy is a key component of Countryside's wider approach to sustainability and demonstrates the company's commitment to delivering real and positive impacts.

Climate-related scenarios analysis to be undertaken

Detailed analysis will be undertaken in FY22 to consider the financial and strategic implications of different climate-related scenarios. A related programme of communication and training for key business functions like Finance and Procurement, will follow this analysis. This will help to frame and assess the potential range of impacts from climate change and the associated management actions that may need to be considered by the key business functions.



Sustainability report continued

Our roadmap to full disclosure in 2021/22 continued

Progress we have made to date	Planned actions to achieve full disclosure in 2021/22
Risk management The Board oversees risk management within Countryside and determines the Group's overall risk profile and appetite for risk, including climate change risk, in achieving its strategy. This includes an assessment of the Group's emerging and principal risks. The Audit Committee supports the Board in the management of risk and reports to the Board on its assessment of the effectiveness of the Group's risk management and internal control processes during the year. The day-to-day management of risk is delegated to the Risk Management Committee, which provides a focal point for the co-ordination of the Group's risk management efforts.	Refine the sustainability and climate change risk register In support of the Corporate Risk process Group-wide level, climate-related risks and opportunities are identified on an ongoing basis by the Sustainability Committee and Group Sustainability Team. These risks are identified on a Sustainability and Climate Change risk register. Work will be undertaken in FY22 to refine this register to better identify both the transition and physical risks of climate change including the specific policy actions, material controls and Board level monitoring for both categories.
Metrics and targets Progress towards net zero will be measured against our 2020 GHG emissions. In setting our targets, we have followed the Science Based Targets initiative's (SBTi) criteria. They provide a clearly defined pathway for de-coupling our projected business growth from corresponding emission growth. Our Scope 3 emissions make up c98% of our footprint and we are addressing c68% of these. The SBTi approved our targets in 2021. This baseline data is our starting point. As we enhance our ability to measure emissions our monitoring action will improve and help better inform our strategy actions. Monitoring progress against the carbon targets and commitments will be done through the normal corporate governance channels and feature in annual reports as is the case now for GHG emission reporting.	Implement the scope 3 emission reporting roadmap A key change in how we measure and report on climate change in Countryside is shifting emphasis from focusing predominantly on our construction activity scope 1 and 2 emissions to advancing our understanding and reporting of emissions across the whole value chain. Reducing direct emissions derived from construction and manufacturing operations whilst remaining important, only represents c2% of our overall value chain emissions. We have developed a Scope 3 Value Chain Emission Reporting Roadmap which will guide us on the collection and reporting of scope 3 emissions data.



Sustainability report continued

Sustainable Communities



We want to go beyond just building homes, we want to help create communities with the right infrastructure in place to support local community needs and desires, for generations to come

Commitment	Target	2021 performance
Community Embrace	Generate 30% in social value across Countryside annually from 2021 (based on annual adjusted revenue)	15.9%
	Undertake three Post Occupancy Evaluations (POE) per year to ensure a cycle of continual learning and development from 2022	1 POE undertaken
Nature-rich and healthy space	Achieve a net biodiversity gain of at least 10% across our developments by 2025	New target, data not yet gathered
	Plant 250,000 trees across our developments by 2025	5,718 trees planted in the year
	More than 10,000 homes to have access to electric vehicle charging facilities by 2025	New target, data not yet gathered
Affordable & thriving place	Build at least 15,000 affordable homes by 2025	2,107 affordable homes delivered in the year
	Develop local job-creation, training and employment support plans across Countryside by 2025	New target, data not yet gathered



Sustainability report continued

Social value

We are committed to making a positive difference to the communities and people we serve. To better understand how our actions deliver positive social and environmental impact, we use social value as a measurement lens. This provides us with a comparable and clear measurement for our stakeholders, helping to demonstrate we are delivering sustainable communities, built to last.

To evaluate progress towards our target, we measure social impact across ten core areas, using over 80 metrics. These measures are include fostering employment, training and mentoring; promoting safety and inclusion; investing in local economies, along with provision of affordable housing and Section 106 obligations. In 2021, Countryside generated 15.9% social value through our activities. Our 30% target for social value is based on our adjusted revenue. In 2021, adjusted revenue was 54% higher than 2020, which explains why our % of social value is lower than expected. We are putting in place a number of initiatives over the course of 2022 to further embed social value into our development lifecycle.

Creating nature-rich and healthy spaces

Nature has long been known for its benefits to our health, but never more so than during the pandemic when wellbeing became a priority for everyone. Our human need for nature has driven the inclusion of nature into our Sustainable Communities pillar. We recognise the positive impacts of nature on stress reduction, healing, mental health, and our need for a sense of place, connected to the earth.

As part of our commitment to nature-rich and healthy spaces, we planted 5,718 trees during 2021. But that is just the start. Our goal is to plant a total of 250,000 trees by 2025, helping to create wildlife habitats and improve biodiversity. We have also created green open space for 68% of our developments this year.

The Environment Act 2021, which received Royal Assent in November 2021, mandates for Biodiversity Net Gain. In simple terms, this means we must leave the natural environment better than when development

started. We will be forming an internal Biodiversity Net Gain action group to ensure we meet requirements whilst continuing to provide beautiful, healthy, and nature-rich spaces for our communities.

Local engagement

At Countryside, we aim to promote people-centred developments, creating a lasting positive legacy in the communities we work in. Engagement with our communities is essential to ensuring that our developments reflect the needs of communities, both present and future.

To better engage with communities, Countryside developed a TRUST approach, guided by our values. Earning TRUST means that we are:

- Timely – taking time to engage locally
- Responsive – ensuring comments are duly considered
- Understanding – understand different perspectives and remain considerate to people's feeling
- Supportive – make scheme changes to respond to feedback whenever possible
- Thankful – take time to thank those who contribute their expertise, opinions, and time

Sustainable transport

We develop communities with strong connections to nature and local amenities. Walking, cycling and public transport are important to us, with 96% of Countryside developments being within 1km of a transport node, such as a bus stop or train station, and 75% of our developments providing secure cycle storage for residents and 35% having EV charging facilities.

Within Countryside we have introduced a car policy which provides green incentives to encourage our people to drive full electric and hybrid vehicles. Already, 7% of the Countryside fleet are made up of EVs and plug-in hybrids, which will go a long way in reducing our carbon footprint.

SOCIAL VALUE WE HAVE CREATED

16%

social value added

429,582

days of work for
local people

35%

local labour

22,386

days of work
for NEETs

£73.7m

spent in the local
economyThrough our sites
we provided

2,919

weeks of
apprenticeships

1,706

weeks of training
provided through our
construction sites of which
£47.6m was spent with
local MSMEs

1.2m

miles saved by our
subcontractors
through carpooling
and public transport



Sustainability report continued



Our thriving together pillar focuses on how best to support our people to deliver on the ambitions and targets of our approach, while also ensuring that we continue to provide a caring work environment where we can grow together, take pride in our efforts and deliver excellence

Commitment	Target	2021 performance
Develop, grow & thrive	5% of our workforce in apprenticeship trainee and graduate roles per year from 2022	7.0%
	Maintain an employee turnover rate of $\leq 15\%$ per year from 2022	19.7%
	Provide, on average, three days of training and development per employee per year from 2022 ⁵	New target, data not yet gathered
	Provide, on average, one day of sustainability training per employee per year from 2022	0.03
Happy, healthy & engaged	Ensure at least one Mental Health First Aider on every site per year from 2022	52 mental health first aiders are site-based
Inclusive, diverse and fair	Achieve the Living Wage Foundation accreditation	New target, data not yet gathered



Sustainability report continued

Our ethical responsibility

At Countryside, we work together, employees and supply chain alike, to ensure that we operate in an ethical and responsible manner, taking pride in the sustainable communities we deliver. We do this by effectively communicating our governance structures, policies, and procedures to our stakeholders, supported by training programmes and assurance to make certain we comply with UK law as well as industry best practice. Please see our Non-Financial Information Statement on pages 68 and 69 for more information.

Modern slavery remains a concern in the construction industry. To further our understanding of how modern slavery can be combatted, we are partnering with the Supply Chain Sustainability School to offer internal workshops for commercial and procurement teams.

Empowering through training

Everyone at Countryside, no matter their role, has a part to play in helping us to deliver our approach to sustainability and targets. But we recognise that our people need the right training and development to continue to build their knowledge, skills and confidence to embed sustainability into our day-to-day decisions. We have set a target to provide one day of sustainability training per employee across the Group from 2022.

To achieve our goal, we have already taken several steps, including becoming members of the Supply Chain Sustainability School and the UK Green Building Council. Both these platforms offer extensive resources on sustainability topics, such as the circular economy, carbon net zero, modern slavery, social value and more. Internally, we have created a sustainability training page on SID, the online learning portal for our employees, with a variety of videos, presentations, Toolbox Talks and recorded webinars. Our sustainability page on the Intranet was also updated this year to provide better guidance and access to policy and procedures relating to our approach to sustainability.

All employees are required to complete an online Environmental Awareness training module when they join Countryside. Our compliance rate in 2021 was 93%.

Over the next year, we will be creating new training videos for Countryside employees, including a brand-new induction video for employees about our approach to sustainability. We are also developing a detailed training matrix for each function in the business, which will provide employees with clear learning pathways to develop the sustainability knowledge and skills they need in their roles.





Sustainability report continued

Built to Last



At Countryside, we take pride in everything we do to make places and communities that people love. For us, this means making sure that we plan, design and build spaces that are built to last; places that are beautiful, connected and resilient

Commitment	Target	2021 performance
Build Responsibly	Achieve at least 10% better than the HSE National Incident Rate	56.0% above industry average
	Achieve at least 10% better than the HBF Incident Rate	38% better than the industry average
	85% of the supply chain to be signed up to the Supply Chain Sustainability School by 2025	72.0%
	60% of supply chain (based on spend) to set Science-Based Targets by 2025	New target, data not yet gathered
	100% sustainably sourced timber procured for building operations per year	99.6% (direct suppliers only)
Build Efficiently	At least 50% of all homes built using MMC by 2025	New target, data not yet gathered
	At least 20,000 of homes to be built by our factories by 2025	1,814 units erected
	40% less embodied carbon in our factory-built timber frame homes by 2025	30% less embodied carbon achieved
	31% less CO ₂ emissions from our homes (in-use) by 2022 and 75% less emissions by 2025	New target, data not yet gathered
	Reduce construction waste intensity by 20% by 2025 ¹	39.0% increase in site waste intensity
	Maintain at least 98% of waste diverted from landfill on construction sites and from manufacturing	99.5% diverted from our construction sites
		99.4% diverted from manufacturing
	Reduce absolute Scope 1 and 2 emissions by 42% by 2030 ²	15.2% increase in absolute emissions
	Reduce Scope 3 emissions by 52% per sqm by 2030 ³	1841.6% ⁴
Build with pride	80% less CO ₂ emissions from directly hired plant and generators on site by 2023	Reduced by 2.4%
	Maintain 5* customer satisfaction rating per year	5* retained for 2021
	1,000 homes to undergo BPE by 2025	New target, data not yet gathered
	Achieve water efficiency of at least 105 litres/person/day or lower by 2025	New target, data not yet gathered
	Achieve NHBC Construction Quality Review scores of at least 4 per year	4.23
	Achieve 20% better than industry peer group on NHBC Reportable Items per inspection	22% higher than the industry average

1. In 2019, the total waste produced on our construction sites was 6.90 tonnes per 100m² built. This is our baseline year.

2. In 2020, our absolute Scope 1 and 2 emissions were 9,316 tCO₂e.

3. In 2020, our normalised Scope 3 emissions were 151 tCO₂e.

4. In 2021, we significantly expanded the emissions' data captured under Scope 3. Full details are explained on page 58.



Sustainability report continued

Health and safety

This year we remained focused on the well-being of our people throughout the continuing the Covid-19 pandemic. We continued to implement the stringent Covid-19 plans commenced in 2020, which allowed for our workforce to work safely; this included specific Covid-19 Compliance Officers, temperature checking and additional hygiene and social distancing controls. Setting high standards for health and safety continues to be a high priority to our business.

When we launched our new approach to sustainability in May we set out a clear intention to continually improve safety performance through a long-term approach that aims for incident and injury free operations. The target is to achieve at least a 10% better score than the Health and Safety (HSE) National Injury Accident Rate (AIIR) and Home Builders Federation Incident Rate per year.

We maintained the AIIR below the industry average for the 18th consecutive year. Overall, our AIIR was 163 (2020: 224) compared to the Health and Safety Executive national average of 372 (2020: 416). Relating this back to the sustainability targets we were 56% better than the HSE AIIR and 38% better than HBF Incident Rates.

We maintained full accreditation to the international occupational health and safety standard ISO 45001:2018. This standard drive us to continually improve safety performance through an iterative process of risk assessment, inspection, auditing and review.

Innovating towards a safer future

Countryside embraces innovation, constantly looking for new ways to make sure our staff, contractors and anyone visiting our sites remain safe at all times. We were proud to be the first UK developer to roll out artificial intelligence (AI) proximity sensors on all telehandlers across our construction sites and factories. The interaction of construction workers and plant is one of the biggest construction sector hazards and this AI system is designed to help to prevent accidental collisions between plant and people.

In addition to the AI sensor roll out we have invested in biometric technology across all our construction sites, factories and offices. This access control technology uses fingerprint scanning technology to captures a wide range of data, allowing for individual traceability of: time-in-attendance, health & safety accreditation, training records and workers' proximity to site. This technology will contribute to the prevention of unauthorised workers and modern slavery issues in the construction industry.

Modern methods of construction

Adopting modern methods of construction, like modular timber frames, is key to delivering homes at the scale, pace and quality we need, whilst also delivering more sustainable outcomes. We have invested in our own manufacturing facilities in Warrington, Naborough and Bardon, to produce both open and closed panel timber frames. Open and closed panel timber frame manufacturing has numerous environmental benefits and will play an important role in Countryside net zero strategy. Manufacturing offsite helps to reduce the waste and energy consumption in construction, while making good use of timber, a renewable and sustainable material. Timber frame homes are also more thermally efficient for customers. Using a closed panel system has further advantages for waste reduction as materials can be purchased in bulk and sized to fit the building panels, with any waste created saved for use in another area of the production line and can also be more easily controlled and recycled.

Transitioning towards a net zero world will not only require energy efficient homes to live in, it will also mean thinking about the embodied carbon within the home. The term "embodied carbon" refers to the carbon emissions created over the course of a building's entire lifecycle from the extraction of the raw materials, through to the construction and use of the home to the demolition and disposal of materials at the end. In 2020, we commissioned a carbon lifecycle assessment to understand and compare the embodied carbon levels of our modular timber frame home against traditional brick and block construction. The assessment was carried out by an external sustainability consultant and concluded that Countryside's traditional brick and block home has

significantly higher levels of embodied carbon attributed to its materials than our modular timber frame home, with approximately 14,500kg more CO₂e in embodied carbon.

In October 2021 we reached an important milestone delivering our 5,000th closed panel home delivered from our factory in Warrington to a Countryside development in Accrington Lancashire.

Supply chain engagement

Our supply chain partners are key contributors to our Scope 3 emissions. In 2021 we became a Partner member of the Supply Chain Sustainability School to help upskill both our workforce and our supply chain on 17 key areas of sustainability, including climate and carbon management. We are well on our way to achieving our target to have 85% of our Supply Chain joined up to the School by 2025, with 72% successfully signed up.

Customer service and quality

We work hard to ensure that our homes remain affordable for local people, whether they are looking to buy a home in an urban, suburban or rural setting. In 2021, we have delivered 5,322 new homes. 39% of these were affordable homes, with another 16% built for the Private Rented Sector. We have worked closely with the HBF and lenders to develop Deposit Unlock, the housebuilding industry led mortgage scheme that helps open-up the new build market to borrowers who do not have access to large deposits. Countryside has also been successful in its bid to participate in the Homes England First Homes Early Development Programme.

At Countryside, we instil an exceptional focus on quality – whether it be in building our homes or supporting customers on their buying journey. We have again been awarded five-star builder status by the HBF. This rating is underpinned by our build quality score, again measured independently by the NHBC at key stages during the construction process. Our Quality Management System (QMS) is certified to ISO 9001, ensuring that quality is upheld from the design of our homes through to construction, sales and customer support



Sustainability report continued



Customer service and quality continued

We continually seek to improve our QMS. We are investing in the development of a digital tool for inspecting build quality. The tool will facilitate closer collaboration with our supply chain, enabling more efficient resolution and closure of identified quality problems. In addition, we are developing our building information modelling (BIM) capability. One of our goals is to sufficiently mature our approach to achieve ISO 19650 certification, an international standard for managing information of a built asset using building information modelling (BIM).

We are delighted that 91% of our customers would recommend us to a friend. In March 2021, we were awarded both the Gold Award and the Outstanding Achievement Award for customer satisfaction by In-House, an independent research firm. The Outstanding Achievement Award is only given to companies with a yearly Net Promoter Score (NPS) of 65% or over.

We are particularly proud of these achievements in a year when we opened several new regional businesses, all of which had to be brought up to speed on our policies, procedures and expectations for excellent customer service quickly and efficiently. These awards are testament to our people's dedication to delivering the best customer journey we can.

Our sales and marketing teams, along with our customer service teams, have access to a suite of online training and support through SID, as well as a mandatory inductions to ensure a consistent level of service, as well as a clear understanding of increasing regulatory and legal requirements.

Looking ahead to 2022, we are continuing our digital transformation for customers moving towards a totally paperless sales process, as well as implementing a brand-new customer relations management system. We are also preparing for the introduction of the New Homes Ombudsman and New Homes Quality Code.

Sustainable procurement

Countryside aims to work with suppliers and subcontractors who share the same values. Sustainable procurement focuses on establishing an ethical and environmentally sustainable supply chain.

Our Sustainable Timber Procurement Policy makes clear our preference to procure sustainably sourced timber, ideally through the two most internationally recognised timber certification schemes: Forest Stewardship Council (FSC) and the Performance for Forest Enforcement Certification (PEFC). For the first time, we are outlining both the volume and % of timber that we procured directly through our material suppliers during the year.

Directly supplied timber for FY21

Category	Total Volume (m ³)	Percentage (%)
FSC-certified	12,725.3	48.7
PEFC-certified	13,309.7	50.9
Sourced Assessed to be Legal	0.0	0.0
Unknown source	106.6	0.4
Total directly procured timber (m ³)	26,141.6	100%



We work hard to ensure that our homes remain affordable for local people, whether they are looking to buy a home in an urban, suburban or rural setting.”



Sustainability report continued

Zeroing in on climate change

When the Intergovernmental Panel on Climate Change ("IPCC") published its report in August 2021, there was no mistaking the stark warning. In the simplest terms, time is running out to minimise the catastrophic impacts of climate change and rising global temperatures. As the headlines read: it's code red for humanity and for the planet.

In November 2021, we published our net zero strategy. It sets out the principles that Countryside will follow to respond to the global call to action to tackle the climate emergency. Our target is to be net zero by 2030, which is consistent with the 2015 Paris Agreement that set reductions required to keep global warming to 1.5°C. It provides our people and partners with a clear pathway to achieving our goals. It also outlines, for the first time, our science-based targets, which have been verified by the Science-Based Targets initiative.

We have also joined the Race to Zero and committed to the Business Ambition for 1.5°C campaign.

OUR SCIENCE-BASED TARGETS*

Reduce our absolute Scope 1 & 2 GHG emissions by

42%

by 2030

Reduce our Scope 3 GHG emissions by

52%

per square meter of housing completed by 2030



* Our Financial Year 2020 is the baseline for these targets.

Our net zero strategy is knitted together by three tenets:

1

The need to modernise construction

Solving the greatest challenge of our lifetime will require us to innovate for a brighter low carbon future.

We need to transform the ways in which we conceive, plan and build our new homes and communities if we are going to make them and us truly net zero. This is no small task. It will require serious innovation and significant investment.

2

The value of strong partnerships

Partnership and collaboration will support Countryside to create a shared sense of urgency and to embed the guiding framework that is necessary to effectively transition to net zero.

Partnerships are the cornerstone of Countryside's business model; this is fundamentally different to others in our industry. We want to leverage this model to drive significant progress by finding the common challenges and mutually beneficial net zero opportunities and working together to address them.

3

A fair and responsible approach that leaves no one behind

It is critical that we support a Just Transition to net zero, so that we can all share fairly in the benefits and burdens of the transition, and avoid deepening existing inequalities.

Everyone will benefit from living in a low-carbon society, although the journey to net zero will impact us all socially and environmentally. Nearly 350,000 new roles are required in the construction to achieve net zero.

With our sights set squarely on becoming a low-carbon society, we must make sure disadvantaged householders are not adversely affected by rising energy prices and other potential by-products of the green transition.

As a business that works closely with housing associations and other key partners to create affordable homes, we are committed to ensuring that our pathway to net zero is fair for everyone.



For more information about our net zero strategy, please see our report Pathfinder: Marking out the route to net zero.

bit.ly/36sDnwF



Sustainability report continued

Our path to a net zero future

Innovative, collaborative, fair and just

The work behind developing a trajectory which takes Countryside to net zero by 2030 has been thorough and intense, but this is only the start.

To achieve our science-based targets we will need to not only examine our construction and manufacturing operations, but also the design of our homes and developments to ensure they become part of the solution rather than the problem.

Working towards a just transition to net zero by 2030 underlines the strength of our ambitions to create places where people love to live, with sustainable communities built to last.

Direction



31% less CO₂ emissions through improved fabric efficiency, renewable energy and heat recovery systems by 2022



80% less CO₂ emissions by switching from diesel to hydrotreated vegetable oil for on-site plant machinery by 2023

Delivery



75% less CO₂ emissions through improved fabric efficiency, renewable heat and energy by 2025



60% of suppliers to Countryside, based on spend have also set science based targets by 2025



250,000 trees planted by 2025

Determination



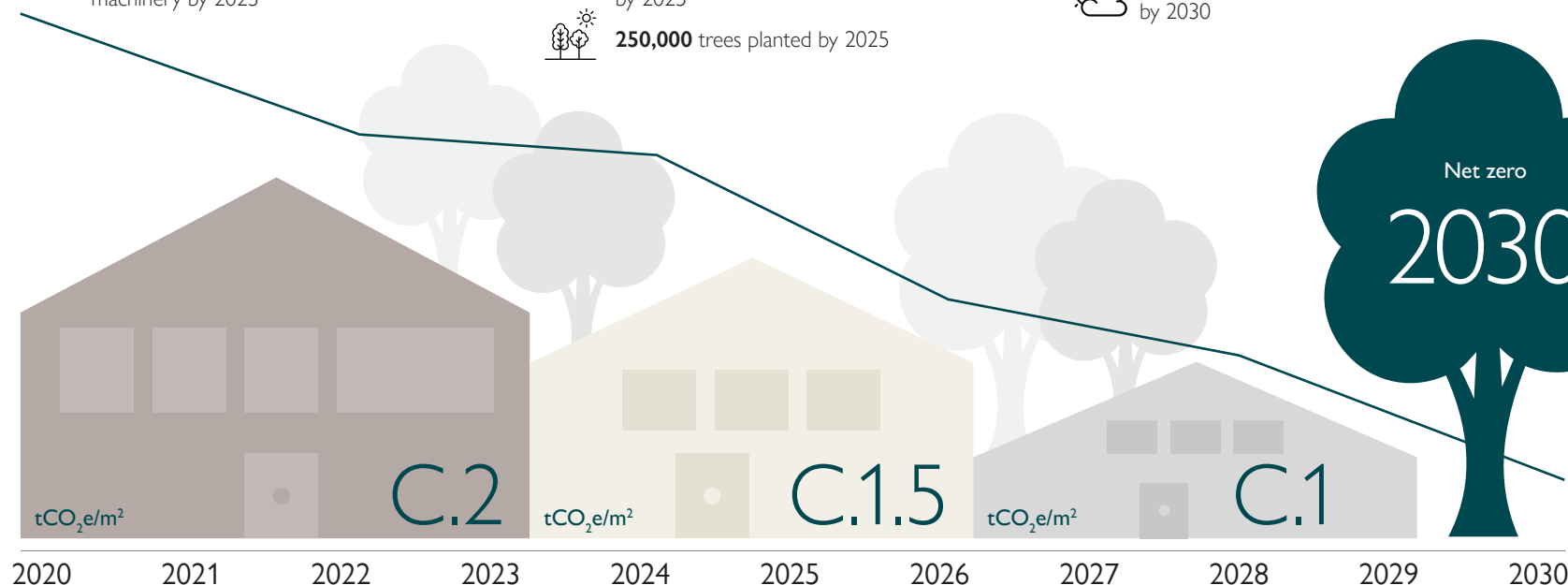
40% less embodied carbon within our timber frame homes by 2025



42% absolute reduction in scope 1 and 2 GHG emissions by 2030



52% per m² scope 3 GHG emissions reduction by 2030



**Sustainability report** continued**Our operational impact**

At Countryside, we recognise the critical importance of reducing the environmental impact of our operations. We collate energy, waste, water and business travel performance annually across the business and every year our reporting quality and coverage improve.

Greenhouse gas reporting

This year we calculated our carbon footprint in partnership with Verco, an award-winning external consultancy. Calculations were carried out following the GHG Protocol Corporate Accounting and Reporting Standard and ISO 14064. Carbon emissions have been calculated using activity data collated in SmartWaste and carbon emission factors provided by DEFRA for 2021.

Our footprint was calculated on an operational control basis. The operational boundary covers emissions arising from Countryside's direct operations and includes Scope 1, 2 and 3 emissions from our construction sites, offices and manufacturing facilities (factories).

Improvement to our reporting

Partnering with Verco highlighted opportunities to improve reporting in line with evolving best practice. Previously, Transmission & Distribution losses (T&D) were included with our Scope 2 electricity emissions. For 2021, these have been separated and reported under Scope 3. We applied this methodology to our 2019 and 2020 figures to enable a more accurate year-on-year comparison.





Sustainability report continued

Improvement to our reporting continued

Previously all business travel was disclosed under Scope 3. In 2021, we have updated our methodology to reflect where we have operational control and are now reporting under Scope 1 and 2. For reporting consistency, we have reallocated our previous year's business travel from Scope 3 to Scope 1 in line with this change. For the first time in 2021 we are also reporting Scope 3 business travel in vehicles owned or operated by third parties such as flights, trains and taxis.

Carbon emissions arising from refrigerant gas losses, Well to Tank (WTT), waste and water are also reported for the first time this year as we continue to improve our methods for data collection, calculation and reporting.

Our carbon footprint

Our year-on-year comparisons have undoubtedly been influenced by the Covid-19 pandemic and improving the scope and quality of our disclosures has contributed to the increased carbon footprint this year. Longer term, we expect our improved reporting methodologies will provide vital data to help us assess the effectiveness of our sustainability strategies and capability to achieve net zero.

	2021	2020	2019
Group total CO ₂ e emissions (tonnes) (Scope 1, 2 and 3)	13,662	9,467	9,081
Group total CO ₂ e emissions (tonnes) by £m revenue	8.95	9.57	6.38
Group total CO ₂ e emissions (tonnes) per average Full Time Employee*	6.68	4.86	4.91

* To ensure consistency for our year-on-year comparisons, we have changed the employee normalisation figure for 2019 from the year-end total (1,823) to the average figure (1,851).



We expect our improved reporting methodologies will provide vital data to help us assess the effectiveness of our sustainability strategies and capability to achieve net zero.”

Our offices

Office intensity measure is based on our average number of employees, which was 2,045 this year (2020: 1,947).

Energy

	2021	2020	2019
Total CO ₂ e (tonnes)	3,855	2,261	2,371
Total CO ₂ e per employee (tonnes)	1.89	1.16	1.28

Scope 1

Total Scope 1 CO ₂ e (tonnes)	2,490	1,941	1,926
Total CO ₂ e per employee (tonnes)	1.22	1.00	1.04
Natural Gas CO ₂ e (tonnes)	256	150	99
Refrigerant Gas Losses CO ₂ e (tonnes)	24	n/a	n/a
LPG CO ₂ e (tonnes)	1	n/a	n/a
Business Travel CO ₂ e (tonnes)	2,208	1,791	1,827

Scope 2

Total Scope 2 CO ₂ e (tonnes)	526	295	410
Total CO ₂ e per employee (tonnes)	0.26	0.15	0.22
Electricity CO ₂ e (tonnes)	524	295	410
Business Travel CO ₂ e (tonnes)	2	n/a	n/a

Scope 3

Total Scope 3 CO ₂ e (tonnes)	839	25	35
Total CO ₂ e per employee (tonnes)	0.41	0.01	0.02
WTT CO ₂ e from Business Travel (tonnes)	573	n/a	n/a
WTT CO ₂ e from energy consumption (tonnes)	192	n/a	n/a
T&D CO ₂ e (tonnes)	46	25	35
Water and Waste CO ₂ e (tonnes)	27	n/a	n/a
Business Travel CO ₂ e (tonnes)	0.1	n/a	n/a

Following our response to the COVID-19 pandemic, employees have returned to our re-opened offices, contributing to a 70.5% increase in our total office emissions, from 2,261 tCO₂e in 2020 to 3,855 tCO₂e in 2021. The phased return to 'business as usual' also contributed to a 23.3% increase in Scope 1 business travel emissions (2021: 2,208 tCO₂e from 2020: 1,791 tCO₂e). As part of our expanded reporting, we can disclose our Scope 2 and Scope 3 business travel, which together have contributed approximately 2 tCO₂e to our footprint. Through our re-launched Company Car policy, we have seen an increase of the number of employees selecting fully electric and plug-in hybrid vehicles (PHEV), culminating in savings of 4 tCO₂e.



Sustainability report continued

Our offices continued

Our business is continuing to grow, and this year we saw the opening of two new regional offices in Bristol and Milton Keynes. With our Bardon Factory not set to enter full production until early 2022, it was also considered an office location for the purposes of our footprint calculations.

Total office waste has decreased by 19.6% (from 439 tonnes in 2020 to 353 tonnes in 2021) and intensity has fallen to 0.17 tonnes/employee (2020: 0.23). An increased recycling rate of 88.3% (2020: 77.0%) has been achieved. As we are responsible for operating and maintaining the cooling systems in offices, we have disclosed our emissions from refrigerant gas losses for the first time this year, contributing 23.96 tCO₂e.

Our sites

Site intensity measure (tonnes/100m²) is based on our developed area of 484,724m² this year (2020: 603,173m²)

Energy	2021	2020	2019
Total Site CO ₂ e (tonnes)	9,566	7,015	6,609
Total CO ₂ e per 100m ² built (tonnes)	1.97	1.41	1.12

Scope 1

Total Scope 1 CO ₂ e (tonnes)	6,221	5,574	5,278
Total CO ₂ e per 100m ² built (tonnes)	1.28	1.12	0.88
Natural Gas CO ₂ e (tonnes)	2,092	1,343	889
Gas Oil CO ₂ e (tonnes)	4,130	4,231	4,389

Scope 2

Total Scope 2 CO ₂ e (tonnes)	1,317	1,327	1,227
Total CO ₂ e per 100m ² built (tonnes)	0.27	0.27	0.20
Electricity CO ₂ e (tonnes)	1,317	1,327	1,227

Scope 3

Total Scope 3 CO ₂ e (tonnes)	2,027	114	104
Total CO ₂ e per 100m ² built (tonnes)	0.42	0.02	0.02
WTT CO ₂ e (tonnes)	1,688	n/a	n/a
T&D CO ₂ e (tonnes)	117	114	104
Water and Waste CO ₂ e (tonnes)	223	n/a	n/a

Total outside scopes

	2021	2020	2019
Biodiesel CO ₂ e (tonnes)	104	n/a	n/a

Waste

	2021	2020	2019
Total Waste (tonnes)	46,565	44,162	41,728
Total Waste per 100m ² completed (tonnes)	9.61	8.84	6.92
Diverted from landfill (%)	99.5%	98.5%	97.5%

The normalised carbon footprint for our sites activities has increased by 39.7% (2020: 1.41 tCO₂e /100m² to 2021: 1.97 tCO₂e /100m²). This is mainly due to the expansion of our Scope 3 reporting. Our improved verification process has highlighted that several development sites have historical billing issues, particularly for natural gas consumption. It is important for us to maintain transparency in our reporting, so this data has been added to this year's disclosures. We are looking to improve the efficiency of our invoicing process going forward.

Gas oil consumption has decreased with increased use of biodiesel in plant and machinery, equating to saving of 104 tCO₂e.

Site waste intensity has increased by 8.7% this year (2020: 8.8t/100m² to 2021: 9.61 /100m²), however our efforts to divert waste from landfill have resulted in an increased diversion rate of 99.5% (2020: 98.5%). Reducing the volume of waste created from our site, manufacturing and office operations remains a key focus for our business and topic for discussion at monthly board meetings. In FY2022, we will be rolling out Site Waste Management Plans for all new sites as well as establishing a cross-functional working group to identify other waste reduction initiatives.



Our business is continuing to grow, and this year we saw the opening of two new regional offices in Bristol and Milton Keynes.”



Sustainability report continued

Our factories

Our manufacturing intensity measure (tonnes/100 linear metres produced) is based the 161,365 linear metres of product produced in 2021. (2020: 140,196 linear metres). We did not calculate the linear metres produced in 2019.

Energy	2021	2020	2019
Total CO ₂ e (tonnes)	241	191	101
Total CO ₂ e per 100 LMtrs produced (tonnes)	0.15	0.14	n/a
Scope 1			
Total Scope 1 CO ₂ e (tonnes)	63	46	14
Total CO ₂ e per 100 LMtrs produced (tonnes)	0.04	0.03	n/a
Gas CO ₂ e (tonnes)	5	0	2
Gas Oil CO ₂ e (tonnes)	7	10	12
LPG CO ₂ e (tonnes)	51	36	0
Scope 2			
Total Scope 2 CO ₂ e (tonnes)	114	134	80
Total CO ₂ e per 100 LMtrs produced (tonnes)	0.07	0.1	n/a
Electricity CO ₂ e (tonnes)	114	134	80
Scope 3			
Total Scope 3 CO ₂ e (tonnes)	64	12	7
Total CO ₂ e per 100 LMtrs produced (tonnes)	0.04	0.01	n/a
WTT CO ₂ e (tonnes)	41	n/a	n/a
T&D CO ₂ e (tonnes)	10	12	7
Water and Waste CO ₂ e (tonnes)	13	n/a	n/a

Waste

	2021	2020	2019
Total Waste (tonnes)	719	891	446
Total Waste per 100 (LMtrs) produced (tonnes)	0.45	0.64	n/a
Diverted from landfill (%)	99.4%	99.0%	98.0%

At Countryside we are committed to adopting modern methods of construction (MMC) to build our homes. Despite a slowdown to our productivity from the Covid-19 pandemic last year, we have returned to normal operations and manufacturing output has increased by 15.1% from 1,420 linear metres in 2020 to 1,614 linear metres in 2021.

Our total emissions have increased by 26% this year (from 191 tCO₂e in 2020 to 241 tCO₂e in 2021) however we have seen a 14.9% decrease in Scope 2 emissions (2020: 134 tCO₂e to 2021: 114 tCO₂e). We are investing in cutting edge renewable energy to power factories to reduce this further.

Total waste from manufacturing decreased by 19.3% this year (2020: 891 tonnes, 2021: 719 tonnes) and we were successful in diverting 99.4% from landfill (2020: 99.0%).

Third party data verification

RPS Consultants Ltd has conducted the verification of Countryside Properties PLC GHG emissions statements for the period 1 October 2020 to 30 September 2021, through which it is confirmed that the reported emissions for scope 1, 2 and 3 (specified categories) have received limited verification in accordance with the requirements of the ISO 14064 – part 3: 2019 standard.

The boundary of the verification included covers emissions arising from Countryside's direct operations and includes Scope 1, 2 and 3 emissions from our construction sites, offices and manufacturing facilities (factories). The verification engagement assessed the year-on-year performance change, as well as the total energy consumption (electricity and natural gas) as required by "Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018" ("the 2018 Regulations").



Our people

Our people make the difference every day

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

Without our talented teams, we would not be able to build sustainable communities where people love to live. This year we have continued to grow organically despite the ongoing effects of the Covid-19 pandemic, our current headcount stands at 2,087, up 8% on 2020. Our new starter numbers grew to 573, with 85 more new joiners than 2020. We have followed a hybrid interviewing approach, with a healthy balance of virtual and in-person interviews, ensuring that we kept all parties safe, whilst providing the best experience possible.

People remain a key focus

Countryside continues to attract and retain the best people in the housebuilding sector to enable us to deliver our strategy. We truly believe that our people differentiate us from our competition, they are our greatest asset. In the last five years, we have more than trebled our employee numbers and now have just over 2,100 people working for us. Our aim is to offer internal movement and progression as much as we can, together with a healthy balance of new recruits. For the 573 new starters that joined us during the year, 45% we recruited through our own direct approach, 23% through our employee referral scheme and 32% through our key recruitment agency partners.

Supporting growth

Our people strategy continues to support our ambitious growth plans, whilst ensuring we maintain appropriate control and consistency across the business. During the year, we have further developed our standard

operating procedures through our recently appointed Group specialist roles, focusing on each core discipline across the business including Construction, Technical, Commercial, Sales & Marketing, Sustainability, Customer Service and Planning.

Significant investment in developing our people

We continue to enhance our talent management approach to provide effective succession and development opportunities at Countryside. We believe in developing and preparing people for future challenges and having a Group-wide approach to succession and talent management.

Over the last year we have embraced new ways of learning and focus on providing learning based on the 70:20:10 model. By doing this we are providing a more inclusive and effective learning opportunities and encouraging learning and sharing of best practice across the Countryside Group. The implementation of our new digital learning platform SID (Share Inform Development) has been instrumental in the delivery of this best practice approach.

During the year we have continued to run the majority of our learning interventions virtually.

Our much sought-after leadership development continues to be a key focus to ensure we have leaders capable of leading a fast paced, commercially focused and growing organisation. We have four learning pathways for leadership development delivered by our highly skilled internal team as well as key external partners.





Our people continued

Significant investment in developing our people continued

Coaching continues to be a highly effective approach to developing our senior talent. This year, in addition to our internal and external coaching for our leaders, we have introduced a coaching platform to democratise coaching and make it accessible to all employees. Going forward we plan to implement more solutions to support mentoring, executive development and career progression.

During 2021 our People Development Team delivered 136 workshops with 1271 delegates attending. This is in addition to many other learning interventions and resources delivered digitally or locally by operational teams. Developing our people to facilitate growth and building a pipeline of talent are critical to our success.

Future talent continues to be a priority

In order to focus on early talent, we have now established an early careers team to lead our approach across the Group. We designed and implemented a new Management Trainee Programme, through which we welcomed 22 new starters in September 2021, all of whom will be supported through a Level 4 Apprenticeship within a Construction, Commercial or Technical discipline. Our Graduate programme also remains very successful and we continue to attract high calibre graduate candidates. We currently have 32 within our programmes, versus 24 in 2020. Both programmes will continue to run, with further large intakes this year.

We also have around 100 apprentices throughout the Group, two-thirds of whom are employed directly and a third through third parties. This remains a key focus as we look to tackle the skills shortage in the industry.

We are investing in early career programmes by increasing work experience, intern, graduate and trainee opportunities both on site and in our regional offices. This enables us to grow our own talent and build employee loyalty and employee engagement, at the same time as maximising our utilisation of the apprenticeship levy.

Rewarding our people

Providing competitive remuneration and reward is a key part of our strategy to attract and retain high calibre people to help us achieve our ambitious growth plans. We keep our reward package under review to ensure it fits with market trends and the expectations of those we want to recruit.

We were pleased to be able to return to our annual pay review process and increase salaries in line with cost of living or above where appropriate. In addition, this year we have announced that all employees will have the option to join our Gold pension scheme during our annual Reward window in April 2022. Employees will be able to contribute 5% of their salary in return for a 10% contribution from the Company.

We continue to encourage our people to participate in the growth of the Group by owning shares. In May 2021, we launched our sixth all-employee Save As You Earn ("SAYE") plan. These plans mean that over half of our eligible employees are either existing shareholders or are signed up to buy shares in Countryside.

December 2020 also saw the sixth grant of our Long-Term Incentive Plan to our most senior group as a retention tool for this key population.

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

Our approach to reward is centred on choice. Our benefits range from buying and/or selling up to five days of annual leave, through to reduced fees on life, dental and travel insurance, to discounted medical and cancer screenings. During our 2021 flexible benefits annual enrolment window, 38% of employees selected a new benefit or amended an existing one, an uplift from 2020. We offer sector-leading maternity, paternity and adoption benefits. For those employees who qualify for a company car or cash allowance, we offer a sector-leading fleet proposition.

This again focuses on offering our employees choice based on their lifestyle, while remaining environmentally conscious by starting to offer electric and hybrid vehicles.

Inclusion and diversity

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

The Board Diversity Policy is reviewed annually. The Board, via the Nomination Committee, takes an active role in setting the diversity strategy and in setting and meeting objectives for the Group as a whole, as well as monitoring the impact of diversity initiatives. There will be further concerted effort in this area in 2022 with the launch of our Diversity Equity & Inclusion ("DEI") Strategy – Be You.

In 2021 our gender statistics showed a female: male ratio of 33:67 (2020: 31:69). At senior management level we have a female: male ratio of 20:80. Gender equality remains an issue for our sector as a whole and we recognise that we must play our part in making the industry a more attractive career choice for women.

We have seen more senior women coming through our internal talent pipeline, and our aim remains to see more diversity at all levels from Board level down. Our flagship Senior Leadership Development Programme continues to help us develop talent internally, and we are seeing many promotions into the most senior positions in the Group from the alumni of this programme. Women constitute 15% of our Regional Director population and 38% of our total population of the direct reports to the Executive Committee. Our Group Executive Committee has a female to male ratio of 30:70.

Earlier this year we reported our mean gender pay gap of 27%, a 1% reduction on the previous year. Our gender pay gap is driven by there being more men at the higher end of the pay scale.

Our gender pay gap report can be viewed at www.countrysideproperties.com/aboutus/governance/countryside-gender-pay-gap-report.

Health and safety

For details on our health and safety practices and performance refer to the Sustainability Report on page 54.



Our people continued

Ratio of female:male employees

At 30 September 2021

Total employees

689; 33%	1,398; 67%
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Senior management

52; 20%	207; 80%
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Executive Committee

3; 30%	7; 70%
--------	--------

Board

2; 29%	5; 71%
--------	--------

Female	Male
--------	------



Focus on employee wellbeing

This year we continued to focus on the wellbeing of our people and ensure the health and safety of all of our people. During the lockdowns at the start of 2021 we continued to ensure Covid secure measures were in place on our sites and in our offices. Following the relaxation of Covid restrictions we re-opened our offices and to live our values and demonstrate how we really care and can grow together, we launched Smart Working – The Countryside Way. We created a framework of 4 key principles; 1. Culture of Delivery, 2. Flexible; 3. Collaborative, 4; Consistency that focused on practical but impactful actions to allow flexibility into the work day. Smart Working is two-way; it is about balancing business needs alongside choice for employees.

In March 2021 we appointed a Head of Culture and Inclusion to continue embedding the Group's purpose and values and focus on the Group's DEI strategy (see pages 66 and 67). This new role gave us the opportunity to fully focus on employee communication, wellbeing and engagement. We ran an employee engagement survey to understand whether our employees understood the Group's purpose, direction and priorities and 84% agreed they had a good understanding of the purpose and 78% understood the direction and priorities. Overall satisfaction was measured using the question "I would recommend my friends and family to work for my organisation" which scored 75 out of 100. Our communication with employees continues to improve has been stronger than ever this year, the majority of this with an inclusion and wellbeing goal.

We now have 114 mental health first aiders across the Group, up from 56 in 2020 and we continue to offer our employees the opportunity to become trained Mental Health First Aiders. Employee engagement groups have been set up in each region to ensure our employees have a voice.

Our offices are great places to work

As part of our ongoing growth journey, we continue to deliver on our plans for an extensive overhaul and upgrade of our office space. We want to create safe, collaborative and inclusive working environments for everyone, aligned with our values and our Smart Working guidelines. This year we opened brand new offices in Milton Keynes and Bristol. We have completed a major refurbishment of our head office in Brentwood, Essex and a refurbishment of our Warrington office.

Manufacturing

As we continue to evolve as a business, becoming increasingly product-led, our innovative approach will ensure the consistent delivery of high-quality homes, providing our supply chain partners with a stable pipeline of work. Modern methods of construction (MMC) helps us be more sustainable as a business, supporting our transition to net-zero-carbon operations and providing the right skills, jobs and opportunities to future proof our business.

In 2018, Countryside acquired a timber frame factory in Narborough, Leicester which currently produces open panel timber frame products and employs around 40 people. In 2019, we opened our second timber frame factory in Warrington producing closed panel timber frame products and providing around 85 further jobs in the local area and community. During 2021, a third factory was built on a greenfield site in Bardon and will produce closed panel timber frame products and also houses a research and development area. Once fully operational, the Bardon, Leicestershire factory will eventually create around 55 manufacturing operative jobs, as well as around 30 staff roles, and a further 50 to 60 site-based deployment roles.

At Countryside we invest in early careers, delivering both graduate and apprenticeship programmes to develop our own talent. During 2021, we supported the Government's Kickstart Scheme, providing opportunities and training for young people in the local community, enhancing our alternative talent pools, aiding social mobility and allowing us to respond to the ever-evolving landscape of MMC and off-site production.



Our people continued

Manufacturing continued

In the future, roles within construction will require a different talent mix than is typically found today. With this in mind, we plan to create an academy that will identify those roles and provide candidates with the necessary training. Our approach to MMC focuses on our mission for quality and innovation and we are creating a bespoke training programme to empower each employee with the skills and expertise they need to deliver this approach. We are currently exploring opportunities with potential training providers and partners to support the delivery of skills training and further education.

We have also become a partner of the Supply Chain Sustainability School, offering free e-learning and training in construction-specific environmental and social issues to our supply-chain partners to further help meet the increasingly challenging issues around sustainability. Through the school, we can now offer our supply chain partners access to free courses and e-learning in 17 critical areas of sustainable construction, including carbon, biodiversity, off-site construction, sustainable procurement, modern slavery, BIM, wellbeing, fairness, inclusion and respect – to name just a few. We expect 85% of our supply chain to be signed up to the Supply Chain Sustainability School by 2025.

Board leadership and Company purpose

A key focus for the Board during 2020/21 has been the implementation and roll-out of the Company's purpose and values. Since the approval of the Company's purpose and values on 7 October 2020, the Board has continued to spend considerable time in the last 12 months monitoring all of the activities across the Group to communicate and embed the Company's purpose and values into all aspects of the Group's operations.

After the initial launch of the Company's purpose and values, the Board's focus has moved to embedding our values through a detailed engagement plan across the Group. The detailed plan was shared with the Board at its Strategy meeting on 25 March 2021. Key priorities in the engagement plan are Communication, Alignment, Leadership and Recognition. The Board has received regular updates on progress made on each of these priorities and details of the key initiatives from our Chief People and Culture Officer, Sian Myers. Most recently, at its meeting on 22 July 2021, the Board reviewed the results of our annual staff engagement survey and discussed the progress to date in aligning our purpose, values with other key priorities such as Sustainability, Building Communities and Diversity, Equity and Inclusion strategies. The results of our survey were encouraging, with 84% of staff saying they understood Countryside's purpose, 87% saying they understand the importance of the values and how they help achieve our business goals and 85% saying they understand what the values mean and how to live them day to day. The overwhelming majority saw our values lived either sometimes, frequently or always.

Most recently, as part of the drive to promote openness, inclusion and diversity across the Group, the Board approved our 3-year Diversity, Equity & Inclusion (DEI) strategy. The Board's sponsor for the DEI strategy is Baroness Sally Morgan, who receives regular updates, to understand the detail in the strategy and progress. There are also regular updates to the Board as part of our overall governance framework. The overall purpose of our DEI strategy is to build on our values and to create a culture of inclusion and an environment where everyone is proud to be themselves.

On the anniversary of the launch of our values, the Board has endorsed a series of follow-up initiatives to encourage all of our employees to be more of themselves at work, whilst living the values. The programme is called "Be You" and is all about making people feel safe to have a different view, to be different, and to share parts of their identity if they choose.

In furtherance of the diversity and inclusion agenda, the Company has started celebrating in a more inclusive way, such as recognising National Inclusion Week and partnering with Black Professionals in Construction, Women in Construction and Women in Social Housing. We have already started working closely with these partners and will continue to strengthen these relationships and to contribute to these organisations in a positive way. For example, we produced a video interview with the Founder of Black Professionals in Construction to raise awareness during black history month. These are just the first steps in our DEI strategy and there is much work to be done. But with a clear plan, Board support (including a Non-Executive Director sponsor) and a regular rhythm of Board reporting, we believe we are well placed to execute our strategy.



Read more online:



bit.ly/36sDnwF



Diversity, Equity and Inclusion

During 2021 we launched our Diversity, Equity and Inclusion (DEI) Strategy, known as ‘Be you’

The business benefits of DEI are well documented. Whilst we seek to provide improved customer support, attract the best talent and build better individual and team performance, just as importantly, we believe DEI is the right thing to do. It represents who we are. Our values.

The vision for our DEI strategy is to build greater diversity in our workforce and to build a culture of inclusion where there's kindness, fairness and people feel they belong. It's to provide the best support to our diverse customers and communities whilst building greater diversity in our partnerships. It's thriving together, whoever we are.

Our goals to deliver our vision are:

Workplace

#1 Build an inclusive culture that activates and nurtures the diversity in our workforce through belonging, fairness, and valuing differences.

Workforce

#2 Attract, develop, diverse talent that broadly reflects the voices and demographics of the communities in which we operate.

Communities

#3 Support the diverse communities in which we operate, making them sustainable and built to last.

Marketplace

#4 Be responsive to the needs of our diverse customer base and demonstrate commitment to diversity through our partnerships.

The priorities for 2021 are objectives 1 and 2, with objectives 3 and 4 being planned for delivery late 2022.

Launching our DEI strategy

The launch of our strategy started with Exco, board and SMT alignment sessions. We know it is critical to lead by setting the tone at the top. The sessions were facilitated working with an external DEI partner. They were pivotal to aligning our views on how to role-model inclusive behaviour, our accountability as leaders, and getting our leadership talking about DEI.

Our strategy was formally launched to our staff via video launch, with Iain McPherson setting out our strategy and what it means to staff.

We also set up a network called the Values Champion Network (VCN), who are helping us build an inclusive culture by voicing what matters to them and their teams. The forum meets 6-weekly and is made up of employees of all levels from across the group. It is chaired by an Executive sponsor, Jo Jamieson, our CEO for Partnerships in the North.

Prior to the launch, 74% of our staff said they believe that Countryside is committed to diversity and inclusion. Giving us confidence we already have a great platform from which to build.

Workplace

The environment we seek to embed is one of inclusion. We recognise our organisation is diverse in many aspects. We are made up of diverse backgrounds, identities, circumstances. We have different skills, experience, styles, mindsets, ways of thinking and so much more.





Diversity, Equity and Inclusion continued

Workplace continued

To harness this diversity and to get the best thinking and outcomes to grow our business together, we want our people to:

- Feel good about who they are without having to be someone they're not to fit in and to belong
- Feel safe and comfortable to have a voice and share different views/ideas/feelings/beliefs to the majority
- Feel treated fairly, to be accepted, valued and respected for their uniqueness

That's why in November 2021, a year on from creating our values with our staff, we launched 'Be You'. A commitment to building a more inclusive environment where everyone is valued and respected for their uniqueness and an invitation to all staff to be themselves at work.

As a pre cursor to the launch of Be You, all our employees undertook a 4-week inclusion challenge to help them identify what inclusive behaviour looks like and their personal strengths in creating the culture for others to feel included. This was delivered as part of National Inclusion Week, which we celebrated for the first time.

It isn't just the business benefits we seek from inclusion, we care about the welfare of our employees too. We know that individuals in inclusive environments are four times more likely to report high wellbeing because concealing who we truly are impacts mental health and wellness.

Our focus in 2022 will be in building awareness of 'Be You' and building leadership and employee behaviours to create a culture of inclusion.

Workforce

Be You is a critical aspect to helping us build a more diverse organisation that more broadly reflects the communities in which we operate.

We know that millennials are less likely to leave their identities at the door than previous generations. So 'Be You' is an important step in helping us not just look after our existing staff but also in attracting the best talent for the future.

We have also made in roads in the development of our recruitment strategy to drive greater diversity. Initially focused on gender and race, it has a longer-term focus on widening the talent pool to achieve greater diversity specifically within physically disabled, lesbian, gay, bisexual and transgender (LGBTQ) communities.

Our Executive Team now has a better gender balance than previously. Two new female members of the Executive Team joined this year. This represents a 30:70 split but we recognise generally we have more to do to ensure a better gender balance at all levels.

For the first time ever, we had more female candidates on our graduate/apprenticeship programmes than men.

To reflect our commitment to building greater diversity, we have partnered with Black Professionals In Construction, Women in Construction, Women in Social Housing, the BAME Planners Network and Women In Planning.

We also launched smart working, allowing staff a greater level of flexibility in where they work and structuring their day. We believe this will go some way to changing the perception of our industry and to making our organisation more accessible to more diverse groups.

Our focus in 2022 will be in maximising the benefits of our new partnerships, auditing our people processes to ensure there are no barriers for certain groups to join and advance in our organisation and to finalising and delivering our recruitment strategy.



For the first time ever, we had more female candidates on our graduate/apprenticeship programmes than men."



Non-financial information statement

Non-financial information statement

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

Key topic areas	Major supporting policies	Other information	Page(s)
Environmental matters (including the impact of the Company on the environment)	→ Environmental Policy* → Climate Change Policy* → Sustainable Development Policy* → Waste Policy* → Biodiversity Policy* → Sustainable Procurement Policy* → Timber Policy*	→ Group KPIs: business sustainability and use of natural resources	45 to 61
The Company's employees	→ Business Ethics and Code of Conduct* → Board Diversity Policy → Health and Safety Policy	→ Our people → Report of the Nomination Committee	62 to 65 91 and 92



Non-financial information statement continued

Key topic areas	Major supporting policies	Other information	Page(s)
Respect for human rights	→ Modern Slavery Statement* → Business Ethics and Code of Conduct* → Health and Safety Policy* → Information Privacy Policy*	→ Our people → Sustainability	62 to 65 52 to 54
Social matters	→ Business Ethics and Code of Conduct* → Health and Safety Policy* → Community and Charitable Donations Policy* → Social Value Policy* → Volunteering Policy*	→ Our strategy → Our values → Sustainability	13 20 and 21 45 to 61
Anti-bribery and corruption compliance	→ Anti-Bribery and Corruption Policy* → Gifts and Entertainment Policy* → Money Laundering Policy* → Whistleblowing Policy*		



Chair's introduction to governance



John Martin
Non-Executive Chair



Good corporate governance is critical for the Company. It encompasses the processes, practices and policies that we rely on to make formal decisions and to manage the Company.”

Governance for the sustainable long-term success of the Company

Introduction

Following my appointment as Chair on 1 May 2021, it is my pleasure to make a personal statement on the Company's approach to corporate governance.

The Board recognises its role to promote the long-term success of the Company, generating value for shareholders and contributing to wider society. Good governance provides a framework of prudent and effective controls that enables risk to be assessed and appropriately managed in the delivery of the Group's objectives. This report sets out our approach to governance and explains how our governance framework has supported our activities throughout the year.

Company purpose and values

Having approved the Company's purpose and values in 2020, the Board has monitored the progress of embedding these across the business to ensure they are aligned with the Group's strategy. Further detail on the Board's work in this area can be found on page 65 (Board leadership and Company purpose). We will continue to develop the culture of our business and look for opportunities to make improvements wherever we can.

Considering stakeholders in decision making

The Board understands that effective stakeholder engagement is critical to the long-term success of the Group and ensures that it takes into consideration the feedback received from stakeholders throughout the Board's decision-making process.

On pages 28 to 35, we set out our engagement with the Company's key stakeholders, the feedback they provide and what we are doing in response. This constitutes the Company's Section 172 statement of compliance with this long-standing legal requirement.

Board changes

On 13 April 2021, the Company announced my appointment to the Board of Countryside and I subsequently assumed the role of Chair on 1 May 2021. My appointment followed a comprehensive search process, organised by the Nomination Committee and led by Douglas Hurt, the Senior Independent Director. More information on the process is set out on page 92.

The resignation of Mike Scott as Group Chief Financial Officer was announced on 29 June 2021. A search process for a new Chief Financial Officer was initiated, led by the Nomination Committee and the appointment of Tim Lawlor as the new Group Chief Financial Officer was announced on 16 November 2021. As announced on 11 October 2021, Mike will cease employment with Countryside and step down from the Board with his last day of service being on 29 November 2021.

As set out in more detail below and on pages 91 and 92, the Nomination Committee recommended, and the Board agreed, the re-appointment of Amanda Burton and Baroness Sally Morgan for a further three years, to expire no later than 16 December 2024, being nine years after their first appointment to the Board.

**Chair's introduction to governance** continued**Board and Committee evaluation**

An externally facilitated Board and Committee evaluation process has commenced with the assistance of Independent Board Evaluation ("IBE"). On page 79 we outline the process and timetable of IBE's evaluation. IBE will report its findings to the Board at its meeting in January 2022. Whilst IBE's evaluation will not complete until after the Company's current financial year, the Board and I considered it more important that I, as new Chair of the Group, had sufficient time prior to the evaluation to establish a rapport with the Board and its current process.

Overall, I am delighted to conclude that the view of the Board is that the governance structure, together with its Board and Committees, continue to operate effectively, with a positive and open culture.

Independence of Directors

The Board reviewed the independence of all Non-Executive Directors (excluding the Chair) at the Board meeting on 22 July 2021 and determined that they all continue to be independent. The Board is satisfied that the Chair was independent upon appointment and remains independent.

The names, responsibilities and other details of each of the Directors of the Board are set out on pages 72 and 73 with the composition of the Board on page 80.

Appointment and re-appointment of Directors at the next AGM

I am satisfied that the Non-Executive Directors continue to be effective and show a high level of commitment to their roles. Having been appointed to the Board on 13 April 2021 and as Chair on 1 May 2021, I will stand for election and all other Directors will, as they will every year, stand for re-election at the forthcoming Annual General Meeting ("AGM").

Diversity

The Board currently includes two women, constituting 29% of the total of seven Board members. The objective remains to reach the target of 33%, as recommended by the Hampton-Alexander Review for FTSE 350 boards. Whilst there is currently no time deadline to achieve this target, it is a key consideration of the Nomination Committee as it continues to review the Board's composition.

The Hampton-Alexander Review sets a similar target of 33% representation of women for the Executive Committee and direct reports and we expect to make progress with future appointments, significant progress has been made with now three of the ten members being women. Sian Myers and Joanne Jamieson joined the Executive Committee with effect from January 2021 (as the Group Chief People & Culture Officer and as the Group's first female Divisional Chief Executive respectively). Together with Vicky Prior, the Group's Managing Director of Corporate Affairs, female representation on the Executive Committee is now 30%.

Below Executive Committee level, 2 women were appointed to Group roles during August 2020, reporting directly to the Group Chief Executive and in January 2021, a woman was appointed to the role of Divisional Finance Director for the newly established Partnerships Midlands division, reporting directly to the Group Chief Financial Officer. These appointments will take the percentage of women who are direct reports to Executive Committee members to over 30%.

Meeting our major shareholders

The Company maintains a comprehensive investor relations programme, designed to ensure that our Executive Directors meet with investors and analysts regularly, supported when appropriate by me and other members of the Board. We carried out a series of shareholder engagement events during 2020/2021, as outlined on pages 28 and 29.

I held a series of one-to-one meetings with shareholders during the course of the year to give shareholders an additional opportunity to provide feedback to the Company.

Compliance with the Code

The Company is subject to the Corporate Governance Code, issued by the FRC in 2018 (the "Code"), a copy of which can be found on the FRC's website at www.frc.org.uk. The Board confirms that throughout the period from 1 October 2020 and as at the date of this report, Countryside has fully applied the main and supporting principles of the Code, save that the independent evaluation of the Board and its Committees remains underway and will not complete until January 2022.

In the following pages we first outline how we have applied the Code (and direct the reader to further information where applicable) and then describe the main activities undertaken by the Board during the last 12 months.

John Martin
Chair

29 November 2021



Board of Directors

Leadership for our future

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

Key

A	Audit Committee	N	Nomination Committee
R	Remuneration Committee	E	Executive Committee
S	Sustainability Committee	Chair	Chair



John Martin
Non-Executive Chair

Appointment date¹
1 May 2021

Career and skills summary

John joined the Group on 13 April 2021 as a Non-Executive Director before being appointed Non-Executive Chair on 1 May 2021.

John brings extensive experience to the Group having most recently served at Ferguson plc, the FTSE 100 specialist distributor, where he served for more than nine years as Group CEO and previously Group CFO. Before joining Ferguson plc, he was a partner at Alchemy Partners LLP, the private equity group, CFO of Travelex plc and Hays plc.

John qualified as a Chartered Accountant with Arthur Andersen where he worked for nine years in audit, operational consulting and corporate finance, and was Group Controller of the Stationery Office Group following its privatisation in 1996. John has a reputation for bringing strategic clarity and a sharp operational focus which has generated significant shareholder value in each of the businesses that he has served.

External appointments

John is a Non-Executive Director of Ocado Plc, where he serves on the Nomination and Audit Committees.



Iain McPherson
Group Chief Executive

Appointment date¹
1 January 2020

Career and skills summary

Iain joined the Group in September 2014 as the Managing Director of the Southern region of the Housebuilding division. He was appointed Chief Executive of the Partnerships South division on 1 November 2018.

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.

External appointments

Iain is a Non-Executive Director of Town and Country Housing and Monson Homes Limited.



Mike Scott
Group Chief Financial Officer

Appointment date¹
1 October 2018

Retirement date

29 November 2021

Career and skills summary

Mike joined the Group in December 2014 as Group Financial Controller and was appointed Group Chief Financial Officer on 1 October 2018. As announced in June 2021 and updated on 11 October 2021, Mike will step down from his role and his last day of service will be 29 November 2021. On 16 November 2021 it was announced that Tim Lawlor would succeed Mike as Group Chief Financial Officer. Tim is due to join the Group on 28 March 2022.

Mike qualified as a Chartered Accountant with PricewaterhouseCoopers LLP in 2002 and has significant financial experience having served in a number of senior financial positions at J Sainsbury plc prior to joining Countryside.

External appointments

Mike is a Director of Old Hall Park Management Limited.



Amanda Burton
Independent Non-Executive Director

Appointment date¹
17 December 2015

Career and skills summary

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

Amanda is a lawyer and 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.

External appointments

Amanda is Senior Independent Director and Chairman of the Remuneration and Market Disclosure Committees of HSS Hire Group plc, a Non-Executive Director of Skipton Building Society and a Non-Executive Director and Chairman of the Remuneration Committee of Connells Limited. On 30 September 2020, Amanda was appointed to the Board of Elevate Services Inc as Senior Independent Director.



Board of Directors continued

Key

A	Audit Committee	N	Nomination Committee
R	Remuneration Committee	E	Executive Committee
S	Sustainability Committee		Chair

A N R



Douglas Hurt
Senior Independent Non-Executive Director

Appointment date¹
1 January 2018

Career and skills summary

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

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

External appointments

Douglas is Senior Independent Director and Chair of the Audit Committee of Vesuvius PLC, a Non-Executive Director and Chair of the Audit Committee of the British Standards Institution and a Non-Executive Director and Chair of the Audit Committee of Hikma Pharmaceuticals PLC.

A N R



Baroness Morgan of Huyton
Independent Non-Executive Director

Appointment date¹
17 December 2015

Career and skills summary

Baroness Sally Morgan joined the Group in October 2014 as a Non-Executive Director. She is also the designated Non-Executive Director for workforce engagement.

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

External appointments

Baroness Sally Morgan is Master of Fitzwilliam College, Cambridge, Non-Executive Director at Guy's and St Thomas' NHS Foundation Trust, an advisor to the board of the children's charity ARK and a trustee of a number of charities.

A N R S



Simon Townsend
Independent Non-Executive Director

Appointment date¹
1 March 2019

Career and skills summary

Simon joined the Group on 1 March 2019 as a Non-Executive Director, a member of the Audit, Remuneration and Nomination Committees. He also chairs the Sustainability Committee.

Simon has extensive experience in the UK hospitality industry, having worked for over 30 years in various sales, marketing, commercial and operational roles, serving from 2014 to 2020 as Chief Executive Officer of Ei Group plc, the owner and operator of over 4,000 public houses across England and Wales. Prior to joining Ei Group plc in 1999, he was with Whitbread PLC, Allied Domecq PLC, The Rank Group Plc and Marston, Thompson & Evershed PLC.

External appointments

Simon is a Director of The Elms (Colwall) Limited and a member of the advisory board of Women in Hospitality, Travel & Leisure 2020.

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



Executive committee

Leadership for our future

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



Iain McPherson
Group Chief Executive

Full biography on page 72.



Mike Scott
Group Chief Financial Officer

Full biography on page 72.



Phillip Lyons
Chief Executive,
Manufacturing and Operations

Phillip was appointed to his current role with effect from April 2021 and is responsible for developing and delivering the strategy to enable the Group to achieve its modular housing targets.

Phillip joined the Group as Chief Executive of the Housebuilding division on 2 May 2017. From June 2020, Phillip acted as interim Chief Executive of the Partnerships North division pending the appointment of the Chief Executives of the Partnerships North division and the Partnerships Midlands division.

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.



Mike Woolliscroft
Chief Executive,
Partnerships South

Mike was appointed Chief Executive of the Partnerships South division on 1 January 2020.

Mike joined the Group in April 2014 to establish and lead the West London region of the Partnerships South division. In his role as Managing Director of the region, he led several mixed-use developments and strategic partnerships which have become industry reference points for good design and community development. Prior to joining Countryside, Mike was a Managing Director at Berkeley Group.



Joanne Jamieson
Chief Executive,
Partnerships North

Joanne joined the Group on 11 January 2021 as the Chief Executive of the Partnerships North division to focus on continued delivery through the North of England.

Joanne has held a number of leadership roles across construction companies in the North of England and the Midlands. Prior to joining the Group, she was the Divisional Managing Director at United Living Group Limited improving that company's new build and planned maintenance processes in the North and Midlands.



Executive committee continued



Phil Chapman
Chief Executive,
Partnerships Home Counties

Phil joined the Group in November 2019 to establish, and lead as Managing Director, a new West region of the Housebuilding division and was appointed to his current role in March 2021 following his successful stewardship in the role on an interim basis from June 2020. He has more than 30 years' experience holding senior positions at Taylor Wimpey and more recently at Linden Homes where he was Divisional Managing Director responsible for its housebuilding operations across the South of England.



Daniel McGowan
Chief Executive,
Partnerships Midlands

Daniel joined the Group in April 2021 to lead the Partnerships Midlands division, focusing on operational excellence and delivery of flagship developments. Daniel has over 25 years' experience in housebuilding across the South West, Midlands, and the North of England. Daniel most recently held senior positions with Taylor Wimpey, overseeing growth, operations and customer excellence.



Sian Myers
Group Chief People
& Culture Officer

Sian was appointed as Group Chief People and Culture Officer on 1 January 2021 and succeeded Nick Worrall, who stepped down from the role of Chief People Officer with effect from 31 December 2020.

Sian joined the Group in 2015 to lead the reward and employee relations strategies ahead of Countryside's listing on the London Stock Exchange in 2016. She has held senior HR positions within the Group, most recently that of Culture Transformation Director to implement and embed a newly devised set of company values to inform every aspect of the business.

Prior to joining the Group, Sian worked for Ford Motor Company in several HR leadership roles supporting Finance, IT, Manufacturing and Ford Credit functions.



Victoria Prior
Managing Director,
Corporate Affairs

Victoria was appointed Managing Director, Corporate Affairs in March 2020.

Victoria joined the Group in 2015 as Investors Relations & Strategy Director to lead on communicating the Group's key messages to external stakeholders. Her promotion in March 2020 was to a newly created role to oversee investor relations, sustainability, brand and corporate communications.

Prior to joining the Group, Victoria was an Equity Research Analyst at JP Morgan Cazenove.



Gary Whitaker
General Counsel
and Company Secretary

Gary was appointed General Counsel and Company Secretary in November 2015.

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



Corporate governance report

Governance in action

A strong and effective system of governance throughout the Group is critical for a sound and resilient business.

Governance structure

Introduction

The following report sets out Countryside's governance framework and how we have complied with the UK Corporate Governance Code 2018 (the "Code") during the period of this report.

The Board and its Committees

The Board is collectively responsible for leading and directing the Group. It sets our corporate purpose, strategy, key policies and objectives, and the values and culture to achieve the long-term sustainability of the business, for the benefit of shareholders, customers, suppliers and the communities in which we operate. How the Board measures and assesses the culture of the Group is set out on pages 66 and 67.

The Board also reviews and monitors the principal and emerging risks that the Company faces, the risk appetite of the Company and the processes in operation to mitigate these. In discharging its responsibilities, the Board is supported by its management and specialist committees as explained in detail on pages 77 and 78.

Each Committee works from terms of reference which are reviewed annually and are available on the Company's website: investors.countrysideproperties.com. They were most recently reviewed and approved by the Board at its meetings on 22 July 2021 and 22 November 2021.

Board composition

As at the date of this report, the Board consists of six Directors, being a Non-Executive Chair, the Group Chief Executive and four independent Non-Executive Directors. Their names, responsibilities and other details are set out on pages 72 and 73. Following David Howell stepping down from the Board on 30 April 2021, John Martin assumed the role of Chair from 1 May 2021, having been appointed to the Board on 13 April 2021.

As previously reported on 29 June 2021, Mike Scott has tendered his notice to resign from the Company in order to take up the role of Group Chief Financial Officer at Barratt Developments PLC. Mike will cease employment and step down from the Board, with his last day of service being on 29 November 2021.

On 16 November 2021, it was announced that Tim Lawlor, currently Chief Financial Officer of Wincanton plc, would succeed Mike as Group Chief Financial Officer. Tim is due to join the Company and the Board on 28 March 2022.

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 4 October 2021. Other specific responsibilities are delegated to the Board Committees, which operate within clearly defined terms of reference.

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

The roles of the Chair, the Group Chief Executive and the Senior Independent Non-Executive Director are clearly segregated. The division of responsibilities between them is set out in writing and was last reviewed by the Board on 4 October 2021. Full details of the roles and responsibilities of the Directors and the Company Secretary are set out on page 77.

CASE STUDY

Whilst site visits have been severely constrained in the last 18 months due to the COVID-19 pandemic, both Board and Executive team members have nonetheless continued to make individual visits to various offices, sites and factories. A particular area of focus has been to learn about the Group's manufacturing business, such as the recent visit to the Bardon factory pictured here.





Corporate governance report continued

The Board

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

Chair**Role and responsibilities**

- Leads the Board and sets the cultural tone from the top
- Ensures high standards of corporate governance and open dialogue between Executive and Non-Executive Directors
- Maintains a well-balanced and highly effective Board and ensures an annual review of its effectiveness
- Ensures effective communication with shareholders
- Maintains an appropriate balance between the interests of stakeholders
- Agrees the Group Chief Executive's personal objectives

Senior Independent Director**Role and responsibilities**

- Provides a sounding board to the Chair 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
- Leads the search for a new Chair, when necessary

Non-Executive Directors**Role and responsibilities**

- Contribute to developing the Company's strategy
- Scrutinise and constructively challenge the performance of management in executing the strategy

Company Secretary and General Counsel**Role and responsibilities**

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

Group Chief Executive**Role and responsibilities**

- Develops and implements strategy
- Ensures a well-balanced and effective Executive leadership team
- Leads the business within its agreed risk profile
- Maintains strong relations with investors and stakeholders



Corporate governance report continued

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.

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

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

Nomination Committee

Role and responsibilities

- Regularly reviewing the structure, size and composition of the Board and other senior roles and making recommendations to the Board with regard to any changes
- Ensuring a formal, rigorous and transparent process is undertaken for the succession of the Board, its Committees and other senior roles
- Ensuring effective measures are implemented across the Group to promote diversity of gender, social and ethnic backgrounds, and cognitive and personal strengths
- Considering whether to set limits on the number and scale of other appointments that the Chair of the Board and other Non-Executive Directors may take

Executive Committees

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

Executive Committee

Role and responsibilities

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

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

Sustainability Committee

Role and responsibilities

- Identify and prioritise sustainability issues material to the business strategy
- Assess the adequacy of measures taken to address the material sustainability issues, risks and targets
- Feedback to the Board on the achievement of sustainability targets and consider any positive trends or sustained outstanding performance over the strategic period/cycle



Corporate governance report continued

Board and Committee attendance

The number of Board and Committee meetings attended by each Director during the FY21 financial year was as follows:

	Board ¹	Audit Committee	Remuneration Committee	Nomination Committee	Overall attendance
Number of meetings held	26	4	5	7	
John Martin ²	9/9	—	2/2	1/1	100%
David Howell ²	18/18	—	2/3 ³	4/6 ³	88.9%
Iain McPherson	26/26	—	—	—	100%
Mike Scott	26/26	—	—	—	100%
Amanda Burton	26/26	4/4	5/5	7/7	100%
Baroness Sally Morgan	25/26 ⁴	4/4	5/5	7/7	97.6%
Douglas Hurt	26/26	4/4	5/5	7/7	100%
Simon Townsend	26/26	4/4	5/5	7/7	100%

- In addition to the Board's schedule of ten meetings per year, a further sixteen meetings were convened to consider the input and feedback from shareholders, the future of the Housebuilding business and the appointment of a new Chair.
- John Martin was appointed Non-Executive Chair Designate of the Company as well as Chair of the Nomination Committee and a member of the Audit and Remuneration Committees on 13 April 2021, before his appointment as Chair on 1 May 2021 when David Howell stepped down. The attendance table above reflects their respective periods of office as members of the Board and the Committees.
- David Howell did not attend two of the Nomination Committee meetings and one of the Remuneration Committee meetings as the meetings were held regarding the appointment of a new Chair.
- Baroness Sally Morgan was not available to attend one Board meeting convened at short notice due to a prior commitment.

Review of Board effectiveness in FY21

An externally facilitated evaluation of the Board and its Committees by Independent Board Evaluation ("IBE") has commenced. The process has so far covered observation of the Board and its Committees and a series of one-on-one interviews with Board members and certain senior management who engage with the Board. IBE will report back to the Board at the January 2022 Board meeting for a discussion on next steps. In addition, a report on the Chair will be presented to the Senior Independent Non-Executive Director; reports on the Board Committees will be presented to their respective Chairmen, and a report on each individual Director will be presented to the Chair.

Progress against actions from review of Board effectiveness in FY20

The evaluation during 2020 was led by the Chair and supported by the Company Secretary and Claire Howard Consultants. The overall conclusion of the 2020 evaluation process was that the Board considered that it continued to function effectively, with good principles of governance and in line with the requirements of the Code and that it provided effective leadership of the Group.

The principal issues raised in the 2020 performance evaluation, the actions agreed to address them and the progress during 2021 against each are set out in the following table.

Board and Committee evaluation: principal actions and progress

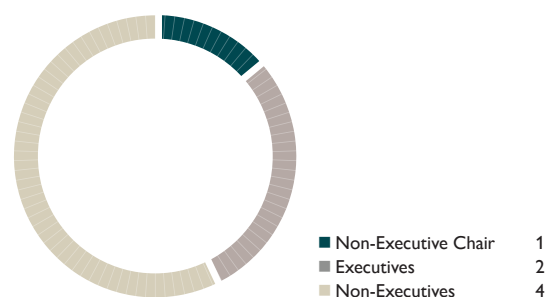
2020 evaluation – recommendations included	Actions taken during 2020/21
Implementation and roll-out of the Group's purpose and values to ensure they are recognised across the business	Following a Group-wide launch of our purpose and values in November 2020, a follow-up programme of communications and events has been run throughout the last 12 months, led by senior management and aided by "values champions" from across the Group. The all staff survey in June 2021 included questions to assess progress made, the results of which were reviewed by the Board as part of its consideration of next steps to drive the culture of the business.
Consideration of how best to accelerate the move to a pure Partnerships model	The results of the Board's strategic review were announced on 7 July 2021, setting out the Board's decision to focus all of the Group's resources on its Partnerships business. The implementation would involve deploying the existing Housebuilding assets in two parts: first to create a new Partnerships Home Counties division and secondly to "run-off" the remaining assets that do not fit the Partnerships strategy. Given the expectation to generate at least £450m of surplus cash by September 2023, the Company also announced a share buyback programme that was commenced on 26 July 2021.
Moving environment, social and governance topics higher up the Board's agenda	Creating sustainable communities is part of the Company's purpose. The development of the Group's sustainability strategy has been a key focus for the Board during the last 12 months and science-based carbon targets against which to measure the Group's performance were approved by the Board in July 2021.
Succession planning for the Executive and Non-Executive Directors	Following the appointment of a new Chair from 1 May 2021, the focus of the Nomination Committee is now on identifying candidates and developing succession plans for the Executive Directors and planning a sequenced succession for the Board's Non-Executive Directors.



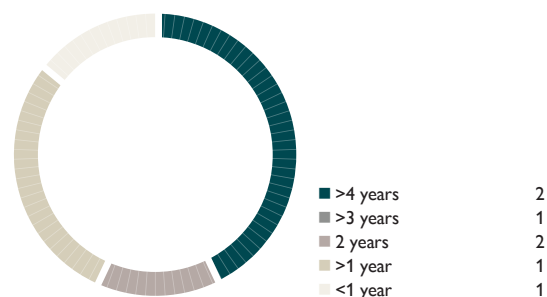
Corporate governance report continued

Board analysis (as at 30 September 2021)

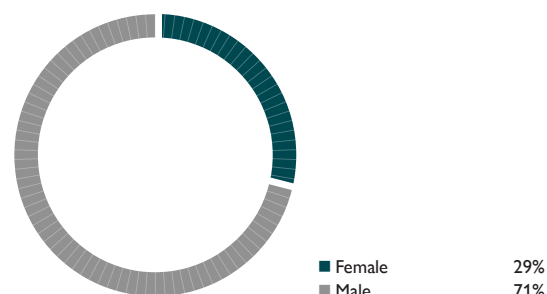
Composition



Length of tenure



Gender diversity



Directors' inductions, training and development

Countryside has a structured induction programme that is tailored for all newly appointed Directors. This includes, where appropriate, meetings with members of the Executive Committee and visits to the business divisions and their respective management teams in each of Countryside's business sectors.

During the financial year under review, the Company has completed the induction of John Martin to the role of Chair. John's induction included:

- meetings with the Board and Executive management to discuss the principal issues for the Group;
- meetings with the Group's shareholders;
- a comprehensive document pack, which included analyst and broker reports;
- a meeting with the Company Secretary on governance and related matters;
- a series of meetings with the Divisional Chief Executives of the Group;
- a series of meetings with Heads of key functions including Health & Safety, Environmental, Internal Audit, Customer Services, and People during which Group-wide progress on initiatives, challenges and plans for the future were discussed; and
- meetings with the Company's brokers and other advisors, at which briefings were given on current shareholder issues and regulation, both generally and sector-specific.

All Directors receive ongoing updates on the Company's projects and activities and on legal and regulatory changes. In 2020/21 these included briefings on sustainability and Task Force on Climate Financial Disclosures, the Building Safety Bill, the Company's IT strategy and modern methods of construction at the Group's factories.

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 Chair maintained regular contact with the Group Chief Executive, the Group Chief Financial Officer and other senior Executive management during 2020/21 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 2020/21. 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.

Tenure, election and re-appointment of Directors

A table setting out the dates of appointment and the tenure of the current Chair and Non-Executive Directors is shown below.

Non-Executive Director	Date of appointment	Date of re-appointment	Expiry date of current term
John Martin	13 April 2021	Not applicable	13 April 2024
Amanda Burton	17 December 2015	17 December 2021	16 December 2024
Baroness Sally Morgan	17 December 2015	17 December 2021	16 December 2024
Douglas Hurt	1 January 2018	31 December 2020	31 December 2023
Simon Townsend	1 March 2019	Not applicable	28 February 2022

At its meeting on 14 September 2021, the Board confirmed the independence of all Non-Executive Directors (save for the Chair who was considered independent upon appointment) and approved the re-appointment of the Non-Executive Directors in their current roles. The Chair, having been appointed by the Board, will stand for election at the 2022 AGM.



Corporate governance report continued

Directors' inductions, training and development continued

All Non-Executive Director appointments may be terminated by either party upon three months' (or in the case of John Martin, 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 108 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 line with the Code, all Directors will be put forward for re-election (or in the case of John Martin, election) at the 2022 AGM. The Board believes that each of the Directors makes a valuable contribution to Countryside and supports their election and re-election in each case.

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 4 October 2021. In each such situation, the Director under consideration did not vote on the matter. The Board will continue to review the register of interests regularly to ensure that the authorisations, and any conditions attached to them, are appropriate for the relevant matter to remain authorised. The Company Secretary maintains a list of all authorisations granted to Directors, setting out the date of authorisation, its expiry and scope and any limitations imposed (as applicable).

Board diversity

The Board recognises that diversity, in all its dimensions, across an organisation, including at Board level, is important to support innovation, strategic development and operational efficiency. It takes very seriously its responsibility to comply with the recommendations of the Davies Report (as built on by the Hampton-Alexander Review), encouraging increased participation by women on boards, and of the Parker Review and its Report into the Ethnic Diversity of Boards. The proportion of women on the Countryside Board, which is two out of seven, is currently 29%.

The Board Diversity Policy is reviewed annually, most recently at the 22 November 2021 Board meeting.

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

For details on Countryside's broader policy on diversity across the Group, please refer to the Our People section, on pages 62 to 65.

Site visits

Prior to the restrictions observed during the Covid-19 pandemic, the Board would as a group make regular visits to the Group's operations (sites, factories, sales offices) to engage with employees and contractors in order to develop and maintain an understanding of the Countryside business. In the last 12 months, Directors have made individual visits to sites and offices, including the Bardon factory. Following the cessation of the majority of restrictions, a full plan of site visits will be reinstated for FY22 and beyond.

Additional information

The Directors' Report (see pages 120 to 122), 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.

CASE STUDY**Board visit to Brentwood office to view refurbished head office**

Due to the Covid-19 pandemic, the site operation guidelines and the strict restrictions imposed during 2020/21, the Board instead took the opportunity to visit several of the Group's offices, including the newly refurbished head office in Brentwood. Like the refurbished offices across the Group, the changes at Brentwood aim to bring the modernised workplace into line with both the new ways of working post-pandemic and the newly implemented cultural values.

The Board were given a tour of the office led by Chris Connors, the Head of Facilities and Fleet, to view the collaborative working spaces and meet the staff working in the office. The Board took the opportunity to hold its scheduled meeting on completion of the tour.

The Board will return to site visits as soon as practicable given the circumstances.

Major shareholders as at 29 October 2021

1. Abrdn Plc	10.86%
2. Browning West LP	9.50%
3. Aviva Investors	7.76%
4. Ruffer LLP	7.74%
5. M&G Investment Management Ltd	4.76%

**Corporate governance report** continued**Main activities of the Board during the financial year**

The Board reviews and updates at each meeting a rolling calendar of all key matters to ensure they are allocated adequate time for discussion during each year. A summary of the main activities of the Board during the last 12 months is set out below.

Purpose, strategy, values and culture**Stakeholder engagement**

- An explanation of how the Board engaged with its stakeholders and the Company's Section 172 statement are set out on pages 28 to 35.
- Considerable time was spent by the Board during the last 12 months considering and responding to various observations (relating to strategy and capital allocation) made by a number of large shareholders in the Company. The responses included various meetings with different members of the Board and written replies to specific questions from certain shareholders. The information disclosed was made public to all shareholders in a letter released on 20 December 2020 and published on the Group's website.

Strategic review

- As disclosed on 20 December 2020, the Board outlined its considerations on capital allocation and the engagement of Rothschild & Co. to advise the Board on the potential separation of the Housebuilding Division from the Group.
- Following a strategic review of the potential separation of Housebuilding, the Board concluded that in future, the Group will focus all of its resources on its very successful Partnerships business. As announced to the market on 7 July 2021, the assets of the Housebuilding division, including its people and management, will be deployed to create a new Partnerships Home Counties division, with any land and developments under way, that do not fit the revised Partnerships strategy, to be either sold or completed in line with commitments. The revised strategy is expected to generate at least £450m surplus cash which, as announced, will be returned to shareholders by September 2023.

- A Capital Markets Day was held on 30 November 2021 where more detail of the outlined plans and the progress made was provided.

Environmental, social & governance

- Received a number of presentations on the progress of the Group's culture transformation programme to monitor implementation of the Group's corporate values and their alignment with the Group's purpose and strategy.
- Approved the Group's updated plans for sustainability, more detail on which is set out on pages 45 to 61.
- Approved the Group's Diversity, Equity and Inclusion strategy, more detail on which is set out on pages 66 and 67.
- Approved the plan for the implementation of "smart working" to reflect the feedback from employees and the broader workforce about how to safely return to office/site working in light of experience from the Covid-19 pandemic and related Government restrictions.

Operational performance**Succession**

- Following the announcement on 3 December 2020 of David Howell's decision to step down from the Board, a search for a new Chair commenced, led by the Nomination Committee. After an extensive recruitment process, John Martin was appointed to the Board on 13 April 2021 and assumed the role of Non-Executive Chair of the Group with effect from 1 May 2021.
- The resignation of Mike Scott from the role of Group Chief Financial Officer to join Barratt Developments PLC was announced on 29 June 2021. Mike's successor was announced on 16 November 2021 as Tim Lawlor. Tim, currently serving as CFO of Wincanton plc, will join Countryside on 28 March 2022. In the interim Tom Wright will continue to act as the Interim Group Chief Financial Officer, as announced on 13 October 2021.

Financial performance

- Regularly monitored the financial performance of the Group and challenged management where appropriate.
- Reviewed and challenged the Group's five-year plan and 2022 budget presented by management.

- Reviewed the Group's finance transformation programme, including enhancements to IT.
- Reviewed the Group's defence strategy, including receiving presentations from the Group's advisors.
- Reviewed progress made in implementing the Group's growth plans for modern methods of construction.
- Approved the first tranche buyback of £52m worth of ordinary shares in the Company, as announced to the market on 26 July 2021.

Land

- Reviewed a number of material land transactions.

Significant transactions

- Approved the principal transactions to underpin implementation of the Group's strategy.
- Following presentations from divisional management teams, approved a number of large developments requiring Board approval under the Group's delegated authority limits.

Risk management**Risk appetite, risk management and internal controls**

- Reviewed the Company's appetite for risk, discussed and agreed the principal and emerging risks and uncertainties of the Group.
- Reviewed and approved the effectiveness of the internal controls and risk management systems.
- Received regular updates from the Audit Committee, including in respect of internal and external audit reviews.
- Received the recommendations of the Audit Committee regarding the financial year end, including the Annual Report and Accounts being fair balanced and reasonable, the long-term viability statement, and other matters relating to the financial year end.



Corporate governance report continued

Main activities of the Board during the financial year continued

Resilience

- A great deal of consideration has been given to the resilience of the Group's supply chain, following the combined impact of the release from lockdown due to Covid-19, the end of the Brexit transition period, delays caused by a blockage of the Suez Canal and a general shortage in a range of materials (such as timber).
- Reviewed the lessons of the Covid-19 lockdowns and impact on the Company, leading to revised policies and practice in a number of areas, including working practices, IT and supply chain management.

Legacy buildings provision

- Following the announcement on 13 May 2021 of the Group's £25m provision for potential remediation costs for multi-occupancy buildings, the Board has regularly reviewed the progress made to assess any defects and carry out rectification works. This process has led to a greater degree of understanding of the technical and legal risks, both of which have increased significantly, leading to the Board's decision to increase the provision to £41m.

Competition and Markets Authority (CMA) Inquiry

- Regular reviews of the CMA's Inquiry into leasehold sales, leading to undertakings being agreed with the CMA for the closure of their inquiry, as announced to the market on 15 September 2021.
- The provision recognised of £10m in the prior year for the Ground Rent Assistance Scheme was increased to £13.8m to reflect the expected cost of carrying out the agreed undertakings.

This section of the report sets out how the Board has applied the Principles of the Code during the last 12 months.

How we have applied the Code

Where further information can be found

1. Board leadership and Company purpose

Main activities of the Board during last 12 months and how governance contributes to the implementation of strategy
Business model, value created for shareholders and contribution to wider society
Company purpose, values and culture
Risk and internal control framework
Engagement with shareholders and other stakeholders
External evaluation of the Board, its composition and its effectiveness
Workforce engagement and key policies (including whistle blowing policy)
Management of Board conflicts of interest and operation of the Board

Governance in action pages 79 to 83
Business model and strategy pages 10 to 13
Company values pages 20 and 21
Principal risks pages 36 to 44
Sustainability report pages 45 to 61
Our people pages 62 to 67

2. Division of responsibilities

Role and division of responsibilities of Chair, Senior Independent Director and Group Chief Executive
Composition of the Board, independence of NEDs and time commitments
Details of the Committees, membership, meetings held, attendance

Pages 76 to 79

3. Composition, succession and evaluation

Membership, work and role of the Nomination Committee
Succession plans and process for Board appointments
Annual re-election of all Directors and maximum term
Board and senior management diversity
Evaluation process

Pages 91 and 92

4. Audit, risk and internal control

Membership, work and role of the Audit Committee
Description of policies and procedures to ensure independence and effectiveness of the internal and external audit functions
Tender process and handover for the new external auditor
Areas of focus of the Audit Committee during FY21
Directors responsibility for preparing the Annual Report and accounts
Risk Management and internal control systems
Adoption of going concern basis of accounting in preparing the FY21 year-end accounts
Board's assessment of the Company's current position, prospects and principal risks

Pages 84 to 90

5. Remuneration

Membership, work and role of the Remuneration Committee
How the remuneration policies and practices support the purpose, strategy and long-term success of the Company
How the Remuneration Policy has operated during FY21
How the Remuneration Policy will be applied in FY22
Areas of focus of the Remuneration Committee in FY21

Pages 93 to 119



Report of the Audit Committee



Douglas Hurt

Senior Independent Non-Executive Director
Chair of the Audit Committee

Committee attendance

The number of Committee meetings attended by each member during the 2021 financial year was as follows:

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

About the Audit Committee

Committee Chair

Douglas Hurt

Other members

Amanda Burton, Baroness Sally Morgan, Simon Townsend

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
- Determining the Internal Audit Plan, reviewing Internal Audit reports and agreeing necessary action plans
- Monitoring and reviewing the effectiveness of the Group's Internal Audit function
- Making recommendations in relation to the appointment, re-appointment and removal of the external auditor
- Leading the review of the effectiveness of the Group's external audit
- Monitoring auditor independence
- Developing and implementing policy on non-audit services provided by the external auditor
- Monitoring the Group's risk management framework and key internal controls
- Reviewing the Group's procedures for detecting and preventing fraud, bribery and the governance of anti-money laundering systems and controls

Areas of focus in 2021

- Reviewing the key judgements and estimates relating to the Group's interim and full-year results
- Assessing the going concern basis for the financial statements and Viability Statement
- Reviewing the carrying value of goodwill, brand and other intangible assets
- Reviewing the carrying value of inventory in light of the market conditions caused by the Covid-19 pandemic, changes to Help to Buy and Stamp Duty
- Considering the progress of the CMA investigation into leasehold properties and the impact on the financial statements and disclosure
- Considering the Group's review into the fire safety of historical construction of buildings over 18m and the impact on disclosure
- Reviewing the appointment of PricewaterhouseCoopers ("PwC") as the Group's auditor and overseeing the tender for the Group's new external auditor, resulting in the selection of Deloitte, to take effect from completion of this year's financial year-end audit
- Considering applicable taxation and accounting matters



The Committee's terms of reference
are on Countryside's website at:
bit.ly/36sDnwF

continued
overleaf →



Report of the Audit Committee continued

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 risk management and internal control framework, financial management, the integrity of published financial information and the preparation and compliance of the Company's Annual Report. It also monitored the effectiveness of the internal and external audit processes.

The Committee ensured that management has implemented all recommendations for internal control improvements on a timely basis. The Committee continues to monitor the integrity of the Group's financial statements, including the key judgements and estimates made by management. It also scrutinised the scope, performance and effectiveness of the external audit process. During the year the Committee led a tender process for the appointment of a new external auditor for the financial year ending 30 September 2022.

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

Douglas Hurt

Chair of the Audit Committee

29 November 2021

Composition

During 2020/21, the composition of the Committee complied with the Code. Throughout the period it has comprised at least three independent Non-Executive Directors: Douglas Hurt, Amanda Burton, Baroness Sally Morgan and Simon Townsend. The Board considers Douglas Hurt, the Chair, to have recent and relevant financial experience of working with financial and accounting matters. The Committee maintains a formal agenda for each year to ensure it complies with the requirements of the Code. It met four times during the year.

Internal controls

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

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

Fraud, bribery and money laundering

The Committee considered the results of the internal audit reviews of the Group's process and procedures to detect and prevent attempts to carry out fraud, bribery or money laundering and agreed the proposed actions to improve the Group's controls.

Whistleblowing

An awareness programme of the Group's whistleblowing arrangements and procedures is implemented annually, to educate and inform all Countryside employees and sub-contractors of the whistleblowing facilities and the confidential treatment of any information provided. Where necessary, the awareness programme is run in a number of languages to try to ensure that it most effectively reaches all those working for Countryside across the Group. All cases of whistleblowing are appropriately investigated, with the results reported to the Committee. Having reviewed the whistleblowing procedures across the Countryside Group during 2020/21, the Committee is satisfied that the policy and its administration remain effective.

Risk management

The successful management of risk is critical to achieving Countryside's strategic objectives. The Board has delegated responsibility for reviewing and maintaining effective internal control over risk management systems and internal financial controls to the Committee. Day-to-day management of the Group's risk management framework has in turn been delegated to the Risk Management Committee. The Group's management of risk and the role and membership of the Risk Management Committee are detailed on pages 36 to 39.

At each Risk Management Committee meeting management discusses the key risks and any emerging risks and the mitigating action plans in place for each. Any changes to the Group's risk register are in turn presented for review by the Committee. The Committee has monitored the Group's risk management and internal control systems throughout the year and reviews the entire Group risk register, with the last review occurring on 4 October 2021.

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

The Group's key risk management procedures have been in place throughout 2020/21 and up to the date of approval of this Annual Report.

**Report of the Audit Committee** continued**Overview of the risk management process****Internal control**

The Group's key internal control procedures include:

- a review of the Group's strategy and the performance of principal subsidiaries. This involves a comprehensive system of reporting based on variances to annual budgets, key performance indicators and regular forecasting;
- clearly defined procedures for the approval, set-up and running of joint ventures;
- a quarterly business review for each business division. This covers financial performance, a detailed range of strategic risks, opportunities and KPI metrics which measure the overall performance of the business sector. This process also identifies key operational issues and the actions required to address any deficiencies;
- well-defined Group policies and processes, communicated through the Group Financial Reporting Procedures Manual and the intranet;
- a defined process governing the approval of capital expenditure;
- a defined organisational structure with appropriate delegation of authority across all levels of the organisation;
- formal authorisation procedures for all investments, with clear guidelines on appraisal techniques and success criteria;
- Regular updates of forecast costs to complete on ongoing developments to determine the profit margin to be recognised as future revenue is recognised; and
- formal authorisation procedures for all significant contracts, including land purchases and sales, with clear guidelines on success criteria and contracting practices.

On behalf of the Board, the Committee has conducted an annual review of the effectiveness of the Group's internal control systems for 2020/21 and the period prior to approval of this Annual Report.

The Committee Chair reported its findings to the Board at the 22 July 2021 Board meeting. The review considered all material controls in accordance with Financial Reporting Council guidance. Following this review, no

significant weaknesses or failings were identified. Management is addressing noted improvement areas. The Board and the Committee will continue to monitor and review the internal control environment.

Climate change

Failure to adequately prepare for impacts of climate change on the Group has become a principal risk. There is a marked increase in climate change responsive Government policies and regulations. A significant proportion of these legislative changes are targeted at reducing the greenhouse gas emissions of the built environment, e.g. tightening building regulations. Local authorities have declared climate emergencies requiring them to embed climate action in their decision making and, climate change mitigation and adaptation requirements are weighted heavily by Homes England.

There are increasing levels of climate change performance and reporting expectations from investors and stakeholders. We are now giving greater consideration to the impacts of climate change on our business, recognising that ongoing analysis is essential to inform our medium to long-term decision-making. We support the recommendations of the Financial Stability Board's ("FSB's") Task Force on Climate-related Financial Disclosures ("TCFD"). A summary of our approach and planned future actions is detailed on pages 47 and 48. In addition, the response we provide to the Carbon Disclosure Project further details our progress towards meeting the TCFD recommendations.

Fair, balanced and understandable

At the request of the Board, the Committee considered whether the 2021 Annual Report was fair, balanced and understandable and whether it provided the necessary information for shareholders to assess the Group's performance, business model and strategy. The Committee took into account its own knowledge of the Group, its strategy and its performance during the year. Further comprehensive reviews were undertaken at different levels in the Group to ensure consistency and overall balance. The Committee also took account of the results of the external audit.

Before the publication of both the interim and full-year results for the Group, the Committee undertook a detailed assessment of the appropriateness of the Group's use of the going concern basis in preparing the financial statements. For further information about going concern, please refer to the Directors' Report on page 122.

Shortly before publication of the full-year financial results for 2021, the Committee undertook a detailed assessment of the Viability Statement. It recommended to the Board that the Directors can have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three-year period of their assessment. For the detailed Viability Statement, please refer to our Risk section on page 39 of the Strategic Report.

Internal audit

The work performed by the Director of Audit and Risk Assurance and his internal audit team, assisted where necessary by BDO, focused on the areas determined by the Committee as 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 Committee independent assurance over financial, operational and compliance controls, and to assist the Committee in assessing the effectiveness of internal controls. The Director of Audit and Risk Assurance reports to the Chair of the Audit Committee.

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



Report of the Audit Committee continued

Oversight of the external audit and tender process

PwC was appointed as external auditor to Countryside Properties plc upon its listing on the London Stock Exchange (LSE) in 2016. PwC's re-appointment was most recently approved by shareholders at the 2021 AGM. The Company continues to comply with the requirements of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Responsibilities) Order 2014 for the financial year under review.

PwC's last audit of the Group will take place for this financial year, ended 30 September 2021. The Company has carried out a tender process for the audit of the year ending 30 September 2022 with Deloitte being selected as the successful auditor. Having regard to the Financial Reporting Council's guidance to audit committees on audit tenders, a variety of firms were chosen to participate in the tender and a further description of the process is set out on page 90. Given PwC also provided external audit services to the predecessor of Countryside Properties plc, prior to its listing on the LSE, they were not invited to participate in the tender process.

A planned set of actions have been agreed to facilitate a smooth handover from PwC to Deloitte.

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. In addition, the Committee approved PwC's fee for the 2021 audit.

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

The Committee assesses the effectiveness of the external audit process annually with the auditor and the Group's management. Regular private meetings are held between the Committee and PwC without management present to discuss the auditor's assessment of business risks and management's activities with regard to those risks, the transparency

and openness of interactions with management and confirmation that there has been no restriction in scope placed on them.

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

	2021 £m	2020 £m
Fees payable to the Group's auditor for the audit of parent and consolidated financial statements	0.8	0.4
Fees payable to the Group's auditor for other services:		
– Audit of subsidiary companies	0.5	0.5
– Audit of joint ventures	0.1	0.1
– Audit-related services	0.2	0.2
Total	1.6	1.2

Non-audit services policy

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

The award of non-audit services to the Group's external auditor is subject to controls (agreed by the Committee) to monitor and maintain its objectivity and independence. The Group's policy for auditor independence and the provision of non-audit services was last reviewed at the Committee's meeting on 18 October 2021.

The Committee is responsible for approving all non-audit services provided by the external auditor. The Group Chief Financial Officer holds authority to approve non-audit services on the "permitted list", where the services are considered to be clearly trivial (defined as those with a fee of less than £50,000). Where the services are not clearly

trivial, or where the cumulative fee in the financial year exceeds £100,000, pre-approval is required from the Committee. Fees for non-audit services are capped at 70% of the average audit fee for the last three financial years, subject at all times to the "objective test".

Annual evaluation of Audit Committee performance

As part of the broader evaluation process, an independent evaluation has commenced, supported by Independent Board Evaluation, the results of which will be presented to the Board at its meeting in January 2022.

This review of effectiveness of the Committee will include:

- 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.

More detail about the process and timetable of the evaluation process can be found on page 79.

Internal audit activity in the year

The Committee set the scope of internal audit activity for the 2021 financial year and reviewed the findings of audits performed during the year. Following the appointment of a Director of Audit and Risk Assurance in 2019, the work to further strengthen and improve internal audit continues, including through further internal appointments and the engagement of BDO to assist internal audit on reviews requiring particular expertise (such as GDPR). Together, the Committee views these changes as materially strengthening and improving the quality of internal audit and oversight of the risk assurance function.



Report of the Audit Committee continued

Areas of significant judgement considered by the Audit Committee in 2021

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

Significant matters considered	Our response to these matters
Going concern basis for the financial statements and Viability Statement Management performed detailed reviews at both half year and full year testing the Group's liquidity and banking covenant compliance in a range of downside scenarios to determine if adopting the going concern basis for preparing the financial statements was appropriate. The Viability Statement testing was based on the latest available three-year forecast. To ensure that the financial position of the Group was robust, management performed downside sensitivity testing, including an economic downturn, and a catastrophic event leading to a two month closure of the business, similar to the initial lockdown experienced as a result of Covid-19. This review applied a range of overlays reflecting reduced sales rates and average selling prices, a reduction in land sales and reduced affordable housing sales. This review also included operational inefficiencies and enhanced cost inflation. Each of the above overlays was based on management's assumption of a reasonable downside outcome.	The Audit Committee reviewed and challenged management's assessment of forecast cash flows and the sensitivity assumptions applied. The Committee also considered the Group's financing facilities, future funding plans and the Group's ability to take mitigating actions in a timely manner. Based on these reviews, the Committee confirmed it continued to be appropriate to adopt the going concern basis of accounting in preparing the interim and full-year financial statements and approved the Viability Statement. For further information see page 39 of this Annual Report. The external auditor reported on the going concern basis for the financial statements at both the half-year review and again at the final audit.
Legacy Buildings Review Countryside has been engaging with building owners and others throughout the year to progress the intrusive building surveys and review their proposed scope of works to assess the extent and cost of any remedial works for which Countryside is potentially liable for. As a result of the progress made to estimate the potential liability for the Group, a provision of £25.0m was recognised in the interim results to 31 March 2021. During the second half of the year, considerable progress has been made to complete the surveys, in part to meet the September deadline for qualification under the Building Safety Fund. As a result, the provision charge was increased by £16.0m, resulting in a total charge of £41.0m for the full year. The updated Building Safety Bill (the "Bill"), published on 5 July 2021, will (if passed) extend the limitation period to bring a claim under the Defective Premises Act from 6 years to 15 years (or 25 years, if the latest amendment is passed) and this will be applied retrospectively. The provision recognised during the year for remediation costs reflects the Group's review of buildings in the last 12 years and therefore the extension to 15 years (or 25 years) may result in additional liabilities for the Group that currently cannot be reliably estimated. Management has included disclosure of these matters in the financial statements in Notes 21 and 31 to the financial statements.	The Committee considered the detail of the claims made against the Group and management's assessment of the likelihood and value of remedial action needing to be taken. This included a review of the adequacy of the insurance policies in place and the likelihood of recovery from either third party suppliers and/or insurance coverage. The Committee concurred with Management's view and recommended the provision sums announced in the interim financial statements in May 2021 and the increase recognised in these financial statements for the full year. The Committee also agreed that it was inappropriate to recognise any contingent asset in respect of any possible recoveries. The Committee continues to regularly monitor emerging risks, including the potential impact of further retrospective legislation.



Report of the Audit Committee continued

Significant matters considered

Our response to these matters

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 caused by the Covid-19 pandemic and changes to Help to Buy and Stamp Duty.

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

The Audit Committee reviewed and challenged management's assumptions in relation to the carrying value of inventory. The Committee scrutinised in detail one particular Partnerships development in the North West where the forecast costs to complete the development have increased significantly since its original acquisition. It is forecast to remain profitable if it were to be fully developed and while the Group continues to assess options for its future, the Committee concurred with management that it should not be impaired.

The external auditor reported on the methodology and assumptions applied in assessing the carrying values.

The Audit Committee is satisfied with the conclusion that, other than the £0.7m impairment of certain freehold interests following our voluntary undertakings to the CMA, no further impairment of inventory was required.

Carrying value of intangible assets

The value of goodwill and other acquired intangible assets is material to the Group's balance sheet. Whilst the carrying value of goodwill is assessed for impairment each year, management identified the announcement of our strategy to run off Housebuilding assets as a triggering event for a full impairment review of the associated intangible assets.

Management assessed whether the Millgate brand was appropriate for Partnerships sites, and concluded it wasn't. The useful economic life was therefore shortened to align with the profile of existing Millgate sites, which we expect to have completed in the next financial year. The useful economic life has therefore been reduced to one year to 30 September 2022.

Management also reviewed the useful life of the Westleigh brand and concluded that the brand had no future value to the Group. As a result, the brand was de-recognised in FY21.

The Committee reviewed and challenged management's assumptions, including the identification of the relevant cash generating units and operating segments, in relation to the carrying value of the Group's goodwill, brand and other intangible assets.

The external auditor also reported on the appropriateness of the assumptions applied in assessing the useful life of the Millgate brand and the de-recognition of the Westleigh brand.

The Audit Committee is satisfied that the reduction in useful economic life of the Millgate brand and the de-recognition of the Westleigh brand, together with the associated disclosures, are appropriate.

Competition and Markets Authority investigation

On 4 September 2020 the Competition & Markets Authority ("CMA") announced it had opened a case against Countryside and three other housing developers in relation to possible breaches of consumer protection law in the residential leasehold sector. On 15 September 2021, Countryside announced that it had agreed voluntary undertakings with the CMA, which brings an end to the investigation.

The Audit Committee reviewed and discussed the voluntary undertakings being offered by Countryside, and the calculations of the expected cost to the Group.

The Committee agreed with Management's calculation and the value of the provision recognised during the year. Refer to Note 21 to the financial statements.



Report of the Audit Committee continued

Significant matters considered

Our response to these matters

Accounting for software

During the year the Group invested in customising and configuring software for use across the business. Following a recent interpretation from IFRIC the Group considered carefully whether or not these investments qualified for recognition as intangible assets. It was concluded that they should not be recognised and were therefore expensed in the year.

The Committee reviewed the IFRIC interpretation and challenged management to demonstrate whether the software assets were sufficiently discrete and controlled by the Group to qualify for recognition as an asset. The Committee concurred that they should not be recognised as an asset and that the expense should be recognised within underlying earnings.

Appointment of External Auditor

The PwC engagement partner was required to rotate off the audit at the end of the FY21 audit and rather than appoint a replacement engagement partner, as reported last year the Committee decided to retender the audit. Due to PwC's length of tenure in the role, also taking into account their engagement prior to the Company's listing on the LSE in 2016, they were not invited to participate in the tender process.

The tender process for the external auditor is set out below.

The Audit Committee chair led the competitive tender process to recommend to the Board the new auditor, and the Board confirmed appointment of the same.

Tender process for external auditor

In April 2021, four firms were invited to tender for the role of Countryside's external auditor, to replace the incumbent, PwC, for the year ending 30 September 2022. Two participants were invited to tender from the 'Big 4' and two were smaller, mid-tier. After an initial briefing, one of the challenger firms chose not to continue as they did not have sufficient resources available to undertake the audit. Of the three firms that participated in the tender, there was the following process:

- A data room was made available, providing all participants with access to the Group's structure, management accounts, debt and equity information and other financial data (including previous Audit Committee papers);

- Meetings were organised for the participant's team with each of the Group's Chief Executive Officer, Chief Financial Officer, Company Secretary, Group Financial Controller, Group Tax Director, Director of Risk and Audit and finally the Audit Committee Chair;
- Each participant also provided a written tender document, setting out the proposed audit strategy, team structure, transition proposals and fees in advance of the presentations to the Audit Committee chair, the CEO, CFO and selected Countryside management;
- The tender participants were each scored using a standard evaluation system, covering a variety of criteria, including audit quality, team competence, transition planning, service, communications and fees;

On completion of the assessment of the written tender submissions and the various team meetings, a report was prepared and submitted to the Audit Committee for review. The Audit Committee met on 15 July 2021 and made a recommendation to the Board, who approved the selection and appointment of Deloitte LLP, to take effect from completion of PwC's external audit of Countryside's results for the financial year ended 30 September 2021.

The appointment of Deloitte as the Company's external auditor will be tabled for shareholder approval at the next general meeting on 20 January 2022.



Report of the Nomination Committee



John Martin
Chair of the Nomination Committee

Committee attendance

The number of Committee meetings attended by each member during the 2021 financial year was:

	Nomination Committee	Overall attendance
Number of meetings held	7	
John Martin ¹	1/1	100%
David Howell ²	4/6	66.7%
Amanda Burton	7/7	100%
Baroness Sally Morgan	7/7	100%
Douglas Hurt	7/7	100%
Simon Townsend	7/7	100%

1. John Martin attended the one Nomination Committee meeting held since becoming a member of the Committee.
2. David Howell attended four out of the six Nomination Committee meetings held during his period of office as a member of the Committee as two of the meetings were held regarding the appointment of a new Chair.

About the Nomination Committee

Committee Chair

John Martin

Other members

Amanda Burton, Baroness Sally Morgan, Douglas Hurt, Simon Townsend

Meetings held

7

Role and responsibilities of the Nomination Committee

- To regularly review the structure, size and composition (including skills, experience and knowledge) of the Board and other senior roles and make recommendations to the Board with regard to any changes
- To ensure a formal, rigorous and transparent process is undertaken for the succession of the Board, its Committees and other senior roles
- To ensure effective measures are implemented across the Group to promote diversity of gender, social and ethnic backgrounds, and cognitive and personal strengths
- To consider whether to set limits on the number and scale of other appointments that the Chair of the Board and other Non-Executive Directors may take
- To review the results of the annual evaluation that relate to the composition of the Board



The Committee's terms of reference are on Countryside's website at: bit.ly/36sDnwf

Note: David Howell was Chair of the Committee until he stepped down from the Board on 30 April 2021.

John Martin joined the Board on 13 April 2021 and became Chair of the Committee on 1 May 2021.

Areas of focus in 2021

- Chaired by the Senior Independent Director (Douglas Hurt) the Committee led the search for a new Chair, following the decision by David Howell to step down from the Board, as announced to the market on 3 December 2020
- Led the search for a new Group Chief Financial Officer, following the decision by Mike Scott to move to Barratt Developments PLC, as announced to the market on 29 June and 11 October 2021
- Recommended to the Board the appointment of Tim Lawlor as Group Chief Financial Officer, with effect from 28 March 2022
- Recommended to the Board the re-appointment of Amanda Burton and Baroness Sally Morgan on 4 October 2021 for a further period of three years, so as to expire no later than 16 December 2024
- Reviewed succession planning for the Board, its Committees and senior management, so as to maintain an appropriate balance of skills and experience
- Progressed the diversity and inclusivity agenda across the Group
- Reviewed and approved the Board Diversity policy
- Reviewed and endorsed the process and timetable for the FY21 annual evaluation process by Independent Board Evaluation

Dear shareholders,

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

In the last 12 months there have been important changes to the Board and senior leadership of Countryside. David Howell, the former Chair, stood down from the Board on 30 April 2021, handing the role of Chair to me from 1 May 2021. On behalf of the Board I would like to thank David Howell for the contribution he has made to Countryside during his seven years as Chair. And I would like to thank Douglas Hurt, as Senior Independent Director, for the efficient and professional leadership of the process to transition the Chairmanship from David Howell to me. A description of the process followed by the Committee for the selection and appointment of the new Chair is set out on the next page.



Report of the Nomination Committee continued

Following the resignation of Mike Scott, as announced on 29 June 2021, the Committee engaged the executive search firm Odgers Berndtson to assist with the recruitment process for a new Group Chief Financial Officer. As announced on 16 November 2021, we are delighted to welcome Tim Lawlor to Countryside as Mike's replacement. Tim, who is currently the Chief Financial Officer of Wincanton plc, will join the Company on 28 March 2022 and become a member of the Board. I would like also to thank Tom Wright, for his excellent service as Interim Chief Financial Officer until Tim joins us.

We wish Mike well in his new employment as Chief Financial Officer of Barratt Developments PLC, a role he assumes on 6 December 2021. Mike's last day of service is on 29 November 2021.

I would also like to welcome Sian Myers, Jo Jamieson and Daniel McGowan to the Company's Executive Committee. Sian and Jo joined the Committee in January and Daniel joined in April 2021. Sian has assumed the role of Group Chief People and Culture Officer, Jo has assumed the role of Chief Executive, Partnerships North and Daniel the role of Chief Executive, Partnerships Midlands. They all bring considerable experience in their respective fields from their previous roles as described in more detail on pages 74 and 75.

The Committee has engaged Independent Board Evaluation ("IBE") to carry out an external annual evaluation of the Board and its Committees. The process has started and more detail about the evaluation process and its timetable is set out on page 79.

John Martin
Chair of the Nomination Committee
29 November 2021

The work of the Committee

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

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

During 2021, the Committee met seven times to agree succession plans for the Chair and Chief Financial Officer, the broader strategy for the composition of the Board and succession plans for Directors, to agree changes to the membership, composition and responsibilities of the Executive Committee, and to review the findings of the 2020 Board and Committee evaluation process.

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

Following a review of the balance of the Board's skills and experience which included an assessment of the Board's current diversity, it was noted that the Board does not meet the 33% target of women on boards recommended by the Hampton-Alexander Review. This, together with the recommendations of the Parker Review on ethnic minority representation on company boards, will be key areas of focus for the Committee and Board during the coming year.

The Committee's objectives for the coming year

The Committee will continue to focus on ensuring that the composition of the Board and the Group's Executive management is appropriate for delivery of the Group's strategy and that the requirements of the 2018 Code continue to be met.

A particular area of focus over the next 12 months will be to keep the Board's composition, balance, diversity and skill-set under careful review and to work to ensure that succession plans reflect the various Government initiatives to increase diversity, including gender and ethnicity, at all levels within the Group.

Board appointment process for Chair

Following David Howell's decision to step down from Countryside's Board, as announced on 3 December 2020, the following process was used for the search, selection and appointment of a new Chair:

Step 1: The Nomination Committee, led by the Senior Independent Director (Douglas Hurt), determined the key characteristics and experience required for a replacement Chair, taking into account the current balance of the Board's skills, experience, gender, ethnicity and social backgrounds.

Step 2: The Committee approved the candidate profile and role specification and engaged Ridgeway Partners, an external search consultancy, to help identify a suitable list of potential candidates for the role. Ridgeway Partners, who are a signatory to the Voluntary Code of Conduct for Executive Search Firms (as recommended by the Davies Report), were selected and have no other connection with the Company or with any individual Director of the Company.

Step 3: The list of potential candidates identified by Ridgeway, 45% of whom were female, met first with the Senior Independent Director and the Chair of the Remuneration Committee, who shared their impressions with the other Committee members. The preferred candidates then met with the remaining members of the Committee and the Executive Directors, following which the Committee agreed that John Martin was the preferred candidate.

Step 4: The recommendation by the Committee to appoint John Martin to the Board, and to take over the role of Chair from David Howell on 1 May 2021, was approved by the Board and announced to the market on 13 April 2021.



Directors' remuneration report



Amanda Burton

Independent Non-Executive Director
Chair of the Remuneration Committee

Committee attendance

The number of Committee meetings attended by each member during the 2021 financial year was as follows:

	Remuneration Committee	Overall attendance
Number of meetings held	5	
Amanda Burton	5/5	100%
John Martin ¹	2/2	100%
David Howell ²	2/3	67%
Baroness Morgan	5/5	100%
Douglas Hurt	5/5	100%
Simon Townsend	5/5	100%

1. John Martin attended the two Remuneration Committee meetings held since becoming a member of the Committee.
2. David Howell attended two of the three Remuneration Committee meetings held during his period of office as a member of the Committee. The meeting that David did not attend during this period was held in relation to the appointment of a new Chair.

About the Remuneration Committee

Committee Chair

Amanda Burton

Other members

John Martin, Baroness Morgan, Douglas Hurt, Simon Townsend

Meetings held

5

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 2021

- Considered the impact on remuneration strategy following the decision made in July 2021 to:
 - Open new regions in Partnerships; and
 - Run down Housebuilding and deliver at least £450m by way of share buybacks to shareholders, with consultation to commence with shareholders in 2022
- Considered the 2021 bonus outturn
- Agreed the leaver status for the outgoing Chief Financial Officer and the remuneration package for the incoming Chief Financial Officer



The Committee's terms of reference
are on Countryside's website at:
bit.ly/36sDnwF

**Directors' remuneration report** continued**Dear shareholders,**

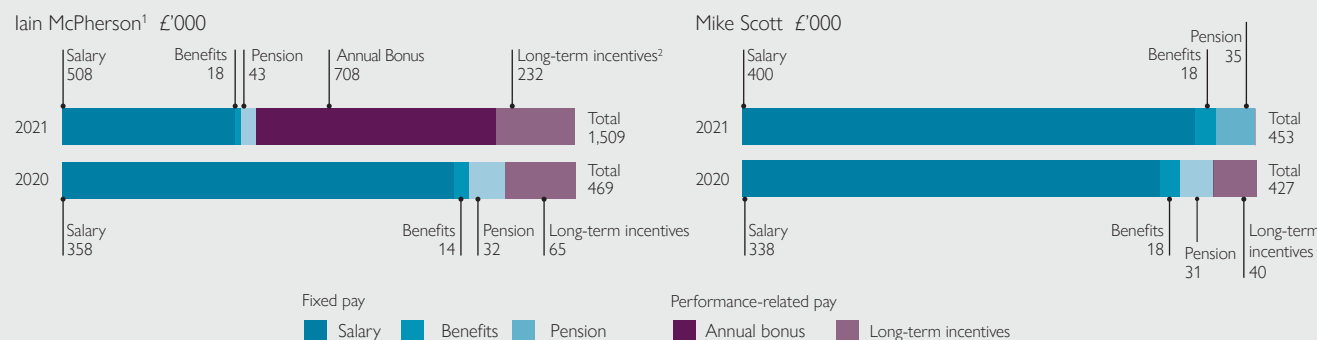
I am pleased to present on behalf of the Board the Directors' Remuneration Report of the Remuneration Committee (the "Committee").

The Committee strives to align pay with strategy. Our business strategy has evolved this year and in July 2021, following a strategic review of the business, we released a statement to the market outlining an update. The Group will now focus all of its resources on our Partnerships business model and complete the run off of Legacy Operations in order to deliver share buybacks of at least £450m. We will continue to focus on delivering sector-leading growth, superior return on capital and resilience throughout the business cycle and we are increasingly focused on delivering our strategy in a sustainable way. Our remuneration strategy supports these factors, and the long-term and short-term targets we agree for our Executive Directors and senior management aim to incentivise our most senior people towards successful delivery of the business strategy.

The Directors' Remuneration Policy ("DRP") was approved for three years at the Group's AGM in January 2020, where 95.7% of votes were in favour. Last year's Annual Report on Remuneration was approved by 90.4% at the AGM in February 2021.

Performance in 2021

We have seen a good recovery from the Covid-19 pandemic. Group completions were up 31%, with adjusted revenue up 54%, with growth seen across all tenures. As a result, adjusted operating profit is up by 220%. We remain focused on executing our growth plans in Partnerships, with investment into three new operating regions and a strong bid pipeline, in line with our longer-term plans. For the second year in a row we have received a 5-star HBF rating thanks to our ongoing commitment to build quality. In addition to strong financial performance, we also reviewed our ESG policy during the year and have developed our new approach to sustainability with our pathway to net zero carbon.

Executive Directors' pay in 2021

1. In 2020, the reported amount represents the period from 1 January 2020 to 30 September 2020 for Iain McPherson.
2. The 2020 long term incentives comparative amount includes the TSR element of the December 2017 LTIP award, and has been updated to reflect the actual share price of the shares that vested in December 2020.

2021 Annual bonus outcome

The 2021 annual bonus operated on a similar basis to previous years. Performance was based on adjusted operating profit (50%), adjusted operating margin (35%) and NHBC recommend a friend score (15%). Due to strong operating profit performance across all metrics, the annual bonus outcome is 93% of maximum.

The Committee met several times to consider the financial results following the year end and the impact of the change in strategy during the year. The Committee are comfortable that the formulaic outcome of the bonus reflects our wider business performance. Countryside has made a substantial recovery from Covid-19 and no financial support was required from the Government during the year.

It is the Company's policy that one third of the bonus is deferred into shares. To align further with the long term interests of shareholders, and following discussion with the Remuneration Committee, Iain McPherson has confirmed that he intends to purchase shares in the Company with the balance of his net bonus as soon as the closed period has ended.

2018 LTIP outcome

With regards to our longer-term performance, the 2018 LTIP awarded in December 2018 was eligible to vest based on performance from 1 October 2018 to 30 September 2021. The 2018 LTIP award was assessed against relative TSR targets (30%), absolute Tangible NAV (35%) and ROCE (35%) over the performance period. Based on performance over this period the TSR element vested in full, but the Tangible NAV and ROCE elements lapsed, resulting in an overall vesting at 30% of maximum.

**Directors' remuneration report** continued**2018 LTIP outcome** continued

As stated in the 2020 Annual Report, the Committee has reviewed the impact of the equity placing in July 2020 on the vesting of the 2018 LTIP. The TNAV outturn was reduced by £243.0m in line with the approach taken in 2020 for the December 2017 LTIP. The Committee also considered the impact of the share buyback programme announced in July 2021, however the impact of the programme did not alter the vesting outcome and therefore no adjustments were applied. The Committee will continue to review the impact of the equity placing and the share buyback programme when determining the vesting of all in-flight LTIP awards to ensure that their impact makes the original targets no easier or harder to achieve.

Based on the performance over the year and the remuneration outcomes, the Committee is comfortable that the remuneration policy operated as intended.

Other considerations during the year**Gender pay gap**

The Committee undertook a full review of Countryside's gender pay gap during the year. Our mean gender pay gap reduced again this year and is now 27%. This is a reduction from the original figure of 33% we reported in 2018 and a slight reduction from last year. Although there is still work to be done to address the gender pay gap by increasing female representation at senior levels, we are confident that there are no equal pay issues. We continue to address the underlying issues relating to this gap, and this will be an ongoing focus for the Company in 2022.

Share plans

The Committee approved grants under the Group's share plans, including the 20% discount to market value that was applied to the grant under the SAYE plan. We had a 26% take-up for the SAYE plan this year. Over a third of our employees now participate in the SAYE plan.

Engagement

In 2019, Baroness Morgan was appointed as the "employee voice" to represent the interests of the workforce on the Board. Baroness Morgan has accompanied the Group's Chief People & Culture Officer to various employee engagement sessions and fed back their input to the Board meetings. More information is provided on pages 62 to 65.

In addition, since the start of the year the Committee has engaged directly with the workforce in relation to Executive remuneration. Baroness Morgan attended a meeting of the Company Engagement Representatives. As part of this meeting, Baroness Morgan outlined the key principles of corporate governance, the structure and role of the Remuneration Committee and the wider Company pay policy.

The Committee recognises the importance of developing a close relationship with shareholders in facilitating its work in developing and implementing the Remuneration Policy. No direct engagement took place on remuneration matters but the Committee intends to do so in 2022 in relation to both the renewal of our Policy and its operation. In particular, we will be seeking to align remuneration of the Executives to the strategy following the decision to focus on Partnerships, discussing Executive pay and ESG targets.

Taking into account pay ratios and stakeholder engagement, the Committee considers the structure of Executive remuneration to be appropriate.

Implementation of the Remuneration Policy in 2022**Base salaries**

Iain McPherson was appointed as Group Chief Executive from 1 January 2020 on an annual base salary of £500,000 which the Committee felt was appropriate given his level of experience and is significantly below the mid-market level. Iain McPherson's salary was then increased to £507,500 from 1 October 2020 in line with the standard 1.5% increase we made to all employees. Our intention had been, subject to Iain performing strongly in his new role, to progressively reposition his base salary over the first two years of his tenure to bring him closer towards what would be the market rate for the role.

The realignment remains our intention, though considering the Covid-19 pandemic, and the focus on our business strategy during 2021, this will be discussed with shareholders in 2022. Instead, from 1 October 2021, in line with the average employee increase his salary was raised by 3.0% to £522,750.

As announced on 29 June 2021, Mike Scott resigned from his role as Group Chief Financial Officer to become Group Chief Financial Officer at Barratt Developments PLC. The Board has agreed that Mike's last day of service with the Company will be 29 November 2021. Therefore, Mike will not receive a salary increase for the remaining time in the role and his salary will remain at £400,000. Tom Wright, Countryside's current Group Financial Controller and an experienced member of the Countryside financial team for 6 years, has assumed the role of Interim Group Chief Financial Officer until the new Group Chief Financial Officer joins Countryside.

Pension contributions

As previously advised, we have been working towards pension alignment of the Executive Directors with the average workforce. The Executive Directors currently receive a pension benefit of 10% of salary. Last year, we increased the pension contributions for employees from 6% of salary to 8%. In addition to this increase, in November 2021 we announced that all employees can increase their employer's pension contributions to 10%. This will take effect from May 2022. As a result, the pension contributions for the Executive Directors will then be aligned to the wider workforce.



Directors' remuneration report continued

Annual Bonus

Iain McPherson and Tim Lawlor will have a maximum annual bonus opportunity of 150% of salary. Two-thirds of the bonus will continue to be paid in cash, the remainder will be deferred into shares for three years. Mike Scott will not be eligible for a bonus in FY21 or FY22.

LTIP

Iain McPherson and Tim Lawlor will have a maximum opportunity of 200% of salary. Mike Scott will leave the Group on 29 November 2021 and will therefore not be eligible for an LTIP award in December 2021. In line with the December 2020 grant, performance will be assessed against EPS (50%) and ROCE (50%) measures. The LTIP targets for the December 2021 grant are set out on page 119. These targets were set by the Committee to reflect a combination of the Company's internal forecasts and market consensus. Post-vesting, a two-year holding period applies.

Chief Financial Officer

As announced on 16 November 2021, Tim Lawlor has been appointed Group Chief Financial Officer and will join the Board on 28 March 2022. Tim is currently Chief Financial Officer at Wincanton Plc. His annual base salary will be £410,000 based on his level of experience and market data. His employer pension contribution level will be capped at 10% in line with the average for the rest of the workforce. The rest of his remuneration package will also be in line with our policy.

In line with our policy, the Committee may grant awards to replace those from a previous employer. The Committee will structure any replacement awards so that overall they are no more favourable than the awards due to be forfeited.

Chair

John Martin was appointed to the role of Chair on 1 May 2021, at which point David Howell left the Board. David Howell received a payment of £100,000 in lieu of six months' contractual notice. There was no change in the annual fee for the Chair of £200,000.

Conclusion

We will continue to ensure that our Remuneration Policy is both aligned with shareholders' interests and attracts and seeks to retain 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 AGM.

Amanda Burton

Chair of the Remuneration Committee

29 November 2021



Remuneration policy report

Overview of Remuneration Policy

The Company's Remuneration Policy was last approved at the 2020 AGM and is summarised in this report.

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

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

When implementing the remuneration policy, the Remuneration Committee considered the six factors listed under Provision 40 of the UK Corporate Governance Code:

- Clarity – the remuneration policy is drafted to be clear and transparent. The implementation of the policy is disclosed in the following section of the remuneration report.
- Simplicity – remuneration structures are simple and market typical, whilst at the same time incorporating the necessary structural features to ensure a strong alignment to performance, strategy and minimising the risk of rewarding failure.

- Risk – the remuneration policy has been shaped to discourage inappropriate risk taking. Awards under the remuneration policy are subject to malus and clawback provisions. To avoid conflicts of interest, Committee members are required to disclose any conflicts or potential conflicts ahead of Committee meetings. No Executive Director or other member of management is present when their own remuneration is under discussion.
- Predictability – the incentives are capped under the remuneration policy. The maximum remuneration available under the policy is illustrated in the scenario charts.
- Proportionality – in the summary of the policy table below, we have provided a link to the Company strategy for each element of the remuneration policy. A substantial proportion of the Executive remuneration packages are assessed against various performance measures which provide a link to the Company strategy.
- Alignment to culture – our remuneration policy is designed to be transparent and fair aligned with our values and the inclusive culture we are creating.

Directors' Remuneration Policy

The following table summarises the key components of the Executive Director and Non-Executive Director remuneration arrangements, which were formally approved by shareholders at the 2020 AGM in accordance with the regulations set out in the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. It is intended that this Policy will apply for three years from that date.

The full Policy wording is set out in the 2019 Annual Report which is available on the Company's website.



Remuneration policy report continued

Executive Directors

Base salary

[Link to strategy](#)

Recognises the market value of an Executive Director's role, skill, responsibilities, performance and experience.

Operation

Salaries are normally reviewed annually, with any changes effective as of 1 October each year.

Salaries are set by reference to a market benchmark based on companies of a comparable size operating in a similar sector. Salary reviews will also take into consideration an individual's performance, responsibility levels and internal relativities.

Executive Director salaries are detailed on page 109.

Maximum opportunity

There is no formal maximum salary. Other than where there is a change of role or responsibility, any increases will normally be only for inflation and/or in line with the wider workforce. Starting salaries on appointment may be set below the market level and, in this circumstance, subject to performance, increased by more than inflation as the employee gains experience over time.

Performance measures and assessment

Not applicable.



Remuneration policy report continued

Executive Directors continued

Other benefits

Link to strategy

Provides a market-competitive package.

Operation

We review benefits periodically to ensure they remain market competitive.

The main benefits currently provided include:

- car or car allowance;
 - life, personal accident, disability and health insurance;
 - Directors' and officers' insurance; and
 - other benefits, including flexible benefits, as provided from time to time (for example where a Director relocates).
- Executive Directors are eligible for other benefits which are introduced on broadly similar terms for the wider workforce.

In addition, the Company may reimburse any reasonable business expenses and tax thereon.

Maximum opportunity

Benefit values vary year on year depending on premiums.

The maximum potential value is the cost of providing these benefits.

Performance measures and assessment

Not applicable.



Remuneration policy report continued

Executive Directors continued

Annual bonus scheme

Link to strategy

Incentivises the Executive Directors to deliver against goals linked to the Company's strategy.

The deferral element ensures long-term alignment with shareholder interests.

Operation

Bonus awards will be granted annually. The performance period is one financial year. The Committee determines pay-outs following the year end, based on achievement against a range of performance targets.

In line with the overall discretion of the Remuneration Committee to determine the size of any bonus payment, as described on page 109, when determining bonus awards the Committee will take into account the overall performance of an Executive Director against the Group's in-year and longer-term strategic goals. The Committee also retains a broader discretion to override bonus outcomes if it deems necessary.

Up to two-thirds of the bonus award will be paid out in cash, with the remainder deferred into shares for a period of three years (subject to continued employment).

Malus and clawback arrangements will apply to annual bonus awards. This enables a reduction in vesting or the recovery of amounts paid in certain circumstances.

Maximum opportunity

The maximum opportunity is 150% of salary.

Participants may be entitled to dividends or dividend equivalents on the deferred shares that represent the value of dividends paid during the deferral period.

Performance measures and assessment

The Committee will set performance targets annually, based on a range of financial and strategic measures selected to reflect the in-year goals of the business and its longer-term strategy and KPIs. At least 50% of the bonus will be based on financial measures in any year.

Targets are normally set on a sliding scale, with no more than 25% of the maximum typically payable at threshold performance and 50% of the maximum typically payable for on-target performance.



Remuneration policy report continued

Executive Directors continued

Long-Term Incentive Plan (“LTIP”)

Link to strategy

Incentivises Executive Directors to successfully deliver the Company’s objectives over the longer term.

Creates alignment with investors over this period.

Operation

Awards of shares that vest three years from the date of grant. This is subject to achievement of performance conditions, normally measured over a three-year period. Awards are subject to malus and clawback provisions that enable reduced vesting or recovery of amounts paid in certain circumstances.

Awards are normally subject to a two-year post-vesting holding period, during which Executive Directors will not be permitted to sell vested shares other than to pay tax or National Insurance contributions. This takes the total period from grant to release of LTIP shares to five years.

Awards are also subject to a broad discretion to override the out-turn if the Committee deems necessary.

Maximum opportunity

The maximum LTIP award level is 200% of base salary.

Participants may at the Committee’s discretion receive dividends or dividend equivalents representing the value of dividends paid during the performance period on LTIP awards.

Performance measures and assessment

LTIP performance will be assessed against a mix of metrics, including a balance between financial growth and return metrics. For the awards to be granted in the 2022 financial year these metrics are:

- adjusted basic EPS; and
- ROCE.

Targets are set on a sliding scale, with no more than 25% of each element vesting at threshold performance. The Committee will review and set weightings for measures and appropriate targets before each grant.

The Committee may change the balance of the measures, or use different measures for subsequent awards as appropriate.



Remuneration policy report continued

Executive Directors continued

Pension

[Link to strategy](#)

Provides competitive levels of retirement benefit to aid retention.

[Operation](#)

Pension contributions are made into the Group's defined contribution scheme.

Alternatively, a participant may receive a taxable allowance in lieu of pension (typically when they have reached the annual or lifetime allowance for pension tax relief set by HMRC). We pay the taxable allowance less a reduction to reflect the Company's obligation to pay employer's National Insurance on the sum paid.

[Maximum opportunity](#)

The maximum contribution or equivalent allowance is up to 10% of base salary.

In November 2021 we announced that we would be increasing the employer's pension contributions for employees to 10%. Effective from May 2022, in line with the timing of our annual benefits contract renewal, employees can elect to increase their employer pension contributions to 10%. As a result, the pension contributions for the Executive Directors aligned to the wider workforce from May 2022.

[Performance measures and assessment](#)

Not applicable.



Remuneration policy report continued

Executive Directors continued

Save As You Earn (“SAYE”) plan

Link to strategy

The purpose of this plan is to encourage all employees to become shareholders in the Company and thereby align their interests with shareholders.

Operation

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.

Maximum opportunity

Maximum participation levels will be set based on the applicable limits set by HMRC from time to time.

Performance measures and assessment

Not applicable.

**Remuneration policy report** continued**Executive Directors** continued**Shareholding guidelines****Link to strategy**

Aligns Executive Directors' interests with those of our long-term shareholders and other stakeholders.

Operation

Executive Directors are expected to build and maintain a holding in the Company's shares to a minimum value of two times their base salary over a five-year period.

Executive Directors must also retain the lower of their existing shareholding or two times their base salary for two years post-employment; this requirement applies only to vested shares acquired from share awards granted from 1 October 2019.

Maximum opportunity

Not applicable.

Performance measures and assessment

Not applicable.

Notes to the Policy table

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

Malus and clawback

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



Remuneration policy report continued

Non-Executive Director remuneration policy

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

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



Remuneration policy report continued

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)
Iain McPherson ¹	24 January 2020	12 months' salary and benefits	10% of salary	Non-compete (6 months) Non-poaching (12 months) Non-solicit (12 months)	12 months/ 12 months
Mike Scott ²	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

1. Iain McPherson has served as Group Chief Executive since 1 January 2020.
2. Mike Scott resigned on 29 June 2021.

Non-Executive Directors			
	Date of appointment to the Board	Expiry of current term	Unexpired term of appointment at 30 September 2021
David Howell ¹	14 December 2015	30 April 2021	n/a
Amanda Burton ²	17 December 2015	16 December 2021	<1 year
Baroness Morgan ³	17 December 2015	16 December 2021	<1 year
Douglas Hurt	1 January 2018	31 December 2023	>1 year
Simon Townsend	1 March 2019	28 February 2022	<1 year
John Martin ⁴	13 April 2021	12 April 2024	>1 year

1. David Howell served as Chair until he stepped down from the Board on 30 April 2021.
2. In October 2021, the Board approved the extension of Amanda Burton's appointment for a further three-year term to 16 December 2024.
3. In October 2021, the Board approved the extension of Baroness Morgan's appointment for a further three-year term to 16 December 2024.
4. John Martin joined Countryside on 13 April 2021 and succeeded David Howell as Chair of the Board on 1 May 2021.

The Non-Executive Directors are entitled to claim out of pocket expenses incurred in the performance of their duties (and the Company may settle any tax thereon) and payment in lieu of notice where notice is served. They are not entitled to participate in the Company's share, bonus or pension schemes.

Policy in respect of external Board appointments for Executive Directors

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



Annual report on remuneration

Remuneration Committee

The Remuneration Committee assists the Board in fulfilling its responsibilities in relation to remuneration. This includes: making recommendations to the Board on the Company's policy on Executive remuneration; setting the overarching principles, parameters and governance framework of the Group's Remuneration Policy; and determining the individual remuneration and benefits package of each of the Company's Executive Directors.

The Remuneration Committee will also ensure compliance with the UK Corporate Governance Code in relation to remuneration. The UK Corporate Governance Code provides that a remuneration committee should comprise at least three members who are independent non-executive directors (other than the Chair).

Details on the activities of the Committee during the year and areas of focus in 2021 are set out on pages 93 to 96. The purpose, roles and responsibilities are thereby included in this section of the report by reference.

Advisors

Korn Ferry were appointed by the Remuneration Committee to provide independent advice to the Committee after a competitive tender process in 2020. During the year, Korn Ferry provided advice on market practice, benchmarking, and supported management in producing the remuneration report. Korn Ferry also provided other human capital related services during the year to a separate part of the business, but these services were carried out by a separate team to the remuneration advisory team. The Committee is satisfied that the advice received from Korn Ferry in relation to Executive remuneration matters during the year was objective and independent. Terms of engagement are available on request from the Company Secretary. Korn Ferry are members of the Remuneration Consultants Group and abide by the Remuneration Consultants Group Code of Conduct, which requires their advice to be objective and impartial. The fees paid to Korn Ferry during the year were £56,498. In the prior year, £33,145 was paid to Korn Ferry in relation to the period from 1 June 2020 to 30 September 2020, and £65,266 was paid to Aon for the remainder of the year (all amounts quoted exclusive of VAT).

Statement of shareholder voting

Votes cast at the AGM held in February 2021 in respect of the Remuneration Report are shown below.

	Remuneration Report	
	Total number of votes	Percentage of votes cast
For	444,700,732	90.38%
Against	47,314,212	9.62%
Total	492,014,944	100%
Withheld	3,162,023	N/A

Votes cast at the AGM held in January 2020 in respect of the Remuneration Policy are shown below.

	Remuneration Policy	
	Total number of votes	Percentage of votes cast
For	370,380,362	95.69%
Against	16,667,086	4.31%
Total	387,047,448	100%
Withheld	26,570,188	N/A



Annual report on remuneration continued

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 2021:

		Salary/fees ¹ £'000	Benefits ² £'000	Pension ³ £'000	Total fixed pay £'000	Annual bonus ⁴ £'000	Long-term incentives ⁵ £'000	Total variable pay £'000	Total pay £'000
Executive Directors									
Iain McPherson ⁶	2021	508	18	43	569	708	232	940	1,509
	2020	358	14	32	404	—	65	65	469
Mike Scott	2021	400	18	35	453	—	—	—	453
	2020	338	18	31	387	—	40	40	427
Non-Executive Directors									
John Martin ⁷	2021	93	—	—	93	—	—	—	93
David Howell ⁸	2021	217	—	—	217	—	—	—	217
	2020	193	—	—	193	—	—	—	193
Amanda Burton	2021	58	—	—	58	—	—	—	58
	2020	56	—	—	56	—	—	—	56
Baroness Morgan	2021	50	—	—	50	—	—	—	50
	2020	48	—	—	48	—	—	—	48
Douglas Hurt	2021	65	—	—	65	—	—	—	65
	2020	63	—	—	63	—	—	—	63
Simon Townsend	2021	50	—	—	50	—	—	—	50
	2020	48	—	—	48	—	—	—	48

1. In 2020, the Group Executive Committee and Main Board voluntarily took a 20% cut in base pay during April and May 2020, the period when two-thirds of our employee base were placed on paid leave. Notwithstanding this 20% reduction, the rest of our employee base, whether on paid leave or not, continued to be paid in full throughout 2020 and no claim was made under the Government's Job Retention Scheme.
2. Benefits include both cash and non-cash benefits, which are valued at their taxable amount. For both Iain McPherson and Mike Scott this included a car allowance (£1,325 per month) and private medical insurance (£1,933 per annum).
3. Pension payments are stated net of employer's National Insurance contributions where a taxable allowance is paid in lieu of pension contributions.
4. The annual bonus relates to performance during the financial year. The cash element is paid in December of the following financial year.
5. Long-term incentives for 2021 relate to the December 2018 LTIP award. The performance period for the December 2018 LTIP award ended on 30 September 2021 and the award will vest at 30% of maximum in December 2021. Of the £232,000 relating to long-term incentives, £108,000 resulted from share price appreciation. Long-term incentives for 2020 relate to the TSR element of the December 2018 LTIP award, and have been restated to reflect the actual vesting price from December 2020.
6. Iain McPherson joined the Board as Group Chief Executive on 1 January 2020.
7. John Martin joined the Board on 13 April 2021 and became Chair of the Board on 1 May 2021.
8. David Howell served as Chair until he stepped down from the Board on 30 April 2021. Salary/fees paid to David Howell during the year include £100,000 in lieu of his six month notice period and his normal monthly fees for the first part of the year leading up to him stepping down from the Board.

Further details of each element of the Executive Directors' remuneration package are set out on pages 97 to 104.

Total pension entitlements (audited)

Executive Directors are eligible to participate in the Group's pension plan, a defined contribution arrangement. Iain McPherson and Mike Scott received pension contributions and a salary supplement which were together equivalent to 10% of salary reduced for National Insurance contributions where a salary supplement was received in lieu of pension.

None of the Executive Directors had a prospective entitlement to a defined benefit pension plan by reference to qualifying services.



Annual report on remuneration continued

Annual bonus targets and outcomes (audited)

The table below sets out the 2021 bonus targets and outcomes relating to the annual bonus figures shown in the single figure in the table above.

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.

2021 measure	Performance required			Achieved	Pay-out level (% of maximum)
	Threshold (25% pay-out)	Target (50% pay-out)	Maximum (100% pay-out)		
Adjusted operating profit (50% weighting)	£152.0m	£160.0m	£168.0m	£173.2m ¹	100%
Adjusted operating margin (35% weighting)	10.5%	11.0%	11.5%	11.3% ¹	80%
NHBC Recommend a Friend score (15% weighting)	90.0%	91.0%	91.5%	91.6%	100%

1. Adjusted operating profit and margin for the bonus have been calculated on a consistent basis to how the targets were set at the start of the year. The difference in outcome compared to the Group's adjusted operating profit of £167.3m relates to £5.9m of costs for the development and implementation of cloud-based IT systems. The targets assumed these costs would be capitalised however, following a recent interpretation from IFRIC, these costs are required to be written off as incurred.

Based on performance against the performance measures, the formulaic outcome of the bonus is 93% of maximum. The adjusted operating profit achieved represents an increase of 220% year on year. The Committee is comfortable that this result reflects the underlying performance of the Group.

Normally, two thirds of the bonus will be paid in cash, the remainder will be deferred into shares for three years. For 2021, to align further with the long term interests of shareholders, and following discussion with the Remuneration Committee, Iain McPherson has confirmed that he intends to purchase shares in the Company with the balance of his net bonus as soon as the closed period has ended.

Share scheme interests awarded during the year (audited)

The Executive Directors were invited to participate in the Company's Long-Term Incentive Plan ("LTIP") in line with our Remuneration Policy. An award equivalent to 200% of salary was made to each Executive Director. There is no minimum value guaranteed on vesting, with the following awards subject to a two-year post-vest holding period. The table below sets out details of the Executive Directors' participation in the LTIP.

	Date of grant	Award	Type ²	No. of shares	Value of the award ¹	% of salary	Performance conditions	Performance period
Iain McPherson	11 December 2020	Performance	Nil-cost options	239,048	£1,014,998	200	50% target ROCE 50% target EPS	Three years ending 30 September 2023
Mike Scott ³	11 December 2020	Performance	Nil-cost options	188,412	£799,997	200	50% target ROCE 50% target EPS	Three years ending 30 September 2023

1. Calculated based on the average of the closing mid-market share prices for the three dealing days prior to the grant of 424.6 pence per share.
2. Directors may choose to receive LTIP awards as nil-cost options or conditional share awards.
3. The award granted to Mike Scott lapsed during the year as a result of his resignation.



Annual report on remuneration continued

Vesting criteria for the 2021 LTIP awards (audited)

The performance measures for the LTIP awards made in December 2020 are set out below:

	Pay-out	Adjusted basic EPS (50%)	ROCE (50%)
	% of element	Pence	%
Below threshold	0%	<46.4	<29%
Threshold	25%	46.4	29%
Target	50%	51.2	30%
Maximum	100%	55.2	33%

Vesting occurs on a linear basis between threshold and target and between target and maximum.

Long-Term Incentive Plan awards included in 2021 total remuneration figure (audited)

LTIP vesting

The vesting criteria of the December 2018 LTIP are set out below, along with the performance against the criteria as measured at 30 September 2021:

LTIP award	Performance condition	Threshold (20% vesting)	Maximum (100% vesting)	Actual	% vesting
December 2018	TSR	Median	Upper quartile	82%	100%

LTIP award	Performance condition	Threshold (25% vesting)	Target (50% vesting)	Maximum (100% vesting)	Actual	% vesting
December 2018	TNAV (£m)	£1,075m	£1,100m	£1,125m	£791.1m ¹	0%
	ROCE (%)	33%	35%	37%	19.4%	0%

1. Group TNAV at 30 September 2021 was £988.0m. This has been adjusted for cumulative contributions to the Employee Benefit Trust, changes in dividend pay-out ratio and the impact of the equity placing in July 2020, reducing the TNAV result above by £196.9m to £791.1m.



Annual report on remuneration continued

Long-Term Incentive Plan awards included in 2021 total remuneration figure (audited) continued

LTIP vesting continued

As a consequence of the Group's equity placing in July 2020 and the Group's share buyback programme announced in July 2021, the Committee reviewed the out-turn of the December 2018 LTIP to ensure that the original targets were no easier or harder to achieve. The TNAV outturn was reduced by £243.0m, being the impact of the equity placing, in line with the approach taken in 2020 for the December 2017 LTIP award. No further adjustments were applied in relation to these events as the Committee concluded that the impact would be immaterial in the context of whether the TNAV and ROCE thresholds would be met. TSR is not impacted by these events and therefore no adjustments were required.

The December 2018 LTIP will vest at 30% of maximum, as set out below:

LTIP award	Performance condition	Weighting	% vesting (max 100%) ¹	Total shares vesting	Date of end of performance period	Date of vesting	Share price of vesting pence ²
December 2018	TNAV	35%	0%	–	30 September 2021	19 December 2021	–
	ROCE	35%	0%	–	30 September 2021	19 December 2021	–
	TSR	30%	100%	510,443	30 September 2021	19 December 2021	529.7

1. The overall vesting percentage for the December 2018 award was 30% and was measured at 30 September 2021. For TSR, the period of measurement was the three-month period to 30 September 2021 compared to the three-month period to 30 September 2018.

2. The share price of 529.7 pence is the average of the closing share prices for the dealing days in the three months to 30 September 2021.



Annual report on remuneration continued

Directors' shareholdings (audited)

Under the terms of their service contracts, Executive Directors are required to hold shares in the Company to the value of 200% of annual salary within five years of their appointment. Non-Executive Directors are expected to hold shares in the Company to the value of 50% of annual fee within five years of their appointment. The beneficial interests of the Directors in office at the year end in the shares of the Company are shown below:

Director	Total share interests at 30 September 2021	Shares held, including connected persons, at 30 September 2021	Outstanding LTIP share awards at 30 September 2021	Outstanding deferred share bonus awards at 30 September 2021	Outstanding SAYE options at 30 September 2021	Shareholding (excluding outstanding LTIP and SAYE) as a percentage of salary ¹
Iain McPherson	898,034	232,317	600,450	59,392	5,875	290%
Mike Scott ²	697,904	94,580	563,462	32,518	7,344	161%
John Martin	39,160	39,160	—	—	—	99%
Amanda Burton	13,372	13,372	—	—	—	117%
Baroness Morgan	12,638	12,638	—	—	—	128%
Douglas Hurt	14,137	14,137	—	—	—	110%
Simon Townsend	21,940	21,940	—	—	—	222%

1. Assumes closing mid-market share price on 30 September 2021 of 505.5 pence per share.
2. LTIP and Deferred bonus share awards held by Mike Scott will lapse on 29 November 2021.

There have been no movements in Directors' shareholdings from the year end to the date of this report.

Past Director's shareholding

Director	Total share interests at 30 April 2021
David Howell ¹	62,246

1. Share interests are quoted as at 30 April 2021 when David Howell stepped down from the Board.



Annual report on remuneration continued

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

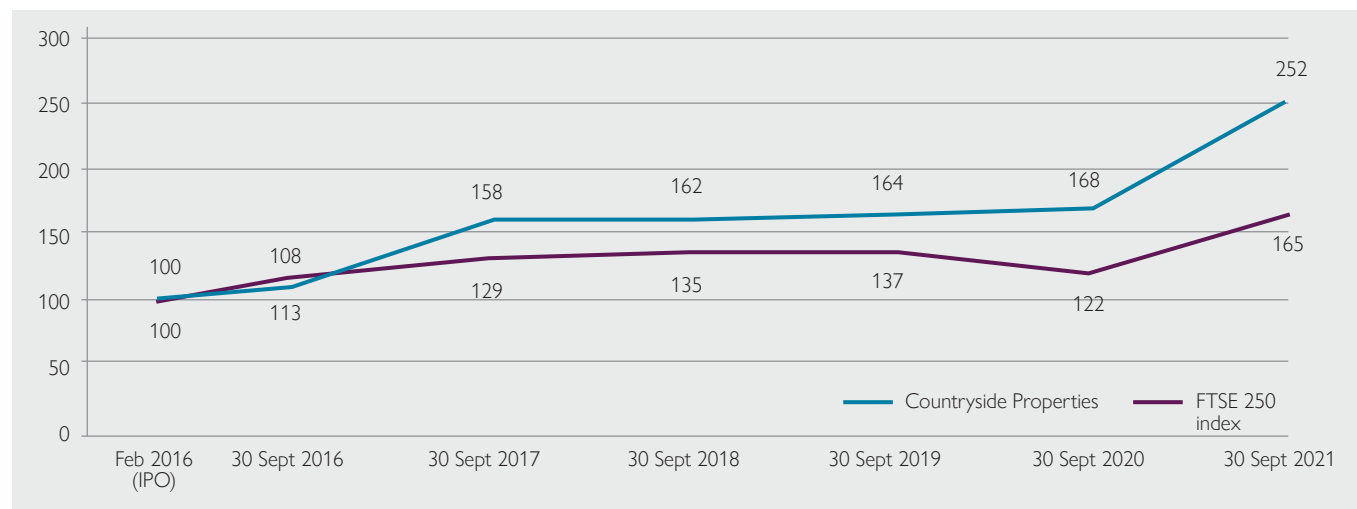
As announced on the 29 June 2021, Mike Scott has resigned in order to take up the role of Chief Financial Officer at Barratt Developments PLC. The Board agreed that Mike's last day of service with the Company would be 29 November 2021.

- Mike continued to receive his base salary of £400,000, pension contribution of 10% of salary and all the other contractual benefits up to his last day of service.
- As Mike resigned to join a competitor, the Remuneration Committee confirmed that he would be treated as a "Bad Leaver". Therefore, all his outstanding LTIP and deferred share bonus awards will lapse and he is not eligible for incentive awards or bonuses in the 2022 financial year or the bonus for the 2021 financial year.
- Full details will be provided in the 2022 Annual Report.

David Howell served as Chair until he stepped down from the Board on 30 April 2021. David received his normal monthly fees for the first part of the year leading up to him stepping down from the Board (£116,667) and a further £100,000 in lieu of his six months' contractual notice period.

Total shareholder return

The graph below illustrates the Company's total shareholder return performance against the performance of the FTSE 250 index since the Company's Initial Public Offering ("IPO") in February 2016. The FTSE 250 index has been chosen because it is a broad-based index of which the Company has been a constituent member throughout the period.





Annual report on remuneration continued

Executive Directors' pay table

Group Chief Executive

Financial year	Name	Total remuneration £'000	Annual bonus as % of maximum	Vesting of LTIP as % of maximum
2021	Iain McPherson	1,509¹	93.0%	30.0%
2020	Iain McPherson ³	469 ²	0%	16.4%
2020	Ian Sutcliffe ⁴	344 ²	0%	16.4%
2019	Ian Sutcliffe	3,208	69.1%	77.9%

1. The 2021 total remuneration figure includes the vesting of the December 2018 LTIP award which was measured at 30 September 2021.

2. The 2020 total remuneration includes the TSR element of the December 2017 LTIP award vesting. The 2020 total remuneration figure has been restated to reflect the actual vesting price of the shares in December 2020.

3. Iain McPherson joined the Board as Group Chief Executive on 1 January 2020.

4. Ian Sutcliffe resigned from the Board as Group Chief Executive on 31 December 2019.



Annual report on remuneration continued

Change in remuneration of Countryside Directors and employees

The table below shows the percentage change in remuneration of the Directors and the corresponding employee average. As the Company has no employees, in either year, the average employee of the Group is used as the comparator.

Role	Percentage change FY20 to FY21			Percentage change FY19 to FY20		
	Salary/fees ⁷	Benefits	Bonus	Salary/fees ⁷	Benefits	Bonus
Executive Directors						
Iain McPherson ¹	Group Chief Executive (from 1 January 2020)	42%	28%	100%	N/A	N/A
Mike Scott	Group Chief Financial Officer	18%	—	—	13%	0%
Non-Executive Directors						
David Howell ^{2,4}	Chair (until 30 April 2021)	12%	—	—	10%	—
John Martin	Chair (from 1 May 2021)	N/A	N/A	N/A	N/A	N/A
Amanda Burton ⁵	Non-Executive Director	4%	—	—	1%	—
Baroness Morgan	Non-Executive Director	3%	—	—	(3)%	—
Douglas Hurt ⁵	Non-Executive Director	3%	—	—	5%	—
Simon Townsend	Non-Executive Director	3%	—	—	67%	—
Employee average^{3,6,8}		1%	(1)%	366%	5%	12%
					(66)%	

1. The base salary, benefits and annual bonus for 2020 used in the calculation above represent Iain McPherson's remuneration for the nine months from 1 January 2020 in his role as Group Chief Executive.

2. The increase in fees paid to David Howell in 2021 reflects payments for his role as Chair for seven months of the year, and a payment of £100,000 in lieu of his six month contractual notice period.

3. The average employee figures exclude the base salary, benefits and annual bonus of the Directors.

4. As reported in the 2019 Annual Report on Remuneration, the Chair received an increase of £25,000 effective from 1 October 2019.

5. As reported in the 2019 Annual Report on Remuneration, the £5,000 increment for Committee Chairmanship and Senior Independent Director was found to be below median and so was increased to £7,500 from 1 October 2019.

6. The average employee was awarded a pay rise of 3% from 1 October 2019. A pay rise of 1.5% was awarded to all employees, excluding the Group Chief Financial Officer, from 1 October 2020.

7. The Group Executive Committee and Main Board voluntarily took a 20% cut in base pay during April and May 2020, the period when two-thirds of employees were placed on paid leave. There were no changes in the annual fees for the Non-Executive Directors in 2021.

8. Sales commissions and site bonuses, where performance targets were met during the year have been included in the bonus figure for the calculation above for the average employee. No employee received an annual bonus in respect of 2020.



Annual report on remuneration continued

Chief Executive pay ratio

The table below compares the single total figure of remuneration for the Group Chief Executive with that of the Group employees who are paid at the 25th percentile (lower quartile), 50th percentile (median) and 75th percentile (upper quartile) of its employee population. Consistent with the approach for 2020, the Company has used Option B in preparing the Chief Executive pay ratio. This option was considered the most appropriate method as it was the most efficient and robust approach and allowed us to use gender pay gap figures. The pay ratios for 2021 and 2020 are set out in the table below:

Year	Method	25th percentile ratio	Median ratio	75th percentile ratio
2021	Option B	40.5:1	26.1:1	15.6:1
2020	Option B	22.9:1	14.0:1	10.0:1

For the 2021 ratio, the remuneration figures for the employee at each quartile were determined with reference to the financial year ended 30 September 2021.

Under Option B of The Companies (Miscellaneous Reporting) Regulations 2018, the latest available gender pay gap data (i.e. from April 2021) was used to identify the best equivalent for three Group employees whose hourly rates of pay are at the 25th, 50th and 75th percentiles for the Group.

The Committee is comfortable that this approach provides a fair representation of the Group Chief Executive to employee pay ratios and is appropriate in comparison to alternative methods, balancing the need for statistical accuracy with internal operational resource constraints. A full-time equivalent ("FTE") total pay and benefits figure for 2021 was then calculated for each of those employees. In the case of leavers between the 5 April 2021 gender pay gap snapshot date and 30 September 2021, an FTE has also been applied to calculate their total pay and benefits figure. The individuals identified at each quartile were sense checked against a sample of employees with hourly pay rates either side of the identified individuals to ensure that the appropriate representative employee was selected. If the individual was not considered to be an appropriate representation of the percentile, an alternative individual was selected from the sample that received pay and benefits which were considered most representative of the quartile.

Each employee's pay and benefits were calculated using each element of employee remuneration on a full-time basis, consistent with the calculation for the Group Chief Executive. The table below sets out the salary and total pay and benefits for the three comparator individuals identified for the 25th, 50th and 75th percentiles.

Year	25th percentile (P25)	Median (P50)	75th percentile (P75)
Base salary	£34,337	£43,952	£69,020
Total pay and benefits	£37,256	£57,803	£96,922

Due to a change in Chief Executive part way through the 2020 financial year, 2020's single total figure of remuneration was the sum of payments made to both office-holders during the period. In 2021, the total pay and benefits amount relates solely to Iain McPherson. The 2020 single total figure of remuneration has also been updated with LTIP vesting amounts from December 2020, replacing the previous estimates. The 2020 pay ratio figures have therefore changed slightly on what was reported last year.

**Annual report on remuneration** continued**Chief Executive pay ratio** continued

The Committee also recognises that, due to the nature of our business and the ways in which we pay our employees, the flexibility permitted within the regulations for identifying and calculating the total pay and benefits. The Group Chief Executive basic salary increase in October 2020 was 1.5%. This was consistent with the increase for the workforce in general. The Group Chief Executive's remuneration package is weighted towards variable pay (including the annual bonus and LTIP) due to the nature of the role. As the Chief Executive's bonus potential is a higher percentage of basic salary than the wider workforce, the ratio is likely to fluctuate depending on business performance and the outcomes of the bonus and incentive plans in each year. No annual bonus was paid to employees following the 2020 financial year. Whilst the Chief Executive's salary and benefits remuneration stayed at a similar level to 2020, the improved business performance and resulting higher bonus awards has increased the pay ratios in 2021.

The Committee considers that the median pay ratio is consistent with the relative roles and responsibilities of the Group Chief Executive and the identified employees, and is consistent with the Company's wider policies on employee remuneration and progression.

Base salaries of all employees, including our Executive Directors, are set with reference to a range of factors including market practice, experience and performance in role. The Committee also recognises that, due to the nature of our business and the ways in which we pay our employees, the flexibility permitted within the regulations for identifying and calculating the total pay and benefits for employees, as well as differences in employment and remuneration models between companies, the ratios reported above may not be comparable to those reported by other companies.

There have been no significant changes to the Countryside workforce demographics between 2020 and 2021. The introduction of IR35 has led to fewer than 10 contractors being moved onto employment contracts with Countryside. We will continually manage IR35 compliance and ensure that all contractors pay the appropriate taxes in line with their determination.

Relative importance of remuneration

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

	2021 £m	2020 £m
Total staff costs	152.2	130.2
Distributions to shareholders ¹	34.8	46.2
Taxation paid	19.1	27.2
Interest paid	5.4	6.4

1. The distributions to shareholders for 2021 reflect the cash outflows relating to the share buyback programme in the year. The 2020 distributions reflect the final 2019 dividend paid in 2020.

Dilution

The Group's share plans comply with the Investment Association's guidelines on dilution limits of 5% in ten years for discretionary schemes and 10% in ten years for all schemes. As at 30 September 2021, the Group had utilised 2.0% of the 10% in ten years limit and 1.2% of the 5% in ten years limit.



Annual report on remuneration continued

Application of the Policy in 2022

Base salary

In FY21, the Remuneration Committee reviewed Executive Director salaries. In the light of the current economic environment and in line with the increase received by the wider workforce, Iain McPherson received a 3% increase in salary on 1 October 2021. As Mike Scott resigned on 29 June 2021, he did not receive any increase in salary for the remainder of his time in the position. The salary of the new Chief Financial Officer, Tim Lawlor, will be £410,000.

	2021	2022	% increase
Iain McPherson	£507,500	£522,750	3%
Mike Scott	£400,000	£400,000	—

1. Effective from 1 October 2021.

Pension and benefits

As described in the Policy report, both Executive Directors receive a pension contribution equivalent to 10% of base salary, reduced for National Insurance contributions where a salary supplement was received in lieu of pension. No other elements of remuneration are pensionable.

Benefits in 2022 will be in line with those provided in 2021 and include a car allowance and private medical insurance.

Annual bonus

Executive Directors are eligible to receive up to 150% of base salary as an annual bonus. A threshold level of adjusted operating profit also has to be met before any of the bonus is payable. The metrics and their weightings for 2022 are in line with 2021 as follows:

Metric	% of maximum bonus
Group adjusted operating profit	50
Group adjusted operating margin	35
Group NHBC Recommend a Friend score	15

Note: Details of the targets for each metric are commercially sensitive and will not be disclosed prospectively.



Annual report on remuneration continued

Long-Term Incentive Plan

The Committee intends to grant (i) Iain McPherson an award at a level of up to 200% of salary shortly after the announcement of the 2021 results and (ii) Tim Lawlor an award at a level of 200% of salary shortly after he joins the Company. The proposed performance metrics and their weightings are set out below:

	Pay-out % of element	Adjusted basic EPS (50%) Pence	ROCE (50%) %
Below threshold	0%	<45.7	<40
Threshold	25%	45.7	40
Target	50%	46.9	41
Maximum	100%	48.1	42

For each performance condition, vesting occurs on a linear basis for performance between each point. Both adjusted basic EPS and ROCE performance are measured for the year ending 30 September 2024.

Fees for the Chair and the Non-Executive Directors

Following a review of the Chair's and Non-Executive Directors' fees and increments, both were deemed to be appropriate, and so remain unchanged. A summary of current annual fees is shown below:

Role	2021 fee £'000	2022 fee £'000	Percentage change
Chair	200	200	0%
Non-Executive Director	50	50	0%
Additional fees:			
Senior Independent Director	7.5	7.5	0%
Audit Committee Chair	7.5	7.5	0%
Remuneration Committee Chair	7.5	7.5	0%

Approval

The Directors' Remuneration Report was approved by the Board of Directors on 29 November 2021 and signed on its behalf by:

Amanda Burton

Chair of the Remuneration Committee

**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 2021.

The Directors' Report comprises pages 120 to 122 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 173 to 178.

Principal activities and Strategic Report

Countryside is the UK's leading mixed-tenure developer, bringing together modern and efficient delivery methods to create sustainable communities where people love to live. Following the strategic review, the Group now focuses all of its resources on its very successful Partnerships business, operating through four divisions centred around the South, Home Counties, Midlands and the North. Land and developments that formed part of the previous Housebuilding division and that are under

way but do not fit the Partnerships strategy, will either be sold or completed in line with our commitments to partners and customers as part of the Legacy business. Our Strategic Report on pages 1 to 69 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 2021. 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 decision by David Howell to step down from the Board, as announced on 3 December 2020, John Martin joined the Board on 13 April 2021 and assumed the role of Chair on 1 May 2021. As reported on 13 October 2021, Mike Scott's last day as Group Chief Financial Officer will be 29 November 2021, when he will also step down from the Board. The planned appointment of Tim Lawlor as the Group's new Chief Financial Officer on 28 March 2022, was announced on 16 November 2021.

For more details on the members of the Board, see pages 72 and 73. The Corporate Governance Report on pages 76 to 83 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 112 of the Directors' Remuneration Report.

Significant contractual agreements

We do not consider that the Group is dependent upon any particular customer or supplier contract or other arrangement that is essential to the Group. Countryside has a £300m revolving credit facility with a syndicate of four banks which expires in May 2023.

Significant agreements – change of control

Upon a change of control of the Company, a number of significant agreements alter or terminate as follows:

- Revolving credit facility (“RCF”): Under the terms of the £300m RCF, which expires in May 2023, provided by a syndicate of banks to Countryside Properties PLC, 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.
- The Group has many land and commercial contracts which contain assignment or change of control consent requirements, but the Board does not consider any of these agreements to be individually significant to the Group.

People

The Group is committed to employment policies which follow best practice based on equal opportunities for all employees, irrespective of gender, race, nationality, colour, disability, marital status, sexual orientation, age or religion. All decisions relating to employment practices are objective, free from bias and based upon work criteria and individual merit. The Group's policy is to offer appropriate training and career development to disabled persons that are, as far as possible, identical to other employees and in line with best practice. In the event of a member of staff becoming disabled, the Group makes every effort to continue employment, arrange appropriate retraining and offer opportunities for promotion. For more information on our diversity statistics, please refer to the Our People section on page 63.



Directors' report continued

People continued

During 2021, there has been an extensive programme of engagement with employees, including as part of the process for the development of the Company's values, more detail on which is set out on pages 62 to 65. Baroness Morgan is appointed to represent the "employee voice" as a Non-Executive Director on the Board.

We encourage employee involvement in the Group; a common awareness of the financial and economic factors affecting the Group on the part of all employees plays a major role in maintaining the Group's customer-focused approach. For more information on how the Group engages its employees, refer to page 31 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 168 and 169 of the report.

Engagement with other key stakeholders

It is critical for the success of the Group that it engages with all of its key stakeholders, seeks their views and takes into consideration their interests as part of its decision-making process. On pages 28 to 35 of this report we set out the ways in which we engage with key stakeholders, what they are telling us and how that has been taken into account in the Board's decision-making process.

Policy on financial instruments

The policy on financial instruments is covered in the accounting policy (Note 3) to the financial statements. The notes to the financial statements include the Company's policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

Independent auditor

The Board is satisfied that PricewaterhouseCoopers LLP ("PwC") remained independent for the purpose of the 2021 audit. From completion of the 2021 year-end audit, Deloitte will become the Group's external auditor, following its selection after a tender process described in more detail on page 90.

Corporate governance

A report on Countryside's corporate governance framework, together with how we comply with the principles and provisions of the UK Corporate Governance Code, can be found in the Corporate Governance Report on pages 76 to 83. This forms part of this Directors' Report and is incorporated into it by cross-reference.

Political contributions

The Group does not make political contributions.

Dividend

As previously reported, the Directors do not recommend the payment of a final dividend for 2021 (2020: a final dividend of £nil per ordinary share, taking the total dividend for 2020 to £nil per ordinary share).

The Company will nonetheless continue to operate a Dividend Reinvestment Plan ("DRIP"), further details of which can be found on our website at <https://investors.countrysideproperties.com/shareholder-information/dividend-information>. The DRIP will operate automatically in respect of all future dividends for those shareholders who have previously registered a DRIP mandate (unless changed beforehand by shareholders). 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.

Substantial shareholdings

At 29 October 2021, being the latest practicable date prior to the publication of this Annual Report, the Company has been notified of the following interests amounting to 3% or more of the voting rights in the issued share capital of the Company:

	Interest in Countryside
Abrdn Plc	10.86%
Browning West LP	9.50%
Aviva Investors	7.76%
Ruffer LLP	7.74%
M&G Investment Management Ltd	4.76%
David Capital Partners LLC	4.53%
The Vanguard Group Inc	4.40%
BlackRock Inc	4.22%
Liontrust Investment Partners LLP	3.76%
Kabouter Management LLC	3.76%
Aegon Asset Management	3.25%

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 2021 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.

**Directors' report** continued**Share capital**

At the date of this report, 524,626,870 ordinary shares of £0.01 each have been issued, are fully paid up and are admitted to trading on the London Stock Exchange, of which 9,474,979 are held by the Company in treasury with no voting or dividend rights and 1,025,441 are held by the Employee Benefit Trust. 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 28 to the Group financial statements.

Purchase of the Company's own shares

On 7 July 2021, Countryside announced its intention to return surplus cash of at least £450m to shareholders via on-market purchases of ordinary shares in the capital of the Company. On 26 July 2021, the Company announced the commencement of the buyback programme, with the maximum initial programme of £52m (the "Initial Programme"), via an irrevocable and non-discretionary arrangement agreed with Barclays Capital Securities Limited. The Initial Programme was completed on 14 October 2021, the final results of which were announced on 15 October 2021. The second tranche of shares to be repurchased has been organised with Numis, the commencement of which will be announced in due course. At the AGM on 5 February 2021, the Company's shareholders generally authorised the Company to purchase up to a maximum of 52,462,687 of its ordinary shares. To date, 9,474,979 ordinary shares have been repurchased and the Company will request a similar general authority from shareholders at the 2022 AGM.

Authority to allot shares

At the 2021 AGM, shareholders also approved a resolution permitting the Directors to allot shares up to an aggregate nominal value of £1,748,756. Shareholders also approved a resolution authorising the Directors to allot shares up to a further aggregate nominal amount of £1,748,756 in connection with a rights issue. These resolutions remain in force until the conclusion of the 2022 AGM.

The Company will seek to renew this authority at the 2022 AGM.

Statement of disclosure of information to the auditor

Each Director of the Company confirms that, as far as each is aware, there is no relevant audit information of which the Company's auditor is unaware and that each of the Directors has taken all the steps they ought to have taken individually as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Going concern

The Group has the benefit of a £300m RCF provided by its banking syndicate of four banks, which expires in May 2023. The facility includes covenants in respect of gearing, interest cover, tangible net asset value and loan to book value. In response to the initial outbreak of Covid-19, the Group's gearing and interest cover covenants were relaxed until September 2022 to provide additional headroom under the RCF.

The Group's RCF was undrawn as at 30 September 2021.

As described in the Viability Statement on page 39, the Directors have 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 Group's business activities, together with the factors likely to affect its future development, are set out in the Strategic Report on pages 1 to 69. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described on pages 22 to 27 of the Strategic Report. Further disclosures regarding borrowings are provided in Note 19.

The assessment includes a financial review derived from the Board-approved strategic forecasts over a three-year period to 30 September 2024. Plausible downside case scenarios have been reviewed to illustrate the potential impact on the Group's viability of one or more of the Group's principal risks crystallising, both individually and in combination. Two scenarios have been considered: firstly, a prolonged economic downturn; and secondly, the effect of a major incident causing the business to shut down for a period of two months.

Based on the forecasts and scenarios modelled, the Directors have assessed the Group's going concern status over the next 12 months, which incorporates the downside scenarios noted above. Having considered the Group's cash flow forecasts, the Directors are satisfied that the Group has sufficient liquidity and covenant headroom to remain liquid and meet its liabilities as they fall due for at least 12 months from the date of these financial statements. Accordingly, these financial statements have been prepared on a going concern basis.

Parent company financial position

As at 30 September 2021, the parent company had net assets of £724.3m and net current liabilities of £(2.7)m. The parent company's ability to continue as a going concern is inextricably linked to the results of the Group as a whole. Having considered the Group's cash flow forecasts, the Directors are satisfied that the parent company has sufficient liquidity and covenant headroom to enable the parent company to meet its liabilities as they fall due for at least the next 12 months.

Carbon emissions

We set out details of the Group's approach to the environment, including information in relation to its carbon emissions, in the section headed Environment on pages 56 to 61. This forms part of the Sustainability Report section of the Annual Report on pages 45 to 61.

Annual General Meeting

The 2022 AGM of the Company will be held at Linklaters' offices at 12.30 on Thursday, 20 January 2022. 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
29 November 2021



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 accounting standards in conformity with the requirements of the Companies Act 2006 and the 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). Additionally, the Financial Conduct Authority's Disclosure Guidance and Transparency Rules require the Directors to prepare the Group financial statements in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Under company law, 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 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 international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 102 have been followed for the parent 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 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 also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's 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.

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's and parent company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Board of Directors section confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- the parent company financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 102, give a true and fair view of the assets, liabilities and financial position of the parent company; 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

Iain McPherson
Group Chief Executive
29 November 2021

Mike Scott
Group Chief Financial Officer
29 November 2021



Independent auditors' 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 2021 and of the Group's profit and the Group's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- 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.

We have audited the financial statements, included within the Annual Report and Accounts, which comprise: the consolidated and parent company statements of financial position as at 30 September 2021; 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.

Separate opinion in relation to international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union

As explained in Note 3 to the financial statements, the Group, in addition to applying international accounting standards in conformity with the requirements of the Companies Act 2006, has also applied international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In our opinion, the Group financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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.

Other than those disclosed in Note 7, we have provided no non-audit services to the company or its controlled undertakings in the period under audit.



Independent auditors' report continued

To the members of Countryside Properties PLC

Report on the audit of the financial statements continued

Our audit approach

Context

Countryside Properties PLC is an urban regeneration company listed on the London Stock Exchange. The Group is wholly UK based, operating around London and the Home Counties, and in the Midlands, Yorkshire, the South West and North West of England.

The Group is susceptible to external macro-economic factors such as Government regulation, mortgage availability and changes in the wider building sector including customer demand, supply chain availability and build cost inflation. This was particularly relevant for our work in the area of cost forecasts and margin estimates.

Overview

Audit scope

- The Group previously operated in two divisions, Partnerships and Housebuilding. In July 2021, the Group announced that it would allocate all resources to its existing Partnerships business with any non-Partnerships activities regarded as Legacy operations. Both the Partnerships and Legacy operations are 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 28 reporting units, including central reporting entities and the parent company. We also performed audit workover material revenue and inventory balances outside of these 28 reporting units.
- Together, this accounted for 89% of the Group's revenues and 86% of the Group's profit before tax, adjusted for non-underlying items.

Key audit matters

- Cost forecasts and margin estimates (Group).
- Accounting for land sales and acquisitions (Group).
- Carrying value of goodwill (Group) and recoverability of investment carrying value (Company).
- Provisions for claims and other legal matters (Group).

Materiality

- Overall Group materiality: £7.4m (2020: £7.6m), based on approximately 5% of profit before tax, adjusted for non-underlying items.
- Overall parent company materiality: £7.0m (2020: £6.9m), based on approximately 1% of total assets, restricted to an amount below the Group overall materiality.
- Performance materiality: £5.6m (Group) and £5.3m (Company).

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.



Financial statements

Independent auditors' 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

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.

Provisions for claims and other legal matters is a new key audit matter this year. Land and inventory valuation (Group), Going concern (Group and Company) and Covid-19 (Group and Company), which were key audit matters last year, are no longer included because these were not considered to be areas of significant risk in the current year. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Cost forecasts and margin estimates (Group) Refer to Note 3 (Accounting policies) and Note 2 (Critical accounting judgements and estimates). The Group's margin recognition framework is based on the margin forecast for each site. These margins, which drive the recognition of costs as each unit is sold, reflect estimated selling prices and costs for each development. This process is effectively a method of allocating the total forecast costs, representing both land and build costs of a development, over each individual unit. There is a risk that the margin forecast for the site and the margin subsequently recognised on each unit sale is not appropriate and reflective of the actual final profit margin that will be recognised on a development. We consider the appropriate margin recognition across the life of the site to be the most significant financial reporting risk for the Group, principally due to the high level of management judgement and estimation involved in the accounting for the Group's developments given that sales prices and build costs are inherently uncertain and are influenced by changes in external market factors.	We obtained an understanding of management's process for preparing a site forecast and evaluated management's controls over cost forecasting and changes to forecasts. We tested management's controls over the approval of initial forecasts as well as the controls over the regular updating of forecasts. We attended a number of management's monthly cost review meetings or obtained the minutes of these and tested a sample of management follow-up items which gave us additional evidence over the robustness of the forecasting process across the Group. We held discussions with management to understand the status and progress of a sample of sites and tested that the explanations received were consistent with the latest forecast. Our substantive procedures focused on sites that generated significant revenue in the year and we: → assessed the appropriateness of a sample of underlying assumptions within the forecasts, including sales prices and costs which have a significant impact on the site forecasts; → tested a sample of forecast sales prices to the actual sales price attained for similar properties, industry forecasts, and based on our wider knowledge of management's intentions regarding specific sites to support the validity of the estimated sales price; → tested a sample of costs incurred to third party support to assess the completeness and accuracy of the costs and tested a sample of forecast costs to either third party evidence or other appropriate support; → performed testing over journals that moved costs between projects; → assessed management's historical forecasting accuracy on completed sites, understanding the reasons, where appropriate, for differences from the original forecast margin to assess long term forecasting accuracy; → recalculated the forecast margin and the cost of sales then recognised; and → considered sites exhibiting risk factors such as a large change in forecast margin from the previous year or high WIP (work in progress) levels and challenged management on the forecasts and the rationale where appropriate. Based on the procedures performed, we did not identify any sites where we considered the forecast margin to be materially misstated.



Financial statements

Independent auditors' 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
Accounting for land sales and acquisitions (Group) Refer to Note 3 (Accounting policies). The Group has entered into a number of commercial land transactions during the year. The nature of these transactions can be complex, material and bespoke. Due to their potentially complex nature, we focused on this area to ensure that the accounting reflected the underlying agreements.	We held meetings with management to understand the substance of material commercial land transactions. Where applicable, we read the relevant extracts from management's papers on the proposed accounting treatment of the transactions. We substantively tested material or complex land acquisitions through examination of contracts and agreements to check that the acquisitions and any subsequent overage terms had been identified and accounted for appropriately, and that related liabilities had been properly recorded in the financial statements. We substantively tested material or complex land sales through examination of contracts and agreements to check that the revenue has been accounted for appropriately in line with IFRS 15 'Revenue from contracts with customers' as applicable. We also tested to cash receipts where applicable. We are satisfied that management has appropriately accounted for these transactions.
Carrying value of goodwill (Group) and recoverability of investment carrying value (Company) Refer to Note 2 (Critical accounting judgements and estimates), Note 11 of the consolidated financial statements (Intangible assets) and Note 4 of the parent company financial statements (Investments). At 30 September 2021 the Group had a net balance of £91.3m of goodwill (2020: £91.3m) which is included in the total £127.9m of intangible assets (2020: £143.1m). The Company had a corresponding investment in subsidiaries balance of £727m (2020: £727m). Goodwill has been allocated to cash generating units (CGUs) for the acquisitions Copthorn Holdings Limited and Westleigh Group Limited. The carrying values of the goodwill and intangible assets, and of the Company's investment in subsidiaries, are contingent on future cash flows and there is a risk that the assets will be impaired if these cash flows do not meet the Group's expectations. The impairment reviews performed by the Group contained a number of judgements and estimates including discount rates, growth rates and expected changes to revenue and direct costs during the period. Changes in these assumptions could lead to an impairment of the carrying value of the assets.	We obtained the Directors' future cash flow forecasts, which were prepared to a sufficiently detailed level. Initially, we evaluated management's basis of determination of the CGUs for the acquisitions of Copthorn Holdings Limited and Westleigh Group Limited and the allocation of goodwill to these CGUs. We performed the following: → we compared the cash flows with the latest Board approved budgets, tested the integrity of the underlying calculations and assessed how both internal and external drivers of performance were incorporated into the projections; → we confirmed that the climate change and sustainability strategy of the Group had been factored into the underlying forecasts; → we challenged the discount rate used by independently recalculating the weighted average cost of capital; and → we performed sensitivity analysis on the key drivers of the cash flow forecasts, in particular the revenue growth and margin assumptions. Overall, we concluded management's assessment was reasonable. We also reviewed the related disclosures to ensure these are in line with the requirements of IAS 36 'Impairment of assets'.



Financial statements

Independent auditors' 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
Provisions for claims and other legal matters (Group) Refer to Note 2 (Critical accounting judgements and estimates), Note 21 of the consolidated financial statements (Provisions). During the year, the Group has recognised a provision of £41m relating to expected remediation costs for multi-occupancy buildings. The Directors have made estimates as to the extent of the remedial works required and the associated costs, using currently available information including third-party quotations where possible. The detailed review is ongoing and therefore the scope of remedial works required and the associated costs are likely to change over time. The estimation of expected future outflows in relation to these properties, together with any potential recovery of costs, is complex resulting in significant estimation uncertainty. This has therefore been an area of additional focus. Additionally, a provision of £3.8m, resulting in a total provision of £13.8m has been recognised following agreement with the Competition and Markets Authority (CMA) to seek the removal of 10 and 15 year doubling clauses from leases.	We obtained management's range of most likely outcomes based on information available as a result of the progress of their assessment. We performed the following: → we made enquiries with management's legal advisors regarding the extent of the Group's liabilities to establish the level of legal obligations as at the balance sheet date; → we considered recent government guidelines to confirm management's assumptions and interpretations were appropriate; → where management is in the process of agreeing remedial costs we have obtained settlement agreements, third party quotes, and/or internal detailed appraisals where available; → we have assessed the completeness of the provision through enquiries with senior management, the Group General Counsel, and by examination of the Group's claim register; and → we have assessed management's forecasting accuracy by comparing original cost estimates against final settlements or updated estimates where more information has become available and understood the reasons for these. Overall, we concluded management's assessment was reasonable and the related disclosures were in line with the requirements of IAS 37 'Provisions, contingent liabilities and contingent assets'.

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 previously operated in two divisions, Partnerships and Housebuilding. On 7 July 2021, the Group announced as part of a strategy update that it would allocate all resources to its existing Partnerships business with any non-Partnerships activities regarded as Legacy Operations. Both the Partnerships and Legacy Operations are broken down into a number of reporting units which are consolidated into the Group financial statements along with central reporting entities.

The reporting units vary in size and we identified 28 reporting units, including centralised functions and the parent company which required an audit of their complete financial information due to their individual size. These 28 reporting units were all audited by the Group engagement team and, where applicable, included the audit of the joint ventures and the associate.

We also performed audit work over material revenue and inventory balances outside of these 28 reporting units. Together, this accounted for 89% of the Group's revenues and 86% of the Group's profit before tax, adjusted for non-underlying items. Our audit work at these reporting units, together with the additional procedures performed at Group level on going concern, the consolidation, non-underlying items, goodwill, tax, and share based payments, gave us the evidence we needed for our opinion on the Group and parent company financial statements as a whole.

**Independent auditors' report** continued

To the members of Countryside Properties PLC

Report on the audit of the financial statements continued**Our audit approach** continued**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:

	Financial statements – Group	Financial statements – parent company
Overall materiality	£7.4m (2020: £7.6m).	£7.0m (2020: £6.9m).
How we determined it	Approximately 5% of profit before tax adjusted for non-underlying items (2020: 5% of a three year average of (loss)/profit before tax adjusted for non-underlying items).	Approximately 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 approximately 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 £0.1m and £7.0m. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £5.6m for the Group financial statements and £5.3m for the parent company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the lower end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.4m (Group audit) (2020: £0.4m) and £0.4m (parent company audit) (2020: £0.4m) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.



Independent auditors' report continued

To the members of Countryside Properties PLC

Report on the audit of the financial statements continued

Conclusions relating to going concern

Our evaluation of the Directors' assessment of the Group's and the parent company's ability to continue to adopt the going concern basis of accounting included:

- We assessed the appropriateness of the cash flow forecasts in the context of the Group's 2021 financial performance and evaluated the Directors' downside sensitivities against these forecasts;
- We evaluated the key assumptions in the forecasts which were consistent with the forecasts used to assess goodwill, and considered whether these were supported by the evidence we obtained;
- We assessed the forecast revenue and profit figures with reference to the development appraisals of sites in progress and options on future potential sites as well as the revenue and profit achieved in previous years;
- For sites with significant revenue budgeted from private sales in the going concern period, we performed additional procedures regarding selling prices, comparing actual selling prices against forecast values provided by a third-party property agent; and performed sensitivity analyses over prices;
- We compared the prior year forecasts against current year actual performance to assess management's ability to forecast accurately;
- We examined the minimum committed facility headroom under the base case cash flow forecasts, as well as the Directors' and our own sensitised cases, and evaluated whether the Directors' conclusion that sufficient liquidity headroom remained throughout the going concern period was supported by the evidence we obtained;
- We obtained and reperformed the Group's forecast covenant compliance calculations, including sensitising the profits and cash flows as applicable for each covenant to assess the potential impact of our downside sensitivities on covenant compliance; and
- We reviewed the disclosures relating to the going concern basis of preparation and found that these provided an explanation of the Directors' assessment that was consistent with the evidence we obtained.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

As not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the parent company's ability to continue as a going concern.

In relation to the Directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the members with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors' are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.



Independent auditors' report continued

To the members of Countryside Properties PLC

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 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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.

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.

Corporate governance statement

The Listing Rules require us to review the Directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the parent company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement, included within the Corporate governance report is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The Directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The Directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and parent company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The Directors' explanation as to their assessment of the Group's and parent company's prospects, the period this assessment covers and why the period is appropriate; and
- The Directors' statement as to whether they have a reasonable expectation that the parent company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the Directors' statement regarding the longer-term viability of the Group was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and parent company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The Directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and parent company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

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



Independent auditors' report continued

To the members of Countryside Properties PLC

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, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to tax legislation, competition legislation, environmental regulation, employment law, health and safety legislation and fire and building safety legislation and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting of inappropriate journal entries to manipulate financial results and bias in management estimates.

Audit procedures performed by the engagement team included: review of the financial statement disclosures to underlying supporting documentation, review of correspondence with and reports to the regulators, including correspondence with the Competition and Markets Authority ("CMA"), 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, testing of journals meeting certain risk criteria; and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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.



Independent auditors' report continued

To the members of Countryside Properties PLC

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 obtained 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 six years, covering the years ended 30 September 2016 to 30 September 2021.

John Waters (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

29 November 2021



Consolidated statement of comprehensive income

For the year ended 30 September 2021

	Note	2021 £m	2020 £m
Revenue	6	1,371.4	892.0
Cost of sales		(1,185.6)	(783.9)
Gross profit		185.8	108.1
Administrative expenses		(128.4)	(113.5)
Other income	7	13.9	—
Operating profit/(loss)	7	71.3	(5.4)
Analysed as:			
Adjusted operating profit		167.3	54.2
Less: share of joint ventures and associate operating profit	14, 15	(32.8)	(17.2)
Less: non-underlying items	7	(63.2)	(42.4)
Operating profit/(loss)	7	71.3	(5.4)
Finance costs	8	(17.3)	(14.2)
Finance income	8	1.5	0.7
Share of post-tax profit from joint ventures and associate accounted for using the equity method	14, 15	29.9	17.0
Profit/(loss) before income tax		85.4	(1.9)
Income tax expense	9	(13.1)	(2.1)
Profit/(loss) and total comprehensive income/(loss) for the year		72.3	(4.0)
Profit/(loss) is attributable to:			
– Owners of the parent		72.3	(3.7)
– Non-controlling interest		—	(0.3)
		72.3	(4.0)
Earnings/(loss) per share (expressed in pence per share):			
Basic	10	13.8	(0.8)
Diluted	10	13.7	(0.8)

Revenue and operating profits/(losses) arise from the Group's continuing operations. There were no items of other comprehensive income during the year (2020: £Nil).



Consolidated statement of financial position

As at 30 September 2021

	Note	2021 £m	2020 £m
Assets			
Non-current assets			
Intangible assets	11	127.9	143.1
Property, plant and equipment	12	26.6	15.1
Right of use assets	13	70.6	26.3
Investment in joint ventures	14	38.3	40.9
Investment in associate	15	0.8	1.3
Deferred tax assets	16	6.0	4.1
Trade and other receivables	18	25.1	19.6
		295.3	250.4
Current assets			
Inventories	17	1,143.8	1,059.1
Trade and other receivables	18	250.4	199.2
Current income tax receivable		6.4	0.6
Cash and cash equivalents	19	43.4	100.5
		1,444.0	1,359.4
Total assets		1,739.3	1,609.8
Liabilities			
Current liabilities			
Trade and other payables	20	(306.0)	(344.6)
Lease liabilities	13	(8.0)	(5.9)
Provisions	21	(56.0)	(10.9)
		(370.0)	(361.4)

**Consolidated statement of financial position** continued

As at 30 September 2021

	Note	2021 £m	2020 £m
Non-current liabilities			
Borrowings	19	(2.4)	(2.3)
Trade and other payables	20	(182.3)	(124.5)
Lease liabilities	13	(64.8)	(24.6)
Deferred tax liabilities	16	(11.3)	(10.5)
Provisions	21	(1.0)	(0.5)
		(261.8)	(162.4)
Total liabilities		(631.8)	(523.8)
Net assets		1,107.5	1,086.0
Equity			
Share capital	22	5.2	5.2
Share premium	22	5.3	5.3
Retained earnings		1,096.7	1,075.2
Equity attributable to owners of the parent		1,107.2	1,085.7
Equity attributable to non-controlling interest		0.3	0.3
Total equity		1,107.5	1,086.0

The notes on pages 139 to 172 form part of these financial statements.

These financial statements were approved for issue by the Board of Directors on 29 November 2021.

On behalf of the Board

Iain McPherson
Director

Mike Scott
Director



Consolidated statement of changes in equity

For the year ended 30 September 2021

	Note	Share capital £m	Share premium £m	Retained earnings £m	Equity attributable to owners of the parent £m	Non-controlling interest £m	Total equity £m
At 1 October 2019		4.5	—	892.3	896.8	2.3	899.1
Comprehensive income							
Loss and total comprehensive loss for the year		—	—	(3.7)	(3.7)	(0.3)	(4.0)
Transactions with owners							
Issue of shares, net of transaction costs	22	0.7	5.3	237.0	243.0	—	243.0
Share-based payments, net of deferred tax	16, 28	—	—	0.4	0.4	—	0.4
Purchase of shares by Employee Benefit Trust	22	—	—	(2.0)	(2.0)	—	(2.0)
Dividends paid to owners of the parent	32	—	—	(46.2)	(46.2)	—	(46.2)
Dividends paid to non-controlling interests		—	—	—	—	(4.3)	(4.3)
Reclassification		—	—	(2.6)	(2.6)	2.6	—
Total transactions with owners		0.7	5.3	186.6	192.6	(1.7)	190.9
At 30 September 2020		5.2	5.3	1,075.2	1,085.7	0.3	1,086.0
Comprehensive income							
Profit and total comprehensive income for the year		—	—	72.3	72.3	—	72.3
Transactions with owners							
Share-based payments, net of deferred tax	16, 28	—	—	2.8	2.8	—	2.8
Purchase of shares by Employee Benefit Trust	22	—	—	(1.4)	(1.4)	—	(1.4)
Purchase of own shares, including transaction costs	22	—	—	(52.2)	(52.2)	—	(52.2)
Total transactions with owners		—	—	(50.8)	(50.8)	—	(50.8)
At 30 September 2021		5.2	5.3	1,096.7	1,107.2	0.3	1,107.5



Financial statements

Consolidated cash flow statement

For the year ended 30 September 2021

	Note	2021 £m	2020 £m
Cash used in operations	23	(10.0)	(144.9)
Interest paid – lease liabilities		(2.2)	(1.1)
Interest paid – other		(3.2)	(5.4)
Interest received		0.8	0.2
Tax paid		(19.1)	(27.2)
Net cash outflow from operating activities		(33.7)	(178.4)
Cash flows from investing activities			
Purchase of intangible assets	11	(2.1)	(2.9)
Purchase of property, plant and equipment	12	(13.8)	(4.8)
Proceeds from disposal of financial assets at fair value through profit or loss		—	5.0
Decrease/(increase) in advances to joint ventures and associate	25	6.8	(19.8)
Repayment of members' interest from joint ventures	14	5.8	4.4
Dividends received from joint ventures and associate	14, 15	24.3	35.8
Net cash inflow from investing activities		21.0	17.7
Cash flows from financing activities			
Dividends paid to owners of the parent	32	—	(46.2)
Dividends paid to non-controlling interests		—	(4.3)
Repayment of lease liabilities		(8.2)	(4.9)
Purchase of shares by Employee Benefit Trust	22	(1.4)	(2.0)
Purchase of own shares, including transaction costs	22	(34.8)	—
Net proceeds from the issue of share capital		—	243.0
Borrowings under the revolving credit facility		—	297.6
Repayment of borrowings under the revolving credit facility		—	(297.6)
Net cash (outflow)/inflow from financing activities		(44.4)	185.6
Net (decrease)/increase in cash and cash equivalents		(57.1)	24.9
Cash and cash equivalents at the beginning of the year		100.5	75.6
Cash and cash equivalents at the end of the year	19	43.4	100.5



Notes to the consolidated financial statements

For the year ended 30 September 2021

1. General information

Countryside is the market leader in the delivery of high quality mixed-tenure communities in partnership with housing associations, public bodies and institutional private rental operators, with a strong focus on placemaking and regeneration.

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 Company, its subsidiaries, joint ventures and associate are together defined as the “Group”.

The parent company financial statements are on pages 173 to 178.

2. Critical accounting judgements and estimates

The preparation of the Group’s financial statements requires the Directors to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, expenses and related disclosures.

Critical accounting judgements

In the process of applying the Group’s accounting policies, which are described in Note 3, the Directors have made no individual judgements that have a significant impact on the financial statements, apart from those involving estimates which are described below.

Key sources of estimation uncertainty

Estimates and underlying assumptions affecting the financial statements are based on historical experience and other relevant factors and are reviewed on an ongoing basis. This approach forms the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Changes in accounting estimates may be necessary if there are changes in the circumstances on which the estimate was based or as a result of new information. Such changes are recognised in the year in which the estimate is revised.

The key sources of estimation uncertainty that have a risk of causing a material adjustment to the carrying value of assets and liabilities are described below.

Estimation of site profitability

In order to determine the profit or loss that the Group recognises on its developments and construction contracts in a specific period, the Group allocates the total cost of each development or construction contract between the proportion completing in the period and the proportion completing in future periods. The assessment of the total costs to be incurred requires a degree of estimation.

Actual costs may differ to forecasts for several reasons such as site delays, unforeseen costs, change orders and uncontracted cost inflation and the Group is also exposed to various market fluctuations. The long-term nature of the Group’s activities adds further complexity as forecasts are required for the duration of developments or construction contracts.

The Covid-19 pandemic has increased this estimation uncertainty due to the potential impact on house prices, materials, labour costs and construction timelines. Group management has established internal controls to review and ensure the appropriateness of estimates made on an individual development or contract basis.

The Directors note that 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. The Directors have performed a detailed review of the Group’s developments at the year end and have recognised a net release of provisions relating to inventories of £0.7m (2020: charge of £6.2m). Refer to Note 17.

As an illustration, if the Directors were to reduce the forecast margins of all developments by 5 percentage points, the gross profit recognised in the year would have reduced by £69m, or £77m on an adjusted basis, with a reduction to net assets of the same value. Likewise, an increase to margins by 5% would have increased gross profit and net assets by the same values.

Remediation costs for multi-occupancy buildings

During the year, the Group recognised a provision of £41.0m relating to expected remediation costs for multi-occupancy buildings. The Directors have made estimates as to the extent of the remedial works required and the associated costs, using currently available information including third-party quotations where possible. The detailed review is ongoing and therefore the scope of remedial works required and the associated costs, are likely to change over time. The estimation of expected future outflows in relation to these properties, together with any potential recovery of costs, is complex resulting in significant estimation uncertainty. Refer to Note 21 and Note 31 for further detail.

As an illustration a reasonably possible increase of 20% in the estimated costs would increase cost of sales and reduce profit by £8.2m, and reduce the Group’s operating margin by 60bps on both a reported and adjusted basis.

**Notes to the consolidated financial statements** continued

For the year ended 30 September 2021

3. Accounting policies**Basis of preparation**

These financial statements for the year ended 30 September 2021 are those of the Company and all of its subsidiaries. They have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 ("IFRS") and the applicable legal requirements of the Companies Act 2006. The consolidated financial statements also comply with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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 share-based payments and certain other assets and liabilities recognised at fair value as a result of business combinations.

Going concern

The Group has the benefit of a £300m revolving credit facility ("RCF") provided by its banking syndicate of four banks, which expires in May 2023. The facility includes covenants in respect of gearing, interest cover, tangible net asset value and loan to book value. In response to the initial outbreak of Covid-19, the Group's gearing and interest cover covenants were relaxed until September 2022 to provide additional headroom under the RCF.

As described in the Viability Statement on page 39, the Directors have 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 Group's business activities, together with the factors likely to affect its future development, are set out in the Strategic Report on pages 1 to 69. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described on pages 22 to 27 of the Strategic Report. The Group's RCF was undrawn as at 30 September 2021 and further disclosures regarding the Group's borrowings are provided in Note 19.

The assessment includes a financial review derived from the Board-approved strategic forecasts over a three-year period to 30 September 2024. Plausible downside case scenarios have been reviewed to illustrate the potential impact on the Group's viability of one or more of the Group's principal risks crystallising, both individually and in combination. Two scenarios have been considered as follows:

- A prolonged economic downturn commencing in January 2022 resulting in a significant reduction in house prices followed by a gradual return to forecast volumes and prices over a three-year period; and
- A major incident occurs causing the business to shut down for a period of two months and resulting in a sharp fall in house prices.

Based on the forecasts and scenarios modelled, the Directors have assessed the Group's going concern status over the next 12 months, which incorporates the downside scenarios noted above. Having considered the Group's cash flow forecasts, the Directors are satisfied that the Group has sufficient liquidity and covenant headroom to remain liquid and meet its liabilities as they fall due for at least 12 months from the date of these financial statements. Accordingly, these financial statements have been prepared on a going concern basis.

Adoption of new and revised accounting standards

During the financial year ended 30 September 2021, the Group adopted the following standards and amendments issued by the International Accounting Standards Board ("IASB"):

- Definition of a Business – Amendments to IFRS 3 "Business Combinations";
- Definition of Material – Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors";
- Interest Rate Benchmark Reform – Phase 1 – Amendments to IFRS 9, IAS 39 and IFRS 7; and
- Covid-19 Related Rent Concessions – Amendment to IFRS 16 "Leases".

The adoption of these amendments did not have a material impact on the Group financial statements.

Standards, interpretations and amendments in issue but not yet effective

The following amendments to standards and interpretations have also been issued, but are not yet effective and have not been early adopted for the financial year ended 30 September 2021:

- Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

The adoption of this amendment is not expected to have a material impact on the Group financial statements.

Basis of consolidation

Subsidiaries are entities which the Group has the power to control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to govern the financial and operating policies so as to obtain economic benefits from its activities. The financial statements of subsidiaries are consolidated in the Group financial statements using the acquisition method of accounting from the date on which control is obtained up until the date that control ceases.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the statement of comprehensive income and the statement of changes in equity.

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.

**Notes to the consolidated financial statements** continued

For the year ended 30 September 2021

3. Accounting policies continued**Basis of consolidation** continued

Intragroup transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated in preparing the financial statements. Gains arising from transactions with joint arrangements and associates are eliminated as described below.

Joint arrangements and associates

Where the Group collaborates with other entities on a development or contract, a judgement is made about the nature of the relationship. Where there is joint control (as described by IFRS 11), the arrangement is classified as a joint arrangement and accounted for using the equity method (for joint ventures) or on the basis of the Group's proportional share of the arrangement's assets, liabilities, revenues and costs (for joint operations).

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.

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

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

The Group funds its joint ventures and associate through a combination of equity investments and debt (advances to joint ventures). The Directors review the recoverability of its investments and advances for impairment annually.

Purchase of own shares

From time to time, the Employee Benefit Trust ("EBT") purchases shares of the Company in order to hold an appropriate level of shares towards the future settlement of outstanding share-related incentives on behalf of the Group. The EBT is funded directly by the Group. The EBT waives its dividend and voting rights in respect of the shares it holds. The purchase value of EBT shares is charged to retained earnings.

During the year ended 30 September 2021, the Company announced its intention to return surplus cash to shareholders via on-market purchases of ordinary shares. Shares purchased by the Company are held in treasury and result in a charge to retained earnings. All directly attributable costs incurred relating to the purchase of treasury shares are also charged to retained earnings. Where the Company engages a third party to carry out a share purchase programme on a non-discretionary and irrevocable basis, a liability is recognised on the date of inception of the contract for the present value of the redemption amount.

Business combinations

All acquisitions are accounted for using the acquisition method of accounting. The cost of an acquisition is the aggregate of the fair values of the assets transferred, liabilities incurred or assumed, and equity instruments issued at the date of acquisition. The consideration transferred includes the fair value of the asset or liability resulting from a deferred or contingent consideration arrangement, unless that arrangement is dependent on continued employment of the beneficiaries.

The identified assets and liabilities are measured at their fair value at the date of acquisition. The excess of consideration over the Group's share of the fair value of the total identifiable net assets acquired is recorded as goodwill. Costs directly relating to an acquisition are expensed to the statement of comprehensive income.

Intangible assets**Goodwill**

Goodwill recognised on acquisition of a subsidiary represents the excess of consideration over the Group's share of the fair value of the total identifiable net assets acquired. If the total consideration transferred is less than the fair value of the net assets acquired, the difference is recognised directly in the statement of comprehensive income.

An impairment review is carried out annually or when circumstances arise that may indicate an impairment is likely. The carrying value of goodwill is compared to its recoverable amount, being the higher of its value in use and its fair value less costs of disposal. Any impairment is charged immediately to the statement of comprehensive income and is not subsequently reversed.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated at the acquisition date to cash generating units ("CGUs"), or groups of CGUs, that are expected to benefit from the synergies of the business combination. Each CGU or group of CGUs to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Brands

The Group carries assets on the statement of financial position for acquired brands. The cost is determined at acquisition as being directly attributable cost or, where relevant, by using an appropriate valuation method. The brand assets are tested for impairment when a triggering event is identified and are amortised over the estimated useful life of the brand, up to a maximum of 20 years. Internally generated brands are not recognised.

**Financial statements****Notes to the consolidated financial statements** continued

For the year ended 30 September 2021

3. Accounting policies continued**Intangible assets** continued**Customer-related assets**

The Group carries customer-related intangible assets on the statement of financial position resulting from acquisitions. These assets are recognised at fair value. The assets are tested for impairment when a triggering event is identified and are amortised over a period of between two and a half and ten years. Internally generated relationships are not recognised.

Computer software

Computer software that generates an economic benefit of greater than one year, and is controlled by the Group, is recognised as an intangible asset and carried at cost less accumulated amortisation. Computer software costs that are recognised as an asset are amortised on a straight-line basis over their economic useful life of either four or five years. These assets 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 useful lives are:

- Plant and machinery four to five years, except for manufacturing machinery with a maximum useful life of twelve years
- Fixtures and fittings ten years

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 classification of financial assets depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. Financial assets are derecognised only when the contractual rights to the cash flows from the financial assets expire or when the Group is no longer considered to have control over the assets.

The Group's financial assets comprise "trade and other receivables" and "cash and cash equivalents" in the statement of financial position. Trade and other receivables are classified as financial assets at amortised cost. Financial assets at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Inventories

Inventories are held at the lower of cost or net realisable value, with the exception of inventories acquired as part of a business combination which are held at fair value.

Cost comprises of land, land option costs, materials, applicable direct labour and those overheads incurred to bring the inventories to their present location and condition, less the value of inventories charged to cost of sales. The Group determines the value of inventories charged to cost of sales based on the total forecast margin of developing a site or part of a site. Refer to page 145 for the Group's cost of sales accounting policy.

Net realisable value represents estimated selling price less all estimated costs to sell, including sales and marketing costs.

Purchased land options are initially stated at cost. Option costs are written off on a straight-line basis over the remaining life of the option and are also subject to impairment review. Impairment reviews are performed when circumstances arise which indicate an impairment is likely, such as a refusal of planning permission. Any impairments are recognised immediately in the statement of comprehensive income. Upon exercise, the unamortised balance of an option is included within the value of inventory.

Land inventory is recognised when the Group obtains control of the land, which is considered to be on unconditional exchange of contracts. Where land is purchased on deferred payment terms, the liability is discounted to fair value with the land recognised at the discounted value in inventories. The liability is presented as "deferred land payments" within trade and other payables.

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

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

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less any provision for impairment.

The Group applies the simplified approach under IFRS 9 to measure expected credit losses ("ECL") associated with trade and other receivables. The carrying value of the receivable is reduced at each reporting date for any increase in the lifetime ECL, with an impairment loss recognised in the statement of comprehensive income.

If collection is expected in one year or less, receivables are classified as current assets. If not, they are classified as non-current assets.

**Notes to the consolidated financial statements** continued

For the year ended 30 September 2021

3. Accounting policies continued**Trade and other receivables** continued

Where land is sold on deferred payment terms, the revenue and associated receivable are discounted to their fair value. The discount to fair value is amortised over the period to the settlement date and credited to finance income using the effective interest rate method. Changes in estimates of the final amount due are recognised in revenue in the statement of comprehensive income.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and other short-term deposits held by the Group with maturities of three months or less.

Trade and other payables

Trade and other payables on normal terms are not interest bearing and are stated initially at their fair value and subsequently at amortised cost. They are classified as current liabilities if payment is due within 12 months. If not, they are classified as non-current liabilities.

Where land is purchased on deferred payment terms, the liability is discounted to fair value with the land recognised at the discounted value in inventories. The discount to fair value relating to the liability is amortised over the period of the credit term and charged to finance costs using the effective interest rate method.

Trade and other payables also include overage payable where the Group is committed to make contractual payments to land vendors related to the performance of the development in the future. Overage payable is estimated based on expected future cash flows in relation to relevant developments and, where payment will take place in more than one year, is discounted.

Changes in estimates of the final payment value of deferred land payments and overage payable are capitalised into inventories and, in due course, to cost of sales in the statement of comprehensive income. If there is a change to the timing of payments, the present value of the revised payments is recalculated with any change to the liability recognised within finance costs.

Deposits received from customers relating to sales of new properties are classified within current trade payables.

Leases

Lease liabilities are initially recognised at the present value of future lease payments. Future lease payments are included in the lease liability where they are fixed in value, or variable based on an index or a rate. Variable lease payments that do not depend on an index or rate are recognised as an expense in the period in which the condition that triggers the payment occurs. To calculate the present value of future lease payments, the payments are discounted at the Group's incremental borrowing rate, which is the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Subsequently, lease liabilities increase to reflect the unwind of discount and reduce by the value of payments made to lessors. Lease liabilities are remeasured where the Group's assessment of the expected lease term changes or there is a modification to the lease terms. The unwind of the discount on lease liabilities is recorded in finance costs in the statement of comprehensive income. Cash outflows relating to lease interest are presented within net cash flows from operating activities in the statement of cash flows.

Right of use assets are initially measured at cost, comprising the initial value of the lease liabilities adjusted for rental payments made at or prior to the start of the lease term, initial direct costs, lease incentives and restoration costs.

Subsequently, right of use assets are measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. Right of use assets are depreciated over the shorter of the asset's estimated useful life and the lease term on a straight-line basis. Depreciation is recorded in either cost of sales or administrative expenses in the statement of comprehensive income depending on the nature of the asset.

The Group applies the recognition exemptions for short-term and low-value asset leases. The rental expense for these leases is recognised on a straight-line basis in the statement of comprehensive income. The rental expense is recorded in either cost of sales or administrative expenses depending on the nature of the asset. Short-term leases are leases with a lease term of 12 months or less.

Borrowings

Interest-bearing bank loans and overdrafts are recorded initially at fair value. Such instruments are subsequently carried at amortised cost and finance charges, including premiums payable on settlement or redemption, are amortised over the term of the instrument using the effective interest rate method.

Bank loans are reported net of direct transaction costs to the extent that borrowings are available for offset. If the value of unamortised borrowing costs exceeds the value of borrowings, these amounts are 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.

Bank overdrafts are classified as current liabilities.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event which is probable to result in an outflow of economic benefits that can be reliably estimated. Where the effect of the time value of money is material, the provision is discounted at the pre-tax discount rate that reflects the risks specific to the liability.



Financial statements

Notes to the consolidated financial statements continued

For the year ended 30 September 2021

3. Accounting policies continued

Share capital and share premium

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are presented in share premium as a deduction from the proceeds received.

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 operates a range of legal and contractual structures which are tailored according to the land structure and parties to the contract. Recognition of revenue reflects the underlying nature of these contracts, as described below in more detail by category.

Private housing revenue

Revenue is recognised on the sale of private housing at a point in time on legal completion, as this is when the customer obtains control of the property and the Group has fulfilled its performance obligations. Revenue is recognised at the fair value of the consideration received.

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.

Cash is received by the Group on legal completion and there is no variable or financing component to the consideration received. Where customers use the Government's Help to Buy scheme, the Group typically receives the cash from Homes England within two weeks of legal completion.

Affordable housing and private rental sector ("PRS") revenue

Contract revenue for affordable housing and PRS contracts is recognised over time based on surveyor-certified valuations of work performed at the balance sheet date. Where there is a disposal of land to the customer under the contract, revenue for this disposal is recognised in line with the accounting policy for land sales below.

As the build progresses, customer-controlled assets are created, with the design tailored to the specification of the customer. The Group has an enforceable right to be paid for the work completed to date and invoices are issued and paid over the life of the development. Variations in contract work and claims are included to the extent that it is highly probable that there will not be a significant reversal when the value of such payments is finalised.

Where progress towards the satisfaction of performance obligations cannot be reasonably determined, revenue is recognised over time as the work is performed, to the extent that costs have been incurred and are expected to be recoverable, and contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately in the statement of comprehensive income within cost of sales.

The Group recognises affordable housing and PRS unit completions on a pro-rata basis in line with revenue recognition.

Other revenue – land sales

Revenue is recognised in the statement of comprehensive income at a point in time on unconditional exchange of contracts as this is the point at which the Group is considered to have satisfied its performance obligations. Revenue is measured as the fair value of consideration received or receivable.

Where there are residual obligations in the land sale contract that are not satisfied at the balance sheet date, an element of the transaction price is deferred into future periods. If the stand-alone selling price of the residual obligations is not directly observable, the transaction price is derived by calculating a value for the land element of the contract and deducting this from the total transaction price. The remainder is allocated to the residual obligations. Revenue is recognised on the residual obligations at a point in time when the performance obligations have been satisfied.

Cash is either received on completion or on deferred settlement terms. Where land is sold on deferred settlement terms the revenue and associated receivable are discounted to their fair value. The discount to fair value is amortised over the period to the settlement date and credited to finance income using the effective interest rate method. Changes in estimates of the final amount due are recognised in revenue in the statement of comprehensive income.

Other revenue – commercial sales

Revenue is typically recognised in the statement of comprehensive income at a point in time on unconditional exchange of contracts as this is the point at which the Group is considered to have satisfied its performance obligations. Cash is received on legal completion and, in most cases, there is no variable or financing component to the consideration received.

In some cases, where longer-term performance obligations are present, for example in design and build contracts, revenue is recognised over time as described above in "Affordable housing and private rental sector ("PRS") revenue". Revenue is measured as the fair value of consideration received or receivable.

Other revenue – project management services

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

**Notes to the consolidated financial statements** continued

For the year ended 30 September 2021

3. Accounting policies continued**Revenue** continued**Other revenue – part exchange**

In certain instances, property may be accepted as part consideration in the sale of a Countryside property. The fair value of the part exchange property is established by independent surveyors and reduced for costs to sell. The sale of the Countryside property is recorded in line with the accounting policy for private housing described above, with the value of revenue recognised reflecting the total of cash proceeds and the fair value of the part exchange property received by the Group. The part exchange property is recognised within inventories until sold.

The subsequent sale of the part exchange property is treated as a separate transaction with revenue recognised in line with the treatment of private housing described above.

Other revenue – freehold reversions

Revenue is recognised on freehold reversion sales on unconditional exchange.

Cost of sales

The Group determines the value of inventories charged to cost of sales based on the total forecast margin of developing a site or a phase of a site. Once the total expected margin of the site or phase of a site is established it is allocated based on revenue to calculate a build cost per plot. These costs are recognised within cost of sales when the related revenue is recognised in accordance with the Group's revenue recognition policy.

To the extent that additional costs or savings are identified and the expected margin changes as the site progresses, the change is recognised over the remaining units.

Cost of sales for land and commercial property which form part of a larger site is recognised based on forecast site margin as described above. Where land and commercial property relate to the entirety of a site, cost of sales represents the carrying value of the related inventory in the Group's statement of financial position and is recognised within cost of sales when revenue is recognised in accordance with the Group's revenue recognition policy.

Finance costs and finance income**Borrowing costs**

Borrowing costs in relation to the Group's debt facility are recognised on an accruals basis. Also included in borrowing costs is the amortisation of fees associated with the arrangement of the financing.

Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the statement of comprehensive income using the effective interest method. These amounts are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

The Group capitalises borrowing costs into developments only where project-specific borrowings are used.

Unwind of discounting

The finance costs and income associated with the time value of money on discounted payables and receivables are recognised within finance costs and income as the discount unwinds over the life of the relevant item.

Current and deferred income taxation

Income tax comprises current and deferred tax.

Current taxation

The current taxation payable is based on taxable profit for the period which differs from accounting profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and those items never taxable or deductible. The Group's liability for current tax is measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred taxation

Deferred taxation is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and their corresponding tax values used in the computation of taxable profit and is accounted for using the balance sheet liability method.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the taxable profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based upon tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items credited or charged directly to the statement of changes in equity, in which case the deferred tax is also dealt with in equity.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the Group intends to settle the balances on a net basis.

**Notes to the consolidated financial statements** continued

For the year ended 30 September 2021

3. Accounting policies continued**Segmental reporting**

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 to the Group's operating segments. The CODM assesses the performance of the operating segments based on adjusted revenue, adjusted operating profit, return on capital employed ("ROCE") and tangible net operating asset value ("TNOAV").

On 7 July 2021, the Group announced an update to its strategy which resulted in all of the Group's resources being focused on the Partnerships business. Any non-Partnerships activities are regarded as Legacy Operations, which the Group is exiting as soon as practical.

The Group's Partnerships business comprises four geographical operating segments across the United Kingdom, each managed by a Divisional Chief Executive. All Divisional Chief Executives are members of the Group's Executive Committee. The Group aggregates the Partnerships operating segments into one reportable segment on the basis that they share similar economic characteristics.

Segmental results include items directly attributable to the segment, as well as those that can be allocated on a reasonable basis.

Pension plans

The Group operates a defined contribution pension plan. A defined contribution plan is a pension plan under which the Group pays fixed contributions to a separate entity.

The Group has no further payment obligations once the contributions have been paid. The contributions are recognised on an accruals basis as employee benefit expenses.

Share-based payments

The Group provides benefits to employees of the Group, including Directors, in the form of equity-settled share-based awards, whereby employees render services in exchange for rights over shares.

For equity-settled share-based payments, the fair value of the employee services rendered is determined by reference to the fair value of the shares awarded or options granted, excluding the impact of any non-market vesting conditions. All share options are valued using an option-pricing model (Black Scholes or Monte Carlo). This fair value is charged to the statement of comprehensive income over the vesting period of the share-based awards.

The Group does not operate any cash-settled share-based payment plans.

Non-underlying items

Certain items which do not relate to the Group's underlying performance are presented separately in the statement of comprehensive income as non-underlying items where, in the judgement of the Directors, they need to be disclosed separately by virtue of their nature, size or incidence in order to obtain a clear and consistent presentation of the Group's underlying business performance. As these non-underlying items can vary significantly from year to year, they create volatility in reported earnings.

In addition, the Directors believe that in discussing the performance of the Group, the results of joint ventures and associates should be proportionally consolidated, including the Group's share of revenue and operating profit, as they are managed as an integral part of the Group's operations. As such, the Directors adjust for these non-underlying items in the calculation of the Group's Alternative Performance Measures ("APMs"), which are set out on pages 179 to 181.

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 or the recognition of material liabilities which are not considered to be in the ordinary course of business; and
- the costs of significant Group restructuring exercises.

In addition, the amortisation/de-recognition of acquisition-related intangible assets is treated as a non-underlying item as management does not believe this potentially variable cost should be included when considering the underlying trading performance of the Group.

Dividends

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Dividends payable are recorded in the period in which they become unconditional.



Financial statements

Notes to the consolidated financial statements continued

For the year ended 30 September 2021

4. Segmental reporting

Segmental reporting is presented in respect of the Group's reportable segments reflecting the Group's management and internal reporting structure and is the basis on which strategic operating decisions are made by the Group's CODM (the Group's Executive Committee).

On 7 July 2021, the Group announced an update to its strategy which resulted in all of the Group's resources being focused on the Partnerships business. Any non-Partnerships activities are regarded as Legacy Operations, which the Group is exiting as soon as practical.

The Group's Partnerships business comprises of four geographical operating segments across the United Kingdom, each managed by a Divisional Chief Executive. All Divisional Chief Executives are members of the Group's Executive Committee. The Group aggregates the Partnerships operating segments into one reportable segment on the basis that they share similar economic characteristics. Each of the divisions build and deliver homes on mixed-tenure sites, sell to similar customers, and operate in the same legal and regulatory environment.

As a result of the Group's strategy update, the following changes have been applied for the year ended 30 September 2021:

- A number of sites previously included within the Housebuilding segment have been identified as fitting the mixed-tenure Partnerships model and have been reclassified within Partnerships. This includes the Group's investment in two of its joint ventures, Greenwich Millennium Village Limited and Countryside Zest (Beaulieu Park) LLP.
- The remaining operations previously disclosed as Housebuilding are now disclosed as Legacy Operations as the Group's second reportable segment. This reflects the Group's strategy to allocate its capital to the Partnerships business, with Legacy Operations expected to be substantially complete by 30 September 2023.

Further detail on the Group's strategy and the changes during the year is provided in the Strategic Report, on pages 1 to 69.

Prior year information has been restated to reflect the changes above.

(a) Segmental financial performance

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 that are directly attributable to a segment are allocated where possible, or otherwise allocated between segments based on an appropriate allocation methodology.

Adjusted revenue and adjusted operating profit are Alternative Performance Measures ("APMs") for the Group. Further detail on APMs is provided on pages 179 to 181.

	Partnerships £m	Legacy Operations £m	Group items £m	Total £m
Year ended 30 September 2021				
Adjusted revenue including share of revenue from joint ventures and associate	1,033.2	493.0	—	1,526.2
Less: share of revenue from joint ventures and associate	(130.9)	(23.9)	—	(154.8)
Revenue	902.3	469.1	—	1,371.4
Adjusted operating profit/(loss) including share of operating profit/(loss) from joint ventures and associate	107.7	70.5	(10.9)	167.3
Less: share of operating profit from joint ventures and associate	(28.9)	(3.9)	—	(32.8)
Less: non-underlying items (Note 7)	(44.4)	(1.1)	(17.7)	(63.2)
Operating profit/(loss)	34.4	65.5	(28.6)	71.3
	Partnerships £m	Legacy Operations £m	Group items £m	Total £m
Year ended 30 September 2020 (restated)				
Adjusted revenue including share of revenue from joint ventures and associate	669.2	319.6	—	988.8
Less: share of revenue from joint ventures and associate	(78.7)	(18.1)	—	(96.8)
Revenue	590.5	301.5	—	892.0
Adjusted operating profit/(loss) including share of operating profit/(loss) from joint ventures and associate	37.5	20.3	(3.6)	54.2
Less: share of operating profit from joint ventures and associate	(14.2)	(3.0)	—	(17.2)
Less: non-underlying items (Note 7)	(8.3)	(5.2)	(28.9)	(42.4)
Operating profit/(loss)	15.0	12.1	(32.5)	(5.4)



Notes to the consolidated financial statements continued

For the year ended 30 September 2021

4. Segmental reporting continued

(b) Segmental financial position

Segmental TNAV represents the net assets of each operating segment, excluding intangible assets and related deferred tax liabilities. It includes items directly attributable to each segment as well as those that can be allocated on a reasonable basis. Segmental TNOAV is the Group's measure of capital employed, as used in the calculation of ROCE. Group and segmental TNAV and TNOAV are Alternative Performance Measures ("APMs") for the Group. Further detail on APMs is provided on pages 179 to 181.

As at 30 September 2021	Partnerships £m	Legacy Operations £m	Total £m
Segment assets	1,092.9	475.1	1,568.0
Segment liabilities	(482.7)	(138.3)	(621.0)
TNOAV	610.2	336.8	947.0
Net cash/(debt)	41.0	—	41.0
TNAV	651.2	336.8	988.0

As at 30 September 2020 (restated)	Partnerships £m	Legacy Operations £m	Total £m
Segment assets	804.1	561.1	1,365.2
Segment liabilities	(337.5)	(174.2)	(511.7)
TNOAV	466.6	386.9	853.5
Net cash/(debt)	(39.4)	137.6	98.2
TNAV	427.2	524.5	951.7

(c) Segmental other items

	Partnerships £m	Legacy Operations £m	Group items £m	Total £m
Year ended 30 September 2021				
Investment in joint ventures	36.8	1.5	—	38.3
Investment in associate	—	0.8	—	0.8
Share of post-tax profit from joint ventures and associate	26.1	3.8	—	29.9
Capital expenditure – property, plant and equipment	11.8	2.0	—	13.8
Capital expenditure – right of use assets	44.4	6.1	—	50.5
Capital expenditure – intangible assets	—	—	2.1	2.1
Depreciation – property, plant and equipment	1.7	0.6	—	2.3
Depreciation – right of use assets	4.7	1.5	—	6.2
Amortisation – intangible assets	—	—	10.4	10.4
Gain on sale of Group's interest in joint venture	—	13.9	—	13.9
Share-based payments	—	—	1.9	1.9
	Partnerships £m	Legacy Operations £m	Group items £m	Total £m
Year ended 30 September 2020 (restated)				
Investment in joint ventures	32.9	8.0	—	40.9
Investment in associate	—	1.3	—	1.3
Share of post-tax profit from joint ventures and associate	12.7	4.3	—	17.0
Capital expenditure – property, plant and equipment	4.2	0.6	—	4.8
Capital expenditure – right of use assets	3.1	1.3	—	4.4
Capital expenditure – intangible assets	—	—	2.9	2.9
Depreciation – property, plant and equipment	1.8	0.7	—	2.5
Depreciation – right of use assets	4.6	3.2	—	7.8
Amortisation – intangible assets	—	—	12.2	12.2
Impairment of goodwill	—	—	18.5	18.5
Share-based payments	—	—	1.0	1.0

**Notes to the consolidated financial statements** continued

For the year ended 30 September 2021

5. Employee costs

	2021 £m	2020 £m
Wages and salaries	127.5	108.8
Social security costs	14.9	13.8
Other pension costs	7.9	6.6
Share-based payments (Note 28)	1.9	1.0
	152.2	130.2

All the Group's employees are entitled to join the Group's defined contribution schemes, which are invested with Aegon. Annual contributions to these plans expensed in the statement of comprehensive income amounted to £7.9m (2020: £6.6m), of which £1.1m (2020: £0.8m) was outstanding as at 30 September 2021. The Group does not operate any defined benefit pension schemes.

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

	2021 Number	2020 Number
Development	1,826	1,782
Head office	219	165
	2,045	1,947

6. Revenue

An analysis of Group reported revenue by type is set out below. Segmental revenue has been restated for the year ended 30 September 2020. Refer to Note 4.

	2021 £m	2020 restated £m
Partnerships:		
– Private housing	449.2	251.7
– Affordable	274.9	197.6
– PRS	141.5	116.5
– Other	36.7	24.7
	902.3	590.5
Legacy Operations:		
– Private housing	344.3	205.1
– Affordable	41.5	45.2
– PRS	7.5	7.2
– Other	75.8	44.0
	469.1	301.5
Total revenue (reported)	1,371.4	892.0
Share of revenue from joint ventures and associate:		
– Partnerships	130.9	78.7
– Legacy Operations	23.9	18.1
Total revenue (adjusted)	1,526.2	988.8

Other revenue of £112.5m (2020: £68.3m) includes land sales of £87.2m (2020: £30.7m).

At 30 September 2021, the aggregate amount of unsatisfied performance obligations relating to contracts with customers was £1,042.3m (2020: £891.8m). Approximately 40% of these amounts are expected to be recognised as revenue within one year, with the remainder recognised over varying contractual lengths.



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Notes to the consolidated financial statements continued

For the year ended 30 September 2021

7. Operating profit/(loss)

(a) Operating profit/(loss)

Operating profit of £71.3m (2020: loss of £5.4m) is stated after charging/(crediting):

	Note	2021 £m	2020 £m
Inventories expensed to cost of sales		1,151.2	760.5
Net provisions for impairment of inventories	17	(0.7)	6.2
Gain on sale of Group's interest in joint venture	14	(13.9)	—
Staff costs	5	152.2	130.2
Amortisation – intangible assets	11	10.4	12.2
Impairment of goodwill	11	—	18.5
Depreciation – property, plant and equipment	12	2.3	2.5
Depreciation – right of use assets	13	6.2	7.8

During the year, the Group disposed of its investment in the Cambridge Medipark Limited joint venture for total consideration of £16.2m, net of transaction costs. Prior to disposal the carrying value of the investment was £2.3m, resulting in a gain on disposal of £13.9m.

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

	2021 £m	2020 £m
Fees payable to the Group's auditor for the audit of parent and consolidated financial statements	0.8	0.4
Fees payable to the Group's auditor for other services:		
– Audit of subsidiary companies	0.5	0.5
– Audit of joint ventures and associate (Group share)	0.1	0.1
– Audit-related services	0.2	0.2
Total	1.6	1.2

(b) Non-underlying items

	2021 £m	2020 £m
Non-underlying items included within cost of sales:		
– Remediation costs for multi-occupancy buildings	41.0	—
– Ground Rent Assistance Scheme	0.7	—
Non-underlying items included within administrative expenses:		
– Costs relating to the Housebuilding separation	6.0	—
– Ground Rent Assistance Scheme	3.8	10.0
– Amortisation/de-recognition of acquisition-related intangible assets	11.7	10.2
– Impairment of goodwill	—	18.5
– Restructuring costs	—	3.5
– Deferred consideration relating to Westleigh	—	0.2
Total non-underlying items	63.2	42.4

Remediation costs for multi-occupancy buildings

As a result of progress made in the Group's review of expected remediation costs for multi-occupancy buildings, a provision of £41.0m has been recognised. Refer to Note 21 for further detail.

Ground Rent Assistance Scheme

Following the Competition and Markets Authority's ("CMA's") review into the sale of leasehold properties, on 15 September 2021 Countryside announced that it had agreed voluntary undertakings with the CMA to seek the removal of all 10- and 15-year doubling clauses from leases where the ground rent is not for the ultimate benefit of a local authority or registered provider of social housing, at no cost to leaseholders. These undertakings have resulted in an increase to the Ground Rent Assistance Scheme provision of £3.8m (2020: £10.0m) and a write down of inventories of £0.7m (2020: £Nil) relating to leases where Countryside is the freeholder.

Costs relating to the Housebuilding separation

As announced on 3 December 2020, the Group appointed Rothschild & Co to examine the separation of its Housebuilding division. The Group's review was concluded in July 2021, with the Group issuing a strategy update on 7 July 2021. Total costs of £6.0m were incurred during the year for legal, tax and accounting advisory services relating to the review.

**Notes to the consolidated financial statements** continued

For the year ended 30 September 2021

7. Operating profit/(loss) continued**(b) Non-underlying items** continued**Amortisation/de-recognition of acquisition-related intangible assets**

Amortisation/de-recognition of acquisition-related intangible assets is reported within non-underlying items as management does not believe this cost should be included when considering the underlying trading performance of the Group.

Impairment of goodwill

During September 2020, the Directors announced the Board's decision to close the Millgate business with the remaining Millgate sites being transferred to the Housebuilding West region. The goodwill previously recognised on the acquisition of Millgate was tested for impairment and an impairment charge of £18.5m was recognised.

Restructuring costs

Restructuring costs of £3.5m were recognised in the year ended 30 September 2020 in relation to the closure of the Millgate business and restructuring in the Partnerships division.

Taxation

A total tax credit of £11.6m (2020: £4.7m) in relation to non-underlying items is included within taxation in the statement of comprehensive income.

8. Net finance costs

	Note	2021 £m	2020 £m
Bank loans and overdrafts		(3.2)	(5.3)
Amortisation of debt finance costs	19	(0.9)	(0.7)
Unwind of discount relating to:			
Land purchases on deferred payment terms		(10.9)	(7.0)
Lease liabilities	13	(2.2)	(1.1)
Other loans		(0.1)	(0.1)
Finance costs		(17.3)	(14.2)
Interest receivable		0.8	0.2
Unwind of discount relating to:			
Land sales on deferred settlement terms		0.7	0.5
Finance income		1.5	0.7
Net finance costs		(15.8)	(13.5)

9. Income tax expense

	2021 £m	2020 £m
Analysis of charge for the year		
Current tax		
Current year	13.3	1.9
Total current tax	13.3	1.9
Deferred tax (Note 16)		
Origination and reversal of temporary differences	0.3	0.2
Adjustments in respect of prior periods	(0.5)	—
Total deferred tax	(0.2)	0.2
Total income tax expense	13.1	2.1

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate would increase to 25% and this rate had been enacted at the reporting date. Deferred tax has been measured using the enacted rates that are expected to apply to the period in which each asset or liability is expected to unwind.



Notes to the consolidated financial statements continued

For the year ended 30 September 2021

9. Income tax expense continued

In the Autumn Statement 2021, the Government confirmed that a Residential Property Developer Tax ("RPDT") will be introduced with effect from 1 April 2022. The RPDT will be charged at 4% on relevant profits exceeding an annual allowance of £25m.

The Group effective tax rate for the year of 15.3% (2020: (107.7)%) results in a lower tax expense (2020: higher tax expense) than the standard rate of corporation tax in the United Kingdom of 19.0% (2020: 19.0%). The table below shows the reconciliation of the Group's income tax expense calculated at the standard rate of tax in the United Kingdom to the Group's income tax expense at the effective tax rate.

	2021 £m	2020 £m
Profit/(loss) before income tax	85.4	(1.9)
Tax calculated at the parent entity rate of tax of 19.0% (2020: 19.0%)	16.2	(0.4)
– Impairment of goodwill	—	3.5
– Adjustments to deferred tax due to increase in UK tax rates	1.7	0.7
– Other timing differences	(1.5)	(0.9)
– Deferred tax credited/(charged) directly to reserves	0.9	(0.6)
– Joint ventures and associate tax	(1.6)	(0.2)
– Adjustments in respect of prior periods – deferred tax	(0.5)	—
– Income not taxable	(3.1)	—
– Enhanced deductions for land remediation	(0.3)	—
– Expenses not deductible for tax	1.3	—
Income tax expense	13.1	2.1

10. Earnings/(loss) per share

Basic earnings per share ("basic EPS") is calculated by dividing the profit from continuing operations attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period.

The weighted average number of shares in issue is adjusted to exclude the weighted average number of treasury shares held by the Company and shares held by the Employee Benefit Trust ("EBT"). Refer to Note 22. The weighted average number of shares held in treasury during the year was 0.6 million (2020: £Nil) and the weighted average number of shares held in the EBT during the year was 1.0 million (2020: 1.2 million).

For diluted earnings per share ("diluted EPS"), the weighted average number of ordinary shares also assumes the conversion of all potentially dilutive share awards.

(a) Basic and diluted earnings/(loss) per share

	2021	2020
Profit/(loss) from continuing operations attributable to equity holders of the parent (£m)	72.3	(3.7)
Basic weighted average number of shares (millions)	523.0	462.1
Basic earnings/(loss) per share (pence per share)	13.8	(0.8)
Diluted weighted average number of shares (millions)	526.7	464.5
Diluted earnings/(loss) per share (pence per share)	13.7	(0.8)

(b) Adjusted basic and diluted earnings per share

	2021	2020
Profit/(loss) from continuing operations attributable to equity holders of the parent (£m)	72.3	(3.7)
Add: non-underlying items net of tax (£m)	51.6	37.7
Adjusted profit from continuing operations attributable to equity holders of the parent (£m)	123.9	34.0
Basic weighted average number of shares (millions)	523.0	462.1
Adjusted basic earnings per share (pence per share)	23.7	7.4
Diluted weighted average number of shares (millions)	526.7	464.5
Adjusted diluted earnings per share (pence per share)	23.5	7.3

Non-underlying items net of tax include costs of £63.2m and a tax credit of £11.6m (2020: costs of £42.4m and a tax credit of £4.7m). Refer to Note 7.

Adjusted basic and diluted earnings per share are APMs for the Group. Refer to pages 179 to 181 for details of the Group's APMs.



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Notes to the consolidated financial statements continued

For the year ended 30 September 2021

11. Intangible assets

	Software £m	Customer related £m	Brand £m	Goodwill £m	Total £m
Cost					
At 1 October 2019	8.2	42.1	34.6	109.8	194.7
Additions	2.9	—	—	—	2.9
At 30 September 2020	11.1	42.1	34.6	109.8	197.6
Additions	2.1	—	—	—	2.1
Disposals and de-recognition	(5.4)	—	(10.4)	—	(15.8)
At 30 September 2021	7.8	42.1	24.2	109.8	183.9
Accumulated amortisation and impairment					
At 1 October 2019	3.3	10.1	10.4	—	23.8
Amortisation charge for the year	2.2	6.7	3.3	—	12.2
Impairment charge for the year	—	—	—	18.5	18.5
At 30 September 2020	5.5	16.8	13.7	18.5	54.5
Amortisation charge for the year	1.9	3.4	5.1	—	10.4
Disposals and de-recognition	(1.6)	—	(7.3)	—	(8.9)
At 30 September 2021	5.8	20.2	11.5	18.5	56.0
Net book value					
At 30 September 2021	2.0	21.9	12.7	91.3	127.9
At 30 September 2020	5.6	25.3	20.9	91.3	143.1

(a) Goodwill

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

	2021 £m	2020 £m
Copthorn Holdings Limited ("Copthorn") – April 2013	19.3	19.3
Westleigh Group Limited ¹ ("Westleigh") – April 2018	72.0	72.0
	91.3	91.3

1. Westleigh Group Limited was subsequently renamed as Countryside Properties (WGL) Limited.

Goodwill is tested annually for impairment at the year end.

For the purpose of impairment testing, goodwill is allocated at the acquisition date to cash generating units ("CGUs"), or groups of CGUs, that are expected to benefit from the synergies of the business combination. Goodwill is allocated to CGUs or groups of CGUs at the lowest level at which management monitors the goodwill and at no higher level than that of the Group's operating segments. As a result of the strategy update issued in July 2021, Management have redefined the Group's operating segments to be the Divisions within the Partnerships segment, resulting in a change to the allocation of the Group's goodwill balances.

The goodwill arising on the acquisition of Westleigh of £72.0m has been re-allocated to a group of CGUs in the Midlands Division (£40.6m) and one CGU in the North division (£31.4m). These CGUs reflect the geographical regions that the Group has been able to establish a presence in and grow as a result of the acquisition. The Copthorn goodwill of £19.3m has been re-allocated to the groups of CGUs, which represent the four Divisions of the Partnerships business (North, South, Midlands and Home Counties).

The impairment reviews were performed by comparing the value in use with the carrying amount of the relevant CGU, or group of CGUs, including the allocated goodwill. The recoverable amount has been determined to be the value in use, in line with the prior year assessment.

The key estimates for the value in use calculations are the forecast cash flows and the discount rates.

Forecast cash flows are derived from the most recent Board-approved strategic plan. The strategic plan incorporates management's assumptions regarding the future performance of the Group over the next four years, including the ongoing impact of the Covid-19 pandemic and the expected costs to deliver the Group's Approach to Sustainability strategy. The cash flows also reflect the Directors' assessment of current market conditions relating to house prices and the costs of materials and labour. The plan also considers broader market trends, the Group's growth plans, planned changes to the business model, and expected regulatory and tax changes.

Cash flows beyond the strategic plan are extrapolated using a growth rate of 1% (2020: 1%) per annum based on GDP growth forecasts by HM Treasury.



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Notes to the consolidated financial statements continued

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11. Intangible assets continued

(a) Goodwill continued

To calculate the value in use, the forecast cash flows have been discounted using a pre-tax discount rate that reflects a current market assessment of the time value of money, and the estimated relative risk profile of each group of CGUs. The discount rate applied for each group of CGUs to which the Copthorn goodwill has been allocated was 10.1% (2020: 9.0%), whilst 12.1% (2020: 11.0%) was applied to the CGU, and group of CGUs, to which the Westleigh goodwill has been allocated.

The impairment testing illustrated that the recoverable amount exceeded the carrying amount in each instance, and therefore no impairment charge has been recorded.

Sensitivity analysis has been undertaken for each impairment review by changing discount rates and assumptions in the underlying cash flows, including reduced unit delivery, lower average selling prices, and reductions to gross margins from higher cost inflation. No impairment was indicated under any of the scenarios modelled. When modelled in isolation, a reduction in the forecast cash flows in excess of 45% per annum, or an increase in the discount rate to over 17%, would be required to derive £Nil headroom in any of the impairment tests carried out.

(b) Brands

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

	Acquired (year)	Life (years)	2021 £m	2020 £m
Countryside	2013	20.0	7.8	8.4
Millgate	2014	8.7	4.9	7.2
Westleigh	2018	—	—	5.3
			12.7	20.9

As a result of the strategy update issued on 7 July 2021, the Millgate brand is expected to have no further useful life to the Group beyond 30 September 2022, reducing the total useful life since acquisition to 8.7 years.

The Directors also reviewed the useful life and carrying value of the Westleigh brand during the year and consider it to have no future value to the Group beyond 30 September 2021. As a result, the Westleigh brand has been de-recognised during the year, generating a loss on de-recognition of £3.1m.

(c) Customer-related intangible assets

Customer-related intangible assets of £21.9m (2020: £25.3m) relate to customer relationships recognised on the acquisition of Westleigh in April 2018. The useful economic life of these customer relationships is ten years, reflecting the expected timeframe over which the Group will derive value from these assets.

Amortisation is charged to administrative expenses in the statement of comprehensive income.

12. Property, plant and equipment

	Plant and machinery £m	Fixtures and fittings £m	Assets under construction £m	Total £m
Cost				
At 1 October 2019	10.4	11.2	—	21.6
Additions	1.4	1.0	2.4	4.8
Disposals	(0.2)	(0.1)	—	(0.3)
At 30 September 2020	11.6	12.1	2.4	26.1
Additions	0.7	6.8	6.3	13.8
Disposals	(5.9)	(4.2)	—	(10.1)
At 30 September 2021	6.4	14.7	8.7	29.8
Accumulated depreciation				
At 1 October 2019	5.9	2.9	—	8.8
Depreciation charge for the year	1.6	0.9	—	2.5
Disposals	(0.2)	(0.1)	—	(0.3)
At 30 September 2020	7.3	3.7	—	11.0
Depreciation charge for the year	1.1	1.2	—	2.3
Disposals	(5.9)	(4.2)	—	(10.1)
At 30 September 2021	2.5	0.7	—	3.2
Net book value				
At 30 September 2021	3.9	14.0	8.7	26.6
At 30 September 2020	4.3	8.4	2.4	15.1

Depreciation is charged to administrative expenses in the statement of comprehensive income.

Assets under construction of £8.7m (2020: £2.4m) comprises machinery for the new modular panel factory in Bardon, Leicestershire. Depreciation will commence in the first half of 2022.



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Notes to the consolidated financial statements continued

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13. Leases

The Group's leases consist primarily of buildings (offices, factories and show homes). The Group also leases other assets such as company cars and IT equipment, presented within "Other" below.

(a) Right of use assets

	Buildings £m	Other £m	Total £m
Cost			
At 1 October 2019	26.9	3.4	30.3
Additions	1.4	3.0	4.4
De-recognition	(1.2)	—	(1.2)
At 1 October 2020	27.1	6.4	33.5
Additions	47.1	3.4	50.5
De-recognition	—	(0.5)	(0.5)
At 30 September 2021	74.2	9.3	83.5
Accumulated depreciation			
At 1 October 2019	—	—	—
Depreciation charge for the year	5.9	1.9	7.8
De-recognition	(0.6)	—	(0.6)
At 1 October 2020	5.3	1.9	7.2
Depreciation charge for the year	4.0	2.2	6.2
De-recognition	—	(0.5)	(0.5)
At 30 September 2021	9.3	3.6	12.9
Net book value			
At 30 September 2021	64.9	5.7	70.6
At 30 September 2020	21.8	4.5	26.3

Right of use asset additions of £50.5m in the year include £31.9m relating to the new modular panel factory in Bardon, Leicestershire.

(b) Lease liabilities

	2021 £m	2020 £m
Current	8.0	5.9
Non-current	64.8	24.6
Total	72.8	30.5

The total cash outflow relating to lease liabilities for the year ended 30 September 2021 was £10.4m (2020: £6.0m). A maturity analysis of the contractual undiscounted future lease payments is presented in Note 27.

(c) Amounts recognised in the statement of comprehensive income

	2021 £m	2020 £m
Depreciation of right of use assets	6.2	7.8
Finance costs – unwind of discount	2.2	1.1
Expenses relating to short-term leases	0.1	0.9
Expenses relating to leases of low value assets	0.4	0.3

14. Joint arrangements

Joint ventures

The Directors have aggregated the disclosure of the joint ventures' statements of financial position and statements of comprehensive income, and separately disclosed material joint ventures below.

As a result of the Group's strategy update (refer to Note 4), the segmental presentation of the Group's joint ventures for the year ended 30 September 2020 has been restated as follows:

- The Group's investments in Greenwich Millennium Village Limited and Countryside Zest (Beaulieu Park) LLP have been reclassified within Partnerships; and
- All non-Partnerships joint ventures have been included within Legacy Operations.



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Notes to the consolidated financial statements continued

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14. Joint arrangements continued

Joint ventures continued

The Group's aggregate investment in joint ventures is represented by:

	2021			2020 (restated)		
	Partnerships £m	Legacy Operations £m	Group £m	Partnerships £m	Legacy Operations £m	Group £m
Summarised statement of financial position:						
Non-current assets	1.3	0.1	1.4	2.4	0.1	2.5
Current assets excluding cash	239.6	7.8	247.4	263.9	19.9	283.8
Cash	6.7	9.8	16.5	2.9	3.1	6.0
Current liabilities	(79.1)	(11.8)	(90.9)	(83.3)	(4.1)	(87.5)
Non-current liabilities	(94.8)	(2.9)	(97.7)	(120.0)	(3.0)	(123.0)
	73.7	3.0	76.7	65.9	15.9	81.8
Movements in net assets:						
At 1 October	65.9	15.9	81.8	95.6	28.8	124.4
Profit for the year	52.2	7.4	59.6	28.0	5.8	33.8
Dividends paid	(38.4)	(9.0)	(47.4)	(57.7)	(9.3)	(67.0)
Repayment of members' interest	(6.0)	(5.5)	(11.5)	—	(8.8)	(8.8)
Disposal	—	(4.6)	(4.6)	—	—	—
Other movements	—	(1.2)	(1.2)	—	(0.6)	(0.6)
At 30 September	73.7	3.0	76.7	65.9	15.9	81.8
Summarised statement of comprehensive income:						
Revenue	261.8	47.6	309.4	157.5	36.1	193.6
Expenses	(204.0)	(40.0)	(244.0)	(129.1)	(30.2)	(159.3)
Operating profit for the year	57.8	7.6	65.4	28.4	5.9	34.3
Finance costs	(1.8)	(0.2)	(2.0)	(0.3)	(0.1)	(0.4)
Income tax expense	(3.8)	—	(3.8)	(0.1)	—	(0.1)
Profit for the year	52.2	7.4	59.6	28.0	5.8	33.8
Group's share in %	50%	50%	50%	50%	50%	50%
Share of revenue ¹	130.9	23.8	154.7	78.7	18.1	96.8
Share of operating profit ¹	28.9	3.8	32.7	14.2	3.0	17.2
Dividends received by the Group	19.2	4.5	23.7	28.9	4.6	33.5
Investment in joint ventures	36.8	1.5	38.3	32.9	8.0	40.9

1. The Group's share of revenue and operating profit from joint ventures is included in the Group's APMs as set out on page 147.

Investment in joint ventures

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

	2021 £m	2020 £m
At 1 October	40.9	62.2
Share of post-tax profit	29.8	16.9
Dividends received	(23.7)	(33.5)
Repayment of members' interest	(5.8)	(4.4)
Disposal	(2.3)	—
Other movements	(0.6)	(0.3)
At 30 September	38.3	40.9

During the year, the Group disposed of its investment in the Cambridge Medipark Limited joint venture for total consideration of £16.2m. Prior to disposal the carrying value of the investment was £2.3m, resulting in a gain on disposal of £13.9m.

The amount due from joint ventures is £62.8m (2020: £69.5m) and the amount due to joint ventures is £0.5m (2020: £0.4m). Transactions between the Group and its joint ventures are disclosed in Note 25.



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14. Joint arrangements continued

Individually material joint ventures

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

	Partnerships			Legacy Operations
	Acton Gardens LLP £m	Greenwich Millennium Village Limited £m	Countryside Zest (Beaulieu Park) LLP £m	Countryside L&Q (Oaks Village) LLP £m
2021				
Summarised statement of financial position:				
Non-current assets	1.5	0.1	0.5	0.1
Current assets excluding cash	50.0	50.4	115.0	3.9
Cash	0.2	1.9	2.2	9.6
Current liabilities	(34.3)	(8.7)	(12.7)	(7.9)
Non-current liabilities	(1.2)	(8.1)	(85.5)	(2.9)
	16.2	35.6	19.5	2.8
Movements in net assets:				
At 1 October	16.6	31.9	9.8	11.1
Profit for the year	16.1	15.7	19.6	6.1
Dividends paid	(16.5)	(12.0)	(9.9)	(8.9)
Repayment of members' interest	—	—	—	(5.5)
At 30 September	16.2	35.6	19.5	2.8
Summarised statement of comprehensive income:				
Revenue	80.7	76.4	91.6	31.2
Expenses	(64.6)	(56.6)	(72.0)	(25.0)
Operating profit for the year	16.1	19.8	19.6	6.2
Finance costs	—	(0.3)	—	(0.1)
Income tax expense	—	(3.8)	—	—
Profit for the year	16.1	15.7	19.6	6.1

	Partnerships			Legacy Operations
	Acton Gardens LLP £m	Greenwich Millennium Village Limited £m	Countryside Zest (Beaulieu Park) LLP £m	Countryside L&Q (Oaks Village) LLP £m
2020				
Summarised statement of financial position:				
Non-current assets	1.6	0.1	0.7	0.1
Current assets excluding cash	47.6	78.2	128.9	16.2
Cash	0.4	0.9	0.6	0.7
Current liabilities	(29.8)	(43.4)	(7.5)	(2.9)
Non-current liabilities	(3.2)	(3.9)	(112.9)	(3.0)
	16.6	31.9	9.8	11.1
Movements in net assets:				
At 1 October	27.0	30.6	30.2	22.0
Profit for the year	16.2	1.3	10.7	5.3
Dividends paid	(26.6)	—	(31.1)	(7.4)
Repayment of members' interest	—	—	—	(8.8)
At 30 September	16.6	31.9	9.8	11.1
Summarised statement of comprehensive income:				
Revenue	88.2	13.4	55.9	26.5
Expenses	(71.7)	(11.8)	(45.6)	(21.1)
Operating profit for the year	16.5	1.6	10.3	5.4
Finance (costs)/income	(0.4)	(0.1)	0.4	(0.1)
Income tax credit/(expense)	—	(0.1)	—	—
Profit for the year	16.1	1.4	10.7	5.3

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14. Joint arrangements continued**The Group's joint ventures**

The Group's joint ventures, all of which are incorporated and domiciled in the UK and are accounted for using the equity method, comprise:

	Country of incorporation	Ownership interest %	Principal activity
Acton Gardens LLP	UK	50.0	Development
Bracknell Forest Cambium Partnership LLP	UK	50.0	Development
Brenthall Park (Commercial) Limited	UK	50.0	Non-trading
Brenthall Park (Infrastructure) Limited	UK	50.0	Non-trading
Brenthall Park (Three) Limited	UK	50.0	Non-trading
Brenthall Park Limited	UK	50.0	Non-trading
Bromley Regeneration (Calverley Close) LLP	UK	50.0	Development
Bromley Regeneration (Pike Close) LLP	UK	50.0	Development
Cambridge Road (RBK) LLP	UK	50.0	Development
Camden Development Partnership LLP	UK	50.0	Development
C.C.B. (Stevenage) Limited	UK	33.3	Non-trading
Countryside 27 Limited	UK	50.0	Commercial
Countryside L&Q (Oaks Village) LLP	UK	50.0	Development
Countryside L&Q (North East Chelmsford) LLP	UK	50.0	Development
Countryside Annington (Mill Hill) Limited	UK	50.0	Development
Countryside Clarion (Eastern Quarry) LLP	UK	50.0	Development
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 Places for People (Lower Herne) LLP	UK	50.0	Development
Countryside Maritime Limited	UK	50.0	Development
Countryside Neptune LLP	UK	50.0	Non-trading
Countryside Zest (Beaulieu Park) LLP	UK	50.0	Development
Greenwich Millennium Village Limited	UK	50.0	Development
Mann Island Estate Limited	UK	50.0	Estate management
Marrco 25 Limited	UK	50.0	Non-trading
Oaklands Hamlet Resident Management Limited	UK	50.0	Estate management
Peartree Village Management Limited	UK	50.0	Estate management
Westleigh Cherry Bank LLP	UK	50.0	Non-trading

All joint ventures hold the registered address of Countryside House, The Drive, Brentwood, Essex CM13 3AT, except for C.C.B. (Stevenage) Limited (Croudace House, Tupwood Lane, Caterham, Surrey CR3 6XQ).

No joint venture was committed to the purchase of any property, plant and equipment or software intangible assets as at 30 September 2021 (2020: £Nil).

Joint operations

The Group has a number of joint operations. These include Beam Park in Rainham, Rochester Riverside on the Kent Medway, South Oxhey in Hertfordshire and Fresh Wharf in Barking, where the Group has joint control of the developments, alongside a housing association. Joint operations are proportionally consolidated with 50% of the assets, liabilities, income and expenses included in the consolidated financial statements.



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15. Investment in associate

The Group holds 28.5% of the ordinary share capital with pro-rata voting rights in Countryside Properties (Bicester) Limited, a company incorporated and domiciled in the UK, whose principal activity is the sale of serviced parcels of land, and for segmental purposes is disclosed within Legacy Operations. It is accounted for using the equity method.

The Group's investment in associate is represented by:

	2021 £m	2020 £m
Summarised statement of financial position:		
Current assets excluding cash	0.5	3.2
Cash	8.4	13.4
Current liabilities	(5.6)	(11.4)
Non-current liabilities	(0.4)	(0.5)
	2.9	4.7
Movements in net assets:		
At 1 October	4.7	12.3
Profit for the year	0.2	0.4
Dividends paid	(2.0)	(8.0)
At 30 September	2.9	4.7
Summarised statement of comprehensive income:		
Revenue	0.2	—
Expenses	—	—
Operating profit	0.2	—
Finance income	—	0.5
Income tax expense	—	(0.1)
Profit for the year	0.2	0.4
Group's share in %	28.5%	28.5%
Share of revenue ¹	0.1	—
Share of operating profit ¹	0.1	—
Dividends received by the Group	0.6	2.3
Investment in associate	0.8	1.3

1. The Group's share of revenue and operating profit from associate is included in the Group's APMs as set out on page 147.

Transactions between the Group and its associate are disclosed in Note 25. No amounts are due to or from the associate as at 30 September 2021 (2020: £Nil).

The table below reconciles the movement in the Group's investment in associate:

	2021 £m	2020 £m
Reconciliation to carrying amount:		
At 1 October	1.3	3.5
Share of post-tax profit	0.1	0.1
Dividends received	(0.6)	(2.3)
At 30 September	0.8	1.3

Countryside Properties (Bicester) Limited is the sole subscriber to Kingsmere Estate Management Limited, an estate management company limited by guarantee. The address of the registered office of Countryside Properties (Bicester) Limited and Kingsmere Estate Management Limited is Countryside House, The Drive, Brentwood, Essex CM13 3AT.

16. Deferred tax assets and liabilities

Deferred tax assets held on the balance sheet date have the following expected maturities:

	2021 £m	2020 £m
Amounts due to be recovered within one year	3.0	1.4
Amounts due to be recovered after more than one year	3.0	2.7
	6.0	4.1

Deferred tax liabilities held on the balance sheet date have the following expected maturities:

	2021 £m	2020 £m
Amounts due to be settled within one year	1.8	1.3
Amounts due to be settled after more than one year	9.5	9.2
	11.3	10.5

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16. Deferred tax assets and liabilities continued

The movement in the year in the Group's net deferred tax position was as follows:

	Share-based payments £m	Other timing differences £m	Total £m
At 1 October 2019	2.3	(7.9)	(5.6)
Credit/(charge) to the statement of comprehensive income for the year	(0.8)	0.6	(0.2)
Credit/(charge) to the statement of changes in equity for the year	(0.6)	—	(0.6)
At 30 September 2020	0.9	(7.3)	(6.4)
Credit/(charge) to the statement of comprehensive income for the year	0.3	(0.1)	0.2
Credit/(charge) to the statement of changes in equity for the year	0.9	—	0.9
At 30 September 2021	2.1	(7.4)	(5.3)

Temporary differences arising in connection with interests in joint ventures and associate are not significant. There are no unrecognised tax assets on joint ventures and associate relating to historical losses (2020: £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 £1.9m on historical losses of £7.8m (2020: £1.4m on historical losses of £7.6m).

17. Inventories

	2021 £m	2020 £m
Development land and work in progress	1,092.9	965.0
Completed properties unsold or awaiting sale	50.9	94.1
	1,143.8	1,059.1

Development land and work in progress of £1,092.9m (2020: £965.0m) includes land costs of £611.7m (2020: £417.8m), land options with a carrying value of £34.5m (2020: £26.9m) and development expenditure of £446.7m (2020: £520.3m).

During the year, the Group recognised a net release of provisions relating to inventories of £0.7m (2020: charge of £6.2m).

No borrowing costs were capitalised into inventories during the year (2020: £Nil).

18. Trade and other receivables

	2021 £m	2020 £m
Amounts falling due within one year:		
Trade receivables	65.2	44.5
Amounts recoverable on construction contracts	53.0	40.4
Advances to joint ventures	62.8	69.5
Other taxation and social security	3.3	6.0
Other receivables	7.2	1.5
Prepayments and accrued income	58.9	37.3
	250.4	199.2
Amounts falling due in more than one year:		
Trade receivables	9.6	—
Amounts recoverable on construction contracts	15.5	19.6
	25.1	19.6
Total trade and other receivables	275.5	218.8

Trade and other receivables are stated after provisions for expected credit losses of £0.3m (2020: £Nil).

A provision of £8.0m (2020: £8.0m) is held against an advance to Countryside Neptune LLP, a joint venture, to reflect the Directors' view of the recoverability of this advance.

Prepayments and accrued income of £58.9m (2020: £37.3m) include £47.5m of contract assets (2020: £31.1m) relating to uninvoiced amounts where revenue has been recognised in the statement of comprehensive income.

The fair value of the financial assets included in trade and other receivables is not considered to be materially different from their carrying value.

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19. Cash and borrowings**(a) Cash and cash equivalents**

Cash and cash equivalents comprise cash and short-term deposits held in Sterling of £43.4m (2020: £100.5m).

As at 30 September 2021, no cash balances were ring-fenced for specific developments (2020: £Nil).

(b) Borrowings

	2021 £m	2020 £m
Other loans	(2.4)	(2.3)
Total borrowings	(2.4)	(2.3)

Bank loans

The Group has a £300m revolving credit facility ("RCF") with Lloyds Bank plc, Barclays Bank PLC, HSBC Bank plc and Santander UK plc, expiring in May 2023. The agreement has a floating interest rate based on LIBOR. As at 30 September 2021 and 30 September 2020 the Group had no drawings under the facility.

Subject to obtaining credit approval from the syndicate banks, the Group 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.

The Group also has the option to issue promissory notes from Barclays Bank PLC under the facility, with any notes issued reducing the available funds such that total borrowings under the facility does not exceed £300m. As at 30 September 2021, and 30 September 2020, the Group had no promissory notes in issue.

Bank loan arrangement fees are amortised over the term of the facility. At 30 September 2021, unamortised loan arrangement fees were £1.3m (2020: £2.2m). Amortisation of £0.9m (2020: £0.7m) is included in finance costs in the statement of comprehensive income (Note 8).

As the Group did not have any debt under this facility at 30 September 2021 or 30 September 2020, the unamortised loan arrangement fees are included within prepayments in the statement of financial position.

Other loans

During the year ended 30 September 2018, the Group received an interest-free loan of £2.5m for the purpose of funding remediation works in relation to one of its joint operations. The loan is repayable on 22 November 2022. The loan was initially recognised at fair value and is subsequently carried at amortised cost.

Interbank Offered Rates ("IBOR") reform

The Directors do not anticipate the IBOR reform to have a material impact on the Group's finance costs.

20. Trade and other payables

	2021 £m	2020 £m
Amounts falling due within one year:		
Trade payables	54.7	71.9
Deferred land payments	87.3	109.5
Overage payable	4.7	11.5
Accruals and deferred income	134.7	141.7
Other taxation and social security	4.1	4.9
Other payables	20.0	4.7
Advances from joint ventures	0.5	0.4
	306.0	344.6
Amounts falling due in more than one year:		
Trade payables	23.7	21.4
Deferred land payments	139.2	83.3
Overage payable	19.4	19.8
	182.3	124.5
Total trade and other payables	488.3	469.1

Trade and other payables principally comprise amounts outstanding for trade purchases and land acquired on deferred terms. The Directors consider that the carrying amount of trade payables approximates to their fair value.

The carrying amount of deferred land payments and overage payable represents the discounted payment obligations. Land acquired on deferred payment terms is discounted using an interest rate of 3.4% for transactions entered into from 1 April 2017 and 6.0% for transactions prior to this date. Discount rates are regularly reviewed to ensure that the most appropriate rate is applied at the inception of new developments. At 30 September 2021, the liabilities had been discounted by £15.1m (2020: £9.2m), reflecting the time value of money.

Other payables include £17.4m (2020: £Nil) recognised in relation to the share buyback programme. Refer to Note 22.

Accruals and deferred income include £4.0m (2020: £11.9m) of contract liabilities, where the value of payments made by customers exceeds the revenue recognised in the statement of comprehensive income. The Group recognised revenue of £10.2m during the year relating to the contract liabilities of £11.9m as at 30 September 2020.



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21. Provisions

	Remediation costs for multi-occupancy buildings £m	Ground Rent Assistance Scheme £m	Other £m	2021 Total £m	2020 Total £m
At 1 October	—	10.0	1.4	11.4	2.4
Charged in the year	41.0	3.8	3.1	47.9	10.7
Released in the year	—	—	(0.2)	(0.2)	(1.0)
Utilised in the year	(1.3)	(0.4)	(0.4)	(2.1)	(0.7)
At 30 September	39.7	13.4	3.9	57.0	11.4
Current	39.7	13.4	2.9	56.0	10.9
Non-current	—	—	1.0	1.0	0.5
Total provisions	39.7	13.4	3.9	57.0	11.4

Remediation costs for multi-occupancy buildings

In October 2019, the Directors appointed an independent third party to carry out a risk review of all multi-occupancy buildings delivered by the Group during the previous 15 years. This review found that none of those buildings were assessed to have a high fire risk.

In December 2019, the External Wall System Fire Review (EWS1) process was introduced by the Royal Institute of Chartered Surveyors ("RICS") and others to support mortgage valuation processes for buildings over 18 metres tall, or where specific fire safety concerns exist. In January 2020, the Ministry of Housing, Communities & Local Government's ("MHCLG") mandated that a formal fire safety assessment must be conducted by a suitably qualified and competent professional for all multi-occupancy buildings.

As disclosed in the 2020 Annual Report, the review of buildings delivered by Countryside using the EWS1 assessment did not at that time identify any buildings with issues that would have resulted in a potential liability for remediation costs for Countryside. As a result, at 30 September 2020, no provision was recognised and this matter was disclosed as a contingent liability.

Since December 2020, as the extent of a number of EWS1 surveys at various sites has progressed, the Directors have become aware of 69 buildings on 17 sites, constructed between 2008 and 2017, where remedial works are required to enable an EWS1 certificate to be issued.

Countryside has been engaging with the building owners and others throughout the year to progress the intrusive building surveys and review their proposed scope of works to assess the extent and cost of remedial works that Countryside is liable for.

As a result of the progress made to estimate the potential liability to the Group, a provision of £25.0m was recognised in the interim results to 31 March 2021. During the second half of the year, considerable progress has been made to complete the surveys, in part to meet the September deadline for qualification under the Building Safety Fund. Knowing considerably more about the scope of remedial works required, the Directors have increased the provision by a further £16.0m in the second half of the year, resulting in a £41.0m charge to the Group statement of comprehensive income within non-underlying items (2020: £Nil).

The quantification of the cost of these remedial works is inherently complex and depends on a number of factors, including the size of the building, the cost of investigation and replacement materials and associated labour and the potential cost of managing the disruption to residents.

Refer to Note 31 "Contingent liabilities and contingent assets" for disclosures relating to further potential liabilities and recoveries relating to these remedial works.

As the timing of utilisation is uncertain, the provision has been included within current liabilities.

Ground Rent Assistance Scheme

Following the Group's commitment to the Government's Leasehold Pledge, in April 2020 the Group established the Countryside Ground Rent Assistance Scheme. The purpose of the Scheme at inception was to support Countryside customers who own homes with ground rents that double more frequently than every 20 years to vary their leases to increase every 15 years in line with RPI instead. A provision of £10.0m was recorded in relation to the Scheme in the year ended 30 September 2020.

Following the Competition and Markets Authority's ("CMA's") review into the sale of leasehold properties, on 15 September 2021 Countryside announced that it had agreed voluntary undertakings with the CMA to seek the removal of all 10- and 15-year doubling clauses from leases where the ground rent is not for the ultimate benefit of a local authority or registered provider of social housing, at no cost to leaseholders. These undertakings have resulted in an increase to the provision of £3.8m, with the total cost to compensate freeholders plus related costs totalling £13.8m. The provision is expected to be utilised during the year ending 30 September 2022 and therefore, has been included within current liabilities.

Other provisions

The remaining provisions and movements during the year primarily relate to legal provisions and amounts in respect of expected dilapidations on office buildings that are leased by the Group.



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22. Reserves

(a) Share capital and share premium

	Number of shares		Share capital		Share premium	
	2021 million	2020 million	2021 £m	2020 £m	2021 £m	2020 £m
Allotted, issued and fully paid						
Ordinary shares of £0.01 each	524.6	524.6	5.2	5.2	5.3	5.3

(b) Treasury shares

On 7 July 2021, the Company announced its intention to return surplus cash to shareholders via on-market purchases of ordinary shares. The Company entered into a non-discretionary and irrevocable arrangement with Barclays Capital Securities Limited to conduct the share purchase programme, with the initial programme capped at 23 million shares or £52.0m.

As a result, the Company recognised a reduction to retained earnings of £52.2m during the year, reflecting the maximum commitment under the arrangement with Barclays of £52.0m as well as directly attributable costs charged to equity of £0.2m.

A total of 7,124,979 shares were purchased during the year under the programme, all of which were held in treasury at 30 September 2021 (2020: £Nil). A further 2,350,000 shares were purchased between 1 October 2021 and 14 October 2021, when the initial programme was completed. 9,474,979 shares are held in treasury at the date of approval of these financial statements (2020: Nil).

The cash outflows during the year associated with the share repurchases totalled £34.8m including transaction costs, with a further £15.1m paid between 1 October 2021 and 14 October 2021. Refer to Note 33.

(c) Employee Benefit Trust

On 18 June 2021, the EBT acquired 500,000 shares in the Company through purchases on the London Stock Exchange to meet the Group's expected obligations under share-based incentive arrangements. The total amount paid by the EBT for the shares was £2.4m, with the Group contributing £1.4m during the year to fund the purchases.

The EBT has waived its right to vote and to dividends on the shares it holds which are unallocated. The number of shares held in the EBT as at 30 September 2021 was 1,046,182 (2020: 1,649,207).

23. Notes to the cash flow statement

The table below provides a reconciliation of profit before income tax to cash generated from operations:

	Note	2021 £m	2020 £m
Profit/(loss) before income tax		85.4	(1.9)
– Amortisation – intangible assets	11	10.4	12.2
– De-recognition – intangible assets	11	6.9	—
– Depreciation – property, plant and equipment	12	2.3	2.5
– Depreciation – right of use assets	13	6.2	7.8
– Impairment of goodwill	11	—	18.5
– Share of post-tax profit from joint ventures and associate	14, 15	(29.9)	(17.0)
– Share-based payments (pre-tax)	28	1.9	1.0
– Finance costs	8	17.3	14.2
– Finance income	8	(1.5)	(0.7)
– Gain on disposal of interest in joint venture		(13.9)	—
– Increase in inventories		(84.7)	(250.5)
– (Increase)/decrease in trade and other receivables		(47.5)	48.2
– (Decrease)/increase in trade and other payables		(8.5)	11.8
– Increase in provisions	21	45.6	9.0
Cash used in operations		(10.0)	(144.9)

Changes in liabilities relating to financing activities are shown below:

	Borrowings £m	Lease liabilities £m	Share buyback £m	Total £m
Liabilities from financing activities at 1 October 2019	2.2	31.6	—	33.8
Financing cash flows	—	(4.9)	—	(4.9)
Operating cash flows	—	(1.1)	—	(1.1)
Lease additions	—	4.4	—	4.4
Lease disposals	—	(0.6)	—	(0.6)
Unwind of discount	0.1	1.1	—	1.2
Liabilities from financing activities at 30 September 2020	2.3	30.5	—	32.8
Share buyback programme	—	—	52.2	52.2
Financing cash flows	—	(8.2)	(34.8)	(43.0)
Operating cash flows	—	(2.2)	—	(2.2)
Lease additions	—	50.5	—	50.5
Unwind of discount	0.1	2.2	—	2.3
Liabilities from financing activities at 30 September 2021	2.4	72.8	17.4	92.6



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24. Investments

The Company substantially owns, directly or indirectly, the whole of the issued and fully paid ordinary share capital of its subsidiary undertakings. Subsidiary undertakings of the Group as at 30 September 2021 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
Brenthall Park (One) Limited	UK	100	Non-trading
Beechgrove (Sunninghill) Management Company Limited	UK	100	Estate management
Breedon Place Management Company Limited	UK	100	Estate management
Berrywood Estates Ltd	UK	100	Non-trading
Countryside 26 Limited	UK	100	Development
Countryside 28 Limited	UK	100	Development
Countryside Cambridge One Limited	UK	100	Holding land
Countryside Cambridge Two Limited	UK	100	Holding land
Countryside Developments Limited	UK	100	Non-trading
Countryside Four Limited	UK	100	Holding company
Countryside Properties (Commercial) Limited	UK	100	Non-trading
Countryside Properties (Housebuilding) Limited ¹	UK	100	Development
Countryside Properties (In Partnership) Limited	UK	100	Non-trading
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	Non-trading
Countryside Properties (Northern) Limited	UK	100	Non-trading
Countryside Properties (Salford Quays) Limited	UK	100	Non-trading
Countryside Properties (Southern) Limited	UK	100	Non-trading
Countryside Properties (Special Projects) Limited	UK	100	Non-trading
Countryside Properties (Springhead) Limited	UK	100	Development
Countryside Properties (Strategic Land) Limited	UK	100	Development
Countryside Properties (Uberior) Limited	UK	100	Development
Countryside Properties (UK) Limited	UK	100	Development
Countryside Properties (WGL) Limited	UK	100	Holding company
Countryside Properties (WHL) Limited	UK	100	Holding company
Countryside Properties (WPL) Limited	UK	100	Development
Countryside Residential Limited	UK	100	Non-trading
Countryside Residential (South Thames) Limited	UK	100	Non-trading
Countryside Residential (South West) Limited	UK	100	Non-trading
Countryside Seven Limited	UK	100	Non-trading
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	Non-trading
Dunton Garden Suburb Limited	UK	100	Land promotion
Fresh Wharf Residents Management Company Limited	UK	100	Estate management
Harold Wood Management Limited	UK	100	Estate management
Hilborn Management Company Limited	UK	100	Estate management
Knight Strategic Land Limited	UK	100	Land promotion
Mandeville Place (Radwinter) Management Limited	UK	100	Estate management
Marlowe Road Management Company Limited	UK	100	Estate management
Millgate Developments Limited	UK	100	Development
Millgate (UK) Holdings Limited	UK	100	Holding company
Mulberry Green Management Company Limited	UK	100	Estate management
New Avenue (Cockfosters) Management Company Limited	UK	100	Estate management
Newhall Land Limited	UK	100	Development
Newhall Resident Management Company Limited	UK	100	Estate management
Parklands Manor Management Company Limited	UK	100	Estate management
Skyline 120 Management Limited	UK	100	Estate management
Skyline 120 Nexus Management Limited	UK	100	Estate management
Springhead Resident Management Company Limited	UK	100	Estate management
Urban Hive Hackney Management Limited	UK	100	Estate management
Watersplash Lane Management Company Limited	UK	100	Estate management
Westleigh Construction Limited	UK	100	Non-trading
Westleigh LNT Limited	UK	100	Non-trading
Westleigh Homes Limited	UK	100	Non-trading
York Road (Maidenhead) Management Limited	UK	100	Estate management

1. Formerly Countryside Properties (Holdings) Limited.

All subsidiaries are fully consolidated, after eliminating intragroup transactions. The registered office address of all subsidiaries is Countryside House, The Drive, Brentwood, Essex CM13 3AT.



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25. Related party transactions

Transactions with joint ventures and associate

	Joint ventures		Associate	
	2021 £m	2020 £m	2021 £m	2020 £m
Sales during the year	22.0	14.8	0.2	0.2
Net advances to joint ventures and associate at 1 October	69.1	49.3	—	—
Net advances/(repayments) during the year	(6.8)	19.8	—	—
Net advances to joint ventures and associate at 30 September	62.3	69.1	—	—

Sales of goods and services to related parties related principally to the provision of services to the joint ventures and associate at contractually agreed prices. No purchases were made by the Group from its joint ventures or associate. The amounts outstanding ordinarily bear no interest and will be settled in cash.

Remuneration of key management personnel

Key management personnel are deemed to be the Executive Committee, along with other Directors of the Company, including the Non-Executive Directors.

	2021 £m	2020 £m
Salaries and bonus	6.1	3.0
Retirement benefits	0.4	0.4
Share-based payments	0.3	0.1
	6.8	3.5

Included within the above is £2.1m (2020: £2.1m) relating to the Board of Directors, including £1.3m (2020: £0.6m) relating to the highest paid Director. Refer to the Annual Report on Remuneration on pages 107 to 119 for further detail.

The disclosures of shares granted under the long-term incentive schemes are included in Note 28.

Transactions with key management personnel

As at the reporting date, two of the Group's employees have a close family member on the Executive Committee. These individuals were recruited through the normal interview process and are employed at salaries commensurate with their experience and roles. The combined annual salary and benefits of these two individuals is less than £60,000 (2020: three individuals, less than £190,000).

26. Financial instruments

The following tables categorise the Group's financial assets and liabilities included in the statement of financial position:

	Financial assets at amortised cost £m
2021	
Assets	
Trade and other receivables	150.5
Amounts due from joint ventures	62.8
Cash and cash equivalents	43.4
	256.7
2020	
Assets	
Trade and other receivables	106.0
Amounts due from joint ventures	69.5
Cash and cash equivalents	100.5
	276.0

There were no transfers of assets or liabilities between levels of the fair value hierarchy during the year.

Trade and other receivables presented above excludes "prepayments and accrued income" and "other taxation and social security".



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26. Financial instruments continued

	Other financial liabilities at amortised cost £m
2021	
Liabilities	
Other loans	2.4
Deferred land payments and overage payable	250.6
Lease liabilities	72.8
Other trade and other payables	98.4
Amount due to joint ventures	0.5
	424.7
2020	
Liabilities	
Other loans	2.3
Deferred land payments and overage payable	224.1
Lease liabilities	30.5
Other trade and other payables	98.0
Amount due to joint ventures	0.4
	355.3

Other trade and other payables presented above excludes “accruals and deferred income” and “other taxation and social security”.

27. Financial risk management

The Group has identified the main financial risks to be 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).

Liquidity risk is managed by monitoring existing facilities for both financial covenant compliance and funding headroom against forecast requirements based on short-term and long-term cash flow forecasts.

During the year ended 30 September 2020 the Group raised net proceeds of £243.0m to support accelerated growth of its Partnerships division, as well as to improve the liquidity of the business.

The Group has access to a £300m revolving credit facility which is committed to May 2023; this facility is provided by a syndicate of four banks, reducing the Group's exposure to any single institution. The facility is subject to a number of financial and technical covenants which, if breached, could result in the facility becoming immediately repayable. The Directors regularly review forecasts which extend beyond the maturity of the facility to ensure acceptable headroom exists across all of these financial covenants, including under certain downside scenarios as referenced in the Viability Statement on page 39. Following the onset of the Covid-19 pandemic, the Group's key gearing and interest cover covenants were relaxed until September 2022 to provide further security over the Group's funding. Operational controls preventing the breach of technical covenants have been implemented across the business.



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27. Financial risk management continued

Maturity analysis

The following table sets out the contractual undiscounted maturities, including estimated cash flows, of the financial assets and liabilities of the Group at 30 September:

	Less than one year £m	One to two years £m	Two to five years £m	Over five years £m	Total £m
2021					
Assets					
Cash and cash equivalents	43.4	—	—	—	43.4
Trade and other receivables	124.2	19.9	5.3	0.3	149.7
Amounts due from joint ventures	62.8	—	—	—	62.8
	230.4	19.9	5.3	0.3	255.9
2021					
Liabilities					
Other loans	—	2.5	—	—	2.5
Deferred land payments and overage payable	94.5	57.0	96.7	17.5	265.7
Lease liabilities	8.4	8.3	22.8	60.7	100.2
Other trade and other payables	74.9	11.7	11.6	0.2	98.4
Amounts due to joint ventures	0.5	—	—	—	0.5
	178.3	79.5	131.1	78.4	467.3
2020					
Assets					
Cash and cash equivalents	100.5	—	—	—	100.5
Trade and other receivables	86.4	14.1	5.0	0.5	106.0
Amounts due from joint ventures	69.5	—	—	—	69.5
	256.4	14.1	5.0	0.5	276.0
2020					
Liabilities					
Other loans	—	—	2.5	—	2.5
Deferred land payments and overage payable	123.2	69.7	35.1	5.3	233.3
Lease liabilities	5.5	5.2	10.3	13.7	34.7
Other trade and other payables	76.6	10.0	11.4	—	98.0
Amounts due to joint ventures	0.4	—	—	—	0.4
	205.7	84.9	59.3	19.0	368.9

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 2021 it is estimated that an increase of 0.5% to UK LIBOR would have decreased the Group's profit before tax by £0.4m (2020: £0.9m).

The Group's financial assets and liabilities are non-interest bearing with the exception of cash and cash equivalents of £43.4m (2020: £100.5m) which attracts interest at floating rates.

The Group has minimal 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, the Group's mixed-tenure model provides resilience by reducing the reliance on the private for sale market. The geographical spread of the Group's sites across the UK also reduces the risk of adverse conditions in regional housing markets significantly impacting the Group.

Credit risk

The Group's exposure to credit risk is limited solely to the UK for housebuilding activities and by the fact that the Group receives cash at the point of legal completion of its sales.

The Group's remaining credit risk predominantly arises from trade receivables, amounts recoverable from construction contracts and cash and cash equivalents.

Trade and other receivables primarily comprise amounts receivable from Homes England (in relation to Help to Buy), housing associations and joint ventures. The Directors consider the credit rating of the various debtors to be good in respect of the amounts outstanding and therefore credit risk is considered to be low. The Directors are of the opinion that there are no significant concentrations of credit risk.

Trade receivables on deferred settlement terms arise from land sales. The amount deferred is secured by a charge over the land until payment is received.

Cash and cash equivalents are held with UK clearing banks which are either A or A- rated.



Financial statements

Notes to the consolidated financial statements continued

For the year ended 30 September 2021

27. Financial risk management continued

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.

	2021 £m	2020 £m
Total borrowings	2.4	2.3
Total equity	1,107.5	1,086.0
Total capital	1,109.9	1,088.3

28. Share-based payments

The Group recognised £1.9m (2020: £1.0m) of employee costs related to share-based payment transactions during the financial year, excluding accrued National Insurance contributions. A deferred tax asset of £2.1m (2020: £0.9m) is held in relation to share-based payments, of which £0.3m was credited to the statement of comprehensive income (2020: £0.8m charged) and £0.9m was credited directly to equity (2020: £0.6m charged) during the year.

National Insurance contributions are payable in respect of certain share-based payment transactions and are treated as cash-settled transactions. The cost of these contributions during the year was £0.7m (2020: £0.6m). At 30 September 2021, the carrying amount of National Insurance contributions payable was £0.9m (2020: £0.7m), which is included in accruals within trade and other payables in the statement of financial position.

The Group operated a number of share-based payment schemes during the financial year (all of which are equity settled) as set out below:

(a) Savings-Related Share Option Scheme ("SRSOS")

The Group operates an SRSOS, which is open to all employees at the date of invitation. This is a UK tax-advantaged Save As You Earn ("SAYE") plan.

Under the SAYE, eligible participants are granted options over such number of shares as determined by reference to their monthly savings contract over three years. Participants remaining in the Group's employment at the end of the three-year savings period are entitled to use their savings to purchase shares in the Company at a stated exercise price (set at a discount of up to 20% of the share price on the day preceding the date of grant). Employees leaving for certain reasons are able to use their savings to purchase shares within six months of their cessation of employment. A reconciliation of option movements is shown below.

Options granted during the year were valued using the Black Scholes option-pricing model. No performance conditions or assumptions regarding service were included in the fair value calculations. The fair value per option granted during the year and the assumptions used in the calculation are detailed in the table below:

Date of grant	22 June 2021	24 June 2020	27 June 2019	19 December 2017
Options granted (millions)	0.7	2.2	2.1	0.6
Share price at date of grant (pence)	492	329	293	349
Exercise price (pence)	401	245	245	282
Volatility (%)	39	36	30	38
Option life (years)	3	3	3	3
Expected dividend yield (%)	2.0	2.6	3.9	3.6
Risk-free rate (%)	0.3	(0.1)	0.6	0.6
Fair value per option – Black Scholes (pence)	152	77	63	93

Movements in the year	Instruments m	Instruments m	Instruments m	Instruments m
Options outstanding at 1 October 2019	—	—	2.1	0.4
Granted	—	2.2	—	—
Forfeited	—	(0.1)	(0.2)	—
Exercised	—	—	—	—
Options outstanding at 30 September 2020	—	2.1	1.9	0.4
Granted	0.7	—	—	—
Forfeited	—	(0.2)	(0.2)	—
Exercised	—	—	—	(0.4)
Options outstanding at 30 September 2021	0.7	1.9	1.7	—

The resulting fair value is expensed over the service period of three years, on the assumption that each year 15% of options will lapse as employees leave the Company based on the Group's experience of employee attrition rates.

Options under the December 2017 grant vested on 1 February 2021, with 82% of granted options vesting. The average share price during the year ended 30 September 2021 was 447 pence.

Awards under the June 2019 grant will vest on 27 June 2022.

The weighted average remaining contractual life of share options outstanding at 30 September 2021 was 1.5 years (2020: 2.1 years).



Notes to the consolidated financial statements continued

For the year ended 30 September 2021

28. 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. Awards issued in prior years are assessed against ROCE, TNAV and relative total shareholder return ("TSR"). Awards issued in the years ended 30 September 2020 and 30 September 2021 are assessed against ROCE and adjusted basic EPS.

Straight-line vesting will apply if performance falls between threshold and target or target and maximum. Performance will be measured at the end of the three-year performance period. If the required level of performance has been reached, the awards vest and the shares under award will be released. Dividends do not accrue on the shares that vest.

For grants from 1 October 2018, once released, the shares issued to the Group Chief Executive and the Group Chief Financial Officer are subject to a two-year post-vesting holding period.

The weighted average remaining contractual life of LTIP awards outstanding at 30 September 2021 was 1.3 years (2020: 1.2 years). Details of the shares conditionally allocated at 30 September 2021 are set out below.

The conditional shares were valued using the following methods:

- for the non-market-based elements of the award, a Black Scholes option-pricing model; and
- for the relative TSR elements of the award, a Monte Carlo simulation model.



Financial statements

Notes to the consolidated financial statements continued

For the year ended 30 September 2021

28. Share-based payments continued

(b) Long-Term Incentive Plan ("LTIP") continued

The key assumptions underpinning the Black Scholes option-pricing model and Monte Carlo simulation model are set out in the table below:

Share price at date of grant (pence)	20 September 2021	4 March 2021	26 January 2021	11 December 2020	7 January 2020	12 December 2019	19 December 2018	19 December 2017
Awards granted (millions)	0.04	0.10	0.20	1.90	0.30	1.70	3.50	2.70
Share price at date of grant (pence)	516	493	428	400	462	426	288	349
Exercise price (pence)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Volatility (%)	40	40	40	39	29	29	35	38
Award life (years)	3	3	3	3	3	3	3	3
Expected dividend yield (%)	1.8	1.8	1.8	1.9	4.7	4.7	4.8	3.5
Risk-free rate (%)	(0.1)	(0.1)	(0.1)	(0.1)	0.6	0.6	0.7	0.6
Fair value per conditional share – Black Scholes – no holding period (pence)	489	467	405	378	401	370	174	220
Fair value per conditional share – Monte Carlo – no holding period (pence)	n/a	n/a	n/a	n/a	n/a	n/a	46	54
Total fair value per conditional share – no holding period (pence)	489	467	405	378	401	370	220	274
Fair value per conditional share – Black Scholes – two-year holding period (pence)	n/a	n/a	n/a	326	367	339	157	n/a
Fair value per conditional share – Monte Carlo – two-year holding period (pence)	n/a	n/a	n/a	n/a	n/a	n/a	48	n/a
Total fair value per conditional share – two-year holding period (pence)	n/a	n/a	n/a	326	367	339	205	n/a
Movements in the year (millions)	20 September 2021	4 March 2021	26 January 2021	11 December 2020	7 January 2020	12 December 2019	19 December 2018	19 December 2017
Awards outstanding at 1 October 2019	—	—	—	—	—	—	3.0	2.5
Granted	—	—	—	—	0.3	1.7	—	—
Lapsed	—	—	—	—	—	(0.1)	(0.4)	(0.3)
Forfeited	—	—	—	—	—	(0.3)	(0.4)	(0.3)
Exercised	—	—	—	—	—	—	—	—
Awards outstanding at 30 September 2020	—	—	—	—	0.3	1.3	2.2	1.9
Granted	0.04	0.1	0.2	1.9	—	—	—	—
Lapsed	—	—	—	—	—	—	(0.1)	(1.5)
Forfeited	—	—	—	(0.1)	—	(0.1)	(0.2)	(0.1)
Exercised	—	—	—	—	—	—	—	(0.3)
Awards outstanding at 30 September 2021	0.04	0.1	0.2	1.8	0.3	1.2	1.9	—



Notes to the consolidated financial statements continued

For the year ended 30 September 2021

28. Share-based payments continued

(b) Long-Term Incentive Plan ("LTIP") continued

Awards under the December 2017 grant vested on 21 December 2020 with 16.4% of the awards outstanding vesting.

Awards under the December 2018 grant will vest on 19 December 2021. The performance conditions for this award were measured for the period to 30 September 2021 and 30.0% of the awards outstanding are expected to vest.

(c) Deferred Bonus Plan ("DBP")

Under the DBP, certain senior managers and Directors of the Group receive one-third of their annual bonus entitlement as a conditional share award. The number of shares awarded is calculated by dividing the value of the deferred bonus by the average mid-market share price on the three business days prior to grant. The shares vest after three years subject to the employee remaining in the employment of the Group. If an employee leaves during the three-year period, the shares are forfeited except in certain circumstances as set out in the Plan rules. Additional shares are issued on vesting equivalent to the value of dividends declared by the Company during the vesting period.

The fair value of the awards is equal to the share price on the date of grant. The fair value is expensed to the statement of comprehensive income in a straight line over four years, being the year in which the bonus is earned and the three-year holding period.

A reconciliation of the number of shares conditionally allocated is shown below:

Movements in the year	12 December 2019 m	19 December 2018 m	19 December 2017 m
Awards outstanding at 1 October 2019	—	0.4	0.4
Granted	0.4	—	—
Forfeited	(0.1)	(0.1)	(0.1)
Awards outstanding at 30 September 2020	0.3	0.3	0.3
Exercised	—	—	(0.3)
Awards outstanding at 30 September 2021	0.3	0.3	—

Awards under the December 2017 grant vested on 18 December 2020.

29. Capital commitments

At 30 September 2021, the Group was committed to the purchase of property, plant and equipment of £1.0m (2020: £6.0m) relating to machinery for the new modular panel factory in Bardon, Leicestershire.

The Group was not committed to the purchase of any software intangible assets at 30 September 2021 (2020: £Nil).

30. Guarantees

Subsidiaries of the Group have made guarantees to its joint ventures and associate in the ordinary course of business.

The Group has entered into counter indemnities with banks, insurance companies, statutory undertakings and the National House Building Council in the ordinary course of business, including those in respect of the Group's joint ventures and associate, from which it is anticipated that no material liabilities will arise.

31. Contingent liabilities and contingent assets

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 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 estimates for individual developments or are otherwise accrued in the statement of financial position.

As detailed in Note 21, a provision of £41.0m has been recognised during the year in relation to remediation costs for multi-occupancy buildings. The provision is based on currently available information and reflects the Directors' best estimate of gross cash outflows for the Group. The quantification of the cost of these remedial works is inherently complex and depends on a number of factors, including the size of the building, the cost of investigation and replacement materials and associated labour and the potential cost of managing the disruption to residents.

**Notes to the consolidated financial statements** continued

For the year ended 30 September 2021

31. Contingent liabilities and contingent assets continued

The Directors also note that as Government legislation, regulation and guidance further evolves in this area this may result in additional liabilities for the Group that cannot currently be reliably estimated. There may also be changes concerning the use of materials currently undergoing fire safety tests instructed by product manufacturers. If such materials are no longer considered safe, this could result in an increase in the number of buildings requiring remediation works as well as an increase in the estimated cost to remediate the buildings currently provided for. We may however expect further Government intervention if such circumstances arise.

Further to this, the updated Building Safety Bill, published on 5 July 2021, will (if passed) extend the limitation period to bring a claim under the Defective Premises Act from 6 years to 15 years (or 25 years, if the latest amendment is passed) and this will be applied retrospectively. The provision recognised during the year for remediation costs reflects the Group's review of buildings up to 12 years and therefore the extension to 15 years (or 25 years) may result in additional liabilities for the Group.

In respect of the remediation costs noted above, the Directors believe that Countryside may be able to recover some of these costs via insurance or, in the case of defective workmanship, from subcontractors or other third parties. However, any such recoveries are not deemed to be virtually certain and therefore no contingent assets have been recognised during the year.

32. Dividends

No dividends have been declared or distributions made in the year (2020: £46.2m distribution paid in relation to the previous year's final dividend of 10.3 pence per share).

The Board of Directors has reviewed the capital allocation policy of the Group and considers that sufficient growth opportunities exist for the Partnerships business that all cash available for investment should be used to fund that growth. Accordingly, the Board of Directors does not recommend the payment of a final dividend for the year ended 30 September 2021 (2020: £Nil).

33. Post-balance sheet events

On 14 October 2021, Barclays Capital Securities Limited confirmed that it had completed the initial tranche of the share buyback programme announced by the Group on 7 July 2021 (Note 22). The total cost of the programme, including directly attributable costs, was £49.9m. The total charge recorded in the statement of changes in equity for the year ended 30 September 2021 was £52.2m, therefore a credit to retained earnings of £2.3m will be recognised in the year ending 30 September 2022.

This has been treated as a non-adjusting event after the reporting period.

**Parent company statement of financial position**

As at 30 September 2021

	Note	2021 £m	2020 £m
Fixed assets			
Investments	4	727.0	727.0
Current assets			
Debtors	5	67.4	78.2
Current liabilities			
Creditors: amounts falling due within one year	6	(70.1)	(25.9)
Net current (liabilities)/assets		(2.7)	52.3
Total assets less current liabilities		724.3	779.3
Capital and reserves			
Share capital	7	5.2	5.2
Share premium	7	5.3	5.3
Retained earnings (including loss for the financial year of £(3.3)m (2020: £(4.7)m)		713.8	768.8
Total equity		724.3	779.3

The notes on pages 175 to 178 are part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 29 November 2021 and are signed on its behalf by:

Iain McPherson
Director

Mike Scott
Director

Company Registration No. 09878920

**Parent company statement of changes in equity**

As at 30 September 2021

	Share capital £m	Share premium £m	Retained earnings £m	Total equity £m
At 1 October 2019	4.5	—	583.7	588.2
Loss and total comprehensive expense for the year	—	—	(4.7)	(4.7)
Issue of share capital, net of transaction costs	0.7	5.3	237.0	243.0
Dividends paid	—	—	(46.2)	(46.2)
Share-based payments	—	—	1.0	1.0
Purchase of shares by Employee Benefit Trust	—	—	(2.0)	(2.0)
At 30 September 2020	5.2	5.3	768.8	779.3
Loss and total comprehensive expense for the year	—	—	(3.3)	(3.3)
Share-based payments	—	—	1.9	1.9
Purchase of shares by Employee Benefit Trust	—	—	(1.4)	(1.4)
Purchase of own shares, including transaction costs	—	—	(52.2)	(52.2)
At 30 September 2021	5.2	5.3	713.8	724.3



Notes to the parent company financial statements

For the year ended 30 September 2021

1. Accounting policies

Company information

Countryside Properties PLC (the “Company”) was incorporated on 18 November 2015 to serve as a holding company for the purposes of listing on the London Stock Exchange. Countryside Properties PLC was admitted to the premium segment of the London Stock Exchange on 17 February 2016.

The Company is a limited company domiciled and incorporated in England and Wales. The Company's registered office is Countryside House, The Drive, Brentwood, Essex CM13 3AT.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” and the requirements of the Companies Act 2006.

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions which have been complied with, including notification of, and no objection to, the use of exemptions by the Company's shareholders.

The Company has taken advantage of the following exemptions:

- from preparing a statement of cash flows, on the basis that it is a qualifying entity and the statement of cash flows, included in these financial statements, includes the Company's cash flows;
- from the financial instrument disclosures, required under FRS 102 paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29, as the information is provided in the consolidated financial statement disclosures;
- from disclosing share-based payment arrangements, required under FRS 102 paragraphs 26.18(c), 26.19 to 26.21 and 26.23, concerning its own equity instruments. The Company financial statements are presented with the consolidated financial statements and the relevant disclosures are included therein; and
- from disclosing the Company key management personnel compensation, as required by FRS 102 paragraph 33.7.

As permitted by Section 408 of the Companies Act 2006, the parent company's profit and loss account has not been presented in these financial statements.

The financial statements are prepared in Sterling, which is the functional currency of the Company, and are rounded to the nearest hundred thousand pounds.

The financial statements are prepared on a going concern basis under the historical cost convention. The principal accounting policies adopted are set out below.

The Company has not disclosed the information required by regulation 5(1)(b) of the Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008 as the Group financial statements 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

Whilst the Company has net liabilities of £(2.7)m (2020: net assets of £52.3m), the Directors note that the Company's ability to continue as a going concern is inextricably linked to the results of the Group as a whole. Having considered the Group's cash flow forecasts, the Directors are satisfied that the Company has sufficient liquidity and covenant headroom to enable the Company to meet its liabilities as they fall due for at least the next 12 months. As such, the Directors consider the Company to be a going concern and these financial statements have been prepared on this basis.

The Group's business activities, together with the factors likely to affect its future development, are set out in the Strategic Report on pages 1 to 69. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described on pages 22 to 27 of the Strategic Report. Further disclosures regarding borrowings are provided in Note 19 to the Group financial statements.

1.3 Fixed asset investments

The value of the investment in each subsidiary held by the Company is recorded at cost less any impairment in the Company's statement of financial position.

A subsidiary is an entity where the Company has the power of control. The Company controls an entity when the Company 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.

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 elected to adopt the recognition and measurement provisions of IAS 39 “Financial Instruments: Recognition and Measurement” and the disclosure requirements of Sections 11 and 12 of FRS 102.

Financial assets

Financial assets primarily represent loans to subsidiary companies and cash, which are initially recognised at fair value.

**Notes to the parent company financial statements** continued

For the year ended 30 September 2021

1. Accounting policies continued**1.5 Financial instruments** continued**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.

1.6 Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

1.7 Dividends

Dividend distributions to the Company's shareholders are recognised in the Company's financial statements in the periods in which the final dividends are approved in the Annual General Meeting, or when paid in the case of an interim dividend.

1.8 Share-based payments

The Company recharges its subsidiary undertakings an amount equivalent to the fair value of the grant of options over its equity instruments. 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.

1.9 Taxation

The current tax payable is based on taxable profit/(loss) for the period which differs from accounting profit/(loss) as reported in the statement of changes in equity 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.

1.10 Share capital and share premium

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in share premium as a deduction from the proceeds.

1.11 Related parties

The Group discloses transactions with related parties as described in Note 25 to the Group financial statements. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the Directors, separate disclosure is necessary to understand the effect of the transactions on the Group financial statements.

2. Critical accounting judgements and estimates

The preparation of the financial statements requires the Directors to make estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income, expenses and related disclosures.

Critical accounting judgements

In the process of applying the Company's accounting policies, which are described above, the Directors have made no individual judgements that have had significant impact upon the financial information, apart from those involving estimations, which are dealt with below.

Key sources of estimation uncertainty

Estimates and underlying assumptions affecting the financial statements are based on historical experience and other relevant factors and are reviewed on an ongoing basis. This approach forms the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Changes in accounting estimates may be necessary if there are changes in the circumstances on which the estimate was based or as a result of new information. Such changes are recognised in the year in which the estimate is revised.

The key sources of estimation uncertainty that have a risk of causing a material adjustment to the carrying value of assets and liabilities are described below.

Impairment of fixed asset investments

Determining whether fixed asset investments are impaired requires judgement and estimation. The Directors periodically review fixed asset investments for possible impairment when events or changes in circumstances indicate, in management's judgement, that the carrying amount of an asset may not be recoverable. Such indicating events would include a significant planned restructuring, a major change in market conditions or technology and expectations of future operating losses or negative cash flows. When such impairment reviews are conducted, the Company will perform valuations based on cash flow forecasts, following the same valuation methodologies and assumptions as set out in the Group's annual goodwill reviews described in Note 11 to the Group financial statements.



Notes to the parent company financial statements continued

For the year ended 30 September 2021

3. Operating loss

The Company had no employees during the year (2020: none).

Directors' emoluments are disclosed in Note 5 to the Group financial statements.

Details of the audit fees can be found in Note 7 to the Group financial statements.

4. Investments

	2021 £m	2020 £m
At 1 October and 30 September	727.0	727.0

Details of the Company's subsidiaries at 30 September 2021 are included in Note 24 to the Group financial statements.

5. Debtors

Amounts falling due within one year:

	2021 £m	2020 £m
Amounts due from Group undertakings	66.1	76.0
Prepayments and accrued income	1.3	2.2
	67.4	78.2

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

	2021 £m	2020 £m
Amounts due to Group undertakings	52.5	25.4
Accruals and deferred income	17.6	0.5
	70.1	25.9

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 19 to the Group financial statements.

7. Share capital and share premium

	Number of shares		Share capital		Share premium	
	2021 m	2020 m	2021 m	2020 m	2021 m	2020 m
Allotted, issued and fully paid						
Ordinary shares of £0.01 each	524.6	524.6	5.2	5.2	5.3	5.3

Treasury shares

On 7 July 2021, the Company announced its intention to return surplus cash to shareholders via on-market purchases of ordinary shares. The Company entered into a non-discretionary and irrevocable arrangement with Barclays Capital Securities Limited to conduct the share purchase programme, with the initial programme capped at 23 million shares or £52.0m.

As a result, the Company recognised a reduction to retained earnings of £52.2m during the year, reflecting the maximum commitment under the arrangement with Barclays of £52.0m, as well as directly attributable costs charged to equity of £0.2m.

A total of 7,124,979 shares were purchased during the year under the programme, all of which were held in treasury at 30 September 2021 (2020: Nil). A further 2,350,000 shares were purchased between 1 October 2021 and 14 October 2021, when the initial programme was completed. 9,474,979 shares are held in treasury at the date of approval of these financial statements (2020: Nil).

The cash outflows during the year associated with the share repurchases totalled £34.8m including transaction costs, with a further £15.1m paid between 1 October 2021 and 14 October 2021. Refer to Note 33. to the Group financial statements.



Financial statements

Notes to the parent company financial statements continued

For the year ended 30 September 2021

7. Share capital and share premium continued

Employee Benefit Trust

On 18 June 2021, the EBT acquired 500,000 shares in the Company through purchases on the London Stock Exchange to meet the Group's expected obligations under share-based incentive arrangements. The total amount paid by the EBT for the shares was £2.4m, with the Group contributing £1.4m during the year to fund the purchases.

The EBT has waived its right to vote and to dividends on the shares it holds which are unallocated. The number of shares held in the EBT as at 30 September 2021 was 1,046,182 (2020: 1,649,207).

Reconciliation of shares in issue

The table below reconciles the movements in the number of shares in issue during the year:

	Treasury	EBT	Other	Total
At 1 October 2020	—	1,649,207	522,977,663	524,626,870
Exercised share options	—	(1,103,025)	1,103,025	—
On-market purchases of ordinary shares	7,124,979	—	(7,124,979)	—
Purchase of shares by Employee Benefit Trust	—	500,000	(500,000)	—
At 30 September 2021	7,124,979	1,046,182	516,455,709	524,626,870

8. Commitments and contingent liabilities

Guarantees

The Company has made guarantees to the Group's joint ventures and associate, in the ordinary course of business.

The Company has entered into counter indemnities to banks, insurance companies, statutory undertakings and the National House Building Council in the normal course of business, including those in respect of joint ventures from which it is anticipated that no material liabilities will arise.

9. Dividends

No dividends have been declared or distributions made in the year (2020: £46.2m distribution paid in relation to the previous year's final dividend of 10.3 pence per share).

The Board of Directors has reviewed the capital allocation policy of the Group and considers that sufficient growth opportunities exist for the Partnerships business that all cash available for investment should be used to fund that growth. Accordingly, the Board of Directors does not recommend the payment of a final dividend for the year ended 30 September 2021 (2020: £Nil).

**Alternative Performance Measures (unaudited)**

In the reporting of financial information, the Directors have adopted various Alternative Performance Measures ("APMs"). These measures are not defined by IFRS and therefore may not be directly comparable with other companies' APMs, including those in the Group's industry. APMs should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measurements.

The Directors believe that the inclusion of the Group's share of joint ventures and associate and the removal of non-underlying items from financial information present a clear and consistent presentation of the underlying performance of the ongoing business for shareholders.

On 7 July 2021, the Group announced an update to its strategy which resulted in all of the Group's resources being focused on the Partnerships business. Any non-Partnerships activities are regarded as Legacy Operations, which the Group is exiting as soon as practical. The strategy update resulted in some changes to the Group's segmental reporting as described in Note 4. The prior year segmental information below has been restated to reflect these changes.

(a) Financial performance**Adjusted revenue**

Adjusted revenue includes the Group's share of revenue from the joint ventures and associate. Refer to Note 4 for a reconciliation to reported revenue.

Adjusted gross margin

Adjusted gross margin is calculated as adjusted gross profit divided by adjusted revenue. The table below reconciles adjusted gross profit to reported gross profit and presents the calculation of adjusted gross margin.

Adjusted gross profit includes the Group's share of gross profit from the joint ventures and associate and excludes non-underlying items.

	Note	2021 £m	2020 £m
Gross profit		185.8	108.1
Add: non-underlying items	7	41.7	—
Add: share of gross profit from joint ventures and associate		34.1	18.2
Adjusted gross profit		261.6	126.3
Adjusted revenue	4	1,526.2	988.8
Adjusted gross margin		17.1%	12.8%

Adjusted operating profit

Adjusted operating profit includes the Group's share of operating profit from the joint ventures and associate and excludes non-underlying items. Refer to Note 4 for a reconciliation to reported operating profit.

Adjusted operating margin

Adjusted operating margin is calculated as adjusted operating profit divided by adjusted revenue. The table below presents the calculation of adjusted operating margin for the Group:

	Note	2021 £m	2020 £m
Adjusted operating profit	4	167.3	54.2
Adjusted revenue	4	1,526.2	988.8
Group adjusted operating margin (%)		11.0%	5.5%

The table below presents the calculation of adjusted operating margin for the Partnerships segment:

	Note	2021 £m	2020 restated £m
Adjusted operating profit	4	107.7	37.5
Adjusted revenue	4	1,033.2	669.2
Partnerships adjusted operating margin (%)		10.4%	5.6%

The table below presents the calculation of adjusted operating margin for the Legacy Operations segment.

	Note	2021 £m	2020 restated £m
Adjusted operating profit	4	70.5	20.3
Adjusted revenue	4	493.0	319.6
Legacy Operations adjusted operating margin (%)		14.3%	6.4%

Adjusted basic and diluted earnings per share

Adjusted basic and diluted earnings per share exclude the impact of non-underlying items on profit from continuing operations attributable to equity holders of the parent. Refer to Note 10 for a reconciliation to reported basic and diluted earnings per share.



Alternative Performance Measures (unaudited) continued

(a) Financial performance continued

Return on capital employed ("ROCE")

ROCE is calculated as adjusted operating profit divided by average tangible net operating asset value ("TNOAV").

The table below presents the calculation of ROCE for the Group:

	Note	2021 £m	2020 £m
Closing TNOAV	4	947.0	853.5
Opening TNOAV		853.5	664.4
Average TNOAV		900.3	759.0
Adjusted operating profit	4	167.3	54.2
Group ROCE (%)		18.6%	7.1%

The table below presents the calculation of ROCE for the Partnerships segment:

	Note	2021 £m	2020 restated £m
Closing TNOAV	4	610.2	466.6
Opening TNOAV		466.6	272.5
Average TNOAV		538.4	369.6
Adjusted operating profit	4	107.7	37.5
Partnerships ROCE (%)		20.0%	10.1%

The table below presents the calculation of ROCE for the Legacy Operations segment:

	Note	2021 £m	2020 restated £m
Closing TNOAV	4	336.8	386.9
Opening TNOAV		386.9	391.9
Average TNOAV		361.9	389.4
Adjusted operating profit	4	70.5	20.3
Legacy Operations ROCE (%)		19.5%	5.2%

Asset turn

Asset turn is calculated as adjusted revenue divided by average TNOAV.

The table below presents the calculation of asset turn for the Group:

	Note	2021 £m	2020 £m
Adjusted revenue	4	1,526.2	988.8
Average TNOAV		900.3	759.0
Group asset turn		1.7	1.3

The table below presents the calculation of asset turn for the Partnerships segment:

	Note	2021 £m	2020 restated £m
Adjusted revenue	4	1,033.2	669.2
Average TNOAV		538.4	369.6
Partnerships asset turn		1.9	1.8

The table below presents the calculation of asset turn for the Legacy Operations segment:

	Note	2021 £m	2020 restated £m
Adjusted revenue	4	493.0	319.6
Average TNOAV		361.9	389.4
Legacy Operations asset turn		1.4	0.8

**Alternative Performance Measures (unaudited)** continued**(b) Financial position****Tangible net asset value ("TNAV")**

TNAV is calculated as net assets excluding intangible assets net of deferred tax. The table below reconciles TNAV to reported net assets.

	Note	2021 £m	2020 £m
Net assets		1,107.5	1,086.0
Less: intangible assets	11	(127.9)	(143.1)
Add: deferred tax on intangible assets		8.4	8.8
TNAV	4	988.0	951.7

Net cash/(debt)

Net cash/(debt) includes borrowings and net cash and cash equivalents and excludes lease liabilities and debt arrangement fees included in borrowings.

	Note	2021 £m	2020 £m
Borrowings	19	(2.4)	(2.3)
Add: net cash and cash equivalents	19	43.4	100.5
Net cash		41.0	98.2

Tangible net operating asset value ("TNOAV")

TNOAV is calculated as TNAV excluding net cash/debt. The table below presents the calculation of TNOAV.

	2021 £m	2020 £m	2019 £m
TNAV	988.0	951.7	737.8
Less: net cash	(41.0)	(98.2)	(73.4)
TNOAV	947.0	853.5	664.4

Gearing

Gearing is calculated as net debt divided by net assets. The table below presents the calculation of gearing.

	2021 £m	2020 £m
Net cash	(41.0)	(98.2)
Net assets	1,107.5	1,086.0
Gearing	(3.7)%	(9.0)%

Adjusted gearing

Adjusted gearing is calculated as net debt, including deferred land payments (excluding overage), divided by net assets. The table below presents the calculation of adjusted gearing.

	Note	2021 £m	2020 £m
Net cash		(41.0)	(98.2)
Add: deferred land payments (excluding overage)	20	226.5	192.8
Adjusted net debt		185.5	94.6
Net assets		1,107.5	1,086.0
Adjusted gearing		16.7%	8.7%



Financial statements

Shareholder information

Financial calendar 2021/22

Ex-dividend date	n/a
Record date	n/a
Payment of final dividend	n/a
Annual General Meeting	20 January 2022

Five-year summary (unaudited)

	2021	2020	2019	2018	2017
Adjusted revenue	£1,526.2m	£988.8m	£1,422.8m	£1,229.5m	£1,028.8m
Adjusted operating profit	£167.3m	£54.2m	£234.4m	£211.4m	£165.3m
Adjusted operating margin	11.0%	5.5%	16.5%	17.2%	16.1%
Reported revenue	£1,371.4m	£892.0m	£1,237.1m	£1,018.6m	£845.8m
Reported operating profit/(loss)	£71.3m	£(5.4)m	£170.4m	£149.3m	£128.9m
Reported operating margin	5.2%	(0.6)%	13.8%	14.7%	15.2%
Return on capital employed ("ROCE")	18.6%	7.1%	37.8%	37.4%	30.6%
Tangible net asset value ("TNAV")	£988.0m	£951.7m	£737.8m	£620.1m	£632.3m
Completions (homes) ¹	5,385	4,053	5,733	4,295	3,389
Private average selling price	£380,000	£364,000	£367,000	£402,000	£430,000
Net reservation rates ²	0.74	0.78	0.84	0.80	0.84
Average open sales outlets	60	63	56	53	47
Land bank (plots) ³	56,806	53,118	49,000	43,523	34,581
Plots owned and with planning	16,605	13,391	10,842	9,082	7,149

1. Completions relate to legally completed private homes, in addition to affordable and PRS completions which are recognised on a pro-rata basis, based on contractual revenues. Completions include the Group's proportionate share of the joint ventures and associate.

2. Net reservation rate is calculated as gross reservations less cancellations, per open outlet, per week.

3. Land bank is defined as plots owned or controlled (through contract or option) by the Group, including its share of joint ventures and associate. Where "land bank including preferred bidder" is referenced, this also includes plots relating to sites where we are preferred bidder or terms are agreed, subject to contract.

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Produced by

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