COUNTRYSIDE
Places People Love
ANNUAL REPORT 2016

# COUNTRYSIDE

## IS A LEADING UK HOME BUILDER SPECIALISING IN PLACEMAKING AND URBAN REGENERATION

Welcome to our Annual Report.

2016 marks an important milestone in our journey with our listing on the London Stock Exchange. Since Countryside was founded in 1958, we have maintained a belief that placemaking is more than geography. It is both a practice and a philosophy. A place to us is as much about the feeling people experience in our homes as it is the physical buildings. We recognise that choosing a place to live is just as much an emotional decision as a financial one.

As we enter the next phase of growth, our philosophy remains unchanged. We have secured a leading position, with our strategic land bank and relationships with regeneration partners, that helps create a distinct advantage in the market and long-term growth for our business.

**Ian Sutcliffe**
**Group Chief Executive**

Read our Group Chief Executive's review **on pages 6 and 7**

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Visit us online at **investors.countryside-properties.com**

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Follow us on social media

GROUP AT A GLANCE

# CREATING PLACES PEOPLE LOVE

## Our balanced business

We are a leading UK home builder and urban regeneration partner with two balanced businesses: Housebuilding and Partnerships.

### HOUSEBUILDING

Our Housebuilding business develops private and affordable homes on land owned or controlled by the Group, located around London and the South East of England. It operates under the Countryside and Millgate brands.

- Industry-leading land bank
- South East-focused placemaking
- 89 per cent of land strategically sourced
- Excellent visibility of outlet growth

Read more about our Housebuilding division **on pages 18 to 21**

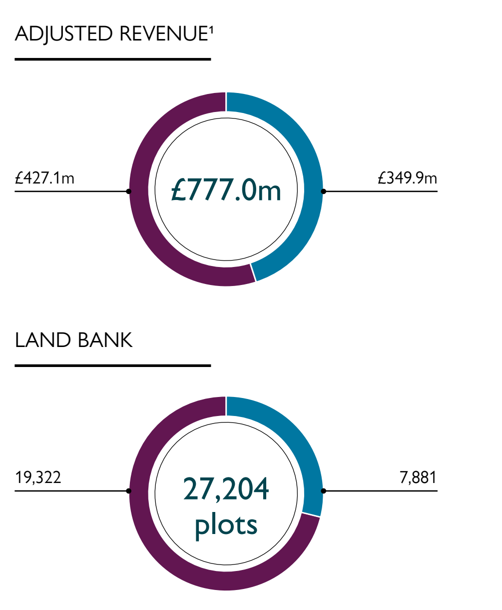
### PARTNERSHIPS

Our Partnerships business specialises in urban regeneration of public sector land, delivering private and affordable homes in partnership with local authorities and housing associations. It operates in and around London, the North West of England and the West Midlands.

- Capital-light and low risk model
- Relationship-led business with 30-year track record
- Strong political support for regeneration
- Significant visibility of work and growing pipeline

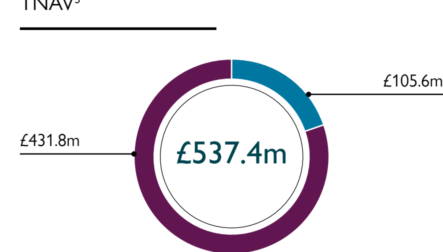
Read more about our Partnerships division **on pages 22 to 25**

ADJUSTED REVENUE[1]




ADJUSTED OPERATING PROFIT[2]

TNAV[3]




1. Adjusted revenue includes the Group's share of the revenue of joint ventures of £105.7m (2015: £68.3m).
2. Adjusted operating profit includes the Group's share of the operating profit of associate and joint ventures of £25.3m (2015 £16.7m) and excludes non-underlying items of £9.9m (2015: £6.6m).
3. Tangible net asset value is defined as net assets excluding intangible assets of £58.9m (2015: £59.5m) net of deferred tax of £3.5m (2015: £4.3m). In 2015, the mandatory redeemable preference shares and accrued return of £375.2m were also excluded.

We have a balanced business with two differentiated, complementary divisions and a clear strategy for growth over the medium term. Growth in the Housebuilding division is underpinned by the Group's industry-leading strategic land bank of 19,322 plots. 89 per cent of this land is strategically sourced via options and conditional contracts with an average 10 per cent discount to open market value.

The Partnerships model complements the Housebuilding division with a low risk, capital-light model building homes on public sector land, typically local authority estate regeneration and brownfield sites. The Group has a strong track record of partnership development and has an excellent pipeline of future work of 14,504 plots including those at preferred bidder stage.

### NUMBER OF ACTIVE SITES:

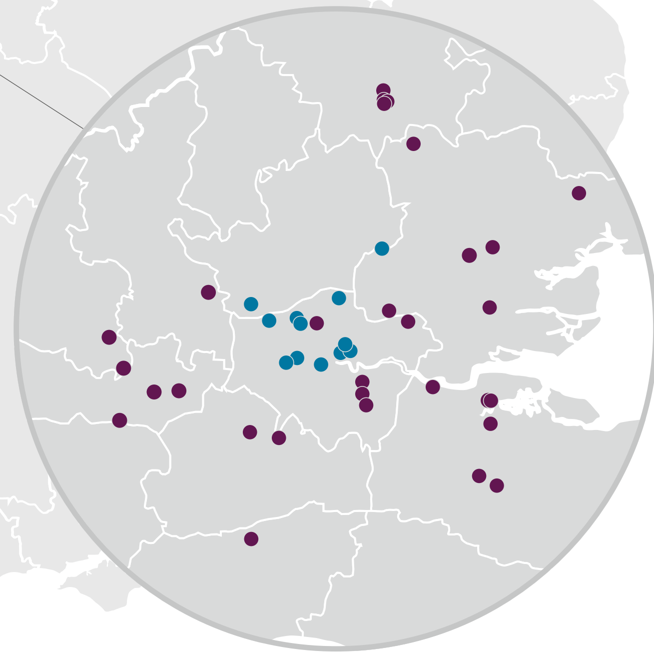
| | |
|---|---|
| HOUSEBUILDING | 34 |
| PARTNERSHIPS | 38 |

### NORTH WEST

- Established Partnerships business
- Low-rise standard house types
- Increasing Private Rental Sector ("PRS") presence
- Focused on Liverpool and Manchester

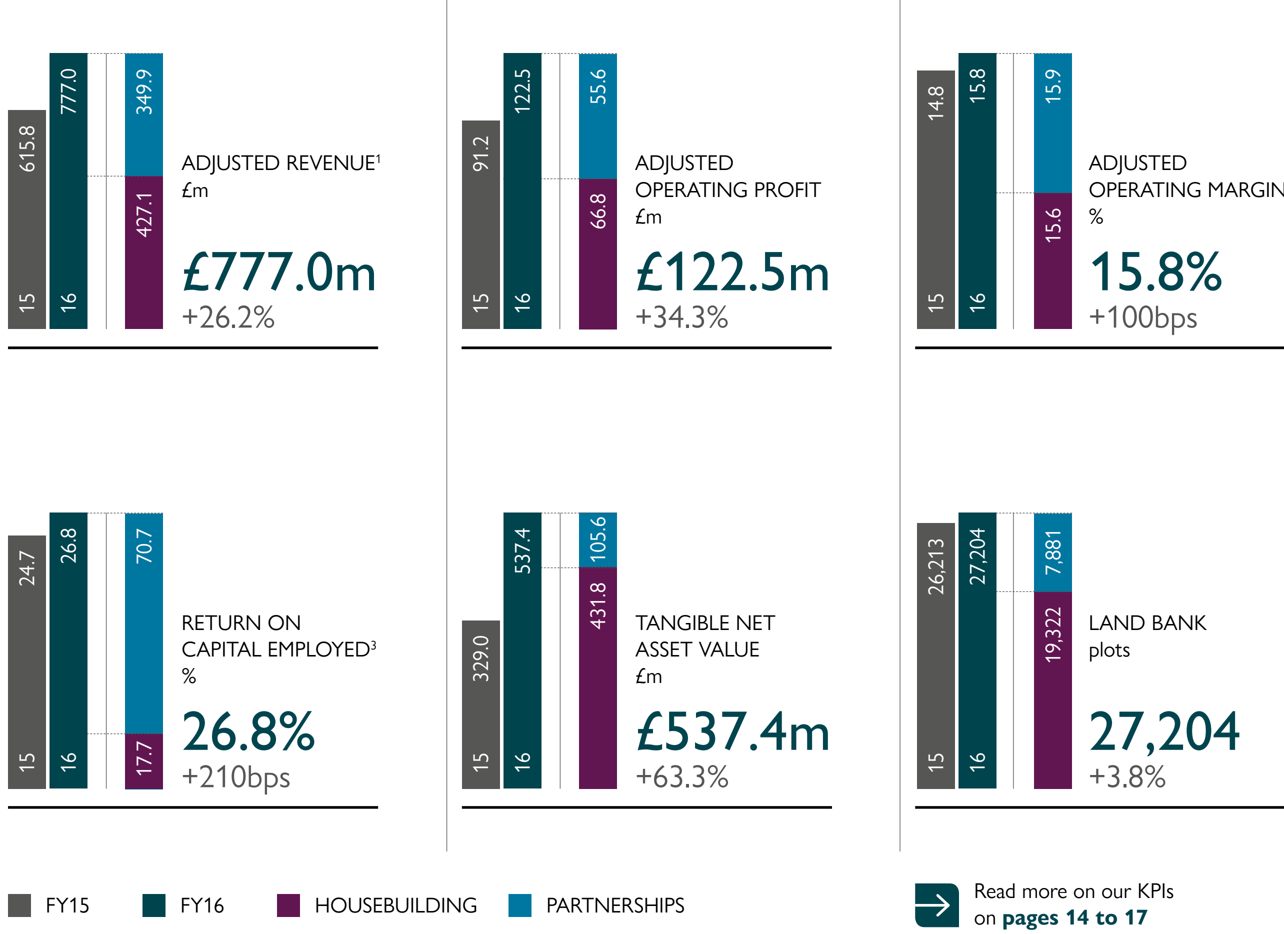
### SOUTH EAST

- Established Housebuilding and Partnerships businesses
- Strong commuter locations
- 50-mile radius from London
- No Central London exposure



# Operational and financial highlights

- **Completions up 12 per cent to 2,657 homes (2015: 2,364 homes)**
- **Private average selling price ("ASP") up 21 per cent to £465,000 (2015: £385,000)**
- **Sales rates have remained healthy at 0.78 (2015: 0.76)**
- **Open sales outlets are up 48 per cent at 43 (2015: 29)**
- **Forward sales up 64 per cent to £225.4m (2015: £137.5m)**
- **Total land bank increased to 27,204 plots (2015: 26,213 plots)**




Read more on our KPIs on **pages 14 to 17**

- Reported revenue up 23 per cent to £671.3m (2015: £547.5m)
- Reported operating profit up 29 per cent to £87.3m (2015: £67.9m)
- Net cash of £12.0m (2015: £59.5m net debt)
- Basic earnings per share 13.6p (2015: 4.4p)

1. Adjusted revenue includes the Group's share of the revenue of joint ventures of £105.7m (2015: £68.3m).
2. Adjusted operating profit includes the Group's share of the operating profit of associate and joint ventures of £25.3m (2015: £16.7m) and excludes non-underlying items of £9.9m (2015: £6.6m).
3. Adjusted operating profit divided by capital employed as defined on page 29.

CHAIRMAN'S STATEMENT

# A YEAR OF SIGNIFICANT PROGRESS

"We are delighted with the performance of the Group in 2016, delivering solid growth and a strengthened balance sheet and marking our return to the London Stock Exchange. We enter the 2017 financial year in a strong position with an industry-leading land bank and record private forward order book. Our strategy remains to deliver growth, increasing returns and capital efficiency from our balanced business models of Housebuilding and Partnerships. We see significant growth opportunities in Partnerships with increased estate regeneration in London and geographic expansion into the West Midlands, while our increased scale and operational efficiency in Housebuilding continues to improve operating margins."

## 2016 PERFORMANCE

2016 has been another year of significant progress for the Group. It marked increased activity for both our Partnerships and Housebuilding divisions and the return of the business to the London Stock Exchange in February 2016. I am delighted to report strong results for the year, with a 12 per cent increase in completions to 2,657 homes and a 34 per cent increase in adjusted operating profit to £122.5m.

At 30 September 2016 we had 43 sales outlets, 14 more than the year before. We have a further 29 sites under construction, which, when combined with a strong sales rate and record private forward order book, gives us excellent visibility over our growth plans for the coming year.

More detailed information on our financial performance can be found on pages 26 to 29.

## STRONG BALANCE SHEET

We have significantly strengthened our balance sheet during 2016. We raised £114m of net primary proceeds in new share capital when we listed on the London Stock Exchange in February. Then in May 2016 we successfully refinanced our debt facilities, securing a new £300m revolving credit facility together with a further £100m accordion facility at a lower interest cost. Our financial strength positions us well to deliver the growth strategy set out at our Initial Public Offering ("IPO"). At the year end we had net cash of £12.0m.

## WELL POSITIONED FOR GROWTH

We welcome the Government's commitment to housing and particularly to urban regeneration, which is a key differentiator of our business. Our track record in delivering regeneration projects across London and the North West of England over the last 30 years positions us well to help local authorities meet their housing needs. We continue to work in partnership with both private and public sector landowners to develop new communities and undertake urban regeneration.

While we are mindful of the medium-term uncertainty over the United Kingdom's exit from the European Union, our targets, as outlined at our IPO, remain unchanged. We remain firmly on track to deliver our medium term targets of over 3,600 completions per year, an adjusted operating margin of over 17 per cent and improvement in return on capital employed ("ROCE") to over 28 per cent.

## RETURNS TO SHAREHOLDERS

Our share price has held up well since our flotation, despite the turbulence in the market. From our IPO date of 17 February 2016 to the end of our financial year on 30 September 2016 we delivered a total shareholder return of 7.9 per cent.

We have recommended our first dividend of 3.4 pence per share. Subject to approval at the AGM on 26 January 2017, the dividend will be paid on 3 February 2017 to shareholders registered at 13 January 2017.

We have set a target dividend pay-out ratio of 30 per cent of adjusted earnings as we look to use the remaining profits to reinvest in growth, while maintaining a broadly debt-neutral strategy.

## CORPORATE GOVERNANCE

During the year we continued to strengthen our corporate governance ensuring that the financial, operational and qualitative measures required to operate our business and manage the risks are in place.

More information can be found within our Corporate Governance Report on pages 44 to 46.

## OUR PEOPLE

Our people are essential to delivering our strategy. At 30 September 2016 we had 1,087 employees across the business, an increase of 25 per cent over the prior year. 70 per cent of our employees subscribed to our Save As You Earn scheme and will therefore participate in our growth.

I would like to thank each and every one of our employees for their hard work during the course of the year.

**David Howell**
Chairman
28 November 2016

# FIRMLY ON TRACK TO DELIVER ON OUR GROWTH TARGETS

The Group continues to make progress with its strategic objectives of sector-leading growth, superior returns and building resilience through the cycle.

## GROUP STRATEGY

The Group continues to make progress with its strategic objectives of sector-leading growth, top quartile returns and building resilience through the economic cycle. We deliver this strategy through our two balanced operating divisions of Housebuilding and Partnerships, both of which offer strong growth through differentiated models that manage capital efficiency and risk. We deliver well designed properties at a wide range of price points, from properties aimed at first-time buyers to our premium brand Millgate homes.

Our Housebuilding model is based on an industry-leading strategic land bank, all of which is located in economically resilient markets within 50 miles of London but without exposure to the Central London market. Almost 90 per cent of our Housebuilding land bank is strategically sourced via long-term planning promotion, which ensures over 20 years' visibility of future supply, together with an average 10 per cent discount to the prevailing open market value. Additionally, as 67 per cent of this land is controlled via options or conditional contracts, it ensures both balance sheet efficiency and flexibility through the cycle.

Our Partnerships division operates in the outer boroughs of London, the North West of England and, from the 2017 financial year, the West Midlands. Like Housebuilding, it delivers private and affordable homes on larger sites, typically public sector brownfield sites or local authority estate regeneration. The land is sourced via public procurement or direct negotiation and is typically low value being developed in partnership with local authorities, housing associations or Private Rental Sector ("PRS") providers. As such, it is a low capital model offering strong returns and the flexibility of long-term development agreements, many with phased viability and priority returns. The division has an excellent track record of winning new work, reflecting over 30 years of experience on over 45 regeneration schemes, strong relationships with local authorities and expertise in placemaking. Typically we secure around 40 per cent of bids we submit, which gives significant visibility of future work, with a current pipeline (land bank plus preferred bidder) of over seven years.

We aim to maintain the balance between our two divisions depending on market conditions, delivering over 80 per cent of our private for sale homes below the £600,000 Help-to-Buy threshold. We have a strong land bank in both divisions but will look to add selectively to this, particularly in the Partnerships division, where we seek to expand our footprint within our existing geographic areas of operation.

## OVERVIEW OF THE MARKET

2016 was another positive year for the housebuilding sector, with strong customer demand underpinned by a structural shortage in housing, supportive Government policy and favourable mortgage lending conditions. The demand for all tenures of housing, particularly in London and the South East, continues to be strong and resilient. Political support from all parties in the form of Help-to-Buy and planning policy reform has both stimulated demand for homes and enabled a greater supply of land for development.

The availability of public sector land has also increased, with estate regeneration opportunities in London expanding significantly as local authorities seek to monetise their assets and improve their housing stock. The mortgage market has also improved over the past 12 months, with a wider range of products, low interest rates and stable valuation metrics.

There is evidence of the housing market feeling the stress of increased taxation, with the revised Stamp Duty Land Tax rates having a negative impact on higher value homes and Buy-to-Let properties particularly in the second hand market. This has been more than offset by the growth of Help-to-Buy in the new build market under the £600,000 value threshold.

The immediate impact of the EU Referendum in June 2016 was relatively short-lived, with cancellation rates running higher directly before and after the vote. Visitor levels remained solid throughout and net reservations returned to their previously strong performance within a month of the Referendum. The medium-term impact of the Referendum as EU exit terms are negotiated is yet to be seen.

## PERFORMANCE

Both operating divisions have performed well in the past 12 months.

Overall, the Group has grown strongly, with total completions up 12 per cent to 2,657 (2015: 2,364) on the back of construction site starts and open sales outlets. This, combined with a 21 per cent increase in Group private average selling price ("ASP") to £465,000 (2015: £385,000), resulted

£225.4m

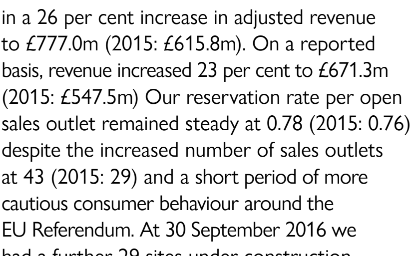
of private sales in our forward order book up 64 per cent

£465,000

private average 21 per cent increase in selling price in 2016

43

open sales outlets at 30 September 2016 an increase of 48 per cent



in a 26 per cent increase in adjusted revenue to £777.0m (2015: £615.8m). On a reported basis, revenue increased 23 per cent to £671.3m (2015: £547.5m) Our reservation rate per open sales outlet remained steady at 0.78 (2015: 0.76) despite the increased number of sales outlets at 43 (2015: 29) and a short period of more cautious consumer behaviour around the EU Referendum. At 30 September 2016 we had a further 29 sites under construction.

Our Housebuilding division performed well, with total completions up 20 per cent at 783 homes versus 653 in 2015. Private ASP increased 14 per cent to £665,000 (2015: £583,000) largely driven by product mix and underlying house price inflation, particularly in the London commuter markets. We saw particular strength in the mid priced market and we continue to plan our product to ensure it remains affordable for local people. Despite a tougher market above £1m, our premium brand Millgate delivered another strong performance with 81 private completions in the year, up from 52 in 2015.

We started on 15 new Housebuilding sites during the year, including two new phases at Beaulieu in Chelmsford, one of our key strategic sites, and three new sites in our Southern Housebuilding region as we expand our operations there.

Our Partnerships division delivered a strong performance, with total completions up 10 per cent at 1,874 homes versus 1,711 homes in 2015. The Partnerships private ASP rose sharply, up 27 per cent to £307,000 (2015: £242,000), driven by site mix, the effect of placemaking as we continue with our large estate regeneration projects and house price inflation in the sub £600,000 price points. During the year we delivered homes on a number of key regeneration schemes, including St. Paul's Square in Bow and Brook Valley Gardens in Barnet, and are now on site with four different phases at our flagship site in Acton.

PRS homes delivered the largest element of growth for our Partnerships North region in partnership with Sigma Capital Group and we continue to see PRS as an important method for meeting housing demand across the country. In total, we started work on 21 new Partnerships sites during the year. We see increasing demand for us to work in partnership to regenerate public sector land delivering mixed-tenure communities evidenced by us winning bids during the year which will deliver 6,434 plots. These included Beam Park (Dagenham), Rochester (Kent), Hounslow (London) and a number of smaller sites in our Partnerships North region.

At Group level, adjusted gross margin improved 30bps to 21.9 per cent (2015: 21.6 per cent). Adjusted operating margin improved further, up 100bps to 15.8 per cent (2015: 14.8 per cent), due to greater scale and overhead efficiency. When combined with the additional volume, this has delivered a 34 per cent increase in adjusted operating profit to £122.5m (2015: £91.2m). On a reported basis, operating profit increased 29 per cent to £87.3m (2015: £67.9m). Improved capital efficiency, combined with stronger earnings, have resulted in return on capital employed increasing to 26.8 per cent, up 210bps on the prior year (2015: 24.7 per cent).

During the course of the year we experienced between three per cent and five per cent build cost inflation, initially as a result of higher labour costs, although these eased somewhat in the second half of the year. We continue to build on our strong relationships with our supply chain. By giving them excellent visibility over future workload, we are able to deliver efficiencies for both parties, which helps control our build costs.

The quality of our business has also been maintained throughout this period of growth. Our health and safety Accident Incident Rate was 305 (2015: 265) and our National House Building Council ("NHBC") reportable items were 0.23 (2015: 0.22) per home. Both of these measures are significantly ahead of the industry benchmarks. Our customer service has improved over the prior year, with our NHBC Recommend a Friend score now standing at 84.8 per cent (2015: 82.7 per cent).

## OUTLOOK

Current trading remains robust with sales rates and values above year end numbers. The markets in which we operate have recovered post the EU Referendum and we continue to trade well. We remain successful at winning new Partnerships work and we had 6,623 plots with preferred bidder status compared with 2,957 plots a year earlier. Additionally we are working on a potential bid pipeline of a further 33,515 plots. Reservations remain robust and any softness in higher price points has been more than compensated for by our lower priced homes and our Partnerships division, which performed strongly during the year. Across the Group we continue to open new sites, with 43 open sales outlets at year end and a further 29 sites under construction, giving us great visibility over delivery in 2017. We have started the year with a record private forward order book up 64 per cent and continued strong demand which gives us great confidence in delivering both our growth plans for 2017 and our medium term targets.

We remain firmly on track to deliver our medium term targets of over 3,600 total completions per year, an adjusted operating margin of over 17 per cent and an improvement in return on capital employed to in excess of 28 per cent.

**Ian Sutcliffe**
**Group Chief Executive**
28 November 2016

BEAULIEU, CHELMSFORD
– 700 acres
– 3,660 new homes
– Delivery: 2014 to 2027

OUR MARKETS

# THE UK HOUSING MARKET

Demand for all tenures of housing, particularly in London and the South East, continues to be strong and resilient. Political support through Help-to-Buy and planning policy reform has both stimulated demand and ensured greater supply of land for development.

The UK housing market has been in a long-term position of structural undersupply as the number of new homes built has failed to keep pace with the number of new household formations and the replacement of redundant stock (see chart 1).

Over the past few years there has been a recovery in the housing market driven by wider economic recovery, increased access to low cost mortgage financing, improved availability of land through the planning process and Government support for the housing sector. These remain key drivers for the market over the longer term with the outlook strong in the near term.

## INCREASING DEMAND FOR HOUSING

### Mortgage availability and affordability

One of the leading indicators for UK housing activity is the level and value of mortgage approvals. Seasonally adjusted mortgage approvals remain well below peak levels at around 835,000 approvals over the 12 months to 30 June 2016 versus 1.4 million in the comparable period in 2007 (see chart 2).

Since the low point in gross mortgage lending of £144bn in 2009, the Council of Mortgage Lenders reported a pick-up to £220bn in 2015, which remains significantly below the peak of £363bn in 2007.

### House price inflation (“HPI”)

UK house prices have increased by 5.0 per cent over the past 12 months as demand for housing has remained strong, albeit with some significant regional variances. On average, house prices have risen by 7.3 per cent per annum over the past 20 years (see chart 3).

## POLITICAL SUPPORT FOR THE UK HOUSEBUILDING SECTOR AND, IN PARTICULAR, URBAN REGENERATION REMAINS STRONG

Since the creation of the National Planning Policy Framework in 2012 and the introduction of Help-to-Buy in 2013, there has been strong and consistent political support for housebuilding in the UK.

### Planning

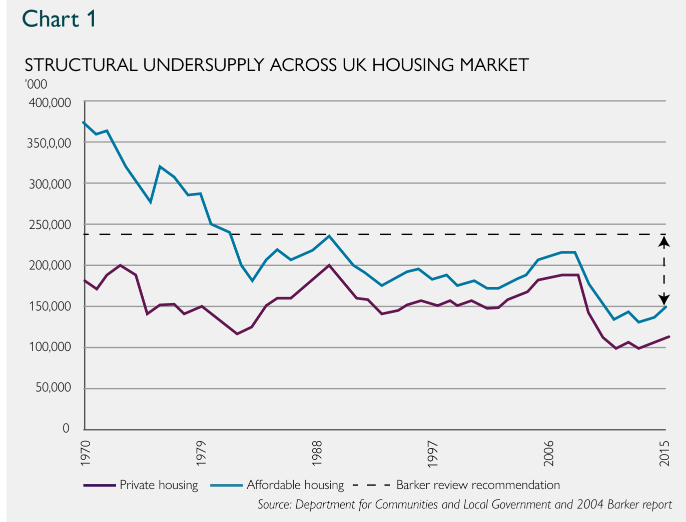
The Government announced several planning reforms in its 2015 report “Fixing the foundations: Creating a more prosperous nation” including tightening planning performance by punishing local authorities that make 50 per cent or fewer planning decisions on time, introducing a dispute resolution mechanism for section 106 agreements, and announcing an intent to not proceed with the zero carbon Allowable Solutions carbon offsetting scheme. In addition, initiatives such as the National Planning Policy Framework have made the planning system less complex and are ensuring greater land supply.

### Help-to-Buy

Help-to-Buy equity share is designed to encourage home ownership in the UK. Under the scheme, buyers put down a minimum five per cent deposit and the UK Government provides an equity loan of up to 40 per cent inside London and 20 per cent outside of London up to a maximum purchase price of £600,000. The property must be a new build home and the buyer’s only home. Funding for the scheme has been increased a number of times since the initial launch in April 2013 and currently runs through to 2021. The Help-to-Buy mortgage guarantee scheme will be concluded at the end of 2016. This scheme provided support for homeowners seeking a 95 per cent mortgage; however, this has been replaced by the mortgage lenders and had little take-up.

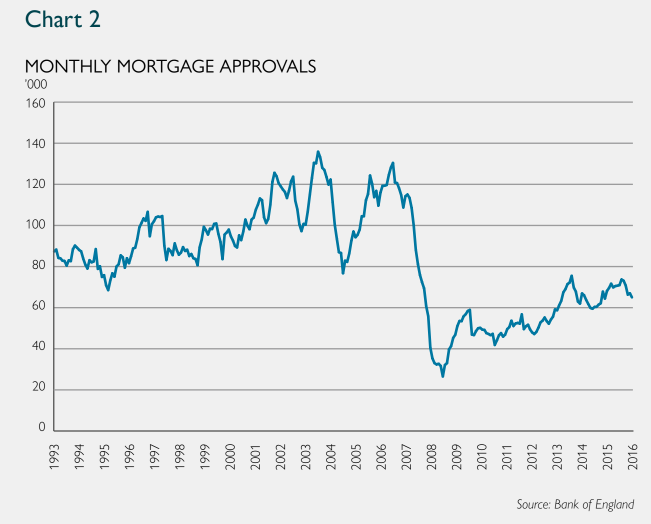
The Government also launched the Help-to-Buy ISA scheme on 1 December 2015, through which the Government will provide a bonus of £50 for every £200 saved up to a maximum bonus of £3,000, payable on purchase of a new home.

Chart 1




Source: Department for Communities and Local Government and 2004 Barker report

Chart 2




Source: Bank of England

### Affordable homes

The Affordable Homes Programme was established in 2008 to increase the supply of new affordable homes in England, with the majority of required homes for affordable rent. It is currently in its third round of funding, which covers the period from 2015–2018. It will provide £2.9bn of funding, £1.7bn of which is available for the delivery of 165,000 new affordable homes outside London and £1.25bn for the delivery of 45,000 new affordable homes in Greater London.

### Regeneration

The UK Government announced in January 2016 that it will seek to regenerate some of England's most run-down housing estates, following a report by Savills which stated that approximately 50,000 new homes are needed in London over each of the next 20 years to make up for past shortfalls in housing supply and to meet new demand. According to Savills, the regeneration of these housing estates has the potential to provide somewhere between 190,000 and 500,000 homes, of which between 54,000 and 360,000 would be new, representing a significant increase over the number of existing homes. In its statement, the UK Government announced the formation of a new Estate Regeneration Advisory Panel and committed £140.0m to help fund regeneration of these estates.

### Stamp Duty

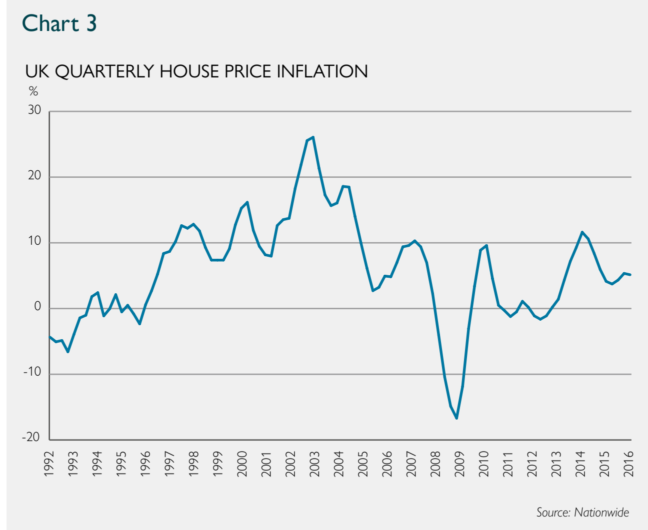
Over recent years there have been a number of changes to Stamp Duty Land Tax ("SDLT"), which is payable on the purchase of a residential property over £125,000 in the UK. Before December 2014 there was a tiered system where the effective tax rate stepped up at different thresholds. This was subsequently replaced by a blended rate system with higher tax rate payable on properties above £1m (see chart 4). The Government further reformed the system in the 2015 Autumn Statement, increasing SDLT by a further three per cent for purchasers of Buy-to-Let or second homes.

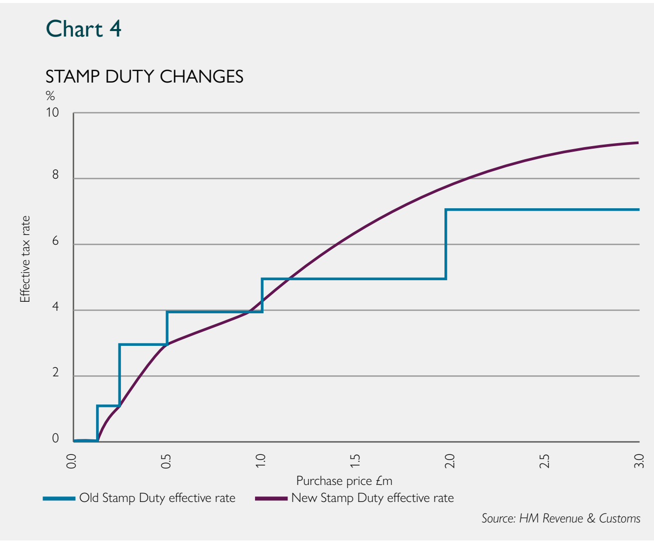
## MARKET OPPORTUNITIES

### Strength in the market under £600,000

The segment of greatest demand in the housing sector remains first-time buyers. Historically, new build has accounted for around 10 per cent of all first-time buyer transactions, with the remainder in the second-hand market. With growing new build supply and Government support for the sector in the form of Help-to-Buy, coupled with strong demographic demand, the share of first-time buyers has grown and now represents 49 per cent of Countryside's private completions.

Nearly all first-time buyer transactions are below the £600,000 Help-to-Buy maximum value, with the increased equity share to 40 per cent in London further boosting this demand. Our geographic presence in strong commuter markets and outer London Boroughs continues to make our homes good value in comparison to neighbouring higher priced areas. Managing our product mix to meet location, affordability and Government support is therefore critical to delivering both increased completions and price growth.



# CAPITAL EFFICIENCY DRIVING RETURNS

We have a balanced and flexible business model with our strategic land-led Housebuilding division and the lower risk Partnerships division.

## Our key resources

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

### PEOPLE
Highly experienced and motivated employees together with strong supply chain relationships

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

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

### FINANCIAL STRENGTH
Strong balance sheet with low obligations and debt capacity if required

## Our balanced business model

### HOUSEBUILDING
**INVESTMENT IN GROWTH ACHIEVING MARGIN PROGRESSION**

- Focused on outer London and the South East
- Industry leading strategically sourced land bank of 19,322 plots
- Flexibility and balance sheet efficiency from controlled and optioned land
- Strong average selling prices from placemaking
- Operating efficiency from increasing scale

Read more about our Housebuilding division **on pages 18 to 21**

### PARTNERSHIPS
**LOW RISK MODEL WITH HIGH RETURN ON CAPITAL EMPLOYED**

- Public sector land-led development
- Strong relationships with local authorities built over 30 years
- Reputation for placemaking urban regeneration and community focus
- Low risk model with priority profits and phased viability
- Strong visibility of future work with further growth opportunities
- Political support from both central and local Government

Read more about our Partnerships division **on pages 22 to 25**

"We are firmly on track to deliver the ambitious growth targets we set out at IPO in February 2016."

**Ian Sutcliffe**
Group Chief Executive

## The outcomes we delivered

# BUILDING ON OUR STRATEGY

Delivering sustainable growth and superior returns from our balanced business model.

| Our strategic priorities | Our approach |
|---|---|
| 1 **GROWTH** Sector-leading growth. | – Growth in open sales outlets<br>– Sales rates maintained at top of range<br>– Industry-leading private average selling price<br>– Increased efficiency from greater scale<br>– Revenue growth from volume and value |
| 2 **RETURNS** Superior return on capital. | – Gross margin maintained<br>– Improved operational efficiency<br>– Adjusted operating margin growth<br>– Capital-light model gives higher returns<br>– Dividend policy supports growth and capital discipline |
| 3 **RESILIENCE** Through the cycle performance. | – Balanced business between Housebuilding and Partnerships<br>– Mixed-tenure development, with PRS and affordable homes<br>– Low gearing and land creditors<br>– Flexible land bank based on options<br>– Strong pipeline of partnership work which underpins growth |

**Key performance indicators ("KPIs")**
Our KPIs align our performance and accountability to our strategy of sector-leading growth, superior returns on capital and through the cycle resilience.

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

Read about our key performance indicators **on pages 14 to 17**

- NHBC Reportable Items
- Accident Incident Rate
- NHBC recommend a friend

## Our priorities in 2017

- Continue to grow the number of sales outlets
- Maintain sales rates on all sites
- Ensure affordability by reducing ASPs
- Maintain gross margin from cost control
- Profit growth based on increased revenue

- Increase efficiency from greater scale
- Improve operational efficiency to reduce costs
- Maintain asset turn to improve returns
- Grow tangible net asset value from greater earnings
- Grow the dividend from increased earnings

- Continue to manage a balanced business
- Reduce reliance of private sale through mixed tenure
- Maintain low gearing and land creditors
- Continue to expand Partnerships pipeline
- Maintain land bank and increase pull through of land

## KPIs to measure success

- Completions
- Adjusted revenue
- Adjusted operating profit

- Adjusted operating margin
- Tangible net asset value
- Return on capital employed

- Gearing
- Land bank

# TRACKING PROGRESS, REWARDING PERFORMANCE

Our KPIs help us to measure our strategic progress.

These KPIs are the key measures of success and cover three strategic priorities.

**Our strategic priorities**

1 GROWTH

2 RETURNS

3 RESILIENCE

**FINANCIAL KPIs**

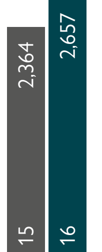
## Completions

### Definition

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

### Performance

Completions increased by 12.4 per cent in 2016 as our number of open sales outlets increased from 29 to 43 during the year.




COMPLETIONS
#

**2,657**
+12.4%

Link to strategy

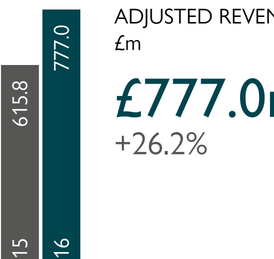
## Adjusted revenue

### Definition

Revenue consists of sale proceeds for private units, affordable homes and PRS and design and build units as well as the proceeds from land and commercial sales. Adjusted revenue includes our share of revenue from our joint ventures.

### Performance

Adjusted revenue increased by 26.2 per cent to £777.0m in 2016 (2015: £615.8m) as we increased the number of private and affordable completions and the average selling price of our private homes increased to £465,000 (2015: £385,000).




Link to strategy

## Adjusted operating margin

### Definition
Adjusted operating profit divided by adjusted revenue.

### Performance
Greater scale and improved operational efficiency, as we increased the number of active sites to 72 in 2016 (2015: 68), led to a 100bps improvement in adjusted operating margin to 15.8 per cent (2015: 14.8 per cent).

ADJUSTED OPERATING MARGIN
%

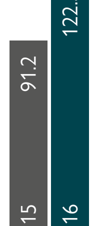
**15.8%**
+100bps

Link to strategy
2

## Adjusted operating profit

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

### Performance
A 100bps improvement in adjusted operating margin from 14.8 per cent to 15.8 per cent combined with additional completion volumes resulted in a 34.3 per cent increase in adjusted operating profit to £122.5m (2015: £91.2m).




ADJUSTED OPERATING PROFIT
£m

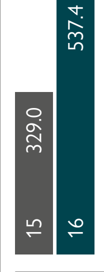
**£122.5m**
+34.3%

Link to strategy

## Tangible net asset value

### Definition
Net assets excluding intangible assets net of deferred tax.

### Performance
During the year we reinvested the £114m net proceeds raised on IPO to accelerate the growth of our business. Tangible net asset value increased by £208.4m as a result of the Group's expansion.




TANGIBLE NET ASSET VALUE
£m

**£537.4m**
+63.3%

Link to strategy

**FINANCIAL KPIs CONTINUED**

## Return on capital employed

### Definition

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

ROCE improved during the year as a result of the 100bps increase in underlying operating profit margin to 15.8 per cent (2015: 14.8 per cent). This, together with our continued focus on capital efficiency, which maintained asset turn at 1.7x (2015: 1.7x), resulted in a 210bps increase in ROCE to 26.8 per cent.

RETURN ON CAPITAL EMPLOYED %

**26.8%**

+210bps

Link to strategy

## Gearing

### Definition

Net debt divided by net assets.

### Performance

Gearing has reduced during the year as a result of the growth in the business, balance sheet expansion and the primary proceeds raised during the IPO in February 2016.

Adjusted gearing, which includes land creditors, was 15.1 per cent in 2016 (2015: 34.0 per cent).

15.3
(2.0)
15
16

GEARING %

**(2.0)%**

Link to strategy

**NON-FINANCIAL KPIs**

## Land bank

### Definition

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

### Performance

During the year, our land bank increased by a net 991 plots as we added a number of new sites to our land bank in the Housebuilding division and maintained our Partnerships division land bank.

26,213
27,204
15
16

LAND BANK #

**27,204 plots**

+3.8%

Link to strategy

## NHBC Reportable Items (“RIs”)

### Definition
Defects reported per plot at National House Building Council (“NHBC”) inspections at key build stages.

### Performance
During the year, our average reportable items per home was 0.23, which was broadly flat on the prior year (2015: 0.22). The Group remains well below the NHBC benchmark of 0.27 at 30 September 2016.

REPORTABLE ITEMS
#

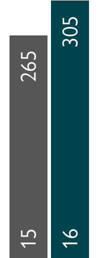
**0.23**
+4.5%

Link to strategy

## Accident Incident Rate (“AIR”)

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

### Performance
The Group’s accident rate has increased during the year due to the increased number of active sites and associated increase in the numbers of staff and sub-contractors on site. The Group remains well below the Health and Safety Executive benchmark AIR of 421 for the year ended 30 September 2016 (2015: 412) and the HBF Major Housebuilders’ AIR of 361. The Group’s AIR has been consistently below the industry rate for the past 13 years.




ACCIDENT INCIDENT RATE
#

**305**
+15.1%

Link to strategy

## NHBC recommend a friend

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

### Performance
During the year we have continued to focus on delivering great customer service to the people who buy our homes. This has included training all Housebuilding staff in customer service and improving our home handovers to customers. This has helped Countryside to maintain its four star builder status under the NHBC’s customer care framework.

CUSTOMER RECOMMEND A FRIEND SCORE %

**84.8%**
+210bps

Link to strategy

# UNLOCKING EMBEDDED VALUE

*Leading strategic land bank*

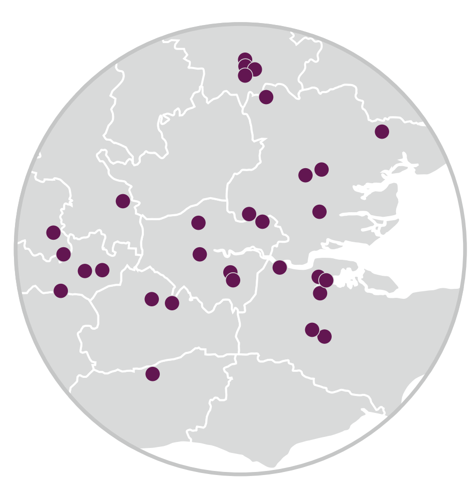
Our Housebuilding division is well positioned with its industry-leading strategic land bank and expertise in placemaking. It performed well with total completions up 20 per cent to 783 homes in 2016.

19,322

plots in our Housebuilding land bank

89%

of the land bank is strategically sourced



## SIGNIFICANT LAND BANK IN PLACE

- 19,322 plots owned or controlled in South East England
- Gross margin target of 24 per cent (including 1–2 per cent from option discounts to open market value)
- 89 per cent of the land bank has been strategically sourced

## ESTABLISHED PLATFORM FOR GROWTH

- Selling from 25 open sales outlets at 30 September 2016
- Further nine sites under construction
- 1,931 additional plots secured in FY16

## STRONG VISIBILITY OVER PRODUCTION

- 92 per cent of next three years' volume owned or controlled
- 81 per cent of next three years' volume has planning permission

ADJUSTED REVENUE £m

**£427.1m**

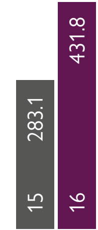
+29.2%

15: 51.6
16: 66.8

ADJUSTED OPERATING PROFIT £m

**£66.8m**

+29.5%




TANGIBLE NET ASSET VALUE £m

**£431.8m**

+52.5%

RETURN ON CAPITAL EMPLOYED %

**17.7%**

+110bps

# OPERATIONAL REVIEW: HOUSEBUILDING
*CONTINUED*

## STRATEGY
Our Housebuilding operations develop medium to larger-scale sites, providing private and affordable housing on land owned or controlled by the Group. Operations are focused on the outer London Boroughs and the South East of England, predominantly in the London commuter towns.

Within our Housebuilding division, we look to maintain our industry-leading strategic land bank with almost 90 per cent of our land strategically sourced at 30 September 2016. In total we had 19,322 plots within our Housebuilding land bank (2015: 18,410) of which only 33 per cent was owned outright with the rest controlled by either option agreements or conditional contracts. This provides flexibility, creates value through embedded discounts to open market value and enhances the efficiency of the balance sheet, while still giving us strong visibility of future work.

## MARKET
During the year, in the markets in which we operate, we continued to see strong demand for new housing outstripping supply, particularly in the outer London Boroughs and commuter towns. We saw a dual speed market, segmented by price band rather than by geographic location, with product under £600,000 delivering strong price growth, both as a result of demand for our product and the support of Help-to-Buy. Above £600,000, house price inflation was more muted as trade-up from the second-hand market became more difficult and affordability became stretched.

Despite the differentiation in house price inflation, sales rates were strong throughout the first half of the year at all price points. This continued into the second half with no real impact seen from the changes in Buy-to-Let investor Stamp Duty in April 2016, given our relatively limited exposure to that market. The period immediately before and after the EU Referendum saw a short-term increase in cancellations impacting our net reservation rate. This was largely confined to the London and commuter markets, with little or no impact in the regions.

OUR HOUSEBUILDING DIVISION CONTINUED TO GROW WELL, UNDERPINNED BY STRONG CUSTOMER DEMAND FOR QUALITY HOMES.

SUNDRIDGE PARK
Set in 275 acres of Kentish parkland

- Luxury development of 41 homes
- Delivery: 2015 to 2017

Help-to-Buy continues to be an important mechanism for purchasers, with the increase in the London Help-to-Buy threshold to 40 per cent in February further supporting the new build market.

The planning environment remains broadly positive with the Government having introduced a variety of reforms over the past two years including initiatives such as the National Planning Policy Framework, which has made the planning system less complex and is ensuring greater land supply.

## OUR PERFORMANCE
During 2016, our Housebuilding division continued to grow well, underpinned by strong customer demand for quality homes, particularly in the Home Counties and outer London Boroughs. Total completions were up 20 per cent to 783 units (2015: 653 units).

Total private completions of 499 units were up nine per cent (2015: 456) driven by sales across a range of sites with particular contributions from our sites in Cambridge, Harold Wood, Little Hollows and St Luke's Park in Essex, and Wickhurst Green in West Sussex. Our premium brand, Millgate, delivered significant growth in private homes of over 50 per cent which, along with an improvement in product mix, contributed to a 14 per cent increase in the Housebuilding private ASP to £665,000 (2015: £583,000).

Affordable completions of 284 units were higher than the prior year (2015: 192 homes) as a result of the mix of sites in the period.

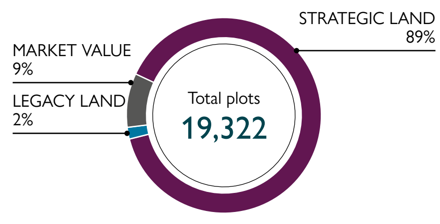
We continued to develop out our legacy sites at Harold Wood, Essex and Horsted Park, Kent in the period, delivering 127 homes from the two sites combined with a further 505 homes planned between now and 2020, which is the expected completion for those sites. Demand for these sites remains strong with good transport links at both locations.

## LAND BANK
During the year we acquired 14 Housebuilding sites with a total of 1,931 plots, taking our Housebuilding land bank to 19,322 plots at 30 September 2016 (2015: 18,410). We continue to focus on maintaining balance sheet flexibility, with only 6,388 plots directly owned (2015: 4,993) and the remainder either controlled or under option agreements.

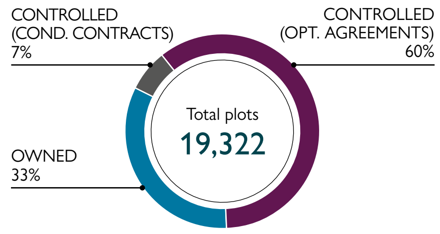
We were successful on a number of planning applications, with planning gains on 1,289 plots during the year including 800 plots at one of our strategically sourced sites in Maidstone, Kent.

In addition to new sites coming through our pool of option agreements, during the year we bought out our joint venture partner, Land Securities, at our Springhead development at Ebbsfleet in Kent. This gives us control over more than five years' worth of production at that site. We also continue to look at land sales where developing the site is not part of our core offering (for example commercial developments or where we are a smaller partner). During 2016 we completed three significant land sales at Bury St Edmunds (Suffolk), Bicester Village (Oxfordshire) and Medipark (Cambridge).

## LAND BANK SOURCE




## LAND BANK OWNERSHIP




### OUTLOOK

We started on 15 new Housebuilding sites (2015: 31) during the period, taking us to 34 active sites of which 25 had open sales outlets as at 30 September 2016 (2015: 17). This gives us great visibility over delivery for 2017. We continue to actively manage the mix of product that we have on site to make sure it is affordable for local people. We are currently replanning phases at Beaulieu, Chelmsford, and Great Kneighton, Cambridge, to ensure product and price points fit with demand.

We expanded our position in Kent with a larger office at Sevenoaks for our Southern region. This business has more than doubled in size over the past three years with further new sites due to come on stream during the course of 2017 and 2018.

## BEAULIEU, ESSEX

### A major new district for Chelmsford.

- 700 acres
- 3,660 new homes and in excess of 118 acres of parks and open spaces
- 24 acres providing employment, leisure, retail and new railway station
- Delivery: 2014 to 2027

Located north west of Chelmsford, Beaulieu is designed to be a major new district for the city of Chelmsford, comprising approximately 3,660 new homes on the 700-acre site. Beaulieu has a landscaped master-planned setting that will include a new business park, community centre, schools, shops, railway station and local road improvements including links to the A12 dual carriageway.

Beaulieu is being undertaken in joint venture with London & Quadrant ("L&Q"), with profits split between the two parties. During 2016, the joint venture delivered 119 new homes, as well as starting on site on the neighbourhood centre, due for delivery in 2017.

The initial site was strategically sourced in 1988 and was added to under multiple option agreements from 2000 to 2007. The Group commenced development of Beaulieu in November 2014 and sales began in August 2015. The site currently has two open sales outlets and is on site with three different phases. The tenure mix is 73 per cent private housing and 27 per cent affordable housing.

# EXCELLENT VISIBILITY

*Strong land bank underpins future growth*

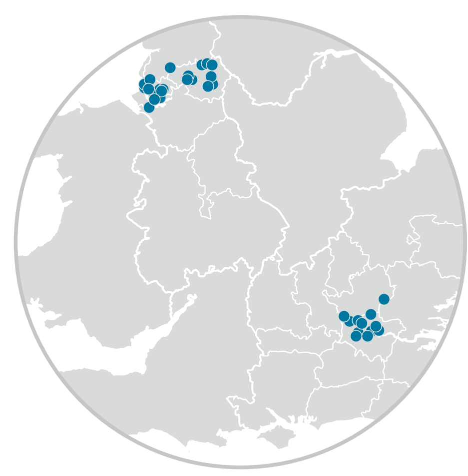
Our Partnerships model is a resilient, low-risk, low-capital model where we look to develop regeneration projects in partnerships. Total completions were up 10 per cent at 1,874 homes (2015: 1,711 homes).

14,504

plots in land bank or at preferred bidder status

40%

historical win rate for bids in which we participate



## SIGNIFICANT VISIBILITY OVER PRODUCTION

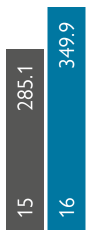
- Current land bank of 7,881 plots
- Further 6,623 plots awarded as preferred bidder
- More than seven years at current production
- Low planning risk

## ESTABLISHED PLATFORM FOR GROWTH

- Selling from 18 open sales outlets at 30 September 2016
- Further 20 sites under construction
- 6,434 additional plots awarded in FY16

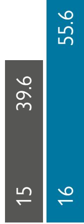
## STRONG PIPELINE OF FUTURE WORK

- Further 33,515 plots identified as bid opportunities
- Historical win rate of 40 per cent
- Significant market opportunity



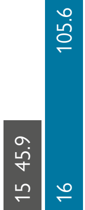

ADJUSTED REVENUE £m

**£349.9m**
+22.7%




ADJUSTED OPERATING PROFIT £m

**£55.6m**
+40.4%




TANGIBLE NET ASSET VALUE £m

**£105.6m**
+130.1%

RETURN ON CAPITAL EMPLOYED %

**70.7%**
+130bps

# OPERATIONAL REVIEW: PARTNERSHIPS
*CONTINUED*

## STRATEGY

Our Partnerships division specialises in medium to large-scale urban regeneration of public sector land delivering private and affordable homes. It operates primarily in and around London and in the North West of England, with a new office opened in Wolverhampton in 2016 to service the West Midlands conurbations from 2017.

Our Partnerships model is a resilient, low-risk, low-capital model where we look to develop regeneration projects in partnerships, predominantly with public sector landowners, such as local authorities and housing associations. We have a track record of delivering more than 45 regeneration projects over 30 years, making us one of the most experienced deliverers of regeneration in the UK. Developments are mixed tenure in nature with a focus on delivering tenure-blind private, affordable and Private Rental Sector ("PRS") homes in line with the Group's placemaking ethos.

The business models in the North and South are based on the needs of the local areas and therefore differ in product mix but are based on the same principles. Our Northern business builds largely low-rise timber-framed family houses whereas our Southern business often operates in more space constrained environments with a mix of mid-rise apartment blocks and family housing.

## MARKET

During the year we saw significant interest in our regeneration offering, with the need for more housing in the London regions in particular, highlighted by a Savills report commissioned by the UK Government and published in January 2016. At the time of the publication, the UK Government announced that it will seek to regenerate some of England's most run-down housing estates. It stated that 50,000 additional new homes are needed in London alone over each of the next 20 years to make up for past shortfalls in housing supply and to meet new demand. To support this, the formation of a new Estate Regeneration Advisory Panel and £140m of funding to regenerate these estates was announced.

In our Northern business, the supply of public sector land remains solid with a strong pipeline of opportunities for mixed-tenure developments, particularly those that incorporate PRS homes.

As with our Housebuilding division, demand for private for sale homes was robust across all geographies and reservation rates were strong throughout the year, aside from a temporary increase in cancellation rates in the South during the period immediately before and after the EU Referendum. Our Northern business did not experience any EU Referendum-related cancellations. Similarly, we saw particular strength in the price bands below £600,000 in the South, which represents nearly all our product in our Partnerships division, and below £300,000 in the North West of England.

**9.5%**
increase in completions

## OUR PERFORMANCE

Our Partnerships business delivered an excellent performance during 2016, setting the pace for delivery in 2017. Total completions were up 10 per cent to 1,874 units (2015: 1,711 units) driven by significant growth in affordable completions up 17 per cent, as expected, with the private element of delivery on those sites planned for 2017. A large element of the growth in affordable completions came from our Northern business where we continue to develop our partnership with Sigma Capital Group for PRS homes. During the year we delivered 725 PRS homes for Sigma with a further 975 identified plots within our land bank. The delivery of PRS homes, alongside private for sale homes, continued to be successful during the year. We adopted a similar tenure-blind approach to elsewhere in the business, including at Norris Green Village (Liverpool) where we delivered 135 PRS units in 2016 alongside the sale of 35 private homes.

Total private completions of 628 units were broadly flat on the prior year (2015: 634) with a strong increase in private ASP of 27 per cent to £307,000 (2015: £242,000). This large increase was as a result of house price inflation, with the majority of product sitting in the sub £600,000 price bracket, the regeneration effect, along with a change in mix of sites with more in outer London Boroughs than satellite towns. Major schemes in the year included Acton (Ealing), St. Paul's Square (Bow) and Brook Valley Gardens (Barnet), with Acton and St. Paul's Square also expected to be a significant part of 2017 delivery, particularly for the private units.

WE HAVE HAD AN OUTSTANDING YEAR FOR WINNING NEW WORK IN OUR PARTNERSHIPS DIVISION WITH 6,434 PLOTS AWARDED.

BROOK VALLEY GARDENS
First class for family living

- Five phases
- 600 new homes
- Delivery: 2013 to 2025

## LAND BANK

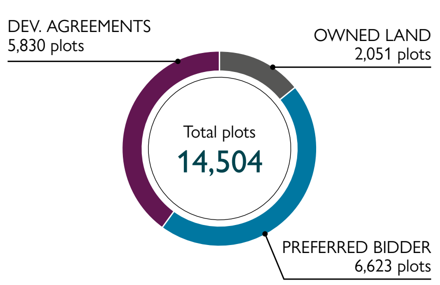
As at 30 September 2016, our Partnerships division had 7,881 plots within the land bank (2015: 7,803) with a further 6,623 plots at preferred bidder status (2015: 2,957). We have had an outstanding year for winning new work in our Partnerships division with 6,434 plots awarded as preferred bidder. These included 2,781 plots at Beam Park (Dagenham), 1,262 plots at Rochester (Kent), and 288 plots at Hounslow (London) all for our Partnerships South business. Our Partnerships North business also had a strong year for bid success, albeit sites typically tend to be medium sized with the award of 284 plots at Western Avenue (Liverpool) and our first two sites in the West Midlands totalling 367 plots combined.

In addition to where we have been awarded preferred bidder status we have identified a further 33,515 plots in our current bid pipeline (2015: 15,487) providing excellent visibility of future work and growth opportunity across all our geographies.

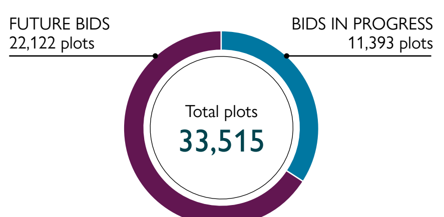
## OUTLOOK

We continue to see increased growth opportunity in the Partnerships division. We have maintained our historic bid win rate at 40 per cent and now have over seven years of future work secured. Furthermore the bid pipeline has grown to 33,515 plots. The public sector seeks to regenerate Local Authority housing estates and brownfield land. We see continued demand for our homes both from private for sale, PRS and affordable. This mixed tenure approach is both accelerating delivery in the short term and also providing resilience in the medium term.

LAND BANK PLUS PREFERRED BIDDER




FUTURE OPPORTUNITIES




# ACTON GARDENS, LONDON

## One of the largest regeneration schemes of its kind.

- Over 2,800 new homes (50 per cent affordable)
- New social and community facilities centred around 55,000 sq ft hub
- Delivery: 2010 to 2026

Located across the railway bridge from Chiswick, the South Acton estate is one of the largest estates to be regenerated in Britain. At the time we started on site, the estate was riddled with decaying properties and antisocial behaviour. It neither looked nor felt safe.

We are now six years into a 16-year project with over 500 homes completed or underway. We are working with the London Borough of Ealing, L&Q and local residents. The project involves an investment of around £840m over 21 phases of development, with over 500 staff working on site at any one time. Creative placemaking is at the heart of the project's design and delivery.

The masterplan includes plans for over 2,800 homes to replace the pre-existing 1,800 largely socially rented homes. The scheme has a target of 50 per cent affordable housing, and tenure-blind design and management.

The community is key to the delivery of the scheme, with residents given a say in how the masterplan is developed and delivered, along with a number of community initiatives to help enhance local residents' lives. To date, 46 projects have been funded through the "community chest" initiative, where £50,000 per annum is allocated for initiatives such as after school clubs and IT training. In addition, the project allows for £3.5m of funding for local infrastructure including schools and healthcare facilities as well as better public spaces, with new public parks equivalent to two football pitches planned.

During 2016, the joint venture delivered 233 new homes, winning both the Regeneration Award and a project award at the Housing Design Awards 2016. It is currently active on four different phases, including the central plaza, which will include a youth centre, a shop and other community facilities.

# A YEAR OF STRONG PERFORMANCE

We have delivered a strong set of results since listing, with both divisions performing well, and we remain firmly on track to deliver the medium-term targets set out at IPO.

## TRADING PERFORMANCE

Total completions were up 12 per cent to 2,657 homes (2015: 2,364 homes) which, combined with an increase in private average selling price ("ASP") of 21 per cent to £465,000 (2015: £385,000), increased adjusted revenue by 26 per cent to £777.0m (2015: £615.8m). Statutory revenue increased by 23 per cent to £671.3m (2015: £547.5m). The difference between the adjusted and reported measures reflects the proportionate consolidation of the Group's joint ventures.

Our continued focus on operational efficiency as well as the divisional mix of the business resulted in an increase in adjusted operating margin up 100bps to 15.8 per cent (2015: 14.8 per cent) and a 34 per cent increase in adjusted operating profit to £122.5m (2015: £91.2m). Statutory operating profit increased by 29 per cent to £87.3m (2015: £67.9m). The difference between the adjusted and reported measures reflects the proportionate consolidation of the Group's associate and joint ventures and non-underlying items relating to the Group's IPO and legacy management incentive plan, partially offset by the reversal of a receivable impairment.

### Group

Another year of strong growth saw total completions of 2,657 homes (2015: 2,364 homes), up 12 per cent year on year.

Private unit completions increased by 3 per cent to 1,127 homes (2015: 1,090 homes). Private ASP increased 21 per cent to £465,000 (2015: £385,000), driven by a greater proportion of our private sales being in the Housebuilding division. Within the Partnerships division, there was a higher proportion of private homes delivered in Greater London compared to the prior year. In both divisions, growth has been strongest at the lower price points, particularly below £600,000, with house price inflation on a like-for-like basis steady at 6 per cent (2015: 6 per cent).

Affordable completions were up 22 per cent in the period to 1,415 homes (2015: 1,161 homes). Within this, Private Rental Sector ("PRS") sales were up 60 per cent to 738 homes (2015: 461 homes) due to the increased number of PRS homes delivered in the North West with our strategic partner Sigma Capital Group ("Sigma"). Design and Build completions were broadly flat at 115 homes (2015: 113 homes).

As a result, total adjusted revenue increased by 26 per cent to £777.0m (2015: £615.8m). On a reported basis, revenue increased by 23 per cent to £671.3m (2015: £547.5m).

Private forward sales were up 64 per cent to a record £225.4m (2015: £137.5m), reflecting robust trading through the summer months and the continued strength of the market at price points below £600,000.

**26.8%**
return on capital employed, up 210bps

**£537.4m**
tangible net asset value, up 63 per cent

Our reservation rate per open sales outlet remained steady at 0.78 (2015: 0.76) with the uplift in revenue driven by the increased number of sales outlets at 43 (2015: 29). The introduction of 40 per cent Help-to-Buy in London from February 2016 helped sustain reservation rates and whilst we saw a short-term increase in cancellations following the EU Referendum in June 2016, our net reservation rate returned to normal levels after a few weeks and, with cancelled reservations resold, this has had no impact on results for the year.

Adjusted gross margin (including the Group's share of associate and joint venture gross profit) increased by 30bps to 21.9 per cent (2015: 21.6 per cent), in particular supported by regeneration schemes in the outer London Boroughs. This, together with tight cost control as the business grew, resulted in an uplift in adjusted operating margin of 100bps to 15.8 per cent (2015: 14.8 per cent).

The significant investment made in new offices and increased headcount in previous years has now slowed and should aid future operating margin accretion.

Adjusted operating profit increased by 34 per cent to £122.5m (2015: £91.2m), as a result of the increased scale of the business and margin accretion discussed above. Within this, land sales contributed £10.6m (2015: £0.2m), including a number of overage receipts with a further £5.9m (2015: £11.3m) delivered through commercial sales.

On a reported basis, operating profit increased by 29 per cent to £87.3m (2015: £67.9m) with the difference to adjusted profit being the impact of significant growth at key sites, including Acton Gardens, London, and Beaulieu Park, Chelmsford, which took place in joint ventures.

After raising £114m of net primary proceeds in the IPO, we successfully refinanced the business, signing a £300m revolving credit facility in May 2016 on enhanced terms. We ended the year with net cash of £12.0m (2015: net debt £59.5m) and expect lower interest costs in 2017.

### Housebuilding

Our Housebuilding division continued its growth trajectory as we saw customer demand maintained throughout the year. Total completions were up 20 per cent to 783 homes (2015: 653 homes) as we opened additional sales outlets during the year. As a result, adjusted revenue increased by 29 per cent to £427.1m (2015: £330.7m).

Private completions increased by nine per cent on 2015 to 499 (2015: 456), at an ASP of £665,000 (2015: £583,000). We continued to see strength in the market at prices below £600,000 with Help-to-Buy supporting the market at this level. At higher prices, particularly over £1m, the market has been more challenging, although sales volumes in this price band were ahead of 2015.

Affordable revenue increased by 68 per cent to £44.6m (2015: £26.5m), with completions of 284 (2015: 192) and an increase in ASP up 13 per cent to £157,000 from £139,000.

Housebuilding adjusted gross margin reduced by 90bps to 22.4 per cent (2015: 23.3 per cent) as we incurred additional costs at our joint venture with Annington Developments Limited at Mill Hill, London, following the insolvency of a principal sub-contractor. We were able to offset this reduction by tight control of overheads, resulting in adjusted operating margin remaining steady at 15.6 per cent (2015: 15.6 per cent).

With growth in sales, we delivered a 30 per cent uplift in adjusted operating profit to £66.8m (2015: £51.6m). Housebuilding represented 55 per cent of Group adjusted operating profit in 2016 (2015: 57 per cent).

In the second half of the year, we completed the buyout of our joint venture partner, Land Securities, at our development in Springhead, Kent, giving us greater flexibility to develop the site. To date we have developed almost 300 homes at the site with plans for a further 500 homes.

On a reported basis, Housebuilding revenue increased by 28 per cent to £358.1m (2015: £278.7m) with growth coming from the increased number of open sales outlets and house price growth. Reported Housebuilding operating profit increased to £48.5m (2015: £38.0m).

### Partnerships

Our Partnerships division has had a strong year, with total completions up 10 per cent to 1,874 homes (2015: 1,711 homes) and adjusted revenue up 23 per cent to £349.9m (2015: £285.1m). A combination of site mix and underlying house price inflation in the period resulted in an increase in private ASP of 27 per cent to £307,000 (2015: £242,000).

Private completions of 628 homes were down one per cent on the prior period (2015: 634 homes). This reflects the mix of sites in the period and we would expect the growth rate in private homes to increase in 2017 as schemes such as St. Paul's Square, Bow and East City Point, Canning Town deliver a full year of production. Affordable completions were up substantially at 1,131 homes (2015: 969 homes). These affordable completions included the delivery of PRS housing in our ongoing partnership with Sigma in the North West which contributed 725 completions (2015: 461).

Adjusted gross margin was up 160bps to 21.3 per cent (2015: 19.7 per cent) due to the impact of site mix together with house price inflation. Adjusted operating profit of £55.6m was up 40 per cent in the period (2015: £39.6m), with our operations in the South performing particularly well. The increase in gross margins, combined with a tight focus on divisional cost control, resulted in adjusted operating margin increasing by 200bps to 15.9 per cent (2015: 13.9 per cent). Partnerships represented 45 per cent of Group adjusted operating profit in 2016 (2015: 43 per cent).

Demand for our product has remained strong, particularly at lower price points and in London following the introduction of the Government's 40 per cent Help-to-Buy scheme from February 2016, which has improved affordability of housing.

We made good progress in identifying new opportunities to expand our Partnerships model into the West Midlands, where we will shortly begin development of our first site of 186 homes at Rowley Regis. We opened an office in Wolverhampton in the summer and we have continued to control overheads by utilising resources from our Partnerships business in the North West to develop these opportunities.

On a reported basis, Partnerships revenue increased by 17 per cent to £313.2m (2015: £268.7m) with of sales from St. Paul's Square, Bow and continued strong performance from other Partnerships sites. Partnerships reported operating profit increased to £51.3m (2015: £33.8m).

# GROUP CHIEF FINANCIAL OFFICER'S REVIEW
*CONTINUED*

## TRADING PERFORMANCE CONTINUED

### Non-underlying items

During the year, the Group engaged in corporate activity in relation to the listing of its ordinary shares on the London Stock Exchange. Advisory costs of £10.6m (2015: £1.7m) were incurred in relation to this activity. These costs primarily relate to the fees of professional advisors.

The non-recurring charge of £2.7m in the year to 30 September 2015 related to the non-cash impairment of a receivable which management believed to be irrecoverable. Subsequent to the year end, substantially all of this amount was received in cash by the Group, resulting in a reversal of the impairment of £2.6m in 2016.

In the year ended 30 September 2013, a management incentive plan ("Plan") was approved in which certain senior employees of Countryside Properties (UK) Limited, a subsidiary company, were invited to acquire shares issued by OCM Luxembourg Coppice Holdco S.à r.l.. Further shares were issued under the Plan during the years ended 30 September 2014 and 2015.

£1.9m was charged to the income statement in the year ended 30 September 2016 (2015: £1.3m) in respect of non-cash accounting charges related to the Plan, including £1.0m (2015: £Nil) which arose as a result of the IPO.

The Group entered into a new debt facility with four lending banks in May 2016. As a result of the new facility, the previous facility was repaid in full in May 2016 and the capitalised arrangement fees of £3.2m relating to the previous facility were expensed within finance costs.

A total tax credit of £1.0m (2015: £1.4m) in relation to all of the above non-underlying items was included within taxation in the income statement.

**Non-underlying items**

| Year ended 30 September 2016 | 2016 £'000 | 2015 £'000 |
|---|---|---|
| **Recorded within operating profit:** | | |
| Advisory fees | **10,561** | 1,698 |
| Receivable (reversal)/impairment of impairment | **(2,590)** | 2,677 |
| Share based payments in respect of the pre-listing management incentive plan | **1,910** | 1,310 |
| Other | **—** | 870 |
| **Sub-total** | **9,881** | 6,555 |
| **Recorded within finance costs:** | | |
| Impairment of capitalised arrangement fees | **3,177** | — |
| **Total non-underlying items** | **13,058** | 6,555 |

### Net finance costs

Net finance costs were £28.3m (2015: £50.5m). £16.5m (2015: £41.0m) of finance costs in relation to mandatory redeemable preference shares issued to the Group's previous owner were incurred prior to the Group's IPO in February 2016. On IPO, these preference shares and all accrued interest were repaid in full.

Interest on bank debt decreased by £1.1m to £5.2m (2015: £6.3m), reflecting both lower levels of debt during the year following the receipt of £114.0m of net primary proceeds on IPO and lower borrowing costs in the Group's new debt facility. The interest cost associated with the new facility will be lower than under the previous facility, reflecting the Group's new status as a listed entity and lower market rates. The interest rate on the Group's debt is variable, based on LIBOR and the Group's gearing ratio as measured quarterly.

**Net finance costs**

| Year ended 30 September 2016 | 2016 £'000 | 2015 £'000 |
|---|---|---|
| Bank loans and overdrafts | **5,211** | 6,312 |
| Interest on mandatory redeemable preference shares | **16,495** | 40,961 |
| Fair value losses on financial instruments | **—** | 406 |
| Unwind of discount | **4,094** | 2,523 |
| Amortisation of debt finance costs | **824** | 1,113 |
| Interest receivable | **(1,458)** | (824) |
| **Underlying net finance costs** | **25,166** | 50,491 |
| Impairment of capitalised arrangement fees | **3,177** | — |
| **Net finance costs** | **28,343** | 50,491 |

Countryside expects net finance costs in 2017 to be lower than 2016, reflecting lower debt levels and interest rates following the IPO.

### Taxation

The income tax charge was £17.3m (2015: £8.2m), with an underlying tax rate of 21.8 per cent (2015: 24.2 per cent) and, on a reported basis, an effective tax rate of 22.0 per cent (2015: 29.2 per cent).

The underlying rate has reduced predominantly due to a reduction in disallowable expenditure during the year, mainly in relation to finance costs connected to the mandatory redeemable preference shares. The underlying tax rate reconciles to the reported rate as follows:

**Underlying tax rate**

| Year ended 30 September 2016 | Profit £'000 | Tax £'000 | Rate % |
|---|---|---|---|
| **Underlying profit before tax, and tax thereon** | **93,911** | **20,518** | **21.8** |
| Adjustments, and tax thereon, for: | | | |
| Advisory fees | **(10,561)** | **(852)** | |
| Receivable impairment | **2,590** | **518** | |
| Share based payments in respect of the pre-listing management incentive plan | **(1,910)** | **—** | |
| Impairment of capitalised arrangement fees | **(3,177)** | **(635)** | |
| Taxation on associate and joint ventures included in underlying profit before tax | **(2,276)** | **(2,276)** | |
| **Profit before tax and tax thereon** | **78,577** | **17,273** | **22.0** |

In 2017, Countryside expects the underlying tax rate to be broadly in line with the UK statutory corporation tax rate.

### Earnings per share ("EPS")

Adjusted basic earnings per share increased by 196 per cent to 16.3 pence (2015: 5.5 pence) reflecting the increase in underlying operating profit during the year, together with a decrease in the underlying tax rate.

As a result of the capital restructuring performed in February 2016 at the time of the IPO, the number of shares in issue is 450 million. For the purposes of the EPS calculation, the number of shares in issue in 2015 is assumed to be 450 million (for further details refer to Note 10 to the financial statements). For the purposes of the EPS calculation, the number of shares in issue in 2015 is assumed to be 450 million.

The weighted average number of shares in issue was 450 million (2015: 450 million).

Basic earnings per share was 13.6 pence (2015: 4.4 pence). Basic earnings per share is lower than underlying basic earnings per share due to the effect of non-underlying items that are excluded from adjusted results.

### Dividend

The Board has recommended a final dividend of 3.4 pence per share (2015: Nil), representing a payout of 30 per cent of adjusted profit after tax for the second half of the financial year. This will be paid on 3 February 2017 to shareholders on the Register of Members at the close of business on 13 January 2017, subject to approval by shareholders at the AGM.

The proposed final dividend was recommended by the Board on 28 November 2016 and, as such, has not been included as a liability as at 30 September 2016.

In 2017, Countryside intends that the dividend will represent 30 per cent of adjusted profit after tax.

### Statement of Financial Position

As at 30 September 2016, TNAV was £537.4m (2015: £329.0m), an increase of £208.4m, which was mainly attributable to the receipt of primary proceeds on IPO and retained earnings.

As we continued to grow the business, inventory grew by £144.1m to £583.6m (2015: £439.5m) and we were active on 72 sites at 30 September 2016 (2015: 68 sites). Investments in associate and joint ventures also grew to £59.1m (2015: £54.3m), principally due to activity at Acton Gardens in West London, Beaulieu in Chelmsford and Five Oaks Lane at Chigwell in Essex.

### Improving returns

By continuing to focus on the efficiency of our build programmes, we maintained asset turn (defined as adjusted revenue divided by average TNAV excluding net cash or debt) at 1.7 times for the financial year (2015: 1.7 times). This, together with the adjusted operating margin improvements, helped our return on capital employed increase by 210bps to 26.8 per cent (2015: 24.7 per cent), despite our significantly higher level of investment in sites.

#### Return on capital employed

| Year ended 30 September 2016 | 2016 | 2015 |
|---|---|---|
| Adjusted operating profit (£'000) | **122,468** | 91,166 |
| Average capital employed[1] (£'000) | **456,988** | 368,494 |
| **Return on capital employed (%)** | **26.8%** | 24.7% |
| 52-week ROCE movement to 30 September 2016 | **210bps** | |

1 Capital employed is defined as TNAV excluding net cash or debt.

### Financing

On 11 May 2016, the Group signed a new £300m revolving credit facility agreement. The agreement has a variable interest rate based on LIBOR and expires in May 2021, although the Group has the opportunity to extend the term of the facility by a further two years. As a result of the signing of the new facility agreement, the unamortised arrangement fee for the previous facility of £3.2m (2015: £Nil) was expensed to the income statement as a non-underlying finance cost.

### Cash flow

#### Summary cash flow statement

| Year ended 30 September 2016 | 2016 £'000 | 2015 £'000 |
|---|---|---|
| Cash (used in)/generated from operations | **(14,892)** | 29,819 |
| Interest and tax paid | **(20,015)** | (13,683) |
| (Increase)/decrease in loans to associate and joint ventures | **(30,977)** | 1,480 |
| Dividends received from joint ventures | **13,632** | 6,682 |
| Net proceeds from the issue of shares | **125,390** | 206 |
| Repayment of borrowings | **(140,006)** | (13,000) |
| Other net cash (outflows)/inflows | **(2,006)** | 1,821 |
| **Net (decrease)/increase in cash and cash equivalents** | **(68,874)** | 13,325 |

As we have continued to grow the Group, our net investment in working capital increased by £107m (2015: £39m) which, when offset by retained earnings and other non-cash items, resulted in £14.9m of cash being used by the Group's operations.

£114m of net primary proceeds were raised in the IPO in February 2016. These proceeds were used to repay the Group's debt facility and to accelerate a number of developments, including our joint ventures at Acton Gardens, West London, and Beaulieu, Chelmsford.

**Rebecca Worthington**
**Group Chief Financial Officer**
28 November 2016

# PUTTING PEOPLE AT THE HEART OF OUR BUSINESS

Our people are our greatest resource and without them we would not be able to build sustainable communities where people want to live.

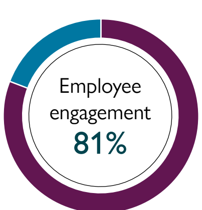
## PEOPLE ARE OUR GREATEST RESOURCE

Countryside wants to attract and retain the best people in the housebuilding sector to deliver our strategy. We believe that our people truly differentiate us from our competitors. In the last two years, we have nearly doubled our employee numbers and now have over 1,000 people working for us. Our employee turnover of 17.5 per cent is in line with the rest of the construction sector. Our aim is to "grow our own" as much as we can, together with a healthy balance of new recruits.

## OUR PEOPLE ARE HIGHLY ENGAGED

In 2016 we ran the Group's inaugural all-employee survey, and over 80 per cent of our people responded. Our overall engagement score of 81 per cent positions us in the upper quartile for UK employers as a whole. From this, we believe that our people feel valued, well led and excited about the future.

UPPER QUARTILE EMPLOYEE ENGAGEMENT




INAUGURAL ALL-EMPLOYEE SURVEY RESULTS

| Result | % |
|---|---|
| Feel that trust and values are considered important | 85% |
| Feel that personal growth and development are valued | 71% |
| Are satisfied with manager effectiveness | 75% |
| Feel their safety is valued | 89% |

In order to take action as a result of the survey, we will be tackling three main areas:

- encouraging a more flexible approach to working hours;
- promoting inter-departmental teamwork; and
- putting greater emphasis on reward for performance.

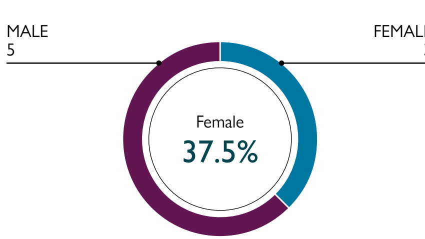
## PRIDE IN THE JOB AWARDS

The National House Building Council ("NHBC") awarded a Pride in the Job Seal of Excellence Award to Thomas Moore, our Senior Site Manager at Abode in Cambridge. Thomas also received an NHBC Health & Safety Award.

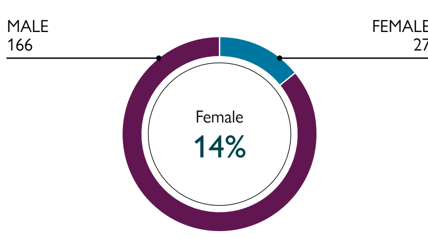
Dave Parry, Mick Montgomery, Charlie Barbara and David Taylor, together with their respective teams, also received a Pride in the Job Award for their outstanding quality of workmanship.

## GENDER DIVERSITY

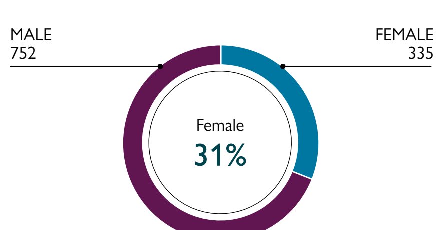
BOARD OF DIRECTORS




SENIOR MANAGEMENT




TOTAL WORKFORCE




## WE INVESTED MORE IN OUR PEOPLE LAST YEAR THAN EVER BEFORE

We have launched a new Group-wide approach to succession and talent management as part of our "grow our own" people strategy. We overhauled our training proposition and significantly improved the quality and quantity of delivery, particularly around induction, customer service, sales and leadership. In the last year alone, over 200 of our line managers have received refresher training focusing on recruiting and managing their team's performance. We are committed to developing our people at all levels of the organisation through both leadership and vocational training. Building a pipeline of talent is critical to our success.

## OUR APPROACH TO FUTURE TALENT HAS IMPROVED

Our two-year graduate programme is proving very successful. We again increased our graduate intake in 2016, and launched a construction management training programme to meet our future site management needs. The first entrants onto this programme will join us early in 2017.

## OUR PEOPLE ARE OUR SHAREHOLDERS

In February 2016, soon after IPO, we launched our first all-employee share plan which was significantly oversubscribed. 70 per cent of our employees signed up to buy shares in the newly created listed company under the terms of the scheme described on page 114.

At the same time, we also offered our first Long Term Incentive Plan to our Director population as a retention tool for this key population. With the launch of these two share plans, we believe we offer a highly market-competitive reward package.

## WE WANT OUR PEOPLE TO CHOOSE THE RIGHT BENEFITS FOR THEM AND THEIR FAMILIES

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

Recognising the diversity of our employee base, our approach to reward is centred on choice. Over four in ten of our people selected at least one flexible benefit this year. These benefits range from buying and/or selling days of annual leave, through reduced fees on life, dental and travel insurance, to participation in the Government's Cycle to Work scheme.

For those of our employees who qualify for a car or cash allowance, we have a sector-leading fleet proposition. This focuses on offering our employees choice based on their lifestyle, while remaining environmentally conscious by capping our $CO_2$ emissions.

## HUMAN RIGHTS

Our policies and procedures are designed to ensure we comply with UK law and best practice guidelines, including areas such as business conduct, equal opportunities, anti-corruption, whistleblowing and countering modern slavery and human trafficking. Our contracts explicitly oblige suppliers to meet all current employment legislation.

## HEALTH AND SAFETY

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

Countryside operates a comprehensive Health and Safety Management system (fully registered to OHSAS 18001) and we are committed to continual improvement through a comprehensive training programme and by actively encouraging feedback from all levels of our workforce. Regular on-site inspections are carried out internally by the Group's qualified health and safety professionals. The day-to-day management of these activities is overseen by the Group's Head of Health and Safety.

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

# PLACES PEOPLE LOVE

We are passionate about creating places where people aspire to live, that deliver enduring value and where people feel a true sense of belonging.

From the character of the homes we build to the planning of environments and considerate use of materials, our creative approach to placemaking ensures we have a positive impact on all those who live in and around our developments. We create places people love.

## STRATEGY

We contribute to the creation and improvement of residential communities and workplaces in an environmentally and socially responsible, sensitive and sustainable manner. To achieve this the Group's corporate policies and values are implemented throughout the business at all stages of the development process, ensuring we continue to manage our sustainability impacts and "future-proof" our business. Our key policies include:

- climate change;
- environmental;
- health and safety;
- procurement;
- quality management; and
- sustainable development.

To deliver high levels of financial and sustainable returns for our shareholders, our sustainability strategy focuses on four key priority objectives:

- **Management** – to apply sound social, environmental and quality management systems across the Group's operations.
- **Social and ethical** – to strive for continuous health and safety improvement and to promote social and ethical best practice.
- **Sustainability** – to strive for continual environmental performance improvement, thereby reducing the Group's environmental impacts.
- **Community** – to promote and build sustainable communities.

Positively, we continue to make good progress in achieving our sustainability objectives with an 96 per cent achievement in 2016 (2015: 90 per cent). In addition we made £2.5m in sustainability-related savings during the reporting period. Our five-year track record can be found in the Group's Sustainability Report 2016 www.countryside-properties.com/about-us/who-we-are/sustainability.

In addition to the management of material business risks and uncertainties by the Group and its divisions, an Environmental Aspects, Impacts and Legislation Register is maintained at Group level and is used by the divisions to inform and manage project risks. Overall responsibility for risk is managed by the Board and our Risk Management Committee. Oversight of more detailed aspects is managed through the Health and Safety and Environmental and Quality Committees.

## OUR SUSTAINABILITY

This is our 16th year of sustainability reporting – the longest in our sector. Since 2000 we have received 360 awards for our design and sustainability practices, which highlights our approach and commitment to sustainable development. Through regenerating existing neighbourhoods or creating new communities, we are developing places that are socially inclusive and have lower environmental impacts than existing areas.

96%

of our sustainability objectives were achieved in 2016

## DESIGN

We believe in a design-led approach, creating visually attractive and innovative homes whilst ensuring the quality and practicality of the completed product. The Group is committed to adding value through placemaking and long-term partnerships. We continue to hold more Housing Design Awards than any other developer.

In February 2016 the RICS published professional guidance on "Placemaking and Value". The research found that placemaking does add commercial value. However, there is considerable disparity in the size of the premium, of between 5 and 56 per cent. This also varies between different dwelling types. Greater premiums are achievable in areas that already have higher local embedded new-build values.

OUR CREATIVE APPROACH TO PLACEMAKING ENSURES WE HAVE A POSITIVE IMPACT ON ALL THOSE WHO LIVE IN AND AROUND OUR DEVELOPMENTS.

ACTON GARDENS COMMUNITY CENTRE

The findings reflect the Group's strategy of developing in the right locations with design quality at the heart of our approach. Countryside was involved in three of the five featured schemes and each demonstrated strong uplifts in values compared to other homes in the locality.

To ensure that our business model is fit for purpose, we hold a range of corporate memberships and participate in a range of committees and forums, including, for example:

- Future of London;
- the Home Builders Federation ("HBF") and associated working groups; and
- NHBC Expert Panel.

These alliances provide us with the opportunity to discuss, share and influence best practice in our industry, with Government, experts and interested parties.

## MANAGEMENT

### Management systems

In accordance with our approach to continuous improvement, the Group is fully accredited to ISO 9001 (Quality), ISO 14001 (Environmental) and BS OHSAS 18001 (Health and Safety) standards – each standard is independently verified. We are working towards recertification (November 2016) against the newly revised and updated ISO 9001 and 14001 standards.

### Legal compliance

Since 2004, we have received zero prosecutions against our environmental and health and safety practices.

For the 13th consecutive year Countryside's Accident Incident Rate ("AIR") continues to be lower than the Industry average.

During the reporting period it averaged 305 (2015: 265) reportable incidents per 100,000 employees, compared with the National Incident Rate of 421 (2015: 412).

### Awareness and communication of sustainability issues

We monitor our progress against four key priority objectives twice annually, through environmental representatives in all areas of the business and via our Environment and Health and Safety Committees, to ensure they are fit for purpose for the duration of the business plan.

Our people receive information and guidance about our policies, processes, procedures and their responsibilities through monthly staff presentations, new starter induction days, training courses and toolbox talks, as well as via our intranet.

## ENVIRONMENT

Our approach to environmental sustainability is informed by our values, compliance requirements and the needs of our stakeholders. This applies to all aspects of our business and involves setting key objectives and measuring performance against them in order to ensure continual improvement.

### Waste

The Group is implementing more stringent practices and commercially focused systems in order to recycle more and reduce waste going to landfill. For the reporting period a 10 per cent reduction, 7.9T/m$^2$ (2015: 8.8T/m$^2$), was achieved.

# Our values

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

**SUSTAINABLE**
We ensure the long-term future of our developments, our people and our Company through our thinking and approach.

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

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

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

**EXCELLENCE**
We strive for excellence and continuous improvement in every endeavour.

# SUSTAINABILITY REPORT
*CONTINUED*

## ENVIRONMENT CONTINUED

### Resource use

At Countryside we want to partner with our supply chain in an open, co-operative and collaborative manner. Partners enjoy a number of preferential terms which also enables us to:

- aid design development and minimise direct and indirect waste;
- maximise value engineering and minimise resource use;
- reduce critical path programme; and
- assist in planning of associated health, safety and sustainability risk assessments.

### Ecology

Our commitment to being a placemaker helps us establish coherent ecological networks that are more resilient to current and future climate change pressures. During 2016, 82 per cent (2015: 51 per cent) of our projects were on brownfield land, which is a positive improvement and is indicative of the make-up of our land bank.

To manage local risks, qualified ecologists undertook full ecological surveys as part of the site evaluation process on 97.8 per cent (2015: 97.4 per cent) of our projects. Ecological protection and design features are incorporated to create quality of place, and to improve sales values and the desirability of the homes.

### Transport

We encourage the use of sustainable transport modes by providing an increasing number of cycling facilities and electric charging points at our developments. In 2016 95.6 per cent (2015: 89.7 per cent) of our schemes were located within 1km of a public transport node and 83.3 per cent (2015: 82.1 per cent) are within 500m. Good locations and model choice are proven to help residents minimise their environmental footprint.

### Energy

The energy efficiency of the homes we have built – as measured by the Standard Assessment Procedure ("SAP") – continues to be above the national standards at an average rating of 85.45/100 (2015: 84.84/100). The average SAP rating for new homes in England was 81.5/100.

### Non-operational performance

In addition to reducing the impacts of the communities and homes that we develop, we continue to improve our non-operational performance.

The Group complied with the Energy Savings Opportunity Scheme during this reporting period. Several opportunities for improvement have been implemented.

A cost benefit analysis of the remaining suggestions is being developed. During 2016, a Carbon Reduction Commitment report was undertaken by Oaktree for the period of its ownership of the Group.

### Water usage

We monitor water usage in the Group's offices. Our water usage in our offices has decreased to 4,242$m^3$ (2015: 4,779$m^3$). This equates to a reduction of 33.6 per cent per employee.

## OUR GREENHOUSE GAS EMISSIONS

During the year we collated our energy usage for the Scope one, two and three activities as illustrated by the tables below, to demonstrate our GreenHouse Gas ("GHG") impacts.

### Office activities

For the reporting period, we cut our office-based $CO_2$ emissions by 25.3 per cent per employee.

| Scope 1 | | | Scope 2 | | | Total GHG | |
|---|---|---|---|---|---|---|---|
| Gas kWh | Gas $CO_2$e(kg) | Total $CO_2$e(kg) per head* | Electricity kWh | Electricity $CO_2$e(kg) | Total $CO_2$e(kg) per head* | Total $CO_2$e(kg) | Total $CO_2$e(kg) per head* |
| 940,247 | 173,005 | 159 | 1,290,908 | 542,457 | 499 | 715,462 | 658 |

### Business travel – Scope 3

Our overall fleet $CO_2$ emissions increased to 1,858 tonnes from 1,485 tonnes in 2015. This equates to 1.71 tonnes of $CO_2$ per person (2015: 1.82), a decrease of six per cent.

| kWh | $CO_2$e(kg) | Total $CO_2$e(kg) per head* |
|---|---|---|
| 7,555,351 | 1,858,011 | 1,709 |

### Site activities

This is the first full year that site energy activities have been recorded.

| Scope 1 | | | | | | |
|---|---|---|---|---|---|---|
| Gas kWh | Gas $CO_2$e(kg) | Gas oil kWh | Gas oil $CO_2$e(kg) | Total kWh | Total $CO_2$e(kg) | Total $CO_2$e(kg) per $m^2$ |
| 2,193,480 | 403,965 | 8,523,068 | 2,352,426 | 10,716,548 | 2,756,391 | 9.89 |

| Scope 2 | | |
|---|---|---|
| Electricity kWh | Electricity $CO_2$e(kg) | Total $CO_2$e(kg) per $m^2$ |
| 1,954,542 | 814,010 | 2.92 |

Intensity measure kg $CO_2e/m^2$ based on developed area of 278,732$m^2$ in period (GIA).

* Based on 1,087 employees.

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

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

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

## Sustainability highlights

ISO 9001
(quality)

ISO 14001
(environmental)

BS 18001
(health and safety)

7.9t/m²
waste on site
(a reduction of 10 per cent on 2015)

95.6%
of our sites within 1km of public transport

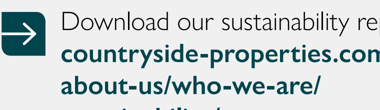
0
prosecutions for health, safety or environmental violations

85.45%
energy efficiency of our homes
(SAP benchmark: 81.5 per cent)

658$CO_2$e(kg)
carbon per head office employee
(a reduction of 25.3 per cent on 2015)

12.8$CO_2$e(kg) per m²
carbon intensity on site
(first year measured)

97.8%
of our sites have full ecological survey



Download our sustainability report
**countryside-properties.com/about-us/who-we-are/sustainability/**

# PRINCIPAL RISKS AND UNCERTAINTIES

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

## HOW WE MANAGE RISK

Risk identification and management is built into every aspect of Countryside's daily operations, ranging from the appraisal of new sites, assessment of the prospects of planning success, building safely and selling effectively to achieve long-term success through the property market cycle. Risk management is built into standardised processes for each part of the business at every stage of the housebuilding process. Financial risk is managed centrally through maintenance of a strong balance sheet, forward selling new homes and the careful allocation of funds to the right projects, at the right time and in the right locations. Risk management also includes the internal controls described within the Corporate Governance Report on page 48.

The Risk Management Committee normally meets every quarter to review the Group's risk register. Given the uncertainty leading up to the outcome of the EU Referendum on 23 June 2016, on the UK's continuing membership of the European Union, additional meetings were held by members of the Risk Management Committee to agree appropriate mitigating actions should they be required.

More detail on the Risk Management Committee's assessment of the impact of the EU Referendum vote is on the next page.

The Group's risk register is maintained to record all principal risks and uncertainties identified in each part of the business and an appropriate "risk owner" for each risk. The risk owners conduct an analysis of each risk, according to a defined set of assessment criteria which includes:

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

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

## BOARD AND AUDIT COMMITTEE RESPONSIBILITY

The Audit Committee reviewed the Group's risk register and the assessment of the Group's principal risks and uncertainties prepared by the Risk Management Committee at its meetings in February and July 2016. The Audit Committee also considered the effectiveness of the Group's systems, and has taken this into account in preparing the Viability Statement on the next page.

The Audit Committee reported on its findings to the Board at the Board's July and September meetings, in order to support it in making its confirmation that it had carried out a robust assessment of the principal risks. The table on pages 38 to 39 of the report sets out the Group's principal risks and uncertainties, mitigation and any change during the period.

**The Board**

- determines the Group's approach to risk, its policies and the procedures that are put in place to mitigate exposure to risk.

**Audit Committee**

- has delegated responsibility from the Board to oversee risk management and internal controls;
- reviews the effectiveness of the Group's risk management and internal control procedures; and
- monitors the effectiveness of the Internal Audit function and the independence of the external audit.

**Risk Management Committee**

- is responsible for the effective maintenance of the Group's risk register;
- oversees the management of risk;
- monitors risk mitigation and controls; and
- monitors the effective implementation of action plans.

**Internal Audit**

- undertakes independent reviews of effectiveness of internal control procedures;
- reports on effectiveness of management actions; and
- provides assurance to the Audit Committee.

**Executive Management**

- is responsible for identification of operational and strategic risks;
- is responsible for ownership and control of specific risks; and
- is responsible for establishing and managing the implementation of appropriate action plans.

## REFERENDUM ON 23 JUNE 2016 ON THE UK'S CONTINUING MEMBERSHIP OF THE EUROPEAN UNION

Given the considerable uncertainty in the lead up to the EU Referendum vote, members of the Risk Management Committee met with the senior management of all business divisions to ensure that appropriate mitigation plans were agreed, and ready for implementation if required, to mitigate the full range of possible Brexit vote outcomes foreseen by some commentators.

The uncertainty in the market leading up to the EU Referendum vote lasted for two to three weeks after the vote. This impacted customer confidence and, while visitor levels and gross reservations remained largely unchanged, we did experience higher levels of cancellations and some price renegotiation. However, this period was relatively short-lived and we have experienced good trading conditions from August onwards.

The wider economic impacts of the EU Referendum vote may also be felt by the housebuilding industry in future, such as a slowdown in economic growth, higher imported material costs and possible restrictions on foreign labour. However, all of these risks are monitored and will be mitigated where possible by the Risk Management and Executive Committees with the appropriate action being taken in a timely manner.

## VIABILITY STATEMENT

The following statement is made in accordance with the UK Corporate Governance Code (September 2014) (the "Code") 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 2019. 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 the Strategic Report and the key risks are summarised on pages 38 to 39 (Principal Risks and Uncertainties).

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 annual strategic forecasts and identifies divisional business performance, expected cash flows, net debt headroom and funding covenant compliance throughout the three years under review. These forecasts also incorporate severe but plausible downside case scenarios, illustrating the potential impact upon viability of one or more of the Group's principal risks crystallising during the period, both individually and in combination. As disclosed in the financial statements, Countryside recently entered into a new debt facility with its funding banks, which is available throughout the three-year period under review.

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

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

The sensitivity analysis is performed based on assumptions modelled on the 2007 to 2009 period, adjusted for changes in Countryside's business divisions, during which the housebuilding sector saw significant reductions in sales rates and average selling prices and illiquidity in the land market during a prolonged economic recession. It considers all of our principal risks, although our assumption that we will be able to effectively mitigate some of our risks leads to a greater emphasis on those risks that are beyond our control (such as external macroeconomic factors).

Having had due regard to the sensitivity analysis, the Directors have concluded that we do not face a risk to our viability except in the event of highly improbable combinations of material events within the three-year window.

Based on this conclusion, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of the assessment.

**Ian Sutcliffe**
**Group Chief Executive**
28 November 2016

# RISK MANAGEMENT
*CONTINUED*

## PRINCIPAL RISKS AND UNCERTAINTIES FACING THE GROUP

The Group's principal risks are monitored by the Risk Management Committee, the Audit Committee and the Board.

The table below sets out the Group's principal risks and uncertainties.

| Principal risks | Risk mitigation | Change over year |
|---|---|---|
| **Adverse macroeconomic conditions** | | |
| A decline in macroeconomic conditions, or conditions in the UK residential property market, can reduce the propensity to buy homes. Higher unemployment and/or interest rates affect consumer confidence and can 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 Housebuilding and Partnerships divisions. In Housebuilding, land is purchased based on planning prospects, forecast demand and market resilience. In Partnerships, contracts are phased and, where possible, subject to viability testing. In all cases, forward sales, cash flow and work in progress are carefully monitored to give the Group time to react to changing market conditions. | **Increase** 1 2 3 |
| **Adverse changes to Government policy and regulation** | | |
| Adverse changes to Government policy in areas such as tax, housing and the environment may result in increased costs and/or delays. The discontinuation of Government-backed purchase assistance programmes 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. | **No change** 1 2 |
| **Build cost inflation** | | |
| Build costs may increase beyond budget due to the reduced availability of skilled labour, increases in sub-contractor or material costs, errors, omissions or unforeseen technical conditions. | Use of standard house types is optimised and designed to maximise buying power. Use of strategic suppliers to leverage volume price reductions and minimise unforeseen disruption. Robust contract terms to control costs. | **No change** 2 |
| **Programme delay (including rising project complexity)** | | |
| Poor project forecasting, unforeseen operational delays due to technical issues, disputes with third party contractors or suppliers, bad weather or changes in purchaser requirements may cause delay or potentially termination of a project. | The budgeted programme for each site is approved by the divisional board before acquisition. Sites are managed as a portfolio to control overall Group delivery risk. Weekly monitoring at both divisional and Group level. | **No change** 1 2 |
| **Inability to source and develop suitable land** | | |
| Competition or poor planning may result in a failure to procure land in the right location, at the right price and at the right time. | A robust land appraisal process ensures each project is financially viable and consistent with the Group's strategy. | **No change** 1 2 |

**Our strategic priorities**

1 GROWTH 2 RETURNS 3 RESILIENCE

| Principal risks | Risk mitigation | Change over year |
|---|---|---|
| **Poor sales performance** | | |
| Poor forecasting of market demand, or inability to react quickly enough to changes in market demand, in terms of product, location, time and price will impact the Group's competitiveness and reduce sales or sales prices. | Market demand for design, product type and price is assessed for each potential site prior to acquisition. Forward sales are monitored closely to react to changing market conditions. | No change |
| **Product quality declines** | | |
| Failure to deliver high quality product and customer service may reduce sales, adversely affect the Group's brand and reputation and potentially lead to third party liabilities. | Standard house types and strategic suppliers are used to maximise maintenance of Group standards. Regular quality reviews are performed at each stage of construction. Customer surveys are conducted on handover of homes and results are analysed to improve product quality. | No change |
| **Inability to attract and retain talented employees** | | |
| Inability to attract and retain highly skilled, competent people 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. | No change |
| **Delays or refusals in planning** | | |
| Failure to secure timely planning permission on economically viable terms is critical to the value of the Group's land bank. | A planning and risk assessment is conducted prior to any land purchase. Strong relations are maintained with local communities, the local authority and planning officers to best understand underlying policy and planning prospects. | No change |
| **Inadequate health, safety and environmental procedures** | | |
| A deterioration in the Group's health, safety and environmental standards could put the Group's employees and 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. | No change 2 |

# COMMITTED TO GOOD GOVERNANCE

On behalf of the Board, I am very pleased to present Countryside's first Corporate Governance Report since listing on the London Stock Exchange on 17 February 2016.

**DEAR SHAREHOLDERS,**

Countryside is committed to the highest standards of corporate governance. We believe that strong governance is a necessary component for delivering long-term performance to our shareholders. This report sets out our approach to governance, and how our governance framework supports our wider strategy (which is set out in the Strategic Report on pages 12 and 13).

In 2016 our main areas of focus at Board level were: to ensure robust systems of corporate governance for a listed company were in place; to design a detailed succession plan, with the support of the Nomination Committee (see page 51); and to run a competitive tender for external auditors (see page 47).

In accordance with the Code, we have set out a review of our compliance with the Code in the Corporate Governance Report (see page 44), including an overview of the role and responsibilities of the Board, its Committees and the Executive Committee.

## PRINCIPAL AREAS OF BOARD FOCUS:

### November 2015

– Approval of 2015 year-end results

### February 2016

– Intention to float and pricing

### March 2016

– Housebuilding (Southern) site visits

> "I am delighted to confirm that no significant issues were raised and the view of the Board is that the governance structure, together with the Board and its Committees, all continue to operate effectively, with a positive and open culture."

**David Howell**
Chairman

## BOARD AND COMMITTEE EFFECTIVENESS

In 2016 a Board and Committee evaluation was carried out. Given it is the Group's first year since listing, the decision was made to conduct an internal review, led by me and assisted by the Company Secretary. I am delighted to confirm that no significant issues were raised and the view of the Board is that the governance structure, together with the Board and its Committees, all continue to operate effectively, with a positive and open culture. The review process is described in more detail on page 45.

I am satisfied that the Non-Executive Directors, all of whom are standing for re-election at the forthcoming Annual General Meeting, continue to be effective and show a high level of commitment to their roles.

## INDEPENDENCE OF DIRECTORS

The Board reviewed the independence of all Non-Executive Directors (excluding the Chairman) at the Board meeting on 26 July 2016 and determined that they all continue to be independent, with the exception of Federico Canciani and James van Steenkiste, who both hold the position of Managing Director at Oaktree Capital Management L.P., a substantial shareholder of the Company. The Board is satisfied that I, as Chairman, was independent upon appointment.

**David Howell**
Chairman
28 November 2016

## COMPLIANCE WITH THE CODE

From the date of admission to the premium list of the London Stock Exchange ("LSE"), Countryside has complied with all the provisions of the Code, save that, excluding the independent Non-Executive Chairman, the Board currently has only three Non-Executive Directors who it considers to be independent. This constitutes non-compliance with Code provision B.1.2, which recommends at least half the Board, excluding the Chairman, comprise Independent Non-Executive Directors. The Board believes that the current composition of the Board, comprising two Executive Directors and six Non-Executive Directors, brings to the Board a desirable range of skills and experience in light of the Company's challenges and opportunities following admission to the LSE, while at the same time ensuring that no individual (or small group of individuals) can dominate the Board's decision making.

Oaktree currently have two Non-Executive Directors appointed to the Board, neither of whom are independent. Oaktree's right to make such appointments are set out in the Relationship Agreement, as described on page 45. As and when Oaktree reduces its shareholding in Countryside, their right to make appointments shall reduce to one Director (below 25 per cent shareholding) or no Directors (below 10 per cent). Countryside shall be compliant with provision B.1.2 as soon as Oaktree has only one Director appointed to the Board.

### May 2016

- Housebuilding (Millgate) site visits
- Approval of half-year results
- Review of health and safety

### June 2016

- Review of Group strategy
- Succession planning

### July 2016

- Review of principal risks
- Selection of external auditors following competitive tender process
- Review of the impact of EU Referendum

### September 2016

- Partnerships (North) site visits
- Approval of 2017 budget

# OUR LEADERSHIP TEAM

Countryside operates through its Board of Directors with day-to-day operation conducted by the Executive Committee.

| | | | |
|---|---|---|---|
| **David Howell**<br>Non-Executive Chairman | **Ian Sutcliffe**<br>Group Chief Executive | **Rebecca Worthington**<br>Group Chief Financial Officer | **Richard Adam**<br>Senior Independent Non-Executive Director |
| **Appointment date** | | | |
| December 2015 | November 2015 | November 2015 | December 2015 |
| **Skills** | | | |
| David Howell joined the Group in April 2014 as a Non-Executive Director of Copthorn Holdings Limited and was appointed Non-Executive Chairman of that company in January 2015.<br><br>He is a chartered accountant with extensive experience working across a number of different industry sectors as either an executive or non-executive director. His last three executive roles were as Chairman of Western & Oriental plc, Chief Financial Officer and a member of the Board of lastminute.com plc and Group Finance Director of First Choice Holidays plc. He also was a Non-Executive Director of The Berkeley Group Holdings plc for over ten years where he chaired the Audit Committee until 2014. | Ian Sutcliffe joined the Group in October 2013 as Executive Chairman of Copthorn Holdings Limited and was appointed Group Chief Executive in January 2015.<br><br>He previously held a number of senior roles at Shell before being appointed UK Managing Director of George Wimpey and subsequently UK Chief Executive and a Board member of Taylor Wimpey. He followed this with a similar role at SEGRO, before becoming Chief Executive of Keepmoat Limited. | Rebecca Worthington joined the Group in August 2015 as Chief Financial Officer of Copthorn Holdings Limited.<br><br>She qualified as a chartered accountant with PricewaterhouseCoopers LLP in 1997. She subsequently worked at Quintain Estates and Development plc for 15 years, first as Finance Director and latterly as Deputy Chief Executive. Following that she spent two years as Chief Executive of Lodestone Capital Limited, a business advising on operational real estate assets.<br><br>Rebecca was a Non-Executive Director and Chairman of the Audit Committee of Aga Rangemaster Group plc until 23 September 2015. | Richard Adam joined the Group in April 2015 as a Non-Executive Director of Copthorn Holdings Limited.<br><br>He is a chartered accountant with nearly 30 years of experience as finance director of private and listed businesses having gained a wealth of experience from executive and non-executive roles spanning the media, infrastructure, construction and services sectors. He was previously Group Finance Director of Associated British Ports Holdings plc and a Non-Executive Director of SSL International plc, where he also served as Chairman of the Audit Committee. |
| **External appointments** | | | |
| | Ian is a Non-Executive Director of Ashtead Group plc. | Rebecca is a Non-Executive Director of Hansteen Holdings plc. | Richard is the Group Finance Director of FTSE 250 support services business Carillion plc and a Non-Executive Director and Chairman of the Audit and Risk Committee of Countrywide plc. |
| **Committee membership** | | | |
| – Remuneration Committee<br>– Nomination Committee (Chair) | – Executive Committee | – Executive Committee | – Remuneration Committee<br>– Nomination Committee<br>– Audit Committee (Chair) |

**Amanda Burton**
Independent Non-Executive Director

**Appointment date**

December 2015

**Skills**

Amanda Burton joined the Group in October 2014 as a Non-Executive Director of Copthorn Holdings Limited.

She joined Clifford Chance LLP in 2000 where she left in December 2014 as their 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 a Non-Executive Director of Monitise plc, HSS Hire Group plc and Skipton Building Society and Chairman and Trustee of Battersea Dogs and Cats Home.

**Committee membership**

- Remuneration Committee (Chair)
- Nomination Committee
- Audit Committee

**Federico Canciani**
Non-Executive Director

**Appointment date**

December 2015

**Skills**

Federico Canciani joined the Group in April 2013 as a Non-Executive Director of Copthorn Holdings Limited.

His prior experience includes corporate finance and mergers and acquisitions with Goldman Sachs International in London and private equity positions with Nomura Principle Finance Group and Terra Firma Capital Partners Limited. He received a Laurea Degree in Business Administration from the Universitá Commerciale Luigi Bocconi in Milan, Italy, in 1999.

**External appointments**

Federico is a Managing Director of Oaktree, having joined the firm in 2006 from Matlin Patterson Advisors (Europe) LLP. He is a Director of Breeze Midco (TNC) Limited and Breeze Bidco (TNC) Limited.

**Committee membership**

- Nomination Committee

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

**Appointment date**

December 2015

**Skills**

Baroness Morgan joined the Group in October 2014 as a Non-Executive Director of Copthorn Holdings Limited.

She 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 and was appointed Minister for Women and Equalities in 2001. She was made a life peer in the same year. She previously served as a Board member for the Olympic Delivery Authority, as Chairman of Ofsted and as a member of the advisory committee of Virgin Group Holdings Limited.

**External appointments**

Baroness Morgan is a Non-Executive Director of Dixons Carphone plc, an advisor to the board of the children's charity ARK, Vice Chairman of King's College, London, and a trustee of a number of charities.

**Committee membership**

- Remuneration Committee
- Nomination Committee
- Audit Committee

**James Van Steenkiste**
Non-Executive Director

**Appointment date**

December 2015

**Skills**

James Van Steenkiste joined the Group in April 2013 as a Non-Executive Director of Copthorn Holdings Limited.

He has previously worked for UBS Warburg LLC as an investment banking analyst, gaining experience in financings, restructurings, leveraged buy-outs, recapitalisations and mergers and acquisitions. He has also worked at Donaldson, Luftkin & Jenrette as an investment banking analyst. He received a BBA degree from the School of Business Administration at the University of Michigan.

**External appointments**

James is a Managing Director of Oaktree, having joined the firm in 2002. He is a Non-executive Director of Bavaria Yachtbau, Pegasus Life Limited, Silver Holdings AS, Saloro SL and Accord Bidco Limited.

# BOARD ROLE AND COMPOSITION

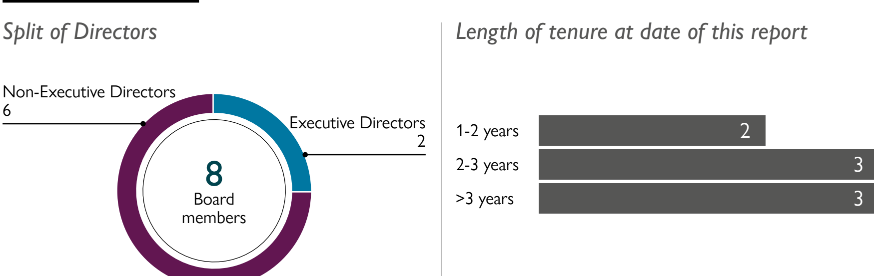
The Board is ultimately accountable and responsible for the performance and affairs of the Company. The Board is responsible for reviewing and guiding corporate strategy, the establishment of key policies and objectives, understanding the key risks faced by the Company and determining the risk tolerance of the Company and the processes in operation to mitigate these. The Board has overall responsibility for the management of the Company in order to maximise shareholder value. In discharging its responsibilities, the Board is supported by its management together with specialist Committees. In compliance with the Code, the Board has established three committees: an Audit Committee, a Nomination Committee and a Remuneration Committee. The terms of reference for each Committee were last approved by the Board on 25 October 2016.

Each Committee works from terms of reference which are reviewed annually and are available on the Company's website: **investors.countryside-properties.com**

These Committees have appropriately skilled members, senior management participation and access to specialist advice when considered necessary. The minutes of the Audit, Nomination and Remuneration Committee meetings are sent to all Directors and oral updates are given at Board meetings. The Audit Committee Report (which includes an overview of the Company's control and risk management framework) can be found on pages 47 to 50. Page 51 describes the remit and activities of the Nomination Committee. The activities of the Remuneration Committee are described in the Directors' Remuneration Report on page 52.

The Executive Committee comprises Ian Sutcliffe as Group Chief Executive, Rebecca Worthington as Group Chief Financial Officer, Richard Cherry as CEO of the Partnerships division, Graham Cherry as CEO of the Housebuilding division and David Simpson as Managing Director of Millgate. This Committee has over 100 years of combined housebuilding experience, giving it in-depth knowledge of the issues to consider when making decisions regarding operational and investment matters.

## COMPOSITION OF THE BOARD




## THE ROLE AND RESPONSIBILITIES OF THE BOARD AND ITS COMMITTEES

All Committees will meet not less than twice a year.

**The Board**
Board responsibilities and activity, reported on page 45

### 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 audit and external audit process
- Reviewing the Group's procedures for detecting and preventing fraud, bribery and the governance of anti-money laundering systems and controls

Report on page 47

### Nomination Committee

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

Report on page 51

### Remuneration Committee

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

Report on page 52

**Executive Committee**
See Countryside website: www.countryside-properties.com

### 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 such monitoring and assessment of the Group's internal control systems is being undertaken

### Health and Safety 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

### Environment Committee

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

## REVIEW OF BOARD EFFECTIVENESS

The 2016 Board and Committee evaluation process started with a written questionnaire for all Directors, followed by individual interviews during which Board members were invited to evaluate and comment on the operation of the Board and its Committees. The Chairman and the Company Secretary met to discuss the results of the process and a report was submitted to the Board setting out the principal issues raised and suggesting appropriate action points. The principal issues raised in the 2016 performance evaluation were discussed at the September 2016 Board meeting. Based on the feedback received, the Board concluded that the Board and its Committees continue to operate effectively. A list of specific actions was agreed to address the comments made by Directors, including the continued development of the Non-Executive Directors' detailed knowledge of the businesses operated by the Group through a programme of regular business reviews. During the 2016 evaluation process, the Non-Executive Directors (in the absence of the Chairman) met with Richard Adam, as Senior Independent Non-Executive Director, to review the performance of David Howell during 2016. Richard Adam later debriefed the Chairman. All Non-Executive Directors and the Chairman then met to evaluate the performance of the Group Chief Executive, Ian Sutcliffe. Finally, the Group Chief Executive joined the meeting to brief the Board on the performance of the Group Chief Financial Officer, Rebecca Worthington. The performance of the Non-Executive Directors during 2016 was reviewed by David Howell, taking into account the views of the other Directors.

## ADDITIONAL INFORMATION

Information on the impact on the Company as required by the Takeover Directive, and information required under the Disclosure and Transparency Rules, is given in the Directors' Report (see pages 70 to 72) and forms part of this Corporate Governance Report.

## THE BOARD

### Board composition

The Board consists of eight Directors, comprising a Non-Executive Chairman, two Executive Directors and five further Non-Executive Directors. Richard Adam is the Senior Independent Director. David Howell, our Chairman, and Richard Adam are available to shareholders who have concerns that cannot be addressed through the normal channels. For further information about communication between the Board and shareholders, please refer to communication with shareholders on page 46. The Board has recruited Non-Executive Directors of a high calibre with broad commercial and other relevant experience. Non-Executive Directors are expected to bring objectivity and independence of view to the Board's discussions, and to help provide the Board with effective leadership in relation to the Company's strategy, performance, management risk and people management as well as ensuring high standards of financial probity and corporate governance. Countryside believes that the Board has the appropriate balance of skills, experience, independence and knowledge of the Group to support the long-term success of the Company.

## BOARD AND COMMITTEE ATTENDANCE

The number of Board and Committee meetings attended by each Director during the 2016 financial year is as follows:

| | Board | Audit Committee | Remuneration Committee | Nomination Committee | Overall attendance |
|---|---|---|---|---|---|
| **Number of meetings held[1]** | **16** | **4** | **6** | **3** | |
| David Howell | 15/15[2] | — | 6/6 | 3/3 | 100% |
| Ian Sutcliffe | 16/16 | — | — | — | 100% |
| Rebecca Worthington | 15/16[3] | — | — | — | 94% |
| Richard Adam | 15/15[2] | 4/4 | 6/6 | 2/2[5] | 100% |
| Amanda Burton | 15/15[2] | 4/4 | 6/6 | 3/3 | 100% |
| Federico Canciani | 15/15[2] | — | — | 3/3 | 100% |
| Baroness Morgan | 15/15[2] | 4/4 | 6/6 | 3/3 | 100% |
| James Van Steenkiste | 11/15[4] | — | — | — | 73% |

1. The number of meetings held reflects the Board and Committee meetings of Copthorn Holdings Limited from 1 October 2015 to 17 December 2015 and the Board and Committee meetings of Countryside Properties PLC from 14 December 2015 to 30 September 2016.
2. For the Board meeting of Countryside Properties PLC on 14 December 2015 the only two Directors were Ian Sutcliffe and Rebecca Worthington.
3. Following her appointment in August 2015, Rebecca Worthington was unable to attend the Board meeting in October 2015 due to a prior business commitment.
4. James Van Steenkiste was unable to attend four meetings due to business commitments.
5. Richard Adam was appointed a member of the Nomination Committee after the meeting on 8 December 2015.

### Relationship Agreement with Oaktree

For so long as Oaktree qualifies as a "controlling shareholder" according to the Listing Rules (LR 6.1.4D), the Company is required to have in place a written and legally binding agreement which is intended to ensure that Oaktree complies with the independence provisions set out in LR 6.1.4D. Details of the Relationship Agreement entered into with Oaktree are set out in the Directors' Report on page 70.

Full details of the schedule of matters reserved for decision by the Board and the responsibilities delegated to the Board Committees can be found here: **investors.countryside-properties.com**

### Role and responsibilities of the Board

The Board is collectively responsible to shareholders for creating and sustaining shareholder value through the management of the Group's businesses, and for the long-term success of the Group. It sets the Group's strategic plan and budgets, monitors their implementation and, with the assistance of the Audit Committee, ensures that Executive Management maintains a system of internal operational, financial and regulatory controls that identify and manage appropriately the risks set out on pages 38 to 39.

### Summary of matters reserved for the Board

The Board has a formal schedule of matters reserved for its decision, which includes the approval of half-year and full-year financial statements, changes to the Group's capital structure and significant investments, contracts, acquisitions, mergers and disposals. These reserved matters were last reviewed by the Board on 25 November 2016. Other specific responsibilities are delegated to the Board Committees, which operate within clearly defined terms of reference.

### The roles of the Chairman and Group Chief Executive

The roles of the Chairman and the Chief Executive are clearly segregated and the division of responsibilities between them is set out in writing and was last agreed by the Board on 25 October 2016.

# CORPORATE GOVERNANCE REPORT
*CONTINUED*

## THE BOARD CONTINUED

### The roles of the Chairman and Group Chief Executive continued

The Chairman is responsible for leadership of the Board, and ensuring its effectiveness by facilitating debate and the contribution of Non-Executive Directors. Meeting agendas are set by collaboration between the Chairman, the Group Chief Executive and the Company Secretary. The Group Chief Executive is responsible for running Countryside's business and providing strategic leadership to the Group, in consultation with the Board.

### Directors' induction, training and development

Countryside has a structured induction programme for all newly appointed Non-Executive Directors which includes visits to the business divisions and their respective management teams in each of Countryside's business sectors and meetings with members of the Executive Committee. Newly appointed Directors have access to the Company Secretary's assistance both in orientation and guidance around the Countryside Group, in addition to the exposure gained at regular Board meetings.

All Directors receive ongoing updates on the Company's projects and activities and on legal and regulatory changes. In 2016 this included briefings on the requirements (and implementation) of the Modern Slavery Act, the Market Abuse Regime and compliance obligations of a listed company, and monitoring the Company's risk management framework.

Details of proxy voting by shareholders, including votes withheld, will be made available on request and will be placed on the Company's website following the AGM.
**www.countryside-properties.com**

Formal papers are circulated to the Directors before each Board meeting, which enable them to make an informed decision on the issues under consideration. In addition to formal Board meetings, during 2016 the Chairman maintained regular contact with the Group Chief Executive, the Group Chief Financial Officer and other members of Executive Committee 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 and during 2016 this was sought from time to time. 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, which cannot be resolved within the Board forum, such concerns may be reflected in the Board minutes. Minutes of each Board meeting are circulated by the Company Secretary following the meeting to allow such comments to be raised.

### Communications with shareholders

The Board places importance on communication with shareholders and gives them the opportunity to meet the Chairman and Directors as appropriate. Shareholders will continue to be given the opportunity to meet the Chairman and Directors in the coming 12 months. Arrangements can be made for major shareholders to meet with any newly appointed Directors. The Company's investor relations team organises an ongoing programme of dialogue and meetings between the Group Chief Executive and the Group Chief Financial Officer and institutional investors, fund managers and analysts. Brokers' reports and investors' feedback are circulated regularly to the Board, which discusses these and any other key matters relating to investors. In each case the Board, in conjunction with advisors where appropriate, determines the strategy to address significant issues raised.

The Company's Annual General Meeting ("AGM") on 26 January 2017 will provide a valuable opportunity for the Board to communicate with private investors. We encourage shareholders to attend the meeting and to ask questions of any of the Directors following the conclusion of the formal part of the meeting.

### 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 regarding any actual or potential interests that may conflict with those of Countryside, such as other directorships, and any other potential interests that each thinks may cause a conflict requiring prior Board authorisation on an annual basis. If the circumstances of any of these disclosed interests change, the relevant Director is required to 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 25 October 2016. 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 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 and its expiry, scope and any limitations imposed (as applicable).

### Tenure, election and re-appointment of Directors

All Non-Executive Directors, including the Chairman, have three-year appointments from 17 December 2015. All Non-Executive Director appointments may be terminated by either party upon three months' (or in the case of David Howell, six months') written notice, or by shareholder vote at an 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 can be found on page 63 of the 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. At its meeting on 25 October 2016, the Board agreed that all Directors will be put forward for election at the 2017 AGM. The Board believes that each of the Directors makes a valuable contribution to Countryside and supports their election in each case.

### INVESTOR ENGAGEMENT TIMELINE

The investor relations team, at the direction of the Board, has primary responsibility for managing the day-to-day communications with our investors and market analysts. This year, the team has supported the Chairman, the Group Chief Executive, the Group Chief Financial Officer and other members of the Board and senior management to conduct a series of shareholder briefings as follows:

- October 2015–January 2016: various pre-IPO education meetings and site visits to Acton, London;
- 26 January 2016–11 February 2016: the IPO management roadshow;
- May 2016: the half-year results roadshow;
- 10 June 2016: the City analyst education presentation;
- June 2016: presentation at Peel Hunt's "Building, Infrastructure and Support Services Conference";
- 6 September 2016: Numis hosted investors' lunch; and
- 13 September 2016: participation at JP Morgan's small/mid cap conference.

Various other individual meetings and site visits with investors were hosted by various Directors and senior managers.

# REPORT OF THE AUDIT COMMITTEE

**Committee Chairman**
Richard Adam

**Other members**
Amanda Burton
Sally Morgan

**Meetings held**
4

**Role and responsibilities of the Audit Committee:**

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

The Committee's terms of reference are available at: investors.countryside-properties.com

**Areas of focus in 2016**

Prior to the Company's flotation in February 2016, the Audit Committee's main focus was in reviewing the Group's financial policies and procedures in anticipation of the IPO. Since then, the additional areas of focus for the Audit Committee were to review the judgements and estimates relating to the Group's half-year results, consider various accounting and taxation matters, review the forecasts and sensitivity tests related to the Group's Viability Statement, overseeing the tender for the provision of external auditor services and review the Group's risk management framework and key internal controls.

## DEAR SHAREHOLDERS,

I am pleased to present Countryside's first report since flotation in February 2016 as Chairman of the Audit Committee. The Audit Committee's role is to protect the interests of shareholders by ensuring sound control of the Group, the integrity of published financial information and an effective audit process.

As required by the Code, and to ensure the Company receives the best audit service, we ran a competitive tender for the external audit during the year. The Audit Committee reviewed three high quality proposals from Ernst & Young, KPMG and PwC, deciding ultimately to recommend the re-appointment of PwC. This decision will be put to shareholders for approval at the AGM in January 2017.

During 2016 the Audit Committee focused on the financial policies and procedures of the Group prior to the IPO. Post IPO, the Audit Committee continued to focus on areas of key accounting judgement, particularly the valuation of inventory and shared equity, the presentation of non-underlying items and taxation matters and the recognition of gross profit. We have also worked on the identification and management of risks for the Group, and the work of the internal and external auditors in giving assurance over the Group's internal control environment. Further details about these activities can be found in the report overleaf.

**Richard Adam**
Chairman of the Audit Committee
28 November 2016

A PRINCIPAL ACTIVITY IN 2016 WAS THE MANAGEMENT OF THE COMPETITIVE TENDER PROCESS FOR THE GROUP'S EXTERNAL AUDITORS, THE RESULT OF WHICH WAS THE RE-APPOINTMENT OF PwC.

# REPORT OF THE AUDIT COMMITTEE
*CONTINUED*

## COMPOSITION

During 2016, the composition of the Audit Committee complied with the Code and comprised three Independent Non-Executive Directors: Richard Adam, Amanda Burton and Sally Morgan. The Board considers Richard Adam, the Chairman, to have recent and relevant financial experience working with financial and accounting matters. The Audit Committee maintains a formal agenda for each year to ensure compliance with the requirements of the Code, and met three times since 17 December 2015 when the Audit Committee for the Group parent was established in advance of the listing of Countryside Properties PLC.

Details of attendance at the Audit Committee meetings during the 2016 financial year are set out on page 49.

## INTERNAL CONTROLS

The Board, assisted by the Audit Committee, is responsible for regularly reviewing the operation and effectiveness of the Group's internal controls. The internal control system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, and not absolute, assurance against material errors, losses or fraud. The Board is also responsible for ensuring that appropriate systems are in place to enable it to identify, assess and manage key risks. The financial reporting process and control system (which includes the preparation of the consolidated financial statements) is monitored and maintained through the use of internal control frameworks which address key financial reporting risks, including risks arising from changes in the business or accounting standards. Effectiveness is assessed through self-certification and independent testing of the controls.

## WHISTLEBLOWING

The Group's whistleblowing policy is supported by an external helpline. All cases of whistleblowing are investigated by the Company Secretary and the results of any investigations are reported to the Audit Committee. The Committee is satisfied that the policy and its administration remain effective.

## RISK MANAGEMENT

The successful management of risk is critical to achieve Countryside's strategic objectives. The Board has delegated responsibility for reviewing and maintaining effective risk management systems and internal controls to the Audit Committee. Day-to-day management of the Group's risk management framework is conducted by the Risk Management Committee. Its membership and role are detailed on page 44. The Board reviews the Group risk register annually, with the last review occurring on 26 July 2016. In managing risk we analyse the nature and extent of risks and consider their likelihood and impact, both on an inherent and a residual basis, after taking account of mitigating controls. This allows us to determine how we should manage each risk in order to achieve our strategic objectives.

At the quarterly meetings of the Risk Management Committee, management discusses the key risks along with the mitigating action plans. Following sign off by the Executive Committee, the output of this review is presented to the Audit Committee. The Group's key risk management procedures have been in place throughout 2016 and up to the date of approval of this Annual Report.

## OVERVIEW OF RISK MANAGEMENT PROCESS

### Internal control

The Group's key internal control procedures include the following:

- Review of the Group's strategy and the performance of principal subsidiaries, through a comprehensive system of reporting based on variances to annual budgets, key performance indicators and regular forecasting.
- A quarterly business review for each business division. This covers financial performance, a detailed range of strategic risks, opportunities and KPI metrics which measure the overall performance of the business sector. This process also identifies the key operational issues and actions required to address any deficiencies.
- Well defined Group policies and processes, communicated through the Group Financial Reporting Procedures Manual and the intranet, and a defined process governing the approval of sales opportunities and capital expenditure.
- A defined organisational structure with appropriate delegation of authority across all levels of the organisation.
- Formal authorisation procedures for all investments with clear guidelines on appraisal techniques and success criteria.
- Formal authorisation procedures for all significant sales opportunities and bid management, with clear guidelines on success criteria and contracting practices.

The Audit Committee has, on behalf of the Board, conducted an annual review of the effectiveness of the Group's internal control systems for 2016 and the period prior to approval of this Annual Report. The Audit Committee reported its findings to the Board at the November 2016 Board meeting. It considered all material controls in accordance with the Turnbull guidance. Following this review no significant weaknesses or failings were identified and noted improvement areas are being addressed by management. The internal control environment will continue to be monitored and reviewed by the Board and the Audit Committee.

## FAIR, BALANCED AND UNDERSTANDABLE

At the request of the Board, the Audit Committee considered whether the 2016 Annual Report was fair, balanced and understandable and whether it provided the necessary information for the shareholders to assess the Group's performance, business model and strategy. The Audit Committee took into account its own knowledge of the Group, its strategy and performance in the year and comprehensive reviews undertaken at different levels in the Group to ensure consistency and overall balance. A similar detailed review undertaken by the senior management and the external auditors was also taken into account by the Audit Committee.

Prior to the publication of both the half and full-year results for the Group, the Audit Committee undertook a detailed assessment of the appropriateness of the adoption by the Group of the going concern basis in the preparation of the financial statements. For further information in respect of the going concern, please refer to the Directors' Report on page 72.

Shortly before publication of the full-year financial results for 2016, the Audit Committee undertook a detailed assessment of the Viability Statement and recommended to the Board that the Directors can believe that they 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 37 of the Strategic Report.

## INTERNAL AUDIT

The work performed by Deloitte, which performs the service of the Group's Internal Audit department, focuses on areas of greatest risk to the Group, including those matters identified through the risk management framework and any significant change projects occurring within the business. The objective of Internal Audit is to provide independent assurance to the Audit Committee over the financial, operational and compliance controls and to assist the Audit Committee in its assessment of the effectiveness of internal controls. Internal Audit reports directly to the Group Chief Financial Officer, but has the right to report to the Audit Committee Chairman independently of the Executive Directors. All significant Internal Audit reports are reviewed by the Executive Committee and the Audit Committee and all reports are made available to the external auditors. During the year the Audit Committee approved the internal audit plan, reviewed the findings from audits and monitored the follow-up of actions identified in audits.

## OVERSIGHT OF THE EXTERNAL AUDIT

PricewaterhouseCoopers LLP ("PwC") has been the auditor of the Company since its incorporation in November 2015 and of the Group for more than 20 years.

The Committee's oversight of the external auditor includes reviewing and approving the annual audit plan. In reviewing the plan, the Committee discusses and challenges the auditor's assessment of materiality and financial reporting risk areas most likely to give rise to material error.

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

## EXTERNAL AUDIT TENDER PROCESS

The Company confirms that it complied with the provisions of the Competition and Markets Authority's Order for the financial year under review.

In accordance with the requirements of the Audit Directive (2014/56/EU), the Audit Committee published a request for proposal to provide external audit and audit-related services to Countryside and its Group subsidiaries for the financial year commencing on 1 October 2016.

The applicant firms participating in the tender process were required to submit their written proposals against the following criteria:

- team competence and rapport;
- audit quality;
- transition planning;
- service approach;
- communication; and
- fees.

As Deloitte are engaged to provide internal audit services, they were excluded from the tender, with Ernst & Young, KPMG and PwC responding to the tender request following the public invitation posted on the Group's website.

The tender process involved a review of the Company's financial data (set up in a data room), visits to key sites in each business region and meetings with Executive Committee members, the Chairman, the Audit Committee Chairman and other senior management leading the finance, tax, treasury and legal functions. Each firm presented to a sub-committee of the Audit Committee consisting of the Audit Committee Chairman, the Chairman, the Group CFO and the Group Financial Controller. The sub-committee also reviewed the written proposals and feedback from all of the meetings described above. The sub-committee unanimously agreed to recommend the re-appointment of PwC as the Group's external auditors for the 2017 audit.

The sub-committee presented their recommendation to the Audit Committee meeting on 26 July 2016. Factors which the Audit Committee took into account when approving the proposal to re-appoint PwC included that the lead audit partner was very experienced and had worked with other companies in the sector, that the lead partner would be new to the Company following the rotation of the existing audit partner, and the depth and quality of PwC's proposed service, including communication and audit strategy.

The Board approved this recommendation at its meeting on 26 July 2016 and a resolution will be put to the 2017 AGM for approval by shareholders.

## COMMITTEE ATTENDANCE

The number of Audit Committee meetings attended by each member during the 2016 financial year is as follows:

| | Audit Committee | Overall attendance |
|---|---|---|
| **Number of meetings held**[1] | 4 | |
| Richard Adam | 4/4 | 100% |
| Amanda Burton | 4/4 | 100% |
| Baroness Morgan | 4/4 | 100% |

1. The number of meetings held reflects the Committee meetings of Copthorn Holdings Limited from 1 October 2015 to 17 December 2015 and the Committee meetings of Countryside Properties PLC from 17 December 2015 to 30 September 2016.

## NON-AUDIT SERVICES POLICY

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

The award of non-audit services to the Company's external auditors is subject to controls agreed by the Audit Committee to monitor and maintain the objectivity and independence of the external auditors. In order to comply with the Ethical Standard for Auditors, issued by the Financial Reporting Council on 17 June 2016, the Audit Committee considered, and approved, a revised policy for auditor independence and the provision of non-audit services at its meeting on 4 October 2016. The policy provides details of permitted, prohibited and audit-related services in accordance with the Ethical Standards and requires further Audit Committee approval when non-audit fees reach 70 per cent of the anticipated audit fees over the next three years, although this limit will not formally apply to the Group until 1 October 2019.

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

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| Fees payable to the Group's auditor and its associates for the audit of parent and consolidated financial statements | **139** | 82 |
| **Fees payable to the Group's auditor and its associates for other services:** | | |
| – Audit of subsidiary companies | **126** | 294 |
| – Audit of Joint ventures | **99** | 90 |
| – Audit related services | **47** | 20 |
| – Tax advisory services | **—** | 229 |
| – Other advisory services | **121** | — |
| – Audit related assurance and transaction services in relation to the IPO | **1,283** | 698 |
| | **1,815** | 1,413 |

## ANNUAL EVALUATION OF AUDIT COMMITTEE PERFORMANCE

As part of the overall Board evaluation process, the Audit Committee reviewed its effectiveness during 2016. This evaluation considered areas such as its composition, its effectiveness in reviewing the work of the internal and external auditors and the Group's internal control systems, the quality of reporting and the management of risk. No significant issues were raised and the Audit Committee concluded that it continues to operate effectively.

# REPORT OF THE AUDIT COMMITTEE
*CONTINUED*

## AREAS OF SIGNIFICANT JUDGEMENT CONSIDERED BY THE AUDIT COMMITTEE IN 2016

In addition to the IPO and non-underlying items, the Audit Committee considered the following matters in respect of the Group's financial statements, based upon its interaction with both management and the external auditors during the year.

| SIGNIFICANT MATTERS CONSIDERED | OUR RESPONSE TO THESE MATTERS |
|---|---|
| **Gross profit recognition**<br>As disclosed in Note 1 to the financial statements, gross profit is recognised as homes are sold based on a profit margin for the development taken as a whole. Calculating this margin includes forecasting revenue and costs for the development as well as allocating land and infrastructure costs on a pro-rata basis.<br>Profit recognition in relation to commercial land transactions can be subjective and dependent on contractual terms.<br>The accuracy of allocation is monitored at Board level via the monthly management accounts and quarterly forecasts, with any judgements being discussed with the Audit Committee. | The Audit Committee has reviewed and approved the Group's accounting policy in relation to profit recognition.<br>The external auditors regularly examine the allocation of revenue and costs as a routine part of the external audit and no significant issues have been identified in this regard. |
| **Carrying value of inventory**<br>Inventory is material to the Group's balance sheet and there is a risk that the carrying value will exceed its net realisable value, particularly in challenging market conditions.<br>Management regularly reviews the carrying value of all sites under development and other inventory such as undeveloped land. These reviews have regard to the latest cash flow forecasts for the relevant development or land parcel and comparable market valuations for land where applicable. | The Audit Committee considered management's review of the carrying value of inventory and the appropriateness of the level of provisions held.<br>The external auditors reported on this matter to the Audit Committee at the half-year review and again for the final audit.<br>The Audit Committee was satisfied that the carrying value of inventory is appropriate. |
| **Carrying value of shared equity loans**<br>The Group's shared equity loan portfolio is held at fair value as an available for sale financial asset. The fair value is calculated using a discounted cash flow forecast based on likely future redemptions and defaults, taking into account future house price inflation and discounted using an interest rate equivalent to a second charge mortgage.<br>Management reviews the carrying value regularly and takes into account third party evidence where available. | The Audit Committee reviewed the fair value methodology and the assumptions applied in determining the fair value of the shared equity portfolio and has agreed that the carrying value is appropriate.<br>The valuation methodology has also been audited by the external auditors. |
| **Viability Statement testing**<br>The Viability Statement testing performed by management was based on the latest available three-year forecast. To ensure that the financial position of the Group was robust, downside sensitivity testing was performed by applying a range of overlays including reduced sales rates and average selling prices, a reduction in land sales and reduced affordable housing sales. We also included operational inefficiency downsides including delays to the delivery of key sites and enhanced cost inflation.<br>Each of the above assumptions was based on management's assumption of a reasonable downside outcome. | The Audit Committee reviewed the assumptions applied by management in arriving at the conclusion on the Group's viability and agreed that they were reasonable. |

# REPORT OF THE NOMINATION COMMITTEE

**Committee Chairman**
David Howell

**Other members**
Amanda Burton
Sally Morgan
Federico Canciani
Richard Adam

**Meetings held**
3

**Role and responsibilities of the Nomination Committee:**

- Determining the structure, size and composition of the Board
- Making recommendations in relation to the re-election of Directors retiring by rotation
- Conducting performance evaluations of Directors

**Activity in 2016**

- Evaluating the balance of skills, knowledge and diversity of experience of the Board and, in light of such evaluation, preparing descriptions of the role and the capabilities required for any appointment
- Ensuring that plans are in place for orderly succession for appointments to the Board and senior management, to retain an appropriate balance of skills and experience within Countryside and on the Board

The Nomination Committee's terms of reference are located on Countryside's website at: investors.countryside-properties.com

**Areas of focus in 2016**
Following the Company's flotation in February 2016, the principal area of focus for the Committee has been reviewing succession planning and talent development.

## DEAR SHAREHOLDERS,

The report below describes the main responsibilities of the Nomination Committee and how it achieved these in 2016. I would like to draw your attention to what we achieved in 2016 and what we will focus on in 2017.

Following the Company's listing on the London Stock Exchange in February 2016, the Nomination Committee's main focus in 2016 was to monitor the functioning of the Board and to satisfy itself that the Board had the right balance of skills and experience to enable it to provide leadership and accountability. It was therefore pleasing to see that the feedback from the Board effectiveness evaluation process (which you can read about on page 45) provided confirmation that the Board, and the Board Committees, continue to operate effectively. The Board is responsible for succession generally, but the Nomination Committee will advise the Board on appropriate succession planning in the year ahead.

**David Howell**
Chairman of the Nomination Committee
28 November 2016

## REVIEW OF BOARD COMPOSITION

The Nomination 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 Nomination Committee also reviews the structure, size and membership of the Board itself, as well as Board Committees from time to time, to ensure an appropriate mix of experience and skills, as well as the orderly refreshing as required. During 2016, the composition of the Nomination Committee complied with the Code, comprising a majority of independent Non-Executive Directors.

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

The Nomination Committee meets at least once a year. During 2016 it met three times, to agree a succession plan strategy for the Directors and senior management, and to review the findings of the 2016 Board and Committee evaluation. The Nomination Committee also reviewed the composition of the Audit Committee and reviewed the Board diversity policy for submission to the Board.

While no new appointments were made during 2016, there is a rigorous and transparent procedure for appointments to the Board and its Committees, involving undertaking an assessment of the skills and capabilities required, drafting a description of the role, and carrying out an assessment of potential candidates, before making a recommendation to the Board.

## REPORT OF THE NOMINATION COMMITTEE *CONTINUED*

### ANNUAL EVALUATION OF NOMINATION COMMITTEE PERFORMANCE

As part of the overall Board evaluation process, the Nomination Committee reviewed its effectiveness during 2016. This evaluation considered areas such as adherence to its terms of reference and whether it was operating effectively to keep under review the leadership needs of the Company. No significant issues were raised and the Nomination Committee concluded that it continues to operate effectively.

Details of the Nomination Committee's meetings during the 2016 financial year are set out below.

### COMMITTEE ATTENDANCE

The number of Nomination Committee meetings attended by each member during the 2016 financial year is as follows:

| | Nomination Committee | Overall attendance |
|---|---|---|
| Number of meetings held[1] | 3 | |
| David Howell | 3/3 | 100% |
| Richard Adam | 2/2[2] | 100% |
| Amanda Burton | 3/3 | 100% |
| Federico Canciani | 3/3 | 100% |
| Baroness Morgan | 3/3 | 100% |

1. The number of meetings held reflects the Committee meetings of Copthorn Holdings Limited from 1 October 2015 to 17 December 2015 and the Committee meetings of Countryside Properties PLC from 17 December 2015 to 30 September 2016.
2. Richard Adam was appointed a member of the Nomination Committee after the meeting on 8 December 2015.

THE NOMINATION COMMITTEE'S FOCUS IN 2016 HAS BEEN SUCCESSION PLANNING AND TALENT DEVELOPMENT FOR THE SENIOR MANAGEMENT TEAM.

## DIRECTORS' REMUNERATION REPORT

# INTRODUCTION TO THE DIRECTORS' REMUNERATION REPORT

**Committee Chairman**
Amanda Burton

**Other members**
David Howell
Sally Morgan
Richard Adam

**Meetings held**
6

**Role and responsibilities of the Remuneration Committee:**

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

The Remuneration Committee's terms of reference are located on Countryside's website at: investors.countryside-properties.com

**Areas of focus in 2016**

The principal additional area of focus for the Committee during 2016 has been leading the competitive tender for the appointment of the Group's remuneration advisors, following the re-appointment of PwC as Group auditors. This necessitated replacing PwC as remuneration advisors. The Remuneration Committee received three competitive tenders, from which a recommendation to appoint New Bridge Street was made to the Board.

OUR POLICY AIMS TO ALIGN MANAGEMENT AND SHAREHOLDERS' INTERESTS AND TO ATTRACT AND RETAIN EXECUTIVES OF THE HIGHEST CALIBRE.

### DEAR SHAREHOLDERS,

On behalf of the Board I am pleased to present the first Directors' Remuneration Report of the Remuneration Committee ("Committee") following the IPO on 17 February 2016.

### THE WORK OF THE REMUNERATION COMMITTEE

The year ended 30 September 2016 was a major milestone in Countryside's history. In anticipation of the IPO, the Committee undertook a detailed review of the Company's remuneration policy. A key driver in the review was to determine an appropriate remuneration policy for a listed company whilst ensuring continued emphasis on those values which have been fundamental to the Company's success.

### COMMITTEE ATTENDANCE

The number of Remuneration Committee meetings attended by each member during the 2016 financial year is as follows:

| | Remuneration Committee | Overall attendance |
|---|---|---|
| Number of meetings held[1] | 6 | |
| David Howell | 6/6 | 100% |
| Richard Adam | 6/6 | 100% |
| Amanda Burton | 6/6 | 100% |
| Baroness Morgan | 6/6 | 100% |

1. The number of meetings held reflects the Committee meetings of Copthorn Holdings Limited from 1 October 2015 to 17 December 2015 and the Committee meetings of Countryside Properties PLC from 17 December 2015 to 30 September 2016.

## OBJECTIVES OF THE REMUNERATION POLICY

The Company's aim is to attract, retain and motivate the best talent to help ensure continued growth and success as it enters the next stage of its development. The proposed policy is designed to:

– align the interests of the Executive Directors, senior executives and employees with the long-term interests of shareholders and strategic objectives of the Company;

– support a high performance culture with appropriate reward for superior performance without creating incentives that will encourage excessive risk taking or unsustainable Company performance;

– enable the Company to recruit and retain individuals with the ability to lead the Group on its ambitious growth path; and

– ensure that our remuneration structures are transparent and easily understood.

## THE STRATEGIC CONTEXT

2016 has been a momentous year for Countryside, seeing its return to the London Stock Exchange in an IPO in February 2016. The Group has continued to perform strongly during the year, delivering a 12 per cent increase in completions together with a 34 per cent increase in adjusted operating profit to £122.5m (2015: £91.2m) and a 210bps increase in return on capital employed to 26.8 per cent (2015: 24.7 per cent). The Group remains firmly on track to deliver its medium-term growth targets.

The Group's remuneration policy reflects a desire to attract and retain high calibre talent to enable the Group to achieve its growth plans, whilst rewarding management in a way which ensures the alignment of interests with the Group's shareholders.

## KEY PAY OUTCOMES DURING 2015/16

The post-IPO remuneration arrangements for Executive Directors were agreed during the review detailed above and consist of:

– salaries set at a broadly mid-market rate, taking into consideration experience and performance;

– competitive pension and benefits provision;

– an annual bonus plan with deferral of a proportion in shares;

– a performance share plan with the ability to impose a two-year post-vesting holding period;

– the opportunity to participate in all-employee share plans; and

– share ownership guidelines.

Countryside has had an incredibly successful year, reflected in the Group's strong growth in completions, adjusted operating profit and return on capital employed. As a result of this strong performance, 100 per cent of the maximum annual bonus has been awarded to the Executive Directors.

### HOW DID WE PERFORM IN 2015/16?

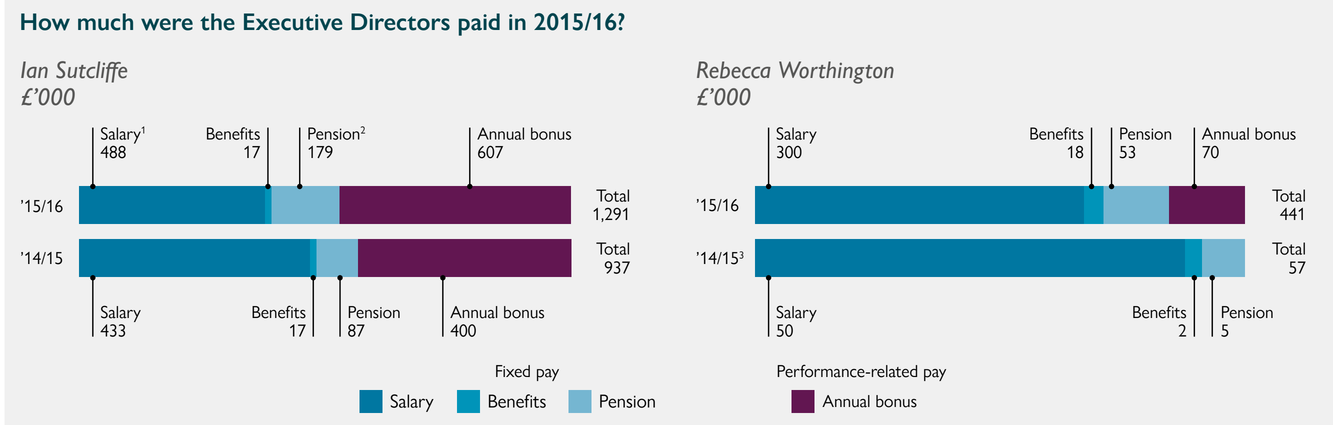
Our performance against our key performance indicators is set out in the Strategic Report on pages 14 to 17.

| | | **2015/16 pay-out** | 2014/15 pay-out |
|---|---|---|---|
| **Annual bonus** | Adjusted operating profit target | **60%** | 100% |
| | Adjusted operating margin target | **20%** | — |
| | Personal performance | **20%** | — |

Full details of the targets and performance against them are provided in the Annual Report on Remuneration (see page 63).

The first Long Term Incentive Plan ("LTIP") awards were granted in February 2016, subject to performance against stretching targets, being relative total shareholder return ("TSR"), return on capital employed ("ROCE") and tangible net asset value ("TNAV").

# DIRECTORS' REMUNERATION REPORT
*CONTINUED*




1. The amounts disclosed in this table relate to the cash received during the financial years presented. The amount charged to the consolidated statement of comprehensive income is shown in the single figure of remuneration table on page 63.
2. The annual bonus payment in respect of the 2014/15 financial year was paid in 2015/16 and attracted a pension salary supplement of 12 per cent, the rate applicable to that financial year.
3. From date of appointment on 1 August 2015.

## REMUNERATION POLICY FOR 2016/17

### Summary of remuneration policy

| Element | Policy summary |
|---|---|
| Base salary | Base salaries will be set based on the market value of the role and the experience and performance of the individual. |
| Pension | The Company will provide either contributions to the Company defined contribution pension scheme or a pension salary supplement. |
| Annual bonus | A maximum award of 150 per cent of salary.<br>The annual bonus is paid annually and is dependent on achievement of financial and other strategic performance metrics over the financial year.<br>Two-thirds of amounts earned are paid in cash, with one-third deferred as shares for a period of three years. |
| Long Term Incentive Plan ("LTIP") | A maximum award of 200 per cent of salary.<br>LTIP awards will vest subject to stretching targets which may include relative TSR, ROCE and TNAV.<br>The Committee has discretion to introduce a post-vest holding period and whilst it is not anticipated that this will be used in the first or second years following IPO, the Committee reserves the right to exercise discretion in future years. |

The Committee reviewed the salaries of the Executive Directors in September 2016 and awarded salary increases of 3 per cent with effect from 1 October 2016, in line with the wider employee base. In addition, Executive Directors will be awarded the maximum bonus opportunity of 150 per cent and LTIP of 200 per cent of base salary. The structure of the annual bonus and LTIP will remain unchanged in 2017. The annual bonus targets will be based on adjusted operating profit, Group return on capital employed and personal performance. LTIP targets will continue to be based on return on capital employed, tangible net asset value and relative total shareholder return.

## CONCLUSION

The Committee recognises the importance of developing a close relationship with shareholders in facilitating the work of the Committee in developing the remuneration policy. In September 2016, we communicated the terms of the remuneration policy to our major shareholders in order to obtain their comments. We will continue to ensure that our remuneration policy is both aligned with shareholders' interests, and attracts and retains executives of the required calibre to ensure the Company's continued success. On behalf of the Committee, I welcome your feedback and ask for your support at the forthcoming Annual General Meeting.

**Amanda Burton**
**Chairman of the Remuneration Committee**
28 November 2016

# REMUNERATION POLICY REPORT

## SUMMARY OF REMUNERATION FOR 2015/16 – ALIGNMENT BETWEEN PERFORMANCE AND PAY

In 2016, the meetings of the Committee covered the following key areas:

- benchmarking of senior management remuneration;
- consideration and approval of the 2016 LTIP and 2016 Save As You Earn ("SAYE") plan;
- determination of LTIP recipients, grant level and targets;
- determination of bonus targets and awards;
- determination of annual salary increases for the Group; and
- consideration of structures and measures for the 2016/17 annual bonus.

## OVERVIEW OF REMUNERATION POLICY

The Company's remuneration policy was reviewed fully prior to listing, in accordance with current regulation and guidance, in order to ensure the remuneration policy in place was appropriate for a listed company.

The Company's aim is to attract, retain and motivate the best talent to help drive continued growth and success as it enters the next stage of its development operating as a listed company.

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

## DIRECTORS' REMUNERATION POLICY

The following table summarises the key components of the Executive Director and Non-Executive Director remuneration arrangements, which will form part of the remuneration policy subject to formal approval by shareholders at the first AGM of the Company following Admission in accordance with the regulations set out in the Large and Medium-sized Companies and Groups (Accounts and Report) (Amendment) Regulations 2013. It is intended that this policy will apply for three years from that date, and that it will continue to be operated for the period from admission to that meeting.

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

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

### EXECUTIVE DIRECTORS

| Objective and link to strategy | Operation | Maximum opportunity | Performance measures and assessment |
|---|---|---|---|
| **Base salary** | | | |
| Recognises the market value of an Executive Director's role, skill, responsibilities, performance and experience. | Salaries are normally reviewed annually, with any changes effective as of 1 October each year.<br>Current salaries, effective from 1 October 2016, are as follows:<br>Chief Executive: £515,000<br>Group Chief Financial Officer: £309,000<br>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. | There is no formal maximum salary other than where there is a change of role or responsibility and increases will normally be only for inflation and/or in line with the wider workforce. | Not applicable. |
| **Other benefits** | | | |
| Provides a market-competitive package. | Reviewed periodically to ensure benefits remain market competitive.<br>The main benefits currently provided include:<br>– car or car allowance;<br>– life, personal accident, disability and health insurance;<br>– Directors' and officers' insurance; and<br>– other benefits, including flexible benefits, as provided from time to time, for example where a Director relocates.<br>Executive Directors are eligible for other benefits which are introduced for the wider workforce on broadly similar terms.<br>In addition, reasonable business expenses and any tax thereon may be reimbursed by the Company. | Benefit values vary year on year depending on premiums and the maximum potential value is the cost of the provision of these benefits. | Not applicable. |

## DIRECTORS' REMUNERATION POLICY CONTINUED

### EXECUTIVE DIRECTORS CONTINUED

| Objective and link to strategy | Operation | Maximum opportunity | Performance measures and assessment |
|---|---|---|---|
| **Annual bonus scheme** | | | |
| The annual bonus is designed to incentivise the Executive Directors to deliver against goals linked to the Company's strategy.<br>Long-term alignment with shareholder interests is ensured through the deferral element. | Bonus awards will be granted annually.<br>The performance period is one financial year with pay-outs determined by the Committee following the year end, based on achievement against a range of performance targets.<br>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). Bonuses relating entirely to periods prior to admission will not be subject to deferral.<br>Malus and clawback arrangements will apply to annual bonus awards enabling the reduction in vesting or recovery of amounts paid in certain circumstances. | Maximum opportunity: 150 per cent of salary.<br>Participants may be entitled to dividends or dividend equivalents on the deferred shares representing the value of dividends paid during the deferral period. | Performance targets will be set by the Committee annually based on a range of financial and strategic measures selected to reflect the in-year goals of the business and its longer-term strategy and KPIs. At least 50 per cent of the bonus will be based on financial measures in any year.<br>Targets are normally set on a sliding scale, with no more than 25 per cent of the maximum typically payable at threshold performance and 50 per cent of the maximum typically payable for on-target performance. |
| **Long Term Incentive Plan ("LTIP")** | | | |
| The LTIP is designed to incentivise Executive Directors to successfully deliver the Company's objectives over the longer term and to create alignment with investors over this period. | Awards of shares that vest three years from the date of grant subject to achievement against performance measures, measured over a three-year period. Awards are subject to malus and clawback provisions enabling the reduction in vesting or recovery of amounts paid in certain circumstances.<br>The Committee retains the flexibility to incorporate a two-year post-vest holding period as part of the LTIP in which Executive Directors will not be permitted to sell vested shares. This would take the total period from grant to release of LTIP shares to five years. The Committee does not anticipate operating this period in the first or second cycle of awards under the plan. | The maximum LTIP award level is 200 per cent of base salary.<br>Participants may at the Committee's discretion receive dividends or dividend equivalents representing the value of dividends paid during the performance period on LTIP awards. | LTIP performance will be assessed against a mix of metrics that will include a balance between financial and shareholder metrics. For the awards granted on IPO and 2017 awards these are:<br>– TSR measured against a broad-based comparator group;<br>– TNAV; and<br>– ROCE.<br>Targets are set on a sliding scale with no more than 25 per cent of each element vesting at threshold performance. The Committee will review and set weightings for measures and appropriate targets before each grant.<br>The Committee may change the balance of the measures, or use different measures for subsequent awards as appropriate. |

## DIRECTORS' REMUNERATION POLICY CONTINUED

### EXECUTIVE DIRECTORS CONTINUED

| Objective and link to strategy | Operation | Maximum opportunity | Performance measures and assessment |
|---|---|---|---|
| **Pension** | | | |
| To aid retention and to provide competitive levels of retirement benefit. | Pension contributions will be made into the Company's defined contribution scheme.<br>Alternatively, a participant may receive a cash allowance in lieu of pension (typically in the scenario where they have reached the lifetime allowance for pension tax relief set by HMRC). | The maximum contribution or equivalent allowance of up to 25 per cent of base salary for the Chief Executive and 17.5 per cent for the CFO. | Not applicable. |
| **Save As You Earn plan ("SAYE")** | | | |
| The purpose of this plan is to encourage all employees to become shareholders in the Company and thereby align their interests with shareholders. | Executive Directors are able to participate in HMRC-approved savings-based share plans available to all employees of the Company.<br>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 participation levels will be set based on the applicable limits set by HMRC from time to time. | Not applicable. |
| **Shareholding guidelines** | | | |
| To align Executive Directors' interests with those of our long-term shareholders and other stakeholders. | Executive Directors are expected to build a holding in the Company's shares to a minimum value of two times their base salary. | Not applicable. | 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.

### Performance measures and targets

The short and long-term incentive plans have a number of different financial performance measures aligned to the performance of the Company. Targets will be set with reference to prior year performance, budget and brokers' forecasts (and other external market expectations). Performance targets will be set so as to be achievable but representing stretching performance for the business.

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

LTIP metrics are determined at the time of grant. Performance measures for the initial awards were selected to support the Company's long-term strategy. Future metrics will align our long-term goal of value creation for shareholders through strong underlying financial growth. The metrics for the first awards were relative TSR, TNAV and ROCE. It is intended that the targets for the 2017 LTIP awards will be based on the same metrics.

### Discretion

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

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

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

## NON-EXECUTIVE DIRECTOR REMUNERATION POLICY

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

| Objective and link to strategy | Operation | Maximum potential value |
|---|---|---|
| **Fees** | | |
| Core element of remuneration, 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.<br>Non-Executive Directors are paid a base fee and additional fees for chairmanship of Committees and the role of Senior Independent Director. In exceptional circumstances, fees may also be paid for additional time spent on the Company's business outside of normal duties. | Fees are reviewed each year, with any increases normally effective from 1 October.<br>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).<br>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.<br>The Company will pay reasonable expenses incurred by the Chairman and Non-Executive Directors. The Company may also provide limited hospitality and selected benefits and settle any tax thereon provided that this is in connection with the performance of their role. |

## APPROACH TO RECRUITMENT REMUNERATION

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

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

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

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

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

# DIRECTORS' REMUNERATION REPORT
*CONTINUED*

## SERVICE AGREEMENTS AND COMPENSATION FOR LOSS OF OFFICE

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

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

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

The Committee reserves the right to make additional payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement or compromise of any claim arising in connection with the termination of an Executive Director's office or employment and may provide assistance with outplacement costs.

The table below sets out, for each element of total remuneration, the Company's policy on payment for loss of office in respect of Executive Directors and any discretion available to the Committee. Broadly, treatment will depend on the circumstances of departure and in particular whether a leaver is a "good leaver". For a "good leaver" the following will normally apply:

| Remuneration element | Treatment on cessation |
|---|---|
| **Salary, benefits and pension** | Received for the notice period or payment in lieu of notice. Statutory redundancy payments as appropriate. |
| **Annual bonus** | No entitlement to a bonus; however, a pro-rata bonus may be paid following the end of the financial year in which they leave. |
| **Deferred bonus** | Vesting of deferred bonus shares on cessation. |
| **LTIP** | The rules of the LTIP set out the treatment of good leavers. In summary, awards will normally vest on the normal vesting date and be subject to pro-rating, although the Committee has discretion to allow awards to vest on cessation and to waive pro-rating where it feels it is appropriate to do so. |

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

## CHANGE OF CONTROL

On a change of control of the Group, the following provisions would apply to Executive Directors:

| Remuneration element | Treatment on change of control |
|---|---|
| **Salary, benefits and pension** | Received for the notice period or payment in lieu of notice if notice is given. Statutory redundancy payments as appropriate. |
| **Annual bonus** | No entitlement to a bonus; however, a pro-rata bonus may be paid following the end of the financial year in which they leave. |
| **Deferred bonus** | Vesting of deferred bonus shares. |
| **LTIP** | The rules of the LTIP set out the treatment on a change of control. However, in summary, awards will normally vest at the date of change of control and normally be subject to pro-rating, although the Committee has discretion to waive pro-rating where it feels it is appropriate to do so. |

## DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Executive Directors also receive life assurance, private health insurance and car allowances. Both Executive Directors will offer themselves for re-election at the first Annual General Meeting following the Initial Public Offering in January 2017.

### Executive Directors

| | Date of current contract | Payment in lieu of notice | Pension | Restrictive covenants | Notice (Executive/Company) |
|---|---|---|---|---|---|
| Ian Sutcliffe | 29 January 2016 | 12 months' salary and benefits | 25% of salary and only as a cash allowance | Non-compete (6 months) Non-poaching (12 months) Non-solicit (12 months) | 12 months/ 12 months |
| Rebecca Worthington | 29 January 2016 | 12 months' salary and benefits | 17.5% of salary and only as a pension contribution | Non-compete (6 months) Non-poaching (12 months) Non-solicit (12 months) | 12 months/ 12 months |

### Non-Executive Directors

| | Date of appointment to the Board | Date of current letter of appointment | Unexpired term of appointment |
|---|---|---|---|
| David Howell | 14 December 2015 | 14 December 2015 | 2 years, 1 month |
| Richard Adam | 17 December 2015 | 17 December 2015 | 2 years, 1 month |
| Amanda Burton | 17 December 2015 | 17 December 2015 | 2 years, 1 month |
| Baroness Sally Morgan | 17 December 2015 | 17 December 2015 | 2 years, 1 month |
| Federico Canciani | 17 December 2015 | 17 December 2015 | 2 years, 1 month |
| James Van Steenkiste | 17 December 2015 | 17 December 2015 | 2 years, 1 month |

The Non-Executive Directors are entitled to claim out of pocket expenses incurred in the performance of their duties and payment in lieu of notice where notice is served. They are not entitled to participate in the Company's share, bonus or pension schemes. The notice period for Non-Executive Directors is three months, save in the case of the Chairman whose notice period is six months.

## STATEMENT OF CONSIDERATION OF EMPLOYMENT CONDITIONS ELSEWHERE IN THE GROUP

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

## DIFFERENCES IN REMUNERATION POLICY BETWEEN EXECUTIVE DIRECTORS AND OTHER EMPLOYEES

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

## POLICY IN RESPECT OF EXTERNAL BOARD APPOINTMENTS FOR EXECUTIVE DIRECTORS

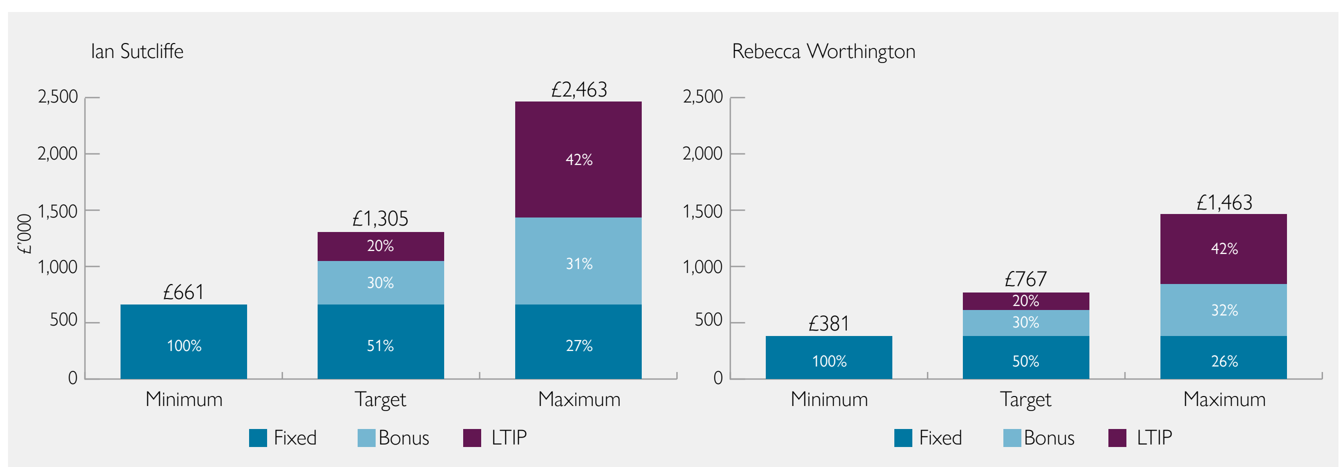
It is recognised that external non-executive directorships may be beneficial for both the Company and the Executive Director concerned. At the discretion of the Board, Executive Directors are permitted to retain fees received in respect of any such non-executive directorship.

## STATEMENT OF CONSIDERATION OF SHAREHOLDER VIEWS

The Committee is committed to maintaining a dialogue with our shareholders and we welcome their feedback. Any feedback received will be considered as part of the Committee's annual review of remuneration policy. Dialogue with prospective shareholders in the lead-up to the Group's IPO was an intrinsic part of its success and underpinned our remuneration policy. The share incentive and bonus schemes were designed with simplicity and shareholder preference in mind, and we received no adverse comment from shareholders about our proposed plans/schemes. We have continued our dialogue with shareholders during the year and have had no adverse comments from shareholders about our policy or remuneration payments.

# DIRECTORS' REMUNERATION REPORT
*CONTINUED*

## APPLICATION OF REMUNERATION POLICY




The assumptions noted for "on-target" performance in the graph above are provided for illustration purposes only:

Minimum: fixed pay only (salary + benefits + pension).

Target: fixed pay + 50 per cent pay-out of the annual bonus entitlement (75 per cent of salary) + 25 per cent vesting of the LTIP (50 per cent of salary).

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

– Salary levels are based on those as at 1 October 2016.
– The value of benefits is that disclosed in the single figure for 2015/16.
– Pension is 25 per cent of salary (excluding bonus) for Ian Sutcliffe and 17.5 per cent of salary (excluding bonus) for Rebecca Worthington.
– Amounts have been rounded to the nearest £1,000 and for simplicity the value of SAYE, in which all employees may participate on the same terms, is excluded.
– No account has been taken of share price growth or dividends on share awards.

# ANNUAL REPORT ON REMUNERATION

## SINGLE TOTAL FIGURE OF REMUNERATION (AUDITED)

The table below sets out a single remuneration figure for Executive and Non-Executive Directors for all qualifying services for the year ended 30 September 2016:

| | | Salary/fees £'000 | Benefits[1] £'000 | Pension £'000 | Annual bonus[2] £'000 | Long-term incentives £'000 | Total £'000 |
|---|---|---|---|---|---|---|---|
| **Executive Directors** | | | | | | | |
| Ian Sutcliffe[4] | **2016** | **488** | **17** | **179** | **731** | **—** | **1,415** |
| | 2015 | 433 | 17 | 87 | 607 | — | 1,144 |
| Rebecca Worthington[3,4] | **2016** | **300** | **18** | **53** | **450** | **—** | **821** |
| | 2015 | 50 | 2 | 5 | 70 | — | 127 |
| **Non-Executive Directors** | | | | | | | |
| David Howell | **2016** | **135** | **—** | **—** | **—** | **—** | **135** |
| | 2015 | 79 | — | — | — | — | 79 |
| Richard Adam | **2016** | **52** | **—** | **—** | **—** | **—** | **52** |
| | 2015 | 22 | — | — | — | — | 22 |
| Amanda Burton | **2016** | **49** | **—** | **—** | **—** | **—** | **49** |
| | 2015 | 45 | — | — | — | — | 45 |
| Baroness Sally Morgan | **2016** | **45** | **—** | **—** | **—** | **—** | **45** |
| | 2015 | 45 | — | — | — | — | 45 |
| Federico Canciani | **2016** | **—** | **—** | **—** | **—** | **—** | **—** |
| | 2015 | — | — | — | — | — | — |
| James Van Steenkiste | **2016** | **—** | **—** | **—** | **—** | **—** | **—** |
| | 2015 | — | — | — | — | — | — |

1. Benefits include both cash and non-cash benefits, which are valued at their taxable amount. For Ian Sutcliffe this includes a car allowance (£1,325 per month) and private medical insurance (£1,390 per annum). For Rebecca Worthington this includes a car allowance (£1,325 per month) and private medical insurance (£1,738 per annum).
2. The annual bonus relates to performance during the financial year and the cash element is paid in December in the following financial year.
3. Rebecca Worthington joined the Company in August 2015. Remuneration reflected in the table above in relation to 2015 reflects the remuneration received in the period from appointment to 30 September 2015.
4. The Executive Directors are entitled to retain fees earned from non-executive appointments outside the Company. Ian Sutcliffe served as a Non-Executive Director of Ashtead Group plc during the year and received £60,000 for his services (2015: £59,000). Rebecca Worthington served as a Non-Executive Director of Aga Rangemaster Group plc and Hansteen Holdings plc and received £50,060 for her services.

Further details of each element of the Executive Directors' remuneration package are set out on pages 55 to 57.

## ANNUAL BONUS TARGETS AND OUTCOMES (AUDITED)

The table below sets out the 2015/16 bonus targets and outcomes relating to the annual bonus figures shown in the single figure in the table above. The Committee was satisfied that these payments fairly reflected Group performance in the year.

The annual bonus targets were set to focus management on the growth of the business in line with our strategy and on improving operational efficiency to increase operating margins.

| | Performance required | | | | |
|---|---|---|---|---|---|
| **2015/16 measure** | Threshold | Target | Maximum | Achieved | Pay-out level (maximum payout for measure) |
| Adjusted operating profit (60% weighting) | £109m | £115m | £121m | £122.5m | 60% |
| Adjusted operating margin (20% weighting) | 14.5% | 15.0% | 15.5% | 15.8% | 20% |
| Personal performance (20% weighting) | Partly achieved | Achieved | Fully met | Fully met | 20% |

## ANNUAL BONUS TARGETS AND OUTCOMES (AUDITED) CONTINUED

During 2016 the Board took the strategic decision to rephase a number of sites, which included sites that are now to be built out, rather than sold. This had the effect of deferring £5m of profit in relation to those sites from 2016 to 2017. The Board believed that this change was in the best interests of shareholders and, accordingly, the Remuneration Committee decided to adjust the threshold, target and maximum bonus targets downwards by £5m for the year. The Committee further decided that an equivalent upward adjustment should be made in the 2017 bonus scheme. The Board believes that the revised targets are no less challenging than the original targets.

The personal performance targets and out-turn for each Director are summarised in the table below:

| | Weighting | Performance against target | Outcome | Pay-out level (percentage of maximum payout for measure) |
|---|---|---|---|---|
| **Ian Sutcliffe** | | | | |
| To deliver a successful IPO | 33% | The IPO was smoothly delivered, on time and with good take-up of the offering against a challenging market backdrop | Fully met | 33% |
| To manage external stakeholders effectively for the benefit of the Group | 33% | Relationships with shareholders and others were built, maintained and further developed in accordance with the Group Board's agreed strategy | Fully met | 33% |
| To develop and implement a talent management and succession plan for key positions in the Group | 33% | A comprehensive plan was developed for all senior Group executive positions which was approved by the Nomination Committee | Fully met | 33% |

| | Weighting | Performance against target | Outcome | Pay-out level (percentage of maximum pay-out for measure) |
|---|---|---|---|---|
| **Rebecca Worthington** | | | | |
| To deliver a successful IPO | 33% | The IPO was smoothly delivered, on time and with good take-up of the offering against a challenging market backdrop | Fully met | 33% |
| To perform a review of the Group's key systems and processes | 33% | A detailed plan was developed which was ready for implementation ahead of plan | Fully met | 33% |
| To develop and implement a talent management and succession plan for key positions in the finance function | 33% | All key roles have been successfully recruited during the year and a robust succession plan has been developed | Fully met | 33% |

## ANNUAL BONUS TARGETS AND OUTCOMES (AUDITED) CONTINUED

Bonus payments vest in a straight line between threshold and maximum. No bonus is paid if performance falls below the threshold adjusting operating profit measure. For Executive Directors and certain members of the Group Operational Board, one-third of bonus payments are deferred in shares which vest after three years. The deferred shares have no performance conditions, but the individual must remain employed by the Group. There was no award under the Deferred Bonus Plan during the year.

The breakdown of the cash and deferred elements of the annual bonus is set out in the table below:

| | Total | | To be paid in cash | | To be deferred in shares | |
|---|---|---|---|---|---|---|
| | £ | % of salary | £ | % of bonus | £ | % of bonus |
| Ian Sutcliffe | 731,096 | 150 | 487,397 | 67 | 243,699 | 33 |
| Rebecca Worthington | 450,000 | 150 | 300,000 | 67 | 150,000 | 33 |

## SHARE SCHEME INTERESTS AWARDED DURING THE YEAR (AUDITED)

The Executive Directors were invited to participate in the Company's SAYE scheme at an exercise price of £1.92, a 20 per cent discount to the market price on grant. As discussed above, the Directors will participate in a Deferred Bonus Plan where a portion of the annual bonus will be deferred in shares.

The table below summarises the awards granted to each Director during the year ended 30 September 2016.

| | Scheme | Date of grant | Granted | Number outstanding at 30 September 2016 |
|---|---|---|---|---|
| Ian Sutcliffe | SAYE | 16 March 2016 | 7,500 | 7,500 |
| Rebecca Worthington | SAYE | 16 March 2016 | 7,500 | 7,500 |

The Executive Directors were invited to participate in the Company's Long Term Incentive Plan ("LTIP") in line with our remuneration policy and an award equivalent to 200 per cent of salary was made to each Director. The table below sets out further details of the Executive Directors' participation in the LTIP:

There is no minimum value guaranteed on vesting.

| | Date of grant | Award | Type | No. of shares | Value of the award[1] | % of salary | Performance conditions | Performance period |
|---|---|---|---|---|---|---|---|---|
| Ian Sutcliffe | 18 February 2016 | Performance | Nil cost | 416,667 | £1,000,000 | 200 | 35% target ROCE[2]<br>35% target TNAV[3]<br>30% relative TSR[4] | Three years ending 30 September 2018 |
| Rebecca Worthington | 18 February 2016 | Performance | Nil cost | 250,000 | £600,000 | 200 | 35% target ROCE<br>35% target TNAV<br>30% relative TSR[4] | Three years ending 30 September 2018 |

1. Calculated based on a closing mid-market share price of 240 pence per share on 17 February 2016.
2. Return on capital employed.
3. Tangible net asset value.
4. Relative total shareholder return compared to a comparator group comprised of the FTSE 250 index, excluding investment trusts.

## VESTING CRITERIA FOR THE 2015/16 LTIP AWARDS

The vesting criteria for LTIP awards made in the year ended 30 September 2016 are set out below:

| Performance condition | Threshold (25% vesting) | Target (50% vesting) | Maximum (100% vesting) |
|---|---|---|---|
| **ROCE**: Return on capital employed achieved in the year ending 30 September 2018 | 27.0% | 28.0% | 29.0% |
| **TNAV**: Tangible net asset value as at 30 September 2018 | £707m | £744m | £781m |

For each of the performance conditions outlined above, vesting occurs on a linear basis between threshold and target and between target and maximum.

| Performance condition | Threshold (25% vesting) | Maximum (100% vesting) |
|---|---|---|
| **Relative TSR**: Relative TSR of the Company compared to a comparator group comprised of the FTSE 250, excluding investment trusts measured over the three years ending 30 September 2018 | Median of the comparator group | Upper quartile of the comparator group |

The relative TSR performance condition vests on a linear basis between threshold and maximum.

## TOTAL PENSION ENTITLEMENTS (AUDITED)

Executive Directors are eligible to participate in the Countryside Pension Plan, a defined contribution arrangement, and Rebecca Worthington is a member of the plan. Ian Sutcliffe does not participate in the plan and receives cash in lieu of pension benefits. In respect of ongoing pension benefits, Ian Sutcliffe receives a salary supplement of 25 per cent of salary in lieu of pension. Rebecca Worthington receives employer pension contributions of 17.5 per cent of salary subject to personal contributions of 5 per cent of salary.

None of the Executive Directors had a prospective entitlement to a defined benefit pension plan by reference to qualifying services.

## DIRECTORS' SHAREHOLDINGS (AUDITED)

Under the terms of their service contracts, Executive Directors are required to hold shares in the Company to the value of 200 per cent of annual salary within five years of their appointment. Non-Executive Directors are expected to hold shares in the Company to the value of 50 per cent of annual salary within five years of their appointment.

| Measure | Total share interests at 30 September 2016 | Shares held, including connected persons, at 30 September 2016 | Outstanding LTIP share awards at 30 September 2016 | Outstanding SAYE options at 30 September 2016 | Shareholding (excluding outstanding LTIP and SAYE) as a percentage of salary[1] |
|---|---|---|---|---|---|
| Ian Sutcliffe | 5,880,715 | 5,456,548 | 416,667 | 7,500 | 1,026 |
| Rebecca Worthington | 764,477 | 506,977 | 250,000 | 7,500 | 279 |
| David Howell | 17,000 | 17,000 | Nil | Nil | 31 |
| Richard Adam | 9,445 | 9,445 | Nil | Nil | 44 |
| Amanda Burton | 9,823 | 9,823 | Nil | Nil | 49 |
| Baroness Sally Morgan | 9,444 | 9,444 | Nil | Nil | 51 |
| Federico Canciani | — | — | Nil | Nil | — |
| James Van Steenkiste | — | — | Nil | Nil | — |

1. Assumes closing mid-market share price on 30 September 2016 of 242.8 pence per share.

There has been no change in the Directors' interests in the ordinary share capital of the Company between 30 September 2016 and the date of this report.

## LOSS OF OFFICE PAYMENTS OR PAYMENTS TO PAST DIRECTORS (AUDITED)

There were no payments to past Directors or payments for loss of office for Directors of the Company during the year (2015: £Nil).

## APPLICATION OF THE POLICY IN 2016/17

### Base salary

Salaries were reviewed with effect from 1 October 2016 with increases of 3 per cent awarded in line with the wider workforce.

| | 2015/16 | 2016/17 | % increase |
|---|---|---|---|
| Ian Sutcliffe | £500,000 | £515,000 | 3 |
| Rebecca Worthington | £300,000 | £309,000 | 3 |

## PENSION AND BENEFITS

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

### Annual bonus

Both Executive Directors are eligible to receive up to 150 per cent of base salary. The metrics and their weightings for 2017 are as follows:

| Metric | % of maximum bonus |
|---|---|
| Adjusted operating profit | 60 |
| Return on capital employed | 20 |
| Personal objectives | 20 |

Note: Details of the targets for each metric are commercially sensitive and will not be disclosed prospectively.

### Long Term Incentive Plan

The Committee intends to grant both Executive Directors awards at a level of 200 per cent of salary shortly following the announcement of the 2016 results. The proposed performance metrics and their weightings are set out below:

| | Relative Total Shareholder Return (30% of awards) | | Tangible Net Asset Value (35% of awards) | | Return on Capital Employed for year ending 30 September 2019 (35% of awards) | |
|---|---|---|---|---|---|---|
| | TSR vs FTSE 250 | Pay-out (% of element) | TNAV in FY19 (£m) | Pay-out (% of element) | ROCE in FY19 (%) | Pay-out (% of element) |
| Below threshold | Below median | 0 | <820 | 0 | <28.0 | 0 |
| Threshold | Median | 20 | 820 | 25 | 28.0 | 25 |
| Target | — | — | 863 | 50 | 29.0 | 50 |
| Maximum | Upper quartile | 100 | 906 | 100 | 30.0 | 100 |

For each performance condition, vesting occurs on a linear basis for performance between each point. Performance is measured over three financial years to 30 September 2019.

# DIRECTORS' REMUNERATION REPORT
*CONTINUED*

## PENSION AND BENEFITS CONTINUED

### Fees for the Chairman and the Non-Executive Directors

The fee structure and levels were reviewed on Admission. The fees for the Chairman will increase to £175,000 when the shareholding of Oaktree Capital Management falls below 30 per cent. The fees of other Non-Executive Directors will not be revised again until October 2017. A summary of current annual fees is shown below:

| Role | Fee (£'000) |
|---|---|
| Chairman | 150 |
| Non-Executive Director | 50 |
| **Additional fees:** | |
| Senior Independent Director | 5 |
| Audit Committee Chairman | 5 |
| Remuneration Committee Chairman | 5 |

## PERFORMANCE GRAPH AND TABLE

### Group Chief Executive pay table

| Financial year | Name | Total remuneration £'000 | Annual bonus as % of maximum | Vesting of LTIP as % of maximum |
|---|---|---|---|---|
| 2015/16 | Ian Sutcliffe | 1,415 | 100 | Not relevant |

The annual change in base salary, benefits and annual variable pay is as follows:

| | Increase in base salary[1] % | Increase in benefits % | Increase in annual variable pay % |
|---|---|---|---|
| Group Chief Executive | 12.7 | None | 51.8 |
| Average of all employees | 4.8 | None | 2.4 |

1 As disclosed in the Company's IPO Prospectus, Ian Sutcliffe's base salary increased from £450,000 to £500,000 in advance of the IPO in February 2016.

## PERFORMANCE GRAPH AND TABLE CONTINUED

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

| | 2016 £m | 2015 £m |
|---|---|---|
| Total staff costs | **70.8** | 61.1 |
| Adjusted profit after tax | **73.2** | 24.8 |
| Taxation paid | **12.8** | 8.0 |
| Interest paid | **7.2** | 5.6 |

## DILUTION

The Group's share plans comply with the Investment Association's guidelines on dilution limits of 5 per cent in ten years for discretionary schemes and 10 per cent in ten years for all schemes. As at 30 September 2016, the Group has utilised 2.7 per cent of the 10 per cent in ten years limit and 1.8 per cent of the 5 per cent in ten years limit.

## REMUNERATION COMMITTEE

The Remuneration Committee assists the Board in determining its responsibilities in relation to remuneration, including 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 and its Company Secretary.

The Remuneration Committee will also ensure compliance with the UK Corporate Governance Code in relation to remuneration. The UK Corporate Governance Code provides that a remuneration committee should comprise at least three members who are Independent Non-Executive Directors (other than the Chairman).

## ADVISORS

During the financial year PricewaterhouseCoopers LLP ("PwC") and New Bridge Street ("NBS"), part of Aon Hewitt plc, provided independent advice to the Committee; NBS was appointed by the Committee following Admission. Neither NBS nor Aon provide any other services to the Company. The Committee is satisfied that the advice received by NBS in relation to executive remuneration matters during the year was objective and independent. Terms of engagement are available on request from the Company Secretary. Both PwC and NBS are members of the Remuneration Consultants' Group and abide by the Remuneration Consultants' Group Code of Conduct, which requires its advice to be objective and impartial. The fees paid to PwC for advice during the year were £109,000 (excluding VAT). There were no fees paid to NBS for providing advice in relation to executive remuneration during this financial year. The advice provided primarily related to assisting with the Directors' Remuneration Report and communication of the post-IPO remuneration practices.

## STATEMENT OF SHAREHOLDER VOTING

As Countryside has not held an AGM since Admission no voting outcomes are available. Details of remuneration-related voting outcomes will be published in next year's Directors' Remuneration Report.

## APPROVAL

This report and policy was approved by the Board of Directors on 28 November 2016 and signed on its behalf by:

**Amanda Burton**
**Chairman 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 2016.

The Directors' Report comprises pages 70 to 72 of this report, in addition to the sections of the Annual Report 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, with the exception of the information set out in the table below, which can be found at the location specified.

| Listing rule | Information | Location |
|---|---|---|
| LR 9.8.4 (4) | Details of long-term incentive schemes as required by LR 9.4.3, regarding information about the recruitment of a director | Not applicable |
| LR 9.8.4 (11) | Details of contracts for the provision of services to the Company by a controlling shareholder | Not applicable |
| LR 9.8.4 (14) | Details of transactions with controlling shareholders | Not applicable |

## GENERAL INFORMATION

Countryside Properties PLC is a public limited company, listed on 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.

## PRINCIPAL ACTIVITIES AND STRATEGIC REPORT

Countryside is a UK home builder and urban regeneration partner operating in London and the South East of England and with a presence in the West Midlands and the North West of England. We operate through two divisions: Housebuilding and Partnerships. Our Strategic Report on pages 2 to 39 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 2016. 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.

## DIRECTORS AND THEIR INTERESTS

There were no changes to the Board during the reporting period and up to the date of this report. For more details on the members of the Board, see page 42 to 43. The Corporate Governance Report on page 44 gives more information on how the Board functioned during the year. The Directors' interests in the shares and share options of the Company are shown on page 66 of the Remuneration Report.

## SIGNIFICANT CONTRACTUAL AGREEMENTS

The Strategic Report describes the most important customer and supplier contracts and other arrangements essential to the Group. We do not consider ourselves to be dependent on any single contractual agreement. Countryside entered into a new £300m revolving credit facility on 12 May 2016. The facility will expire in May 2021 and has the potential to be extended by a further year on each of the first and second anniversaries of signing with the banks' consent.

## RELATIONSHIP AGREEMENT WITH CONTROLLING SHAREHOLDERS

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

(a) transactions and arrangements with the controlling shareholder (and/or any of its associates) will be conducted at arm's length and on normal commercial terms;

(b) neither the controlling shareholder nor any of its associates will take any action that would have the effect of preventing the listed company from complying with its obligations under the Listing Rules; and

(c) neither the controlling shareholder nor any of its associates will propose or procure the proposal of a shareholder resolution which is intended or appears to be intended to circumvent the proper application of the Listing Rules.

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

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

The Board confirms that, since the entry into the Relationship Agreement on 29 January 2016 until 14 November 2016, being the latest practicable date prior to the publication of this Annual Report:

(i) the Company has complied with the independence provisions included in the Relationship Agreement; and

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

As there are no controlling shareholders of the Company other than the Oaktree Shareholders (if and when they have an interest exceeding 30 per cent), there is no need for the Relationship Agreement to require the Oaktree Shareholders to procure compliance by any third parties with the independence provisions of the Relationship Agreement.

## SIGNIFICANT AGREEMENTS – CHANGE OF CONTROL

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

- Revolving credit facility: Under the terms of the £300m revolving credit facility, entered into on 12 May 2016, and 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 occur because of a takeover bid or change of control.

## EQUAL OPPORTUNITIES

The Group is committed to employment policies which follow best practice based on equal opportunities for all employees, irrespective of gender, race, nationality, colour, disability, marital status, sexual orientation, age or religion. All decisions relating to employment practices are objective, free from bias and based upon work criteria and individual merit. The Group's policy is to offer appropriate training and career development to disabled persons that are, as far as possible, identical to other employees and in line with best practice. In the event of a member of staff becoming disabled, the Group makes every effort to continue employment, arrange appropriate retraining and offer opportunities for promotion. For more information on our diversity statistics, please refer to the "Our People" section on page 30.

## SUBSTANTIAL SHAREHOLDINGS

At 14 November 2016, being the latest practicable date prior to the publication of this Annual Report, the Company has been notified of the following interests amounting to three per cent or more of the voting rights in the issued share capital of the Company:

| Non-controlling interest | Interest in Countryside subsidiaries |
|---|---|
| OCM Luxembourg Coppice Topco s.a.r.l. | 56.1% |
| Aviva Investors | 6.0% |
| Members of senior management | 4.0% |

## EMPLOYEE INVOLVEMENT

The Group systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the Group is encouraged, a common awareness on the part of all employees of the financial and economic factors affecting the Group 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 30 of the report. For more information on how employees can participate in the Group's performance through membership of the LTIP and SAYE employee share schemes, refer to page 114 of the report.

## POLICY ON FINANCIAL INSTRUMENTS

The policy with respect to 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 AUDITORS

The Board is satisfied that PricewaterhouseCoopers LLP ("PwC") remained independent for the purpose of the 2016 audit. During 2016 the Company initiated a competitive tender process for the audit contract. A number of contending candidates were invited to tender for the role of auditors of the Company. After a thorough review of the potential candidates, the Audit Committee concluded that PwC was the most suitable provider. Upon the Audit Committee's recommendation, the Board approved the recommendation and the re-appointment of PwC will be presented to shareholders for approval as the Company's auditors at the 2017 Annual General Meeting. Information about non-audit services obtained from PwC can be found in the Audit Committee Report on page 47.

## CORPORATE GOVERNANCE

A report on Countryside's corporate governance framework, together with its compliance with the principles and provisions of the UK Corporate Governance Code, can be found in the Corporate Governance Report on page 44. The Corporate Governance Report forms part of this Directors' Report and is incorporated into it by cross-reference.

# DIRECTORS' REPORT
*CONTINUED*

## POLITICAL CONTRIBUTIONS
The Group does not make political contributions.

## DIVIDEND
The Directors recommend the payment of a final dividend of 3.4 pence (no prior year is available for comparison) per ordinary share which, if approved by shareholders at the Annual General Meeting, will be paid on 3 February 2017 to those shareholders on the register at the close of business on 13 January 2017.

## 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) that provides, for the financial year ended 30 September 2016 and as at the date of this document, that the Company may pay for Directors' indemnities out of its own assets. The Company has obtained directors' and officers' insurance for this purpose.

## SHARE CAPITAL
At the date of this report, 450,000,000 ordinary shares (the same number as at Admission to the London Stock Exchange) of £0.01 each have been issued, are fully paid up and are admitted to trading on the London Stock Exchange. The Company's Articles of Association, copies of which can be obtained from the Company's website, set out the rights and obligations attaching to the Company's ordinary shares, as well as the powers of the Company's Directors.

Details of employee share schemes are provided in Note 30 to the Group financial statements.

## PURCHASE OF THE COMPANY'S OWN SHARES
During the course of the reporting period, the Company made no purchases of its own shares in accordance with the authority granted at Admission.

## STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS
Each Director of the Company confirms that, as far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware and that each of the Directors has taken all the steps they ought to have taken individually as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

## GOING CONCERN
The Directors have reviewed the liquidity position of the Group for the 12-month period from 28 November 2016. The cash flows of the Group have been assessed against the Group's available sources of finance on a monthly basis to determine the minimum and maximum expected levels of headroom. Based on this analysis and an assessment of the potential cash risks, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least 12 months from the date of this report. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements. The Directors' Viability Statement can be found in the Strategic Report on page 37.

An outlook statement can be found in the Group Chief Executive's Review on page 7.

## CARBON EMISSIONS
Details of the Group's approach to the environment, including information in relation to its carbon emissions, are set out in the section headed "Environment" on page 33, forming part of the Sustainability Report of the Annual Report on page 32.

WE HAVE DEVOTED SIGNIFICANT TIME AND EFFORT TO ENSURE GROUP COMPLIANCE WITH RECENT LEGISLATION, SUCH AS THE MODERN SLAVERY ACT AND THE MARKET ABUSE REGIME.

## ANNUAL GENERAL MEETING
The Annual General Meeting of the Company will be held at Linklaters LLP, One Silk Street, London EC2Y 8HQ at 2.30 pm on 26 January 2017. The notice convening the meeting, together with details of the business to be considered and explanatory notes for each resolution, is distributed separately to shareholders. It is also available on our website.

By order of the Board

**Gary Whitaker**
**Company Secretary**
28 November 2016

# DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union, and the parent company financial statements in accordance with Financial Reporting Standard 102 (FRS 102) the financial reporting standard applicable in the UK and Republic of Ireland (FRS 102).

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether IFRSs as adopted by the European Union and FRS 102 have been followed, subject to any material departures disclosed and explained in the Group and parent company financial statements respectively;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of the parent financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Each of the Directors, whose names and functions are listed on page 42 to 43 of the Annual Report, confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Directors' Report contained on page 70 of the Annual Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

By order of the Board

**Ian Sutcliffe**
**Group Chief Executive**
28 November 2016

**Rebecca Worthington**
**Group Chief Financial Officer**
28 November 2016

# INDEPENDENT AUDITOR'S REPORT
**to the members of Countryside Properties PLC**

## REPORT ON THE GROUP FINANCIAL STATEMENTS

### Our opinion
In our opinion, Countryside Properties PLC's Group financial statements (the 'financial statements'):

- Give a true and fair view of the state of the Group's affairs as at 30 September 2016 and of its profit and cash flows for the year then ended;
- Have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union; and
- Have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

### What we have audited
The financial statements, included within the Annual Report and Financial Statements (the 'Annual Report'), comprise:

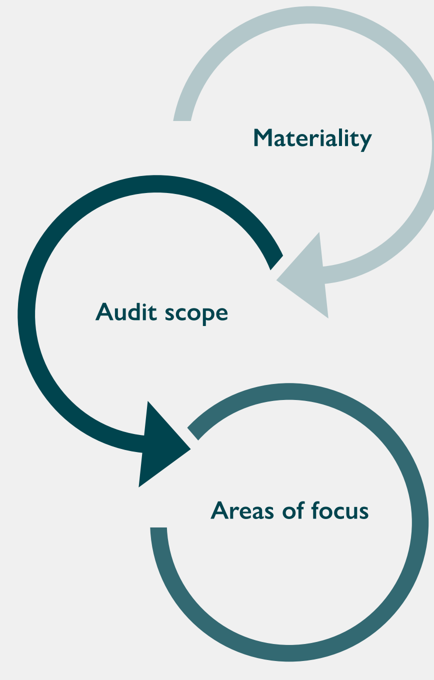
- The consolidated statement of financial position as at 30 September 2016;
- The consolidated statement of comprehensive income for the year then ended;
- The consolidated cash flow statement for the year then ended;
- The consolidated statement of changes in equity for the year then ended; and
- The notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union and applicable law.

### Our audit approach
#### Context
Countryside Properties PLC is a British housebuilder and urban regeneration company listed on the London Stock Exchange. The Group is wholly UK based, operating in London and the South East of England, and with a presence in the North West of England through its Partnerships division.

The Group is dependent on macroeconomic factors as well as the conditions of the UK residential property market. The Group may be particularly adversely affected by any factor that reduces sales prices or transaction volumes or presents constraints in the supply chain in the UK residential property market. This was particularly relevant for our work in the areas of margin forecasting and the valuation of inventory.

#### Overview



- Overall Group materiality: £4.6m, which represents 5 per cent of profit before tax, adjusted for non-underlying items.

- The Group operates in two business segments, Partnerships and Housebuilding, as set out in the Annual Report (refer to pages 18 to 25). Each of the operating segments is broken down into a number of reporting units which are consolidated into the Group financial statements along with central reporting entities.
- Reporting units from both segments were included in the scope of our work and the Group audit team performed an audit of the financial information at each of these locations.
- In both segments we focused on auditing the complete financial information of the larger reporting units to give us appropriate coverage. We performed audit work over the complete financial information of reporting units which accounted for approximately 99.7 per cent of the Group's revenues and 98.8 per cent of the Group's profit before tax.
- Included in the coverage above, the central reporting entities and group functions, together with the parent company, were subject to a full scope audit.

- Cost forecast and margin estimates.
- Land and stock valuation.
- Commercial transactions (land).
- Accounting for the IPO & related non-underlying items.
- Shared equity valuation.

## REPORT ON THE GROUP FINANCIAL STATEMENTS CONTINUED

### Our audit approach continued

#### The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)').

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of Management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as 'areas of focus' in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

| Area of focus | How our audit addressed the area of focus |
|---|---|
| Cost forecast and margin estimates<br>*Refer to Note 3 (Accounting policies) and Note 2 (Critical accounting policies).*<br><br>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.<br><br>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.<br><br>We consider the appropriate margin recognition across the life of the site to be the most significant financial reporting risk for the Group, principally due to the high level of Management judgement involved in the accounting for the Group's developments given that sales prices and build costs are inherently uncertain and are influenced by changes in external market factors, such as the availability of mortgages or build cost inflation. | We evaluated and tested Management's forecasting and monitoring controls for the sites (including the margin), noting that Management's forecasts are prepared, monitored and updated in accordance with the documented controls.<br><br>We held discussions with Management to understand the status and progress of a sample of sites.<br><br>We assessed the appropriateness of certain underlying assumptions within the forecasts, including sales prices, land costs and build costs and assessed Management's historic forecasting accuracy. We did not identify any sites where we considered the underlying assumptions in the forecast to be inappropriate.<br><br>We assessed the historical accuracy of Management's forecasting through review of actual margins achieved on completed sites compared to initial expected margins, noting no significant adverse trends.<br><br>We checked the consistent application of the margin recognition framework through analysing the margins recognised on different phases within the same sites. We obtained evidence for any variances.<br><br>We tested a sample of sales prices to cash receipts to support the revenue recognised noting no material exceptions.<br><br>We tested a sample of costs incurred to third party supplier invoices noting no material exceptions. |
| Land and stock valuation<br>*Refer to Note 3 (Accounting policies) and Note 2 (Critical accounting policies).*<br><br>Inventory is comprised of land held for development, work in progress, raw materials and completed units/part-exchanged properties.<br><br>Inventory is the most significant balance in the consolidated statement of financial position and is held at the lower of cost and net realisable value ('NRV'). The NRV of each development is forecast and monitored as described in the area of focus above and is therefore subject to the same key assumptions. Due to the influence of the same external factors and the cyclical nature of the housing industry, with periodic downturns in customer demand, there is a risk that the calculation of the development's NRV, being the margin the development is forecast to make over its lifecycle based upon forecast sales prices and build costs, may be subject to estimation error leading to inventory being held at an incorrect value and an unrecorded impairment charge. | We obtained an understanding of Management's process for preparing a site forecast, consistent with the risk associated with the margin forecasting and recognition process. The site forecast, which is used to recognise margin in the consolidated income statement, also calculates the NRV of the site. Consistent with the risk associated with the margin forecasting and recognition, we evaluated Management's controls over the approval of the initial forecasts and the monitoring of updates required to the forecasts over the course of the site's life, noting no significant instances where controls were not operating as stated.<br><br>We considered margins for all major sites to identify those with low or eroding margins, due to specific issues or underperformance. We discussed the identified sites with Management, including considering the level of provisions, if any, held against these sites and corroborated the explanations with available external evidence in respect of the carrying value of inventory.<br><br>We also assessed the historical accuracy of Management's forecasting as set out in the area of focus on cost forecasts and margin estimates.<br><br>We discussed the planning status and strategic plans for sites with Management. We confirmed the composition of the inventory balance, specifically the level and ageing of completed but unreserved units, to understand if completed stock is held at the appropriate NRV. We did not note a significant number of aged, completed but unreserved units which needed further follow up.<br><br>Based on the procedures performed, we did not identify any sites where we determined that additional impairments were required in the year, above those already booked by Management. |
| Commercial land transactions<br>*Refer to Note 3 (Accounting policies).*<br><br>The Group enters into commercial land transactions from time to time. The nature of these transactions can be complex and bespoke. The format of the agreements introduces potential accounting complexities in order to appropriately reflect the terms of the agreements.<br><br>Due to their complex nature, we focused on them to ensure that the accounting reflected the underlying agreements. | We held discussions with Management to understand the substance of material commercial land transactions.<br><br>Where applicable, we reviewed Management's papers on the proposed accounting treatment of the transactions.<br><br>We substantively tested material or complex land acquisitions through examination of contracts and agreements to check that the acquisition and subsequent overage terms have been identified and accounted for appropriately, and that all the related liabilities have been properly recorded in the financial statements.<br><br>Where relevant we agreed cash payments and receipts to completion statements and bank statements.<br><br>We assessed the accounting treatment of the transactions against relevant accounting standards.<br><br>We were satisfied that Management had appropriately accounted for these transactions. |

# INDEPENDENT AUDITOR'S REPORT *CONTINUED*

**to the members of Countryside Properties PLC**

## REPORT ON THE GROUP FINANCIAL STATEMENTS CONTINUED

### Our audit approach continued

### The scope of our audit and our areas of focus continued

| Area of focus | How our audit addressed the area of focus |
|---|---|
| Accounting for the IPO and related non-underlying items<br>*Refer to Note 3 (Accounting policies).*<br><br>As a result of the flotation of the business in February 2016, a number of changes to the Group structure occurred. As the associated accounting entries arising are material in size and outside the ordinary course of business, we considered there to be a risk around the accounting for these transactions.<br><br>As part of the flotation process, significant costs were incurred by the Group.<br><br>Separately identifying and disclosing items as non-underlying on the face of the consolidated income statement requires judgement as such presentation could be misleading to investors.<br><br>There is the potential for Management bias, as well as the inappropriate inclusion of inconsistent transactions or those that should be deemed part of ordinary ongoing Group activity. | In auditing the accounting treatment of the flotation, we:<br><br>– discussed the accounting transactions with Management and assessed them for reasonableness;<br><br>– corroborated the accounting entries posted by Management to those arising from the transaction; and<br><br>– traced significant monetary transactions to bank statements and contractual agreements.<br><br>We were satisfied that the significant transactions associated with the restructuring as a result of the IPO has been appropriately accounted for.<br><br>In auditing the appropriateness of the classification of items as non-underlying items for external reporting purposes, we:<br><br>– gained an understanding from Management of the nature of the transactions and amounts presented as non underlying items to understand Management's rationale;<br><br>– discussed the rationale behind Management's classification and assessed the appropriateness of the transactions recognised as non-underlying items using our knowledge of the business, inquiries of Management, examination of documents supporting the strategic change and related reorganisation, and through consideration of expenses that are typically connected with restructuring activities.<br><br>– assessed the completeness and balance of non-underlying items through identifying other large or unusual items in underlying profit, considering potential disclosure where significant.<br><br>– agreed a sample of expenses invoices, and verified payments made to bank statements to conclude on the existence and accuracy of classification.<br><br>Inspected the consistency with which items are classified as non-underlying as presented by Management. We were satisfied that the classification, judgements and disclosures made by Management are appropriate and in line with the Group accounting policy on non-underlying items. |
| Shared equity valuation (available for sale financial assets)<br>*Refer to Note 3 (Accounting policies) and Note 2 (Critical accounting policies).*<br><br>The Group has advanced loans to homebuyers to assist them in the purchase of their property under shared equity schemes. These loans are held as available for sale financial assets in the balance sheet and are held at fair value.<br><br>The valuation method for these assets is not capable of being based on observable market data and therefore the valuation model is highly subjective to Management judgement and estimates, including expected house price movements, credit risk of borrowers, discount rates (which incorporate purchaser default rates), recoverability and expected timing of receipt.<br><br>Changes in the assumptions used can have a material impact on the fair value of these assets. | We evaluated and tested the mechanics of the calculation to check the correct application of the underlying assumptions and accuracy of the calculation, noting no material exceptions.<br><br>We tested movements in the underlying loans during the year, such as redemptions and obtained examples of the original loan agreements to verify terms of the loans used within the calculation.<br><br>Through discussion with Management and review of the calculation we understood the key assumptions included within the calculation including expected house price movements, discount rates, recoverability and expected timing of receipt.<br><br>We corroborated these assumptions by comparing those selected by Management to comparable discount rates used by similar companies, and our own independent research on house prices and redemption rates.<br><br>In addition to re-performing Management's sensitivities we performed our own sensitivities based upon our own independent research to ascertain the extent to which reasonable adverse changes would, either individually or in aggregate, materially change the valuation of the assets. Our sensitivities noted no reasonable likely scenario that would result in a material change to the valuation. |

## REPORT ON THE GROUP FINANCIAL STATEMENTS CONTINUED

### Our audit approach continued

#### How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls and the industry in which the Group operates.

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

The reporting units vary in size and we identified 17 reporting units which required an audit of their complete financial information due to their individual size. These 17 reporting units were all audited by the Group engagement team and, where applicable, included the audit of the joint ventures. In some of the divisions we audited complete financial information of all the reporting units and in some we focused on the larger reporting units to give us appropriate coverage. The reporting units where we performed an audit of the complete financial information accounted for 98.8 per cent of the Group's profit before tax and 99.7 per cent of the Group's revenue.

Our audit work at these reporting units, together with the additional procedures performed at Group level on the consolidation, joint venture adjustments, tax, share based payments and the 'available for sale financial assets', gave us the evidence we needed for our opinion on the Group and Company financial statements as a whole.

#### Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

| | |
|---|---|
| Overall Group materiality | £4.6m. |
| How we determined it | 5 per cent of profit before tax, adjusted for non-underlying items. |
| Rationale for benchmark applied | Based on our professional judgement, we determined materiality by applying a benchmark of 5% of profit before tax excluding 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 agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.2m as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

#### Going concern

Under the Listing Rules we are required to review the directors' statement, set out on page 72, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the directors' statement, the directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the Group has adequate resources to remain in operation, and that the directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's ability to continue as a going concern.

## OTHER REQUIRED REPORTING

### Consistency of other information

#### Companies Act 2006 reporting

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

#### ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

| | |
|---|---|
| – Information in the Annual Report is:<br>– Materially inconsistent with the information in the audited financial statements; or<br>– apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or<br>– otherwise misleading. | We have no exceptions to report. |
| – The statement given by the directors on page 73, in accordance with provision C.1.1 of the UK Corporate Governance Code (the 'Code'), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit. | We have no exceptions to report. |
| – The section of the Annual Report on page 47, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee. | We have no exceptions to report. |

# INDEPENDENT AUDITOR'S REPORT *CONTINUED*

## to the members of Countryside Properties PLC

### OTHER REQUIRED REPORTING CONTINUED

### The Directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:

| | |
|---|---|
| – The directors' confirmation on page 36 of the Annual Report, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. | We have nothing material to add or to draw attention to. |
| – The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated. | We have nothing material to add or to draw attention to. |
| – The directors' explanation on page 37 of the Annual Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions. | We have nothing material to add or to draw attention to. |

Under the Listing Rules we are required to review the directors' statement that they have carried out a robust assessment of the principal risks facing the Group and the directors' statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.

### Adequacy of information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

### Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

### Corporate governance statement

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to ten further provisions of the Code. We have nothing to report having performed our review.

### RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

### Our responsibilities and those of the Directors

As explained more fully in the directors' responsibility statement set out on page 73, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### What an audit of financial statements involves

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- Whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed;
- The reasonableness of significant accounting estimates made by the directors; and
- The overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### OTHER MATTER

We have reported separately on the Company financial statements of Countryside Properties PLC for the year ended 30 September 2016 and on the information in the Directors' Remuneration Report that is described as having been audited.

**Christopher Burns (Senior Statutory Auditor)**
**for and on behalf of PricewaterhouseCoopers LLP**
**Chartered Accountants and Statutory Auditors**
**London**
28 November 2016

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

## For the year ended 30 September 2016

| | Note | 2016 £'000 | 2015 £'000 |
|---|---|---|---|
| **Revenue** | 4 | **671,258** | 547,486 |
| Cost of sales | | **(527,200)** | (431,690) |
| Gross profit | | **144,058** | 115,796 |
| Administrative expenses | | **(56,731)** | (47,870) |
| **Group operating profit** | 6 | **87,327** | 67,926 |
| Analysed as: | | | |
| Adjusted Group operating profit | 6 | **122,468** | 91,166 |
| Less: share of associate and joint ventures' operating profit | 13, 14 | **(25,260)** | (16,685) |
| Less: non-underlying items | 6 | **(9,881)** | (6,555) |
| **Group operating profit** | | **87,327** | 67,926 |
| Finance costs | 7 | **(30,518)** | (52,294) |
| Analysed as: | | | |
| Adjusted finance costs | 7 | **(27,341)** | (52,294) |
| Less: non-underlying finance costs | 6 | **(3,177)** | — |
| Finance costs | 7 | **(30,518)** | (52,294) |
| Finance income | 8 | **2,175** | 1,803 |
| Share of post-tax profit from associate and joint ventures | 13, 14 | **19,593** | 10,584 |
| **Profit before income tax** | | **78,577** | 28,019 |
| Income tax expense | 9 | **(17,273)** | (8,186) |
| **Profit for the year** | | **61,304** | 19,833 |
| Profit is attributable to: | | | |
| – Owners of the parent | | **61,074** | 19,623 |
| – Non-controlling interests | | **230** | 210 |
| | | **61,304** | 19,833 |
| **Other comprehensive income** | | | |
| *Items that may be reclassified to profit and loss* | | | |
| (Decrease)/increase in the fair value of available-for-sale financial assets | 15 | **(1,501)** | 443 |
| **Total comprehensive income for the year** | | **59,803** | 20,276 |
| **Total comprehensive income for the year attributable to:** | | | |
| – Owners of the parent | | **59,573** | 20,066 |
| – Non-controlling interest | | **230** | 210 |
| | | **59,803** | 20,276 |
| **Earnings per share (expressed in pence per share):** | | | |
| Basic | 10 | **13.6** | 4.4 |
| Diluted | 10 | **13.6** | 4.4 |

Revenue and operating profits arise from the Group's continuing operations.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## As at 30 September 2016

| | Note | 2016 £'000 | 2015 £'000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Intangible assets | 11 | **58,923** | 59,453 |
| Property, plant and equipment | 12 | **2,659** | 2,406 |
| Investment in joint ventures | 13 | **53,907** | 50,097 |
| Investment in associate | 14 | **5,235** | 4,164 |
| Available-for-sale financial assets | 15 | **8,665** | 10,535 |
| Deferred tax assets | 16 | **3,318** | 5,606 |
| Trade and other receivables | 19 | **10,782** | 15,355 |
| | | **143,489** | 147,616 |
| **Current assets** | | | |
| Inventories | 17 | **583,602** | 439,542 |
| Trade and other receivables | 19 | **147,912** | 105,450 |
| Cash and cash equivalents | 20 | **38,301** | 80,835 |
| | | **769,815** | 625,827 |
| **Total assets** | | **913,304** | 773,443 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Overdrafts | 20 | **(26,340)** | — |
| Trade and other payables | 21 | **(177,441)** | (181,140) |
| Current income tax liabilities | | **(6,090)** | (4,043) |
| Provisions | 22 | **(818)** | (1,144) |
| | | **(210,689)** | (186,327) |
| **Non-current liabilities** | | | |
| Borrowings | 23 | **—** | (423,842) |
| Trade and other payables | 21 | **(109,044)** | (148,930) |
| Provisions | 22 | **(685)** | (1,110) |
| | | **(109,729)** | (573,882) |
| **Total liabilities** | | **(320,418)** | (760,209) |
| **Net assets** | | **592,886** | 13,234 |
| **Equity** | | | |
| Share capital | 24 | **4,500** | 19 |
| Share premium | 24 | **—** | 1,075 |
| Reserves | 24 | **587,923** | 11,907 |
| Equity attributable to owners of the parent | | **592,423** | 13,001 |
| Equity attributable to non-controlling interest | | **463** | 233 |
| **Total equity** | | **592,886** | 13,234 |

The notes on pages 83 to 116 form part of these financial statements.

These financial statements were approved by the Board of Directors on 28 November 2016.

On behalf of the Board

**I Sutcliffe**
**R Worthington**
Directors

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## For the year ended 30 September 2016

| | Note | Share capital £'000 | Share premium £'000 | Retained earnings £'000 | Available-for-sale financial assets (Note 15) £'000 | Equity attributable to owner £'000 | Non-controlling interest £'000 | Total equity £'000 |
|---|---|---|---|---|---|---|---|---|
| **At 1 October 2014** | | 18 | 870 | (10,591) | 1,122 | (8,581) | 23 | (8,558) |
| **Comprehensive income** | | | | | | | | |
| Profit for the period | | — | — | 19,623 | — | 19,623 | 210 | 19,833 |
| Other comprehensive income | | — | — | — | 443 | 443 | — | 443 |
| Total comprehensive income | | — | — | 19,623 | 443 | 20,066 | 210 | 20,276 |
| **Transactions with owners** | | | | | | | | |
| Share-based payment expense pre-IPO | 30 | — | — | 1,310 | — | 1,310 | — | 1,310 |
| Proceeds from issue of shares | 24 | 1 | 205 | — | — | 206 | — | 206 |
| Total transactions with owners | | 1 | 205 | 1,310 | — | 1,516 | — | 1,516 |
| **At 30 September 2015** | | 19 | 1,075 | 10,342 | 1,565 | 13,001 | 233 | 13,234 |
| **Comprehensive income** | | | | | | | | |
| Profit for the period | | — | — | 61,074 | — | 61,074 | 230 | 61,304 |
| Other comprehensive income | | — | — | — | (1,501) | (1,501) | — | (1,501) |
| Total comprehensive income | | — | — | 61,074 | (1,501) | 59,573 | 230 | 59,803 |
| **Transactions with owners** | | | | | | | | |
| Share-based payment expense – pre-IPO | 30 | — | — | 1,910 | — | 1,910 | — | 1,910 |
| Share-based payment expense – post-IPO, net of deferred tax | 30 | — | — | 1,278 | — | 1,278 | — | 1,278 |
| Group reorganisation | 1 | 4,481 | (1,075) | 513,255 | — | 516,661 | — | 516,661 |
| Total transactions with owners | | 4,481 | (1,075) | 516,443 | — | 519,849 | — | 519,849 |
| **At 30 September 2016** | | **4,500** | **—** | **587,859** | **64** | **592,423** | **463** | **592,886** |

# CONSOLIDATED CASH FLOW STATEMENT

## For the year ended 30 September 2016

| | Note | **2016 £'000** | 2015 £'000 |
|---|---|---|---|
| **Cash (used in)/generated from operations** | 25 | **(14,892)** | 29,819 |
| Interest paid | | **(7,239)** | (5,648) |
| Tax paid | | **(12,776)** | (8,035) |
| **Net cash (outflow)/inflow from operating activities** | | **(34,907)** | 16,136 |
| **Cash flows from investing activities** | | | |
| Purchase of intangible assets | 11 | **(743)** | — |
| Purchase of property, plant and equipment | 12 | **(925)** | (1,514) |
| Proceeds from disposal of available-for-sale financial assets | | **2,925** | 2,511 |
| Acquisition of subsidiary (net of cash acquired) | 31 | **(1,951)** | — |
| (Increase)/decrease in loans to associate and joint ventures | | **(30,977)** | 1,480 |
| Interest received | | **1,464** | 824 |
| Dividends received from associate and joint ventures | 13 | **13,632** | 6,682 |
| **Net cash (outflow)/inflow from investing activities** | | **(16,575)** | 9,983 |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of ordinary shares | 1 | **130,000** | 206 |
| Transaction costs from issue of ordinary shares | | **(4,610)** | — |
| Borrowing facility arrangement fee | | **(2,776)** | — |
| Proceeds from borrowings | | **91,340** | — |
| Repayment of borrowings | | **(231,346)** | (13,000) |
| **Net cash outflow from financing activities** | | **(17,392)** | (12,794) |
| Net (decrease)/increase in cash and cash equivalents | | **(68,874)** | 13,325 |
| Cash and cash equivalents at the beginning of the period | | **80,835** | 67,510 |
| **Cash and cash equivalents at the end of the period** | 20 | **11,961** | 80,835 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
**For the year ended 30 September 2016**

## 1. GENERAL INFORMATION
Countryside Properties PLC is a public limited company incorporated and domiciled in the United Kingdom whose shares are publicly traded on the London Stock Exchange. The Company's registered office is Countryside House, The Drive, Brentwood, Essex CM13 3AT.

The Group's principal activities are building new homes and regeneration of public sector land.

The parent company financial statements are on pages 117 to 124.

### Initial Public Offering ("IPO")
The Company listed its shares on the London Stock Exchange on 17 February 2016.

These are the first full set of consolidated financial statements of Countryside Properties PLC following the reorganisation of the Group to facilitate the IPO. The reorganisation is described below.

The consolidated financial statements have been prepared under the merger method of accounting because the transaction under which the Company became the holding company of OCM Luxembourg Coppice Midco S.à r.l. ("Midco") was a Group reconstruction with no change in the ultimate ownership of the Group. All the shareholdings in Midco were exchanged via a share-for-share transfer on 11 February 2016. The Company did not actively trade at the time.

The result of the application of the capital reorganisation is to present the financial statements as if the Company had always owned the Group – the financial statements, including comparatives, have been presented as a continuation of Midco. The prior year financial statements for Midco are available in the Prospectus, prepared for the purpose of the IPO, which is available on the Group's website: investors.countryside-properties.com.

### Group reorganisation
The principal steps of the Group reorganisation were as follows:

The Company was incorporated on 18 November 2015 as a public company limited by shares in the United Kingdom, with share capital of £1, consisting of one ordinary share with a £1 nominal value. On 19 November 2015, the Company issued a further nine ordinary shares and 50,000 redeemable preference shares, each of £1.

The Company became the ultimate holding company of the Group with Midco becoming the Company's direct subsidiary on 11 February 2016 by way of a share-for-share exchange. The insertion of the Company as a new holding company constitutes a Group reorganisation and the transaction is accounted for as a capital reorganisation and merger relief applied in accordance with Section 612 of the Companies Act 2006.

The balance of outstanding mandatory redeemable preference shares of £287m and the associated accrued return of £111m as of 16 February 2016 was transferred from the holders (being OCM Luxembourg Coppice Topco S.à r.l., being an entity controlled by Oaktree Capital Management L.P., and certain members of the Group's management) to the Company in exchange for 392 million ordinary shares in the Company, each of £1.

Under merger relief the shares issued in this transaction were recorded in the consolidated statement of financial position at the nominal value of the shares issued plus the fair value of any additional consideration, which was recorded as a merger reserve in the Group financial statements. The assets and liabilities of the subsidiaries are consolidated at book value in the Group financial statements and the consolidated reserves of the Group are adjusted to reflect the statutory share capital, share premium and merger reserve of the Company as if it had always existed.

On 17 February 2016 the Company issued 57,777,778 additional shares, each of £1, for consideration of £130m, the balance being recorded as share premium, in an IPO. As permitted by Section 610(2b) of the Companies Act 2006, £4.6m of the IPO costs have been charged to the share premium account. The mandatory redeemable preference shares were redeemed on IPO.

On 9 March 2016, the Company undertook a court-approved capital reduction, in which the nominal value of the ordinary shares was reduced to £0.01 each, which had the effect of reducing the merger reserve and share premium arising on IPO to £Nil.

## 2. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES
The preparation of the Group's financial statements under International Financial Reporting Standards ("IFRS") requires the Directors to make estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income, expenses and related disclosures.

### Critical accounting judgements
In the process of applying the Group's accounting policies, which are described in Note 3, the Directors have made no individual judgements that have a significant impact on the financial statements, apart from those involving estimates which are described below.

### Key sources of estimation uncertainty
Estimates and underlying assumptions affecting the financial statements are based on historical experience and other relevant factors and are reviewed on an ongoing basis. This approach forms the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Changes in accounting estimates may be necessary if there are changes in the circumstances on which the estimate was based or as a result of new information. Such changes are recognised in the year in which the estimate is revised.

The key assumptions about the future and key sources of estimation uncertainty that have a risk of causing a material adjustment to the carrying value of assets and liabilities are described below.

#### 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, and construction contract between the proportion completing in the period and the proportion to complete in a future period. The assessment of the total costs to be incurred requires a degree of estimation due to the long-term nature of the Group's activities and because actual costs are subject to market fluctuations. Group management has established internal controls to review and ensure the appropriateness of estimates made on an individual contract basis.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *CONTINUED*

**For the year ended 30 September 2016**

## 2. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES CONTINUED

### Key sources of estimation uncertainty continued

#### Carrying value of inventory

Inventory generated through the normal course of business is recorded at the lower of cost and net realisable value. A financial appraisal is prepared and updated monthly for each development, which records an estimate of future revenues and expenditure. As both future cost and sales prices fluctuate in line with local market conditions, significant adverse variances in either costs or sales prices estimates could lead to an impairment of inventory. In circumstances where forecast revenues are lower than anticipated expenditure, an inventory provision is made. This inventory provision may be reversed in future periods when there is evidence of improved selling prices or reduced expenditure forecast on a development.

#### Available-for-sale financial assets

Available-for-sale financial assets comprise loans that have been advanced to homebuyers to assist in their purchase of property under historical shared equity schemes. The loans are secured by either a first or second charge over the property and are either interest free or have interest chargeable from the fifth year onwards.

The loans are held at fair value, which is based on an estimate of the future cash flows from the loans. The estimate considers the value of the property based upon market conditions, including potential future house price increases, and possible borrower default. The loans are discounted at an interest rate equivalent to that which would be payable for loans made against property by a third party.

## 3. ACCOUNTING POLICIES

### Basis of preparation

These financial statements for the year to 30 September 2016 are those of the Company and all of its subsidiaries. It has been prepared in accordance with the IFRS as endorsed by the European Union, IFRS Interpretations Committee (“IFRS IC”) interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

These financial statements have been prepared on a going concern basis, in Sterling and rounded to the nearest thousand pounds under the historical cost convention, except for available-for-sale financial assets and share-based payments.

### Going concern

The Group’s business activities, together with the factors likely to affect its future development, are set out in the Strategic Report on pages 2 to 39. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described on pages 26 to 29 of the Strategic Report. Further disclosures regarding borrowings are provided in Note 23.

As described in the Viability Statement, the Directors have assessed the prospects and viability of the Company over a three-year period to September 2019. The Board has performed a robust assessment of the principal risks facing the Company, including those risks that would threaten Countryside’s business model, future performance, solvency or liquidity.

Having considered these forecasts, the Directors are satisfied the Group has sufficient liquidity and covenant headroom to enable the Group to conduct its business and meet its liabilities as they fall due for at least the next 12 months. Accordingly these financial statements are prepared on a going concern basis.

### New standards, amendments and interpretations

With the exception of the above, no new standards, amendments or interpretations effective for the first time for the financial year beginning on 1 October 2015 have had a material impact on the financial statements.

During the IFRS period the Interpretations Committee received a request to clarify an issue related to IAS 32: Financial Statements: Presentation in connection with whether particular cash pooling arrangements meet the requirement for off-setting in accordance with IAS 32. Following the observations published by the Interpretations Committee the Group has reassessed the treatment of its cash pooling arrangements and concluded that the comparative financial information should be represented compared to the financial information for the year ended 30 September 2015 and 30 September 2014 as disclosed in the Prospectus.

The impact of this change is that the amount of cash previously reported at 30 September 2015 of £354,000 (2014: £172,000) has increased by £80,481,000 (2014: £67,338,000) to £80,835,000 (2014: £67,510,000) and borrowings which were previously reported at £343,361,000 (£2014: 433,746,000) have increased by a corresponding amount to £423,842,000 (2014: £366,408,000). This also had the impact of increasing the amount of cash and cash equivalents reported in the cash flow statement from £354,000 to £80,835,000. There was no impact on the consolidated statement of comprehensive income.

## 3. ACCOUNTING POLICIES CONTINUED

### New standards, amendments and interpretations continued

The following amendments to standards and interpretations which will be relevant to the preparation of the Group's financial statements have been issued, but are not effective and have not been early adopted for the financial year beginning 1 October 2016:

- **IFRS 9 'Financial Instruments', on 'Classification and Measurement'** (effective 1 October 2018). This is the first part of a new standard on classification and measurement of financial assets that will replace IAS 39. IFRS 9 has two measurement categories: amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss. Amortised cost accounting will also be applicable for most financial liabilities, with bifurcation of embedded derivatives. The main change is that in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.
- **IFRS 15 'Revenue from Contracts with Customers'** (effective 1 October 2018). This standard will replace both IAS 18, which covers contracts for goods and services, and IAS 11, which covers construction contracts. The basis for IFRS 15 is revenue is now recognised when control of a good or service is transferred to a customer, which replaces the existing treatment of risks and rewards. Under the new standard, revenue is also allocated to separate performance obligations under a contract and revenue is recognised once the performance obligations are met.
- **IFRS 16 'Leases'** (effective 1 October 2019) redefines how an entity will recognise, measure, present and disclose leases. The standard requires lessees to recognise all leases as assets, unless the underlying asset has a low value, or the lease term is one year or less. IFRS 16 replaces IAS 17.
- **Amendments to IAS 7 and IAS 12** (effective 1 October 2018). These amendments require additional disclosures in the statement of cash flows and recognition of deferred tax assets for unrealised losses respectively.
- **Amendment to IFRS 2** (effective 1 October 2018). This amendment clarifies the measurement for cash-settled, share-based payments and the accounting for modifications that change an award from cash settled to equity settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity settled, where an employer is obliged to withhold an amount for the employee's tax obligations associated with a share-based payment and pay that amount to the tax authority.
- **Amendment to IFRS 15** (effective 1 October 2018). These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation).

There are no IFRSs or IFRS IC interpretations that are not yet effective that would be expected to have a material impact on the Group for the financial year beginning 1 October 2016.

The Group has not applied the following amendments to standards which are EU endorsed but not yet effective:

- Amendments to IFRS 11: Accounting for Acquisitions of Interest in Joint Operations
- Amendments to IAS 1: Disclosure Initiative
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IAS 27: Separate Financial Statements on the Equity Method
- Annual Improvements to IFRSs 2014 Cycle

The Group is currently considering the impact of these amendments on the Group; however, it is anticipated they will be minimal and effects will principally relate to the amendment of current disclosures.

### Basis of consolidation

Subsidiaries are entities which the Group has the power to control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to govern the financial and operating policies so as to obtain economic benefits from its activities. The financial statements of subsidiaries are consolidated in the financial statements using the acquisition method of accounting from the date on which control is obtained up until the date that control ceases.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the income statement, the statement of changes in equity and statement of financial position.

Where the accounting policies of a subsidiary or equity-accounted investee do not conform in all material respects to those of the Group, adjustments are made on consolidation to reflect the accounting policies of the Group.

Intragroup transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated in preparing the financial statements. Gains arising from transactions with joint arrangements and associate are eliminated to the extent of the Group's interest in the entity.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *CONTINUED*

**For the year ended 30 September 2016**

## 3. ACCOUNTING POLICIES CONTINUED

### Associate and joint ventures

An associate is an entity over which the Group is in a position to exercise significant influence but does not exercise control or joint control. Investments in associates are accounted for using the equity method.

The Group has applied IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. Joint ventures are accounted for using the equity method.

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

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

The Group funds its associate and joint ventures through a combination of equity investment and shareholder loans. The Directors review the recoverability of investments and shareholder loans for impairment annually. Where an investment is held in an associate which has net liabilities, the investment is held at £Nil and other long-term interests, such as shareholder loans, are reduced by the value equal to the net liabilities, unless it has incurred legal or constructive obligations or made payments on behalf of its associate or joint ventures.

### 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 and contingent consideration arrangement.

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

### Intangible assets

#### Goodwill

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

An impairment review is carried out annually or when circumstances arise that may indicate an impairment is likely. The carrying value of goodwill is compared to its recoverable amount being the higher of its value in use and its fair value less costs of disposal. Any impairment is charged immediately to the income statement and is not subsequently reversed.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ("CGUs"), or groups of CGUs, that are expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

#### Brands

The Group carries assets on the balance sheet for brands that have been acquired. Internally generated brands are not recognised. Cost is determined at acquisition as being directly attributable cost or, where relevant, by using an appropriate valuation method. Acquired brands are tested for impairment when a triggering event is identified. Acquired brands are amortised over a period of 20 years.

#### Software

Computer software that generates an economic benefit of greater than one year is recognised as an intangible asset and carried at cost less accumulated amortisation. Computer software costs that are recognised as assets are amortised on a straight line basis over their economic useful life of four years. These are reviewed for impairment at such time as there is a change in circumstances by 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 on a straight line basis over the estimated useful life of the asset. The applicable annual rates are:

- Plant and machinery — 20 per cent to 25 per cent
- Fixtures and fittings — 10 per cent

The Group does not own any land or buildings considered to be non-trade related.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

### Financial assets

The Group classifies its financial assets in the following categories:

- loans and receivables; and
- available for sale.

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. Financial assets are derecognised only when the contractual rights to the cash flows from the financial asset expire or the Group transfers substantially all risks and rewards of ownership.

## 3. ACCOUNTING POLICIES CONTINUED

### Financial assets continued

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables" and "cash and cash equivalents" in the Consolidated Statement of Financial Position.

#### Available-for-sale financial assets

Available-for-sale financial assets are non-derivative assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Equity share scheme loans are classified as available-for-sale financial assets and are initially recorded at fair value net of transaction costs. Fair value is assessed annually with gains and losses being recognised directly in the Consolidated Statement of Other Comprehensive Income until the loan is repaid. The loans are discounted at an interest rate equivalent to market rate. On repayment the accumulated fair value, which had been recognised in the Consolidated Statement of Changes in Equity, is recognised in the Income Statement. If a loan is determined to be impaired, any impairment loss is recognised immediately in the Income Statement.

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

### Inventories

Inventories are normally stated at cost (or fair value if acquired as part of a business combination) and held at the lower of cost and net realisable value. Costs comprise direct materials, applicable direct labour and those overheads incurred to bring the inventories to their present location and condition. Net realisable value represents estimated selling price less all estimated costs to sell, including sales and marketing costs.

Land options purchased are initially stated at cost. Option costs are written off over the remaining life of the option and are also subject to impairment review. Impairment reviews are performed when circumstances arise which indicate an impairment is likely, such as a refusal of planning permission. Any impairments are recognised immediately in the income statement.

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

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

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

### Trade receivables

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

### Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and other short-term deposits held by the Group with maturities of three months or less. Bank overdrafts are classified within current liabilities.

### Trade payables

Trade payables on normal terms are not interest bearing and are stated initially at their fair value and subsequently amortised cost.

Where land is purchased on deferred settlement terms the land and associated liability are discounted to their fair value. The discount to fair value is amortised over the period of the credit term and charged to finance costs using the effective interest rate method. Changes in estimates of the final payment due are capitalised into inventory and, in due course, to cost of sales in the Income Statement.

Trade payables also include liabilities in respect of land overage where the Group is committed to make contractual payments to land vendors related to the performance of the development in the future. Land overage is estimated based on expected future cash flows in relation to relevant developments and, where payment will take place in more than one year, is discounted.

Deposits received from customers relating to sales of new properties are classified within current trade payables.

Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are classified as non-current liabilities.

### Borrowings

Interest-bearing bank loans and overdrafts are recorded initially at their fair value and bank loans are reported net of direct transaction costs to the extent that borrowings are available for offset. Such instruments are subsequently carried at their amortised cost and finance charges, including premiums payable on settlement or redemption, are amortised over the term of the instrument using the effective interest rate method. The excess of unamortised borrowing costs is disclosed within prepayments.

Bank loans are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the date of the statement of financial position. Overdrafts are classified as current liabilities.

### Provisions

Provisions are recognised when the Group has a present legal obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reliably estimated. Where the effect of the time value of money is material, the provision is discounted at the pre-tax discount rate that reflects the risks specific to the liability. Provisions for onerous leases are recognised when the foreseeable net cash outflows on a lease exceed the benefits derived from the lease which has more than one year before expiring or option to exercise a break.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *CONTINUED*
**For the year ended 30 September 2016**

## 3. ACCOUNTING POLICIES CONTINUED
### Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in share premium as a deduction from the proceeds.

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

### Mandatory redeemable preference shares
Mandatory redeemable preferred shares were interest-bearing financial liabilities which were recorded at their fair value. Such instruments are carried at their amortised cost with returns recognised over the term of the instrument using the effective interest rate method. The Mandatory Redeemable Preference Shares were all settled as part of the pre-IPO reorganisation as described in Note 1.

### Offsetting financial instruments
Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

### Revenue
Revenue comprises the fair value of the consideration received or receivable, net of applicable value added tax, Stamp Duty Land Tax, rebates and discounts and after eliminating sales within the Group. Revenue and profit are recognised as set out below.

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

#### Part exchange
In certain instances, property may be accepted in part consideration for a sale of a residential property. The fair value is established by independent surveyors, reduced for cost to sell. Net proceeds generated from the subsequent sale of part-exchange properties are recorded as a reduction to cost of sales. The original sale is recorded in the normal way, with the fair value of the exchanged property replacing cash receipts.

#### Cash incentives
Cash incentives are considered to be a discount from the purchase price offered to the acquirer and are therefore accounted for as a reduction to revenue.

#### Land and commercial sales
Revenue is recognised when substantially all of the risks and rewards of ownership of the land or commercial property transfer to the buyer, generally when there is an unconditional exchange of contracts. Revenue is measured as the fair value of consideration received or receivable.

#### Affordable housing contracts and design and build contracting
Contract revenue and costs are recognised in accordance with IAS 11 'Construction Contracts'.

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

Where the outcome of a long-term contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately in the income statement within cost of sales.

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

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

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

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

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

### Leases
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Rentals payable and incentives receivable under operating leases are recognised on a straight line basis over the term of the relevant lease.

### Finance costs and finance income
#### Borrowing costs
Borrowing costs in relation to the Group's debt facility are recognised on an accruals basis. Also included in borrowing costs is the amortisation of fees associated with the arrangement of the financing. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

The Group does not capitalise borrowing costs into developments.

#### Unwind of discounting
The finance cost associated with the time value of money on discounted receivables and payables is recognised within finance costs as the discount unwinds over the life of the relevant item.

## 3. ACCOUNTING POLICIES CONTINUED

### Current and deferred income taxation

Income tax comprises current and deferred tax.

#### Current taxation

The current tax payable is based on taxable profit for the period which differs from accounting profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and those items never taxable or deductible. The Group's liability for current tax is measured using tax rates that have been enacted or substantively enacted by the reporting date.

#### Deferred taxation

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax rates used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the taxable profit nor the accounting profit.

Deferred tax is calculated at the substantively enacted tax rates that are expected to apply to the period when the asset is realised or the liability is settled based upon tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in comprehensive income, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity, or items charged or credited directly to other comprehensive income, in which case the deferred tax is also recognised in other comprehensive income.

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.

### Segment reporting

Segment reporting is presented in the consolidated financial statements in respect of the Group's business segments. Segmental reporting reflects the Group's management structure and primary basis of internal reporting.

Segmental results include items directly attributable to the segment, as well as those that can be allocated on a reasonable basis.

The chief operating decision-maker ("CODM") has been identified as the Group's Executive Committee. The CODM reviews the Group's internal reporting in order to assess performance and allocate resources. The CODM assesses the performance of the operating segments based on underlying operating profit and tangible net operating asset values ("TNOAV").

### Pension obligations

The Group operates a defined contribution pension scheme. A defined contribution plan is a pension plan under which the Group pays fixed contributions to a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they fall due.

### Share-based payments

The Group provides benefits to employees (including Directors) of the Group in the form of equity-settled and cash-settled share-based payment transactions, whereby employees render services in exchange for rights over shares. For equity-settled share-based payments, the fair value of the employee services rendered is determined by reference to the fair value of the shares awarded or options granted, excluding the impact of any non-market vesting conditions. All share options are valued using an option-pricing model (Black Scholes or Monte Carlo). This fair value is charged to the income statement over the vesting period of the share-based payment scheme.

For cash-settled share-based payments, the fair value of the employee services rendered is determined at each balance sheet date and the charge recognised through the income statement over the vesting period of the share-based payment scheme, with the corresponding increase in accruals. The value of the charge is adjusted in the income statement over the remainder of the vesting period to reflect expected and actual levels of options vesting, with the corresponding adjustments made in equity and accruals.

Countryside Properties PLC invoices its subsidiary undertakings an amount equivalent to the fair value of the grant by the Company of options over its equity instruments to the employees of subsidiaries. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

### Adjusted measures

Certain items which do not relate to the Group's underlying performance are presented separately in the Income Statement as non-underlying items where, in the judgement of the Directors, they need to be disclosed separately by virtue of their nature, size or incidence in order to obtain a clear and consistent presentation of the Group's underlying business performance. As these non-underlying items can vary significantly from year to year they create volatility in reported earnings. In addition, the Directors believe that in discussing the performance of the Group, the results of joint ventures and associate should be proportionally consolidated, including the Group's share of revenue, operating profit and TNOAV given their importance to the Group's operations.

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

Examples of material and non-recurring items which may give rise to disclosure as non-underlying items are:

- fees incurred in relation to business combinations or capital market transactions;
- adjustments to the statement of financial position that do not relate to trading activity such as the recognition and reversal of non-trade impairments; and
- accelerated write-off of unamortised issue costs on the re-financing of borrowings.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *CONTINUED*

**For the year ended 30 September 2016**

## 3. ACCOUNTING POLICIES CONTINUED

### Adjusted measures continued

Share-based payment charges in respect of the pre-IPO Management Incentive Plan established during the year ended 30 September 2013 in connection with the acquisition of Copthorn Holdings Limited and its subsidiary companies by Oaktree Capital Management LLC are also treated as a non-underlying item. This allows the underlying performance of the Group to be measured from period to period, due to that fact the full benefits of owning these shares are crystallised only following an exit event, such as the IPO.

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

### Dividends

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Dividends payable are recorded in the period in which they are approved or paid, whichever is earliest.

## 4. SEGMENTAL REPORTING

Segmental reporting is presented in respect of the Group's business segments reflecting the Group's management and internal reporting structure and is on the basis on which strategic operating decisions are made by the Group's Chief Operating Decision-Maker ("CODM"). The Group's two business segments are Housebuilding and Partnerships.

The Housebuilding division develops large-scale sites, providing private and affordable housing on land owned or controlled by the Group, primarily around London and in the South and East of England, operating under both the Countryside and Millgate brands.

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

Segmental adjusted operating profit and segmental operating profit includes items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Central head office costs have been allocated between the segments using a percentage of revenue basis. Items below Group operating profit have not been allocated.

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

Countryside operates entirely within the United Kingdom.

### (a) Segmental income statement

| | **Housebuilding £'000** | **Partnerships £'000** | **Group items £'000** | **Total £'000** |
|---|---|---|---|---|
| **Year ended 30 September 2016** | | | | |
| Adjusted revenue including share of joint ventures' revenue | **427,113** | **349,869** | **—** | **776,982** |
| Share of joint ventures' revenue | **(69,027)** | **(36,697)** | **—** | **(105,724)** |
| **Revenue** | **358,086** | **313,172** | **—** | **671,258** |
| Segment result: | | | | |
| Adjusted operating profit including share of operating profit from associate and joint ventures | **66,829** | **55,639** | **—** | **122,468** |
| Less: share of operating profit from associate and joint ventures | **(18,326)** | **(6,934)** | **—** | **(25,260)** |
| Less: non-underlying items | **—** | **2,590** | **(12,471)** | **(9,881)** |
| **Operating profit/(loss)** | **48,503** | **51,295** | **(12,471)** | **87,327** |

| | Housebuilding £'000 | Partnerships £'000 | Group items £'000 | Total £'000 |
|---|---|---|---|---|
| **Year ended 30 September 2015** | | | | |
| Group revenue including share of joint ventures' revenue | 330,701 | 285,139 | — | 615,840 |
| Share of joint ventures' revenue | (51,958) | (16,396) | — | (68,354) |
| **Revenue** | 278,743 | 268,743 | — | 547,486 |
| Segment result: | | | | |
| Total operating profit including share of operating profit from associate and joint ventures | 51,562 | 39,604 | — | 91,166 |
| Less: share of operating profit from associate and joint ventures | (13,565) | (3,120) | — | (16,685) |
| Less: non-underlying items | — | (2,678) | (3,877) | (6,555) |
| **Operating profit/(loss)** | 37,997 | 33,806 | (3,877) | 67,926 |

## 4. SEGMENTAL REPORTING CONTINUED

### (b) Segmental capital employed

| | Housebuilding £'000 | Partnerships £'000 | Group items £'000 | Total £'000 |
|---|---|---|---|---|
| **Year ended 30 September 2016** | | | | |
| Net assets[1] | **422,175** | **103,301** | **67,410** | **592,886** |
| **TNOAV[2]** | **422,175** | **103,301** | **—** | **525,476** |

| | Housebuilding £'000 | Partnerships £'000 | Group items £'000 | Total £'000 |
|---|---|---|---|---|
| **Year ended 30 September 2015** | | | | |
| Net assets/(liabilities)[1] | 334,321 | 54,179 | (375,266) | 13,234 |
| **TNOAV[2]** | 334,321 | 54,179 | — | 388,500 |

1. Group items includes intangible assets of £58.9m (2015: £59.4m) (net of deferred tax of £3.5m (2015: £4.3m)) and net cash/(debt) of £12.0m (2015: debt £59.5m) (excluding unamortised bank loan arrangement fees of £2.5m (2015: £3.5m) and, in 2015, mandatory redeemable preference shares and outstanding returns in respect of the mandatory redeemable preference shares of £375.2m.
2. TNOAV is calculated as net assets/(liabilities) excluding the Group items described above.

### (c) Segmental other items

| | Housebuilding £'000 | Partnerships £'000 | Group items £'000 | Total £'000 |
|---|---|---|---|---|
| **Year ended 30 September 2016** | | | | |
| Investment in associate | **5,235** | **—** | **—** | **5,235** |
| Investment in joint ventures | **47,460** | **6,447** | **—** | **53,907** |
| Share of post-tax profit from associate and joint ventures | **13,005** | **6,588** | **—** | **19,593** |
| Capital expenditure – property, plant and equipment | **508** | **417** | **—** | **925** |
| Capital expenditure – software | **—** | **—** | **743** | **743** |
| Acquisitions | **2,293** | **—** | **—** | **2,293** |
| Depreciation and amortisation | **369** | **302** | **1,273** | **1,944** |
| Share-based payments | **—** | **—** | **3,035** | **3,035** |

| | Housebuilding £'000 | Partnerships £'000 | Group items £'000 | Total £'000 |
|---|---|---|---|---|
| **Year ended 30 September 2015** | | | | |
| Investment in associate | 4,164 | — | — | 4,164 |
| Investment in joint ventures | 47,143 | 2,954 | — | 50,097 |
| Share of post-tax profit from associate and joint ventures | 7,581 | 3,003 | — | 10,584 |
| Capital expenditure – property, plant and equipment | 813 | 701 | — | 1,514 |
| Depreciation and amortisation | 189 | 163 | 1,201 | 1,553 |
| Share-based payments | — | — | 1,310 | 1,310 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *CONTINUED*

**For the year ended 30 September 2016**

## 5. EMPLOYEES AND DIRECTORS

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

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| The aggregate remuneration for the employees and Directors of the Group comprised: | | |
| Salaries | **58,246** | 51,637 |
| Social security costs | **6,935** | 5,375 |
| Pension costs (Note 5b) | **2,630** | 1,995 |
| Share-based payments – pre-IPO (Note 30) | **1,910** | 1,310 |
| Share-based payments – post-IPO (Note 30) | **1,124** | — |
| Compensation for loss of office | — | 750 |
| | **70,845** | 61,067 |

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

| | 2016 Number | 2015 Number |
|---|---|---|
| Housebuilding and development | **886** | 704 |
| Head office | **124** | 107 |
| | **1,010** | 811 |

### (b) Retirement benefits

All the Group's employees are entitled to join the Group's defined contribution schemes, which are invested with Aegon. Annual contributions to these plans charged against income amounted to £2,630,000 (2015: £1,995,000), of which £197,000 (2015: £172,000) was outstanding at 30 September 2016.

### (c) Directors' emoluments

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| Aggregate emoluments | **2,517** | 1,462 |

### (d) Emoluments of the highest paid Director

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| Aggregate emoluments | **1,415** | 1,144 |

### (e) Key management compensation

The following table details the aggregate compensation paid in respect of the members of the Executive Committee of the Board of Directors, including the Executive Directors.

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| Wages and salaries | **4,470** | 4,356 |
| Accrued retirement benefits | **111** | 130 |
| Termination payment | — | 750 |
| Share-based payments | **1,474** | 1,123 |
| | **6,055** | 6,359 |

Compensation for loss of office of £750,000 paid in the year ended 30 September 2015 is considered to be a non-underlying item (Note 6b).

The Group does not operate any defined benefit pension schemes. Pension costs under defined contribution schemes are included in the accrued retirement benefits disclosed above. The disclosures of shares granted under the long-term incentive schemes are included in Note 30(b).

## 6. GROUP OPERATING PROFIT

### (a) Group operating profit is stated after charging/(crediting)

| | Note | 2016 £'000 | 2015 £'000 |
|---|---|---|---|
| Staff costs | 5a | **70,845** | 61,067 |
| Depreciation of property, plant and equipment | 12 | **671** | 352 |
| Amortisation of intangible assets | 11 | **1,273** | 1,201 |
| Provisions/(reversal of provision) for inventories | 17 | **635** | (352) |
| Inventories expensed to cost of sales | 17 | **523,674** | 423,881 |
| Operating leases | | **4,205** | 3,435 |
| Auditors' remuneration (see below) | | **1,815** | 1,413 |

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

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| Fees payable to Group's auditor and its associates for the audit of parent and consolidated financial statements | **139** | 82 |
| Fees payable to Group's auditor and its associates for other services: | | |
| – Audit of subsidiary companies | **126** | 294 |
| – Audit of Joint ventures | **99** | 90 |
| – Audit-related services | **47** | 20 |
| – Tax advisory services | **—** | 229 |
| – Other advisory services | **121** | — |
| – Audit related assurance and transaction services in relation to the IPO | **1,283** | 698 |
| | **1,815** | 1,413 |

### (b) Non-underlying items

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| Non-recurring items: | | |
| Advisory costs | **10,561** | 1,698 |
| (Reversal)/impairment of non-trade receivable | **(2,590)** | 2,677 |
| Share-based payments – pre-IPO | **1,910** | 1,310 |
| Change of Board Director | **—** | 870 |
| **Total non-underlying items included within administrative expenses** | **9,881** | 6,555 |
| Impairment of unamortised loan arrangement fees | **3,177** | — |
| **Total non-underlying items** | **13,058** | 6,555 |

#### Advisory fees

During the years ended 30 September 2016 and 2015, the Group engaged in corporate activity in relation to the listing of its ordinary shares on the London Stock Exchange. Advisory costs of £10,561,000 (2015: £1,698,000) were charged to the consolidated statement of comprehensive income in relation to this activity. Additionally, as disclosed in Note 1, £4,610,000 of IPO-related costs were charged to the share premium account. These costs primarily relate to the fees of professional advisors.

#### Impairment of non-trade receivable

The non-recurring charge of £2,677,000 relates to the impairment of a receivable during the prior year which management believed to be irrecoverable. During the year £2,590,000 has been received in cash resulting in partial reversal of the impairment.

#### Share-based payments – pre-IPO

In the year ended 30 September 2013, a Management Incentive Plan (the "Plan") was approved by the Board in which certain senior employees of Countryside Properties (UK) Limited, a subsidiary company, were invited to acquire shares issued by OCM Luxembourg Midco S.à r.l. The Directors believe that this Plan should be treated as a non-underlying item, as this allows the underlying performance of the Group to be measured from period to period. No awards under the Plan have been made since the IPO.

£1,910,000 was charged to the consolidated statement of comprehensive income in the year ended 30 September 2016 (2015: £1,310,000) in respect of charges related to the Plan.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *CONTINUED*

**For the year ended 30 September 2016**

## 6. GROUP OPERATING PROFIT CONTINUED

### (b) Non-underlying items continued

#### Impairment of unamortised loan arrangement fees

As described in Note 23, the Group refinanced in May 2016. As a result, unamortised debt finance costs in relation to the previous facility as at the refinancing date of £3,177,000 were expensed as a non-underlying finance cost.

#### Change of Board Director

During the year ended 30 September 2015, £870,000 of costs were incurred in relation to the resignation and appointment of Chief Financial Officers of Copthorn Holdings Limited. This amount includes compensation for loss of office of £750,000 and £120,000 of recruitment costs.

#### Taxation

A total tax credit of £969,000 (2015: £1,419,000) in relation to all of the above non-recurring items was included within taxation in the income statement.

### (c) Non-GAAP performance measures

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

The following table reconciles revenue to adjusted Group revenue:

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| Revenue | **671,258** | 547,486 |
| Add: share of revenue of joint ventures | **105,724** | 68,354 |
| **Adjusted Group revenue** | **776,982** | 615,840 |

The following table reconciles operating profit to adjusted Group operating profit:

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| Operating profit | **87,327** | 67,926 |
| Add: non-underlying items | **9,881** | 6,555 |
| Add: share of operating profit of associate and joint ventures | **25,260** | 16,685 |
| **Adjusted Group operating profit** | **122,468** | 91,166 |

## 7. FINANCE COSTS

| | Note | 2016 £'000 | 2015 £'000 |
|---|---|---|---|
| Bank loans and overdrafts | | **5,211** | 6,312 |
| Interest on mandatory redeemable preference shares | | **16,495** | 40,961 |
| Fair value losses on financial instruments | | **—** | 406 |
| Unwind of discount | | **4,811** | 3,502 |
| Amortisation of debt finance costs | 23 | **824** | 1,113 |
| Adjusted finance costs | | **27,341** | 52,294 |
| Write off unamortised debt arrangement fees | 6 | **3,177** | — |
| | | **30,518** | 52,294 |

The mandatory redeemable preference shares accrued interest annually until redemption in February 2016 (Note 23).

## 8. FINANCE INCOME

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| Interest receivable | **1,458** | 824 |
| Unwind of discount | **717** | 979 |
| | **2,175** | 1,803 |

## 9. TAXATION

| Analysis of charge for the year | 2016 £'000 | 2015 £'000 |
|---|---|---|
| **UK corporation tax** | | |
| Current period | **14,811** | 8,087 |
| Adjustments in respect of prior periods | **83** | (200) |
| **Total UK current tax** | **14,894** | 7,887 |
| **Foreign tax** | | |
| Luxembourg corporation tax | **(63)** | 3 |
| **Total current tax** | **14,831** | 7,890 |
| **Deferred tax (Note 16)** | | |
| Origination and reversal of temporary differences | **2,988** | 553 |
| Other differences | **(546)** | (257) |
| **Total deferred tax** | **2,442** | 296 |
| **Income tax expense** | **17,273** | 8,186 |

Changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2015 on 26 October 2015. These include reductions to the main rate to 19 per cent from 1 April 2017 and to 18 per cent from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted rates and reflected in these financial statements.

The tax assessed for the year is higher than the standard rate of corporation tax in the United Kingdom, which is 20 per cent (2015: 29.22 per cent being the statutory rate in Luxembourg).

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

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| Profit before income tax | **78,577** | 28,019 |
| Tax calculated at the parent entity rate of tax: 20 per cent (2015: 29.22 per cent) | **15,715** | 8,187 |
| Adjustments to deferred tax due to reduction in UK tax rates | **782** | — |
| Associate and joint venture tax | **(1,286)** | (3,093) |
| Deferred tax charged directly to reserves | **154** | — |
| Adjustments in respect of prior periods | **(1,558)** | (477) |
| Expenses not deductible for tax | **2,889** | 2,482 |
| Temporary timing differences | **(332)** | (48) |
| Deferred tax not recognised | **(222)** | — |
| Transfer pricing adjustments | **1,194** | 3,728 |
| Foreign tax | **(63)** | 3 |
| Overseas subsidiaries taxed at different rates | **—** | (2,596) |
| **Income tax expense** | **17,273** | 8,186 |

### Adjustments in respect of prior periods
In both years presented, the adjustments relate to the finalisation of entity tax computations following the signing of the Group financial statements.

### Expenses not deductible for tax
These items in both years largely relate to disallowable costs incurred in relation to the IPO, principally legal and advisory fees.

### Transfer pricing adjustments
These adjustments in both years relate to the disallowable portion of interest costs in relation to loans from the Group's previous parent entity which was based in Luxembourg. These loans were repaid in full on IPO.

### Income tax charged directly to equity
Income tax of £154,000 (2015: £Nil) was charged directly to equity in relation to share based payments.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *CONTINUED*

**For the year ended 30 September 2016**

## 10. EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue from the date of the IPO to 30 September 2016. The weighted average number of shares for both the current and preceding years has been stated as if the Group reorganisation had occurred at the beginning of the comparative year. When calculating diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of 0.2 million of potentially dilutive ordinary shares. These represent share options granted to employees under the Group's Save As You Earn plan.

### (a) Basic and diluted earnings per share

| | 2016 | 2015 |
|---|---|---|
| Profit from continuing operations attributable to equity holders of the parent (£'000) | **61,074** | 19,623 |
| Basic weighted average number of shares (millions) | **450.0** | 450.0 |
| Basic earnings per share (pence per share) | **13.6** | 4.4 |
| Diluted weighted average number of shares (millions) | **450.2** | 450.2 |
| Diluted earnings per share (pence per share) | **13.6** | 4.4 |

### (b) Adjusted basic and diluted earnings per share

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

| | 2016 | 2015 |
|---|---|---|
| Profit from continuing operations attributable to equity holders of the parent (£'000) | **61,074** | 19,623 |
| Add: non-underlying items net of tax (£'000) | **12,089** | 5,136 |
| Adjusted profit from continuing operations attributable to equity holders of the parent (£'000) | **73,163** | 24,759 |
| Basic weighted average number of shares (millions) | **450.0** | 450.0 |
| Basic adjusted earnings per share (pence per share) | **16.3** | 5.5 |
| Diluted weighted average number of shares (millions) | **450.2** | 450.2 |
| Diluted adjusted earnings per share (pence per share) | **16.3** | 5.5 |

Non-underlying items net of tax include costs of £13,058,000, net of tax of £969,000 (2015: costs of £6,555,000, net of tax of £1,419,000).

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

## 11. INTANGIBLE ASSETS

### Movement in intangible assets

| | Software £'000 | Brand £'000 | Goodwill £'000 | Total £'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 October 2014 and 30 September 2015 | — | 24,200 | 37,824 | 62,024 |
| Additions | 743 | — | — | 743 |
| **At 30 September 2016** | **743** | **24,200** | **37,824** | **62,767** |
| **Accumulated amortisation** | | | | |
| At 1 October 2014 | — | 1,370 | — | 1,370 |
| Amortisation | — | 1,201 | — | 1,201 |
| At 30 September 2015 | — | 2,571 | — | 2,571 |
| Amortisation | 72 | 1,201 | — | 1,273 |
| **At 30 September 2016** | **72** | **3,772** | **—** | **3,844** |
| **Net book value** | | | | |
| **At 30 September 2016** | **671** | **20,428** | **37,824** | **58,923** |
| At 30 September 2015 | — | 21,629 | 37,824 | 59,453 |

## 11. INTANGIBLE ASSETS CONTINUED

### Movement in intangible assets continued

### Goodwill

Goodwill relates to the acquisition of the Copthorn Holdings Group in April 2013 (£19,297,000) and Millgate Developments in February 2014 (£18,527,000). Both entities are considered to be cash generating units ("CGUs"). The goodwill balance is tested annually for impairment. The recoverable amount has been determined as the value in use of the business assessed on the current five-year cash flow forecasts. These forecasts are based on achieving the Group's medium term targets of 17 per cent operating margin and 28 per cent ROCE with appropriate growth rates applied in following years. Cash flow beyond the five-year period is extrapolated using a growth rate of 2 per cent. Cash flows generated by both CGUs are discounted using a pre-tax discount rate of 12.5 per cent, approved by the Board of Directors. The cash flow forecasts are also sensitised for a slowdown in sales and a reduction in selling prices. Significant headroom exists on all sensitised forecasts given the relative size of goodwill compared to annual operating profits and cash flows.

### Brand

Brand relates to both the Countryside brand (£13,500,000), acquired as part of the Copthorn Holdings Group in 2013, and the Millgate brand (£10,700,000), acquired as part of Millgate Developments Limited in 2014. Both brands have been valued using the income method and are considered to have a useful economic life of 20 years.

Amortisation expense in respect of the Group's brands of £1,201,000 (2015: £1,201,000) has been charged to administrative expenses.

## 12. PROPERTY, PLANT AND EQUIPMENT

| | Plant and machinery £'000 | Fixtures and fittings £'000 | Total £'000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 October 2014 | 5,597 | 2,487 | 8,084 |
| Additions | 781 | 733 | 1,514 |
| Disposals | (1,381) | — | (1,381) |
| At 30 September 2015 | 4,997 | 3,220 | 8,217 |
| Additions | 405 | 520 | 925 |
| Disposals | (3) | — | (3) |
| **At 30 September 2016** | **5,399** | **3,740** | **9,139** |
| **Accumulated depreciation** | | | |
| At 1 October 2014 | 4,721 | 2,119 | 6,840 |
| Depreciation charge for the year | 208 | 144 | 352 |
| Disposals | (1,381) | — | (1,381) |
| At 30 September 2015 | 3,548 | 2,263 | 5,811 |
| Depreciation charge for the year | 445 | 226 | 671 |
| Disposals | (2) | — | (2) |
| **At 30 September 2016** | **3,991** | **2,489** | **6,480** |
| **Net book value** | | | |
| **At 30 September 2016** | **1,408** | **1,251** | **2,659** |
| At 30 September 2015 | 1,449 | 957 | 2,406 |

Depreciation expense of £671,000 (2015: £352,000) has been charged to administrative expenses.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *CONTINUED*

**For the year ended 30 September 2016**

## 13. INVESTMENT IN JOINT VENTURES

The Directors have aggregated disclosure of joint ventures' statement of financial position and income statement on the basis that all of the joint ventures share a similar risk profile. The Group's aggregate investment in its joint ventures is represented by:

| | Housebuilding £'000 | Partnerships £'000 | Group 2016 £'000 | Housebuilding £'000 | Partnerships £'000 | Group 2015 £'000 |
|---|---|---|---|---|---|---|
| Summarised statement of financial position: | | | | | | |
| Non-current assets | **96** | **—** | **96** | 808 | — | 808 |
| Current assets | **393,182** | **53,254** | **446,436** | 372,824 | 37,370 | 410,194 |
| Cash | **336** | **7,986** | **8,322** | 10,950 | 704 | 11,654 |
| Current liabilities | **(37,292)** | **(7,800)** | **(45,092)** | (42,820) | (16,868) | (59,688) |
| Non-current liabilities | **(261,402)** | **(40,546)** | **(301,948)** | (247,476) | (15,298) | (262,774) |
| | **94,920** | **12,894** | **107,814** | 94,286 | 5,908 | 100,194 |
| Reconciliation to carrying amount: | | | | | | |
| At 1 October | **94,286** | **5,908** | **100,194** | 39,370 | 14 | 39,384 |
| Profit for the year | **23,868** | **13,176** | **37,044** | 14,030 | 6,006 | 20,036 |
| Dividends paid | **(21,074)** | **(6,190)** | **(27,264)** | (13,252) | (112) | (13,364) |
| Capital contribution | **2,757** | **—** | **2,757** | — | — | — |
| Increase/decrease in loans to joint ventures | **(2,624)** | **—** | **(2,624)** | 6,962 | — | 6,962 |
| Additional investment in a joint ventures | **—** | **—** | **—** | 47,176 | — | 47,176 |
| Disposal of joint venture | **(2,293)** | **—** | **(2,293)** | — | — | — |
| At 30 September | **94,920** | **12,894** | **107,814** | 94,286 | 5,908 | 100,194 |
| Summarised statement of comprehensive income: | | | | | | |
| Revenue | **138,164** | **73,284** | **211,448** | 104,108 | 32,600 | 136,708 |
| Expenses | **(104,742)** | **(59,416)** | **(164,158)** | (78,432) | (26,360) | (104,792) |
| Operating profit | **33,422** | **13,868** | **47,290** | 25,676 | 6,240 | 31,916 |
| Finance cost | **(6,130)** | **(692)** | **(6,822)** | (7,462) | (234) | (7,696) |
| Income tax | **(3,424)** | **—** | **(3,424)** | (4,184) | — | (4,184) |
| Profit for the year | **23,868** | **13,176** | **37,044** | 14,030 | 6,006 | 20,036 |
| Group's share in per cent | | | **50.0%** | | | 50.0% |
| Share of revenue | | | **105,724** | | | 68,354 |
| Share of operating profit | | | **23,645** | | | 15,958 |
| Dividends received by the Group | | | **13,632** | | | 6,682 |
| Investment in joint ventures | | | **53,907** | | | 50,097 |

The aggregate amount due from joint ventures is £84,543,000 (2015: £62,435,000). The amount due to joint ventures is £310,000 (2015: £318,000). Transactions between the Group and its joint ventures are disclosed in Note 27.

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

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| At 1 October | **50,097** | 19,692 |
| Share of post-tax profit | **18,522** | 10,018 |
| Dividends paid | **(13,632)** | (6,682) |
| Other movements | **(1,080)** | 27,069 |
| At 30 September | **53,907** | 50,097 |

## 13. INVESTMENT IN JOINT VENTURES CONTINUED

The Group's investments in joint ventures, all of which are incorporated in the United Kingdom and are accounted for using the equity method, comprise:

| | Country of incorporation | Ownership interest % | Principal activity |
|---|---|---|---|
| Acton Gardens LLP | UK | 50.00 | Housebuilding |
| Brenthall Park (Commercial) Limited | UK | 50.00 | Non-trading |
| Brenthall Park (Infrastructure) Limited | UK | 50.00 | Dormant |
| Brenthall Park (Three) Limited | UK | 50.00 | Dormant |
| Brenthall Park Limited | UK | 50.00 | Non-trading |
| Cambridge Medipark Limited | UK | 50.00 | Commercial |
| CBC Estate Management Limited | UK | 50.00 | Estate management |
| C.C.B. (Stevenage) Limited | UK | 33.33 | Non-trading |
| Countryside 27 Limited | UK | 50.00 | Commercial |
| Countryside L&Q (Oaks Village) LLP | UK | 50.00 | Housebuilding |
| Countryside Annington (Colchester) Limited (in liquidation) | UK | 50.00 | Housebuilding |
| Countryside Annington (Mill Hill) Limited | UK | 50.00 | Housebuilding |
| Countryside Properties (Accordia) Limited | UK | 50.00 | Non-trading |
| Countryside Properties (Booth Street 2) Limited | UK | 39.00 | Non-trading |
| Countryside Properties (Merton Abbey Mills) Limited | UK | 50.00 | Non-trading |
| Countryside Properties (Salford Quays) Limited | UK | 50.00 | Non-trading |
| Countryside Maritime Limited | UK | 50.00 | Housebuilding |
| Countryside Neptune LLP | UK | 50.00 | Housebuilding |
| Countryside Zest (Beaulieu Park) LLP | UK | 50.00 | Housebuilding |
| Greenwich Millennium Village Limited | UK | 50.00 | Housebuilding |
| iCO Didsbury Limited | UK | 50.00 | Commercial |
| Mann Island Estate Limited | UK | 50.00 | Estate management |
| Peartree Village Management Limited | UK | 50.00 | Dormant |
| Silversword Properties Limited | UK | 50.00 | Commercial |
| The Edge 1A Limited (in liquidation) | UK | 39.00 | Non-trading |
| Woolwich Countryside Limited | UK | 50.00 | Non-trading |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *CONTINUED*

**For the year ended 30 September 2016**

## 14. INVESTMENT IN ASSOCIATE

The Group holds 28.5 per cent of the ordinary share capital with pro rata voting rights in Countryside Properties (Bicester) Limited, a company incorporated in the United Kingdom, whose principal activity is housebuilding. It is accounted for using the equity method.

The Group's investment in its associate is represented by:

| | **2016 £'000** | 2015 £'000 |
|---|---|---|
| Summarised statement of financial position: | | |
| Non-current assets | **1,500** | — |
| Current assets | **11,156** | 13,895 |
| Cash | **19,814** | 19,067 |
| Current liabilities | **(14,102)** | (17,204) |
| Non-current liabilities | **—** | (1,147) |
| | **18,368** | 14,611 |
| Reconciliation to carrying amount: | | |
| At 1 October | **14,611** | 31,021 |
| Profit for the year | **3,758** | 1,986 |
| Dividends paid | **—** | (18,396) |
| At 30 September | **18,368** | 14,611 |
| Summarised statement of comprehensive income: | | |
| Revenue | **17,670** | 13,302 |
| Expenses | **(12,003)** | (10,751) |
| Operating profit | **5,667** | 2,551 |
| Finance income | **70** | 305 |
| Income tax | **(1,979)** | (870) |
| Profit for the year | **3,758** | 1,986 |
| Group's share in per cent | **28.5%** | 28.5% |
| Share of operating profit | **1,615** | 727 |
| Dividends received by the Group | **—** | 5,243 |
| Investment in associate | **5,235** | 4,164 |

The amount due from the associate is £Nil (2015: £Nil).

Transactions between the Group and its associate are disclosed in Note 27.

## 15. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | Note | **2016 £'000** | 2015 £'000 |
|---|---|---|---|
| At 1 October | | **10,535** | 10,862 |
| Additions from acquisitions | 31 | **544** | — |
| (Decrease)/increase in fair value | | **(1,501)** | 443 |
| Unwind of discount | | **717** | 515 |
| Redemptions | | **(1,630)** | (1,285) |
| **At 30 September** | | **8,665** | 10,535 |

The available-for-sale financial assets comprise loans advanced to homebuyers to assist in the purchase of their property under shared equity schemes. The loans are secured by either a first or second legal charge over the property and are either interest free or have interest chargeable from the fifth year onwards or tenth year onwards, dependent upon the scheme under which the loans were issued.

The assets are held at fair value, which represents the current market value of the properties held discounted to fair value, based on the redemption date of the loan. These loans are subject to credit risk, where loans may potentially not be repaid if the borrower defaults on repayment. An adjustment for credit risk is built into the calculation by using a discount rate equivalent for home loans, which rank behind mortgages. None of these financial assets are either past due or impaired.

## 15. AVAILABLE-FOR-SALE FINANCIAL ASSETS CONTINUED

The estimated value takes into consideration movements in house prices, the anticipated timing of the repayment of the asset and associated credit risk. As the precise valuation and timing of the redemption of these assets remains uncertain, the Group applies assumptions based upon current market conditions and the Group's experience of actual cash flows resulting from these transactions. These assumptions are reviewed at the end of each financial year as part of the impairment review conducted by the Directors. The difference between the estimated future value and the initial fair value is credited to finance income over the term of the loan.

Future house price inflation is assumed to be zero (2015: zero). The discount rate applied is 8.5 per cent (2015: 8.5 per cent) which the Directors believe approximates the cost of a second charge mortgage on similar properties.

If UK house price inflation had been one per cent higher or lower, with all other variables held constant and excluding any effect of current or deferred tax, the value of shared equity would increase or decrease by £139,000 (2015: £90,000) respectively, whilst if the discount rate used had been one per cent higher or lower, the value of these financial instruments would decrease or increase by £453,000 (2015: £492,000) and £506,000 (2015: £524,000), respectively. Changes in economic conditions will change the estimates made, therefore impacting the fair value of these loans.

The inputs used are by nature estimated and the resultant fair value has been classified as Level 3 under the fair value hierarchy.

## 16. DEFERRED TAX ASSETS

| | **2016 £'000** | 2015 £'000 |
|---|---|---|
| Amounts due to be recovered within one year | **1,811** | — |
| Amounts due to be recovered after more than one year | **1,507** | 5,606 |
| | **3,318** | 5,606 |

The movement in the year in the Group's net deferred tax position was as follows:

| | Losses £'000 | Other £'000 | Total £'000 |
|---|---|---|---|
| At 1 October 2014 | 5,900 | 2 | 5,902 |
| Charge to Income Statement for the year | (262) | (34) | (296) |
| At 30 September 2015 | 5,638 | (32) | 5,606 |
| Charge to Income Statement for the year | (3,182) | 740 | (2,442) |
| Amount transferred to the Statement of Changes in Equity | — | 154 | 154 |
| **At 30 September 2016** | **2,456** | **862** | **3,318** |

A deferred tax asset of £2,456,000 (2015: £5,638,000) has been recognised in respect of unutilised losses where realisation of the related tax benefit through future taxable profits is probable. A deferred tax asset of £862,000 (2015: £32,000 liability) in respect of other short-term timing differences and share-based payments has also been recognised. Temporary differences arising in connection with interests in associate and joint ventures are not significant. 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 £1,260,000 on historical losses of £7,413,000 (2015: £1,483,000 on losses of £7,413,000).

## 17. INVENTORIES

| | **2016 £'000** | 2015 £'000 |
|---|---|---|
| Development land and work in progress | **550,620** | 408,700 |
| Completed properties unlet, unsold or awaiting sale | **32,982** | 30,842 |
| | **583,602** | 439,542 |

The value of inventories expensed during the period and included in cost of sales was £523,674,000 (2015: £423,881,000). During the year inventories were written down through cost of sales by £1,235,000 (2015: £300,000). During the year impairment of inventories, which in previous years amounted to £600,000 (2015: £652,000), has been reversed, due to improved market conditions. During the year provisions of £1,119,000 (2015: £5,546,000) were utilised as inventory was consumed.

Total provisions against the inventory at 30 September 2016 were £14,560,000 (2015: £15,044,000).

Interest incurred on deferred land purchases amounting to £919,000 (2015: £300,000) was capitalised during the year to inventories.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *CONTINUED*

**For the year ended 30 September 2016**

## 18. CONSTRUCTION CONTRACTS

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| Contracts in progress at the reporting date: | | |
| Amounts due from contract customers included in trade and other receivables | **28,121** | 12,644 |
| Retentions held by customers for contract work included in trade and other receivables | **10,023** | 7,099 |
| Revenue generated from contracting activities during the period | **174,060** | 149,274 |

## 19. TRADE AND OTHER RECEIVABLES

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| **Amounts falling due within one year:** | | |
| Trade receivables | **12,861** | 16,500 |
| Amounts recoverable on construction contracts | **36,736** | 18,010 |
| Amounts owed by joint ventures | **84,543** | 62,435 |
| Other taxation and social security | **—** | 4,819 |
| Other receivables | **1,023** | 965 |
| Prepayments and accrued income | **12,749** | 2,721 |
| | **147,912** | 105,450 |
| **Amounts falling due in more than one year:** | | |
| Amounts recoverable on construction contracts | **1,408** | 1,733 |
| Trade receivables | **9,374** | 13,622 |
| | **10,782** | 15,355 |
| Total trade and other receivables | **158,694** | 120,805 |

The Directors are of the opinion that there are no significant concentrations of credit risk (Note 29). The fair value of the financial assets is not considered to be materially different from their carrying value. The fair values are based on discounted cash flows and are within Level 3 of the fair value hierarchy.

Trade receivables at year end have been assessed for recoverability. A provision for impairment is made when there is objective evidence of impairment, which is usually indicated by a delay in the expected cash flows or non-payment from customers. Trade receivables remaining outstanding past their due date are £480,000 (2015: £219,000); however, none were impaired.

A provision of £8,000,000 (2015: £8,000,000) has been made against amounts due from Countryside Neptune LLP, a joint venture, to reflect the Directors' view of the recoverability of this advance.

The other classes within trade and other receivables do not contain impaired assets.

## 20. CASH AND CASH EQUIVALENTS

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| Cash and cash equivalents | **38,301** | 80,835 |
| Overdrafts | **(26,340)** | — |
| Net cash and cash equivalents | **11,961** | 80,835 |

Cash and cash equivalents of £38,301,000 (2015: £80,835,000) comprise cash and short-term deposits held, of which £36,578,000 (2015: £80,481,000) is available to offset against loans drawn under the Group's revolving credit facility and overdrafts. If these assets were fair valued, they would be considered as Level 3 under the fair value hierarchy. The carrying amount of these assets is equal to their fair value. At the year end, all financial assets held were in Sterling.

### Cash and cash equivalents available for offset

Within the revolving credit facility the Group has a £30,000,000 overdraft facility which can be drawn by any Group company which is in the pooling arrangement. Following an IFRS IC clarification in this area, the Group has presented these on a gross basis in the statement of financial position.

## 21. TRADE AND OTHER PAYABLES

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| Amounts falling due within one year: | | |
| Trade payables | **99,341** | 114,006 |
| Accruals and deferred income | **71,299** | 58,229 |
| Other taxation and social security | **2,676** | 1,793 |
| Other payables | **3,817** | 6,794 |
| Advances due to joint ventures | **310** | 318 |
| | **177,441** | 181,140 |
| Amounts falling due in more than one year: | | |
| Trade payables | **109,044** | 61,055 |
| Accruals and deferred income | **—** | 87,875 |
| | **109,044** | 148,930 |
| **Total trade and other payables** | **286,485** | 330,070 |

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 and other payables approximates to their fair value, as the impact of discounting is not significant.

## 22. PROVISIONS

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| At 1 October | **2,254** | 5,795 |
| Provisions released to the income statement during the year | **—** | (2,106) |
| Provisions utilised during the year | **(774)** | (1,478) |
| Unwind of discount | **23** | 43 |
| At 30 September | **1,503** | 2,254 |
| Disclosed as current liabilities | **818** | 1,144 |
| Disclosed as non-current liabilities | **685** | 1,110 |
| | **1,503** | 2,254 |

The provision relates to an onerous lease on a leasehold office property, and is calculated on the estimated cash flows over the remaining length of the lease, discounted at a risk-free rate.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *CONTINUED*

## For the year ended 30 September 2016

### 23. BORROWINGS

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| Bank loans | — | 140,000 |
| Bank loan and arrangement fees | — | (3,487) |
| | — | 136,513 |
| Mandatory redeemable preference shares | — | 287,329 |
| | — | 423,842 |

#### Bank loans

In May 2016, the Group signed a new £300,000,000 revolving credit facility with Lloyds Bank plc, Barclays Bank PLC, HSBC Bank plc and Santander UK plc. The agreement has a variable interest rate based on LIBOR and expires in May 2021, although the Group has the opportunity to extend the term of the facility by a further two years. Subject to obtaining credit approval from the syndicate banks, the Group also has the option to extend the facility by a further £100,000,000. This facility is subject to both financial and non-financial covenants and is secured by floating charges over all the Group's assets.

At 30 September 2015, the Group had a committed bank loan facility of £215,000,000 made available by Lloyds Bank plc, Barclays Bank PLC and Santander UK plc. This facility was originally £200,000,000 but was extended during 2015. The facility was further extended during 2016 to £265,000,000 and £273,000 of debt arrangement fees were incurred. This facility was subject to both financial and non-financial covenants and was secured by fixed charges over the Group's property interests and fixed assets and a floating charge over all other assets.

The carrying value of the loans drawn under both the old and new facilities is equal to their fair value. As the impact of discounting is not significant, the fair values are based on discounted cash flows and are within Level 2 of the fair value hierarchy.

Bank loan arrangement fees are amortised over the term of the facility. As a result of the signing of the new facility agreement, the unamortised loan arrangement fee for the previous facility of £3,177,000 was expensed to the income statement as a non-underlying finance cost (Note 6b). £2,776,000 of debt finance costs were capitalised in relation to the new facility. Of these £241,000 were expensed during the year. At 30 September 2016, unamortised loan arrangement fees were £2,535,000 (2015: £3,487,000) and £824,000 (2015: £1,113,000) of debt finance costs are included in finance costs (Note 7). As the Group did not have any debt at 30 September 2016, the unamortised loan arrangement fees are disclosed as a prepayment.

The Group has the following undrawn facilities:

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| Floating rate: | | |
| Expiring after more than one year | **300,000** | 75,000 |

#### Mandatory redeemable preference shares

Mandatory redeemable preference shares were issued as follows:

- 16 April 2013 – £207,404,865 to OCM Luxembourg Coppice Topco S.à r.l. and £19,944,135 to management
- 3 February 2014 – £54,546,493 to OCM Luxembourg Coppice Topco S.à r.l. and £3,230,558 to management
- 3 November 2014 – £2,203,321 to management

The characteristics of these instruments have determined that they are classed as financial liabilities rather than equity.

These shares were redeemable on a date to be determined by the issuer, upon liquidation of Midco or on the tenth anniversary of the date of issue, the mandatory redemption date. Interest on the shares issued on 16 April 2013 accrues annually at 14.5 per cent for the first 12 months from issue, then 12.0 per cent thereon which is payable on a date determined by the issuer or on the mandatory redemption date. Interest on the shares issued on 3 February 2014 accrues annually at 15 per cent for the first 12 months from issue, then 12.0 per cent thereon which is payable on a date determined by the issuer or on the mandatory redemption date.

#### Redemption of MRPS

As described in Note 1, as part of the reorganisation and prior to IPO, the balance of the mandatory redeemable preference shares of £287.3m and the associated accrued return of £111.2m as of 16 February 2016 were transferred from the current holders to the Company in exchange for 392,222,212 ordinary shares in the Company.

The fair value of the financial liability is not considered to be materially different from its current value, as the impact of the discount is not significant. The fair values are based on discounted cash flows and are within Level 3 of the fair value hierarchy.

## 24. RESERVES

### (a) Share capital

| | Number of shares | | | |
|---|---|---|---|---|
| | **2016 m** | 2015 m | **2016 £'000** | 2015 £'000 |
| **Allotted, issued and fully paid** | | | | |
| Ordinary shares of £0.01 each | **450** | — | **4,500** | — |
| Ordinary A1 to A5 shares of £0.01 each | — | — | — | 7 |
| Ordinary B1 to B5 shares of £0.01 each | — | — | — | 1 |
| Ordinary C shares of £0.01 each | — | — | — | 10 |
| Ordinary D shares of £0.01 each | — | — | — | — |
| Ordinary AA shares of £0.01 each | — | — | — | 1 |
| Ordinary BB shares of £0.01 each | — | — | — | — |
| | **450** | — | **4,500** | 19 |
| **Share premium** | | | | |
| Ordinary A shares | | | — | 844 |
| Ordinary B shares | | | — | 35 |
| Ordinary C shares | | | — | — |
| Ordinary D shares | | | — | 12 |
| Ordinary AA shares | | | — | 172 |
| Ordinary BB shares | | | — | 12 |
| | | | — | 1,075 |

The share capital of the Group represents the share capital of the parent company, Countryside Properties PLC. As described in Note 1, this Company became the Group's ultimate parent company on 11 February 2016. Prior to this the share capital of the Group represented the share capital of the previous parent, OCM Luxembourg Coppice Midco S.à r.l..

Movements in the Company's share capital from the date of incorporation to year end are described in Note 1. There have not been any other changes to the Company's share capital since the steps laid out in Note 1.

All ordinary shares allotted and issued have equal voting rights of one vote per share, with the right to receive dividends if declared.

During the year to 30 September 2015 the following shares were issued:

- 23 October 2014 – 1,520 B shares of £0.01;
- 29 October 2014 – 2,280 B shares of £0.01; and
- 26 May 2015 – 8,016 A shares of £0.01; 1,050 B shares of £0.01; 700 BB shares of £0.01; and 3,100 C shares of £0.01 were issued.

The following describes the nature and purpose of each reserve within shareholders' equity:

#### Share premium

The amount subscribed for share capital in excess of nominal value less any costs directly attributable to the issue of new shares.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *CONTINUED*

**For the year ended 30 September 2016**

## 24. RESERVES CONTINUED

### (b) Reserves

Cumulative net gains and losses recognised in the Income Statement and Statement of Changes in Equity.

| | Retained earnings £'000 | Available-for-sale financial assets £'000 | Total reserves £'000 |
|---|---|---|---|
| At 1 October 2014 | (10,591) | 1,122 | (9,469) |
| Profit for the period | 19,623 | 443 | 20,066 |
| Share-based payment | 1,310 | — | 1,310 |
| At 30 September 2015 | 10,342 | 1,565 | 11,907 |
| Profit for the period | 61,074 | — | 61,074 |
| Other comprehensive income | — | (1,501) | (1,501) |
| Share-based payment | 3,188 | — | 3,188 |
| Group reorganisation | 513,255 | — | 513,255 |
| **At 30 September 2016** | **587,859** | **64** | **587,923** |

## 25. NOTES TO THE CASH FLOW STATEMENT

### Reconciliation of operating profit to cash generated from operations

| | Note | 2016 £'000 | 2015 £'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before taxation | | **78,577** | 28,019 |
| **Adjustments for:** | | | |
| – Depreciation charge | 12 | **671** | 352 |
| – Amortisation charge | 11 | **1,273** | 1,201 |
| – Non-cash items | | **635** | (977) |
| – Share of post-tax profit from joint ventures and associate | 13, 14 | **(19,593)** | (10,584) |
| – Share-based payment – pre-IPO | 30 | **1,910** | 1,310 |
| – Share-based payment – post-IPO | 30 | **1,124** | — |
| – Finance costs | 7 | **27,341** | 52,294 |
| – Impairment of debt amortisation fees | 23 | **3,177** | — |
| – Finance income | 8 | **(2,175)** | (1,803) |
| – Profit on disposal of available-for-sale financial assets | | **(1,295)** | (1,226) |
| Changes in working capital: | | | |
| – (Increase)/decrease in inventories | | **(38,463)** | 2,648 |
| – Increase in trade and other receivables | | **(13,012)** | (5,589) |
| – Decrease in trade and other payables | | **(54,288)** | (34,348) |
| – Decrease in provisions for liabilities and charges | 22 | **(774)** | (1,478) |
| **Cash (used in)/generated from operations** | | **(14,892)** | 29,819 |

### Non-cash items

Non-cash items primarily relate to net stock provision expense amounting to £635,000 (2015: credit of £352,000).

## 26. INVESTMENTS

The Company substantially owns directly or indirectly the whole of the issued and fully paid ordinary share capital of its subsidiary undertakings. Subsidiary undertakings of the Group at 30 September 2016 are presented below:

| | Country of incorporation | Voting rights % | Principal activity |
|---|---|---|---|
| **Direct investment** | | | |
| Copthorn Holdings Limited | UK | 100.00 | Holding company |
| OCM Luxembourg Coppice Midco S.à r.l. (in liquidation) | Luxembourg | 100.00 | Holding company |
| **Indirect investment** | | | |
| Beaulieu Park Limited | UK | 100.00 | Dormant |
| Brenthall Park (One) Limited | UK | 100.00 | Dormant |
| Cliveden Village Management Company Limited | UK | 100.00 | Dormant |
| Copthorn 2009 Limited (in liquidation) | UK | 100.00 | Dormant |
| Copthorn Finance Limited (in liquidation) | UK | 100.00 | Dormant |
| Copthorn Limited (in liquidation) | UK | 100.00 | Dormant |
| Countryside 26 Limited | UK | 100.00 | Housebuilding |
| Countryside 28 Limited | UK | 100.00 | Housebuilding |
| Countryside Build Limited | UK | 100.00 | Dormant |
| Countryside Cambridge One Limited | UK | 100.00 | Housebuilding |
| Countryside Cambridge Two Limited | UK | 100.00 | Housebuilding |
| Countryside Commercial & Industrial Properties Limited | UK | 100.00 | Dormant |
| Countryside Developments Limited | UK | 100.00 | Dormant |
| Countryside Eight Limited | UK | 100.00 | Housebuilding |
| Countryside Four Limited | UK | 100.00 | Housebuilding |
| Countryside Investments Limited | UK | 100.00 | Dormant |
| Countryside Properties (Commercial) Limited | UK | 100.00 | Dormant |
| Countryside Properties (Holdings) Limited | UK | 100.00 | Holding company |
| Countryside Properties (In Partnership) Limited | UK | 100.00 | Housebuilding |
| Countryside Properties (Joint Ventures) Limited | UK | 100.00 | Housebuilding |
| Countryside Properties Land (One) Limited | UK | 100.00 | Housebuilding |
| Countryside Properties Land (Two) Limited | UK | 100.00 | Housebuilding |
| Countryside Properties (London & Thames Gateway) Limited | UK | 100.00 | Dormant |
| Countryside Properties (Northern) Limited | UK | 100.00 | Housebuilding |
| Countryside Properties (Southern) Limited | UK | 100.00 | Housebuilding |
| Countryside Residential (South Thames) Limited | UK | 100.00 | Dormant |
| Countryside Properties (Special Projects) Limited | UK | 100.00 | Dormant |
| Countryside Properties (Springhead) Limited | UK | 100.00 | Housebuilding |
| Countryside Properties (Uberior) Limited | UK | 100.00 | Housebuilding |
| Countryside Properties (UK) Limited | UK | 100.00 | Housebuilding |
| Countryside Residential Limited | UK | 100.00 | Dormant |
| Countryside Residential (South West) Limited | UK | 100.00 | Dormant |
| Countryside Seven Limited | UK | 100.00 | Housebuilding |
| Countryside Sigma Limited | UK | 74.90 | Housebuilding |
| Countryside Thirteen Limited | UK | 100.00 | Housebuilding |
| Countryside (UK) Limited | UK | 100.00 | Dormant |
| Dunton Garden Suburb Limited | UK | 100.00 | Dormant |
| Harold Wood Management Limited | UK | 100.00 | Dormant |
| Lakenmoor Ltd | UK | 100.00 | Dormant |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *CONTINUED*

**For the year ended 30 September 2016**

## 26. INVESTMENTS CONTINUED

| | Country of incorporation | Voting rights % | Principal activity |
|---|---|---|---|
| **Indirect investment continued** | | | |
| Mandeville Place (Radwinter) Management Limited | UK | 100.00 | Estate management |
| Millgate Developments Limited | UK | 100.00 | Housebuilding |
| Millgate Homes Limited | UK | 100.00 | Dormant |
| Millgate Homes UK Limited | UK | 100.00 | Dormant |
| Millgate (UK) Holdings Limited | UK | 100.00 | Holding company |
| Skyline 120 Management Limited | UK | 100.00 | Estate management |
| Skyline 120 Nexus Management Limited | UK | 100.00 | Estate management |
| Springhead Resident Management Company Limited | UK | 100.00 | Estate management |
| South at Didsbury Point Two Management Limited | UK | 100.00 | Estate management |
| Trinity Place Residential Management Company Limited | UK | 100.00 | Estate management |
| Urban Hive Hackney Management Limited | UK | 100.00 | Dormant |
| Wychwood Park Golf Club Limited | UK | 100.00 | Non-trading |
| Wychwood Park (Holdings) Limited | UK | 100.00 | Estate management |
| Wychwood Park (Management) Limited | UK | 100.00 | Estate management |

All subsidiaries are fully consolidated, after eliminating intergroup transactions. The non-controlling interest relates to Countryside Sigma Limited.

## 27. RELATED PARTY TRANSACTIONS

### Transactions with Group joint ventures and associate

| | Joint ventures | | Associate | |
|---|---|---|---|---|
| | **2016 £'000** | 2015 £'000 | **2016 £'000** | 2015 £'000 |
| Sales during the year | **26,150** | 20,648 | **674** | 1,522 |
| At 1 October | **62,117** | 45,442 | **—** | — |
| Net advances during the period | **22,116** | 16,675 | **—** | — |
| At 30 September | **84,233** | 62,117 | **—** | — |

The transactions noted above are between the Group and its joint ventures and associate whose relationship is described in Note 13 and Note 14 respectively.

Sales of goods to related parties were made at the Group's usual list prices. No purchases were made by the Group from its joint ventures or associate. The amounts outstanding ordinarily bear no interest and will be settled in cash.

### Remuneration of key management personnel

The aggregate remuneration of the Executive Committee, who are considered to be key management personnel of the Group, was £6.1m (2015: £6.4m).

### Transactions with key management personnel

In 2014, properties were sold at market value by the Group to parties related to key management personnel who continue to lease them back to the Group as follows:

- Close family members of Ian Sutcliffe received £17,250 (2015: £17,250).
- A company of which Graham Cherry, a member of the Group's Executive Committee, is a Director and shareholder received £21,000 (2015: £21,000).

In 2016 a close family member of Ian Sutcliffe jointly purchased a property from Acton Gardens LLP, an entity in which the Group has a 50 per cent interest, at market value of £530,000.

Last financial year, a close family member of Ian Sutcliffe and a close family member of Graham Cherry were employed by a subsidiary of the Group. Both individuals were recruited through the normal interview process and are employed at salaries commensurate with their experience and roles. The combined annual salary and benefits of these individuals is less than £100,000 (2015: less than £100,000).

## 28. FINANCIAL INSTRUMENTS

The following tables categorise the Group's financial assets and liabilities included in the Consolidated Statement of Financial Position:

| | Loans and receivables £'000 | Available for sale £'000 | Total £'000 |
|---|---|---|---|
| **2016** | | | |
| **Assets** | | | |
| Available-for-sale financial assets | **—** | **8,665** | **8,665** |
| Trade and other receivables | **60,379** | **—** | **60,379** |
| Amounts due from associate and joint ventures | **84,543** | **—** | **84,543** |
| Cash and cash equivalents | **38,301** | **—** | **38,301** |
| | **183,223** | **8,665** | **191,888** |
| **2015** | | | |
| **Assets** | | | |
| Available-for-sale financial assets | — | 10,535 | 10,535 |
| Trade and other receivables | 49,865 | — | 49,865 |
| Amounts due from associate and joint ventures | 62,435 | — | 62,435 |
| Cash and cash equivalents | 80,835 | — | 80,835 |
| | 193,135 | 10,535 | 203,670 |

Any changes in the fair value of derivatives are recorded in the Income Statement.

| | Other financial liabilities at amortised cost £'000 |
|---|---|
| **2016** | |
| **Liabilities** | |
| Overdrafts | **26,340** |
| Trade and other payables (excluding non-financial liabilities) | **214,878** |
| Amount due to joint ventures | **310** |
| | **241,528** |
| **2015** | |
| **Liabilities** | |
| Bank loan and finance cost | 142,355 |
| Mandatory redeemable preference shares | 375,204 |
| Trade and other payables (excluding non-financial liabilities) | 177,402 |
| Amount due to joint ventures | 318 |
| | 695,279 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *CONTINUED*

**For the year ended 30 September 2016**

## 28. FINANCIAL INSTRUMENTS CONTINUED

### Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the Group's assets that are measured at fair value at 30 September:

| | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 | Total £'000 |
|---|---|---|---|---|
| **2016** | | | | |
| **Assets** | | | | |
| Available-for-sale financial assets | **—** | **—** | **8,665** | **8,665** |
| **2015** | | | | |
| **Assets** | | | | |
| Available-for-sale financial assets | — | — | 10,535 | 10,535 |

There were no transfers between levels during the period.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Level 1: None of the Group's financial instruments are categorised as Level 1.

Level 2: None of the Group's financial instruments are categorised as Level 2.

Level 3: The key assumptions used in Level 3 valuations include house price movements, the expected timing of receipts, credit risk and discount rates. Future house price inflation is assumed to be zero (2015: zero). The discount rate applied was 8.5 per cent (2015: 8.5 per cent) which Directors believe approximates the cost of a second charge mortgage on similar properties. Techniques, such as discounted cash flow analysis, have been used to determine fair value for the Level 3 financial instruments.

The fair values of the financial instruments that are measured at amortised cost is not shown, because the difference is not material.

## 29. FINANCIAL RISK MANAGEMENT

The main financial risks associated with the Group have been identified as liquidity risk, interest rate risk, housing market risk and credit risk. The Directors are responsible for managing these risks and the policies adopted are set out below.

### Liquidity risk

The Group finances its operations through a mixture of equity (Company share capital, reserves and retained earnings) and debt (bank loan facilities and, in 2015, mandatory redeemable preference shares). The Group manages its liquidity risk by monitoring its existing facilities for both financial covenant and funding headroom against forecast requirements based on short-term and long-term cash flow forecasts.

## 29. 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 (excluding financial derivatives) of the Group at 30 September:

| | Less than one year £'000 | One to two years £'000 | Two to five years £'000 | Over five years £'000 | Total £'000 |
|---|---|---|---|---|---|
| **2016** | | | | | |
| **Assets** | | | | | |
| Cash and cash equivalents | **38,301** | **—** | **—** | **—** | **38,301** |
| Available-for-sale financial assets | **—** | **1,123** | **6,003** | **9,048** | **16,174** |
| Trade and other receivables | **49,597** | **5,913** | **4,705** | **164** | **60,379** |
| Amounts due from joint ventures and associate | **84,543** | **—** | **—** | **—** | **84,543** |
| | **172,441** | **7,036** | **10,708** | **9,212** | **199,397** |
| **2016** | | | | | |
| **Liabilities** | | | | | |
| Overdrafts | **26,340** | **—** | **—** | **—** | **26,340** |
| Trade and other payables | **102,200** | **48,804** | **75,844** | **1,568** | **228,416** |
| Amounts due to joint ventures | **310** | **—** | **—** | **—** | **310** |
| Provisions | **834** | **510** | **159** | **—** | **1,503** |
| | **129,684** | **49,314** | **76,003** | **1,568** | **256,569** |
| **2015** | | | | | |
| **Assets** | | | | | |
| Cash and cash equivalents | 80,835 | — | — | — | 80,835 |
| Available-for-sale financial assets | — | — | — | 13,924 | 13,924 |
| Trade and other receivables | 34,530 | 6,530 | 10,603 | — | 51,663 |
| Amounts due from joint ventures and associate | 62,435 | — | — | — | 62,435 |
| | 177,800 | 6,530 | 10,603 | 13,924 | 208,857 |
| **2015** | | | | | |
| **Liabilities** | | | | | |
| Bank loans and finance cost | 2,355 | — | 140,000 | — | 142,355 |
| Mandatory redeemable preference shares | — | — | — | 287,329 | 287,329 |
| Return on mandatory redeemable preference shares | — | — | — | 87,872 | 87,872 |
| Trade and other payables | 118,179 | 14,665 | 45,666 | 12,669 | 191,179 |
| Amounts due to joint ventures | 318 | — | — | — | 318 |
| Provisions | 1,144 | 534 | 621 | — | 2,299 |
| | 121,996 | 15,199 | 186,287 | 387,870 | 711,352 |

Cash and cash equivalents includes £36,578,000 (2015: £80,481,000) which is available for offset against loans drawn under the Group's revolving credit facility and overdrafts.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *CONTINUED*

**For the year ended 30 September 2016**

## 29. FINANCIAL RISK MANAGEMENT CONTINUED

### Interest rate risk

Interest rate risk reflects the Group's exposure to fluctuations in interest rates in the market. This risk arises from bank loans that are drawn under the Group's loan facilities with variable interest rates based upon UK LIBOR. For the year ended 30 September 2016 it is estimated that an increase by 0.5 per cent in interest rates would have decreased the Group's profit before tax by £650,000 (2015: £575,000).

The following table sets out the interest rate risk associated with the Group's financial liabilities at 30 September 2016:

| | Fixed rate £'000 | Floating rate £'000 | Non-interest bearing £'000 | Total £'000 |
|---|---|---|---|---|
| **2016** | | | | |
| **Liabilities** | | | | |
| Bank loans and finance cost | **—** | **26,340** | **—** | **26,340** |
| Trade and other payables | **32,180** | **—** | **182,698** | **214,878** |
| Amounts due to joint ventures | **—** | **—** | **310** | **310** |
| | **32,180** | **26,340** | **183,008** | **241,528** |
| **2015** | | | | |
| **Liabilities** | | | | |
| Bank loans and finance cost | — | 142,355 | — | 142,355 |
| Mandatory redeemable preferred shares | 287,329 | — | — | 287,329 |
| Return on mandatory redeemable preferred shares | 87,872 | — | — | 87,872 |
| Trade and other payables | 5,189 | — | 172,213 | 177,402 |
| Amounts due to joint ventures | — | — | 318 | 318 |
| | 380,390 | 142,355 | 172,531 | 695,276 |

The financial assets of the Group amounting to £191,888,000 (2015: £203,670,000) with the exception of cash and cash equivalents amounting to £38,301,000 (2015: £80,835,000) are all non-interest bearing.

The Group has no exposure to foreign currency risk.

### Housing market risk

The Group is affected by price fluctuations in the UK housing market. These are in turn affected by the wider economic conditions such as mortgage availability and associated interest rates, employment and consumer confidence. Whilst these risks are beyond the Group's ultimate control, risk is spread across business activities undertaken by the Group and the geographic regions in which it operates. We have considered the sensitivity in relation to available-for-sale financial assets, which is detailed in Note 15.

### Credit risk

The Group's exposure to credit risk is limited solely to the United Kingdom for housebuilding activities and by the fact that the Group receives cash at the point of legal completion of its sales.

The Group's remaining credit risk predominantly arises from trade receivables and cash and cash equivalents.

Loans receivable from financial assets held for sale are those advanced to homebuyers to assist in their purchase of property under the shared equity schemes. The loans are secured by either a first or second charge over the property and are held at fair value.

Trade receivables on deferred terms arise from land sales. The amount deferred is secured by a charge over the land until such time payment is received.

Trade and other receivables comprise mainly the amounts receivable from the Homes and Communities Agency in relation to the Help-to-Buy scheme, housing associations, joint ventures and the associate. The Directors consider the credit rating of the various debtors is good in respect of the amounts outstanding and therefore credit risk is considered to be low.

Cash and cash equivalents and derivative financial instruments are held with UK clearing banks which are either A or A- rated.

## 29. 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 so as to minimise its cost of capital. 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.

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| Total borrowings | — | 427,329 |
| Less: cash and cash equivalents available for offset | — | (80,481) |
| **Net borrowings** | — | 346,848 |
| Total equity | **592,886** | 13,234 |
| **Total capital** | **592,886** | 360,082 |

## 30. SHARE-BASED PAYMENTS

The Group recognised £3,034,000 (2015: £1,310,000) of employee costs related to share-based payment transactions made during the financial year comprising the pre-IPO Management Incentive Plan of £1,910,000 and the post-IPO incentive plan of £1,124,000. Of these, £Nil (2015: £Nil) were cash settled. A deferred tax asset of £358,000 (2015: £Nil) was recognised in relation to the plan, of which £205,000 was credited to the income statement and £154,000 was credited directly to equity. National Insurance contributions are payable in respect of certain share-based payment transactions and are treated as cash-settled transactions. At 30 September 2016, the carrying amount of National Insurance contributions payable was £218,000 (2015: £Nil).

The Group operates a number of share-based payment schemes as set out below:

### (a) Savings-Related Share Option Scheme

The Group operates a Savings-Related Share Option Scheme, which is open to all employees with more than three months' continuous service. This is an approved HMRC scheme and the first savings contracts were issued during the year.

Under the scheme, 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. Employees leaving for certain reasons are able to use their savings to purchase shares within six months of their leaving. At 30 September 2016, employees held 650 three-year savings contracts (2015: nil) in respect of options over 3.0 million shares (2015: nil). 691 employees subscribed to the original offer, representing a participation rate of 70 per cent of eligible employees (2015: nil). A reconciliation of option movements is shown below.

| | 2016 Number of options m | 2016 Weighted average exercise price p |
|---|---|---|
| Outstanding at the beginning of the year | — | — |
| Granted | **3.0** | **192** |
| Forfeited | **(0.2)** | **192** |
| Exercised | — | — |
| Expired | — | — |
| Outstanding at the end of the year | **2.8** | **192** |

As the first award of options under the scheme was made during the year, none of the options are currently exercisable. The weighted average remaining contractual life of share options outstanding at 30 September 2016 was 2.4 years (2015: nil). Details of options at 30 September 2016 are set out below:

| Date of grant | Date of expiry | Exercise price p | 2016 Options outstanding m | 2015 Options outstanding m |
|---|---|---|---|---|
| 16 March 2016 | March 2019 | 192 | **2.8** | — |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *CONTINUED*

**For the year ended 30 September 2016**

## 30. SHARE-BASED PAYMENTS CONTINUED

### (a) Savings-Related Share Option Scheme continued

Options granted during the year were valued using the Black Scholes option-pricing model. No performance conditions were included in the fair value calculations. The fair value per option granted during the year and the assumptions used in the calculation are as follows:

| | 2016 |
|---|---|
| Share price at date of grant (p) | 240 |
| Exercise price (p) | 192 |
| Volatility (%) | 29 |
| Option life (years) | 3 |
| Expected dividend yield (%) | 3 |
| Risk-free rate (%) | 1 |
| Fair value per option (p) | 57 |

As the Company had no share price history prior to the grant of the options, the expected volatility is based on the standard deviation of the share prices of other listed housebuilders for the period immediately prior to the date of grant of award.

The resulting fair value is expensed over the service period of three years, on the assumption that 45 per cent of options will be cancelled over the service period as employees leave the Sharesave scheme based on the Group's experience of employee attrition rates.

### (b) Long Term Incentive Plan 2016

Under the Long Term Incentive Plan 2016, shares are conditionally awarded to the senior managers in the Company. The core awards are calculated as a percentage of the participants' salaries and scaled according to grades. The award granted in 2016 is assessed against ROCE, TNAV and relative total shareholder return. Straight line vesting will apply if performance falls between two points. Awards are structured as nil-cost options. 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 award will be released. Options granted to acquire the award of shares will expire two years from the vesting date. Dividends will not accrue on the shares that vest.

A reconciliation of the number of shares conditionally allocated is shown below:

| | 2016 Number of options m |
|---|---|
| Outstanding at the beginning of the year | — |
| Granted | 3.8 |
| Forfeited | (0.2) |
| Exercised | — |
| Expired | — |
| Outstanding at the end of the year | 3.6 |

The weighted average remaining contractual life of share options outstanding at 30 September 2016 was 2.4 years. Details of the shares conditionally allocated at 30 September 2016 are set out below.

| Date of grant | 2016 Options outstanding m |
|---|---|
| 18 February 2016 | 3.6 |

Options to acquire the shares were valued using the following methods:

- for the non-market-based elements of the award, a combination of a Black Scholes option-pricing model together with management's best estimate of the future vesting of the options based on current performance expectations; and
- for the relative TSR element of the award, a Monte Carlo simulation.

## 30. SHARE-BASED PAYMENTS CONTINUED

### (b) Long Term Incentive Plan 2016 continued

The key assumptions underpinning the Black Scholes model and Monte Carlo simulation were as follows:

| | 2016 |
|---|---|
| Share price at date of grant (p) | **237** |
| Exercise price (p) | **nil** |
| Volatility (%) | **29** |
| Option life (years) | **3** |
| Expected dividend yield (%) | **3** |
| Risk-free rate (%) | **1** |
| Fair value per option – Black Scholes (p) | **219** |
| Fair value per option – Monte Carlo (p) | **140** |

### (c) Legacy Management Incentive Plan

Prior to IPO, Ian Sutcliffe and Rebecca Worthington participated in a Management Incentive Plan (the "Plan") under which participants were awarded shares in OCM Luxembourg Coppice Midco S.à r.l. ("Midco"). These interests were purchased at fair value, determined by a third party.

Immediately prior to IPO, any shares in Midco held by the participants were exchanged for new shares in Countryside Properties PLC. On 17 February 2016, the awards vested when the Company was admitted to the London Stock Exchange. No further performance or employment conditions are attached to these shares, save for a requirement not to sell for a period of one year following the IPO. The number of shares which vested under the awards are detailed in the table below. The residual shareholding for Ian Sutcliffe and Rebecca Worthington at 30 September 2016 is disclosed as part of the total shareholding in the Directors' Remuneration Report.

| | Number of shares |
|---|---|
| Ian Sutcliffe | 7,795,068 |
| Rebecca Worthington | 724,253 |
| Other participants | 27,980,073 |

On IPO, as set out in the Prospectus published by the Company, Ian Sutcliffe sold 2,338,520 shares and Rebecca Worthington sold 217,276 shares at the offer price of 225 pence.

## 31. ACQUISITION

On 15 April 2016, the Group purchased 50 per cent of the issued share capital of Countryside Properties (Springhead) Limited ("Springhead"), a joint venture company that it did not already own. This transaction has been accounted for using the acquisition method of accounting, under which the Group is deemed to have disposed of its 50 per cent holding in the company and immediately to have acquired 100 per cent of the issued share capital.

Springhead is developing land at Springhead Park at Northfleet in Kent. The book value of net assets acquired was also considered to be the fair value of the net assets acquired, and also equal to the cash consideration paid. As a result no goodwill arose as a result of the transaction.

An analysis of the net assets acquired is set out below:

| | Fair value £'000 |
|---|---|
| Available-for-sale financial assets | 544 |
| Inventories | 11,369 |
| Trade and other receivables | 239 |
| Cash and cash equivalents | 342 |
| Trade and other payables | (10,201) |
| | 2,293 |
| Goodwill | — |
| Total | 2,293 |
| Satisfied by: | |
| Cash | 2,293 |

The post acquisition revenue and profit of Springhead was immaterial. The impact of the acquisition on a pro-forma basis for the Group is not material.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *CONTINUED*
## For the year ended 30 September 2016

### 32. COMMITMENTS AND CONTINGENT LIABILITIES
#### Operating lease commitments
The Group has various leases under non-cancellable operating lease agreements. The lease terms are between one and 20 years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

The Group also leases various vehicles, under cancellable lease agreements. The Group is required to give a six-month notice for termination of these agreements. The lease expenditure charged to the income statement during the year is disclosed in Note 6.

At 30 September the future aggregate minimum lease payments under non-cancellable operating leases were as follows:

| | **2016 £'000** | 2015 £'000 |
|---|---|---|
| Within one year | **4,038** | 3,041 |
| Later than one year and less than five years | **8,453** | 8,074 |
| After five years | **1,591** | 2,756 |
| | **14,082** | 13,871 |

#### Capital commitments
The Group was not committed to the purchase of any property, plant and equipment or software intangible assets at 30 September 2016 (2015: £Nil).

#### Parent company guarantees
The Group has made parent company guarantees to its joint ventures and associate in the ordinary course of business.

The Group has entered into counter indemnities to banks, insurance companies, statutory undertakings and the National House Building Council in the ordinary course of business, including those in respect of joint venture partners from which it is anticipated that no material liabilities will arise.

#### Litigation and claims
The Group is subject to various claims, audits and investigations that have arisen in the ordinary course of business. These matters include but are not limited to employment and commercial matters. The outcome of all of these matters is subject to future resolution, including the uncertainties of litigation. Based on information currently known to the Group and after consultation with external lawyers, the Directors believe that the ultimate resolution of these matters, individually or in aggregate, will not have a material adverse impact on the Group's financial condition.

### 33. DIVIDEND
The Board of Directors recommend a final dividend of 3.4 pence per share (2015: Nil pence), amounting to a total dividend of £15.3m (2015: £Nil), which will be paid on 3 February 2017 to shareholders on the register on 13 January 2017, subject to shareholder approval. The expense has not been recognised in these financial statements as the shareholders' right to receive the dividend had not been established at 30 September 2016.

# INDEPENDENT AUDITOR'S REPORT
**to the members of Countryside Properties PLC**

## REPORT ON THE PARENT COMPANY FINANCIAL STATEMENTS

### Our opinion
In our opinion, Countryside Properties PLC's parent company financial statements (the "financial statements"):

- give a true and fair view of the state of the parent company's affairs as at 30 September 2016;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### What we have audited
The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the parent company statement of financial position as at 30 September 2016;
- the statement of changes in equity for the period then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

## OTHER REQUIRED REPORTING

### Consistency of other information
#### Companies Act 2006 reporting
In our opinion, the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

#### ISAs (UK & Ireland) reporting
Under International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)") we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the parent company acquired in the course of performing our audit; or
- otherwise misleading.

We have no exceptions to report arising from this responsibility.

### Adequacy of accounting records and information and explanations received
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

### Directors' remuneration
#### Directors' remuneration report – Companies Act 2006 opinion
In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

#### Other Companies Act 2006 reporting
Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

## RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

### Our responsibilities and those of the directors

As explained more fully in the directors' responsibility statement set out on page 73, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

### What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## OTHER MATTER

We have reported separately on the Group financial statements of Countryside Properties PLC for the period ended 30 September 2016.

**Christopher Burns (Senior Statutory Auditor)**
**for and on behalf of PricewaterhouseCoopers LLP**
**Chartered Accountants and Statutory Auditors**
**London**
28 November 2016

# PARENT COMPANY STATEMENT OF FINANCIAL POSITION
## As at 30 September 2016

| | Notes | 2016 £'000 |
|---|---|---|
| **Fixed assets** | | |
| Investments | 4 | **727,085** |
| **Current assets** | | |
| Debtors | 5 | **87,497** |
| **Creditors: amounts falling due within one year** | 6 | **(83,208)** |
| Net current assets | | **4,289** |
| **Total assets less current liabilities** | | **731,374** |
| **Capital and reserves** | | |
| Called up share capital | 7 | **4,500** |
| Profit and loss reserves | | **726,874** |
| **Total equity** | | **731,374** |

The notes on pages 121 to 124 are an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 28 November 2016 and are signed on its behalf by:

**I Sutcliffe**
**Director**

**R Worthington**
**Director**

Company Registration No. 09878920

# PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

## For the period ended 30 September 2016

| | Share capital £'000 | Profit and loss reserves £'000 | Total £'000 |
|---|---|---|---|
| **Balance at 18 November 2015** | — | — | — |
| **Period ended 20 September 2016:** | | | |
| Loss for the period | — | (11,231) | (11,231) |
| Total comprehensive income for the period | — | (11,231) | (11,231) |
| Group reorganisation | 4,500 | 738,105 | 742,605 |
| **Balance at 30 September 2016** | **4,500** | **726,874** | **731,374** |

# NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS
**For the year ended 30 September 2016**

## 1. ACCOUNTING POLICIES
### Company information
Countryside Properties PLC was incorporated on 18 November 2015 to serve as a holding company for the purposes of listing on the London Stock Exchange. Countryside Properties PLC was admitted to the premium segment of the London Stock Exchange on 17 February 2016.

These are the Company's first financial statements and the first as ultimate holding Company for the Group following the share-for-share exchange when the Company was inserted as the new holding Company of the Group. Further details of the Group reorganisation can be found in Note 1 of the Group financial statements on page 83. Countryside Properties PLC is a limited company domiciled and incorporated in England and Wales. The registered office is Countryside House, The Drive, Brentwood, Essex CM13 3AT.

### 1.1 Accounting convention
These financial statements have been prepared in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the requirements of the Companies Act 2006. As the Company has not previously prepared financial statements, no comparatives have been presented, no transition exemptions or exceptions have been applied and no reconciliations are presented.

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions which have been complied with, including notification of, and no objection to, the use of exemptions by the Company's shareholders.

The Company has taken advantage of the following exemptions:

i. from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the Company's cash flows;

ii. from the financial instrument disclosures, required under FRS 102 paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29, as the information is provided in the consolidated financial statement disclosures;

iii. from disclosing share-based payment arrangements, required under FRS 102 paragraphs 26.18(c), 26.19 to 26.21 and 26.23, concerning its own equity instruments. The Company financial statements are presented with the consolidated financial statements and the relevant disclosures are included therein; and

iv. from disclosing the Company key management personnel compensation, as required by FRS 102 paragraph 33.7.

As permitted by Section 408 of the Companies Act 2006, the parent company's profit and loss account has not been presented in these financial statements. The loss for the period since incorporation was £11,231,000.

The financial statements are prepared in Sterling, which is the functional currency of the Company, and are rounded to the nearest thousand pounds.

The financial statements are prepared on a going concern basis under the historical cost convention. The principal accounting policies adopted are set out below.

The Company has not disclosed the information required by regulation 5(1)(b) of the Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008 as the Group accounts of the Company are required to comply with regulation 5(1)(b) as if the undertakings included in the consolidation were a single group.

### 1.2 Going concern
The Group's business activities, together with the factors likely to affect its future development, are set out in the Strategic Report on pages 2 to 39. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Chief Financial Officer's Review on pages 26 to 29 of the Strategic Report. Further disclosures regarding borrowings are provided in Note 23 of the Group financial statements including the impact of certain sensitivities.

As described in the Viability Statement, the Directors have assessed the prospects and viability of the Group over a three-year period to September 2019. The Board has performed a robust assessment of the principal risks facing the Company, including those risks that would threaten Countryside's business model, future performance, solvency or liquidity.

Having considered these forecasts, the Directors are satisfied the Group has sufficient liquidity and covenant headroom to enable the Group to conduct its business and meet its liabilities as they fall due for at least the next 12 months. The Company's ability to continue as a going concern is inextricably linked to the results of the Group as a whole. As such, the Directors consider the Company to be a going concern and these financial statements are prepared on this basis.

### 1.3 Fixed asset investments
The value of the investment in each subsidiary held by the Company is recorded at cost less any impairment in the Company's Statement of Financial Position.

A subsidiary is an entity that the Company has the power to control.

### 1.4 Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and in hand and other short-term deposits held by the Company with maturities of three months or less. Bank overdrafts are classified within current liabilities.

## 1. ACCOUNTING POLICIES CONTINUED

### 1.5 Financial instruments

#### Fair value measurement of financial instruments

The Company has adopted IAS 39 'Recognition and Measurement of Financial Instruments'.

#### Financial assets

Financial assets which primarily represent loans to subsidiary companies and cash are initially recognised at fair value.

#### Borrowings

Interest-bearing bank loans and overdrafts are recorded initially at their fair value, net of direct transaction costs. Borrowings are subsequently carried at their amortised cost and loan arrangement fees are amortised over the term of the instrument. Finance costs associated with each individual drawdown are expensed over the period of that drawdown.

Borrowings are classified as non-current liabilities unless the Group has an unconditional right to defer settlement of the liability until the end of the term of the agreement. Further details of the Company's bank loans can be found in Note 23 of the Group financial statements.

### 1.6 Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the Company.

### 1.7 Taxation

#### Current taxation

Income tax for the years presented comprises current and deferred tax.

The current tax payable is based on taxable profit for the period which differs from accounting profit as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and those items never taxable or deductible. The Group's liability for current tax is measured using tax rates that have been enacted or substantively enacted by the reporting date.

### 1.8 Dividend

Dividend distributions to Countryside Properties PLC shareholders are recognised in the Company's financial statements in the periods in which the final dividends are approved in the annual general meeting, or when paid in the case of an interim dividend.

### 1.9 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, from the proceeds.

### 1.10 Related parties

The Group discloses transactions with related parties which are not wholly owned within the same Group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the Directors, separate disclosure is necessary to understand the effect of the transactions on the Group financial statements.

## 2. JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the financial statements requires the Directors to make estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income, expenses and related disclosures.

### Critical accounting judgements

In the process of applying the Company's accounting policies, which are described above, the Directors have made no individual judgements that have had significant impact upon the financial information, apart from those involving estimations, which are dealt with below.

### Key sources of estimation uncertainty

The estimates and underlying assumptions are based on historical experience and other relevant factors and are reviewed on an ongoing basis. This approach forms the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Changes in accounting estimates may be necessary if there are changes in the circumstances on which the estimate was based or as a result of new information. Such changes are recognised in the year in which the estimate is revised.

The key assumptions about the future and key sources of estimation uncertainty that have a risk of causing a material adjustment to the carrying value of assets and liabilities are described below.

### IPO costs

As permitted by section 610(2b) of the Companies Act 2006, £4.6m of transaction costs in relation to the Group's IPO were offset against the share premium of £293.6m created on the issue of new ordinary shares. Management has exercised judgement in assessing the allocation of costs incurred between share premium and the current period income statement.

### 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. The Company did not record any impairment charges during the period ended 30 September 2016.

## 3. EMPLOYEES

The Company had no employees during the year.

## 4. FIXED ASSET INVESTMENTS

| | 2016 £'000 |
|---|---|
| Investment in subsidiary companies | **727,085** |

Details of the Company's subsidiaries at 30 September 2016 are included in Note 26 of the Group financial statements.

## 5. DEBTORS

Amounts falling due within one year:

| | 2016 £'000 |
|---|---|
| Trade debtors | **1** |
| Corporation tax recoverable | **1,233** |
| Amounts due from subsidiary undertakings | **83,728** |
| Prepayments | **2,535** |
| | **87,497** |

The amounts owed by subsidiary undertakings to the Company are unsecured, repayable on demand and are non-interest bearing.

## 6. CREDITORS

Amounts falling due within one year:

| | 2016 £'000 |
|---|---|
| Amounts due to subsidiary undertakings | **56,340** |
| Accruals and deferred income | **528** |
| Bank overdrafts | **26,340** |
| | **83,208** |

The amounts owed by subsidiary undertakings to the Company are unsecured, repayable on demand and are non-interest bearing.

### Bank loans

In May 2016, the Company signed a new £300,000,000 revolving credit facility with Lloyds Bank plc, Barclays Bank PLC, HSBC Bank plc and Santander UK plc. Further details of this facility is disclosed in note 23 of the Group financial statements.

The overdraft is shown net of £2,535,000 of unamortised borrowing costs.

### Cash and cash equivalents available for offset

Within the revolving credit facility the Group has a £30,000,000 overdraft facility which can be drawn by any Group company which is in the pooling arrangement.

## 7. SHARE CAPITAL

| | 2016 | | |
|---|---|---|---|
| | Number of shares | Share capital £'000 | Share premium £'000 |
| **Issued, called up and fully paid** | | | |
| Issue of one ordinary share of £1 each in incorporation | **1** | — | — |
| Issue of £1 ordinary shares | **9** | — | — |
| Issue of £1 ordinary shares | **449,999,990** | **450,000** | **72,222** |
| Capital reduction | — | **(445,500)** | **(72,222)** |
| **At 30 September 2016** | **450,000,000** | **4,500** | — |

## 8. COMMITMENTS AND CONTINGENT LIABILITIES

### Parent company guarantees

The Company has made parent company guarantees to its associate and joint ventures in the ordinary course of business.

The Company has entered into counter indemnities to banks, insurance companies, statutory undertakings and the National House Building Council in the normal course of business, including those in respect of joint venture partners from which it is anticipated that no material liabilities will arise.

## 9. DIVIDEND

The Board of Directors recommend a final dividend of 3.4 pence per share (2015: Nil pence), amounting to a total dividend of £15.3m (2015: £Nil), which will be paid on 3 February 2017 to shareholders on the register on 13 January 2017, subject to shareholder approval. The expense has not been recognised in these financial statements as the shareholders' right to receive the dividend had not been established at 30 September 2016.

## SHAREHOLDER INFORMATION

### FINANCIAL CALENDAR 2017

| | |
|---|---|
| Ex-Dividend Date | 12 January 2017 |
| Record Date | 13 January 2017 |
| Payment of final dividend | 3 February 2017 |
| Annual General Meeting | 26 January 2017 |
| Trading Update | 26 January 2017 |

### FOUR YEAR SUMMARY

| | **2016** | 2015 | 2014 | 2013 |
|---|---|---|---|---|
| Adjusted revenue | **£777.0m** | £615.8m | £468.7m | £307.6m |
| Adjusted operating profit | **£122.5m** | £91.2m | £47.1m | £26.2m |
| Adjusted operating margin | **15.8%** | 14.8% | 10.0% | 8.5% |
| Return on capital employed | **26.8%** | 24.7% | 15.6% | 10.4% |
| Tangible net asset value | **£537.4m** | £329.0m | £287.8m | £221.7m |
| Completions | **2,657** | 2,364 | 2,044 | 1,591 |
| Private average selling price | **£465,000** | £385,000 | £329,000 | £258,000 |
| Sales rates | **0.78** | 0.76 | 0.89 | 0.96 |
| Open sales outlets | **43** | 29 | 26 | 15 |
| Forward sales | **£225.4m** | £137.5m | £137.3m | £49.2m |
| Land bank | **27,204** | 26,213 | 23,990 | 23,495 |

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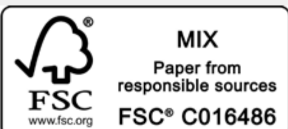


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