



COUNTRYSIDE

Places People Love



COUNTRYSIDE'S DIFFERENTIATED BUSINESS MODEL

“Countryside is a leading UK homebuilder specialising in placemaking and urban regeneration. Our balanced business model delivers this regeneration from our Partnerships division, together with larger scale communities from our strategic land-led Housebuilding division.”

Ian Sutcliffe
Group Chief Executive

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PARTNERSHIPS


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

 Read more on pages 18 to 21



HOUSEBUILDING

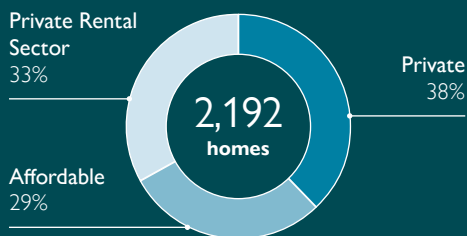
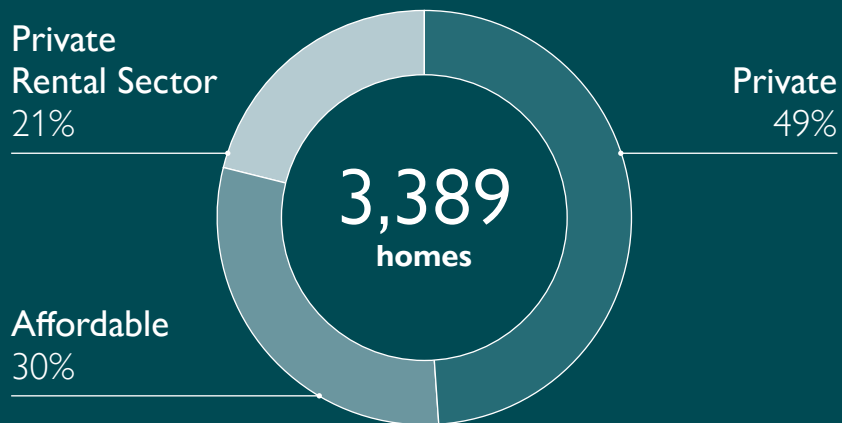
Our Housebuilding division develops private and affordable homes on land owned or controlled by the Group, located in outer London and the Home Counties. It operates under the Countryside and Millgate brands.

 Read more on pages 22 to 25



CREATING PLACES PEOPLE LOVE

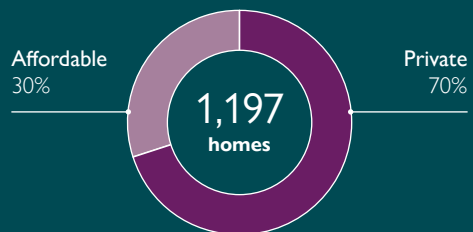
Our mixed-tenure approach to creating communities in both divisions, has delivered strong growth in completions across the Group in 2017.



PARTNERSHIPS

Continued Partnerships growth in our existing markets of London and the North West of England has been supplemented by delivery of 180 homes in our new West Midlands region.

[→ Read more on pages 18 to 21](#)



HOUSEBUILDING

Strong growth in private homes has driven total completions to record levels. The Housebuilding division has gained greater scale in each of our regions around London.

[→ Read more on pages 22 to 25](#)

60

9

years' visibility in our Partnerships division



83%

of our Housebuilding land bank is strategically sourced

● PARTNERSHIPS ● HOUSEBUILDING

OUR INVESTMENT CASE

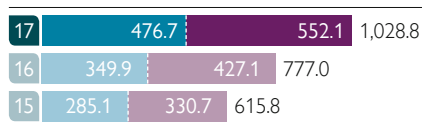
Countryside has a strong track record of placemaking and benefits from long-term relationships in both the Partnerships and Housebuilding divisions.

- Balanced business model with two complementary divisions
- Excellent visibility through Partnerships pipeline and Housebuilding land bank
- Impressive track record of winning new business
- Increasing scale with established platform for growth
- Low-capital Partnerships model
- Strong balance sheet with capacity for growth
- Long-established supply chain

2017 performance and highlights

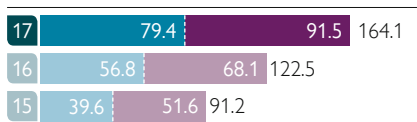
Adjusted revenue¹ £m

£1,028.8m
+32%



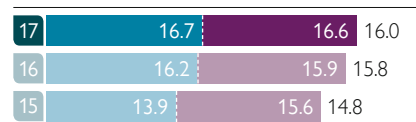
Adjusted operating profit^{2,3} £m

£164.1m
+34%



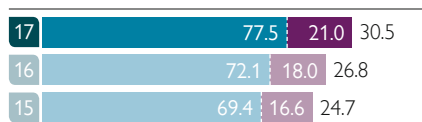
Adjusted operating margin³ %

16.0%
+20bps



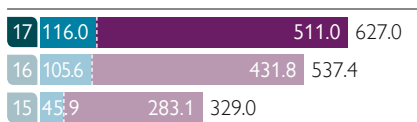
Return on capital employed⁴ %

30.5%
+370bps



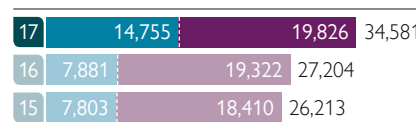
Tangible net asset value⁵ £m

£627.0m
+17%



Land bank # plots

34,581
+27%



- Completions up 28 per cent to 3,389 homes (2016: 2,657 homes)
- Private average selling price ("ASP") down 8 per cent to £430,000 (2016: £465,000)
- Net reservation rates increased to 0.84 (2016: 0.78)
- Open sales outlets up 9 per cent at 47 (2016: 43)
- Private forward order book up 8 per cent to £242.4m (2016: £225.4m)
- Total land bank increased to 34,581 (2016: 27,204)
- Adjusted earnings per share of 27.8 pence (2016: 16.3 pence)

- Reported revenue up 26 per cent to £845.8m (2016: £671.3m)
- Reported operating profit up 48 per cent to £128.9m (2016: £87.3m)
- Net cash of £77.4m (2016: £12.0m)
- Basic earnings per share of 26.0 pence (2016: 13.6 pence)
- Accident Incident Rate ("AIR") of 220 (2016: 305)
- NHBC Recommend a Friend score of 88.6 per cent (2016: 84.8 per cent)

[➔](#) Read more on our KPIs on pages 14 to 17

Key

- Group
- Partnerships
- Housebuilding

- Adjusted revenue includes the Group's share of revenue from associate and joint ventures of £183.0m (2016: £105.7m; 2015: £68.3m).
- Adjusted operating profit includes the Group's share of operating profit from associate and joint ventures of £33.6m (2016: £25.3m; 2015: £16.7m) and excludes non-underlying items of £1.6m (2016: £9.9m; 2015: £6.6m).
- Divisional adjusted operating profit excludes Group items of £6.8m (2016: £2.4m; 2015: £1.2m), comprising share-based payment expense of £5.1m (2016: £1.1m; 2015: £Nil) and brand amortisation of £1.7m (2016: £1.3m; 2015: £1.2m).
- Return on capital employed ("ROCE") is calculated as adjusted operating profit divided by average tangible net operating assets value ("TNOAV"). TNOAV is calculated as tangible net asset value excluding net cash.
- Divisional tangible net asset value ("TNAV") is calculated as divisional TNOAV plus net cash allocated pro rata based on divisional TNOAV.

A YEAR OF SIGNIFICANT PROGRESS



Countryside has delivered another year of significant progress completing 3,389 homes while maintaining a strong balance sheet and with excellent visibility over our future growth ambitions.

Well positioned for growth

During 2017 the business continued to perform well, delivering on the key targets set out at our initial public offering ("IPO") in February 2016. Political support for the housebuilding industry remains strong and we welcome the Government's commitment to housing with the white paper "Fixing our broken housing market" and subsequently announced increased funding for both affordable housing and the Help to Buy scheme.

At our interim results in May 2017, we upgraded the targets that we set out at our IPO as we saw opportunities to accelerate delivery on a number of our Partnerships sites. We remain firmly on track to deliver these targets and indeed exceeded our 28 per cent return on capital employed ("ROCE") target in 2017, a year ahead of plan.

We maintained our focus on capital discipline and ended the year with £77.4m of net cash on the balance sheet. During the year we extended our £300m revolving credit facility out to May 2022 and we continue to have significant headroom. While there are substantial plans for investment in our developments during 2018, our policy remains to be broadly debt neutral at the end of each financial year.

Our position going into the next financial year is strong. Our year-end private forward order book is at a record level at £242.4m, which, combined with a strong pipeline in both divisions, positions us well to achieve our ambitious growth plans.

Returns to shareholders

Our share price performed well over the course of the financial year, reflecting the performance of the business along with continued investor education. In the year to 30 September 2017, we delivered a total shareholder return of 46.6 per cent compared to 13.5 per cent for the FTSE 250 (excluding Investment Trusts).

With the growth in earnings, our proposed dividend per share has also increased by 147 per cent with a recommended final dividend per share of 5.0 pence. Subject to approval at the AGM on 25 January 2018, the dividend will be paid on 9 February 2018 to shareholders registered at 22 December 2017. Together with the interim dividend of 3.4 pence per share, this will give a total dividend for the year of 8.4 pence per share.

Priorities of the Board

The Board continues to regard corporate governance as a core and vital discipline complementing our desire to continually improve upon the success of the Group on behalf of our shareholders. During 2017, particular areas of focus were to develop policies and procedures to address the new Consumer Code for Home Builders and to prepare for the introduction of the Criminal Finance Act and the General Data Protection Regulation.

➔ Further details on our people can be found on [pages 30 and 31](#)

As we enter 2018, our key areas of focus continue to be to support implementation of the Group's business strategy, to deepen the succession planning for the Board and Executive Committee and to ensure that corporate governance and risk management mitigation plans are embedded across the business.

There were two Board changes during the course of the year. On 26 May 2017, we announced that Oaktree had completed a sale of shares in Countryside, reducing its remaining shareholding to approximately 23 per cent of the Company's issued share capital. As a consequence, James Van Steenkiste stepped down from the Board on 5 June 2017 as per the Relationship Agreement between Oaktree and the Company. Additionally, on 2 October 2017, Richard Adam announced his intention to step down as a Non-Executive Director of the Company, with his last day of service being 31 December 2017.

On behalf of the Board, I would like to thank both James and Richard for their significant contributions to the Board and its Committees since joining Countryside. The whole Board wishes them both well for the future. A search for Richard's successor is well under way and an announcement of the appointment will be made in due course.

Our people

We recognise that our people are the most important factor in delivering on our ambitious growth plans and we continue to invest in developing them at all levels. As at 30 September 2017 we had over 1,200 employees, 12 per cent more than a year ago. We are recruiting more apprentices, graduates and trainees than ever before. In addition, we have placed great focus on succession planning at all levels during the year. In May, we were delighted to announce the reshaping of our Executive Committee following the retirement of Richard Cherry, with Ian Kelley, Nick Worrall and Phillip Lyons, who joined the business as Chief Executive of our Housebuilding division, joining the executive team.

The quality and commitment of our people was recognised with a number of awards during the year including "Large Housebuilder of the Year" at the Housebuilder Awards.

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

21 November 2017

DELIVERING SECTOR-LEADING GROWTH FROM OUR MIXED-TENURE MODEL

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

Group strategy

Our mixed-tenure model gives us the ability to build sites out more quickly, delivering much needed high-quality housing. We deliver this strategy through our two balanced operating divisions of Partnerships and Housebuilding, both of which offer strong growth through differentiated models that deliver capital efficiency and manage risk. Our developments offer a wide range of price points, with homes for first-time buyers through to larger homes from our premium brand, Millgate.

Our Partnerships division operates in Outer London, the West Midlands and the North West of England. It delivers private, affordable and Private Rental Sector ("PRS") homes on larger sites, typically public sector brownfield sites or local authority estate regeneration. The land is typically sourced via public procurement or direct negotiation and is developed in partnership with local authorities, housing associations or PRS providers. 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' experience on over 60 regeneration schemes, strong relationships with local authorities and expertise in placemaking. Typically, we secure around 40 per cent of bids we submit, and with a current pipeline of approximately nine years, we have excellent visibility of future work.

Our Housebuilding model is based on an industry-leading strategic land bank, all of which is located in economically resilient markets in Outer London and the Home Counties. Over 80 per cent of our land bank is strategically sourced via long-term planning promotion, which offers Countryside over ten years' visibility of future supply, together with an average 10 per cent discount to the prevailing open market value. Additionally, as 73 per cent of this land is controlled via options or conditional contracts, it ensures both balance sheet efficiency and flexibility through the cycle.

Overview of the market

Overall the backdrop for the UK housing market remains positive with continued strong customer demand, favourable mortgage lending conditions and good political support. During the year all political parties recognised the need for additional housing, not just because of the chronic need for new homes but also because of the important role that housebuilding plays in the wider economy. In February 2017, the Government issued a housing white paper, "Fixing our broken housing market", which set out a broad range of reforms to help shape the housing market and increase the supply of new homes. One of the main themes of the report was a shift in focus from home ownership to increasing supply of all tenures of housing, including more affordable and PRS homes. In October 2017, the Government reaffirmed its support for housing, committing a further £2bn of funding to deliver more affordable homes and an additional £10bn of funding for the Help to Buy scheme, which currently runs to 2021.

Supply of both private and public land remains good. In particular, during the period we saw a further increase in public sector land being released for regeneration giving us additional opportunities to secure more work.

Labour supply continues to be constrained across the industry and we, along with the Home Builders Federation, have been encouraging the Government to protect the status of EU construction workers as a vital part of the UK economy and to protect future development. To mitigate this risk, we are recruiting a record number of apprentices and management trainees and have expanded our graduate recruitment programme. In addition, our larger site profile allows us to retain and expand our supply chain, by offering greater visibility of future work and longer contracts. Overall, build cost inflation was approximately four per cent for the year.

In order to meet the increased demand for housing, despite the labour shortage, the industry must also look at different build methodologies to deliver growth in output. We already utilise off-site timber frame construction on around 40 per cent of our current output. We are examining the way that this process can be enhanced to include all windows, first-fix plumbing and electrical insulation and plasterboard in a closed panel system. We believe that off-site construction is integral to meeting our growth plans and securing our supply chain for the future.

Our performance

2017 was another year of strong progress with both divisions performing well. Overall, the Group has grown strongly, with total completions up 28 per cent to 3,389 homes (2016: 2,657 homes) driven by construction site starts and increased open sales outlets. As anticipated, growth of private for sale homes was particularly strong, up 47 per cent to 1,662 homes (2016: 1,127 homes) as the large number of sites started in 2016 reached full production. However, private for sale completions were still less than half of our overall delivery during the year reflecting our strategy of mixed-tenure development.



28%
growth in total completions

88

active sites at
30 September 2017



£242.4m

of reservations in
our private forward
order book

Total adjusted revenue was up 32 per cent to £1,028.8m¹ (2016: £777.0m), with a planned decline in the Group private average selling price ("ASP") to £430,000 (2016: £465,000) more than offset by an increase in affordable ASP. Underlying house price inflation was five per cent during the year and offset build cost inflation in both divisions. Our net reservation rate was above our target range at 0.84 reservations per open sales outlet (2016: 0.78) on an increased number of open sales outlets at 47 (2016: 43). At 30 September 2017, we had a further 41 sites under construction.

We continue to focus on capital and operational efficiency both at the divisional and at the Group level. Group operating margin increased by 20bps, which, together with increased revenue, gave an adjusted Group operating profit of £164.1m² (2016: £122.5m), up 34 per cent on the prior year. This, combined with our focus on capital efficiency, allowed us to exceed our ROCE target of 28 per cent, as set out at our IPO, a year earlier than planned at 30.5 per cent in 2017, up 370bps on the prior year (2016: 26.8 per cent).

We pride ourselves on the quality of our product and were delighted to be named "Large Housebuilder of the Year" at the recent Housebuilder Awards. In addition, we were presented with a further nine awards during the year for work at Acton Gardens (London), Abode (Cambridge), Woolley Hall (Berkshire) and Englemere (Ascot).

The standard of our business has also been maintained throughout this period of growth. Our health and safety Accident Incident Rate was 220 (2016: 305), significantly better than the Health and Safety Executive construction index and the Home Builders Federation industry benchmark. National House Building Council ("NHBC") reportable items were 0.21 per home (2016: 0.23), which was again significantly ahead of the industry benchmark. We maintained our focus on our objective of becoming a five-star builder during the year and our customer service has continued to improve. Our customer satisfaction, as measured by the NHBC Recommend a Friend score, now stands at 88.6 per cent (2016: 84.8 per cent).

Outlook

Current trading has remained robust since year end. Low interest rates and increased demand from first-time buyers, supported by Help to Buy, continue to underpin private for sale homes, while the structural demand for affordable and PRS homes further supports our growth plans. We continue to successfully convert our strategic land bank to open more sites and, as a result, our Housebuilding division is on its way to optimal scale. This growth, combined with our excellent pipeline of Partnerships work, which allowed us to increase our targets at our interim results, and a record year-end forward order book, gives us great confidence to deliver our medium-term plans. We are encouraged by the continued political support for all tenures of housing with the recently increased commitments to both Help to Buy and affordable housing and we feel we are ideally placed to benefit from these policies.

Ian Sutcliffe
Group Chief Executive
21 November 2017



1. On a reported basis, revenue increased 26 per cent to £845.8m (2016: £671.3m).
2. On a reported basis, Group operating profit was increased 48 per cent to £128.9m (2016: £87.3m).

KEY TRENDS IN THE HOUSING MARKET

The backdrop for the UK housing market remains positive with continued strong customer demand, favourable mortgage lending conditions and good political support.



Structural undersupply of housing

The long-term undersupply of housing, as first identified in the 2004 Barker Review, meant that a minimum of 200,000 new homes per year were required in England to maintain the supply and demand balance. It has subsequently been recognised that additional latent demand has built up over the past 25 years, such that this number needs to be around 250,000 and possibly more. While the supply of new housing has grown steadily over the past six years, the number of net additions to the housing stock was just 190,000 last year.

Our response

We have been growing our total annual completions over the past five years, from 1,903 homes in 2012 to 3,389 homes in 2017. Our business has the resources both in people and financial strength to continue this growth in the medium term, both in our existing areas of operation and in newer geographies such as the West Midlands. We continue to see significant future growth in both our Partnerships and Housebuilding divisions, which in turn will drive improved operating margins from greater scale.



Mixed-tenure delivery

In part, the structural undersupply in housing has been caused by the lack of affordable housing being built in England. Large-scale local authority housing estates constructed in the 1960s and 1970s have not been replicated in the past 35 years and the delivery of social housing within private developments under Section 106 agreements has not kept up with demand. Private Rental Sector ("PRS") housing has largely been provided by small independent landlords in poor quality older homes, with little purpose-built PRS housing being constructed over the same period. While there is increased appetite from institutional investors, there remains a structural undersupply of good quality homes for market rent in most urban areas.

Our response

We are committed to delivering a mixed-tenure approach on our developments. We differ from all other major housebuilders in that the private for sale homes made up just less than half, 49 per cent, of our total completions in 2017, with 30 per cent affordable and 21 per cent PRS homes. Our Partnerships division delivers a balanced mix of all three tenure types, giving it the benefit of being able to grow more rapidly, with the added benefit of business resilience should the private for sale market start to slow.



Government policy

All political parties have recognised the need for additional housing, not just because of the chronic need for new homes but also because of the important role that housebuilding plays in the wider economy. Recent policy has focused on stimulating demand for home ownership through programmes such as Help to Buy, which has helped over 140,000 families own a home over the past four years. Commitment to the Help to Buy programme has been made to 2021 and the scheme was recently bolstered by an additional £10bn of funding. Additionally, the Government has committed a further £2bn of funding to deliver affordable homes and the National Planning Policy Framework is ensuring that all local authorities have a consistently calculated five-year supply of land for new homes.

Our response

We are ideally placed to benefit from the commitment to deliver more new homes of all tenures. In 2017, 88 per cent of our private for sale homes were eligible for the Help to Buy programme and it was utilised on 27 per cent of our total completions across the Group. We deliver a greater proportion of affordable housing in London than any other major housebuilder and through our Partnerships division we have a nine-year pipeline of future work. We also have an industry-leading owned or controlled land bank, all within 50 miles of London, the vast majority of which, 83 per cent, has been strategically sourced.

[Read more on page 19](#)



Future regulation

Following the tragic events at Grenfell Tower, a wide-ranging inquiry has commenced to establish the causes and examine the responses to this disaster. While the inquiry is yet to be concluded, the Government has required all housebuilders and property owners to review the fire strategy for all buildings built or refurbished since 2005 and in particular the materials used on buildings greater than 18 metres in height. Additionally, a consultation has commenced into leasehold reform with a focus on the creation of leasehold houses, ground rent escalation and freeholder management charges. This consultation is due to report its findings at the end of 2017.

Our response

We have carried out a thorough review of all buildings constructed since 2005 and have little exposure to either tall buildings or refurbishments. We have identified only one development where corrective work is required. In conjunction with the housing association which owns the property, a scope of works has been agreed to fully remediate the fire strategy for the development and will be completed by the end of 2017.

On leasehold reform, we have committed to ensuring that houses are sold on a freehold basis wherever we own the land and, where leasehold is required, the terms of the lease are clear and affordable. We had a small number of developments where, on review, we felt that the ground rent rose too quickly and we have committed to amend those leases to fairer terms at our expense.



Labour supply

The housebuilding industry has a shortage of skilled and experienced labour at all levels. Chronic underinvestment over the past 25 years, followed by the 2008 recession, has eroded the workforce considerably at a time when a significant increase in output is required. The skills gap has largely been filled by overseas workers from the European Union ("EU") and beyond, who now make up a significant proportion of the workforce, especially in Greater London. Brexit negotiations have led to uncertainty over the security of the EU workforce, not just from potential future employment restrictions but also from possible economic migration caused by Sterling devaluation.

Our response

We, together with the Home Builders Federation, have been encouraging the Government to protect the status of EU construction workers as a vital part of the UK economy. At the same time, we are mitigating the risk of a lack of labour availability by recruiting a record number of apprentices and management trainees and expanding our graduate recruitment programme. Our directly employed workforce has grown from fewer than 600 in 2014 to over 1,200 in 2017, as we focus on our growth agenda by recruiting, retaining and developing the best talent at all levels. Our larger sites also allow us to retain and expand our supply chain, by offering longer-term contracts and better quality working conditions.



Off-site construction

In order to meet the increased demand for housing despite the labour shortage, the industry must look at different build methodologies to deliver growth in output. While the industry has not yet fully embraced non-traditional build, several methods of off-site construction are being developed, from timber frame construction to complete modular build. With Government and public sector land owner support, together with potential future fire safety regulations, the case for off-site construction has grown. The principal benefits are speed of build, lower reliance on scarce site skills and improved build quality from automated processes.

Our response

We already utilise off-site timber frame construction on around 40 per cent of our current output. We are examining the way that this process can be enhanced to include all windows, first-fix plumbing and electrical insulation and plasterboard in a closed panel system. Together with our supply chain partners, we are also looking to automate the production process of the panels to improve capacity, product quality and efficiency. We believe that off-site construction is integral to meeting our growth plans and securing our supply chain for the future.

MIXED-TENURE MODEL DRIVING STRONG RISK-ADJUSTED RETURNS

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

KEY RESOURCES

LAND



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

Read our operational review on pages 18 to 25

PEOPLE



Highly experienced and motivated employees together with strong supply chain relationships

Read our people section on pages 30 and 31

PARTNERSHIPS



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

Read our sustainability review on pages 32 to 35

REPUTATION



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

Read our risk management report on pages 36 to 39

FINANCIAL STRENGTH



Strong balance sheet with low obligations and debt capacity if required


Read our financial review on pages 26 to 29

BALANCED BUSINESS MODEL

PARTNERSHIPS

Low-risk model with high return on capital employed


Our Partnerships division specialises in regeneration and is the UK's most established partnerships homebuilder with over 30 years' experience. Through this division we strive to make lives better through building a mix of private for sale, PRS and affordable homes.

 Read more about our Partnerships division on pages 18 to 21

HOUSEBUILDING

Investment in growth and margin potential

Our Housebuilding division builds private and affordable homes. It works collaboratively with landowners, public agencies and major commercial organisations, to create places people love, and which consistently deliver a premium for our partners.

 Read more about our Housebuilding division on pages 22 to 25

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

- Over 10 years' supply of strategic land
- Focused on Outer London and the South East
- Flexibility and balance sheet efficiency from controlled and optioned land
- Strong average selling prices from placemaking
- Operating efficiency from increasing scale

THE OUTCOMES WE DELIVERED



19,826
plots within our
Housebuilding
land bank

83%
of land strategically
sourced



3,065
training courses
completed by
employees

70%
of employees
are shareholders



51%
affordable and
PRS homes

9
years of future
work secured



88.6%
of customers would
recommend us to
a friend

220
AIR below the
industry average



£77.4m
net cash

30.5%
return on capital
employed

BUILDING ON OUR STRATEGY

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

1 Growth Sector-leading growth

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

Our approach

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

2 Returns Superior return on capital

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

Our approach

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

3 Resilience Through the cycle performance

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

Our approach

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


Key performance indicators (“KPIs”)

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

Quality KPIs

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

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

 Read about our key performance indicators on [pages 14 to 17](#)

In 2017 we delivered

- 47 open sales outlets, up 9 per cent on the prior year
- Net reservation rate of 0.84 above our target range
- 51 per cent of completions from affordable and PRS homes
- Planned reduction in private ASP to £430,000
- Underlying sales price growth of 5 per cent
- 28 per cent increase in completions

Our priorities for 2018

- Focus on the continued growth in sales outlets
- Continue to focus product on areas of strongest demand
- Manage sales values to maintain affordability
- Maintain net reservation rate between 0.6 and 0.8
- Increase production from new West Midlands region

In 2017 we delivered

- Adjusted gross margins of 21.2 per cent¹
- Improved adjusted operating margin by 20bps to 16.0 per cent through operational efficiency
- 34 per cent increase in adjusted operating profit
- 370bps improvement in ROCE
- Dividend increased to 8.4 pence per share
- 17 per cent increase in TNAV

1. Adjusted gross profit includes the Group's share of gross profit from associate and joint ventures of £34.5m (2016: £26.1m; 2015: £17.3m).

Our priorities for 2018

- Maintain adjusted gross margins across the Group
- Improve operational efficiency through greater scale
- Maintain capital discipline to drive further ROCE improvement
- Investment in growth while maintaining low gearing
- Growth in dividend driven by increasing earnings per share

In 2017 we delivered

- 46 per cent of operating profit from Partnerships and 54 per cent from Housebuilding
- 51 per cent of homes were affordable or PRS
- Net cash position of £77.4m at year end with adjusted gearing (including land creditors within debt) of 7.4 per cent
- 73 per cent of Housebuilding land bank controlled via options or contracts
- 7,030 plots added to our Partnerships pipeline representing three years' supply at 2017 volumes

Our priorities for 2018

- Grow the Partnerships pipeline of future work
- Continue to focus mixed-tenure developments
- Target a debt neutral position at year end
- Maintain our strategic-led Housebuilding land bank
- Mobilise Partnerships sites and accelerate development where possible

CONTINUED GROWTH, MAINTAINING QUALITY

We have made good progress on all of our KPIs this year as we continue to deliver our strategic objectives.

Measuring our 2017 performance

2017 has been another year of strong performance for the Group in which we made progress on all 11 financial and non-financial key performance indicators ("KPIs"). Our KPIs are designed to ensure that we remain focused on delivering growth in our output whilst delivering superior shareholder returns within the framework of a robust balance sheet. We also ensure that the pace of growth does not compromise product quality or the safety of those working on our sites.

Transparent measures to reward performance

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

➔ Link between KPIs and Executive Director remuneration on [pages 60 and 61](#)

Our strategic priorities – Key

- 1 Growth
- 2 Returns
- 3 Resilience

Completions

3,389
+28%



Definition

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

Performance

Completions increased by 28 per cent in 2017 as we increased our open sales outlets from 43 to 47 as the investments made in 2016 began to deliver sales. Our net reservation rate also increased to 0.84 from 0.78.

Link to strategy

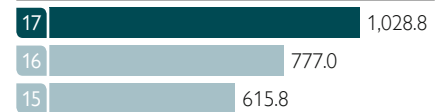
Growth in completions is key to delivering our medium-term growth objectives.

Link to strategic priorities

1

Adjusted revenue £

£1,028.8m
+32%



Definition

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

Performance

Adjusted revenue increased by 32 per cent to £1,028.8m in 2017 (2016: £777.0m) as our completion numbers increased during the year. Private ASP decreased to £430,000 (2016: £465,000) as planned, offset by an increase in affordable ASP.

Link to strategy

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

Link to strategic priorities

1

Adjusted operating margin %

16.0%

+20bps



Definition

Adjusted operating profit divided by adjusted revenue.

Performance

Adjusted operating margin increased by 20bps as we benefitted from the increasing scale of the business partly offset by the increase in production in our Partnerships division, particularly in the West Midlands and the North West of England.

Link to strategy

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

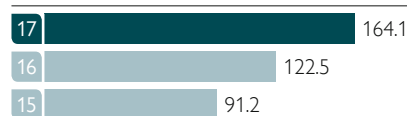
Link to strategic priorities

2

Adjusted operating profit £

£164.1m

+34%



Definition

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

Performance

Adjusted operating profit grew by 34 per cent to £164.1m as our investment in new developments began to deliver sales and the increase in adjusted operating margin during the year.

Link to strategy

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

Link to strategic priorities

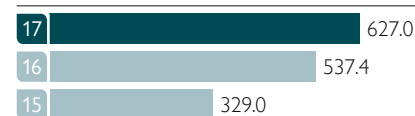
1

3

Tangible net asset value £

£627.0m

+17%



Definition

Net assets excluding intangible assets net of deferred tax.

Performance

TNAV increased due to the increase in retained profits as the business continued to grow, offset by £30.6m of dividends paid to shareholders during the year.

Link to strategy

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

Link to strategic priorities

2



Return on capital employed %

30.5%
+370bps



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

Our focus on capital efficiency and growth in the Partnerships business contributed to an increase in asset turn to 1.9 times (2016: 1.7 times) which, combined with the improvement in adjusted operating margin, increased ROCE by 370bps.

Link to strategy

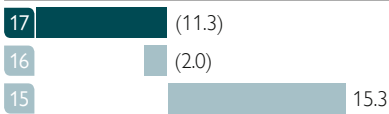
Return on capital employed is a key measure of our improving returns to shareholders.

[Link to strategic priorities](#)

2

Gearing %

(11.3)%
(930)bps



Definition

Net debt divided by net assets.

Performance

We ended the year with net cash of £77.4m compared to £12.0m in 2016. This, combined with an increase in TNAV, resulted in a reduction in gearing to (11.3) per cent (2016: (2.0) per cent).

Adjusted gearing, which includes land creditors as debt, was 7.4 per cent (2016: 15.1 per cent).

Link to strategy

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

[Link to strategic priorities](#)

3

Land bank plots

34,581 plots
+27%



Definition

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

Performance

Our land bank increased by 7,377 plots during the year as we continued to add to the Partnerships pipeline with significant new business wins.

Link to strategy

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

[Link to strategic priorities](#)

3

NHBC Reportable Items (“RIs”)

0.21
(9)%



Definition

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

Performance

Our number of reported defects reduced during the year as we continued to focus on the quality of our build. This remains below the industry average of 0.37.

Link to strategy

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

Link to strategic priorities



Accident Incident Rate (“AIR”)

220
(28)%



Definition

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

Performance

We maintained the AIR below the industry average for the 14th consecutive year, a record of which we are proud.

Overall, our AIR was 28 per cent lower in the year at 220 compared to the Health and Safety Executive national average of 398.

Link to strategy

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

Link to strategic priorities



NHBC Recommend a Friend score %

88.6%
+380bps



Definition

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

Performance

Our focus on improving the customer experience during the year resulted in another year of improvement in satisfaction, with six of our seven businesses now operating at five-star builder status.

Overall 88.6 per cent would recommend us to their friends.

Link to strategy

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

Link to strategic priorities



STRONG PIPELINE UNDERPINS FUTURE GROWTH

Our Partnerships model is a resilient, low-risk, low-capital model where we look to develop regeneration projects in partnerships with local authorities and housing associations. Total completions were up 17 per cent at 2,192 homes (2016: 1,874 homes).

Significant visibility over production

- Current land bank of 14,755 plots
- Further 4,468 plots awarded as preferred bidder
- Around nine years visibility at current production
- Low planning risk

Established platform for growth

- Selling from 23 open sales outlets at 30 September 2017
- Further 23 sites under construction
- 7,030 additional plots secured in 2017
- West Midlands business delivered profit in first year with production of 180 homes

Strong pipeline of future work

- Further 40,560 plots identified as bid opportunities
- Historical win rate of 40 per cent
- Significant market opportunity



19,223

plots in land bank or at preferred bidder status

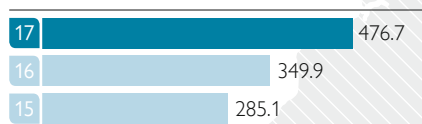


40%

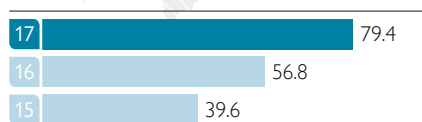
historical win rate for bids in which we participate

Adjusted revenue¹ £m

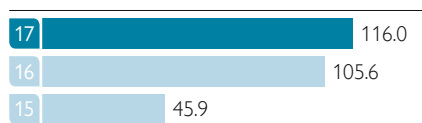
£476.7m
+36%

Adjusted operating profit^{2,3} £m

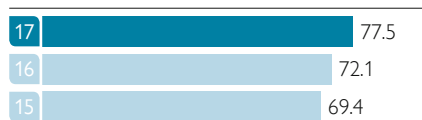
£79.4m
+40%

Tangible net asset value⁴ £m

£116.0m
+10%

Return on capital employed⁵ %

77.5%
+540bps



Strategy

Our Partnerships division specialises in medium to large-scale urban regeneration of public sector land delivering much needed quality housing. It operates primarily in and around London, the West Midlands and the North West of England.

It delivers a resilient, low-risk, low-capital model developing urban regeneration in partnership with public sector landowners, such as local authorities and housing associations. We have a strong track record of delivering more than 60 regeneration projects over 30 years. Developments are mixed tenure in nature delivering private, affordable and PRS homes in line with the Group's placemaking ethos.

The Southern region focuses on local authority estate regeneration, delivering increased density in apartment-led schemes in Outer London. The Northern and Midlands regions typically focus on brownfield land delivering low-rise family houses in the North West of England and the West Midlands.

Market

During 2017 there was a political shift in focus from home ownership to increasing supply of all tenures of housing, including more affordable and PRS homes.

This plays to the strengths of our Partnerships model where schemes offer a mix of housing allowing us to build sites out more quickly without saturating the market. During the year, we saw further growth in the number of bid opportunities for both brownfield and estate regeneration as local authorities look to increase housing supply and improve the quality of their affordable housing stock. Within the PRS market, while there is increased appetite from institutional investors, there remains a structural undersupply of good quality homes for market rent in most urban areas.

Our performance

Our Partnerships division continued its strong growth trajectory in 2017, with total completions up 17 per cent to 2,192 homes (2016: 1,874 homes) particularly driven by significant growth in private completions, up 31 per cent to 825 homes (2016: 628 homes). Partnerships' private ASP increased by 12 per cent to £343,000 (2016: £307,000), including like-for-like growth of seven per cent reflecting house price inflation in the London Boroughs and regional cities as well as the impact of regeneration delivering added value on our developments.

In total we delivered 1,182 affordable homes (2016: 1,131 homes), including 721 PRS homes (2016: 738 homes) with the majority through our partnership with Sigma Capital in the North West and Midlands regions.

- Adjusted revenue includes the Group's share of revenue from associate and joint ventures of £57.9m (2016: £36.7m; 2015: £16.4m).
- Adjusted operating profit includes the Group's share of operating profit from associate and joint ventures of £10.7m (2016: £6.9m; 2015: £3.1m) and excludes non-underlying items of £Nil (2016: £(2.6)m; 2015: £2.7m).
- Divisional adjusted operating profit excludes Group items of £6.8m (2016: £2.4m; 2015: £1.2m), comprising share-based payment expense net of deferred tax of £5.1m (2016: £1.1m; 2015: £Nil) and brand amortisation of £1.7m (2016: £1.3m; 2015: £1.2m).
- TNAV is calculated as TNOAV plus net cash allocated pro rata based on divisional TNOAV.
- Adjusted operating profit divided by average TNOAV.



A GENUINELY MIXED COMMUNITY BROOK VALLEY GARDENS

- Partnership with the London Borough of Barnet and L&Q
- Predominantly two and three-storey terraced houses with private gardens
- 631 high-quality new homes across five development phases
- Target of 37 per cent affordable homes
- New community centre, nursery and shared communal gardens

The former Dollis Valley Estate had significant historical social challenges, including petty crime and anti-social behaviour. As part of our partnership with the council a key component of the regeneration was to use master planning to alleviate these problems and deliver a successful, mixed community.

We started on site in September 2012 and the regeneration is already reconnecting the former estate. Many of the existing tenants have already been rehoused in high-quality affordable homes, with a tenure-blind approach to ensure quality and equity throughout the development.

Our approach integrates the housing tenures within the development, creating a genuinely mixed community. As the regeneration progresses we support local activities that bring an unprecedented sense of cohesion to the area.

“Regeneration is a complicated process but it can be made easier when working with an organisation such as Countryside. I have found their experience, knowledge and listening skills exceptional. They are always available to listen to residents’ comments and concerns, and act upon them where possible.”

Nigel Eade, Chairman of the Dollis Valley Partnership Board



“REGENERATION IS A COMPLICATED PROCESS BUT IT CAN BE MADE EASIER WHEN WORKING WITH AN ORGANISATION SUCH AS COUNTRYSIDE.”



Our performance *continued*

During the year we delivered homes on a number of key regeneration schemes within our Southern region, including at Acton, where we delivered 276 homes completing three phases and we commenced development on further phases including the neighbourhood centre. At St Paul’s Square in Bow, where we accelerated development in the prior year, we completed 121 homes and at East City Point in Canning Town we delivered 132 homes with both schemes due to be completed during 2018.

Our North West region also performed well. We continue to build predominantly low-rise family housing on medium-scale sites around the Liverpool and Manchester conurbations and were operational on around 20 sites during 2017. These included the delivery of 146 homes in partnership with Knowsley Metropolitan Borough Council, 103 homes at Norris Green Village in Liverpool and 107 homes at Heyfields near Manchester during the year.

We were delighted with the performance of our West Midlands region following its launch in 2016. At 30 September 2017, we had three open sales outlets in the region with 180 homes completed in the year. While it is still early days in the West Midlands, the pipeline continues to grow and we remain confident that we can replicate the successful model we have in the North West.

Across Partnerships, we started on site on 30 new developments during the year. In addition, we had another very successful year in winning new business, underpinning our longer-term

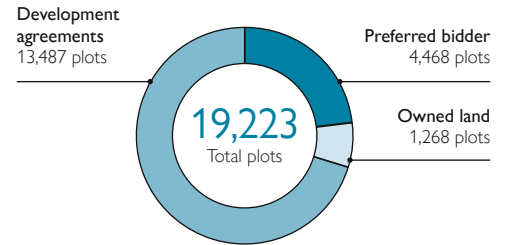
growth plans. In addition to those sites already in the land bank, including those with preferred bidder status, we secured 7,030 new plots in the period including at Bilston Urban Village, Wolverhampton, Maidenhead, Barking and Bromley. We now have 19,223 Partnerships plots under our control (2016: 14,504 plots). These projects were awarded to Countryside as a result of our proven track record in delivering complex, multi-phase schemes alongside design excellence. Overall, we have visibility over approximately nine years’ supply at current volumes. We had 23 open sales outlets as at 30 September 2017 (2016: 18) with a further 23 (2016: 20) sites under construction.

Outlook

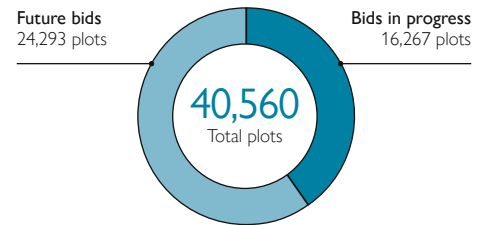
As announced at the half-year results in May 2017, our sustained momentum, in particular regarding both the bid win rate and operational delivery, has delivered a growth trajectory ahead of the original targets we set at IPO while continuing to win new business. We have accelerated a number of Partnerships developments and our focus in 2018 is on new site starts with growth in all tenures, including PRS homes. During 2018, we are planning 42 new site starts within Partnerships, 11 of which are large regeneration schemes around London. At 30 September 2017, we were either bidding on or had identified as bid opportunities a further 40,560 plots, up approximately 20 per cent on the prior year.



Land bank plus preferred bidder



Future opportunities



UNLOCKING OUR STRATEGIC LED LAND BANK

Our Housebuilding division is well positioned with its industry-leading strategic land bank and expertise in placemaking. 2017 was a step change in scale for the business with completions up 53 per cent to 1,197 homes.



19,826
plots in our
Housebuilding land bank



83%
of the land bank
is strategically sourced



Significant land bank in place

- 19,826 plots owned or controlled in South East England
- Greater scale driving improved operating margins
- 83 per cent of the land bank has been strategically sourced

Established platform for growth

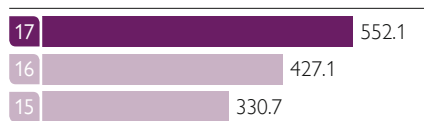
- Selling from 24 sales outlets at 30 September 2017
- Further 18 sites under construction
- 2,896 additional plots secured in 2017

Regional infrastructure in place for growth

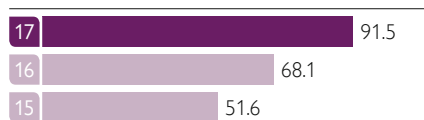
- Improved efficiency from operational scale
- Highly experienced management team

Adjusted revenue¹ £m

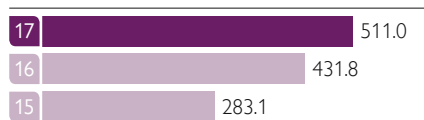
£552.1m
+29%

**Adjusted operating profit^{2,3} £m**

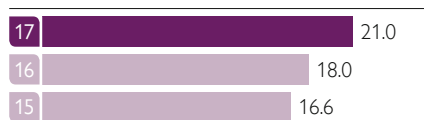
£91.5m
+34%

**Tangible net asset value⁴ £m**

£511.0m
+18%

**Return on capital employed⁵ %**

21.0%
+300bps

**Strategy**

Our Housebuilding division develops medium to large-scale sites, providing private and affordable housing on land owned or controlled by the Group. Operations are focused on Outer London and the Home Counties.

Within our Housebuilding division we look to maintain our industry-leading strategic land bank with over 80 per cent of our land strategically sourced at 30 September 2017. In total, we had 19,826 plots within our Housebuilding land bank (2016: 19,322), of which only 27 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

2017 was another positive year for the housebuilding sector with strong customer demand underpinned by the continuing structural shortage in housing. The greatest demand continues to be from first time buyers and supported by Help to Buy. We continue to focus on making sure that our homes remain affordable for local owner-occupiers, who make up the vast majority of our private sales. The second hand market continues to be more difficult resulting in slower sales rates for product above £600,000 and in particular above £1m.

The Government focus on the National Planning Policy Framework continues to simplify the planning environment with initiatives such as a dispute resolution mechanism for Section 106 agreements. This has facilitated an increase in outline planning consents, although clearing pre-start conditions remains challenging.

Our performance

Our Housebuilding division experienced a step change in its scale during 2017 and is well on its way to achieving increased efficiency from greater scale. Total completions were up 53 per cent to 1,197 homes compared with 783 homes in 2016. As with the performance in the Partnerships division, we saw strong growth in delivery of private homes, up 68 per cent in the period, to 837 homes (2016: 499 homes).

In line with our plans to ensure our homes remain affordable, the Housebuilding private ASP decreased by 23 per cent to £515,000 in the period, as we reduced our exposure to higher end product, focusing on the areas where we see the strongest demand but also reflecting some slowing in reservation rates at the higher end. Underlying sales values remained robust with house price inflation of four per cent offsetting build cost inflation during the period.

- Adjusted revenue includes the Group's share of revenue from associate and joint ventures of £125.1m (2016: £69.0m; 2015: £51.9m).
- Adjusted operating profit includes the Group's share of the operating profit from associate and joint ventures of £22.9m (2016: £18.3m; 2015: £13.6m).
- Divisional adjusted operating profit excludes Group items of £6.8m (2016: £2.4m; 2015: £1.2m), comprising share-based payment expense net of deferred tax of £5.1m average (2016: £1.1m; 2015: £Nil) and brand amortisation of £1.7m (2016: £1.3m; 2015: £1.2m).
- TNAV is calculated as TNOAV plus net cash allocated pro rata based on divisional TNOAV.
- Adjusted operating profit divided by average TNOAV.

Our Performance *continued*

In certain locations where it is taking slightly longer to reposition higher product price points, we have seen a slowing in net reservation rates albeit sales values were broadly in line with our expectations. Demand for high-quality locations and premium product has continued to be met by our Millgate brand.

The previously highlighted operational issues at Mill Hill continued to be a drag on the Housebuilding division with 67 homes completed in the year. The development should be fully built by the end of the calendar year with 18 homes left to complete.

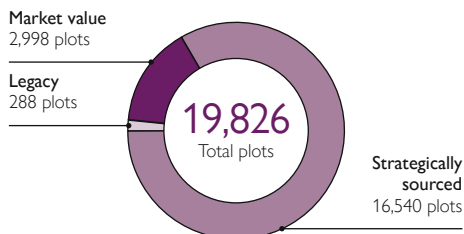
We have seen strong demand at Greenwich Millennium Village, where we completed 122 homes; Springhead Park, Ebbsfleet, where we completed 110 homes; and Beaulieu, Chelmsford, where we completed 155 homes across four phases in the period.

We made good progress on delivery at our legacy sites at King's Park, Harold Wood and Horsted Park, Chatham, in the period delivering 217 units in total. On our current plans, both of these sites should be completed during 2019.

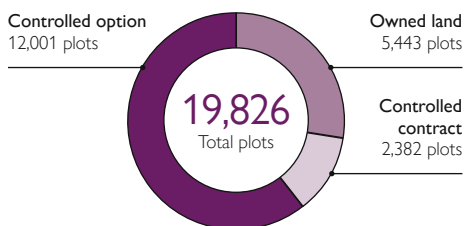
In line with our strategy, we have maintained the land bank in our Housebuilding division, acquiring 2,896 plots on 16 sites during the year. We completed four land sales during the period including a commercial sale at Cambridge Medipark, a parcel of land at the site in Bicester where we are an associate partner and two residential sales at Bury St Edmunds and Silsden, which we chose not to develop. The Housebuilding land bank now stands at 19,826 plots (2016: 19,322 plots), of which 83 per cent has been sourced strategically.



Land bank source



Future opportunities



Outlook

We started on 21 new Housebuilding sites during the period. The increase in sales reservations and completions led to several sales outlets closing earlier than anticipated and we had 24 open sales outlets at 30 September 2017, compared to 25 one year ago. However, we have a further 18 sites under construction to ensure we increase the number of selling outlets in 2018. This gives us great visibility over delivery for 2018, which is set to be another year of strong growth in our Housebuilding division as we get closer to optimum scale. All of our planned delivery for the next three years is identified and the majority, over 75 per cent, already has some form of planning.





A GREAT SENSE OF COMMUNITY ST LUKE'S PARK

- Collection of 575 homes comprising apartments and traditional houses
- Set within 200 acres of landscaped grounds
- New primary school
- Includes a selection of one to three-bedroom homes on the low-cost home ownership scheme

St Luke's Park is situated on the site of the former Runwell Hospital in Essex. It has plans for over 200 acres of landscaped grounds and is surrounded by mature trees and woodland.

Although many developments integrate into an existing neighbourhood, the vision for St Luke's Park was to create a new community within a village setting. Tucked away on its own purpose-built road and with no other residential schemes close by, St Luke's Park is more than just a collection of new homes. As well as the central village green, there are plans for the Grade II-listed chapel to be refurbished along

with a new primary school. We started on the first of five phases in May 2015 with construction due to be completed in 2022.

"There's a real sense of community and all of our neighbours are lovely, so it's been fantastic for the kids. Theo and Toby have made so many friends. They are always desperate to get home from school or wherever we have been to play out with their friends. I feel it's a really safe environment for them to play out; everyone keeps an eye on each other."

Vikki and Ben Wakerly, purchasers at St Luke's Park, Runwell



"THERE'S A REAL SENSE OF COMMUNITY AND ALL OF OUR NEIGHBOURS ARE LOVELY, SO IT'S BEEN FANTASTIC FOR THE KIDS."



ANOTHER YEAR OF STRONG PERFORMANCE

We have delivered another strong set of results, with both divisions performing well and we are on track to deliver our growth objectives.

Group performance

2017 was a year of substantial growth for the Group, with total completions up 28 per cent to 3,389 homes (2016: 2,657 homes).

We continued to manage down private ASP to moderate our exposure to higher price points which resulted in an eight per cent reduction in ASP to £430,000 (2016: £465,000). Affordable ASP increased by 13 per cent to £135,000 (2016: £120,000), driven by the increasing use of shared ownership and low-cost housing by Registered Providers. As a result, the Group delivered adjusted revenue of £1,028.8m (2016: £777.0m), up 32 per cent from last year as the Group passed the £1bn sales mark for the first time.

Statutory revenue increased by 26 per cent to £845.8m (2016: £671.3m). The difference between the adjusted and reported measures reflects the proportionate consolidation of the Group's associate and joint ventures.

A combination of factors, including the geographical mix of the business, management of our pricing exposure and legacy issues at a Housebuilding site in Mill Hill, London, meant that our operating margin progress was modest during the year. We made good progress with controlling overheads as a result of a number of initiatives including a small restructuring of Head Office functions in the first half which resulted in overheads falling further as a percentage of sales to 5.0 per cent (2016: 5.9 per cent). Overall, adjusted operating margin increased by 20bps to 16.0 per cent (2016: 15.8 per cent) which contributed to a 34 per cent increase in adjusted operating profit to £164.1m (2016: £122.5m).

Reported operating profit was up 48 per cent to £128.9m (2016: £87.3m) with the difference to adjusted operating profit being the proportionate consolidation of the Group's associate and joint ventures and a non-underlying item relating to the restructuring costs referred to above. Further details of the difference can be found in Note 6 to the financial statements.

Our net reservation rate per open sales outlet increased to 0.84 (2016: 0.78) which reflected continued strong demand for our homes, with an increase in open sales outlets to 47 (2016: 43) helping to drive the increase in revenue. We saw a moderation in sales rate immediately following the General Election in June, but this reversed before year end with a normal summer trading pattern in 2017 compared to the very strong performance in August 2016. A further 41 sites were under construction but not yet open for sale, sustaining the production growth underpinning our medium-term targets.

This growth in sales outlets, when combined with our continued strong sales rate, has not only increased completions but delivered a record year-end private forward order book up eight per cent to £242.4m (2016: £225.4m).

We continued to see price growth during the year, particularly at the lower price points, and house price inflation for the full year was similar to the prior year at around five per cent. During the year, we saw cost price inflation moderate in London and the South East, driven by some weakness in the London construction market. Cost price inflation in the North West was higher, although broadly consistent with the prior year. Given the Group's forward purchasing for the 2018 financial year, there is limited near-term risk to margin from these trends.

Overall, Group adjusted gross margin (including the Group's share of associate and joint venture gross profit) was 21.2 per cent, slightly behind last year's margin of 21.9 per cent, as a result of the impact of the changing mix of the business towards the North West and a conscious management of our pricing in the South East. We also experienced some modest reductions in selling price at premium price points in excess of £1m across the business. Our legacy issues at a Housebuilding site in Mill Hill, London, also impacted gross margin in that division and we expect to conclude this development in the 2018 financial year.

Within this, profit from land sales contributed £8.9m (2016: £10.6m) as we tactically sold parcels of land where we no longer expect to build, and £5.6m (2016: £5.9m) from commercial sales, again principally at the Medipark site in Cambridge, where we sell serviced parcels of land for commercial use.

We ended the year with net cash of £77.4m (2016: £120.0m), slightly higher than planned due to the delayed start of two developments in our Partnerships division which will begin early in the new financial year. As a result of the lower interest cost of our new facility and lower average debt levels during the year, the Group's bank interest cost fell to £3.0m (2016: £5.2m). Despite a change to the discount rate applied to our land creditors and overage liabilities discussed in further detail below, reported net finance costs decreased to £16.9m (2016: £28.2m).

Partnerships

We began to see the results of our increased investments since IPO in our Partnerships division during 2017 with total completions up 17 per cent to 2,192 homes (2016: 1,874 homes). With private



ASP increasing 12 per cent to £343,000 (2016: £307,000) and affordable ASP up nine per cent to £121,000 (2016: £111,000), adjusted revenue increased 36 per cent to £476.7m (2016: £349.9m).

Private completions of 825 homes were up 31 per cent on the prior year (2016: 628 homes) as key developments at St Paul's Square, Bow and East City Point, Canning Town, delivered a full year of production. We were also able to begin the acceleration of our Acton, London, development using the proceeds raised at IPO in February 2016 and made good progress in our first year of delivery from our new West Midlands region based in Wolverhampton. We were actively selling on 23 outlets at 30 September 2017 (2016: 18).

Affordable completions were up 10 per cent at 1,367 homes (2016: 1,246 homes). These affordable completions included the delivery of PRS housing, principally from our ongoing partnership with Sigma Capital in the North West and West Midlands, of 721 homes (2016: 738).

The adjusted gross margin for the Partnerships division was 20.6 per cent, slightly behind the 21.3 per cent delivered last year due to the increased proportion of sales from the North West and West Midlands regions compared to last year. As we benefited from the scaling up of our business, adjusted operating margin increased to 16.7 per cent (2016: 16.2 per cent). As a result of the increased volume and improved operating margin, adjusted operating profit of £79.4m was up 40 per cent (2016: £56.8m).

On a reported basis, Partnerships revenue increased to £418.8m, up 34 per cent (2016: £313.2m) as a result of the growth in sales outlets delivering a greater number of completions along with an increase in ASP. Reported Partnerships operating profit increased to £68.7m (2016: £52.4m).

We had another very successful year in winning new business in the Partnerships division, underpinning our longer-term growth plans. In addition to those sites already in the land bank, including those with preferred bidder status, we secured 7,030 new plots in the period. We now have 19,223 Partnerships plots under our control (2016: 14,504 plots). This represents approximately nine years' supply at current volumes and provides significant visibility.

Housebuilding

The increased production which started in 2016, together with strong customer demand at the sub £600,000 level, allowed us to significantly increase completions, up 53 per cent to 1,197 homes (2016: 783 homes). Total adjusted revenue from Housebuilding was up 29 per cent to £552.1m (2016: £427.1m).

Private completions increased by 68 per cent to 837 homes (2016: 499 homes). With the high rate of sales, we sold out on a number of sites during the year, resulting in open sales outlets at the year end down one to 24 (2016: 25). With an additional 18 active sites in production, we anticipate a material increase in open selling outlets by the end of the 2018 financial year. Private ASP of £515,000 was 23 per cent lower than last year (2016: £665,000). This reduction was driven in part by our decision to manage price points down to focus on the market below £600,000 where demand remains strongest but also some reductions in sales rates at premium price points over £1m. Despite these pressures at the upper end of the market, volumes have remained in line with our expectations and ahead of 2016.

Affordable revenue increased by 47 per cent to £65.7m (2016: £44.6m) with completions up 27 per cent to 360 (2016: 284) at an ASP of £183,000 (2016: £157,000), up 17 per cent.

Housebuilding adjusted gross margin was 21.6 per cent (2016: 22.4 per cent), a reduction of 80bps driven by delayed completions at our joint venture with Annington Developments Limited at Mill Hill in North London, together with some pressure at higher price points.

Operating costs reduced as a percentage of turnover as our operating regions reached scale and we saw the benefit of operational gearing, which together resulted in a 70bps increase in adjusted operating margin to 16.6 per cent (2016: 15.9 per cent). Overall, the Housebuilding adjusted operating profit increased by 34 per cent to £91.5m (2016: £68.1m).

On a reported basis, Housebuilding revenue increased by 19 per cent to £427.0m (2016: £358.1m) with growth coming from the increased average number of open sales outlets and house price growth. Reported Housebuilding operating profit increased to £68.6m (2016: £49.8m).

In line with our strategy, we have maintained the land bank in our Housebuilding division and have acquired 2,896 plots on 16 sites during the period. The Housebuilding land bank now stands at 19,826 plots (2016: 19,322 plots), of which 83 per cent has been strategically sourced.

Non-underlying items

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

From 1 April 2017, the discount rate applied to committed land payments recognised as land creditors or overage was reduced from 6.0 per cent to 3.4 per cent. This change was made to better align the discount rate with the Group's cost of debt. The impact of this change was £7.6m.

+34%

increase in adjusted operating profit



+370bps

improvement in ROCE

Non-underlying items *continued*

In the prior year, a number of items totalling £13.1m were reported as non-underlying, relating to the Group's listing on the London Stock Exchange including legacy share incentive costs, the refinancing of the Group and the reversal of an historical receivable impairment.

A total tax credit of £1.7m (2016: £1.0m) in relation to all of the above non-underlying items was included within taxation in the income statement.

Non-underlying items	2017 £m	2016 £m
Year ended 30 September		
Recorded within operating profit:		
Head office restructuring	1.6	—
Advisory fees	—	10.6
Reversal of receivable impairment	—	(2.6)
Share-based payments in respect of the pre-listing management incentive plan	—	1.9
Sub-total	1.6	9.9
Recorded within finance costs:		
Impact of change in land creditor and overage discount rate	7.6	—
Impairment of capitalised arrangement fees	—	3.2
Total non-underlying items	9.2	13.1

Net finance costs

Reported net finance costs were £16.9m (2016: £28.2m), of which net cash costs were £2.8m (2016: £7.2m). Interest on the Group's bank loans and overdrafts reduced from £5.2m to £3.0m as a result of lower interest rates and average borrowing levels during 2017. As discussed above the impact of a change in discount rate applied to deferred land and overage payments was £7.6m. Excluding the impact of this change underlying net finance costs fell to £9.3m (£25.0m). In the prior year, £16.5m of interest was incurred on mandatory redeemable preference shares which were redeemed in February 2016.

Net finance costs	2017 £m	2016 £m
Year ended 30 September		
Recorded within operating profit:		
Bank loans and overdrafts	3.0	5.2
Interest on mandatory redeemable preference shares	—	16.5
Unwind of discount	5.1	4.8
Amortisation of debt finance costs	0.6	0.8
Impairment of interest receivable from joint ventures	2.0	—
Finance income	(1.4)	(2.3)
Underlying net finance costs	9.3	25.0
Impact of change in land creditor and overage discount rate	7.6	—
Impairment of capitalised arrangement fees	—	3.2
Net finance costs	16.9	28.2

Countryside expects net finance costs in 2018 to be lower than 2017, as no further change is anticipated to the discount rate applied to land creditors and overage.

Taxation

The Group published its tax strategy for the first time in 2017, as part of its approach to maintaining an open and transparent relationship with tax stakeholders including HMRC. The Group continues to hold a low-risk tax rating. The strategy confirms the Group's view that it seeks to comply fully with its statutory and other regulatory obligations and to act in a way which upholds its reputation as a responsible corporate citizen, including full and transparent disclosure to tax authorities.

In line with Countryside's broader corporate strategy, the key goals directing our tax strategy are:

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

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

The income tax charge was £24.1m (2016: £17.3m), with an adjusted tax rate of 18.5 per cent (2016: 21.8 per cent) and, on a reported basis, an effective tax rate of 17.0 per cent (2016: 22.0 per cent).

The adjusted rate has reduced due to a reduction in disallowable expenditure during the year, due to the IPO transaction costs and the redemption of mandatory redeemable preference shares in the prior year. The adjusted tax rate reconciles to the reported rate as follows:

Adjusted tax rate	Profit £m	Tax £m	Rate %
Year ended 30 September 2017			
Adjusted profit before tax, and tax thereon	154.2	28.5	18.5
Adjustments, and tax thereon, for:			
Impact of change in land creditor and overage discount rate	(8.3)	(1.5)	
Restructuring costs	(1.6)	(0.3)	
Taxation on associate and joint ventures included in profit before tax	(2.6)	(2.6)	
Profit before tax and tax thereon	141.7	24.1	17.0

In 2018, Countryside expects the adjusted tax rate to continue to be slightly lower than the UK statutory corporation tax rate due to claims for enhanced tax relief in relation to land remediation costs.

Earnings per share ("EPS")

Adjusted basic earnings per share increased by 71 per cent to 27.8 pence (2016: 16.3 pence) reflecting the increase in adjusted operating profit during the year, together with a decrease in adjusted net finance costs and a lower adjusted effective tax rate.

The weighted average number of shares in issue was 450m (2016: 450m).

Basic earnings per share was 26.0 pence (2016: 13.6 pence). Basic earnings per share is lower than adjusted basic earnings per share due to the effect of non-underlying items that are excluded from adjusted results.

Dividend

The Board has recommended a final dividend of 5.0 pence per share (2016: 3.4 pence per share), representing a pay-out of 30 per cent of adjusted profit after tax. This brings the total dividend for 2017 to 8.4 pence per share (2016: 3.4 pence per share). This will be paid on 9 February 2018 to shareholders on the Register of Members at the close of business on 22 December 2017 subject to approval by shareholders at the AGM.

The proposed final dividend was recommended by the Board on 21 November 2017 and, as such, has not been included as a liability as at 30 September 2017.

In 2018, Countryside intends that the dividend will continue to represent 30 per cent of adjusted profit after tax.

Statement of financial position

As at 30 September 2017, TNAV was £627.0m (2016: £537.4m), an increase of £89.6m, which was mainly attributable to retained earnings after the payment of the Group's dividends during the year. As we continued to grow the business, inventory grew by £83.5m to £667.1m (2016: £583.6m) as we were active on 88 sites at 30 September 2017 (2016: 72 sites). Investments in associate and joint ventures were maintained at £61.4m (2016: £59.1m) as Oaklands Hamlet in Chigwell, Essex, reached maturity as an open selling outlet.

Improving returns

During the year, a significant focus on working capital efficiency and cash generation saw asset turn (defined as adjusted revenue divided by average TNAV excluding net cash or debt) increase to 1.9 times (2016: 1.7 times). This, together with the adjusted operating margin improvements, helped our return on capital employed increase by 370bps to 30.5 per cent (2016: 26.8 per cent). This is 250bps ahead of our medium-term ROCE target and is in part driven by the high level of cash on the balance sheet at 30 September which was the result of two delayed starts on site in our Partnerships division which will take place in the first half of the 2018 financial year.

Return on capital employed

Year ended 30 September	2017	2016
Adjusted operating profit (£m)	164.1	122.5
Average capital employed (£m) ¹	537.5	457.0
Return on capital employed (%)	30.5	26.8
52-week ROCE movement to 30 September 2017	370bps	

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

Financing

On 3 May 2017, the Group signed a one-year extension to its £300m revolving credit facility agreement. The agreement has a variable interest rate based on LIBOR and now expires in May 2022, although the Group has the opportunity to extend the term of the facility by a further year on the next anniversary. A number of other changes to the facility in May 2017 have given the Group greater flexibility, particularly in driving the scale of the Partnerships division.

Cash flow

Summary cash flow statement		
Year ended 30 September	2017 £m	2016 £m
Cash generated from/(used in) operations	78.2	(14.8)
Interest and tax paid	(26.0)	(20.0)
Dividends paid	(30.6)	—
Decrease/(increase) in loans to associate and joint ventures	16.2	(31.0)
Dividends received from joint ventures	28.8	13.6
Net proceeds from the issue of shares	—	125.4
Repayment of borrowings	—	(140.0)
Other net cash (outflows)/inflows	(1.2)	(2.0)
Net increase/(decrease) in cash and cash equivalents	65.4	(68.8)


As we have continued to grow the Group, our net investment in working capital increased by £56m (2016: £107m). Our year-end net cash position improved by £65m after making this investment, as we increased the profitability of our business.

Impact of the new revenue accounting standard

During the second half, the Group has undertaken a detailed exercise to determine whether the new revenue accounting standard, IFRS 15 'Revenue from Contracts with Customers' will have a material impact on the Group's results. The new standard is effective for the Group for the 2019 financial year commencing on 1 October 2018. This exercise is substantially complete and we have not yet identified any areas of our business where we will see material changes to the way in which we currently recognise revenue.

We are working with advisors and others in the industry to determine the appropriate treatment for the recognition of revenue on land sales to Registered Providers of social housing and await further guidance on this matter from the International Financial Reporting Interpretations Committee at their meeting in November 2017. We expect to reach a conclusion on this in the first half of the 2018 financial year.

Rebecca Worthington
Group Chief Financial Officer
21 November 2017


+71%

increase in adjusted EPS

OUR PEOPLE MAKE THE DIFFERENCE EVERY DAY

We are a growing business. Our people play a pivotal role in that growth; without them we would not be able to build sustainable communities where people want to live.

People remain a key differentiator

Countryside continues to attract and retain the best people in the housebuilding sector to deliver our strategy. We believe that our people truly differentiate us from our competition. In the last three years, we have more than doubled our employee numbers and now have just over 1,200 people working for us. Our aim is to “grow our own” as much as we can, together with a healthy balance of new recruits.

We saw record investment in developing our people

We have maintained and developed our Group-wide approach to succession and talent management as part of our “grow our own” people strategy. We have commenced implementation of a coaching programme for our senior population, using a combination of internal and external coaches, tailored to the individual’s needs. Our focus on quality of training delivery remains, particularly around induction and externally accredited leadership programmes.

We are committed to developing our people at all levels of the organisation through leadership, professional and vocational qualifications and e-learning. Building a pipeline of talent is critical to our success.

Our approach to future talent continues to be a priority

Our two-year graduate programme was highly commended by graduate recruitment website The Job Crowd. The programme is proving very successful, and we continue to attract large numbers of high-calibre graduate candidates.

We have recently recruited a further 12 graduates, and in addition now have nearly 30 apprentices, both on site and in our offices. We have added internships to our Early Careers offering, and we aim to extend this further in the year ahead.

Our people are our shareholders

In December 2016, we launched our second all-employee Save as you Earn (“SAYE”) plan. This plan, together with our first launched just after IPO, means that 70 per cent of our eligible employees have signed up to buy shares in Countryside.

December 2016 also saw the second grant of our Long Term Incentive Plan to our Director group as a retention tool for this key population. We believe we continue to offer a highly market-competitive reward package.



Our people are highly engaged

In 2017 we ran the Group’s second all-employee survey, and once again over 80 per cent of our people responded. We were very pleased that we achieved a high overall engagement score of 79 per cent. From this, we believe that our people feel valued, well led and excited about the future.

The key action areas remain fairly consistent to those agreed in 2016. Whilst improvements have been made during the year, the two main areas of focus for the Group are:

- continuing to encourage a more flexible approach to working hours across the business; and
- promoting inter-departmental teamwork.

In addition, specific regional action plans will be developed.

2017 employee survey results

- 82% trust the senior leadership of Countryside
- 89% believe that Countryside has an outstanding future
- 75% are satisfied with the benefits they receive at Countryside
- 87% are proud to work for Countryside
- 71% believe Countryside values their contribution
- 81% would recommend Countryside as a great place to work
- 95% feel their safety is valued



Our employee engagement is 15 per cent higher than the UK average

Source: IBM Kenexa UK overall average



For those of our employees who qualify for a car or cash allowance, we offer a sector-leading fleet proposition. This focuses on offering our employees choice based on their lifestyle, while remaining environmentally conscious by capping our CO₂ emissions.

Gender diversity

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

Board of Directors	Total 7
3	4
Senior management	Total 200
30	170
Total workforce	Total 1,205
400	805

Female
 Male

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

Our approach to reward is centred on choice. These benefits range from buying and/or selling days of annual leave, through to reduced fees on life, dental and travel insurance, to discounted medical and cancer screening. During our 2017 flexible benefits annual enrolment window, 70 per cent of employees logged in to the benefits site and over 50 per cent of employees selected a new benefit or amended an existing one.



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's Accident Incident Rate (AIR) continues to be below the National Incident Rate (NIR) benchmark. During the reporting period the company's AIR averaged at 220 (2016: 305) reportable incidents per 100,000 persons at risk, compared with the NIR of 398 (2016: 421). For the fourteenth consecutive year our AIR has been below the national benchmark. We intend to maintain this performance.

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

CREATING PLACES PEOPLE LOVE

We are passionate about building Places People Love which enhance the communities in which we operate, whilst ensuring that our operations are carried out in an environmentally responsible, ethical, safe and sustainable manner.

From the design and character of the homes we build, to the planning of public spaces and infrastructure, our creative approach to placemaking and engagement with the local community and our customers ensures we have a positive impact on all those who live in and around our developments. We provide a collaborative culture for our workforce and supply chain to ensure they support our sustainability strategy and assist in our continual improvement as a business.

Our strategy

Our sustainability strategy focuses on the five areas material to our business:

-  **GOVERNANCE**
-  **ETHICAL AND RESPONSIBLE BUSINESS**
-  **CUSTOMERS AND COMMUNITY**
-  **ENVIRONMENT**
-  **SUPPLY CHAIN**

We have policies in place to support this strategy that are applied throughout the business and communicated to our supply chain to ensure all stakeholders assist us in delivering our overall corporate strategy as outlined on pages 12 and 13.

Performance

We continue to set strategic sustainability objectives based on our material issues. We also have in place targeted divisional, site and personal objectives to support these aims. In addition we made £3.3m of sustainability-related savings during the year. Details of our objectives can be found in the Group Sustainability Report 2017 at www.countryside-properties.com/about-us/who-we-are/sustainability.



£3.3m
in sustainability-related savings during the year





GOVERNANCE

Overall governance of sustainability issues, risks and opportunities resides with the Board, which is assisted at different levels of the business by dedicated Committees.



Risk management and standards

Overall responsibility for risk is managed by the Board assisted by the Risk Management Committee. Oversight of more detailed aspects is managed through the Health, Safety, Quality and Environment Committee. In addition, an Environmental Aspects, Impacts and Legislation Register is maintained at Group level and is used by the divisions to inform and manage environmental risks and opportunities.

For further details on the Group's risk management process see pages 36 to 39.

In accordance with our approach to continuous improvement and managing risk, the Group is fully accredited to the ISO 9001:2015 (Quality), ISO 14001:2015 (Environmental) and BS OHSAS 18001:2007 (Health and Safety) standards. Each of these standards is certified by a UK accreditation Service-accredited certification body. In 2017, we achieved certification to the revised ISO 14001:2015 and ISO 9001:2015 standards: we were one of the first property developers to do so.

Legal compliance

We are pleased to report that we continue to uphold our good record in environmental compliance, with zero prosecutions or fines for over 12 years. During the year, we had two non-conformances raised against health and safety regulations. We fully complied with investigations into these matters by the relevant enforcing authorities and resolved both issues to their satisfaction.

Cost benefits of being a sustainable business

The Group achieved sustainability-related cost savings of £3.3m during the year (2016: £2.9m). A substantial amount of this saving was due to reducing the amount of waste produced by our developments. As the Group maintained its strong growth trajectory, we maintained our focus on sustainability, embedding improvement programmes across the Group.

Awareness and communication of sustainability issues

We provide information and guidance about our policies, processes, procedures and responsibilities to our staff and contractors through a variety of channels including monthly staff presentations, new starter inductions, training courses and toolbox talks and via our intranet.

This is our 17th year of sustainability reporting – the longest track record in our sector. Since we began reporting in 2000 we have received 357 awards for our sustainability practices which highlights our commitment to sustainable development.

ETHICAL AND RESPONSIBLE BUSINESS

Ethical business

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

The Group recognises the value and importance of promoting high standards in all health, safety and welfare matters for the benefit of everyone who may be affected by our operations.

For the 14th consecutive year, our Accident Incident Rate ("AIR") is below the industry average and the Health and Safety Executive's National Incident Rate ("NIR") benchmark, a record of which we are proud. During the year, our AIR averaged 220 (2016: 305) compared with the NIR of 398 (2016: 421). We continue to remain focused on making our sites a safe environment for our employees and contractors.

During the year, we undertook a series of events and audits to focus on the health and wellbeing of our employees and contractors based on site. Seminars were also held in our office locations highlighting health issues including dementia and prostate cancer.

Our people

Our people are our most valuable resource and without them we would be unable to build sustainable communities where people want to live.

For more information on how we engage and develop our staff see pages 30 and 31.

Office Activities

For the reporting period, we cut our office based CO₂ emissions by 13.7 per cent per employee.

CUSTOMERS AND COMMUNITY

Community

We recognise that whilst we aim to have a positive effect on the communities in which we operate, existing and future residents may have concerns about perceived negative impacts of our construction and the future life of our developments.

We appreciate that the local community has a right to enjoy their homes and working environment without nuisance caused by our works and our sites have stringent procedures in place to reduce noise, dust and nuisance which may be caused by additional vehicular traffic both during the construction period and after construction.

The majority of our sites are registered for the Considerate Constructors Scheme and in 2017 our average score across the Group improved to 36.3 out of 50 (2016: 34.4), which is above the national average of 35.9/50 (to August 2017).

Customers

Moving into a new home in a new community should be an enjoyable and exciting experience. We continue to build on improvements to our customer journey which began in 2016, focusing on customer engagement throughout the purchase process and dealing quickly with quality issues. This has resulted in an improvement in our customer satisfaction scores during the year as measured by the NHBC. In 2017, 85.1 per cent (2016 81.6 per cent) of our customers were satisfied eight weeks after occupation and 88.6 per cent (2016: 84.8 per cent) would recommend us to a friend.

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 objectives and measuring performance against them in order to ensure continual improvement.

Energy

The energy efficiency of the homes we have built, as measured by the Standard Assessment Procedure ("SAP") – continues to be above national standards at an average rating of 85.45 out of 100 (2016: 84.8 out of 100).

For the second year we have collated and are reporting performance on energy use within the business covering head office, site and business travel. Details of our energy use and associated carbon footprint are detailed below:

Office activities

For the reporting period, we cut our office-based CO₂ emissions by 13.6 per cent per employee.

Year	Scope 1			Scope 2			Total GHG	
	Gas kWh	Gas CO ₂ e/kg	Total CO ₂ e/kg per head ¹	Electricity kWh	Electricity CO ₂ e/kg	Total CO ₂ e/kg per head ¹	Total CO ₂ e/kg	Total CO ₂ e/kg per head ¹
2017	1,127,253	207,922	178.63	1,280,792	450,275	386.83	65,870	0.57
2016	940,247	173,005	159.16	1,290,908	542,457	499	715,462	0.66

Site Activities

Year	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
2017	4,761,337	876,848	14,933,110	4,119,746	19,694,447	4,996,594	9.92
2016	2,193,480	403,965	8,523,068	2,352,426	10,716,548	2,756,391	9.89

Year	Scope 2		
	Electricity kWh	Electricity CO ₂ e/kg	Total CO ₂ e/kg per m ²
2017	5,029,775	1,768,268	3.51
2016	1,954,542	814,010	2.92

Business travel – Scope 3

Our fleet CO₂e emissions decreased by 20 per cent to 1.37 CO₂e tonnes per person (2016:1.71 tonnes per person). The overall emission level also decreased to 1,597 tonnes from 1,858 tonnes in 2016. This has been achieved by an increasing our use of video and telephone conferencing and by our Cycle to Work scheme.

Year	kWh	CO ₂ e(kg)	Total CO ₂ e (kg) per person ¹
2017	6,339,503	1,597,045	1,372.03
2016	7,555,351	1,858,011	1,709.30



Waste

The Group has implemented more stringent practices and commercially focused systems in order to reduce waste, recycle more and reduce waste going to landfill. We targeted continual improvement in waste reduction and disposal working towards our goal of sending zero waste to landfill. During 2017 we reduced waste produced on site by 24 per cent, with total waste of 5.99 tonnes/m² (2016: 8.83T/m²) and 98.8 per cent diversion from landfill (2016: 98.4 per cent).

Office activities 2017

Total waste (tonnes)	Total waste (tonnes) per employee	Recycled (tonnes)	% Recycled
387.34	0.33	206.10	53.0

Site activities 2017

Total waste (tonnes)	Total waste (tonnes) per 100 m ² completed	Recycled/composted (tonnes)	% Recycled/composted	Energy from waste (tonnes)	% Energy from waste	Landfill (tonnes)	% Landfill	% Diverted from landfill
30,169.68	5.99	24,449	81	4,289	14.2	355	1.2	98.8

Water usage

We monitor water usage in the Group's offices and for the first time this year at our sites. Water usage in our offices has increased to 8,977m³ (2016: 4,242m³). This has also increased to 7.71m³ from 3.93m³ per employee. This reflects the growth of the company and opening of additional offices and floors in existing buildings.

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 2017, 96 per cent of our developments were located within 1km of a public transport node and 79 per cent are within 500m, providing a choice of travel modes to our customers and helping to reduce their impact on the environment.

Ecology

We are committed to establishing and enhancing ecological networks that are resilient to current and future climate change pressures. We installed green or brown roofs on 22 per cent of our developments during the year (2016: 18 per cent).

To manage local risks, qualified ecologists undertook full ecological surveys as part of the site evaluation process on 95 per cent (2016: 98 per cent) of our projects.

SUPPLY CHAIN

Countryside strives to work with suppliers and sub-contractors who share our values and who can support our business in a manner that is safe, efficient and ethical, and reduces adverse effects on the environment.

All our supply chain members are required to complete a prequalification process to enable us to ascertain that these values are met. We engage with our contractors and suppliers on a regular basis to ensure that they are meeting the requirements we set them and also work with them to improve their standards and therefore our own.

We have in place a Sustainable Procurement Policy which sets out our commitments and standards. This can be viewed on our website at www.countryside-properties.com/about-us/who-we-are/sustainability/environment.



➔ Download our Sustainability Report online at countryside-properties.com/about-us/who-we-are/sustainability/

Intensity measure CO₂e(kg) per m² based on developed area of 503,544 m² (2016: 278,732 m²)

1. Based on 1,164 employees (2016: 1,087).

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

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

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

OPTIMISING OUR RISK MANAGEMENT PROCESS

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

How we manage risk

Risk identification and management is built into every aspect of Countryside’s daily operations, ranging from the appraisal of new sites, assessment of the prospects of planning success, building safely and selling effectively to achieve long-term success through the property market cycle. Risk management is built into standardised processes for each part of the business at every stage of the housebuilding process. Financial risk is managed centrally through maintenance of a strong balance sheet, forward selling new homes and the careful allocation of funds to the right projects, at the right time and in the right locations. Risk management also includes the internal controls described within the Corporate Governance Report on pages 46 to 51.

The Risk Management Committee normally meets every quarter to review the Group’s risk register.

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

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

The 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.

Our approach to risk



Key areas of focus during 2017

Data protection

Given that the EU's General Data Protection Regulation ("GDPR") takes effect from 25 May 2018, the business-wide objective of ensuring all business divisions are in compliance in advance of the deadline has been overseen by the Risk Management Committee during 2017. The process commenced with an internal audit of the Group's state of readiness, followed by the development and implementation of an operational road map, using the findings of the audit, to embrace GDPR and develop sustainable privacy with respect to Countryside's employees, customers and suppliers.

Cyber

Recognising that cyber risk continues to grow as a leading issue for all organisations, there has been a significant focus during 2017 on reviewing the Group's material IT controls, policies and procedures to ensure their resilience to support business performance. The Board received a presentation on the mitigating actions being undertaken and an assessment of the Group's state of preparedness on 27 July 2017. A case study of the work undertaken to address cyber risk is set out on page 54.

Market

The Board, Executive Committee and Risk Management Committee have spent considerable time during 2017 to ensure that the Group's mixed-tenure approach and product mix are best suited to ensure we maintain affordability and serve the areas of strongest demand. In order to better monitor potential changes in market risk, management has expanded the range of third party data it reviews (such as the monthly Barclays UK spend trend) and increased the use of third party market assessments in advance of all major new projects.



Viability Statement

The following statement is made in accordance with the UK Corporate Governance Code (April 2016) provision C.2.2. After considering the current position of the Company, the Directors have assessed the prospects and viability of the Company over a three-year period to September 2020. In making this statement, the Board has performed a robust assessment of the principal risks facing the Company, including those risks that would threaten Countryside's business model, future performance, solvency or liquidity. The principal risks facing Countryside and how the Company addresses such risks are described in this Strategic Report and are summarised in the "Principal risks and uncertainties" section of this report.

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

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

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

- the assumption that the Group's debt facility, which expires in 2022, will continue to be available on the same or similar basis throughout the period under review;
- the assumption that, following a material event, the Group would adjust its strategy accordingly to preserve cash. This would include, inter alia, suspending the purchase of land, changing the build profile of existing developments or adjusting Group dividend policy;

- the assumption that counterparties including local authorities and housing associations honoured the phased viability terms and conditions contained in a number of the Group's Partnerships contracts; and
- the assumption that the Group will be able to effectively mitigate risks through enacted or available actions, as described in the "Principal risks and uncertainties" section of this report.

The sensitivity analysis is performed based on assumptions modelled on the 2007 to 2009 period, adjusted for changes in Countryside's business divisions, during which the Housebuilding sector saw significant reductions in sales rates and average selling prices and illiquidity in the land market during a prolonged economic recession. These assumptions include, inter alia, a 20 per cent fall in house prices and an up to 50 per cent reduction in sales rates, offset by a 10 per cent build cost deflation.

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
21 November 2017

Board, Audit Committee and Risk Management Committee responsibility

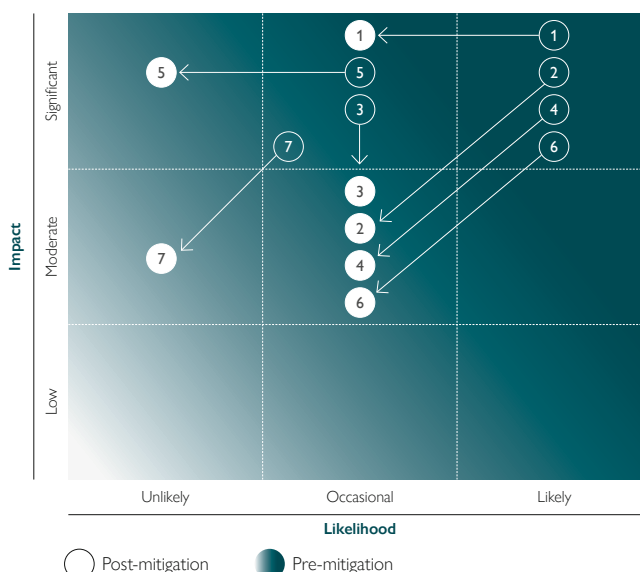
The Audit Committee reviewed the Group's risk register and the assessment of the Group's principal risks and uncertainties prepared by the Risk Management Committee at its meetings in July and October 2017. The Audit Committee also considered the effectiveness of the Group's systems, and has taken this into account in preparing the Viability Statement on the previous page.

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

Principal risks and uncertainties

The Group's principal risks are monitored by the Risk Management Committee, the Audit Committee and the Board. The table below sets out the Group's principal risks and uncertainties and mitigation.

Current assessment of principal risks



Our strategic priorities – Key

- 1 Growth
- 2 Returns
- 3 Resilience
- No change
- ↗ Increase
- ↘ Decrease

RISK	DESCRIPTION	MITIGATION	CHANGE DURING YEAR	LINK TO STRATEGY
1	<p>Adverse macroeconomic conditions*</p> <p>A decline in macroeconomic conditions, or conditions in the UK residential property market, can reduce the propensity to buy homes. Higher unemployment, interest rates and inflation can affect consumer confidence and reduce demand for new homes. Constraints on mortgage availability, or higher costs of mortgage funding, may make it more difficult to sell homes.</p>	<p>Funds are allocated between the Housebuilding and Partnerships businesses. In Housebuilding, land is purchased based on planning prospects, forecast demand and market resilience. In Partnerships, contracts are phased and, where possible, subject to viability testing. In all cases, forward sales, cash flow and work in progress are carefully monitored to give the Group time to react to changing market conditions.</p>	↗	1 2 3
2	<p>Adverse changes to Government policy and regulation*</p> <p>Adverse changes to Government policy in areas such as tax, housing, the environment and building regulations may result in increased costs and/or delays. Failure to comply with laws and regulations could expose the Group to penalties and reputational damage.</p>	<p>The potential impact of changes in Government policy and new laws and regulations are monitored and communicated throughout the business. Detailed policies and procedures are in place to address the prevailing regulations.</p>	↗	1 2

RISK	DESCRIPTION	MITIGATION	CHANGE DURING YEAR	LINK TO STRATEGY
3	<p>Constraints on construction resources*</p> <p>Costs may increase beyond budget due to the reduced availability of skilled labour, or shortages of sub-contractors or building materials at competitive prices to support the Group's growth ambitions. The Group's strategic geographic expansion may be at risk if new supply chains cannot be established.</p>	<p>Optimise use of standard house types and design to maximise buying power. Use of strategic suppliers to leverage volume price reductions and minimise unforeseen disruption. Robust contract terms to control costs.</p>	→	1 2
4	<p>Programme delay (rising project complexity)</p> <p>Failure to secure timely planning permission on economically viable terms or poor project forecasting, unforeseen operational delays due to technical issues, disputes with third party contractors or suppliers, bad weather or changes in purchaser requirements may cause delay or potentially termination of project.</p>	<p>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.</p>	→	1 2
5	<p>Inability to source and develop suitable land</p> <p>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.</p>	<p>A robust land appraisal process ensures each project is financially viable and consistent with the Group's strategy.</p>	→	1 2
6	<p>Inability to attract and retain talented employees*</p> <p>Inability to attract and retain highly skilled, competent people at all levels could adversely affect the Group's results, prospects and financial condition.</p>	<p>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.</p>	→	1 2 3
7	<p>Inadequate health, safety and environmental procedures</p> <p>A deterioration in the Group's health, safety and environmental standards could put the Group's employees, contractors or the general public at risk of injury or death and could lead to litigation or penalties or damage the Group's reputation.</p>	<p>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.</p>	→	2

Brexit

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

COMMITTED TO GOOD GOVERNANCE

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



Dear Shareholders,

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

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

The success of our strategy is very much dependent on developing a culture across the Group that supports the implementation of our strategy. I am pleased to report that our boardroom culture is good, with constructive challenge flowing freely from the Non-Executive Directors, underpinned by a genuine sense of mutual respect between all Directors. This has been borne out by our performance evaluation process for 2017, the results of which are described on page 48.

During 2017, the principal areas of focus for the Board have been:

- supporting implementation of the business strategy;
- implementing succession planning for the Board and Executive Committee;
- improving the management of risk to support implementation of the Group's strategic goals;
- developing policies and procedures to address the new Consumer Code for Home Builders; and
- preparing for the introduction of the Criminal Finances Act and the General Data Protection Regulation.

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

Supporting implementation of the business strategy

The Board has been heavily involved in monitoring and supporting the implementation across the Group of the strategy outlined during Countryside's initial public offering in February 2016.

Much progress has been made in 2017 with the further development of our Housebuilding and Partnerships business divisions, including a number of changes to our Executive Committee (as shown on pages 44). This has resulted in a diverse and experienced executive team to drive the performance of those business divisions. As set out on pages 50 and 51, the Board has combined a number of Board meetings with site visits, at which we received presentations from the Regional Managing Directors and their respective teams. Our site visits and the discussions between Non-Executives and members of the divisional teams have helped to inform our view of the success, and the challenges, of the implementation of the Group's strategy.

Implementing succession planning for the Board and Executive Committee

Led by our Nomination Committee, we are focused on ensuring that our talent pipeline is managed to support the Group's strategy. During 2017 we have assisted the executive management in identifying and appointing candidates for the Executive Committee and other senior management roles, and I am delighted with the appointments we have made which add significantly to the diversity in skills, background and experience at senior management level. Biographies of our Executive Committee members can be found on page 44, and my Nomination Committee Report on page 56 gives further detail about our input into the appointment process.

The Board has continued to support and review the success of our leadership development programmes. We are confident that these, our talent pipeline, and other initiatives such as our two female Non-Executive Directors talking about their careers and overcoming challenges with the senior women within the business, mean that we are well set to continue our success in developing internal staff into diverse and experienced managers of the future.

Succession planning for the Board and Committees has also been on the Nomination Committee's agenda, particularly given the Board changes as a result of Oaktree Capital Management's ("Oaktree") share sell down. Again, more detail on our succession planning activity can be found in the Nomination Committee Report on page 56.

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

Risk management, and in particular the principal risks faced by the Group, are key elements of the Board's ongoing agenda and have been in particular focus this year as we monitor the housebuilding market and related issues following the UK's vote in June 2016 to leave the European Union. Details of our principal risks and uncertainties are set out on pages 38 and 39.

Our IT governance and security were strengthened during 2017, and security generally (but particularly cyber security) has remained high on our agenda in 2017. The Group has completed a thorough risk assessment of information security during the year, with regular reports on progress considered by the Audit Committee.

Other activities in 2017

Health and safety

A focus on health and safety processes is critical for our business. Health and safety KPIs are reviewed by the Board regularly.

Our approach to health and safety, including a description of the metrics by which we measure our health and safety performance, are described in detail on page 34.

The Board published its first statement under Section 54 of the Modern Slavery Act on the Group's website in November 2016, setting out the steps we have taken during the year to ensure that our operations and supply chains are free from trafficking and slavery. The second statement, which includes further improvements made during 2017 to combat modern slavery, was published on the Group's website in October 2017.

Meeting our major shareholders

We have developed a comprehensive investor relations programme with our Executive Directors meeting investors and analysts regularly, supported where appropriate by me and other members of the Board. Our investor relations programme, which is described on page 50, is supported by Victoria Prior, who we appointed as Director of Investor Relations in November 2015. We have carried out a series of shareholder engagement events during 2016/17, as shown on page 41. We again received positive feedback for each event and see them as a valuable opportunity to understand the views of and develop constructive relationships with our major shareholders.

The Board

On 26 May 2017, we announced that Oaktree had completed a sale of shares in Countryside, reducing its remaining shareholding in Countryside to approximately 23 per cent of the Company's issued share capital. As required by the Relationship Agreement with Oaktree (as described on page 49), James Van Steenkiste stepped down from the Board on 5 June 2017. On 2 October 2017, we announced that Richard Adam had notified the Company of his decision to step down as a Non-Executive Director, Chairman of the Audit Committee and Senior Independent Director of the Company, with his last day of service being 31 December 2017. The Board has commenced a formal search for his replacement and a further announcement will be made as soon as the details and commencement date of Richard's successor have been agreed.

On behalf of the Board, I would like to thank James and Richard for their valuable contributions to Countryside since joining the Board. I would also like to thank my remaining colleagues on the Board for their continued support, commitment, challenge and passion for our business.

Independence of Directors

The Board reviewed the independence of all Non-Executive Directors (excluding the Chairman) at the Board meeting on 27 July 2017, and determined that they all continue to be independent, with the exception of Federico Canciani, who holds the position of Managing Director at Oaktree Capital Management (UK) Limited, a substantial shareholder of the Company. The Board is satisfied that the Chairman was independent upon appointment.

Board and Committee effectiveness

In 2017 a Board and Committee evaluation was carried out. The decision was made to conduct an internal review, led by me and assisted by the Company Secretary. An externally facilitated review will be organised next year. 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 48.

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

David Howell

Chairman

21 November 2017

Shareholder engagement

2016

November/December 2016

- Full year results and roadshow

January 2017

- AGM/Q1 trading update

March 2017

- Investor site visits to Acton and East London



April 2017

- Interim pre-close update and conference call

May 2017

- Interim results and roadshow

June 2017

- Frankfurt roadshow
- Peel Hunt investor conference

July 2017

- Partnerships analyst and investor event
- Q3 trading update

September 2017

- Acton investor site visit
- JP Morgan investor conference

October 2017

- Full year pre-close statement and conference call

2017

Compliance with the Code

From 5 June 2017 until 30 September 2017, Countryside has complied with all the provisions of the UK Corporate Governance Code 2016 (the "Code"). Richard Adam will remain as the Senior Independent Non-Executive Director, the Chairman of the Audit Committee and a member of both the Remuneration and Nomination Committees until his last day of service to the Company on 31 December 2017. During this time Countryside will remain compliant with all provisions of the Code.

In planning for Richard Adam's succession, the Nomination Committee has instigated a formal search for his replacement with the intention that his successor take on the role of Senior Independent Non-Executive Director, Chairman of the Audit Committee and join both the Remuneration and Nomination Committees.




If Richard Adam's successor is appointed prior to 31 December 2017, and there are no other changes to the Board composition, Countryside will remain compliant with all provisions of the Code.

Prior to 5 June 2017, Countryside complied with all the provisions of the Code save that, excluding the independent Non-Executive Chairman, the Board had only three Non-Executive Directors which it considered to be independent. This constituted non-compliance with Code provision B.1.2 that recommends at least half the Board, excluding the Chairman, comprises independent Non-Executive Directors. Nonetheless, as reported in our previous Annual Report, the Board determined that the composition of the Board, comprising two Executive Directors and six Non-Executive Directors, brought a desirable range of skills and experience in light of the Company's challenges and opportunities following admission to the London Stock Exchange, while at the same time ensuring that no individual (or small group of individuals) could dominate the Board's decision making.

Oaktree currently has one Non-Executive Director appointed to the Board, following James Van Steenkiste stepping down on 5 June 2017 after Oaktree's reduction of its shareholding in the Company to below 25 per cent. As and when Oaktree reduces its shareholding below 10 per cent, its right to make Board appointments ceases.

OUR BOARD OF DIRECTORS

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

	David Howell Non-Executive Chairman	Ian Sutcliffe Group Chief Executive	Rebecca Worthington Group Chief Financial Officer
APPOINTMENT DATE:	14 December 2015	19 November 2015	19 November 2015
CAREER AND SKILLS:	<p>David joined the Group in April 2014 as a Non-Executive Director of Copthorn Holdings Limited and was appointed Non-Executive Chairman of that company in January 2015.</p> <p>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.</p>	<p>Ian joined the Group in October 2013 as Executive Chairman of Copthorn Holdings Limited and was appointed Group Chief Executive in January 2015.</p> <p>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.</p>	<p>Rebecca joined the Group in August 2015 as Chief Financial Officer of Copthorn Holdings Limited.</p> <p>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.</p>
EXTERNAL APPOINTMENT:	David is Non-Executive Chairman of Confidential Incident Reporting & Analysis Service Limited.	Ian is a Non-Executive Director of Ashtead Group plc.	Rebecca is a Non-Executive Director of Hansteen Holdings plc. On 10 November 2017 it was announced that Rebecca will join the Board of The British Land Company PLC as a Non-Executive Director with effect from 1 January 2018. As a result of this appointment Rebecca will step down from the Board of Hansteen Holdings plc in the first quarter of 2018.
COMMITTEE MEMBERSHIP	N R	E	E
			

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

Richard Adam
Senior Independent
Non-Executive Director

17 December 2015

Richard joined the Group in April 2015 as a Non-Executive Director of Copthorn Holdings Limited.

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. From 2007 until retiring in 2016 Richard was Group Finance Director of Carillion plc, the integrated support services and construction business. Prior to this, he was Group Finance Director of Associated British Ports Holdings plc and a Non-Executive Director and Chairman of the Audit Committee of SSL International plc.

Richard is a Non-Executive Director and Chairman Designate of the Audit Committee of BMT Group Limited. He is also currently a Non-Executive Director and Chairman of the Audit and Risk Committee of Countrywide plc and a Non-Executive Director and Chairman of the Audit Committee of FirstGroup plc.

A N R



Amanda Burton
Independent Non-Executive
Director

17 December 2015

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

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

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

A N R



Federico Canciani
Non-Executive Director

17 December 2015

Federico 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 Università Commerciale Luigi Bocconi in Milan, Italy, in 1999.

Federico is a Managing Director of Oaktree Capital, having joined the firm in 2006 from Matlin Patterson Advisers (Europe) LLP. He is a Director of Breeze Midco (TNC) Limited, Breeze Bidco (TNC) Limited, Nanclach Holdco Limited, Nanclach Midco Limited and Broadhaven Distribution Ltd.

N



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

17 December 2015

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.

Baroness Morgan is Senior Independent Non-Executive Director of Carillion plc, Vice Chairman of King's College London, Chairman of Royal Brompton and Harefield NHS Trust, an advisor to the board of the children's charity ARK and a trustee of a number of charities.

A N R



OUR EXECUTIVE COMMITTEE



Ian Sutcliffe
Group Chief Executive

Full biography on page 42.



Rebecca Worthington
Group Chief Financial Officer

Full biography on page 42.



Phillip Lyons
Chief Executive, Housebuilding

Phillip joined the Group in May 2017 as Chief Executive, Housebuilding, responsible for all the Group's Housebuilding and strategic land activities including Millgate.

He trained as a quantity surveyor and held positions of Commercial Director, Land Director and Managing Director prior to being promoted to Divisional Managing Director at Taylor Wimpey in 2007, responsible for London and the South East Division.



Graham Cherry
Chief Executive, Partnerships South

Graham was appointed Chief Executive of Partnerships South on 2 May 2017 having previously been Chief Executive of the New Homes and Communities Division.

He joined the Group as a graduate trainee from the University of Reading in 1980. He had been Group Chief Executive of Copthorn Holdings Limited, a position he held since 1996, and Head of Division of the Group's New Homes and Communities business.



Ian Kelley
Chief Executive,
Partnerships North

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

He joined the Group on 12 August 1996 as Associate Director for Business Development. Ian was appointed Managing Director of Partnerships North in October 2000.

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



Nick Worrall
Group HR Director

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

Previously he held senior HR positions for over 20 years in the retail, energy and financial services industries including roles in Barclays, National Grid, Centrica and BrightHouse.



Gary Whitaker
General Counsel and
Company Secretary

Gary joined the Group in March 2015 as General Counsel and Company Secretary. Previously, he was General Counsel and Company Secretary for Xchanging plc for 15 years, which specialised in technology and outsourcing.

He trained as a solicitor with Norton Rose, and qualified into the corporate finance team, working in their London and Moscow offices. Prior to Norton Rose, he served an 11-year commission in the Royal Navy fleet air arm.

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

David Howell
Chairman



EXCELLENCE IN GOVERNANCE

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

Board role and composition

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. Each Committee works from terms of reference which are reviewed annually and are available on the Company's website: investors.countryside-properties.com. The terms of reference for each Committee were last approved by the Board on 16 October 2017.

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 Report of the Audit Committee (which includes an overview of the Company's control and risk management framework) can be found on pages 52 to 55. Page 56 describes the remit and activities of the Nomination Committee. The activities of the Remuneration Committee are described in the Report of the Remuneration Committee on pages 57 to 73. The Board is also supported by an Executive Committee, further details of which can be found on page 44.

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 74 to 76) and forms part of this Corporate Governance Report.

The Board

Board composition

The Board currently consists of seven Directors, comprising a Non-Executive Chairman, two Executive Directors and four 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. As announced by the Company on 2 October 2017, Richard Adam will step down from the Board and its Committees on 31 December 2017. The Board has commenced a formal search for his replacement and a further announcement will be made as soon as the details and commencement date of Richard's successor have been agreed. For further information about communication between the Board and shareholders, please refer to communication with shareholders on page 50. 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, 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.

The Board

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



Read more on [pages 42 and 43](#)

Board Committees

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

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

Executive Committees

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



See Countryside's website investors.countryside-properties.com

Chairman

Role and responsibilities

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

Senior Independent Director

Role and responsibilities

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

Non-Executive Directors

Role and responsibilities

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

Group Chief Executive

Role and responsibilities

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

Company Secretary

Role and responsibilities

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

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

➔ Read more on [pages 52 to 55](#)

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

➔ Read more on [page 56](#)

Remuneration Committee

Role and responsibilities

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

➔ Read more on [pages 57 to 73](#)

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, Safety, Environment and Quality Committee

Role and responsibilities

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

Executive Committee

Role and responsibilities

- Responsible for identification of operational and strategic risks
- Responsible for ownership and control of specific risks
- Responsible for establishing and managing the implementation of appropriate action plans

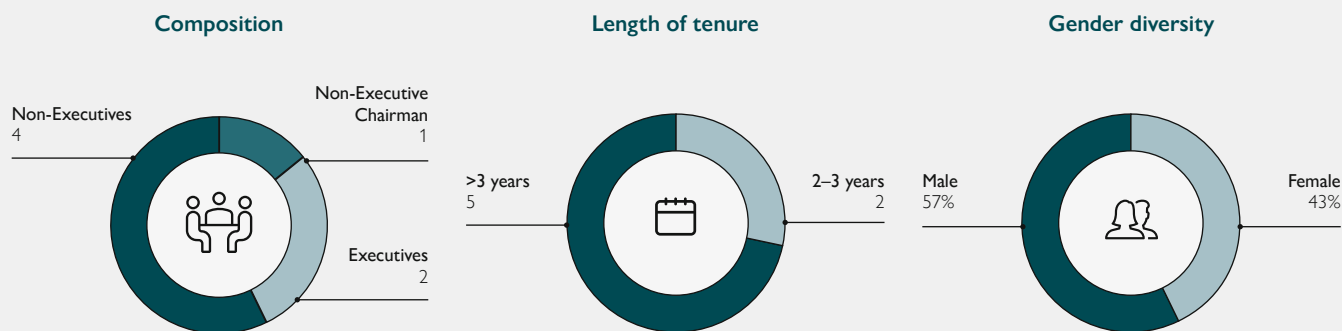
Board and Committee attendance

The number of Board and Committee meetings attended by each Director during the 2017 financial year is as follows:

	Board	Audit Committee	Remuneration Committee	Nomination Committee	Overall attendance
Number of meetings held	10	4	4	2	
David Howell	10/10	—	4/4	2/2	100%
Ian Sutcliffe	10/10	—	—	—	100%
Rebecca Worthington	10/10	—	—	—	100%
Richard Adam	10/10	4/4	4/4	2/2	100%
Amanda Burton	9/10 ¹	4/4	4/4	2/2	95%
Federico Canciani	10/10	—	—	2/2	100%
Baroness Morgan	10/10	4/4	4/4	2/2	100%
James Van Steenkiste	6/7 ²	—	—	—	86%

1. Amanda Burton was unable to attend a Board meeting which was called at short notice due to a prior engagement.
 2. James Van Steenkiste resigned as a Director on 5 June 2017 so the attendance covers his period of office.

Board analysis

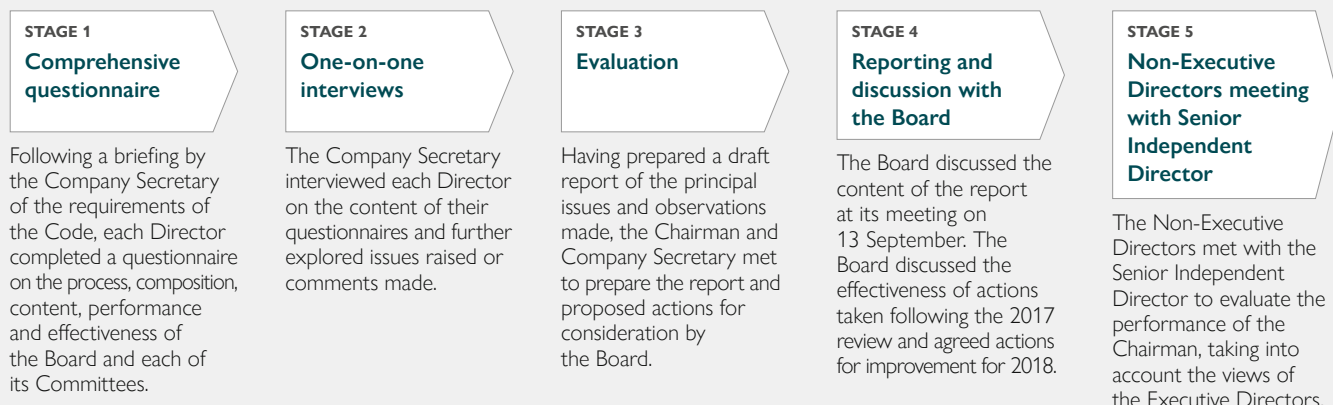


Review of Board effectiveness

The 2017 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 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 issue raised in the 2017 performance evaluation was Board and Executive succession planning which was discussed at the September 2017 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 improvement of senior management succession plans. During the 2017 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 2017. Mr 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 2017 was reviewed by David Howell, taking into account the views of the other Directors.





BOARD SITE VISIT TO GATEACRE AND BELGRAVIA, LIVERPOOL

“CREATING PLACES OF REAL QUALITY AND DEVELOPING A SENSE OF COMMUNITY.”

During 2017, the Board visited 11 different development sites, including at least one in each business region (as outlined on pages 50 and 51).

On 13 September 2017, the Board visited two sites in our Partnerships North Region – Gateacre and Belgravia – both in Liverpool. The visits started with a presentation by Ian Kelley (Chief Executive of Partnerships North) and members of his senior

executive team, followed by a tour of the two sites, led by Ian Kelley and his respective site managers.

The prior evening, the Board was joined by senior management representatives from the Liverpool, Manchester and the new West Midlands businesses, to discuss the Group's performance and expansion plans in the North West and the Midlands.



The Board *continued* 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 74.

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 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 and 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 Company's capital structure and significant investments, contracts, acquisitions, mergers and disposals. These reserved matters were last reviewed by the Board on 20 November 2017. Other specific responsibilities are delegated to the Board Committees, which operate within clearly defined terms of reference.

Full details of the schedule of matters reserved for decision by the Board and the responsibilities delegated to the Board Committees can be found on the Group's website at investors.countryside-properties.com.

The roles of the Chairman and the Group Chief Executive

The roles of the Chairman and the Group 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 16 October 2017. 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' inductions, 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. The Non-Executive Director selected to replace Richard Adam will undergo Countryside's induction programme. 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 2017 this included briefings on the requirements (and implementation) of the new General Data Protection Regulation (effective from May 2018) and the Criminal Finance Act, and changes to the Consumer Code for Home Builders in April 2017.

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 2017 the Chairman maintained regular contact with the Group Chief Executive, the Group Chief Financial Officer and other senior executive management 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 2017 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.

The Board *continued***Directors' interests**

Under Countryside's Articles of Association, the Board may authorise any actual or potential conflicts of interest for Directors. Each Director provides the Company Secretary with information 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 a semi-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 16 October 2017. 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 and scope and any limitations imposed (as applicable).

Tenure, election and re-appointment of Directors

All Non-Executive Directors, excluding the Chairman, have three-year appointments from 17 December 2015. The Chairman's three-year appointment started on 14 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 the AGM. The Non-Executive Directors do not have any entitlement to compensation if their office is terminated. Full details of the remuneration of the Non-Executive Directors can be found on page 67 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. In line with the UK Corporate Governance Code, all Directors (except for Richard Adam, given his resignation) will be put forward for re-election at the 2018 AGM. The Board believes that each of the Directors makes a valuable contribution to Countryside, and supports their re-election in each case.

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 Group Chief Financial Officer and institutional investors, fund managers and analysts. Brokers' reports and investors' feedback are circulated regularly to the Board, who discuss 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 on 25 January 2018 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. 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 meeting.

What the Board did in 2016/17

In the year ended 30 September 2017, significant discussions, transactions and appointments approved by the Board over and above the scheduled matters outlined on page 49 included:

October 2016

- Housebuilding (Millgate) site visits
- Review of health and safety
- Review of operational efficiency programme
- Briefing on proposed changes to UK corporate governance
- Review of anti-slavery procedures

**January 2017**

- Annual General Meeting

2016

November 2016

- Approval of 2016 year-end results
- Succession planning

**February 2017**

- Housebuilding site visits



Major shareholders as at 15 November 2017

1. Oaktree Capital Management Private Equity	23.0%
2. Woodford Investment Management Ltd.	11.8%
3. Standard Life Aberdeen	9.6%
4. Aviva Investors Global Services Ltd.	8.6%
5. Ruffer LLP	5.4%

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March 2017

- Review of Market, Product and Group strategy



June 2017

- Housebuilding site visits
- Review of investor roadshow feedback



September 2017

- Partnerships North site visits
- Approval of 2018 Budget
- Approval of Principal Risks
- Approval of insurance renewal programme
- Review of Board and Committee evaluation

May 2017

- Partnerships South site visits
- Review of five-year forecast
- Approval of 2017 Interim results

July 2017

- Review of cyber risk mitigation measures
- Risk review
- Review of fire control materials and procedures
- Corporate governance review



→ 2017



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 non-audit services provided by the external auditor
- Reviewing the Group's risk management framework and key internal controls
- Reviewing the Group's procedures for detecting and preventing fraud, bribery and the governance of anti-money laundering systems and controls

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

Areas of focus in 2017

- Reviewing the key judgements and estimates relating to the Group's interim and full-year results
- Considering the presentation of non-underlying items
- Reviewing the forecasts and sensitivity analyses underlying the Group's Viability Statement
- Considering applicable taxation and accounting matters
- Leading the tender process for the provision of internal audit services, with the selection of KPMG endorsed by the Board on 16 October 2017

Dear Shareholders,

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

To ensure that the Group received the best support in managing its risk framework, it was decided to undertake an external tender process for the Group's internal audit services. The Audit Committee reviewed high-quality proposals from KPMG and Mazars, and considered the alternative of bringing the Internal Audit function in house, deciding ultimately to recommend the appointment of KPMG from 1 October 2017. This decision was subsequently approved by the Board.

The Committee determined the scope of internal audit activity for the 2017 financial year and reviewed the findings of audits performed during the year.

The Committee also ensured that recommendations for internal control improvements were being implemented by management on a timely basis. The Committee continued to monitor the integrity of the Group's financial statements, including the key judgements and estimates applied by management, and scrutinised the scope, performance and effectiveness of the external audit process. Particular areas of focus were the Group's taxation strategy (ahead of its publication on the Group's website in September 2017), profit recognition, carrying value of inventory and shared equity loans, Viability Statement testing and presentation of non-underlying items.

As well as the activities described above, the Committee is provided with a number of complementary reports by management and the internal and external auditors. The Committee has regularly met both the internal and external auditors without management being present and I have discussed various matters with the Group Chief Financial Officer and Company Secretary in relation to issues relevant to the Committee's work.

Richard Adam
Chairman of the Audit Committee
21 November 2017

Composition

During 2017, 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 four times during the year.

Details of attendance at the Audit Committee meetings during the 2017 financial year are set out on page 53.

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 achieving 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 47.

The Board reviews the Group risk register annually, with the last review occurring on 16 October 2017. 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 2017 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; and
- 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 2017 and the period prior to approval of this Annual Report.

The Audit Committee Chairman reported its findings to the Board at the 20 November 2017 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 2017 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 senior management and the results of the external audit were also taken into account by the Audit Committee.

Prior to the publication of both the interim and full-year results for the Group, the Audit Committee undertook a detailed assessment of the appropriateness of the adoption by the Group of the going concern basis in the preparation of the financial statements. For further information in respect of going concern, please refer to the Directors' Report on pages 74 to 76.

Shortly before publication of the full-year financial results for 2017, 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 performed Internal Audit services throughout the year, focused 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 auditor. During the year the Audit Committee approved the internal audit plan, reviewed the findings from audits and monitored the follow-up of actions identified in audits.

Oversight of the external audit

Following a tender for external audit and audit-related services in 2016, the Audit Committee and Board selected PricewaterhouseCoopers LLP ("PwC"). PwC's appointment was approved by shareholders at the 2017 AGM. 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.

The Committee considered the findings of the FRC's Audit Quality Review ("AQR") team's report into the conduct of PwC audits generally. In addition, the AQR team selected to review the audit of the Group's 2016 financial statements as part of its annual inspection of audit firms. The chairman of the Committee received a copy of the findings of the AQR team and has discussed this with PwC. Whilst there were no significant findings, some areas of PwC's audit procedures were identified as requiring improvement and we are satisfied with the responses implemented by PwC in the audit of the Group's 2017 financial statements. None of the findings related to the Group's accounting policies.

Committee attendance

The number of Audit Committee meetings attended by each member during the 2017 financial year is as follows:

	Audit Committee	Overall attendance
Number of meetings held	4	
Richard Adam	4/4	100%
Amanda Burton	4/4	100%
Sally Morgan	4/4	100%

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 auditor is subject to controls agreed by the Audit Committee to monitor and maintain the objectivity and independence of the external auditor. In order to comply with the Ethical Standard for Auditors, the Audit Committee considered, and re-approved, the Group's policy for auditor independence and the provision of non-audit services at its meeting on 3 October 2017.

The policy provides details of permitted, prohibited and audit-related services in accordance with the Ethical Standard. Services including, inter alia, those relating to taxation, internal audit, the design or implementation of internal controls and HR services are prohibited. Authority to approve permitted non-audit services has been delegated to the Group Chief Financial Officer where the services are considered to be clearly trivial, defined as those with a fee of less than £50,000. Where the services are not clearly trivial, or where the cumulative fee in the financial year exceeds £100,000, pre-approval is required from the Audit Committee. Further Audit Committee approval is required when non-audit fees reach 70 per cent of the average audit fees over the last three years, although this cap will not formally apply to the Group until the financial year beginning on 1 October 2019.

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

	2017 £m	2016 £m
Fees payable to the Group's auditor and its associates for the audit of parent and consolidated financial statements	0.1	0.1
Fees payable to the Group's auditor and its associates for other services:		
– Audit of subsidiary companies	0.1	0.1
– Audit of joint ventures	0.1	0.1
– Audit-related services	0.1	0.1
– Other advisory services	—	0.1
– Audit-related assurance and transaction services in relation to the IPO	—	1.3
	0.4	1.8



INFORMATION SECURITY REVIEW

“ENSURING THAT THE GROUP'S INFORMATION IS SECURE AND MANAGED CORRECTLY HAS BEEN A KEY FOCUS IN 2017.”

As part of Countryside's review of risk management, a thorough information security review was conducted between 28 June and 13 July 2017. Overseen by the Group's IT Management Committee, the project was led by the Group IT Director, with the support of our security partners, Saepio and Pen Test Partners.

The review consisted of an internal and external penetration test followed by an ISO 27001 audit.

A presentation of the results was made to the Board on 27 July 2017 and a detailed roadmap of improvements is being put in place with the support of our security partners and the Board.

An internal audit by Deloitte, to confirm the Group's assessment of cyber risk readiness, was carried out in October with the results reviewed by the Executive Committee and the Audit Committee during November 2017.



Annual evaluation of Audit Committee performance

As part of the overall Board evaluation process, the Audit Committee reviewed its effectiveness during 2017. 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.

Areas of significant judgement considered by the Audit Committee in 2017

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 auditor during the year:

Significant matters considered

Our response to these matters

Estimation of site profitability

As disclosed in Note 1 to the financial statements, gross profit is recognised as homes are sold based on a profit margin for the development 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.

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

The accuracy of allocation is monitored at Board level via the monthly management accounts and quarterly forecasts, 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.

The external auditor regularly examines 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

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.

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.

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

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

Carrying value of shared equity loans

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.

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.

The valuation methodology has also been audited by the external auditor.

Viability Statement testing

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.

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.

Presentation of non-underlying items

During the year, the Group presented certain restructuring costs and the impact of a change in the discount rate applied to deferred land and average payments as non-underlying items and excluded them from adjusted profit measures.

Having discussed the presentation of these items outside adjusted profit with the external auditor, the Committee accepted management's view that the costs presented as non-underlying items were non-recurring in nature and that it was appropriate to present them outside adjusted profit.

The Committee expects that the presentation of items outside adjusted profit will be infrequent.



Committee Chairman
David Howell

Other members
Amanda Burton
Sally Morgan
Federico Canciani
Richard Adam

Meetings held
2

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

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

Areas of focus in 2017

- Reviewing the balance of skills, knowledge and diversity of experience of the Board, in light of the resignation of James Van Steenkiste on 5 June 2017
- 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
- Leading the process for the replacement of Richard Adam
- Oversight of changes to the Executive Committee during 2017

Dear Shareholders,

The report below describes the main responsibilities of the Nomination Committee and how it achieved these in 2017. I would like to draw your attention to what we achieved in 2017 and what we will focus on in 2018.

The Board is responsible for succession generally, but the Nomination Committee will advise the Board on appropriate succession planning in the year ahead. The Nomination Committee reviewed the composition of the Board in light of James Van Steenkiste's resignation on 5 June 2017. They concluded that the Board retained an appropriate mix of experience and skills and that no additional appointments were necessary. From 5 June 2017, the Board and its Committees have been compliant with the Code. The Nomination Committee will also lead the search for a replacement for Richard Adam. The process commenced on 2 October 2017.

During 2017, a number of important changes have been made to the membership and responsibilities of the Executive Committee, full details of which can be found on page 44 of the report. The Nomination Committee has overseen the changes made and reviewed the long-term succession planning for the members of the Executive Committee and key managerial promotions during the year.

I am pleased to report that the feedback from the Board effectiveness evaluation process (which you can read about on page 48) provided confirmation that the Board, and the Board Committees, continues to operate effectively.

David Howell
Chairman of the Nomination Committee
21 November 2017

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 skill, and orderly succession as required. During 2017, 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 2017 it met twice, to agree a succession plan strategy for the Directors, to agree changes to the membership, composition and responsibilities of the Executive Committee and to review the findings of the 2017 Board and Committee evaluation.

While no new appointments were made in the financial year to 30 September 2017, 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.

Annual evaluation of Nomination Committee performance

As part of the overall Board evaluation process, the Nomination Committee reviewed its effectiveness during 2017. 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 2017 financial year are set out below.

Committee attendance

The number of Nomination Committee meetings attended by each member during the 2017 financial year is as follows:

	Nomination Committee	Overall attendance
Number of meetings held	2	
David Howell	2/2	100%
Richard Adam	2/2	100%
Amanda Burton	2/2	100%
Federico Canciani	2/2	100%
Sally Morgan	2/2	100%



Committee Chairman
Amanda Burton

Other members

David Howell
Sally Morgan
Richard Adam

Meetings held

4

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

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

Areas of focus in 2017

- Benchmarking of senior management remuneration
- Consideration and approval of grants under the 2016 LTIP and 2016 SAYE plan
- Determination of LTIP recipients, grant level and targets
- Determination of bonus targets and awards
- Determination of annual salary increases for the Group
- Consideration of structures and measures for the 2017 annual bonus

Dear Shareholders,

On behalf of the Board I am pleased to present the Directors' Remuneration Report of the Remuneration Committee the ("Committee"). We sought approval for our remuneration policy at the 2017 AGM and were pleased to receive more than 99 per cent of votes in favour of both the binding remuneration policy vote and the advisory Remuneration Report vote. On behalf of the Remuneration Committee, I would like to thank shareholders

for their support. Since no changes are proposed to the remuneration policy this year, there will be only a single advisory vote on this statement and the Annual Report on Remuneration at the Annual General Meeting in January 2018.

Amanda Burton
Chairman of the Remuneration Committee
21 November 2017

The work of the Remuneration Committee

During Countryside's first full financial year as a listed company, the Committee undertook a review of senior manager remuneration to ensure the Group could continue to attract and retain suitable talent. The review concluded that senior manager remuneration was set at a competitive level. The Committee also approved grants under the Group's share plans, including a discount to market value again applied to the SAYE plan.

During 2018, the Committee will undertake a benchmarking exercise on Executive Director remuneration as it will be three years since formal benchmarking was carried out, a review of benefits for all employees and a review of the Group's gender pay reporting.

How did we perform in 2016/17?

Committee attendance

The number of Remuneration Committee meetings attended by each member during the 2017 financial year is as follows:

	Remuneration Committee	Overall attendance
Number of meetings held	4	
Amanda Burton	4/4	100%
David Howell	4/4	100%
Sally Morgan	4/4	100%
Richard Adam	4/4	100%

The Group delivered another year of strong growth in both divisions with total completions up 28 per cent to 3,389 as our Partnerships business continued to deliver on its new business delivery and we achieved scale in Housebuilding. This enabled us to deliver a 34 per cent growth in adjusted operating profit to £164.1m and ROCE up 370bps to 30.5 per cent.

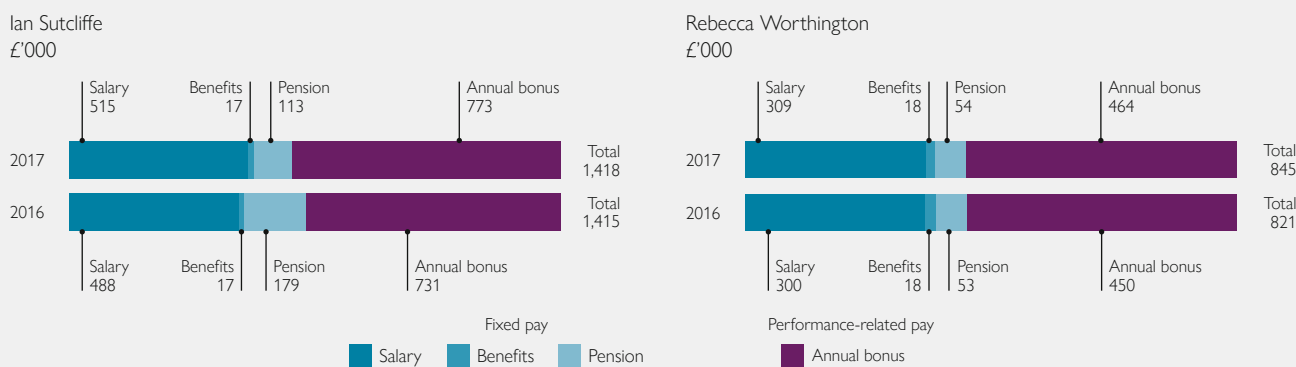
As highlighted above, 2017 was a year of continued growth building on a strong prior year. The annual bonus in 2017 was measured against stretching targets, with performance against them detailed below:

		2017 pay-out	2016 pay-out
Annual bonus	Adjusted operating profit	60%	60%
	Adjusted operating margin	—	20%
	Group return on capital employed	20%	—
	Personal performance	20%	20%

The Committee believes the bonus outcome is fully warranted and reflects the strong performance of the Group. Full details of the targets and performance against them are provided in the Annual Report on Remuneration (see pages 67 and 68).

Long Term Incentive Plan ("LTIP") awards were granted in December 2016, subject to performance against stretching targets, being relative total shareholder return ("TSR"), ROCE and TNAV.

How much were the Executive Directors paid in 2017?



Remuneration policy for 2018

Summary of remuneration policy

Element	Policy summary
Base salary	Base salaries will be set based on the market value of the role and the experience and performance of the individual.
Pension	The Company will provide either contributions to the Group's defined contribution pension scheme or a pension salary supplement. Where a salary supplement is chosen, a deduction is made for employer's National Insurance contributions.
Annual bonus	A maximum award of 150 per cent of salary. The annual bonus is paid annually and is dependent on achievement of financial and other strategic performance metrics over the financial year. Two-thirds of amounts earned are paid in cash, with one-third deferred as shares for a period of three years.
Long Term Incentive Plan ("LTIP")	A maximum award of 200 per cent of salary. LTIP awards will vest subject to stretching targets which may include relative TSR, ROCE and TNAV. The Committee has discretion to introduce a post-vest holding period and reviews this prior to each year's award.

The Committee reviewed the salaries of the Executive Directors in September 2017 and awarded salary increases of three per cent with effect from 1 October 2017, 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 2018, save for the replacement of the personal objective component, which will be replaced by Group adjusted operating margin. The annual bonus targets will therefore be based on Group adjusted operating profit, Group adjusted operating margin and Group return on capital employed. In line with the overall discretion of the Remuneration Committee to determine the size of any bonus payment, as described on page 62, the Committee will take into account the overall performance of an Executive Director against the in-year and longer-term strategic goals of the Group when determining bonus awards. LTIP targets will continue to be based on ROCE, TNAV 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. We were extremely pleased with the levels of support received for our policy and Annual Report on Remuneration at the Company's first AGM following its IPO. 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
21 November 2017

Summary of remuneration for 2017 – alignment between performance and pay

In 2017, the meetings of the Committee covered the following key areas:

- benchmarking of senior manager remuneration;
- consideration and approval of grants under the 2016 LTIP and 2016 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 2017 annual bonus.

The full Directors' remuneration policy, approved for three years from the 2017 AGM held on 26 January 2017, is shown on pages 60 to 62 for ease of reference. No changes have been made to the wording of the policy other than to reflect the passage of time or to take account of the fact that the policy is now approved and enacted rather than proposed.

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 levels 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 formed part of the remuneration policy approved 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 Reports) (Amendment) Regulations 2013. It is intended that this policy will apply for three years from that date.

Executive Directors

Objective	Link to strategy	Operation
Base salary	Recognises the market value of an Executive Director's role, skill, responsibilities, performance and experience.	Salaries are normally reviewed annually, with any changes effective as of 1 October each year. Current salaries, effective from 1 October 2017, are as follows: Group Chief Executive: £530,000 Group Chief Financial Officer: £318,000 Salaries are set by reference to a market benchmark based on companies of a comparable size operating in a similar sector. Salary reviews will also take into consideration an individual's performance, responsibility levels and internal relativities.
Other benefits	Provides a market-competitive package.	Reviewed periodically to ensure benefits remain market competitive. The main benefits currently provided include: – car or cash allowance; – life, personal accident, disability and health insurance; – Directors' and officers' insurance; and – other benefits, including flexible benefits, as provided from time to time, for example where a Director relocates. Executive Directors are eligible for other benefits which are introduced for the wider workforce on broadly similar terms. In addition, the Executive Directors can claim reasonable business expenses and any tax thereon may be reimbursed by the Company.
Annual bonus scheme	Incentivises the Executive Directors to deliver against goals linked to the Company's strategy. Long-term alignment with shareholder interests is ensured through the deferral element.	Bonus awards may be granted annually. 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. In line with the overall discretion of the Remuneration Committee to determine the size of any bonus payment, as described on page 62, the Committee will take into account the overall performance of an Executive Director against the in-year and longer-term strategic goals of the Group when determining bonus awards. Up to two-thirds of the bonus award will be paid out in cash with the remainder deferred into shares for a period of three years (subject to continued employment). Malus and clawback arrangements will apply to annual bonus awards enabling the reduction in vesting or recovery of amounts paid in certain circumstances.
Long Term Incentive Plan ("LTIP")	Incentivises the 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. 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.
Pension	Aids retention and to provide competitive levels of retirement benefit.	Pension contributions are made into the Group's defined contribution scheme. 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 cash allowance is paid net of employer's National Insurance contributions.
Save As You Earn ("SAYE") plan	Encourages all employees to become shareholders in the Company and thereby align their interests with shareholders.	Executive Directors are able to participate in HMRC-approved savings-based share plans available to all employees of the Company. Executive Directors will be eligible to participate in any all-employee share plan operated by the Company on the same terms as other eligible employees.
Shareholding guidelines	Aligns Executive Directors' interests with those of our long-term shareholders and other stakeholders.	Executive Directors are expected to build a holding in the Company's shares to a minimum value of two times their base salary.

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

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

Maximum opportunity	Performance measures and assessment
There is no formal maximum salary. Other than where there is a change of role or responsibility, any increases will normally be only for inflation and/or in line with the wider workforce.	Not applicable.
Benefit values vary year on year depending on premiums and the maximum potential value is the cost of the provision of these benefits.	Not applicable.
Maximum opportunity: 150 per cent of salary. 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. 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.
The maximum LTIP award level is 200 per cent of base salary. Participants may at the Committee's discretion receive dividends or dividend equivalents representing the value of dividends paid during the performance period on LTIP awards.	LTIP performance will be assessed against a mix of metrics that will include a balance between financial and shareholder metrics. For the awards to be granted in the 2018 financial year these are: <ul style="list-style-type: none"> – relative TSR measured against a broad-based comparator group; – TNAV; and – ROCE. 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. The Committee may change the balance of the measures, or use different measures for subsequent awards as appropriate.
The maximum contribution or equivalent allowance of up to 25 per cent of base salary for the Group Chief Executive and 17.5 per cent for the Group Chief Financial Officer.	Not applicable.
Maximum participation levels will be set based on the applicable limits set by HMRC from time to time.	Not applicable.
Not applicable.	Not applicable.

Notes to the policy table

For the avoidance of doubt, in approving this Directors' remuneration policy at the 2017 AGM, authority was 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 with performance measures 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. It is intended that awards under the December 2017 grant will be made on the same basis as the two existing awards using TNAV, ROCE and relative TSR as the performance measures.

Discretion

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

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

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

Non-Executive Director remuneration policy

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

Objective	Link to strategy	Operation	Maximum potential value
Fees	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. 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.	<p>Fees are reviewed each year, with any increases normally effective from 1 October.</p> <p>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).</p> <p>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.</p> <p>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.</p>

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 will 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 will apply. Historical entitlements will 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	<p>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.</p> <p>The Executive Director will be eligible to receive benefits in line with Countryside's benefits policy as set out in the remuneration policy table.</p>
Pension	<p>An Executive Director will be able to participate in Countryside's defined contribution pension scheme, or receive cash allowance in lieu of pension benefits in line with policy for existing Executive Directors.</p>
Annual bonus	<p>An Executive Director will be eligible to participate in the annual bonus scheme as set out in the remuneration policy table.</p> <p>The maximum opportunity will be no more than 150 per cent of salary, of which up to one-third may be deferred in shares, as per the policy for existing Executive Directors.</p> <p>Depending on the timing of the appointment, the Committee may deem it appropriate to set different annual bonus performance conditions for Executive Directors for the first year of appointment.</p>
Long-term incentives	<p>An Executive Director will be eligible to participate in Countryside's Long Term Incentive Plan as set out in the remuneration policy table.</p> <p>The maximum opportunity offered may be up to 200 per cent of salary, as per the policy for existing Executive Directors.</p> <p>An LTIP award can be made shortly following an appointment (assuming the Company is not in a closed period).</p>
Share buy-outs/replacement awards	<p>The Committee's policy is to not provide buy-outs as a matter of course. However, should the Committee believe it necessary to grant awards to replace 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.</p> <p>In determining the quantum and structure of any buy-out, the Committee will take into account the fair value and, as far as practicable, the timing and performance requirements of remuneration foregone.</p> <p>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.</p>
Relocation policies	<p>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.</p>

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

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-rated 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 will 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-rated 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.

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 cash allowance	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	1 year, 1 month
Richard Adam	17 December 2015	17 December 2015	1 year, 1 month
Amanda Burton	17 December 2015	17 December 2015	1 year, 1 month
Baroness Sally Morgan	17 December 2015	17 December 2015	1 year, 1 month
Federico Canciani	17 December 2015	17 December 2015	1 year, 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 Company'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 plan.

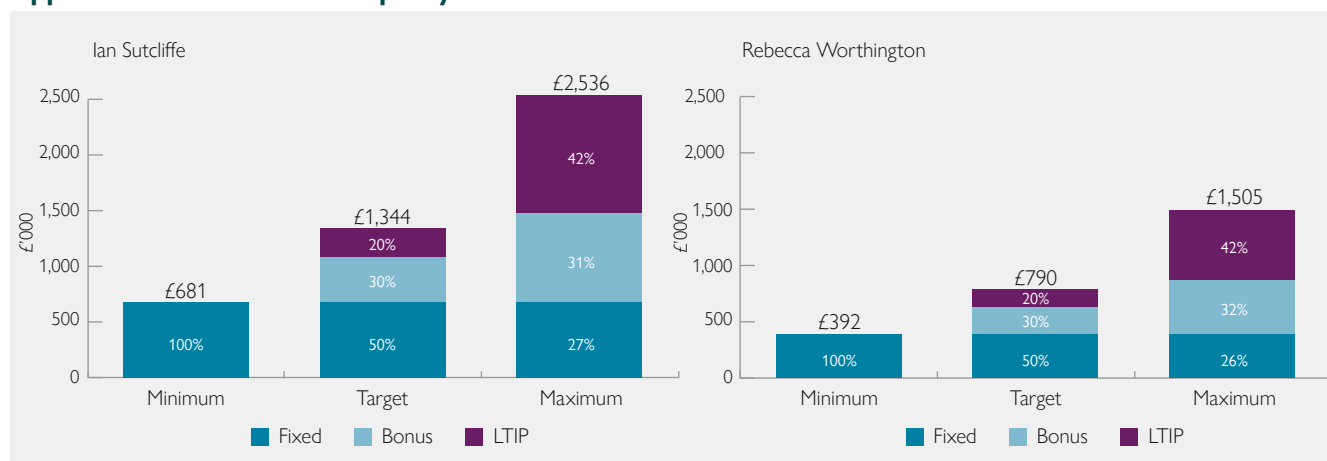
Policy in respect of external Board appointments for Executive Directors

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

Statement of consideration of shareholder views

The Committee is committed to maintaining a dialogue with our shareholders and we welcome their feedback. 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 plans were designed with simplicity and shareholder preference in mind, and we have received no adverse comment from shareholders about our current plans. We have continued our dialogue with shareholders during the year and have had no adverse comments from shareholders about our policy or remuneration payments.

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 2017.

- The value of benefits is that disclosed in the single figure for 2016/17.
- 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.

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 2017:

		Salary/fees £'000	Benefits ¹ £'000	Pension £'000	Annual bonus ² £'000	Long-term incentives £'000	Total £'000
Executive Directors							
Ian Sutcliffe ³	2017	515	17	113	773	—	1,418
	2016	488	17	179	731	—	1,415
Rebecca Worthington ³	2017	309	18	54	464	—	845
	2016	300	18	53	450	—	821
Non-Executive Directors							
David Howell	2017	159	—	—	—	—	159
	2016	135	—	—	—	—	135
Richard Adam ⁴	2017	55	—	—	—	—	55
	2016	52	—	—	—	—	52
Amanda Burton	2017	50	—	—	—	—	50
	2016	49	—	—	—	—	49
Baroness Sally Morgan	2017	45	—	—	—	—	45
	2016	45	—	—	—	—	45
Federico Canciani	2017	—	—	—	—	—	—
	2016	—	—	—	—	—	—
James Van Steenkiste ⁴	2017	—	—	—	—	—	—
	2016	—	—	—	—	—	—

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 (£1,356 per annum). For Rebecca Worthington this includes a car allowance (£1,325 per month) and private medical insurance (£1,694 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. 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 (2016: £60,000). Rebecca Worthington served as a Non-Executive Director of Hansteen Holdings plc and received £58,000 (2016: £50,060) for her services.

4. James Van Steenkiste stepped down from the Board on 5 June 2017. He received no remuneration during the year. Richard Adam announced his intention to step down from the Board on 2 October 2017. Richard will continue to provide services under his existing service contract until 31 December 2017. There is no impact on his remuneration for the year ended 30 September 2017.

Further details of each element of the Executive Directors' remuneration package are set out on pages 60 and 61.

Annual bonus targets and outcomes (audited)

The table below sets out the 2017 bonus targets and outcomes relating to the annual bonus figures shown in the single figure in the table above. The Committee was satisfied that these payments fairly reflected Group performance in the year.

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

2017 measure	Performance required			Achieved	Pay-out level (% of maximum)
	Threshold (25% pay-out)	Target (50% pay-out)	Maximum (100% pay-out)		
Adjusted operating profit (60% weighting)	£144.6m	£152.2m	£159.8m	£164.1m	100%
Return on capital employed (20% weighting)	25%	26%	27%	30.5%	100%
Personal performance (20% weighting)	See table below				100%

Annual bonus targets and outcomes (audited) *continued*

As disclosed to shareholders in last year's report, during 2016 the Board took the strategic decision to re-phase 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. However, in order to ensure that the 2017 targets were appropriately stretching and management did not benefit as a result, the Remuneration Committee set the targets for 2017 taking account of this profit deferral.

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				
Deliver the process improvements that will enable the operating overhead to be reduced as agreed by the Board.	33%	A number of initiatives were successfully implemented during the year including the restructuring of certain head office functions. This accelerated the reduction in the Group's overhead percentage from 5.9 per cent to 5.0 per cent.	33%	100%
Improve the Group's capital base to ensure the target ROCE is delivered.	33%	Disciplined management of working capital and cash resulted in the delivery of ROCE of 30.5 per cent, exceeding the medium-term IPO target of 28.0 per cent one year early.	33%	100%
Implement the senior management succession plan as agreed with the Board.	33%	The senior management succession plan was developed and approved by the Board during the year. This included the appointment of Phillip Lyons to the Group Executive Committee and other changes outlined on page 44.	33%	100%

	Weighting	Performance against target	Outcome	Pay-out level (percentage of maximum pay-out for measure)
Rebecca Worthington				
Agree a roadmap for strengthening the processes across the business, and supporting technology, and deliver the first phase of improvements.	25%	The detailed roadmap has been developed and approved by the Board. A number of improvements to our cash flow and financial forecasting systems were implemented during the year and further development is ongoing.	25%	100%
Strengthen the commercial finance teams so that MDs have a value-added "finance partner".	25%	The commercial finance teams have been developed during the year through internal promotion and external recruitment and further embedded within our operating businesses.	25%	100%
Support the CEO in a strategic review of the business supported by a five-year forecast.	25%	A detailed strategic review was completed in the first half which resulted in upgraded expectations for our Partnerships business as announced in May 2017.	25%	100%
Extend the debt facility to 2022 and create additional flexibility to support business growth.	25%	The Group's debt facility was improved and extended to May 2022 to continue to provide a stable platform for the Group's growth ambitions.	25%	100%

Bonus payments vest in a straight line between threshold and maximum. No bonus is paid if performance falls below the threshold adjusted operating profit measure. For Executive Directors and certain members of senior management, one-third of bonus payments are deferred in shares which vest after three years. The deferred shares have no performance conditions, but the individual must remain employed by the Group.

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

	Total		To be paid in cash		To be deferred in shares ¹	
	£	% of salary	£	% of bonus	£	% of bonus
Ian Sutcliffe	772,500	150	515,000	66.7	257,500	33.3
Rebecca Worthington	463,500	150	309,000	66.7	154,500	33.3

1. 75,746 shares will be awarded to Ian Sutcliffe and 45,447 shares will be awarded to Rebecca Worthington in December 2017, calculated based on an average share price of 339.95 pence per share over the last 30 days of the financial year ended 30 September 2017.

Share scheme interests awarded during the year (audited)

The Executive Directors were invited to participate in the Company's Long Term Incentive Plan ("LTIP") in line with our remuneration policy 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	15 December 2016	Performance	Conditional award	446,467	£1,029,999	200	35% target ROCE ² 35% target TNAV ³ 30% relative TSR ⁴	Three years ending 30 September 2019
Rebecca Worthington	15 December 2016	Performance	Conditional award	267,880	£617,999	200	35% target ROCE ² 35% target TNAV ³ 30% relative TSR ⁴	Three years ending 30 September 2019

1. Calculated based on a closing mid-market share price of 230.7 pence per share on 15 December 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.

The Executive Directors also received deferred awards under the Deferred Bonus Plan in respect of the deferred element of their 2016 bonus, details of which were set out in the 2016 Annual Report and Accounts. The table below sets out further details of the Executive Directors' awards.

	Date of grant	Award	Type	No. of shares	Value of the award ¹	% of salary	Performance conditions	Performance period
Ian Sutcliffe	15 December 2016	Performance	Conditional award	100,756	£243,699	50	None	15 December 2019
Rebecca Worthington	15 December 2016	Performance	Conditional award	62,016	£150,000	50	None	15 December 2019

1. Calculated based on an average share price of 241.87 pence per share over the last 30 days of the financial year ended 30 September 2016.

Vesting criteria for the 2017 LTIP awards

The vesting criteria for LTIP awards made in December 2016 are set out below:

	Relative total shareholder return (30% of awards)		Tangible net asset value (35% of awards)		Return on capital employed for the year ending 30 September 2020 (35% of awards)	
	TSR vs. FTSE 250	Pay-out (% of element)	TNAV (£m)	Pay-out (% of element)	ROCE (%)	Pay-out (% of element)
Below threshold	Below median	—	<820	—	<28.0	—
Threshold	Median	20	820	25	28.0	25
Target	—	—	863	50	29.0	50
Maximum	Upper quartile	100	906	100	30.0	100

For the TNAV and ROCE performance conditions outlined above, vesting occurs on a linear basis between threshold and target and between target and maximum. For the TSR performance condition, vesting occurs on a linear basis between threshold and maximum.

Total pension entitlements (audited)

Executive Directors are eligible to participate in the Group's 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 equal to 25 per cent of salary in lieu of pension, net of employer's National Insurance contributions. 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 fee within five years of their appointment.

Measure	Total share interests at 30 Sept 2017	Shares held, including connected persons, at 30 Sept 2017	Outstanding 2016 LTIP share awards at 30 Sept 2017	Outstanding 2017 LTIP share awards at 30 Sept 2017	Outstanding deferred share bonus at 30 Sept 2017	Outstanding SAYE options at 30 Sept 2017	Shareholding (excluding outstanding LTIP and SAYE) as a percentage of salary ¹
Ian Sutcliffe	6,429,813	5,456,548	416,667	446,467	100,756	9,375	3,747%
Rebecca Worthington	1,096,248	506,977	250,000	267,880	62,016	9,375	570%
David Howell ²	17,000	17,000	—	—	—	—	34%
Richard Adam	9,445	9,445	—	—	—	—	60%
Amanda Burton	10,056	10,056	—	—	—	—	70%
Baroness Sally Morgan	9,444	9,444	—	—	—	—	73%
Federico Canciani	—	—	—	—	—	—	—
James Van Steenkiste	—	—	—	—	—	—	—

1. Assumes closing mid-market share price on 30 September 2017 of 347.2 pence per share.

2. Following year end, David Howell purchased 30,000 shares on 4 October 2017. As a result of this purchase, his shareholding equates to 93 per cent of his fee. There has been no other change in the Directors' interests in the ordinary share capital of the Company between 30 September 2017 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 (2016: £Nil).

Application of the policy in 2017/18**Base salary**

Salaries were reviewed with effect from 1 October 2017 with increases of three per cent awarded in line with the wider workforce.

	2016/17	2017/18	% increase
Ian Sutcliffe	£515,000	£530,000	3
Rebecca Worthington	£309,000	£318,000	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 2018 are as follows:

Metric	% of maximum bonus
Group adjusted operating profit	60
Group adjusted operating margin	20
Return on capital employed	20

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

In line with the overall discretion of the Remuneration Committee to determine the size of any bonus payment, as described on page 62, the Committee will take into account the overall performance of an Executive Director against the in-year and longer-term strategic goals of the Group when determining bonus awards.

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 2017 results. The proposed performance metrics and their weightings are set out below:

	Relative total shareholder return (30% of awards)		Tangible net asset value (35% of awards)		Return on capital employed for the year ending 30 September 2020 (35% of awards)	
	TSR vs. FTSE 250	Pay-out (% of element)	TNAV in FY20 (£m)	Pay-out (% of element)	ROCE in FY20 (%)	Pay-out (% of element)
Below threshold	Below median	—	<967	—	<30%	—
Threshold	Median	20	967	25	30%	25
Target	—	—	1,018	50	31%	50
Maximum	Upper quartile	100	1,069	100	32%	100

The 2017 ROCE out-turn is discussed on page 29. Given the Group's plans for further significant investment in growth over the three years to 30 September 2020, the Committee is satisfied that these targets are appropriately stretching.

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 2020.

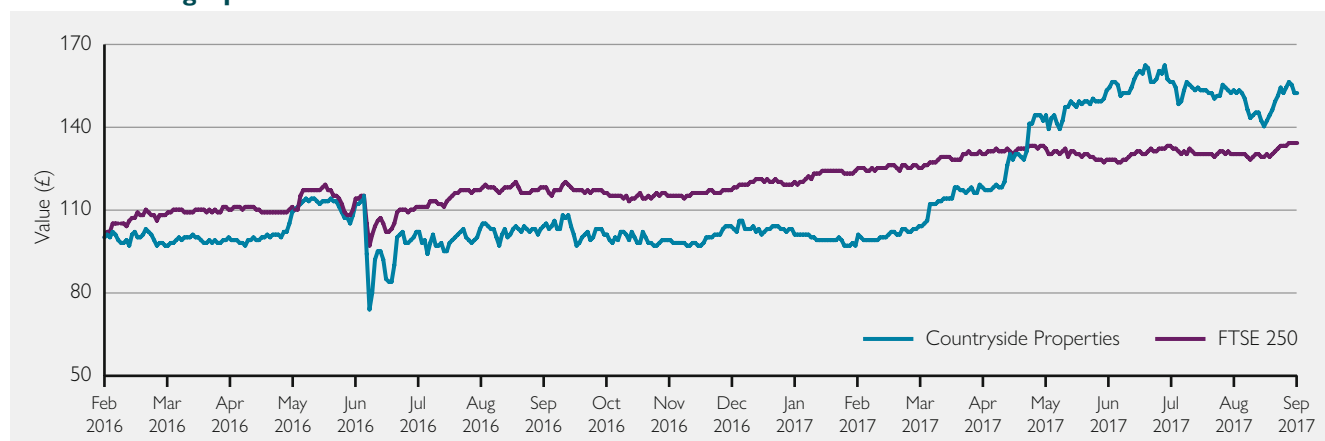
The TNAV targets are subject to Committee discretion to make such adjustments as are appropriate in the event that the Company's dividend policy changes in future years. Any such adjustments will be fully disclosed to shareholders and will be designed to ensure that the targets are no less challenging than the original targets.

Fees for the Chairman and the Non-Executive Directors

As disclosed to shareholders in last year's report, the fees for the Chairman have been increased to reflect the increased responsibility and time commitment following the shareholding in Oaktree Capital Management falling below 30 per cent. A summary of current annual fees is shown below:

Role	2017/18 fee (£'000)	2016/17 fee (£'000)	Percentage change
Chairman	175	150	17%
Non-Executive Director	45	45	—
Additional fees:			
Senior Independent Director	5	5	—
Audit Committee Chairman	5	5	—
Remuneration Committee Chairman	5	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
2017	Ian Sutcliffe	1,418	100	Not relevant
2016	Ian Sutcliffe	1,415	100	Not relevant

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

	2017 £'000	2016 £'000	Change %
Group Chief Executive¹			
Base salary	515	488	6
Benefits	18	17	6
Annual variable pay	773	731	6
Average of all employees²			
Base salary	46	47	(2)
Benefits	7	6	2
Annual variable pay	14	13	7

1. The annual percentage increase in the table above is higher than the three per cent increase in Ian Sutcliffe's base pay because his salary was increased from £450,000 to £500,000 in advance of the Group's IPO in February 2016. His salary then increased by three per cent to £515,000 with effect from 1 October 2016.

2. On average, employees were awarded a pay rise of three per cent, with effect from 1 October 2016. The percentage change in the table above reflects the change in mix of seniority of employees during the year.

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

	2017 £m	2016 £m
Total staff costs	92.0	70.8
Adjusted profit after tax	125.3	73.2
Taxation paid	23.2	12.8
Interest paid	2.8	7.2

Dilution

The Group's share plans comply with the Investment Association's guidelines on dilution limits of five per cent in ten years for discretionary schemes and 10 per cent in ten years for all schemes. As at 30 September 2017, the Group has utilised 0.6 per cent of the ten per cent in ten years limit and 0.5 per cent of the five per cent in ten years limit.

Remuneration Committee

The Remuneration Committee assists the Board in determining its responsibilities in relation to remuneration, 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.

The Remuneration Committee also ensures 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 New Bridge Street ("NBS"), part of Aon Hewitt plc ("Aon"), 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. NBS is a members of the Remuneration Consultants Group and abides by the Remuneration Consultants Group Code of Conduct, which requires its advice to be objective and impartial. The fees paid to NBS for advice during the year were £84,800 (excluding VAT).

Statement of shareholder voting

Votes cast at the Annual General Meeting held on 26 January 2017 in respect of the Remuneration Report and policy are shown below:

	Remuneration Report		Remuneration policy	
	Total number of votes	Percentage of votes cast	Total number of votes	Percentage of votes cast
For	412,936,700	99.83%	411,908,806	99.59%
Against	682,992	0.17%	1,710,885	0.41%
Total	413,619,692	100%	413,619,691	100%
Withheld	6,096,566		6,096,586	

Approval

This report was approved by the Board of Directors on 21 November 2017 and signed on its behalf by:

Amanda Burton

Chairman of the Remuneration Committee

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 2017.

The Directors' Report comprises pages 74 to 76 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

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

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

On 26 May 2017, the Oaktree Shareholders sold shares in the Company, and reduced their combined total shareholding to approximately 23 per cent of the Company's voting rights. Below 25 per cent holding, under the terms of the Relationship Agreement, Oaktree Shareholders retained the right to appoint only one Non-Executive Director to the Board of the Company, and so James Van Steenkiste resigned from the Board on 5 June 2017. All other provisions of the Relationship Agreement, including the right for Oaktree Shareholders to appoint one Non-Executive Director to the Board of the Company, remain in force until such time as Oaktree Shareholders reduce their combined total shareholding to below 10 per cent of the Company's voting rights.

The Board confirms that, since the entry into the Relationship Agreement on 29 January 2016 until 21 November 2017, 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 have been no controlling shareholders of the Company other than the Oaktree Shareholders, there has been no need for the Relationship Agreement to require the Oaktree Shareholders to procure compliance by any third parties with the independence provisions of the Relationship Agreement.

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

General information

Countryside Properties PLC is a public limited company, listed on the Main Market of the London Stock Exchange, incorporated and domiciled in the UK. The registered address of the Company is Countryside House, The Drive, Brentwood, Essex CM13 3AT. The Company acts as the holding company and ultimate parent for the Group.

Principal activities and Strategic Report

Countryside is a UK homebuilder 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 2017. Information on the principal risks and uncertainties facing the Group, trends and economic factors impacting the business and likely future developments can also be found in the Strategic Report.

Board changes

Following Oaktree's reduction of its shareholding in the Company to below 25 per cent on 26 May 2017, James Van Steenkiste, a Non-Executive Director appointed to the Board by Oaktree, resigned on 5 June 2017 in accordance with the terms of the Relationship Agreement (described below). On 2 October 2017, the Company announced that Richard Adam will step down from the Board on 31 December 2017.

For more details on the members of the Board, see pages 42 and 43. The Corporate Governance Report on pages 46 to 51 gives more information on how the Board functioned during the year.

Directors' interests

The Directors' interests in the shares and share options of the Company are shown on page 70 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 a single key supplier. Countryside entered into a new £300m revolving credit facility on 12 May 2016, expiring in May 2021. The first of two options on the first and second anniversaries was exercised extending the facility to May 2022.

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

Significant agreements – change of control

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

- **Revolving credit facility:** Under the terms of the £300m revolving credit facility, entered into on 12 May 2016, extended in maturity until May 2022 on 2 May 2017 and provided by a syndicate of banks to Countryside Properties, the lenders may, following such change in control, elect to continue to provide such facility, or alternatively cancel it and require all monies borrowed under such facility to be repaid.
- **Directors and employees:** There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid or change of control.

Equal opportunities

The Group is committed to employment policies which follow best practice based on equal opportunities for all employees, irrespective of gender, race, nationality, colour, disability, marital status, sexual orientation, age or religion. All decisions relating to employment practices are objective, free from bias and based upon work criteria and individual merit. 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 31.

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 plans, refer to pages 116 and 117 of the report.

Substantial shareholdings

At 15 November 2017, being the latest practicable date prior to the publication of this Annual Report, the Company has been notified of the following interests amounting to 3 per cent or more of the voting rights in the issued share capital of the Company:

Non-controlling interest	Interest in Countryside subsidiaries
Oaktree Capital Management Private Equity	23.0%
Woodford Investment Management Ltd.	11.8%
Standard Life Aberdeen	9.6%
Aviva Investors Global Services Ltd.	8.6%
Ruffer LLP	5.4%
Capital Research & Management	4.1%
BlackRock Investment Management Ltd	3.1%
M&G Investment Management Ltd	3.0%

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 auditor

The Board is satisfied that PricewaterhouseCoopers LLP ("PwC") remained independent for the purpose of the 2017 audit.

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 46. The Corporate Governance Report forms part of this Directors' Report and is incorporated into it by cross-reference.

Political contributions

The Group does not make political contributions.

Dividend

The Directors recommend the payment of a final dividend of 5.0 pence (2016: 3.4 pence) per ordinary share which, if approved by shareholders at the Annual General Meeting, will be paid on 9 February 2018 to those shareholders on the register at the close of business on 22 December 2017.

The Company will be operating a Dividend Reinvestment Plan ("DRIP"), further details of which can found on our website at: investors.countryside-properties.com/shareholder-information/dividends. The DRIP will operate automatically in respect of the 2017 final dividend for those shareholders who have previously registered a DRIP mandate (unless varied by shareholders beforehand) and also in respect of all future dividends, until such time as each participating shareholder elects to withdraw from the DRIP or the DRIP is suspended or terminated in accordance with its terms and conditions. The Board will continue to keep the availability of the DRIP under regular review.

Shareholders are again reminded to check their position regarding any dividend mandates which are in place, should they either wish to participate in the DRIP or discontinue or vary any participation, as existing mandates will apply to all dividend payments unless or until revoked.

The right to receive any dividend has been waived by the Trustee of the Company's Employee Benefit Trust over those shares held by that Trust.

Power of the Directors

Subject to the Company's Articles of Association, the Companies Act and any directions given by the Company by special resolution, the business of the Company will be managed by the Board, which may exercise all powers of the Company.

Directors' indemnities

By means of a Deed of Indemnity entered into separately by the Company and each Director, there is a qualifying third party indemnity provision (as per the Companies Act 2006) that provides, for the financial year ended 30 September 2017 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 plans are provided in Note 30 to the Group financial statements.

Purchase of the Company's own shares

At the 2017 AGM shareholders approved a resolution permitting the Company to make purchases of its own shares up to a maximum of 45,000,000 ordinary shares representing 10 per cent of the issued share capital at 14 December 2016. This resolution remains in force until the conclusion of the 2018 AGM. The Company has made no purchases of its own shares to date.

The Company will seek to renew this authority at the 2018 AGM.

Authority to allot shares

At the 2017 AGM shareholders approved a resolution permitting the Directors to allot shares up to an aggregate nominal value of £1,500,000. Shareholders also approved a resolution authorising the Directors to allot shares up to a further aggregate nominal amount of £1,500,000 in connection with a rights issue. As at 21 November 2017 the Directors had not used these authorities and these authorities will remain in force until the conclusion of the 2018 AGM.

The Company will seek to renew this authority at the 2018 AGM.

Statement of disclosure of information to the auditor

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 is 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 is aware of that information.

Going concern

The Directors have reviewed the liquidity position of the Group for the 18-month period from 21 November 2017. 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 the foreseeable future. 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.

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 34, forming part of the Sustainability Report section of the Annual Report on pages 32 to 35.

Annual General Meeting

The 2018 Annual General Meeting of the Company will be held at De Rougemont Manor Hotel, Great Warley Street, Brentwood CM13 3JP, at 2.30 pm on Thursday 25 January 2018. The notice convening the meeting, together with details of the business to be considered and explanatory notes is distributed separately to shareholders. It is also available on our website.

By order of the Board

Gary Whitaker
Company Secretary
21 November 2017

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of the profit or loss of the Group and Parent Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 102, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Parent Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The Directors are also responsible for safeguarding the assets of the Group and Parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

Each of the Directors, whose names and functions are listed in the Board of Directors section confirms that, to the best of their knowledge:

- the Parent Company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', and applicable law), give a true and fair view of the assets, liabilities, financial position and loss of the Company;
- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the Group and Parent Company, together with a description of the principal risks and uncertainties that it faces.

By order of the Board

Ian Sutcliffe
Group Chief Executive
21 November 2017

Rebecca Worthington
Group Chief Financial Officer
21 November 2017

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

Report on the audit of the financial statements

Opinion

In our opinion:

- Countryside Properties PLC's Group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 September 2017 and of the Group's profit and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report, which comprise: the consolidated and parent company statements of financial position as at 30 September 2017; the consolidated statement of comprehensive income, the consolidated cash flow statement, and the consolidated and parent company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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

Basis for opinion

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

Independence

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

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

Other than those disclosed in note 6 to the financial statements, we have not provided any non-audit services to the Group or the parent company in the period from 1 October 2016 to 30 September 2017.

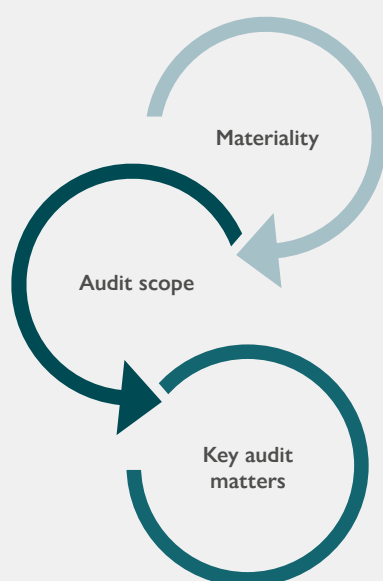
Our audit approach

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 Midlands and North West of England through its Partnerships division.

The Group is susceptible to external macro-economic factors such as government regulation, mortgage availability and changes in the wider building sector such as customer demand, supply chain availability and build cost inflation. This was particularly relevant for our work in the areas of margin forecasting and the valuation of inventory.

Overview



- Overall Group materiality: £7.2 million (2016: £4.6 million), based on 5% of profit before tax, adjusted for non-underlying items.
- Overall parent company materiality: £6.5 million (2016: £4.1 million), based on 1% of total assets, restricted to an amount below the Group overall materiality.
- The Group operates in two business segments, Partnerships and Housebuilding, as set out in the Strategic Report (refer to pages 2 to 39). Each of the operating segments is broken down into a number of reporting units which are consolidated into the Group financial statements along with central reporting entities.
- We performed audit work over the complete financial information of 17 reporting units, including central reporting entities and the parent company which accounted for 85 per cent of the Group's revenues and 83 per cent of the Group's profit before tax, adjusted for non-underlying items.
- Cost forecast and margin estimates. (Group).
- Land and inventory valuation. (Group).
- Commercial land transactions. (Group).
- Shared equity valuation (available for sale financial assets). (Group).
- Recoverability of investments. (Parent).

Report on the audit of the financial statements *continued*

Our audit approach *continued*

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgments, 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.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
<p>Cost forecast and margin estimates (Group) <i>Refer to Note 3 (Accounting policies) and Note 2 (Critical accounting policies).</i></p> <p>The Group's margin recognition framework is based on the margin forecast for each site. These margins, which drive the recognition of costs as each unit is sold, reflect estimated selling prices and costs for each development. This process is effectively a method of allocating the total forecast costs, representing both land and build costs of a development over each individual unit.</p> <p>There is a risk that the margin forecast for the site and the margin subsequently recognised on each unit sale is not appropriate and reflective of the actual final profit margin that will be recognised on a development.</p> <p>We consider the appropriate margin recognition across the life of the site to be the most significant financial reporting risk for the Group, principally due to the high level of management judgment involved in the accounting for the Group's developments given that sales prices and build costs are inherently uncertain and are influenced by changes in external market factors, such as the availability of mortgages and build cost inflation.</p>	<p>We obtained an understanding of management's process for preparing a site forecast and evaluated management's controls over cost forecasting and changes to forecasts.</p> <p>We tested management's controls over the approval of initial forecasts as well as the controls over the regular updating of forecasts. We also attended a number of management's monthly divisional board meetings which gave us additional evidence over the robustness of the forecasting process.</p> <p>We held discussions with management to understand the status and progress of a sample of sites and tested that the explanations received were consistent with the latest management forecast.</p> <p>Our substantive procedures focused on sites that generated significant revenue in the year and we:</p> <ul style="list-style-type: none"> assessed the appropriateness of a sample of underlying assumptions within the forecasts, including sales prices and costs which have a significant impact on the site forecasts; assessed management's historic forecasting accuracy on completed sites in FY17, understanding the reasons and testing, where appropriate, differences to the FY16 forecast margin; tested a sample of forecast sales prices to the actual sales price attained for similar properties to support the validity of the estimated sales price in the forecast; and tested a sample of costs incurred to third party support. <p>Based on the procedures performed, we did not identify any sites where we considered the forecast margin to be inappropriate.</p>
<p>Land and inventory valuation (Group) <i>Refer to Note 3 (Accounting policies) and Note 2 (Critical accounting policies).</i></p> <p>Inventory is comprised of land held for development, work in progress, raw materials and completed units/part-exchanged properties.</p> <p>Inventory is the most significant balance in the consolidated statement of financial position and is held at the lower of cost and net realisable value ("NRV") being the margin the development is forecast to make over its lifecycle based upon forecast sales prices and build costs.</p> <p>The NRV of each development is forecast and monitored as described in the key audit matter above and is therefore subject to the same key assumptions. Due to the influence of the same external factors and the cyclical nature of the housing industry, with periodic downturns in customer demand, there is a risk that the calculation of a development's NRV may be subject to estimation error, leading to inventory being held at an incorrect value and an unrecorded impairment charge.</p>	<p>We obtained an understanding of management's process for preparing a site forecast.</p> <p>We understood and evaluated management's controls over the cost forecasting process and tested the key controls over the approval of the initial forecasts and the monitoring of updates required to the forecasts over the course of the site's life.</p> <p>We considered margins for all material sites to identify those with low or eroding margins, due to specific issues or underperformance. We discussed the identified sites with management, including considering the level of provisions, if any, held against these sites and corroborated the explanations with available external evidence in respect of the carrying value of inventory.</p> <p>We obtained an analysis of the composition of the inventory balance, specifically the level and ageing of completed but unreserved units, to understand if completed stock is held at the appropriate carrying value.</p> <p>We also assessed the historical accuracy of management's forecasting on completed sites in FY17, understanding the reasons and testing where appropriate, differences to the FY16 forecast margin.</p> <p>For sites with a provision, we compared the inventory valuation with the forecast NRV.</p> <p>Based on the procedures performed, we did not identify any sites where we determined additional impairments were required, above those already recorded by management.</p>

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

Report on the audit of the financial statements *continued*

Our audit approach *continued*

Key audit matters *continued*

Key audit matter	How our audit addressed the key audit matter
<p>Commercial land transactions (Group) <i>Refer to Note 3 (Accounting policies).</i></p> <p>The Group has entered into a number of commercial land transactions during the year. The nature of these transactions can be complex and bespoke. The format of the agreements introduces potential accounting to reflect the terms of the agreements.</p> <p>Due to their complex nature, we focused on this area to ensure that the accounting reflected the underlying agreements.</p>	<p>We held discussions with management to understand the substance of material commercial land transactions.</p> <p>Where applicable, we read the relevant extracts from management's papers on the proposed accounting treatment of the transactions.</p> <p>We substantively tested material or complex land acquisitions through examination of contracts and agreements to check that the acquisition and subsequent overage terms had been identified and accounted for appropriately, and that all the related liabilities had been properly recorded in the financial statements.</p> <p>We assessed the accounting treatment of the transactions against IAS 18/IAS 11 as applicable.</p> <p>We were satisfied that management had appropriately accounted for these transactions.</p>
<p>Shared equity valuation (available for sale financial assets) (Group) <i>Refer to Note 3 (Accounting policies) and Note 2 (Critical accounting policies).</i></p> <p>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.</p> <p>The valuation method for these assets is not capable of being based on observable market data and therefore the valuation model is subject to management judgment and estimates, including expected house price movements, credit risk of borrowers, discount rates (which incorporate purchaser default rates), recoverability and expected timing of receipt.</p> <p>Changes in the assumptions used can have a significant impact on the fair value of these assets.</p>	<p>We evaluated and tested the mechanics of the calculation to check the correct application of the underlying assumptions and accuracy of the calculation.</p> <p>We obtained a sample of the original loan agreements to verify terms of the loans used within the calculation.</p> <p>We tested a sample of cash receipts from redemptions in the year to bank statements.</p> <p>Through discussion with management and review of the calculation we identified the key assumptions included within the calculation including expected house price inflation, discount rates, recoverability and expected timing of receipt.</p> <p>We corroborated these assumptions by comparing those used by management with comparable discount rates used by similar companies, and our own independent research on house prices and redemption rates.</p> <p>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.</p> <p>Based on the procedures we performed we identified no changes to key assumptions which would result in a material change to the valuation.</p>
<p>Recoverability of investments (Parent) <i>Refer to Note 1 (Accounting policies)</i></p> <p>The parent company holds investments in its subsidiaries totalling over £700 million. We focused on this area due to the size of the investment balance as there is a risk of material misstatement if the underlying investments are under-performing.</p>	<ul style="list-style-type: none"> • We obtained management's assessment of the carrying value of the investments. We agreed the cash flow forecast used in the assessment to formally approved forecasts. • We assessed key assumptions within management's forecasts. • We performed a sensitivity analysis over key assumptions, including the discount and growth rates. • We assessed for impairment indicators of which there were none. • We did not note any exceptions arising from our audit procedures.

Report on the audit of the financial statements *continued*

Our audit approach *continued*

How we tailored the audit scope

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

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

The reporting units vary in size and we identified 17 reporting units, including centralised functions and the parent company 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. The reporting units where we performed an audit of the complete financial information accounted for 83 per cent of the Group's profit before tax, adjusted for non-underlying items and 85 per cent of the Group's revenue.

Our audit work at these reporting units, together with the additional procedures performed at Group level on the consolidation, goodwill, joint 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 parent company financial statements as a whole.

Materiality

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

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

	Group financial statements	Parent company financial statements
Overall Group materiality	£7.2 million (2016: £4.6 million).	£6.5 million (2016: £4.1 million).
How we determined it	5% of profit before tax, adjusted for non-underlying items.	1% of total assets, restricted to an amount below the Group overall materiality.
Rationale for benchmark applied	Based on our professional judgment, we determined materiality by applying a benchmark of 5% of profit before tax, adjusted for non-underlying items. We believe that underlying profit before tax is the most appropriate measure as it eliminates any disproportionate effect of non-underlying charges and credits and provides a consistent year-on-year basis for our work.	We believe that total assets is the primary measure used by the shareholders in assessing the position of the entity, and is an accepted auditing benchmark.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £0.2 million and £6.5 million. Certain components were audited to a local statutory audit materiality that was less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.3 million (Group audit) (2016: £0.2 million) and £0.3 million (parent company audit) (2016: £0.2 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern

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

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Group's and the parent company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and parent company's ability to continue as a going concern.
We are required to report if the Directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

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

Report on the audit of the financial statements *continued*

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion on, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006, (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 September 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Group and parent company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)

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

We have nothing material to add or draw attention to regarding:

- The Directors' confirmation on page 37 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The Directors' explanation on page 37 of the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the Group and parent company and their environment obtained in the course of the audit. (Listing Rules)

Other Code Provisions

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

- The statement given by the Directors, on page 53, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and parent company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and parent company obtained in the course of performing our audit.
- The section of the Annual Report on page 52 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The Directors' statement relating to the parent company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

Report on the audit of the financial statements *continued*

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Directors' Responsibility Statement set out on page 77, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 19 November 2015 to audit the financial statements for the year ended 30 September 2016 and subsequent financial periods. The period of total uninterrupted engagement is 2 years, covering the years ended 30 September 2016 to 30 September 2017.

John Waters (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

November 2017

Consolidated statement of comprehensive income

For the year ended 30 September 2017

	Note	2017 £m	2016 £m
Revenue		845.8	671.3
Cost of sales		(662.5)	(527.2)
Gross profit		183.3	144.1
Administrative expenses		(54.4)	(56.8)
Group operating profit		128.9	87.3
Analysed as:			
Adjusted Group operating profit		164.1	122.5
Less: share of associate and joint ventures' operating profit	13, 14	(33.6)	(25.3)
Less: non-underlying items	6	(1.6)	(9.9)
Group operating profit		128.9	87.3
Finance costs	7	(18.3)	(30.5)
Analysed as:			
Adjusted finance costs		(10.7)	(27.3)
Less: non-underlying finance costs	6	(7.6)	(3.2)
Finance costs	7	(18.3)	(30.5)
Finance income	8	1.4	2.3
Share of post-tax profit from associate and joint ventures	13, 14	29.7	19.6
Profit before income tax		141.7	78.7
Income tax expense	9	(24.1)	(17.3)
Profit for the year		117.6	61.4
Profit is attributable to:			
– Owners of the parent		117.2	61.1
– Non-controlling interests		0.4	0.3
		117.6	61.4
Other comprehensive income			
Items that may be reclassified to profit and loss			
Increase/(decrease) in the fair value of available-for-sale financial assets	15	0.2	(1.5)
Total comprehensive income for the year		117.8	59.9
Total comprehensive income for the year attributable to:			
– Owners of the parent		117.4	59.6
– Non-controlling interest		0.4	0.3
		117.8	59.9
Earnings per share (expressed in pence per share):			
Basic	10	26.0	13.6
Diluted	10	25.8	13.6

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

Consolidated statement of financial position

As at 30 September 2017

	Note	2017 £m	2016 £m
Assets			
Non-current assets			
Intangible assets	11	59.5	58.9
Property, plant and equipment	12	2.6	2.7
Investment in joint ventures	13	58.8	53.9
Investment in associate	14	2.6	5.2
Available-for-sale financial assets	15	7.4	8.7
Deferred tax assets	16	2.8	3.3
Trade and other receivables	19	12.9	10.8
		146.6	143.5
Current assets			
Inventories	17	667.1	583.6
Trade and other receivables	19	138.8	147.9
Cash and cash equivalents	20	77.4	38.3
		883.3	769.8
Total assets		1,029.9	913.3
Liabilities			
Current liabilities			
Overdrafts	20	—	(26.3)
Trade and other payables	21	(251.9)	(177.5)
Current income tax liabilities		(5.8)	(6.1)
Provisions	22	(0.6)	(0.8)
		(258.3)	(210.7)
Non-current liabilities			
Borrowings	23	—	—
Trade and other payables	21	(84.4)	(109.0)
Provisions	22	(2.0)	(0.7)
		(86.4)	(109.7)
Total liabilities		(344.7)	(320.4)
Net assets		685.2	592.9
Equity			
Share capital	24	4.5	4.5
Reserves	24	679.8	587.9
Equity attributable to owners of the parent		684.3	592.4
Equity attributable to non-controlling interest		0.9	0.5
Total equity		685.2	592.9

The notes on pages 88 to 118 form part of these financial statements.

These financial statements were approved by the Board of Directors on 21 November 2017.

On behalf of the Board

Ian Sutcliffe
Rebecca Worthington
Directors

Consolidated statement of changes in equity

For the year ended 30 September 2017

Note	Share capital £m	Share premium £m	Retained earnings £m	Available-for-sale financial assets £m	Equity attributable to owners of the parent £m	Non-controlling interest £m	Total equity £m
At 1 October 2015	—	1.1	10.3	1.6	13.0	0.2	13.2
Comprehensive income							
Profit for the year	—	—	61.1	—	61.1	0.3	61.4
Other comprehensive income	—	—	—	(1.5)	(1.5)	—	(1.5)
Total comprehensive income	—	—	61.1	(1.5)	59.6	0.3	59.9
Transactions with owners							
Share-based payment expense – pre-IPO	30	—	1.9	—	1.9	—	1.9
Share-based payment expense – post-IPO, net of deferred tax	30	—	1.3	—	1.3	—	1.3
Group reorganisation	1	4.5	(1.1)	513.2	516.6	—	516.6
Total transactions with owners	4.5	(1.1)	516.4	—	519.8	—	519.8
At 30 September 2016	4.5	—	587.8	0.1	592.4	0.5	592.9
Comprehensive income							
Profit for the year	—	—	117.2	—	117.2	0.4	117.6
Dividends paid	—	—	(30.6)	—	(30.6)	—	(30.6)
Other comprehensive income	—	—	—	0.2	0.2	—	0.2
Total comprehensive income	—	—	86.6	0.2	86.8	0.4	87.2
Transactions with owners							
Share-based payment expense, net of deferred tax	30	—	5.1	—	5.1	—	5.1
Total transactions with owners	—	—	5.1	—	5.1	—	5.1
At 30 September 2017	4.5	—	679.5	0.3	684.3	0.9	685.2

Consolidated cash flow statement

For the year ended 30 September 2017

	Note	2017 £m	2016 £m
Cash generated from/(used in) operations	25	78.2	(14.8)
Interest paid		(2.8)	(7.2)
Tax paid		(23.2)	(12.8)
Net cash inflow/(outflow) from operating activities		52.2	(34.8)
Cash flows from investing activities			
Purchase of intangible assets	11	(2.3)	(0.7)
Purchase of property, plant and equipment	12	(0.8)	(0.9)
Proceeds from disposal of available-for-sale financial assets		2.5	2.9
Acquisition of subsidiary (net of cash acquired)		—	(2.0)
Decrease/(increase) in advances to associate and joint ventures		16.2	(31.0)
Interest received		—	1.5
Dividends received from associate and joint ventures	13,14	28.8	13.6
Net cash inflow/(outflow) from investing activities		44.4	(16.6)
Cash flows from financing activities			
Proceeds from issue of ordinary shares	24	—	130.0
Dividends paid		(30.6)	—
Transaction costs from issue of ordinary shares		—	(4.6)
Borrowing facility arrangement fee		(0.6)	(2.8)
Proceeds from borrowings		—	91.3
Repayment of borrowings		—	(231.3)
Net cash outflow from financing activities		(31.2)	(17.4)
Net increase/(decrease) in cash and cash equivalents		65.4	(68.8)
Cash and cash equivalents at the beginning of the year		12.0	80.8
Cash and cash equivalents at the end of the year	20	77.4	12.0

Notes to the consolidated financial statements

For the year ended 30 September 2017

1. General information

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

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

The parent company financial statements are on pages 119 to 124.

Initial public offering ("IPO")

The Company listed its shares on the London Stock Exchange on 17 February 2016. Prior to the IPO, there was a reorganisation of the Group, which is described in the 2016 financial statements.

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 have been presented as a continuation of Midco.

2. Critical accounting judgements and estimates

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

Critical accounting judgements

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

Key sources of estimation uncertainty

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

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

Estimation of site profitability

In order to determine the profit or loss that the Group recognises on its developments and construction contracts in a specific period, the Group allocates the total cost of each development, or construction contract between the proportion completing in the period and the proportion to complete in a future period. The assessment of the total costs to be incurred requires a degree of estimation due to the long-term nature of the Group's activities and because actual costs are subject to market fluctuations. Group management has established internal controls to review and ensure the appropriateness of estimates made on an individual development or contract basis.

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 generally secured by a 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 equivalent loans made against property by a third party.

3. Accounting policies

Basis of preparation

These financial statements for the year to 30 September 2017 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 £0.1m 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.

3. Accounting policies *continued*

Going concern *continued*

As described in the Viability Statement, the Directors have assessed the prospects and viability of the Company over a three-year period to September 2020. The Board has performed a robust assessment of the principal risks facing the Company, including those risks that would threaten Countryside's business model, future performance, solvency or liquidity.

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

New standards, amendments and interpretations

No new standards, amendments or interpretations effective for the first time for the financial year beginning on 1 October 2016 have had a material impact on the financial statements.

The following amendments to standards and interpretations which will be relevant to the preparation of the Group's financial statements have been issued, but are not effective and have not been early adopted for the financial year beginning 1 October 2017:

- **IFRS 9 'Financial Instruments', on 'Classification and Measurement'** (effective 1 October 2018) addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income and fair value through Profit and Loss ("P&L"). The impact of IFRS 9 is being assessed by management. The principal change identified is that gains and losses on shared equity loans will no longer be recognised through the Statement of Other Comprehensive Income. It is not expected that this change will have a material impact on the reported results of the Group, but will introduce an element of volatility in the Group's reported profit as the valuation of the shared equity loan portfolio changes.
- **IFRS 15 'Revenue from Contracts with Customers'** (effective 1 October 2018) deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction Contracts' and related interpretations.

During the second half, the Group has undertaken a detailed exercise to determine whether IFRS 15 will have a material impact on the Group's results. The new standard is effective for the Group for the 2019 financial year commencing on 1 October 2018. This exercise is substantially complete and we have not yet identified any areas of our business where we will see material changes to the way in which we currently recognise revenue, except as described below.

We are working with advisors and others in the industry to determine the appropriate treatment for the recognition of revenue on land sales to Registered Providers of social housing where separate construction activity is also performed for the Registered Provider. We understand that this matter is due to be considered by the International Financial Reporting Interpretations Committee at their meeting on 22 November 2017. We expect to reach a conclusion on this in the first half of the 2018 financial year and will provide further narrative and quantitative disclosure on the impact of the standard, if any, in our 2018 Annual Report.

- **IFRS 16 'Leases'** (effective 1 October 2019) addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The standard replaces IAS 17 'Leases', and related interpretations. Whilst management's full impact assessment of the introduction of IFRS 16 is not complete, the Group does not have a significant number of leases which relate principally to office buildings and leased company cars. The principal impact is likely to be the recognition of additional leasing assets and liabilities and the income statement impact is not expected to be material.
- **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 2017.

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.

Notes to the consolidated financial statements *continued*

For the year ended 30 September 2017

3. Accounting policies *continued*

Basis of consolidation

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

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

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

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

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 or joint venture which has net liabilities, the investment is held at £Nil and other long-term interests, such as shareholder loans, are reduced by the value equal to the net liabilities, unless it has incurred legal or constructive obligations or made payments on behalf of its associate or joint ventures.

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.

3. Accounting policies *continued*

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.

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, 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.

Notes to the consolidated financial statements *continued*

For the year ended 30 September 2017

3. Accounting policies *continued*

Trade payables

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

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

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

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

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

Borrowings

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

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

Provisions

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

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in share premium as a deduction from the proceeds.

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

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Revenue

Revenue comprises the fair value of the consideration received or receivable, net of applicable value-added tax, Stamp Duty Land Tax, rebates and discounts and after eliminating sales within the Group. 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. Differences between net proceeds received and fair value are recorded as a reduction/increase in cost of sales. The original sale is recorded in the normal way, with the fair value of the exchanged property replacing cash receipts.

Cash incentives

Cash incentives are considered to be a discount from the purchase price offered to the acquirer and are therefore accounted for as a reduction to revenue.

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.

3. Accounting policies *continued*

Cost of sales

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

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

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

As outlined above, costs in relation to the sale of affordable housing and 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.

Current and deferred income taxation

Income tax comprises current and deferred tax.

Current taxation

The current taxation payable is based on taxable profit for the period which differs from accounting profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and those items never taxable or deductible. The Group's liability for current tax is measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred taxation

Deferred taxation is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and 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 plan. A defined contribution plan is a pension plan under which the Group pays fixed contributions to a separate entity.

The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they fall due.

Share-based payments

The Group provides benefits to employees (including Directors) of the Group in the form of equity-settled share-based 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.

Notes to the consolidated financial statements *continued*

For the year ended 30 September 2017

3. Accounting policies *continued*

Share-based payments *continued*

Countryside Properties PLC invoices its subsidiary undertakings an amount equivalent to the fair value of the grant by the Company of options over its equity instruments to the employees of subsidiaries. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

The Group does not operate any cash-settled share-based payment plans.

Adjusted measures

Certain items which do not relate to the Group's underlying performance are presented separately in the consolidated statement of comprehensive income as non-underlying items where, in the judgement of the Directors, they need to be disclosed separately by virtue of their nature, size or incidence in order to obtain a clear and consistent presentation of the Group's underlying business performance. As these non-underlying items can vary significantly from year to year they create volatility in reported earnings. In addition, the Directors believe that in discussing the performance of the Group, the results of joint ventures and associate should be proportionally consolidated, including the Group's share of revenue, operating profit and TNOAV given their importance to the Group's operations.

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

Examples of material and non-recurring items which may give rise to disclosure as non-underlying items are:

- 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;
- the impact of material and non-recurring changes to discount rates;
- accelerated write off of unamortised issue costs on the re-financing of borrowings; and
- the costs of Group restructuring exercises.

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 were also treated as a non-underlying item in the prior year. This allows the underlying performance of the Group to be measured from period to period, due to the fact that 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 the basis on which strategic operating decisions are made by the Group's Chief Operating Decision-Maker ("CODM"). The Group's two business segments are Partnerships and Housebuilding.

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

The Housebuilding division develops large-scale sites, providing private and affordable housing on land owned or controlled by the Group, primarily around London and in the South-East of England, operating under both the Countryside and Millgate brands.

Segmental adjusted operating profit and segmental operating profit 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, and net cash or bank debt (excluding unamortised bank loan and arrangement fees).

Countryside operates entirely within the United Kingdom.

4. Segmental reporting *continued*

(a) Segmental income statement

	Partnerships £m	Housebuilding £m	Group items £m	Total £m
Year ended 30 September 2017				
Adjusted revenue including share of associate and joint ventures' revenue	476.7	552.1	—	1,028.8
Share of associate and joint ventures' revenue	(57.9)	(125.1)	—	(183.0)
Revenue	418.8	427.0	—	845.8
Segment result:				
Adjusted operating profit including share of operating profit from associate and joint ventures	79.4	91.5	(6.8)	164.1
Less: share of operating profit from associate and joint ventures	(10.7)	(22.9)	—	(33.6)
Less: non-underlying items	—	—	(1.6)	(1.6)
Operating profit/(loss)	68.7	68.6	(8.4)	128.9
	Partnerships £m	Housebuilding £m	Group items £m	Total £m
Year ended 30 September 2016				
Adjusted revenue including share of associate and joint ventures' revenue	349.9	427.1	—	777.0
Share of associate and joint ventures' revenue	(36.7)	(69.0)	—	(105.7)
Revenue	313.2	358.1	—	671.3
Segment result:				
Adjusted operating profit including share of operating profit from associate and joint ventures	56.8	68.1	(2.4)	122.5
Less: share of operating profit from associate and joint ventures	(7.0)	(18.3)	—	(25.3)
Less: non-underlying items	2.6	—	(12.5)	(9.9)
Operating profit/(loss)	52.4	49.8	(14.9)	87.3

(b) Segmental capital employed

	Partnerships £m	Housebuilding £m	Group items £m	Total £m
Year ended 30 September 2017				
Net assets ¹	101.7	447.9	135.6	685.2
TNOAV²	101.7	447.9	—	549.6
	Partnerships £m	Housebuilding £m	Group items £m	Total £m
Year ended 30 September 2016				
Net assets ¹	103.3	422.2	67.4	592.9
TNOAV²	103.3	422.2	—	525.5

1. Group items include intangible assets of £59.5m (2016: £58.9m), net of deferred tax of £1.3m (2016: £3.5m) and net cash of £77.4m (2016: £12.0m).

2. TNOAV is calculated as net assets excluding the Group items described above.

Notes to the consolidated financial statements *continued*
For the year ended 30 September 2017

4. Segmental reporting *continued*

(c) Segmental other items

	Partnerships £m	Housebuilding £m	Group items £m	Total £m
Year ended 30 September 2017				
Investment in associate	—	2.6	—	2.6
Investment in joint ventures	3.9	54.9	—	58.8
Share of post-tax profit from associate and joint ventures	10.7	19.0	—	29.7
Capital expenditure – property, plant and equipment	0.4	0.4	—	0.8
Capital expenditure – software	—	—	2.3	2.3
Depreciation and amortisation	0.4	0.5	1.7	2.6
Share-based payments	—	—	5.1	5.1
	Partnerships £m	Housebuilding £m	Group items £m	Total £m
Year ended 30 September 2016				
Investment in associate	—	5.2	—	5.2
Investment in joint ventures	6.4	47.5	—	53.9
Share of post-tax profit from associate and joint ventures	6.6	13.0	—	19.6
Capital expenditure – property, plant and equipment	0.4	0.5	—	0.9
Capital expenditure – software	—	—	0.7	0.7
Acquisitions	—	2.3	—	2.3
Depreciation and amortisation	0.3	0.4	1.3	2.0
Share-based payments	—	—	3.0	3.0

5. Employees and Directors

(a) Staff costs for the Group during the year

	2017 £m	2016 £m
The aggregate remuneration for the employees and Directors of the Group comprised:		
Wages and salaries	72.9	58.3
Social security costs	8.4	6.9
Other pension costs (Note 5b)	5.6	2.6
Share-based payments – pre-IPO (Note 30)	—	1.9
Share-based payments – post-IPO (Note 30)	5.1	1.1
	92.0	70.8

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

	2017 Number	2016 Number
Housebuilding and development	1,036	886
Head office	128	124
	1,164	1,010

(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 £3.6m (2016: £2.6m), of which £0.4m (2016: £0.2m) was outstanding at 30 September 2017. The Group does not operate any defined benefit pension schemes.

5. Employees and Directors *continued*

(c) Directors' emoluments

	2017 £m	2016 £m
Aggregate emoluments	2.6	2.5

(d) Emoluments of the highest paid Director

	2017 £m	2016 £m
Aggregate emoluments	1.4	1.4

(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.

	2017 £m	2016 £m
Wages and salaries	7.0	4.5
Accrued retirement benefits	0.1	0.1
Share-based payments	1.9	1.5
	9.0	6.1

Pension costs of £0.2m under defined contribution schemes are accrued as disclosed above. The disclosures of shares granted under the long-term incentive schemes are included in Note 30.

6. Group operating profit

(a) Group operating profit is stated after charging

	Note	2017 £m	2016 £m
Staff costs	5a	92.0	70.8
Depreciation of property, plant and equipment	12	0.9	0.7
Amortisation of intangible assets	11	1.7	1.3
Net provisions against inventories	17	0.5	0.6
Inventories expensed to cost of sales	17	662.0	523.7
Operating leases		4.2	4.2
Auditor's remuneration	6a	0.4	1.8

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

	2017 £m	2016 £m
Fees payable to Group's auditor and its associates for the audit of parent and consolidated financial statements	0.1	0.1
Fees payable to Group's auditor and its associates for other services:		
– Audit of subsidiary companies	0.1	0.1
– Audit of joint ventures	0.1	0.1
– Audit-related services	0.1	0.1
– Other advisory services	—	0.1
– Audit-related assurance and transaction services in relation to the IPO	—	1.3
	0.4	1.8

Notes to the consolidated financial statements *continued*

For the year ended 30 September 2017

6. Group operating profit *continued*

(b) Non-underlying items

	2017 £m	2016 £m
Non-recurring items:		
Restructuring expense	1.6	—
Advisory costs	—	10.6
Reversal of impairment of non-trade receivable	—	(2.6)
Share-based payments – pre-IPO	—	1.9
Total non-underlying items included within administrative expenses	1.6	9.9
Impact of change in discount rate for deferred land and overage payments	7.6	—
Impairment of unamortised loan arrangement fees	—	3.2
Total non-underlying items	9.2	13.1

Restructuring expense

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

Advisory fees

During the prior year, the Group engaged in corporate activity in relation to the listing of its ordinary shares on the London Stock Exchange. Advisory costs of £Nil (2016: £10.6m) were incurred in relation to this activity. Additionally, £4.6m of IPO-related costs were charged to the share premium account in the prior year. These costs primarily relate to the fees of professional advisors.

Impairment of non-trade receivable

In 2016, £2.6m was received resulting in a partial reversal of an impairment of a receivable recorded in 2015.

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. This Plan was treated as a non-underlying item.

The Plan ended in 2016 as a result of the IPO; as such, no costs were incurred in relation to the Plan in 2017 (2016: £1.9m, of which £1.0m arose as a result of the IPO).

Impact of change in discount rate

From 1 April 2017, the discount rate applied to deferred land and overage payments was reduced from 6.0 per cent to 3.4 per cent to reflect the Group’s cost of debt. This resulted in a material, non-recurring finance cost of £7.6m (2016: £Nil) being recognised as an expense within non-underlying finance costs.

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 £Nil (2016: £3.2m) were expensed as a non-underlying finance cost.

Taxation

A total tax credit of £1.8m (2016: £1.0m) 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:

	2017 £m	2016 £m
Revenue	845.8	671.3
Add: share of revenue from associate and joint ventures	183.0	105.7
Adjusted Group revenue	1,028.8	777.0

The following table reconciles operating profit to adjusted Group operating profit:

	2017 £m	2016 £m
Operating profit	128.9	87.3
Add: non-underlying items	1.6	9.9
Add: share of operating profit from associate and joint ventures	33.6	25.3
Adjusted Group operating profit	164.1	122.5

7. Finance costs

	Note	2017 £m	2016 £m
Bank loans and overdrafts		3.0	5.2
Interest on mandatory redeemable preference shares		—	16.5
Unwind of discount		5.1	4.8
Amortisation of debt finance costs	23	0.6	0.8
Impairment of interest receivable from joint venture		2.0	—
Adjusted finance costs		10.7	27.3
Impact of change in discount rate for deferred land and overage payments		7.6	—
Write off of unamortised debt arrangement fees	6	—	3.2
		18.3	30.5

Non-underlying finance costs of £7.6m (2016: £Nil) relate to a reduction in the discount rate applied to deferred land and overage payments from 6.0 per cent to 3.4 per cent from 1 April 2017.

The mandatory redeemable preference shares accrued interest annually until redemption in February 2016.

8. Finance income

	2017 £m	2016 £m
Interest receivable	—	1.5
Unwind of discount	1.4	0.8
	1.4	2.3

9. Income tax expense

	2017 £m	2016 £m
Analysis of charge for the year		
UK corporation tax		
Current year	23.8	14.8
Adjustments in respect of prior periods	(0.9)	0.1
Total UK current tax	22.9	14.9
Foreign tax		
Luxembourg corporation tax	—	(0.1)
Total current tax	22.9	14.8
Deferred tax (Note 16)		
Origination and reversal of temporary differences	2.1	3.0
Other differences	(0.9)	(0.5)
Total deferred tax	1.2	2.5
Income tax expense	24.1	17.3

Changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2016 on 15 September 2016. These include reductions to the main rate to 19.0 per cent from 1 April 2017 and to 17.0 per cent from 1 April 2020. This will reduce the Group's future tax charge accordingly. Deferred taxes at the balance sheet date have been measured using the enacted rates that are expected to apply to the unwind of each asset or liability.

The tax assessed for the year is lower (2016: higher) than the standard rate of corporation tax in the United Kingdom, which is 19.5 per cent (2016: 20.0 per cent).

Notes to the consolidated financial statements *continued*

For the year ended 30 September 2017

9. Income tax expense *continued*

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

	2017 £m	2016 £m
Profit before income tax	141.7	78.7
Tax calculated at the parent entity rate of tax: 19.5 per cent (2016: 20.0 per cent)	27.6	15.7
Adjustments to deferred tax due to reduction in UK tax rates	(0.3)	0.8
Associate and joint venture tax	(1.9)	(1.3)
Deferred tax charged directly to reserves	0.7	0.2
Adjustments in respect of prior periods	(1.8)	(1.6)
Expenses not deductible for tax	1.5	2.9
Temporary timing differences	(1.7)	(0.3)
Deferred tax not recognised	—	(0.2)
Transfer pricing adjustments	—	1.2
Foreign tax	—	(0.1)
Income tax expense	24.1	17.3

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

This includes disallowable accounting charges in respect of share-based payments and, in the case of the prior period, disallowable costs incurred in relation to the IPO, principally legal and advisory fees.

Deferred tax recorded directly to equity

Tax of £0.7m (2016: £0.2m) was credited directly to equity in relation to share-based payments.

Legislative changes

In the March 2016 Budget the Government announced that it will introduce new rules to restrict the deductibility of net interest costs from 1 April 2017, and that from the same date the amount of taxable profits that can be offset by brought forward tax losses will be restricted to 50 per cent of those profits. As the proposed changes had not been substantively enacted by the end of the financial period to which these financial statements relate, their effects are not included in the tax notes. The overall effect of these changes would not have had a material impact on the financial statements, if they had been substantively enacted in the period.

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. In the prior year, the weighted average number of shares in issue was calculated from the date of the IPO to 30 September 2016. The weighted average number of shares, for 2016, has been stated as if the Group reorganisation had occurred at the beginning of the year.

(a) Basic and diluted earnings per share

	2017	2016
Profit from continuing operations attributable to equity holders of the parent (£m)	117.2	61.1
Basic weighted average number of shares (millions)	450.0	450.0
Basic earnings per share (pence per share)	26.0	13.6
Diluted weighted average number of shares (millions)	453.2	450.2
Diluted earnings per share (pence per share)	25.8	13.6

10. Earnings per share *continued*

(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:

	2017	2016
Profit from continuing operations attributable to equity holders of the parent (£m)	117.2	61.1
Add: non-underlying items net of tax (£m)	8.1	12.1
Adjusted profit from continuing operations attributable to equity holders of the parent (£m)	125.3	73.2
Basic weighted average number of shares (millions)	450.0	450.0
Basic adjusted earnings per share (pence per share)	27.8	16.3
Diluted weighted average number of shares (millions)	453.2	450.2
Diluted adjusted earnings per share (pence per share)	27.7	16.3

Non-underlying items net of tax include costs of £10.1m, net of tax of £2.0m (2016: costs of £13.1m, net of tax of £1.0m).

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 £m	Brand £m	Goodwill £m	Total £m
Cost				
At 1 October 2015	—	24.2	37.8	62.0
Additions	0.7	—	—	0.7
At 30 September 2016	0.7	24.2	37.8	62.7
Additions	2.3	—	—	2.3
At 30 September 2017	3.0	24.2	37.8	65.0
Accumulated amortisation				
At 1 October 2015	—	2.5	—	2.5
Amortisation	0.1	1.2	—	1.3
At 30 September 2016	0.1	3.7	—	3.8
Amortisation	0.5	1.2	—	1.7
At 30 September 2017	0.6	4.9	—	5.5
Net book value				
At 30 September 2017	2.4	19.3	37.8	59.5
At 30 September 2016	0.6	20.5	37.8	58.9

Goodwill

Goodwill relates to the acquisition of the Copthorn Holdings Group in April 2013 (£19.3m) and Millgate Developments in February 2014 (£18.5m). 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. Forecast revenue is based on a Board-approved five-year plan which takes into account current market trends and the Group's growth plans. Cash flow beyond the five-year period is extrapolated using a growth rate of 2 per cent per annum. 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.

Sensitivities

The recoverable value of both CGUs is substantially in excess of the carrying value of goodwill. Sensitivity analysis has been undertaken on each goodwill impairment review, by changing the discount rates, profit margins, growth rates and other variables applicable to each CGU. None of these sensitivities, either individually or combined, resulted in the recoverable amount of the goodwill being reduced to below its current carrying value.

Brand

Brand relates to both the Countryside brand (£13.5m), acquired as part of the Copthorn Holdings Group in 2013, and the Millgate brand (£10.7m), acquired as part of Millgate Developments Limited in 2014. Both brands have been valued using the income method and are being amortised over a useful economic life of 20 years.

Amortisation expense in respect of the Group's brands of £1.2m (2016: £1.2m) has been charged to administrative expenses.

Notes to the consolidated financial statements *continued*
For the year ended 30 September 2017

12. Property, plant and equipment

	Plant and machinery £m	Fixtures and fittings £m	Total £m
Cost			
At 1 October 2015	5.0	3.2	8.2
Additions	0.4	0.5	0.9
At 30 September 2016	5.4	3.7	9.1
Additions	0.4	0.4	0.8
At 30 September 2017	5.8	4.1	9.9
Accumulated depreciation			
At 1 October 2015	3.5	2.2	5.7
Depreciation charge for the year	0.5	0.2	0.7
At 30 September 2016	4.0	2.4	6.4
Depreciation charge for the year	0.6	0.3	0.9
At 30 September 2017	4.6	2.7	7.3
Net book value			
At 30 September 2017	1.2	1.4	2.6
At 30 September 2016	1.4	1.3	2.7

Depreciation expense of £0.9m (2016: £0.7m) has been charged to administrative expenses.

13. Investment in joint ventures

The Directors have aggregated disclosure of joint ventures' statements of financial position and income statements 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:

	Partnerships £m	Housebuilding £m	Group 2017 £m	Partnerships £m	Housebuilding £m	Group 2016 £m
Summarised statement of financial position:						
Non-current assets	—	0.8	0.8	—	0.1	0.1
Current assets	45.8	321.5	367.3	53.2	393.2	446.4
Cash	1.3	16.1	17.4	8.0	0.3	8.3
Current liabilities	(37.1)	(65.2)	(102.3)	(7.8)	(37.3)	(45.1)
Non-current liabilities	(2.2)	(163.4)	(165.6)	(40.5)	(261.4)	(301.9)
	7.8	109.8	117.6	12.9	94.9	107.8
Reconciliation to carrying amount:						
At 1 October	12.9	94.9	107.8	5.9	94.3	100.2
Profit for the year	21.3	35.0	56.3	13.2	24.0	37.2
Dividends paid	(27.5)	(21.7)	(49.2)	(6.2)	(21.2)	(27.4)
Capital contribution	—	—	—	—	2.7	2.7
Other movements	1.1	1.6	2.7	—	(2.6)	(2.6)
Disposal of joint venture	—	—	—	—	(2.3)	(2.3)
At 30 September	7.8	109.8	117.6	12.9	94.9	107.8
Summarised statement of comprehensive income:						
Revenue	115.7	240.3	356.0	73.3	138.2	211.5
Expenses	(94.4)	(198.2)	(292.6)	(59.4)	(104.7)	(164.1)
Operating profit	21.3	42.1	63.4	13.9	33.5	47.4
Finance cost	—	(3.0)	(3.0)	(0.7)	(6.1)	(6.8)
Income tax	—	(4.1)	(4.1)	—	(3.4)	(3.4)
Profit for the year	21.3	35.0	56.3	13.2	24.0	37.2
Group's share in per cent			50.0%			50.0%
Share of revenue			178.0			105.7
Share of operating profit			31.7			23.7
Dividends received by the Group			24.6			13.6
Investment in joint ventures			58.8			53.9

The aggregate amount due from joint ventures is £67.9m (2016: £84.5m). The amount due to joint ventures is £0.3m (2016: £0.3m). 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:

	2017 £m	2016 £m
At 1 October	53.9	50.1
Share of post-tax profit	28.1	18.6
Dividends paid	(24.6)	(13.6)
Other movements	1.4	(1.2)
At 30 September	58.8	53.9

Notes to the consolidated financial statements *continued*
For the year ended 30 September 2017

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	50.0	Housebuilding
Brenthall Park (Commercial) Limited	UK	50.0	Non-trading
Brenthall Park (Infrastructure) Limited	UK	50.0	Dormant
Brenthall Park (Three) Limited	UK	50.0	Dormant
Brenthall Park Limited	UK	50.0	Non-trading
Cambridge Medipark Limited	UK	50.0	Commercial
CBC Estate Management Limited	UK	50.0	Estate management
C.C.B. (Stevenage) Limited	UK	33.3	Non-trading
Countryside 27 Limited	UK	50.0	Commercial
Countryside L&Q (Oaks Village) LLP	UK	50.0	Housebuilding
Countryside Annington (Colchester) Limited (in liquidation)	UK	50.0	Housebuilding
Countryside Annington (Mill Hill) Limited	UK	50.0	Housebuilding
Countryside Properties (Accordia) Limited	UK	50.0	Non-trading
Countryside Properties (Booth Street 2) Limited	UK	39.0	Non-trading
Countryside Properties (Merton Abbey Mills) Limited	UK	50.0	Non-trading
Countryside Properties (Salford Quays) Limited	UK	50.0	Non-trading
Countryside Maritime Limited	UK	50.0	Housebuilding
Countryside Neptune LLP	UK	50.0	Housebuilding
Countryside Zest (Beaulieu Park) LLP	UK	50.0	Housebuilding
Greenwich Millennium Village Limited	UK	50.0	Housebuilding
iCO Didsbury Limited	UK	50.0	Commercial
Mann Island Estate Limited	UK	50.0	Estate management
Peartree Village Management Limited	UK	50.0	Dormant
Silversword Properties Limited	UK	50.0	Commercial
The Edge 1A Limited (in liquidation)	UK	39.0	Non-trading
Woolwich Countryside Limited	UK	50.0	Non-trading

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 the sale of serviced parcels of land, and for segmental purposes is disclosed within the Housebuilding division. It is accounted for using the equity method.

The Group's investment in its associate is represented by:

	2017 £m	2016 £m
Summarised statement of financial position:		
Non-current assets	—	1.5
Current assets	13.9	11.2
Cash	10.9	19.8
Current liabilities	(15.4)	(14.1)
Non-current liabilities	(0.4)	—
	9.0	18.4
Reconciliation to carrying amount:		
At 1 October	18.4	14.6
Profit for the year	5.4	3.8
Dividends paid	(14.8)	—
At 30 September	9.0	18.4
Summarised statement of comprehensive income:		
Revenue	17.4	17.7
Expenses	(10.7)	(12.0)
Operating profit	6.7	5.7
Finance income	—	0.1
Income tax	(1.3)	(2.0)
Profit for the year	5.4	3.8
Group's share in per cent	28.5%	28.5%
Share of revenue	5.0	5.0
Share of operating profit	1.9	1.6
Dividends paid	(4.2)	—
Investment in associate	2.6	5.2

The amount due from the associate is £Nil (2016: £Nil).

Transactions between the Group and its associate are disclosed in Note 27.

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

	2017 £m	2016 £m
Reconciliation to carrying amount:		
At 1 October	5.2	4.2
Share of post-tax profits	1.6	1.0
Dividends paid	(4.2)	—
At 30 September	2.6	5.2

The address of the registered office of the associate is Countryside House, The Drive, Brentwood, Essex CM13 3AT.

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For the year ended 30 September 2017

15. Available-for-sale financial assets

	2017 £m	2016 £m
At 1 October	8.7	10.5
Additions from acquisitions	—	0.5
Increase/(decrease) in fair value	0.2	(1.5)
Unwind of discount	0.7	0.7
Redemptions	(2.2)	(1.5)
At 30 September	7.4	8.7

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.

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 (2016: zero). The discount rate applied is 8.5 per cent (2016: 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 £0.1m (2016: £0.1m) 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 £0.4m (2016: £0.5m) and £0.4m (2016: £0.5m), 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

	2017 £m	2016 £m
Amounts due to be recovered within one year	2.8	1.8
Amounts due to be recovered after more than one year	—	1.5
	2.8	3.3

The movement in the year in the Group's net deferred tax position was as follows:

	Losses £m	Other £m	Total £m
At 1 October 2015	5.6	—	5.6
Charge to the income statement for the year	(3.2)	0.7	(2.5)
Amount transferred to the statement of changes in equity	—	0.2	0.2
At 30 September 2016	2.4	0.9	3.3
Charge to the income statement for the year	(1.5)	0.3	(1.2)
Amount transferred to the statement of changes in equity	—	0.7	0.7
At 30 September 2017	0.9	1.9	2.8

A deferred tax asset of £0.9m (2016: £2.4m) has been recognised in respect of unutilised losses where realisation of the related tax benefit through future taxable profits is probable. Deferred tax assets of £1.9m (2016: £0.4m) in respect of share-based payments, and £Nil (2016: £0.5m) in respect of other short-term timing differences 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 £1.2m on historical losses of £7.0m (2016: £1.3m on losses of £7.4m).

17. Inventories

	2017 £m	2016 £m
Development land and work in progress	598.4	550.6
Completed properties unlet, unsold or awaiting sale	68.7	33.0
	667.1	583.6

The value of inventories expensed during the year and included in cost of sales was £662.0m (2016: £523.7m). During the year inventories were written down through cost of sales by £1.0m (2016: £1.2m). During the year, impairment of inventories in previous years amounting to £0.5m (2016: £0.6m), has been reversed due to improved market conditions. During the year provisions of £1.7m (2016: £1.1m) were utilised as inventory was consumed.

Total provisions against inventory at 30 September 2017 were £4.8m (2016: £6.0m).

Interest incurred on deferred land purchases amounting to £Nil (2016: £0.9m) was capitalised during the year to inventories.

18. Construction contracts

	2017 £m	2016 £m
Contracts in progress at the reporting date:		
Amounts due from contract customers included in trade and other receivables	21.6	28.1
Retentions held by customers for contract work included in trade and other receivables	10.3	10.0
Revenue generated from contracting activities during the year	150.9	174.1
Advances received	17.7	18.6
Retentions payable to suppliers included in trade and other payables	22.6	16.9

19. Trade and other receivables

	2017 £m	2016 £m
Amounts falling due within one year:		
Trade receivables	21.5	12.9
Amounts recoverable on construction contracts	27.5	36.7
Amounts owed by joint ventures	67.9	84.5
Other taxation and social security	5.4	—
Other receivables	0.9	1.0
Prepayments and accrued income	15.6	12.8
	138.8	147.9
Amounts falling due in more than one year:		
Amounts recoverable on construction contracts	4.4	1.4
Trade receivables	8.5	9.4
	12.9	10.8
Total trade and other receivables	151.7	158.7

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 £1.3m (2016: £0.5m); however, none were impaired.

A provision of £8.0m (2016: £8.0m) has been made against amounts due from Countryside Neptune LLP, a joint venture, to reflect the Directors' view of the recoverability of this advance.

The other classes within trade and other receivables do not contain impaired assets.

Notes to the consolidated financial statements *continued*
For the year ended 30 September 2017

20. Cash and cash equivalents

	2017 £m	2016 £m
Cash and cash equivalents	77.4	38.3
Overdrafts	—	(26.3)
Net cash and cash equivalents	77.4	12.0

Cash and cash equivalents of £77.4m (2016: £38.3m) comprise cash and short-term deposits held, of which £74.5m (2016: £36.6m) is available to offset against loans drawn under the Group's revolving credit facility and overdrafts and £0.9m (2016: £Nil) is ring-fenced for specific developments. At the year end, all financial assets held were in Sterling.

Cash and cash equivalents available for offset

Within the revolving credit facility the Group has a £30m overdraft facility which can be drawn by any Group company which is in the pooling arrangement. Cash and overdrafts are presented on a gross basis in the statement of financial position.

21. Trade and other payables

	2017 £m	2016 £m
Amounts falling due within one year:		
Trade payables	137.8	99.3
Accruals and deferred income	107.0	71.4
Other taxation and social security	2.7	2.7
Other payables	4.1	3.8
Advances due to joint ventures	0.3	0.3
	251.9	177.5
Amounts falling due in more than one year:		
Trade payables	84.4	109.0
Total trade and other payables	336.3	286.5

Trade and other payables principally comprise amounts outstanding for trade purchases and land acquired on deferred terms. The Directors consider that the carrying amount of trade payables approximates to their fair value, as the impact of discounting is not significant. Land acquired on deferred payment terms is discounted using an interest rate of 3.4 per cent (2016: 6.0 per cent).

22. Provisions

	2017 £m	2016 £m
At 1 October	1.5	2.3
Provisions charged in the year	0.2	—
Provisions utilised during the year	(0.5)	(0.8)
Reclassification	1.4	—
At 30 September	2.6	1.5
Disclosed as current liabilities	0.6	0.8
Disclosed as non-current liabilities	2.0	0.7
	2.6	1.5

£1.0m (2016: £1.5m) 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. £1.4m has been reclassified from accruals during the year and relates to the Group's potential obligations to rectify dilapidations of office buildings.

23. Borrowings

	2017 £m	2016 £m
Bank loans	—	—
Bank loan and arrangement fees	—	—
	—	—

Bank loans

In May 2016, the Group signed a new £300m revolving credit facility with Lloyds Bank plc, Barclays Bank PLC, HSBC Bank plc and Santander UK plc. The agreement has a variable interest rate based on LIBOR and 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 £100m. This facility is subject to both financial and non-financial covenants and is secured by floating charges over all the Group's assets. In May 2017, the Group exercised the first option to extend the facility by a further year to May 2022.

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 in the prior year, the unamortised loan arrangement fee for the previous facility of £3.2m was expensed to the income statement as a non-underlying finance cost in 2016 (Note 6b). £2.8m of debt finance costs in 2016 were capitalised in relation to the new facility and a further £0.6m of debt finance costs were capitalised in relation to the May 2017 extension. At 30 September 2017, unamortised loan arrangement fees were £2.6m (2016: £2.5m) and £0.6m (2016: £0.8m) of debt finance costs are included in finance costs (Note 7). As the Group did not have any debt at 30 September 2017 or 30 September 2016, the unamortised loan arrangement fees are disclosed as a prepayment.

The Group has the following undrawn facilities:

	2017 £m	2016 £m
Floating rate:		
Expiring after more than one year	300	300

24. Reserves

(a) Share capital

	Number of shares		2017 £m	2016 £m
	2017 m	2016 m		
Allotted, issued and fully paid				
Ordinary shares of £0.01 each	450	450	4.5	4.5

(b) Reserves

Cumulative net gains and losses recognised in the income statement and statement of changes in equity.

	Retained earnings £m	Available-for-sale financial assets £m	Total reserves £m
At 1 October 2015	10.3	1.6	11.9
Profit for the year	61.1	—	61.1
Other comprehensive income	—	(1.5)	(1.5)
Share-based payment	3.2	—	3.2
Group reorganisation	513.2	—	513.2
At 30 September 2016	587.8	0.1	587.9
Profit for the year	117.2	—	117.2
Dividends	(30.6)	—	(30.6)
Other comprehensive income	—	0.2	0.2
Share-based payment	5.1	—	5.1
At 30 September 2017	679.5	0.3	679.8

Notes to the consolidated financial statements *continued*
For the year ended 30 September 2017

25. Notes to the cash flow statement

Reconciliation of operating profit to cash generated from operations

Note	2017 £m	2016 £m
Cash flows from operating activities		
Profit before taxation	141.7	78.7
Adjustments for:		
– Depreciation charge	12 0.9	0.7
– Amortisation charge	11 1.7	1.3
– Non-cash items	(1.2)	0.7
– Share of post-tax profit from joint ventures and associate	13, 14 (29.7)	(19.6)
– Share-based payment pre-tax	30 4.2	3.0
– Finance costs	7 10.7	27.3
– Impact of change in deferred land and overage payments	7 7.6	—
– Impairment of debt amortisation fees	6 —	3.2
– Finance income	8 (1.4)	(2.3)
– Profit on disposal of available-for-sale financial assets	(0.3)	(1.3)
Changes in working capital:		
– Increase in inventories	17 (3.9)	(38.5)
– Increase in trade and other receivables	19 (8.2)	(13.0)
– Decrease in trade and other payables	21 (45.0)	(54.2)
– Increase/(decrease) in provisions for liabilities and charges	22 1.1	(0.8)
Cash generated from/(used in) operations	78.2	(14.8)

Non-cash items

Non-cash items primarily relate to net inventory provision credit amounting to £0.5m (2016: expense of £0.6m).

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 2017 are presented below:

	Country of incorporation	Voting rights %	Principal activity
Direct investment			
Copthorn Holdings Limited	UK	100.0	Holding company
Indirect investment			
Alma Estate (Enfield) Management Company Limited	UK	100.0	Estate Management
Beaulieu Park Limited	UK	100.0	Dormant
Brenthall Park (One) Limited	UK	100.0	Dormant
Cliveden Village Management Company Limited	UK	100.0	Estate Management
Copthorn 2009 Limited (in liquidation)	UK	100.0	Dormant
Copthorn Finance Limited (in liquidation)	UK	100.0	Dormant
Copthorn Limited (in liquidation)	UK	100.0	Dormant
Countryside 26 Limited	UK	100.0	Housebuilding
Countryside 28 Limited	UK	100.0	Housebuilding
Countryside Build Limited	UK	100.0	Dormant
Countryside Cambridge One Limited	UK	100.0	Holding Land
Countryside Cambridge Two Limited	UK	100.0	Holding Land
Countryside Commercial & Industrial Properties Limited	UK	100.0	Dormant
Countryside Developments Limited	UK	100.0	Dormant
Countryside Eight Limited	UK	100.0	Dormant
Countryside Four Limited	UK	100.0	Holding Company

26. Investments *continued*

	Country of incorporation	Voting rights %	Principal activity
Countryside Investments Limited	UK	100.0	Dormant
Countryside Properties (Commercial) Limited	UK	100.0	Dormant
Countryside Properties (Holdings) Limited	UK	100.0	Holding Company
Countryside Properties (In Partnership) Limited	UK	100.0	Housebuilding
Countryside Properties (Joint Ventures) Limited	UK	100.0	Holding Company
Countryside Properties Land (One) Limited	UK	100.0	Holding Land
Countryside Properties Land (Two) Limited	UK	100.0	Holding Land
Countryside Properties (London & Thames Gateway) Limited	UK	100.0	Dormant
Countryside Properties (Northern) Limited	UK	100.0	Housebuilding
Countryside Properties (Southern) Limited	UK	100.0	Housebuilding
Countryside Residential (South Thames) Limited	UK	100.0	Dormant
Countryside Properties (Special Projects) Limited	UK	100.0	Dormant
Countryside Properties (Springhead) Limited	UK	100.0	Housebuilding
Countryside Properties (Uberior) Limited	UK	100.0	Housebuilding
Countryside Properties (UK) Limited	UK	100.0	Housebuilding
Countryside Residential Limited	UK	100.0	Dormant
Countryside Residential (South West) Limited	UK	100.0	Dormant
Countryside Seven Limited	UK	100.0	Dormant
Countryside Sigma Limited	UK	74.9	Housebuilding
Countryside Thirteen Limited	UK	100.0	Housebuilding
Countryside (UK) Limited	UK	100.0	Dormant
Dunton Garden Suburb Limited	UK	100.0	Land Promotion
Knight Strategic Land Limited	UK	100.0	Land Promotion
Harold Wood Management Limited	UK	100.0	Estate Management
Lakenmoor Ltd	UK	100.0	Dormant
Mandeville Place (Radwinter) Management Limited	UK	100.0	Estate Management
Millgate Developments Limited	UK	100.0	Housebuilding
Millgate Homes Limited	UK	100.0	Dormant
Millgate Homes UK Limited	UK	100.0	Dormant
Millgate (UK) Holdings Limited	UK	100.0	Holding Company
Newhall Land Limited	UK	100.0	Housebuilding
Oaklands Hamlet Resident Management Limited	UK	100.0	Estate Management
Skyline 120 Management Limited	UK	100.0	Estate Management
Skyline 120 Nexus Management Limited	UK	100.0	Estate Management
Springhead Resident Management Company Limited	UK	100.0	Estate Management
South at Didsbury Point Two Management Limited	UK	100.0	Estate Management
Trinity Place Residential Management Company Limited	UK	100.0	Estate Management
Urban Hive Hackney Management Limited	UK	100.0	Estate Management
Wychwood Park Golf Club Limited	UK	100.0	Dormant
Wychwood Park (Holdings) Limited	UK	100.0	Estate Management
Wychwood Park (Management) Limited	UK	100.0	Estate Management

All subsidiaries are fully consolidated, after eliminating intergroup transactions. The address of the registered office of all the subsidiaries is Countryside House, The Drive, Brentwood, Essex CM13 3AT. The non-controlling interest relates to Countryside Sigma Limited.

Notes to the consolidated financial statements *continued*

For the year ended 30 September 2017

27. Related party transactions

Transactions with Group joint ventures and associate

	Joint ventures		Associate	
	2017 £m	2016 £m	2017 £m	2016 £m
Sales during the year	24.0	26.2	1.1	0.7
At 1 October	84.2	62.1	—	—
Net (repayments)/advances during the year	(16.6)	22.1	—	—
At 30 September	67.6	84.2	—	—

Included within the advances movement are non-cash items of £(0.7)m (2016: £(0.7)m) relating to deferred revenue and £1.1m (2016: £(1.3)m) relating to joint ventures reporting net liabilities.

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 and services to related parties were made at the Group's usual list prices. No purchases were made by the Group from its joint ventures or associate. The amounts outstanding ordinarily bear no interest and will be settled in cash.

Remuneration of key management personnel

The aggregate remuneration of the Executive Committee, who are considered to be key management personnel of the Group, was £7.1m (2016: £6.1m). During the year, the Executive Committee was expanded as described on page 44.

Transactions with key management personnel

In 2014, properties were sold at market value by the Group to parties related to key management personnel who continue to lease them back to the Group. Payments under those leases were made to the individuals as follows:

- Close family members of Ian Sutcliffe received £17,250 (2016: £17,250).
- A company of which Graham Cherry, a member of the Group's Executive Committee, is a Director and shareholder received £21,000 (2016: £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.

In 2016, 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 (2016: 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 £m	Available for sale £m	Total £m
2017			
Assets			
Available-for-sale financial assets	—	7.4	7.4
Trade and other receivables	61.9	—	61.9
Amounts due from associate and joint ventures	67.9	—	67.9
Cash and cash equivalents	77.4	—	77.4
	207.2	7.4	214.6
2016			
Assets			
Available-for-sale financial assets	—	8.7	8.7
Trade and other receivables	60.4	—	60.4
Amounts due from associate and joint ventures	84.5	—	84.5
Cash and cash equivalents	38.3	—	38.3
	183.2	8.7	191.9

28. Financial instruments *continued*

	Other financial liabilities at amortised cost £m
2017	
Liabilities	
Overdrafts	—
Trade and other payables (excluding non-financial liabilities)	229.0
Amount due to joint ventures	0.3
	229.3
2016	
Liabilities	
Overdrafts	26.3
Trade and other payables (excluding non-financial liabilities)	214.9
Amount due to joint ventures	0.3
	241.5

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 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 (2016: zero). The discount rate applied was 8.5 per cent (2016: 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 following table presents the Group's assets that are measured at fair value at 30 September:

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
2017				
Assets				
Available-for-sale financial assets	—	—	7.4	7.4
2016				
Assets				
Available-for-sale financial assets	—	—	8.7	8.7

There were no transfers between levels during the year.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

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). 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.

Notes to the consolidated financial statements *continued*
For the year ended 30 September 2017

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 £m	One to two years £m	Two to five years £m	Over five years £m	Total £m
2017					
Assets					
Cash and cash equivalents	77.4	—	—	—	77.4
Available-for-sale financial assets	0.9	2.3	4.9	5.8	13.9
Trade and other receivables	69.5	10.8	2.5	—	82.8
Amounts due from joint ventures and associate	67.9	—	—	—	67.9
	215.7	13.1	7.4	5.8	242.0
2017					
Liabilities					
Overdrafts	—	—	—	—	—
Trade and other payables	253.3	50.3	38.2	0.3	342.1
Amounts due to joint ventures	0.3	—	—	—	0.3
Provisions	0.6	1.4	0.6	—	2.6
	254.2	51.7	38.8	0.3	345.0
2016					
Assets					
Cash and cash equivalents	38.3	—	—	—	38.3
Available-for-sale financial assets	—	1.1	6.0	9.1	16.2
Trade and other receivables	49.6	5.9	4.7	0.2	60.4
Amounts due from joint ventures and associate	84.5	—	—	—	84.5
	172.4	7.0	10.7	9.3	199.4
2016					
Liabilities					
Overdrafts	26.3	—	—	—	26.3
Trade and other payables	102.2	48.8	75.8	1.6	228.4
Amounts due to joint ventures	0.3	—	—	—	0.3
Provisions	0.8	0.5	0.2	—	1.5
	129.6	49.3	76.0	1.6	256.5

Cash and cash equivalents includes £74.5m (2016: £36.6m), which is available for offset against loans drawn under the Group's revolving credit facility and overdrafts.

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 2017 it is estimated that an increase by 0.5 per cent in interest rates would have decreased the Group's profit before tax by £0.4m (2016: £0.7m).

29. Financial risk management *continued*

Interest rate risk *continued*

The following table sets out the interest rate risk associated with the Group's financial liabilities at 30 September 2017:

	Fixed rate £m	Floating rate £m	Non-interest bearing £m	Total £m
2017				
Liabilities				
Bank loans and finance cost	—	—	—	—
Trade and other payables	—	—	229.0	229.0
Amounts due to joint ventures	—	—	0.3	0.3
	—	—	229.3	229.3
2016				
Liabilities				
Bank loans and finance cost	—	26.3	—	26.3
Trade and other payables	32.2	—	182.7	214.9
Amounts due to joint ventures	—	—	0.3	0.3
	32.2	26.3	183.0	241.5

The financial assets of the Group amounting to £215.7m (2016: £191.9m) with the exception of cash and cash equivalents amounting to £77.4m (2016: £38.3m) 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.

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.

	2017 £m	2016 £m
Total borrowings	—	—
Less: cash and cash equivalents available for offset	—	—
Net borrowings	—	—
Total equity	685.2	592.9
Total capital	685.2	592.9

Notes to the consolidated financial statements *continued*

For the year ended 30 September 2017

30. Share-based payments

The Group recognised £5.1m (2016: £3.0m) of employee costs related to share-based payment transactions during the financial year. A deferred tax asset of £1.9m (2016: £0.4m) was recognised in relation to these transactions, of which £0.8m (2016: £0.2m) was credited to the income statement and £0.7m (2016: £0.2m) was credited directly to equity.

National Insurance contributions are payable in respect of certain share-based payment transactions and are treated as cash-settled transactions. The cost of these contributions is included within the share-based payment expense. At 30 September 2017, the carrying amount of National Insurance contributions payable was £1.2m (2016: £0.2m), which was recognised in the consolidated statement of financial position within accruals.

The Group operated a number of share-based payment schemes during the financial year (all of which are equity-settled) as set out below:

(a) Savings-Related Share Option Scheme (“SRSOS”)

The Group operates an SRSOS, which is open to all employees with more than three months' continuous service. This is a UK tax-advantaged “SAYE” plan.

Under the SAYE, eligible participants are granted options over such number of shares as determined by reference to their monthly savings contract over three years. Participants remaining in the Group's employment at the end of the three-year savings period are entitled to use their savings to purchase shares in the Company at a stated exercise price (set at a discount of up to 20 per cent of the share price on the day preceding the date of grant).

Employees leaving for certain reasons are able to use their savings to purchase shares within six months of their cessation of employment.

At 30 September 2017, employees held 760 three-year savings contracts (2016: 650) in respect of options over 3.0 million shares (2016: 2.8 million). 254 employees subscribed to the December 2016 offer, representing a participation rate of 23 per cent of eligible employees (February 2016: 691 employees, 70 per cent). The reduction in the participation rate was due to the high number of employees subscribing for the maximum allowed amount in February 2016. A reconciliation of option movements is shown below.

Options granted during the year were valued using the Black Scholes option-pricing model. No performance conditions or assumptions regarding service were included in the fair value calculations. The fair value per option granted during the year and the assumptions used in the calculation are detailed in the table below.

Date of grant	22 December 2016	16 March 2016
Options granted (millions)	0.8	3.0
Share price at date of grant (pence)	236	240
Exercise price (pence)	192	192
Volatility (per cent)	28	29
Option life (years)	3	3
Expected dividend yield (per cent)	3.0	3.0
Risk-free rate (per cent)	1.0	1.0
Fair value per option – Black Scholes (pence)	55	57
	Instruments m	Instruments m
Movements in the year		
Options outstanding at 1 October 2015	—	—
Granted	—	3.0
Lapsed	—	—
Forfeited	—	(0.2)
Options outstanding at 30 September 2016	—	2.8
Granted	0.8	—
Lapsed	—	(0.1)
Forfeited	(0.1)	(0.4)
Outstanding at 30 September 2017	0.7	2.3

The resulting fair value is expensed over the service period of three years, on the assumption that 45 per cent of options will lapse over the service period as employees leave the Company based on the Group's experience of employee attrition rates.

As the first two awards of options under the scheme were made in the current and prior years, none of the options are currently exercisable. The weighted average remaining contractual life of share options outstanding at 30 September 2017 was 1.6 years (2016: 2.4 years).

30. Share-based payments *continued*

(b) Long Term Incentive Plan (“LTIP”)

Under the LTIP, shares are conditionally awarded to senior managers of the Company. The core awards are calculated as a percentage of the participants' salaries and scaled according to grade. The awards granted in 2016 and 2017 are assessed against ROCE, TNAV and relative TSR. Straight line vesting will apply if performance falls between two thresholds. Performance will be measured at the end of the three-year performance period. If the required level of performance has been reached, the awards vest and the shares under award will be released. Dividends do not accrue on the shares that vest.

The weighted average remaining contractual life of LTIP awards outstanding at 30 September 2017 was 1.8 years. Details of the shares conditionally allocated at 30 September 2017 are set out below.

The conditional shares were valued using the following methods:

- for the non-market-based elements of the award, a combination of a Black Scholes option-pricing model; and
- for the relative TSR elements of the award, a Monte Carlo simulation model.

The key assumptions underpinning the Black Scholes option-pricing model and Monte Carlo simulation model are set out in the table below.

Date of grant	22 May 2017	15 December 2016	18 February 2016
Awards granted (millions)	0.2	3.7	3.8
Share price at date of grant (pence)	299	236	237
Exercise price (pence)	nil	nil	nil
Volatility (per cent)	28	28	29
Award life (years)	3	3	3
Expected dividend yield (per cent)	3.0	3.0	3.0
Risk-free rate (per cent)	1.0	1.0	1.0
Fair value per conditional share – Black Scholes (pence)	255	216	219
Fair value per conditional share – Monte Carlo (pence)	153	132	140
	Instruments	Instruments	Instruments
	m	m	m
Movements in the year			
Awards outstanding at 1 October 2015	—	—	—
Granted	—	—	3.8
Lapsed	—	—	(0.2)
Awards outstanding at 30 September 2016	—	—	3.6
Granted	0.2	3.7	—
Lapsed	—	(0.3)	(0.2)
Awards outstanding at 30 September 2017	0.2	3.4	3.4

No awards under the plan have vested.

(c) Deferred Bonus Plan (“DBP”)

Under the DBP, certain senior managers and Directors of the Company receive one-third of their annual bonus entitlement as a conditional share award. The number of shares awarded is calculated by dividing the value of the deferred bonus by the average mid-market share price on the three business days prior to grant. The shares vest after three years subject to the employee remaining in the employment of the Group. If an employee leaves during the three-year period, the shares are forfeited except in certain circumstances as set out in the Plan rules.

The fair value of the awards is equal to the share price on the date of grant. The fair value is expensed to the income statement in a straight line over four years, being the year in which the bonus is earned and the three-year holding period.

During the year, 0.5 million shares were conditionally allocated on 15 December 2016 (2016: nil) with the share price on the date of grant being £2.42. A reconciliation of the number of shares conditionally allocated is shown below:

	2017 Number of shares m
Outstanding at the beginning of the year	—
Granted	0.5
Forfeited	—
Exercised	—
Expired	—
Outstanding at the end of the year	0.5

Notes to the consolidated financial statements *continued*

For the year ended 30 September 2017

30. Share-based payments *continued*

(d) Legacy Management Incentive Plan (“MIP”)

Prior to IPO, Ian Sutcliffe and Rebecca Worthington participated in the MIP 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. 36.5m shares vested under the awards. The residual shareholding for Ian Sutcliffe and Rebecca Worthington at 30 September 2017 is disclosed as part of the total shareholding in the Directors’ Remuneration Report.

31. Operating lease commitments

The Group has various leases under non-cancellable operating lease agreements. The lease terms are between one and 20 years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

The Group also leases various vehicles, under cancellable lease agreements. The Group is required to give a six-month notice for termination of these agreements. The 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:

	2017 £m	2016 £m
Within one year	4.3	4.0
Later than one year and less than five years	7.2	8.5
After five years	2.4	1.6
	13.9	14.1

32. Capital commitments

The Group was not committed to the purchase of any property, plant and equipment or software intangible assets at 30 September 2017 (2016: £Nil).

33. Parent company guarantees

The Group has made parent company guarantees to its joint ventures and associate in the ordinary course of business.

The Group has entered into counter indemnities to banks, insurance companies, statutory undertakings and the National House Building Council in the ordinary course of business, including those in respect of joint venture partners from which it is anticipated that no material liabilities will arise.

34. Litigation and claims

The Group is subject to various claims, audits and investigations that have arisen in the ordinary course of business. These matters include but are not limited to employment and commercial matters. The outcome of all of these matters is subject to future resolution, including the uncertainties of litigation. Based on information currently known to the Group and after consultation with external lawyers, the Directors believe that the ultimate resolution of these matters, individually and in aggregate, will not have a material adverse impact on the Group’s financial condition.

35. Dividend

The following dividends have been recognised as distributions in the year:

	2017 £m	2016 £m
Prior year final dividend per share of 3.4 pence (2016: £Nil)	15.3	—
Current year interim dividend per share of 3.4 pence (2016: £Nil)	15.3	—
	30.6	—

The Board of Directors recommend a final dividend of 5.0 pence per share, amounting to a total dividend of £22.5m (2016: £15.3m) which will be paid on 9 February 2018 to shareholders on the register on 22 December 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 2017.

Parent company statement of financial position

As at 30 September 2017

	Notes	2017 £m	2016 £m
Fixed assets			
Investments	4	727.0	727.1
Current assets			
Debtors	5	74.7	87.5
Cash and cash equivalents		0.6	—
Creditors: amounts falling due within one year	6	(99.7)	(83.2)
Net current (liabilities)/assets		(24.4)	4.3
Total assets less current liabilities		702.6	731.4
Capital and reserves			
Retained earnings:			
At 1 October		726.9	—
Loss for the year		(2.6)	(11.2)
Dividends paid		(30.6)	—
Other changes in retained earnings		4.4	738.1
		698.1	726.9
Called up share capital	7	4.5	4.5
Total equity		702.6	731.4

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 21 November 2017 and are signed on its behalf by:

Ian Sutcliffe
Director

Rebecca Worthington
Director

Company Registration No. 09878920

Parent company statement of changes in equity
For the year ended 30 September 2017

	Called up share capital £m	Profit and loss account £m	Total equity £m
At 18 November 2015	—	—	—
Period ended 30 September 2016:			
Loss for the period	—	(11.2)	(11.2)
Total comprehensive income for the period	—	(11.2)	(11.2)
Group reorganisation	4.5	738.1	742.6
At 30 September 2016	4.5	726.9	731.4
Loss for the year	—	(2.6)	(2.6)
Dividends paid	—	(30.6)	(30.6)
Total comprehensive expense for the year	4.5	(33.2)	(33.2)
Share-based payment expense	—	4.4	4.4
At 30 September 2017	4.5	698.1	702.6

Notes to the parent company financial statements

For the year ended 30 September 2017

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Strategic report

Governance

Financial statements

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.

The Company was incorporated as part of the Group's reorganisation before IPO, further details of which can be found in Note 1 of the Group financial statements on page 88. 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 year was £2.6m (2016: £11.2m from the period from incorporation to 30 September 2016).

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 24 of the Group financial statements including the impact of certain sensitivities.

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.

1.5 Financial instruments

Fair value measurement of financial instruments

The Company has adopted IAS 39 'Recognition and Measurement of Financial Instruments'.

Financial assets

Financial assets which primarily represent loans to subsidiary companies and cash are initially recognised at fair value.

Borrowings

Interest-bearing bank loans and overdrafts are recorded initially at their fair value, net of direct transaction costs. Borrowings are subsequently carried at their amortised cost and loan arrangement fees are amortised over the term of the instrument. Finance costs associated with each individual drawdown are expensed over the period of that drawdown.

Borrowings are classified as non-current liabilities unless the Group has an unconditional right to defer settlement of the liability until the end of the term of the agreement. Further details of the Company's bank loans can be found in Note 24 of the Group financial statements.

Notes to the parent company financial statements *continued*

For the year ended 30 September 2017

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1. Accounting policies *continued*

1.6 Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the Company.

1.7 Taxation

Current taxation

Income tax for the years presented comprises current and deferred tax.

The current tax payable is based on taxable profit for the period which differs from accounting profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and those items never taxable or deductible. The Group's liability for current tax is measured using tax rates that have been enacted or substantively enacted by the reporting date.

1.8 Dividend

Dividend distributions to Countryside Properties PLC shareholders are recognised in the Company's financial statements in the periods in which the final dividends are approved in the Annual General Meeting, or when paid in the case of an interim dividend.

1.9 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction from the proceeds.

1.10 Related parties

The Group discloses transactions with related parties 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.

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 year ended 30 September 2017.

3. Operating loss

The Company had no employees during the year (2016: none).

Director's emoluments are disclosed in note 5 of the Group financial statements.

Details of the audit and tax fees can be found in note 6 of the Group financial statements.

4. Investments

	2017 £m	2016 £m
At 1 October	727.1	727.1
Disposals	(0.1)	—
At 30 September	727.0	727.1

Details of the Company's subsidiaries at 30 September 2017 are included in Note 27 of the Group financial statements.

5. Debtors

Amounts falling due within one year:

	2017 £m	2016 £m
Trade debtors	—	—
Amounts owed by Group undertakings	70.3	83.7
Corporation tax recoverable	1.8	1.2
Prepayments and accrued income	2.6	2.6
	74.7	87.5

The amounts owed by Group undertakings to the Company are unsecured, repayable on demand and non-interest bearing.

6. Creditors: amounts falling due within one year

Amounts falling due within one year:

	2017 £m	2016 £m
Amounts owed to group undertakings	99.2	56.4
Accruals and deferred income	0.5	0.5
Bank loans and overdrafts	—	26.3
	99.7	83.2

The amounts owed by Group undertakings to the Company are unsecured, repayable on demand and non-interest bearing.

Bank loans

In May 2016, the Company signed a new £300m revolving credit facility with Lloyds Bank plc, Barclays Bank PLC, HSBC Bank plc and Santander UK plc, which was extended by one year in May 2017. Further details of this facility are disclosed in Note 24 of the Group financial statements.

Cash and cash equivalents available for offset

Within the revolving credit facility the Group has a £30m overdraft facility which can be drawn by any Group company which is in the pooling arrangement.

7. Called up share capital

	2017			2016		
	Number of shares	Called up share capital £m	Share premium £m	Number of shares	Share capital £m	Share premium £m
Issued, called up and fully paid						
At 1 October	450,000,000	4.5	—	—	—	—
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	450.0	72.2
Capital reduction	—	—	—	—	(445.5)	(72.2)
At 30 September	450,000,000	4.5	—	450,000,000	4.5	—

Notes to the parent company financial statements *continued*

For the year ended 30 September 2017

8. Commitments and contingent liabilities

Parent company guarantee

The Company has made parent company guarantees to its associate and joint ventures in the ordinary course of business.

The Company has entered into counter indemnities to banks, insurance companies, statutory undertakings and the National House Building Council in the normal course of business, including those in respect of joint venture partners from which it is anticipated that no material liabilities will arise.

9. Dividends

The following dividends have been recognised as distributions in the year/period:

	2017 £m	2016 £m
Prior year final dividend per share of 3.4 pence (2016: £Nil)	15.3	—
Current year interim dividend per share of 3.4 pence (2016: £Nil)	15.3	—
	30.6	—

The Board of Directors recommend a final dividend of 5.0 pence per share, amounting to a total dividend of £22.5m, which will be paid on 9 February 2018 to shareholders on the register on 22 December 2018, 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 2017.

Shareholder information

Financial calendar 2018

Ex-dividend date	21 December 2017
Record date	22 December 2017
Payment of final dividend	9 February 2018
Annual General Meeting	25 January 2018
Trading update	25 January 2018

Five-Year Summary

	2017	2016	2015	2014	2013
Adjusted revenue	£1,028.8m	£777.0m	£615.8m	£468.7m	£307.6m
Adjusted operating profit	£164.1m	£122.5m	£91.2m	£47.1m	£26.2m
Adjusted operating margin	16.0%	15.8%	14.8%	10.0%	8.5%
Reported revenue	£845.8m	£671.3m	£547.5m	£452.8m	£277.0m
Reported operating profit	£128.9m	£87.3m	£67.9m	£42.2m	£17.0m
Reported operating margin	15.2%	13.0%	12.4%	9.3%	6.1%
Return on capital employed	30.5%	26.8%	24.7%	15.6%	10.4%
Tangible net asset value	£627.0m	£537.4m	£329.0m	£287.8m	£221.7m
Completions	3,389	2,657	2,364	2,044	1,591
Private average selling price	£430,000	£465,000	£385,000	£329,000	£258,000
Sales rates	0.84	0.78	0.76	0.89	0.96
Open sales outlets	47	43	29	26	15
Forward sales	£242.4m	£225.4m	£137.5m	£137.3m	£49.2m
Land bank	34,581	27,204	26,213	23,990	23,495

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designportfolio



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