



COUNTRYSIDE
Places People Love



Places People Love

CountrySide Properties PLC Annual report 2020



COUNTRYSIDE'S PURPOSE

TO CREATE PLACES WHERE PEOPLE LOVE TO LIVE, WITH SUSTAINABLE COMMUNITIES BUILT TO LAST

WHY WE ARE HERE

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

WHAT WE DO

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

WHO WE ARE

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

HOW WE DO IT

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



Fresh Wharf, Barking

Photography is pre-Covid-19

Communities



Engaging with our communities is critical to creating places people love.

See page 7



Communities Fund charity support

Government



Government policy and regulations have a significant impact on the homebuilding industry.

See page 15



St. Michael's Hurst, Bishop's Stortford

Customers



Delivering high levels of customer satisfaction is at the heart of what we do.

See page 27



Mat and Bart, buyers at Belmont Place, Wigan

Partners



We seek to create enduring relationships with our partners.

See page 37



Rochester Riverside, Kent

Suppliers



Our suppliers help us build our homes to the high-quality standards our customers expect.

See page 41



Customers at Beaulieu Keep, Chelmsford

Employees



Our employees are the backbone of our organisation.

See page 50



David Coles, employee

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SIGNIFICANT IMPACT FROM COVID-19

- Completions¹ down 29% to 4,053 homes (2019: 5,733 homes)
- Private average selling price ("ASP") broadly flat at £364,000 (2019: £367,000)
- Net reservation rate at upper end of target range at 0.78 (2019: 0.84)²
- Average open sales outlets up 12% to 63 (2019: 56)
- Total forward order book up 23% to £1,432m (2019: £1,166m)
- Adjusted basic earnings per share of 7.4 pence (2019: 40.8 pence)
- Successful placing of 74.6m new ordinary shares in July 2020, raising gross proceeds of £250m

REPORTED MEASURES

- Reported revenue down 28% to £892.0m (£1,237.1m)
- Reported operating loss of £5.4m (2019: £170.4m profit)
- Net cash of £98.2m (2019: £73.4m)
- Basic (loss)/earnings per share of (0.8) pence (2019: 37.7 pence)

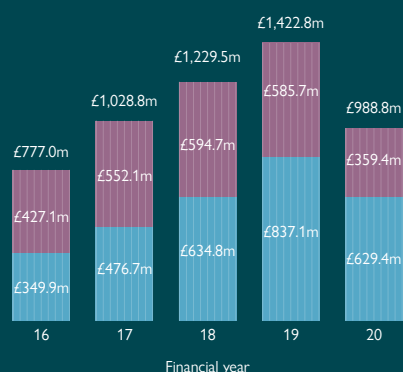
NON-FINANCIAL MEASURES

- Total land bank increased to 53,118 plots (2019: 49,000 plots)
- Accident Injury Incident Rate ("AIIR") of 224 (2019: 227)⁷
- NHBC Recommend a Friend score of 90.6% (2019: 92.5%)
- NHBC Reportable Items of 0.22 per inspection (2019: 0.21)

Adjusted revenue³ £m

£988.8m

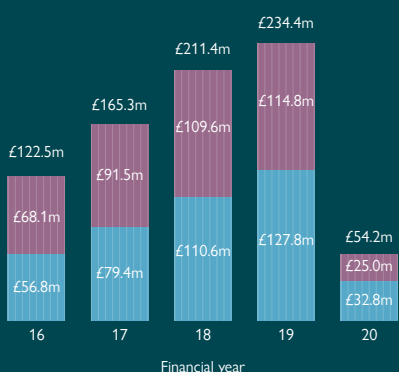
Change since 2019: -31%



Adjusted operating profit⁴ £m

£54.2m

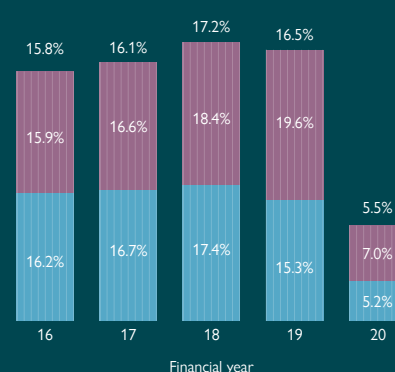
Change since 2019: -77%



Adjusted operating margin⁴ %

5.5%

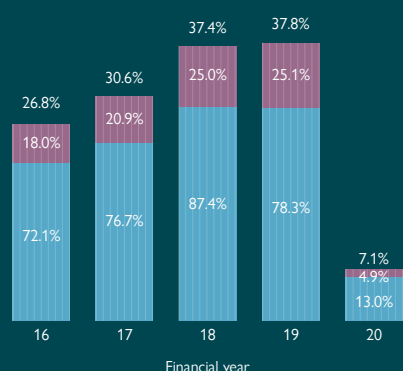
Change since 2019: -1,100bps



Return on capital employed⁵ %

7.1%

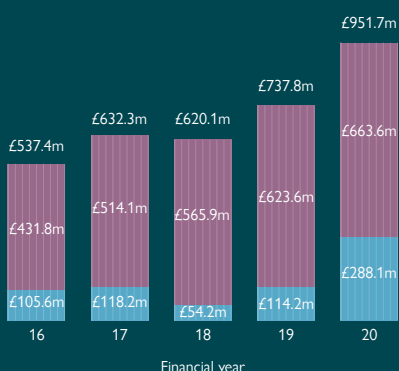
Change since 2019: -3,070bps



Tangible net asset value⁶ £m

£951.7m

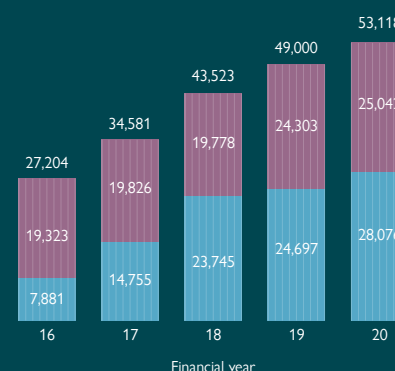
Change since 2019: +29%



Land bank # plots

53,118

Change since 2019: +8%



■ Housebuilding ■ Partnerships

1. Completions include the Group's share of completions from joint ventures. Affordable and PRS completions are calculated on a percentage completion basis based on work completed at the balance sheet date.
 2. Including bulk sales (multiple private homes sold in bulk to a third party such as a housing association or PRS provider) the net reservation rate was 0.78 (2019: 0.95).
 3. Adjusted revenue includes the Group's share of revenue from joint ventures and associate of £96.8m (2019: £185.7m; 2018: £210.9m; 2017: 183.0m; 2016: £105.7m).
 4. Adjusted operating profit includes the Group's share of operating profit from joint ventures and associate of £17.2m (2019: £46.8m; 2018: £46.4m; 2017: £33.6m; 2016: £25.3m) and excludes non-underlying items of £(42.4)m (2019: £(17.2)m; 2018: £(15.7)m; 2017: £2.8m; 2016: £9.9m). Divisional adjusted operating profit excludes Group items of £(3.6)m (2019: £(8.2)m; 2018: £(8.8)m; 2017: £(5.6)m; 2016: £(1.1)m).
 5. Return on capital employed ("ROCE") is calculated as adjusted operating profit divided by average tangible net operating asset value ("TNOAV"). TNOAV is calculated as tangible net asset value excluding net cash.
 6. Tangible net asset value is calculated as net assets excluding intangible net assets net of deferred tax.
 7. The number of accidents per 100,000 people at risk during the year.



READY FOR FURTHER GROWTH

Our mixed-tenure model will help us recover quickly from the Covid-19 pandemic and drive our future growth.



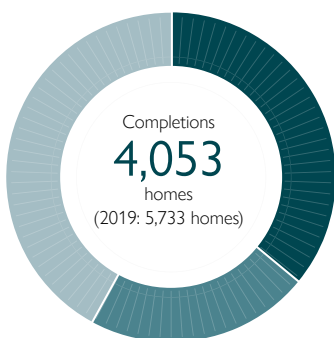
BUSINESS MODEL FOCUSED ON MIXED-TENURE DELIVERY

Adjusted operating profit¹

£54.2m

(2019: £234.4m)

Our business has two differentiated divisions and a clear strategy for growth over the medium term. Our lower capital Partnerships division is aligned to Government policy, delivering mixed-tenure homes through estate regeneration and developing brownfield land. The opportunities for this division are significant and will drive our future growth. In Housebuilding, we combine our placemaking expertise with an industry-leading strategic land bank, embedding stronger margins and cash generation. We remain the UK's only major housebuilder for which private for sale homes comprise less than half of total completions. This allows us to develop sites more quickly, providing much-needed high quality homes, and creates a sense of place much earlier in a development.



■ Private 1,454 ■ PRS 908 ■ Affordable 1,691



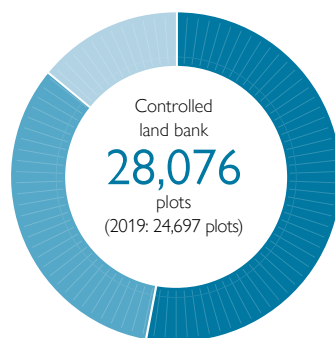
STRONG TRACK RECORD OF WINNING NEW PARTNERSHIPS BUSINESS

Adjusted operating profit¹

£32.8m

(2019: £127.8m)

Our Partnerships division specialises in urban regeneration of public sector land, delivering private, affordable and private rented sector ("PRS") homes in partnership with local authorities and housing associations. It also develops brownfield land in the Midlands, the North West of England and Yorkshire. This model is more agile and therefore resilient, as well as less capital intensive than traditional housebuilding, delivering superior returns through the cycle. We have a strong track record and good relationships with local authorities having delivered more projects than anyone else in the sector over the past 40 years. Our reputation for placemaking and urban regeneration positions us well and during the year we added a further 11,374 plots to our pipeline despite the disruption caused by Covid-19. We have a strong platform to grow this division further funded by our recent equity placing and we have over nine years' visibility of future work (based on 2019 volumes).



■ South 14,864 ■ North 9,316 ■ Midlands 3,896



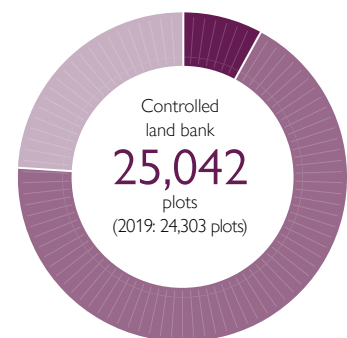
LEADING STRATEGIC LAND BANK AND PLACEMAKING SKILLS

Adjusted operating profit¹

£25.0m

(2019: £114.8m)

Our Housebuilding division delivers high quality homes aimed at local owner occupiers. It develops private and affordable homes on land owned or controlled by the Group, located in outer London and the Home Counties. Our strategic land bank is industry leading and gives us significant visibility over our medium-term delivery with the added benefit of flexibility. Only 24% of our land bank is owned, equivalent to approximately four years' worth of supply, with the rest controlled or under option, which gives us balance sheet efficiency and flexibility to react to market conditions. With 82% of our land sourced strategically we have good visibility of a pipeline which will enable us to return the business to its pre-Covid scale over the medium term.



■ Controlled 1,878 ■ Option 17,125 ■ Owned 6,039

¹ Adjusted operating profit includes the Group's share of operating profit from joint ventures and associate of £17.2m (2019: £46.8m) and excludes non-underlying items of £(42.4)m (2019: £(17.2)m). Divisional adjusted operating profit excludes Group items of £(3.6)m (2019: £(8.2)m).

RESILIENT BUSINESS MODEL SUPPORTING OUR COMMUNITIES

Since the impact of Covid-19 began in March 2020, we have responded to the needs of all our stakeholders whilst ensuring that our business remains resilient for the long term. Our priority through this period has been to focus on the safety and wellbeing of our employees, customers, supply chain and other partners.

ORGANISING OUR RESPONSE

As the impact of the Covid-19 pandemic became clear, our Executive Committee met daily to make key operational and financial decisions as the situation rapidly developed. We also held weekly Board briefings to ensure the Non-Executive Directors were kept informed of developments.

To ensure we had good two-way communication between the Executive Committee and the business, we set up a Covid-19 working group involving key employees from across the business with representatives from employee, customer and supplier-facing functions to health and safety, finance, IT and facilities. This allowed us to focus on the immediate priorities in dealing with the impact of Covid-19 on our business.

We have continued to refine our contingency plans to plan our response to a range of developments such as further local or national lockdowns. These will ensure our business remains agile and that we are well placed to adapt to changing conditions.

“

The wellbeing of our employees, amongst other stakeholder groups, has been our utmost priority through the crisis.”



OUR PEOPLE

- The wellbeing of our employees, amongst other stakeholder groups, has been our utmost priority through the crisis.
- Sales offices, construction sites, factories and regional offices closed on 25 March 2020 while adjustments to the workplaces and procedures were made to ensure social distancing.
- Office-based employees were supported with the transition to home working with minimal disruption to the business.
- A new set of standard operating procedures was implemented based on guidance from the Construction Leadership Council, designed to allow the safe operation of sites and factories whilst complying with Government and Public Health England guidance on social distancing. Measures taken include the provision of additional site welfare facilities and car parking and the introduction of Site Compliance Officers to ensure our procedures are adhered to.
- Pay and benefits were maintained for all staff placed on leave in April and May to ensure that they were in the best possible position to resume work when required. We did not participate in the Government's Job Retention Scheme.
- We maintained good communication with our employees during what has been an uncertain time for them and their families including regular emails from the Group Chief Executive and Executive Committee.
- Regular Group-wide communications were sent to employees' homes including guides to home working and mental health.
- Mental Health First Aiders and an Employee Assistance Programme were available to all employees.
- We maintained momentum with our culture transformation programme seeking views from employees and updating our plans in response to the changing environment.

 [Read more in Stakeholder Engagement on pages 30 to 33 and Our People on pages 46 to 50](#)



Customer service at Wolsey Park, Rayleigh



Customer service at Beam Park, Dagenham



OUR CUSTOMERS

- We understand that Covid-19 has affected the lives of everyone including our customers and we have assisted customers wherever we can.
- This included increasing the frequency of communications with customers through all parts of the customer journey from reservation to those who had recently moved into their new homes.
- We increased our online presence with both new and existing customers, which included conducting customer visits by video conference, as well as a number of virtual home tours.
- We extended our new homes warranty by three months to reflect the period when we could not attend customers' homes in person.
- We put measures in place to ensure our customers remained safe with new operating procedures for Covid-secure sales and marketing suites.
- Recognising that there has been additional uncertainty, we have also been flexible on completion dates to assist customers to find an appropriate moving date.
- We maintained our post-completion customer service with enhanced health and safety practices and checks before visiting customers' homes.

[→ Read more in Stakeholder Engagement on pages 30 to 33](#)



OUR FINANCIAL POSITION

- We took a number of steps to conserve cash in the business to ensure our business could weather the rapidly changing environment.
- This included negotiating deferrals to payments for land and taxation where possible and minimising all other spend across the business, including not paying an interim or final dividend.
- All staff who were placed on leave by the business were paid in full for the period of their absence and all staff returned to the business during May. We chose not to claim employee costs under the Government's Job Retention Scheme.
- We also renegotiated a number of contracts, both for the purchase of land and some of our longer-term Partnerships development agreements to restructure payments and provide additional protection against falls in house prices.
- We fully drew down on our £300m revolving credit facility in mid-March. On 28 April 2020, our eligibility to access the Bank of England Covid Corporate Financing Facility ("CCFF") was confirmed, and we put in place a £300m commercial paper facility to access the CCFF should it be required. We also negotiated a relaxation of the Group's banking covenants until September 2022.
- In July 2020, we raised £250m by issuing new equity, the purpose of which was twofold: firstly to strengthen the Group's balance sheet to ensure that we are able to withstand a further deterioration in economic conditions and secondly to accelerate growth within our Partnerships division, executing the plans we had been putting in place before the pandemic.
- We took advantage of our mixed-tenure model to prioritise the provision of PRS and affordable homes which helped us generate cash as soon as we returned to site.

[→ Read more in our Financial Review on pages 42 to 45](#)



OUR PARTNERS

- Having recognised that our supply chain is vital to being able to deliver on our plans, we needed to support them through the period of shutdown to be able to restart effectively.
- We maintained regular communication throughout the period of lockdown to help our suppliers and sub-contractors to make plans for their own businesses with confidence.
- We worked with suppliers and sub-contractors to ensure they understood our new operating procedures on site so that they felt safe in returning to work.
- We continued to pay all of our suppliers throughout the lockdown.
- While there have been delays to our delivery programmes as a result of the site closures, we have worked with our partners, local authorities and housing associations to prioritise delivery when back on site.
- Within our longer-term development pipeline we continued with design and planning activities whilst working remotely.

➔ [Read more in Stakeholder Engagement on pages 30 to 33](#)



OUR COMMUNITIES

- We are especially aware that the crisis is impacting the communities in which we operate and we wanted to support those communities as best we could.
- In immediate response in April we established a £1m Communities Fund, targeted at helping the most vulnerable local people, including supporting local food banks and community groups.
- This was further supported by a 20% salary sacrifice by the Board and Executive Committee for two months from April which was donated to the fund.
- We continued with our social enterprise projects throughout the crisis, working in partnership with local communities. Through these partnerships we look to expand local opportunities including education and job creation.
- Our site teams also supported where they could donating vital personal protective equipment such as masks from closed sites to local health services which were struggling to get the equipment they needed.

➔ [Read more in Stakeholder Engagement on pages 30 to 33](#)



Beam Park, Dagenham

“
In April we established a £1m Communities Fund targeted at helping the most vulnerable.”



Fresh Wharf, Barking



Places People Love

Communities case study

£1M COMMUNITIES FUND

Countryside is proud to be a signatory of the Covid-19 Business Pledge, created to support millions of people across the world in light of the coronavirus outbreak. The pledge shows our commitment to supporting our employees, customers and communities.

We recognised that during the Covid-19 crisis there were more people struggling than ever before. During such unprecedented times, we saw a major interruption to our normal working practices, but remained committed to supporting our local communities. Our priority was to ensure that, amongst other initiatives, children of our poorest communities had access to resources and support was given to those facing homelessness. We were also keen to support the elderly and frontline workers or patients who might be struggling to cope in such difficult times.

We allocated £1m of resources specifically for helping the most vulnerable, supported by a team of volunteers from within Countryside. We reached out to employees, partners and the local communities themselves to identify areas where support was needed. In addition, all of the Executive Committee and the Board of Directors agreed to a voluntary 20% reduction in base salary and fees for two months, with the equivalent cash amount added to the Communities Fund.

<https://www.c19businesspledge.org/about>

We committed to a number of local initiatives, including supporting local foodbanks with Countryside volunteers helping to deliver supplies as well as providing financial assistance to local community groups, buying and distributing personal protective equipment for hospitals and providing provisions for patients in hospital wards.

The fund has already made a significant impact on communities across the country where we operate. From Rochdale to Sevenoaks, the donations have been a vital lifeline in supporting essential community activities and initiatives including care equipment for the elderly, IT facilities for school children, supporting mental health provisions and much-needed food supplies for struggling families. The Trussell Trust in Bracknell, Ryedale Carers in York and Swan Housing in Billericay are just three of the hundreds of organisations – big and small – that we have already supported.

As the impact of Covid-19 is likely to continue to be felt into 2021, we realise that a financial lifeline to the organisations that are the beating heart of our communities will be more vital. Therefore, we have decided to extend our support beyond the initial fund allocation with a further £1m being allocated for our 2021 financial year.

£1m

resources allocated to our communities

Communities Fund charity support



CREATING SUSTAINABLE VALUE

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



Kings Hill, West Malling



Communities Fund charity support

A GOOD PLATFORM FOR FURTHER GROWTH

While 2020 volumes were below the prior year as a result of the impact of Covid-19, our growth strategy and ambition remain intact. The Group now operates from 14 regional businesses across the South East, the North West, the Midlands and Yorkshire, with plans for an additional three regions announced following our equity placing in July 2020. When our regional businesses reach maturity over the next five years, we will have the capacity to deliver up to 12,000 homes per annum – more than double the number delivered in 2019.

4,053

completions
(2019: 5,733)

84

active Partnerships sites at 30 September 2020
(2019: 98)

40

active Housebuilding sites at 30 September 2020
(2019: 39)

1,924

directly employed staff

QUALITY AND CUSTOMER CARE AT THE HEART OF OUR BUSINESS

Customers are at the heart of our business and we take quality and customer satisfaction seriously at all levels of our business. We track three non-financial KPIs which measure our health and safety, quality and customer satisfaction, all of which are better than industry standards. We were proud to be awarded Home Builders Federation (“HBF”) five-star builder status for the first time in the Group’s history in 2020 and will continue to focus on providing the highest levels of customer service.

90.6%

of customers would recommend us to a friend or family (2019: 92.5%)

0.22

reportable items per NHBC home inspection (2019: 0.21)

224

Accident Injury Incident Rate (2019: 227)

“

We were proud to be awarded Home Builders Federation (“HBF”) five-star builder status for the first time in the Group’s history in 2020 and will continue to focus on providing the highest levels of customer service.”



BUILDING A SUSTAINABLE FUTURE

CREATING PLACES PEOPLE LOVE

Our driving purpose is to create places where people love to live, with sustainable communities built to last.

See pages 28 to 29

CLEARLY DEFINED STRATEGY

We have set out a clear strategy to deliver sector-leading growth over the medium term.

See pages 22 to 23

FOCUSING ON SUSTAINABILITY

We have been working to better understand how our approach to sustainably drives our purpose, shapes people's lives and impacts upon the planet.

See pages 51 to 60



Fresh Wharf, Barking

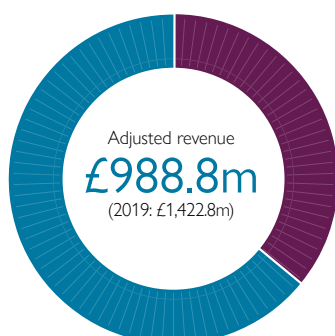
GENERATING RETURNS THROUGH THE CYCLE

Our lower capital Partnerships model helps us to deliver superior returns on capital through the economic cycle. Our ROCE has been significantly impacted by Covid-19 as we carried higher than normal inventory due to delays to our construction programmes along with lower than normal operating margins. While the current year has been impacted by the effects of Covid-19, with the Partnerships regions offering the greatest capacity for growth, significant visibility over the medium term and phased viability on our larger schemes, we believe returns will revert to our target levels over the medium term.

Return on capital employed

7.1%

(2019: 37.8%)



■ Housebuilding £359.4m ■ Partnerships £629.4m

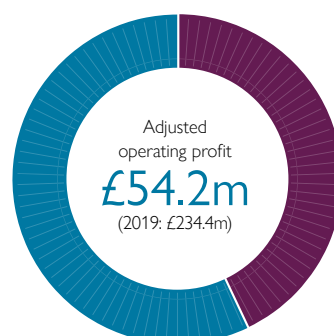
OUR BUSINESS IS AGILE AND WELL CAPITALISED FOR GROWTH

Following the £250m equity placing in July 2020, the Group has a strong balance sheet with net cash of £98.2m as at 30 September 2020 allowing us to progress our growth plans for Partnerships with confidence. The mixed-tenure nature of Partnerships means we are able to flex our business model to adapt to changing market conditions, including an uncertain economic backdrop. Over time we anticipate Partnerships will generate significant growth in volume and operating profits supported by strong cash generation, geographic reach, and supply chain economies.

Net cash

£98.2m

(2019: £73.4m)



■ Housebuilding £25.0m ■ Partnerships £32.8m



A SUSTAINABLE AND RESILIENT FUTURE

DAVID HOWELL

CHAIRMAN



“
Our purpose is what drives our innovation, shapes our practices and inspires and motivates our people. It is how we ensure that our places, communities and our business are vibrant, sustainable and resilient.”

Behind everything we do at Countryside is our driving purpose: to create places where people love to live, with sustainable communities built to last.

That means we design our homes with today's and future residents in mind. We are building more sustainably. We are working hand in hand with local communities and partners, and we are nurturing a solid team that really cares.

Everyone on the Countryside team is dedicated to designing and developing high quality homes and sustainable communities.

Our purpose is what drives our innovation, shapes our practices and inspires and motivates our people. It is how we ensure that our places, our communities and our business are vibrant, sustainable and resilient.

This report covers the 12 months to 30 September 2020 and outlines how, despite the impact of Covid-19 and the economic uncertainty that has been present throughout the year, our business has responded.

While our financial and operational results were significantly impacted by the period of shutdown caused by Covid-19, our differentiated business model and its focus on mixed-tenure communities has proved resilient. It will also allow us to recover quickly.

Demand for all tenures of homes remains robust and following the equity placing in July 2020, we ended the year with a strong balance sheet. This has given us the financial capacity and confidence to deliver our future growth plans, over which we have significant visibility.

Our forward order book and pipeline in both divisions remain strong across all tenures, positioning us well for recovery and growth in the future.

We were delighted that our continued focus on putting customers at the heart of our business resulted in us being awarded Home Builders Federation (“HBF”) five-star builder status for the first time in the Group's history, with over 90% of customers willing to recommend us to a friend.

PRIORITIES OF THE BOARD

COVID-19

The unprecedented challenges presented by Covid-19 have been a key area of focus for the Board, ranging from ensuring the safety of our people (across offices, sites and factories) to determining the strategic realignment of the Group after the gradual release from the UK lockdown period in May. In addition to scheduled Board meetings, the Board met virtually from early March to July at least weekly, to consider all related issues, principal amongst which were:

Preparing for lockdown

Ensuring that continuity plans were in place to enable the business to continue operating as and when the Government's anticipated restrictions to control Covid-19 were introduced. The considerable investment in the Group's IT systems in prior years, moving many applications into the cloud and the broad availability of laptops and home working applications, has proven invaluable as all office employees transitioned seamlessly to home working.

The Board agreed “alternatives” for the Executive Directors and senior management in the event that any of them would have to self-isolate and were unable to work, and imposed rules to mitigate the risk of infection between colleagues.

Lockdown and site closure

When the Government commenced a UK-wide lockdown on 23 March, the Group was well prepared to move all office staff to home working. The Board was very aware of the critical need for clear and regular communications to all staff, customers, suppliers and other stakeholders. When c.65% staff were placed on fully paid leave by Countryside from 1 April, considerable time was spent by the Board ensuring that they continued to be supported and had access to appropriate mental health support programmes where required.



When it became apparent that sites would also have to close, the Board considered carefully how to balance the interests of the safety of its people, with the need to support its supply chain and the communities in which it operated for when lockdown lifted. I wish to emphasise the considerable care taken by the Board to take account of the impact of lockdown on all of Countryside's stakeholders. Steps taken include a swift move to virtual property viewings, engagement with all key suppliers and the creation of the £1m Communities Fund. For the two months of April and May, the Board and Executive Committee also elected to take a voluntary 20% salary reduction with the sum added to the Communities Fund. We have also communicated regularly with investors to ensure transparency in our response.

The Board continued to review the Company's purpose, values and culture against the backdrop of Covid-19 throughout the lockdown period.

Planning to re-open

The Board oversaw the plans for the return of staff from paid leave and the gradual and measured re-opening of sites, factories and sales offices during May and June. The safety of employees, the contractors operating on our sites and those visiting our sales offices has been paramount. To that end, the Board has sought to ensure that the guidance from the Government and Public Health England was always quickly implemented, at all times.

The recommencement of operations could not have happened without very careful co-ordination between all stakeholders. Only when the Board was confident that the support of suppliers, sub-contractors and staff was in place could sites start to re-open. During the second lockdown in England during November 2020, our sales, office and site locations remained open with full compliance with the relevant guidance.

GROUP STRUCTURE

The Board regularly reviews its strategy for maximising long-term shareholder value from the Group's mixed tenure business model. Having considered the growth opportunities for both divisions, which operate largely independently of each other, and our focus on allocating capital to growing Partnerships, the opportunities to grow the Housebuilding business may be restricted.

The Board has therefore recently appointed Rothschild & Co. to advise the Board on the best time and process to realise best value from the separation of Housebuilding from the Group.

OUR FINANCIAL POSITION

The Board considered the impact that Covid-19 was having on the financial strength of the business, with this being the first complete shutdown of operations in the Group's history. In April, the Board agreed a number of steps to preserve cash in the Group including changes to land payment profiles and tightening controls around cash spend.

The Board supported the application for access to the Bank of England's Covid Corporate Financing Facility ("CCFF"), which to date has not been utilised.

Having agreed the Group's revised growth strategy in advance of the equity placing announcement on 23 July, the Board has met regularly to continue monitoring the progress against that strategy and agree the budget for 2021.

COMPETITION AND MARKETS AUTHORITY ("CMA") INVESTIGATION

On 4 September 2020, the CMA announced that it had launched enforcement action against Countryside and three other developers in relation to possible breaches of consumer protection law in relation to historical sales of leasehold homes. The Board is committed to resolving this issue and the Group continues to co-operate with the inquiry by the CMA.

GROUND RENT ASSISTANCE SCHEME

In May 2020 and as announced with our half year results, the Board approved the creation of the Countryside Ground Rent Assistance Scheme where the Group will seek agreement from freehold owners to vary the leaseholds of Countryside customers who still own homes with a leasehold ground rent that doubles more frequently than every 20 years, to be linked instead to the rate of RPI and reviewed every 15 years. In addition, the scheme will support homeowners who purchased a leasehold house from Countryside to purchase the freehold directly from the owner where possible.

SHAREHOLDER ENGAGEMENT AND CAPITAL ALLOCATION

As one of the actions to preserve cash within the business the Board decided not to pay an interim dividend or recommend a final dividend.

Our priority on capital allocation remains focused on investing to deliver the growth of the business by executing our Partnerships growth strategy, before returning cash to shareholders. In relation to our broader approach to capital allocation and shareholder returns, the Board intends to reinstate the dividend in 2021. However, we are mindful that given the significant growth opportunities that we see for our high return on capital Partnerships division, that we should ensure that the level of the dividend appropriately reflects the opportunity to deliver enhanced shareholder value by growing that division more quickly. The Board will confirm the level of dividend pay-out at the half year results, in light of market conditions at that time.

Both Amanda Burton, Chair of the Remuneration Committee, and I have carried out a number of meetings with shareholders during the course of 2020 to seek their views

“
We recognise that our people are the most important factor in delivering planned future growth and maintaining quality, satisfaction and safety standards.”

on key issues such as executive remuneration and Group strategy. All feedback has been shared with the wider Board and has been factored into our key decision making. This will be an ongoing programme as we progress into the next financial year.

OUR PEOPLE

Ian Sutcliffe stood down from the Board on 31 December 2019 and was replaced as Group Chief Executive by Iain McPherson on 1 January 2020. Ian made an enormous contribution to the Group, including leading its IPO in 2016 and its subsequent growth. The Board thanks Ian for his contribution and wishes him well in his retirement.

Iain McPherson has significant industry experience having held a number of senior roles prior to joining the Group in September 2014 to establish the Southern Housebuilding region. He then led the Partnerships South division before stepping into the role of Group Chief Executive earlier this year.

Lastly, but most importantly, I would like to thank each and every one of our employees, our supply chain and our business partners for their commitment to Countryside, particularly in what has been a challenging year. Our business continues to grow and we recognise that our employees are critical to our recovery and delivery of our growth plans while maintaining the high standards expected of Countryside. We continue to focus on development with extensive training programmes at all levels within the business.

Finally, this will be my last year at Countryside as I have announced to the Board my intention to step down during 2021. It has been a privilege to serve as Chairman of Countryside. I would like to thank my Board colleagues, the Executive team and all our employees for their support as they continued to develop the business and its strong potential for further profitable growth in the years ahead.

David Howell
Chairman

2 December 2020

MAINTAINING OUR RESILIENCE

Despite the short-term uncertainty created by Covid-19 during the course of the year, the demand for all tenures of housing remains robust. There remains significant support from both national and local Government. Countryside's commitment to offering a balanced mix of tenure types, which differentiates us from other major housebuilders, allows us to develop sites more quickly and means we are less exposed to any slowdown in the private for sale market.

MACROECONOMIC ENVIRONMENT

Market performance across the past 12 months has been dominated by the unprecedented effect which the coronavirus pandemic has had across the world's economies as well as the continued political uncertainty created by the UK's decision to leave the European Union.

Despite these historic events, demand for housing of all tenures has remained remarkably strong, with mortgage approvals quickly recovering to pre-lockdown levels and house price increases demonstrating the extent of pent-up demand within the housing market. The Government's objective to satisfy this strong demand through the delivery of 300,000 additional homes annually by the mid-2020s is being advanced but remains some way off, with 179,000 homes delivered in 2019.

Looking forward, there is a significant degree of uncertainty as to whether such positive sentiment will be maintained. Whilst interest rates remain low, there has been a reduction in mortgage availability with many of the high loan-to-value products being withdrawn, particularly affecting first-time buyers. Furthermore, as Government support for employees and businesses affected by the coronavirus pandemic tapers off many forecasters project an increase in unemployment levels.

OUR RESPONSE

We continue to expand our geographical presence, with 14 active regional businesses across London, the surrounding Home Counties, the North West, the Midlands and Yorkshire and a further three new Partnerships regions being established following the Group's equity placing in July. We have protected the business against future market shocks by allocating £100m of the proceeds to strengthen the Group's balance sheet to ensure that we can withstand further downside risks, including further national lockdowns. Our mixed-tenure model and modular panel factory have provided us with significant benefits following the cessation of lockdown by ensuring that we have been able to build out sites quickly and efficiently whilst in turn allowing us to deploy capital to grow the business.

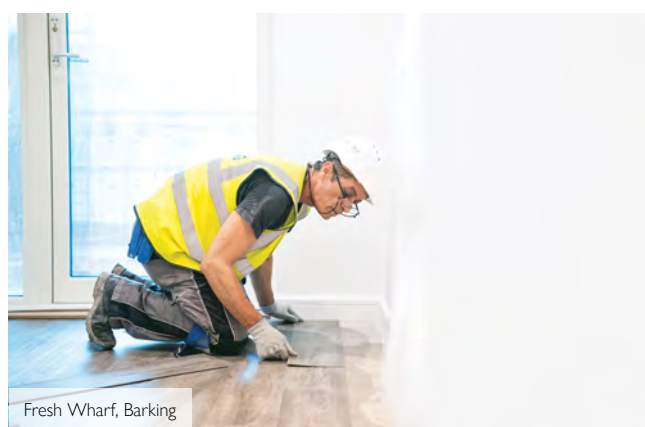
We have positioned ourselves to capitalise on both our existing and new geographies with a significant forward order book across all tenures and an industry-leading strategic land bank, which together position the business well for a return to growth.

CHANGING CONSUMER PRIORITIES

A consequence of the response to the coronavirus pandemic has been to prompt homeowners and renters to re-assess the ideals which they look for in a home. As technology has made working from home a reality for many, early trends suggest that customers are more willing to accept increased commuting times as compromise for larger homes with more outside space.

OUR RESPONSE

We continue to target development sites outside of prime city centres, thus limiting our exposure to densely populated commercial areas. Our expansion into new geographies, including the South West and Chilterns, provides us with further foundations from which to expand the business, benefiting from this shift in consumer priorities. We already guarantee a 1TB data connection on our developments which assists home working.



Fresh Wharf, Barking

Raised in July

£100m

to strengthen the Group's balance sheet



Dash, Hoxton

Government affordable housing programme to deliver

180,000

homes over eight years

Help to Buy was used on

20%

of our completions

GOVERNMENT POLICY AND FUTURE REGULATION

The Government's Help to Buy scheme continues to support people's ability to own and move home, with c.36% of UK home purchases in 2019 being via the scheme. The scheme is only available for new build homes and from 2021 further restrictions will come into force preventing its usage on properties which exceed regional price caps or by individuals who are not first-time buyers. The Help to Buy scheme will run until 2023.

In addition to Help to Buy, the Government remains a strong supporter of the housebuilding industry through several recently announced initiatives, including the £12bn affordable housing programme to deliver 180,000 homes over eight years, a pilot programme to deliver 1,500 discounted First Homes and a new shared ownership scheme. The Government also released its "Planning for the Future" white paper in August which outlines a series of reforms which will ultimately speed up and modernise the planning system.

Certain short-term, specific policy changes were implemented in response to the coronavirus pandemic, most notably the temporary relaxation allowing for the first £500,000 of qualifying property purchases to be exempt from stamp duty land tax. Historically such a change has had the effect of accelerating, rather than increasing, demand for homes; therefore, the benefit from this change may well unwind over time. However, its effect of providing much-needed liquidity in the second-hand homes market is welcome.

The industry continues to improve quality through the tightening of its regulatory environment. Fire safety remains an area of focus with amendments to existing and emerging legislation ongoing as well as continued focus on the industry's sustainability credentials. The Future Homes Standard which will drive improvement in the energy efficiency of new homes through low carbon heating and world-leading levels of energy efficiency is expected to be in force by early 2021. The New London Plan, while not formally adopted, further progressed during the year and sets the standard for developments in London. This includes new requirements for information, such as Circular Economy and Whole Life Cycle Carbon Assessment, for each development along with monitoring and reporting requirements for carbon on major developments.

In January 2020, the Government released the publication "Building Better, Building Beautiful – Living with Beauty" which promotes best practice in terms of promoting health, wellbeing and sustainable growth, setting the bar higher for industry standards.

In September the Government announced enforcement action against a number of housebuilders, including Countryside, in respect of potentially unfair terms concerning ground rents in leasehold contracts.

OUR RESPONSE

In 2020, Help to Buy was used on 57% of our private completions excluding bulk sales or 20% of our total completions, which is strongly linked to the proportion of first-time buyers. We ensure that our product is affordable for local owner occupiers who represented over 40% of our private completions in 2020. With the planned changes to Help to Buy from 2021 to 2023, we are planning our price points to ensure our homes continue to be accessible to as many customers as possible who plan to use Help to Buy within the bounds of the new regional price caps. Our mixed-tenure delivery model coupled with our network of existing relationships ensures that we are well placed to work with Government and local authorities to help unlock otherwise unviable development opportunities to accelerate the provision of affordable housing within England.

During 2020 we concluded an independent fire risk assessment of all multi-occupied buildings, either owned by Countryside or built by Countryside in the last 15 years. No buildings were identified as high risk or requiring immediate remediation; consequently, we have not provided for any future obligations in respect of our existing developments.

In response to the changing regulations and sustainability agenda we recognise that we need to play a bigger part in addressing our impact on the environment through the homes that we build and social impact in the communities in which we operate. During the course of the year we have put a much greater focus internally on how we can raise the bar not just for ourselves but for the industry. We have created new roles to support this including a Group Director of Sustainability and Group Technical Director and anticipate further progress during 2021. You can read more in our Sustainability Review on pages 51 to 60.

With respect to the Competition & Markets Authority ("CMA") investigation into past leasehold practices we will continue to co-operate fully and engage with the CMA. Over the past three years we have committed to addressing historical ten-year and fifteen-year doubling rent leases. In the first half of the year we established the Countryside Ground Rent Assistance Scheme to help us deal with these historical leases. In terms of current practice, where we can, we sell on a freehold basis and have not sold leasehold houses for some time. Where we do sell properties on a leasehold basis we ensure that the terms are fair (either RPI linked or, on more recent schemes, peppercorn rents) in line with the Government's leasehold pledge.



Fresh Wharf, Barking

Government housing programme to deliver

300,000

homes target

Off-site timber frame construction used on

64%

of our output

MIXED-TENURE APPROACH

The decline in home ownership since 2003 is a trend which has been driven both by a lack of affordable housing as well as increasing barriers to private ownership as house price growth has outstripped earnings growth.

The lack of affordable housing is being addressed through the Government's recently announced £12bn affordable housing programme which runs from 2021 to 2026, with half of the homes delivered being for affordable home ownership.

The effect of reduced levels of private home ownership has been to increase the proportion of renters in the marketplace and consequently increase the levels of activity in the professional PRS market from both PRS providers and institutional investors. To improve the affordability of private home ownership the Government is seeking to promote faster delivery of homes on large strategic sites through its "Planning for the Future" white paper.

OUR RESPONSE

Our mixed-tenure delivery remains a hallmark across all our developments and we remain the UK's only major housebuilder for which private for sale homes represented less than half of total completions. In 2020, our mixed-tenure strategy helped us to exit lockdown at pace, accelerating delivery from our non-private forward order book to ensure that the business continued to generate strong cash flows to be invested for our growth. During the year we delivered a total of 4,053 new homes, of which 36% were private for sale, 42% were affordable homes and 22% were PRS homes. Our Partnerships division provides a balanced mix of all three tenure types, enabling rapid growth as well as business resilience. In our Housebuilding division, we have an industry-leading owned or controlled land bank within 50 miles of London, 82% of which has been strategically sourced.

SUPPLY CHAIN AND MODERN METHODS OF CONSTRUCTION ("MMC")

The housebuilding industry is exposed to a number of risks with regard to the pricing and availability of materials and labour. Should a deal with the European Union not be agreed by the UK Government then the industry will need to deal with the consequences of World Trade Organisation ("WTO") tariffs coming into force, potential customs delays, labour restrictions and increased currency fluctuations.

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

OUR RESPONSE

Since the vote to leave the European Union we have performed a thorough review of our procurement strategy and engaged with our main supply chain partners to ensure we understand the impact of changes arising from Brexit, including the impact of trading on WTO terms if required. We have surveyed the supply chain to understand their level of preparedness and the potential impact of WTO tariffs. Where necessary, contingency plans have been developed to mitigate potential risks.

The availability of skilled labour remains a risk which we are addressing by building strong relationships with sub-contractors given our long-term visibility of work. We also continue to invest in our graduate and apprenticeship programmes to develop our own talent.

We also believe that off-site construction is integral to meeting our growth plans and securing our supply chain for the future. We already use off-site timber frame construction on 64% of our output, and following the successful opening of our first modular panel factory in March 2019, we have progressed plans for our second modular panel factory which is due to come on stream in late 2021. Both factories will operate a semi-automated production line which fabricates a closed panel including all windows, first-fix plumbing and electrical channels, insulation and plasterboard. Combined the two factories will have capacity to deliver up to 5,000 homes per annum. The Group also operates a traditional open-panel timber frame factory.



Places People Love

Government case study

ST JAMES' PARK

St James' Park, a significant new development in Bishop's Stortford, once complete will be a mixed-use development spread over four hectares, delivering 750 new homes, a care home, employment space, a primary and secondary school, and a local centre with shopping facilities.

Named after the oldest building in the parish, Grade I listed local landmark St James' Church, St James' Park will comprise a series of distinct character areas linked by a network of pedestrian footpaths and cycleways and extensive green open space, complete with attractive landscaping and equipped play areas.

Outline planning permission for the St James' Park masterplan, and detailed permission for Phase 1 of the development, was granted in December 2019. Phase 1 will include the first 142 houses to be built, 40% of which will be affordable (available through either affordable rent or shared ownership).

A key milestone in the site's development is the relocation of Bishop's Stortford High School. Underpinning this sustainable new community, the primary and secondary schools will sit together at the heart

of the development, surrounded by extensive playing fields and green space. The primary school will have capacity for up to three forms of entry and early years facilities; the secondary school will take up to eight forms of entry.

Crucial to the success of the school's timely relocation, Countryside, in partnership with Hertfordshire County Council, has brought forward these works, demonstrating its commitment to the local area's educational facilities. The new secondary school will comprise a 10,017 sq m (107,639 sq ft) school building, sports hall, floodlit multi-use games area and parking.

750

new homes to be delivered

40%

affordable homes in Phase 1 of the development

St. Michael's Hurst, Bishop's Stortford



LOOKING FORWARD TO FURTHER GROWTH

IAIN McPHERSON

GROUP CHIEF EXECUTIVE



OUR STRATEGY

We have a differentiated, balanced and flexible business model with our lower capital Partnerships division and our cash generative, strategic land-led Housebuilding division. Both divisions create sustainable homes and communities with a strong emphasis on design and construction quality.

We apply our master planning and design capabilities across the Group to deliver housing developments of scale and prioritise placemaking for current and future generations. We have strong relationships with Government, national and local partners and leverage specialist skillsets in both divisions to deliver new communities to thrive now and into the future.

In Partnerships, we work with public sector authorities through a mixed-tenure approach to accelerate the delivery of homes through a combined portfolio of affordable, private rented and private homes. In London and the South East, we focus on estate regeneration and town centre redevelopment, with opportunities generally sourced through public procurement processes or through direct negotiation with public sector partners. In other parts of England, we develop brownfield land or other land, where we can deploy our mixed-tenure model, with both private and public sector landowners. 40 years of experience and track record means we are the partner of choice for many local authorities and public sector bodies and also represents a meaningful barrier to entry.

Our Housebuilding division uses the same master planning and design skills to develop homes predominantly on strategically sourced land through local planning promotion, unlocking sites for development. We build long-term relationships with private landowners or public sector partners such as Homes England to deliver larger-scale housing developments in the South East of England. Relationships with the public sector and delivering design quality are essential to bring land forward through planning. Our high quality strategic land bank comprises over 25,000 plots, predominantly held under options. This option-ownership approach enables us to develop a phased pipeline of delivery in a capital-efficient way.

Our mixed-tenure model in Partnerships is highly differentiated and, given the growing demand and opportunity across the UK, we are uniquely placed to offer sector-leading growth rates over the medium term. We are investing in further off-site manufacturing capability to underpin our speed of delivery, deliver product standardisation and demonstrate our commitment to embracing modern methods of construction. Additional funding raised in July 2020 has enabled the creation of three new regional Partnerships businesses and delivery of our second modular panel factory providing us with the infrastructure to deliver, over time, up to 12,000 homes each year across the Group – more than double our 2019 delivery.

Since becoming Group Chief Executive in January 2020, I have increased our focus on operating as a more sustainable business. This is to ensure that we take a long-term view of the business, including our environmental performance, alongside our social impact while delivering an exceptional customer experience to everyone who interacts with Countryside. We already have very strong engagement with communities and in sustainable development. We will be continuing to evolve our approach to sustainability in 2021 with key targets to support delivery of our business strategy.

During the year, we increased the level of central control over key functions through the appointment of a number of Group Directors, covering Sales and Marketing, Commercial, Technical, Construction, Sustainability and Customer Services. These functions are shared across the divisions and report to various Executive Committee members. They are an investment in increasing consistency across all regions, as well as maintaining the quality of our production and customer service as our Group continues to grow rapidly.

GROUP STRUCTURE

As we have put in place a clear plan to accelerate Partnerships delivery this year, we have reviewed our Group structure and the collective merits of, as well as our future plans for, each division.

The Board regularly reviews its strategy for maximising long-term shareholder value from the Group's mixed-tenure business model. In July, we raised capital to accelerate the growth of our lower-risk, higher-return Partnerships business. This capital allows us to add three new geographical regions to Partnerships and will facilitate its growth to deliver over 10,000 homes per annum when it reaches scale – more than double its forecast delivery in 2021. Our Group capital allocation prioritisation is clear: that we will first allocate capital to the ongoing organic growth of Partnerships, including investment in the opening of new regional businesses in neighbouring geographies.

In conjunction with Partnerships, we have an excellent Housebuilding business, with a strong presence in the resilient South East housing market and a leading strategic land bank. Our two divisions already operate largely independently of one another. We are



currently completing an internal reorganisation of our Group so that its legal structure more closely resembles its operational structure.

As we look at the long-term prospects of the Housebuilding division, the opportunities to continue to grow its business may be restricted in light of the Board's capital allocation preference to prioritise the growth of the Partnerships business model. For that reason, we have appointed Rothschild & Co to advise the Board on the best time and process to realise best value from the separation of Housebuilding from the Group, in order to optimise long-term shareholder value and provide the Housebuilding business with the right ownership and capital structure to maximise its potential.

Both divisions in the Group will generate returns which are significantly ahead of their cost of capital. In this context, the Board has prioritised allocating capital to grow our lower-risk, higher-return Partnerships division. The recent investment in growth from our equity placing will take the number of Partnerships regions from nine to 12 and should allow us to deliver around 10,000 homes per annum when they are fully mature. We will only consider complementary acquisition opportunities after growing to maturity our existing regional businesses.

Our new targets for 2023 are outlined below:

“
Our mixed-tenure model in Partnerships is highly differentiated and, given the growing demand and opportunity across the UK, we are uniquely placed to offer sector-leading growth rates over the medium term.”

GROWTH DRIVES MARGIN AND ROCE IMPROVEMENT

PARTNERSHIPS

COMPLETIONS

2020 **3,213** > 2023 **c.8,000**

ADJUSTED OPERATING MARGIN

2020 **5.2%** > 2023 **15%**

RETURN ON CAPITAL

2020 **13.0%** > 2023 **>40%**

HOUSEBUILDING

COMPLETIONS

2020 **840** > 2023 **c.1,500**

ADJUSTED OPERATING MARGIN

2020 **7.0%** > 2023 **18%**

RETURN ON CAPITAL

2020 **4.9%** > 2023 **>25%**

GROUP

COMPLETIONS

2020 **4,053** > 2023 **c.9,500**

ADJUSTED OPERATING MARGIN

2020 **5.5%** > 2023 **15-16%**

RETURN ON CAPITAL

2020 **7.1%** > 2023 **>30%**



LOOKING THROUGH THE CRISIS

As we look through the pandemic at the backdrop to the UK housing market, it is clear that the demand for good quality housing remains robust, across all tenures.

While demand in the private for sale market remains strong and mortgage approvals have returned to pre-lockdown levels, there continues to be a significant degree of uncertainty as to whether positive sentiment will be maintained. Whilst interest rates remain low, there has been a reduction in mortgage product availability for higher loan-to-value products, driven by lender risk aversion and the potential threat of increased unemployment levels as a result of the ongoing impact of the pandemic.

Private for sale housing accounted for only 36% of our total completions in 2020 (2019: 38%). Our target customer is typically a first-time buyer and a local owner occupier. We continue to target areas of economic growth and resilience, providing a range of housing types with a focus on creating a sense of place. Private for sale housing demand remains strong, supported in part by the Government's Help to Buy scheme, which continues to drive first-time buyers to choose new build homes over the second-hand market. While Help to Buy is an important scheme for first-time buyers, because of our mixed-tenure approach it is used on 57% of our private completions which represents only 20% of our total completions. The stamp duty holiday announced in July 2020 will run until March 2021 and has provided some much-needed support to the second-hand market, which, in turn, has helped trade-up transactions in the new build market.

Affordable housing, particularly non-Section 106-driven, continues to be in strong demand from registered providers of social housing. The Government announced that it would be addressing the lack of affordable housing through a £12bn affordable housing programme to deliver up to 180,000 new homes in the five-year period from 2021 to 2026. We retain our presence on the key delivery panels to access opportunities and continue to strengthen our relationships across the sector.

There has been increasing interest from institutional investors to develop PRS housing across the UK and we have expanded our relationships with these investors into the Midlands and London. We will continue to develop these relationships as we expand our geographic reach.

While we have not seen any direct impact from the prolonged Brexit negotiations, we do anticipate further build cost increases from possible Sterling weakness and potential EU labour migration. We are addressing some of the risk by building strong relationships with sub-contractors and suppliers given our long-term visibility of work. Furthermore, we believe that off-site construction is integral to

meeting our growth plans and securing our supply chain for the future and we have invested in this area through our two modular panel factories.

OUR PERFORMANCE

We took the decision to temporarily close our sales offices, construction sites, factories and regional offices on 25 March 2020 following Government and Public Health England guidance as it became difficult to maintain adequate social distancing without adjustments being made to our workplaces. This was compounded by all parts of the housing market closing, as customers were not allowed to move home, either to rent or buy.

Although the Covid-19 pandemic has caused significant disruption to the business, particularly in the second half of our financial year, our mixed-tenure model has proved resilient with continued robust demand for all tenures of housing. We returned to phased construction activity from 11 May 2020, with an increased focus on affordable and PRS homes. This focus allowed us to generate revenue as soon as construction activity recommenced and provided greater certainty of work for our supply chain. Our sites are now broadly operating at their normal delivery level, assisted by longer opening hours and sharp focus on the phasing of activity on site.

Despite the national lockdown, our private sales activity remained robust throughout the year. Our net reservation rate of 0.78 for the full year (2019: 0.84) was at the upper end of the Group's target range of 0.6 to 0.8, despite an elevated cancellation rate due to customer uncertainty caused by Covid-19. The healthy levels of activity seen earlier in the year gradually returned as we re-opened sales offices in June 2020, and since then we have seen a sustained period of demand during the summer as the market recovered from the lockdown. We anticipate a reduction in our net reservation rate in the first half of 2021 given our strong forward sales position entering the year and new outlets not due to open until the spring.

In addition, our mixed-tenure growth plans have been further underpinned by two new framework agreements signed in Q4. This includes the expansion of our partnership with Sigma Capital alongside its new investment partner, EQT Real Estate, to deliver 367 homes as the initial phase of a larger London PRS framework. In addition, we signed a new PRS framework agreement with Goldman Sachs to deliver up to 1,000 PRS homes over the next three years. This will initially include 410 homes across three sites in Bicester, West Bromwich and Wolverhampton. Since year end we have also signed an agreement with Places for People to deliver up to 10,000 homes nationally over the next 10 years.



We are committed to creating places that make life better for people...we launched a £1m Communities Fund to ensure that local people got help quickly when they needed it."



Despite the operational challenges we made significant progress on our strategic priorities during the course of 2020, including putting the structures in place to deliver our ambitious growth plans as outlined in July alongside our equity placing. We have appointed two new Divisional CEOs to run the Partnerships North and Partnerships Midlands divisions following the decision to split the Partnerships North division into two as announced in July. This gives us significant bandwidth across our Executive Committee to manage our growth. We have also appointed new regional management teams for the new Partnerships regions covering the South West of England and South London with a number of roles coming from internal promotions, demonstrating the success of Countryside's investment in growing our own talent and focus on succession planning. In Housebuilding, we announced that our Millgate region was being closed with development transferred to our Housebuilding West region as we look to balance the profile of the division around London to realise synergies and future efficiencies.

We have made further progress in positioning the business to be sustainable for the long term by increasing our focus on our environmental impact, along with the use of the Social Value Portal to measure the impact of our developments on local communities during the year. We have also continued our focus on build methodology, with a study carried out during the year demonstrating that our modular panel homes reduce embodied carbon by an estimated 25% (12,700kgCO₂e) when compared with one of our traditional brick and block homes. We are continuing to invest in our manufacturing capability and commenced construction of our second modular panel factory in Bardon, Leicestershire, during the year. This combined with our existing modular panel factory in Warrington will give us capacity to deliver up to 5,000 modular homes per annum supporting growth in our regional businesses. We also plan to extend timber frame construction to the South East which will improve build times and enhance asset turn.

We are committed to creating places that make life better for people. To recognise the challenges our communities have faced as a result of Covid-19, we launched a £1m Communities Fund to provide support for local initiatives and charities such as food banks, to ensure that local people got help quickly when they needed it. With the effects of pandemic likely to be with us for some time, I am delighted to confirm that the fund will continue into 2021 with a further £1m of support pledged providing essential support to the most vulnerable people in the areas we work.

Our customer satisfaction rating as measured independently by the NHBC Recommend a Friend score was 90.6% (2019: 92.5%) and we were delighted to be awarded five-star builder status by the HBF for the first time in Countryside's history. This rating is underpinned by our build quality score, again measured independently by the NHBC at key stages during the construction process. This stood at 0.22 reportable items per plot visit (2019: 0.21), equivalent to one remedial item per five inspections, significantly better than the industry benchmark.

Throughout the year, the health and safety of our employees, sub-contractors and customers has been our priority. Despite the challenges of implementing new Covid-19 standard operating procedures, our health and safety performance has slightly improved this year with the Accident Injury Incident Rate ("AIIR"), standing at 224 per 100,000 people at risk (2019: 227) compared with the national average of 416 (2019: 405).

The Grenfell fire tragedy has understandably led to a substantial range of changes within Countryside to reflect the industry's increased focus on fire safety measures and the Government's guidance on ensuring adequate fire protection measures are in place for all buildings and external wall systems. During 2020 we concluded an independent fire risk assessment of all multi-occupancy buildings built by Countryside in the last 15 years. No buildings were identified as high risk or requiring immediate remediation.

As the business has grown, we have constantly sought ways to ensure that our culture and values do not become diluted, but are enhanced with new regions, people and partners. During 2020, we undertook a detailed review of our purpose and values with our people to help us define what it means to work for Countryside. We hope this will set our culture to support the ambition to deliver a long-term and sustainable ethical business plan, where we are able to deliver to the aspirations of everyone that interacts with Countryside. Our values, which were launched internally in November 2020, emphasise our commitment to do things the right way, which means caring about what we do, working together, taking pride in what we do and focusing on delivery.

OUTLOOK

We have started the new financial year in a strong position to recover from the impacts of the pandemic and the resulting economic uncertainty. We have a robust balance sheet and excellent visibility of future work through our record order book across all tenures. We are 70% forward sold for 2021 and due to our strong forward sales position, our net reservation rate for the first nine weeks of the year is lower than the same period last year. As a result, subject to no material changes in market conditions, we are on track to deliver at the upper end of consensus operating profit expectations for 2021. After two years in which our weighting of delivery was skewed heavily to Q4, we expect to return towards a more balanced profile this year.

I am incredibly proud of how our employees have reacted to the challenges as a result of the pandemic. Despite facing a rapidly changing environment and disruption to normal working practices, our people have shown incredible resolve and perseverance as they have continued focus on serving our customers and our communities.

Iain McPherson
Group Chief Executive
2 December 2020

Q&A

WITH IAIN McPHERSON

GROUP CHIEF EXECUTIVE



“

I am incredibly proud of how our employees and our business more generally reacted to the rapidly changing environment as Covid-19 took hold.”

WHAT ARE THE KEY PRIORITIES FOR 2021 AND HOW WILL YOU DEVELOP THE GROUP STRATEGY?

We set out an ambitious growth strategy along with our equity placing in July 2020, building on the successful growth within our Partnerships division to date. One of the key priorities in 2021 will be setting the Group up to deliver on these aspirations. This includes establishing the three new Partnerships regions in the South West, Chilterns and South London, accelerating delivery on a number of key sites and getting our second modular panel factory, based in Bardon, Leicestershire, on stream. Modular build and more generally modern methods of construction are going to continue to be a key focus for the Group going forward as we look to not only meet changing regulations but reduce the impact our business has on the environment. With the recent appointments of a Group Sustainability Director and Group Technical Director in newly created roles we look forward to making further strides on this and streamlining efforts across the Group.

We are also managing the impacts of Covid-19 and are aiming to get all regions to maturity, with a renewed emphasis on driving efficiencies and operating in line with standard Group processes.

During 2020, we undertook a number of key projects looking at our purpose, values and sustainability vision across the Group. I am delighted to say that we had great employee engagement across all three of these projects and it is clear that we have some high quality and dedicated employees across the Group. Embedding these new values and setting an updated, more focused sustainability strategy will be key priorities in 2021.

HOW DO YOU FEEL THE BUSINESS RESPONDED TO COVID-19?

I am incredibly proud of how our employees and our business more generally reacted to the rapidly changing environment as Covid-19 took hold.

Our first priority was to protect our staff, customers, supply chain and the general public and we took the decision to temporarily suspend production on our sites and in our factories and close our offices and marketing suites. We suspended activities for around two months on our sites, returning to site in May albeit with initially reduced build rates as we adjusted to new ways of working. By the end of the year we were back up to over 95% productivity across the Group and are positioned well as we enter 2021.

We were proud to become a signatory of the Covid-19 Business Pledge, created to support millions of people across the world in light of the coronavirus outbreak. The pledge looks to show our commitment to supporting our employees, customers and communities.

One of the ways we responded to the challenges our communities were facing was the creation of a £1m Communities Fund to support the most vulnerable people in our communities. We actively worked with our partners to identify local charities and groups, food banks and others providing essential local services in locations where Countryside operates.

HOW WILL YOU ENSURE THE BUSINESS RECOVERS FROM THE IMPACT OF COVID-19?

There are a number of angles to this, from ensuring that we are meeting the needs of our employees, partners, suppliers and customers to ensuring that we have the financial strength to deliver our growth plans.

Firstly, we recognise that our people are our most important asset and supporting them as we continue to work through the pandemic remains a key priority. We will continue to ensure that they remain connected and motivated whether working remotely, on sites or in our factories which will help set the business up for success in the future.

Secondly, during the year we managed our working capital to preserve cash and, following the placing, ended the year with £98m of net cash, providing us with confidence to deliver our growth plans even if we were to see another period of lockdown or more challenging economic conditions.

Thirdly, throughout the period of lockdown and since returning to site we have ensured that we have maintained a good dialogue with our suppliers and partners. We have focused on our relationships within the existing supply chain, continuing payments throughout lockdown as well as offering training and surveys to ensure that they were comfortable with our Covid-secure working practices and providing peace of mind that health and safety is at the heart of our response.

Lastly on this question, our business handled the switch from being physically present in our offices and sales and marketing suites to remote working remarkably well and we were quickly able to transition to working from home and taking virtual reservations or doing virtual home tours at the end of March. This has highlighted the importance of our IT infrastructure and we will continue to invest in that to ensure our business can operate flexibly going forward.



“

In addition to growth we continue to invest in the business for the longer term including in our factories. We believe that this will give us a competitive advantage over time with improved build quality, speed of delivery and security over our supply chain which will benefit the whole Group.”

HOW WILL YOU MANAGE FUTURE MARKET OPPORTUNITIES?

The UK housing market continues to suffer from structural undersupply whether for private homes, affordable homes or homes for the private rented sector. The sector remains well supported by the Government with schemes such as Help to Buy, offering assistance to first-time buyers until 2023, and the affordable homes funding package, which provides grants for the provision of affordable homes until 2026.

The benefit of the Countryside business model is our agility; we can adapt quickly to changing market conditions and indeed we have done this for delivery in 2021 by planning to increase the proportion of affordable and PRS homes, ensuring we have greater security over our cash flows in an uncertain economic environment.

We have a strong pipeline of work in both divisions. Within Partnerships we have over 42,000 plots within our secured work and within our Housebuilding division our strategic-led land bank of over 25,000 plots offers us flexibility over our delivery programmes.

We recognise that customer needs are changing in light of the pandemic, for example with more people now working from home. We regularly use customer feedback to ensure our homes meet customer requirements. In particular we operate good space standards and our homes tend to be larger than most offering a home working space and ultra-fast broadband as standard.

We have worked hard to ensure that our homes remain affordable for local owner occupiers whether they are looking to purchase in urban, suburban or rural environments, allowing the greatest reach to a broad customer base. Part of this has been the journey that we have been on to manage the average selling prices of our private product over the past five or so years and in support of this we have closed our Millgate business, with our Housebuilding West region taking over its developments to provide homes at a wider range of affordability.

We continue to expand relationships with both new and existing partners, to produce high quality design and construction of new homes. We announced a number of new frameworks with PRS providers and housing associations in 2020 and look forward to delivering and expanding these agreements over the coming years.

WHAT IS YOUR RESPONSE TO KEY SUSTAINABILITY ISSUES IMPACTING THE GROUP?

During 2020 we undertook a significant review of our sustainability activities, both in terms of our current focus along with a review of the impact of broader sustainability issues. We have significantly upskilled our sustainability function including the recruitment of a Group Sustainability Director, who reports directly to the Executive Committee member responsible for corporate affairs. As part of our review, we identified four main areas of sustainability focus: climate change, biodiversity, social impact and affordability.

One of the ways we are addressing the first issue of climate change is our investment into new technologies including modern methods of construction such as our investment into modular panel construction. We are currently building our second modular panel factory with the

methodology shown to reduce embodied carbon by around 25%.

We are working on replacing gas boilers with more sustainable heating sources, installing electric charging points in a large number of homes and ensuring developments are well connected with transport nodes.

On biodiversity, on our larger sites we team up with key partners such as The Land Trust at our development at Beaulieu, Essex, to establish green spaces and diversity across the developments. We carry out biodiversity studies on all our developments and where possible use biodiversity to benefit both the wildlife and the local communities, an example being at Royal Hill Park, Surrey, where landscaping is used to help partially sighted residents navigate their surroundings more easily.

Our mixed-tenure model means that we work closely in partnership with key organisations such as local authorities, housing associations and charities to help address social inequality through the provision of training and high quality homes which offer a range of affordable homes for local people. In summary, we have a focus on “making lives better” for local residents.

WHAT ARE THE CAPITAL ALLOCATION PRIORITIES FOR THE GROUP GOING FORWARD?

Our capital allocation priorities remain largely unchanged. We continue to focus on ensuring that we pursue organic growth of Partnerships, to grow to maturity in all regions across both divisions to generate the best returns possible for our shareholders. Our ambition is to grow the Partnerships division to 8,000 homes by 2023 through reaching scale in our newer regions and delivering plans to open three new regions during 2021.

In addition to growth we continue to invest in the business for the longer term including in our factories mentioned above. We believe that this will give us a competitive advantage over time with improved build quality, speed of delivery and security over our supply chain which will benefit the whole Group.

Any additional cash that we do not require for growth will be returned to shareholders.

Iain McPherson
Group Chief Executive
2 December 2020

FOCUSED ON SUSTAINABLE GROWTH

STRATEGIC PRIORITY

GROWTH SECTOR-LEADING GROWTH

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

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.

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.

SUSTAINABILITY TAKING A LONG-TERM VIEW OF OUR BUSINESS

Our strategy is to deliver the right solutions for our partners and customers with a responsible and sustainable approach that creates a positive legacy.

OUR APPROACH



Fresh Wharf, Barking

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



Modular Build Factory

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



Fresh Wharf, Barking

- Increased focus on Partnerships allows for greater flexibility
- Mixed-tenure development, with private, PRS and affordable homes
- Prudent balance sheet with managed level of gearing
- Flexible strategic land bank based on options
- Strong pipeline of future Partnerships work which underpins growth



Beaulieu Oaks, Chelmsford

- New developments created with our placemaking expertise focused on long-term positive outcomes
- Experts at regeneration and working closely with communities
- Record of incremental environmental impact reduction and social value generation
- Strong culture of ethical and responsible decision making



2020 HIGHLIGHTS

Average open sales outlets

63

during 2020

Net reservation rate

0.78

within our target range

- Only 36% of completions from private homes
- Private ASP to £364,000 as a result of some house price deflation within the Housebuilding division, partially offset by a shift in mix within Partnerships
- Growth in the new South Midlands and Yorkshire regions, contributing 466 units
- Equity placing in July to facilitate further growth in Partnerships

OUTLOOK OVER THREE TO FIVE YEARS

- Implement enhanced growth strategy with three new regions
- Focus on the continued growth in sales outlets
- Continue to focus product on areas of strongest demand
- Manage sales values to maintain affordability
- Target net reservation rate between 0.6 and 0.8
- Flex the tenure mix depending on levels of demand

Adjusted operating margin

5.5%

Adjusted operating profit

£54.2m

- Adjusted operating margin reduced by 1,100bps to 5.5% reflecting changing mix of business and impact of Covid-19
- 3,070bps reduction in ROCE reflecting impact of Covid-19
- No interim dividend paid or final dividend recommended

- Return to target gross margins across the Group following the impact of Covid-19
- Improve operational efficiency through greater scale
- Maintain capital discipline to drive ROCE improvement
- Investment in growth while managing gearing levels
- Continue to consider shareholder return policy

Homes

64%

were affordable or PRS

Plots

11,374

added to our Partnerships future work

- Prioritised delivery of affordable and PRS homes upon return to site
- Net cash position of £98m at year end with adjusted gearing (including deferred land payments as debt) of 9%
- 76% of Housebuilding land bank controlled via options or conditional contracts

- Maintain ratio of Partnerships wins to plots completed at 2:1 or higher
- Grow the Partnerships pipeline of future work
- Continue to focus on mixed-tenure developments
- Target a cash-positive position at year ends
- Maintain our strategic-led Housebuilding land bank
- Mobilise Partnerships sites and accelerate development where possible

385

sustainability and design-related awards since 2000

127

sites assessed for social value contribution

- Undertook an exercise to review our sustainability ambition and vision
- Hired a Group Sustainability Director into a newly created role to upscale the team and raise awareness in the business
- Measured social impact on all our developments
- Launched £1m Communities Fund
- Commissioned a carbon lifecycle study of our timber frame homes

- Launch a new approach to sustainability
- Set science-based targets
- Committed to Task Force on Climate-related Financial Disclosures disclosure by 2022
- Prepare for changes in the regulatory environment, particularly the use of non-fossil fuels in homes and net biodiversity gains on sites
- Continued investment in modern methods of construction including modular panel capabilities
- Focus on measuring social impact of our developments



MEASURING PERFORMANCE

We use 11 key performance indicators to monitor our progress against our strategic objectives.

OUR 2020 PERFORMANCE

Our performance in 2020 has been significantly impacted by the Covid-19 pandemic and this is reflected in the majority of our KPIs. The health and safety of our people and supply chain, together with the quality of the homes we build, remains vitally important to our business and the KPIs measuring these aspects of our performance have remained strong this year. Our KPIs are designed to ensure that we remain focused on delivering sustainable growth in volumes whilst delivering superior shareholder returns within the framework of a robust balance sheet. We also ensure that the pace of growth does not compromise build quality, customer satisfaction or the safety of those working on our sites.

TRANSPARENT MEASURES TO REWARD PERFORMANCE

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

Further information on remuneration can be found on pages 90 to 105.

COMPLETIONS

4,053

-29%



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

PERFORMANCE

Completions decreased 29% in 2020 reflecting site closures in response to Covid-19 and resulting build delays. We were able to mitigate some of the impact on total completions through re-programming delivery on our sites to focus on affordable and PRS homes in place of private homes which could not feasibly have been built ahead of the end of the year. On average, sales outlets increased by 7 to 63 and our private net reservation rate of 0.78 was at the upper end of our target range (2019: 0.84), resulting in a record private forward order book of £528m at the year end (2019: £241m).

LINK TO STRATEGY

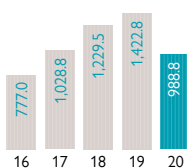
Growth in completions is key to delivering our medium-term growth objectives.



ADJUSTED REVENUE £m

£988.8m

-31%



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

PERFORMANCE

Adjusted revenue decreased by 31% to £988.8m in 2020 (2019: £1,422.8m) as our completion numbers reduced during the year. Private ASP was broadly flat at £364,000 (2019: £367,000) reflecting house price deflation of around (2.5)% in Housebuilding being partially offset by mix within Partnerships.

LINK TO STRATEGY

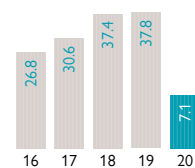
Adjusted revenue is a key measure of the growth the business has delivered.



RETURN ON CAPITAL EMPLOYED %

7.1%

-3,070bps



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

The closure of sites in response to Covid-19 resulted in completions originally programmed for the end of the year being delayed into 2021; this has led to a reduction in asset turn to 1.3 times (2019: 2.3 times). To ensure the business operated as efficiently as possible, several mitigating actions were taken including shifting delivery to focus on our affordable and PRS revenue streams, deferring land spend and slowing build programmes in order to prevent a build-up of inventory.

LINK TO STRATEGY

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





Links to strategy



GROWTH



RETURNS



RESILIENCE



SUSTAINABILITY

Links to remuneration



ANNUAL INCENTIVE AWARD

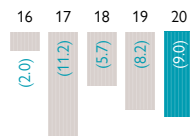


LONG-TERM INCENTIVE PLAN

GEARING %

(9.0)%

-80bps



Net debt divided by net assets.

PERFORMANCE

Following our equity placing which raised £250m of gross proceeds in July 2020, we ended the year with net cash of £98.2m up from £73.4m in 2019. This, combined with an increase in TNAV, resulted in gearing of (9.0)% (2019: (8.2)%). Adjusted gearing, which includes deferred land payments as debt, was 8.7% (2019: 9.4%).

LINK TO STRATEGY

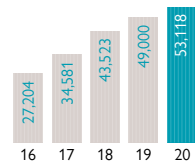
Maintaining the Group's gearing level at an appropriate level means that we maintain a resilient balance sheet which helps us to manage the business through the economic cycle.



LAND BANK # PLOTS

53,118 plots

+8%



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

PERFORMANCE

Our land bank increased by 4,118 plots during the year as we continued to add to the Partnerships land bank with significant new business wins and also strengthened our Housebuilding land bank to 25,042 plots. 28,775 plots of the Group's land bank has planning permission (2019: 27,312 plots). The Group was active on all sites which had an implementable planning permission.

LINK TO STRATEGY

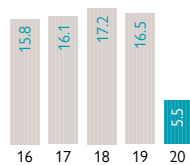
Winning Partnerships contracts and securing land at the right price are key to delivering our target returns, ensuring a supply of land to fuel the growth of our business.



ADJUSTED OPERATING MARGIN %

5.5%

-1,100bps



Adjusted operating margin divided by adjusted revenue.

PERFORMANCE

Adjusted operating margin decreased by 1,100bps reflecting a combination of Covid-19-related costs, our decision to continue to invest in our growth strategy and operational efficiencies which benefited margin in 2019. In response to the Covid-19 pandemic, we put in place stricter hiring, contracting and payment approval processes to protect our operating margin, whilst maintaining our ambitious growth strategy.

LINK TO STRATEGY

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



ADJUSTED OPERATING PROFIT £m

£54.2m

-77%



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 decreased by 77% to £54.2m (2019: £234.4m) principally due to the impact of Covid-19 on both volumes and costs.

LINK TO STRATEGY

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

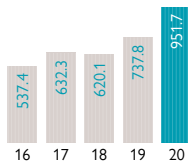




TANGIBLE NET ASSET VALUE £m

£951.7m

+29%



Net assets excluding intangible assets net of deferred tax.

PERFORMANCE

The increase in TNAV reflects the equity placing in July 2020 and retained profits. Our growing balance sheet adds to the Group's resilience.

LINK TO STRATEGY

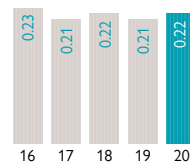
Growth in TNAV is a key measure of the success of our strategy to grow the business.



NHBC REPORTABLE ITEMS ("RIs")

0.22

+5%



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

PERFORMANCE

The number of reportable items per inspection was broadly unchanged during the year as we continue to focus on the quality of our build. This remains below the industry average of 0.23.

LINK TO STRATEGY

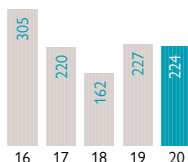
Building homes to a high standard helps minimise customer care issues and maintain our reputation for high quality homes. The strength of our reputation underpins our ability to grow the business.



ACCIDENT INJURY INCIDENT RATE ("AIIR")

224

-1%



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

PERFORMANCE

We have continued our focus on health and safety, with particular attention on Covid-secure methods.

We maintained the AIIR below the industry average for the 17th consecutive year. Overall, our AIIR was 224 (2019: 227) compared to the Health and Safety Executive national average of 416 (2019: 405). During 2019 we introduced a new accident and safety observation reporting system to identify any trending issues more quickly.

LINK TO STRATEGY

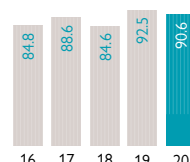
Our focus on health and safety helps keep our sites safe whilst operating at the pace we need to grow the business.



NHBC RECOMMEND A FRIEND SCORE %

90.6%

-190bps



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

PERFORMANCE

During 2020 we continued to focus on our customers' experience across all levels of the business. Overall, 90.6% of our customers said they would recommend us and, if maintained, will result in five-star status when officially announced in February 2021. This is an area we will continue to focus on going forward with customers at the heart of our business.

LINK TO STRATEGY

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





Mat and Bart, buyers at Belmont Place, Wigan

Places People Love

Customer case study

KEY WORKERS MOVE SAFELY DURING LOCKDOWN

A couple from Manchester overcame the odds of lockdown and moved safely into their new four-bedroom detached home at Countryside's Belmont Place in Hindley Green, Wigan.

Mat, who has bought his dream home with partner Bart, had a rollercoaster couple of months having been fast-tracked through his final year of nursing training to become a theatre nurse at Salford Royal hospital during Covid-19, while Bart continues his role as an ICU community nurse. Mat believes being settled in their new home has helped them cope during the crisis, but they weren't always sure it would be possible.

Mat explained: "We completed in late March but thought moving would be impossible until after lockdown. We then discovered a new removals system where contact with anyone else is removed. A container is dropped off, left for us to fill and lock up and it's then picked up and dropped outside the new home – ideal for social distancing and completely safe."

After selling their flat in Manchester city centre, the pair found the perfect location for their outdoor lifestyle and careers. Mat added: "Belmont Place is in a beautiful location and we're close to several major hospitals. We already love the community here too. We moved in during lockdown so haven't been able to meet with our neighbours properly but everyone has been incredibly welcoming."

Mat explained why they chose a new build with Countryside: "After deciding to leave the city centre for a greener place to call home we looked at lots of different developers and Countryside simply provides so much more as standard, from quality fixtures to the skylight windows in the bedroom and dining area. We can't wait to invite friends over when restrictions ease as the living space is perfect for entertaining!"

Mat added: "Our move has been such a positive experience. After a year of change and upheaval, Countryside has still managed to make 2020 special for us and thanks to a safe moving process we're enjoying our new home already. We love it here."

“

Our move has been such a positive experience. After a year of change and upheaval, Countryside has still managed to make 2020 special for us and thanks to a safe moving process we're enjoying our new home already. We love it here.”



DIFFERENTIATED, FLEXIBLE BUSINESS MODEL

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

PARTNERSHIPS



Lower risk model with higher return on capital employed

Our Partnerships division applies our master planning and design capabilities in an urban environment, with public sector partners or through a mixed-tenure approach to accelerate delivery.

Read more on pages 34 to 37

HOUSEBUILDING



Established platform for growth with strong pipeline

Our Housebuilding division applies our master planning and design capabilities predominantly on strategically sourced land through a plan-led approach to unlocking sites for development. These are often in partnership with private landowners or public sector partners in new garden communities.

Read more on page 38 to 40



[Link to sustainability strategy](#)

Governance



Ethical and responsible business



Customers and community



Environment



Supply chain

OUR KEY RESOURCES



LAND

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

[Link to strategy](#)[Read more on pages 34 to 40](#)

PEOPLE

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

[Link to strategy](#)[Read more on pages 46 to 50](#)

PARTNERSHIPS

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

[Link to strategy](#)[Read more on page 30](#)

REPUTATION

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

[Link to strategy](#)[Read more on page 62](#)

FINANCIAL STRENGTH

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

[Link to strategy](#)[Read more on page 42 to 45](#)

OUR APPROACH



STANDARD OPERATING STRUCTURE

We seek to operate a single model across the Group to ensure consistency of quality and that our customers, partners and other stakeholders receive the same high quality experience whichever part of the business they interact with.



ETHICAL BUSINESS PRACTICES

We take a long-term view of our business and want it to be sustainable for the future which means doing things the right way for all stakeholders.



BUSINESS PARTNERING

We are focused on delivering long-term value creation and establishing enduring relationships across a wide stakeholder base.

THE VALUE WE CREATE

TRUSTED PARTNER

OVER 40

years of Partnerships experience

[Read more on pages 34 to 37](#)

EMPLOYEE PARTICIPATION

c.50%

of eligible employees in our share save schemes

[Read more on page 46](#)

COMMUNITY SPIRIT

£760K

charity and community donations

[Read more on page 7](#)

HOMEBUILDER OF CHOICE

90.6%

of customers would recommend us to a friend

[Read more on page 56](#)

SHAREHOLDER RETURNS

67.6%

total shareholder return since IPO

[Read more on page 102](#)

MEMBER OF FTSE4GOOD FOR

3 YEARS

since June 2018

[Read more on page 52](#)

BUILDING STRONGER RELATIONSHIPS

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

Section 172 of the Companies Act 2006 requires Directors to take into consideration the interests of stakeholders in their decision making. Whilst the importance of giving due consideration to our stakeholders is not new, this part of the report, together with page 82, serves as our Section 172 statement and sets out how we engage with, and take into consideration, the interests of those key stakeholders who are material to the long-term success of the business.

As in previous years, the Board has concluded that its key stakeholders are its business partners (such as the housing associations and local authorities that we work with), our employees, our suppliers, our investors, the communities in which we operate, our customers and the Government and regulators.

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

The following pages describe the engagement process in more detail. Further detail on how the feedback from such engagement has informed the Board’s thinking and decision making in relation to its strategy and oversight of the Group’s operation can be found on page 82.

PARTNERS → Read more on page 37



9 years

of Partnerships work secured

STRATEGIC PRIORITY

GROWTH RETURNS

SUSTAINABILITY

→ Read more on pages 22 and 23

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

HOW WE ENGAGE

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

WHAT THEY TELL US

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

WHAT WE ARE DOING

- Early planning discussions, public engagement and master planning workshops
- Regular community events to engage residents in planning and design
- Commitment to apprenticeships and local supply chains on our developments
- Creation of tenure-blind communities
- Clear delivery programmes and communication at all stages
- Annual Partnering Awards to celebrate supply chain excellence
- Joint charitable initiatives



EMPLOYEES

→ Read more on page 50



Oaklands Hamlet, Chigwell

c.100

apprentices across the business

STRATEGIC PRIORITY



GROWTH



SUSTAINABILITY

→ Read more on pages 22 and 23

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

HOW WE ENGAGE

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

WHAT THEY TELL US

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

WHAT WE ARE DOING

- Modernising and transforming working environments
- Maintaining and continually improving employee engagement
- Programme of visits by Baroness Sally Morgan, the designated Non-Executive Director to represent views of the workforce, to sites across the business
- Continually reviewing the employee journey including training, benefits and culture
- Launched new values with employee input

SUPPLIERS

→ Read more on page 41



Springhead Park, Kent

100%

of timber is certified FSC or PEFC

STRATEGIC PRIORITY



GROWTH



SUSTAINABILITY

→ Read more on pages 22 and 23

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

HOW WE ENGAGE

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

WHAT THEY TELL US

- They value the visibility of future projects and workload
- Regular review meetings to discuss performance, quality and risk

- Prompt payment is important in managing their business
- Regular communication helps manage issues relating to production levels, constraints and lead times
- 90% of feedback positive when asked if Countryside worked collaboratively

WHAT WE ARE DOING

- Project pipeline and tender feedback to help improve transparency
- Regular meetings to discuss supplier performance and areas for improvement, identifying risk and mitigation plans
- Appointment of a new Group Commercial Director who will oversee our engagement with key sub-contractors
- Dialogue with suppliers regarding our core policies and principles on sustainability
- Setting targets on payment performance and reporting against them, including dialogue with our supply chain to quickly resolve payment issues
- Introduction of a new supplier management system automating the order to payment process
- Managing cost inflation by fostering robust volume-based long-term agreements with our supply chain partners
- Securing required volume in exchange for continuity of supply
- Understanding and creating Brexit readiness plans

INVESTORS

→ Read more on page 71



A

MSCI ESG Rating

STRATEGIC PRIORITY

- GROWTH
- RETURNS
- RESILIENCE
- SUSTAINABILITY

→ Read more on pages 22 and 23

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

HOW WE ENGAGE

- Annual General Meeting
- Board interaction with major shareholders
- Regular conversations with shareholders and other investors regarding the strategy and performance of the Group
- Quarterly trading updates including full-year and half-year results and associated investor roadshows
- Investor conferences and virtual roadshows both with Company management and the Chairman

- Analyst and investor site visits and capital market events
- Feedback from Company brokers and market analysts

WHAT THEY TELL US

- Preference for growth in Partnerships
- Clear communication of the equity story is key
- Focus on capital allocation policy
- Focus on maintaining sustainable growth and resilience through changing market conditions
- Pension alignment of employees to executive management
- Increased focus on sustainability

WHAT WE ARE DOING

- Clear communication of the Company business model and future strategic priorities
- Shareholder access to Chairman and Chair of the Remuneration Committee to allow views to be expressed directly to the Board
- Increase of 2% to employer pension contributions to align employees with Executive Directors by 2022
- Appointment of Sustainability Director

COMMUNITIES

→ Read more on page 7



£760k

charity and community donations

STRATEGIC PRIORITY

- RESILIENCE
- SUSTAINABILITY

→ Read more on pages 22 and 23

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

HOW WE ENGAGE

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

WHAT THEY TELL US

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

WHAT WE ARE DOING

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



CUSTOMERS

[→ Read more on page 27](#)

Beaulieu Oaks, Chelmsford

90.6%

Recommend a Friend score, HBF five-star rated

STRATEGIC PRIORITY



GROWTH



SUSTAINABILITY

[→ Read more on pages 22 and 23](#)

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

HOW WE ENGAGE

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

WHAT THEY TELL US

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

WHAT WE ARE DOING

- Communicating with customers at all stages of the build
- Ensuring feedback informs future design and specification
- Maintaining strong focus on build quality with a policy of continuous improvement
- Designated Executive Committee member with responsibility for the customer journey
- Staff remuneration linked to customer care performance
- Appointed Group Customer Service Director and Group Sales and Marketing Director to drive consistency and best practice across the Group and enhance the overall customer journey from initial enquiry through to legal completion and beyond
- Adopted comprehensive Covid-19 guidance, in line with Government advice, which is designed to keep our customers safe as well as dedicated page on our website to ensure all our stakeholders have an understanding of our approach
- Adapted sales and marketing techniques to facilitate greater digital interaction with our customers, therefore avoiding unnecessary face-to-face contact
- Website enhancements and virtual adaptations – including online reservations, video and virtually assisted show home tours, and home demonstration videos

GOVERNMENT AND REGULATORS

[→ Read more on page 15](#)

Board meeting

**FTSE4GOOD
INDEX**

member since 2018

STRATEGIC PRIORITY



RESILIENCE



SUSTAINABILITY

[→ Read more on pages 22 and 23](#)

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

HOW WE ENGAGE

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

WHAT THEY TELL US

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

WHAT WE ARE DOING

- Embracing modern methods of construction with investment in modular panel factories
- Engaging in policy discussions over key industry topics
- Inclusion in the FTSE4Good Index



PARTNERSHIPS

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

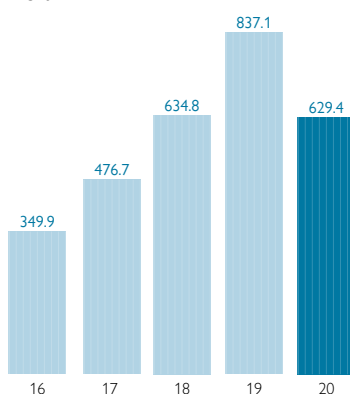
KEY HIGHLIGHTS

- Strong market opportunity from mixed-tenure delivery model
- Increased demand for our Partnerships skillset
- Resilient business model focused on affordable and PRS homes
- Establishing three new regions to capitalise on opportunities
- Focus on returning margin and returns to target levels
- Second modular panel factory under construction to underpin delivery

Adjusted revenue¹ £m

£629.4m

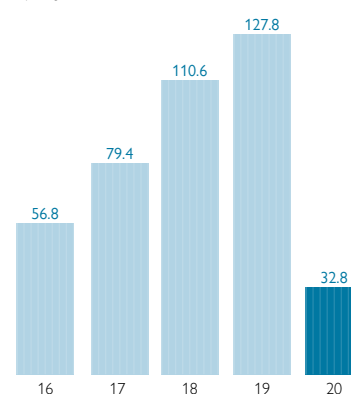
-25%



Adjusted operating profit² £m

£32.8m

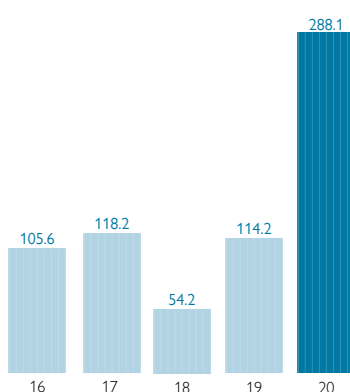
-74%



Tangible net asset value³ £m

£288.1m

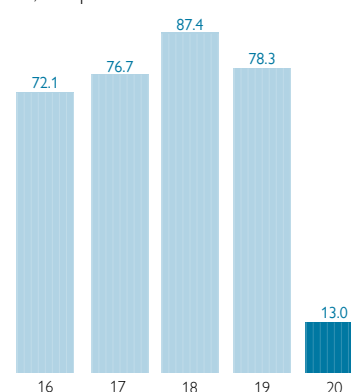
+152%



Return on capital employed⁴ %

13.0%

-6,530bps



1. Adjusted revenue includes the Group's share of revenue from joint ventures of £44.1m (2019: £44.8m; 2018: £44.5m; 2017: £57.9m; 2016: £36.7m).

2. Adjusted operating profit includes the Group's share of operating profit from joint ventures of £8.3m (2019: £13.3m; 2018: £9.5m; 2017: £10.7m; 2016: £7.0m). Divisional adjusted operating profit excludes non-underlying items of £8.3m (2019: £7.4m; 2018: £Nil; 2017: £Nil; 2016: £Nil).

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

4. Adjusted operating profit divided by average TNOAV.



STRATEGY

Our Partnerships division delivers mixed-tenure communities through estate regeneration in the South and a mix of settings in the North and Midlands. The division works with local authorities, housing associations and institutional PRS partners to deliver private for sale, affordable and private rented homes in roughly equal proportions. We operate in London, the Midlands, the North West and Yorkshire and have announced further expansion into the South West and Chilterns, as well as adding a new business in South London. Following the equity placing in July, eight sites within our Southern region are also being accelerated to enhance shareholder returns.

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

Land is principally sourced through public procurement or direct negotiation and we have built up an excellent track record in winning new work over the past 40 years, in which time we have successfully completed over 100 developments. We have a land bank, including preferred bidder, of over 42,000

plots, which equates to over nine years' work at 2019 volumes.

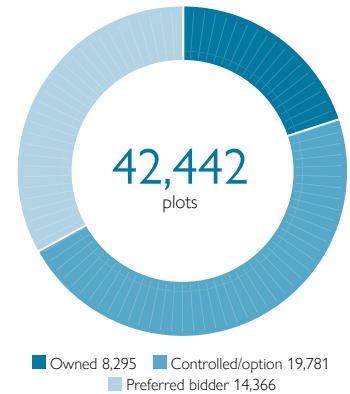
MARKET

The market opportunity in Partnerships has not diminished in light of Covid-19, with the demand for housing of all tenures expected to remain strong in the coming years. Regeneration remains a key theme in urban settings, both for large public housing estates and, increasingly, for town centre regeneration.

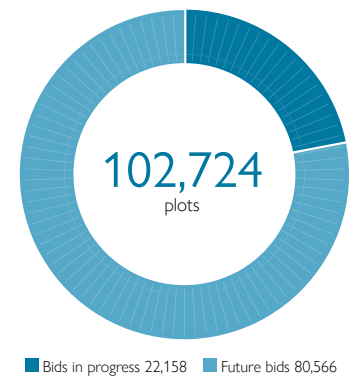
Government support remains strong, with Help to Buy assisting first-time buyers in place until 2023 and the announcement in August 2020 of £12bn of additional affordable grant funding for local authorities. When combined with increasing availability of institutional funding for PRS homes, we are confident that the scale of opportunity for our mixed-tenure delivery model remains strong.

Our modular panel factory in Warrington will be supplemented by a new factory in 2021, taking our modular panel capacity up to 5,000 homes per year. This helps us deliver homes more quickly, by halving construction time versus traditional timber frame construction. This positions us well with local authorities, which remain under pressure to maintain the delivery of new homes in line with national targets.

Over nine years of secured work



Future opportunities continue to grow



Fresh Wharf, Barking



PERFORMANCE

Partnerships completions reduced to 3,213 homes (2019: 4,425 homes) as a result of construction delays caused by the Covid-19 closure of sites. We had anticipated 2020 delivery being weighted to Q4 and therefore the construction delays had a significant impact on delivery. Our affordable and PRS contracts meant that we were confident in restarting site activities in the knowledge that these contracts would generate cash immediately for the division.

In our Southern business, 611 homes were delivered (2019: 983 homes) with strong delivery at our flagship regeneration site in Acton, Ealing, delivering 105 homes, half of which were affordable or PRS, and we delivered almost exclusively PRS and affordable homes during the year in the initial phases of Beam Park, Dagenham, and Fresh Wharf, Barking, which together contributed a further 154 homes.

In our regional businesses outside London, delivery remained strong with 2,602 homes delivered during the year (2019: 3,442 homes).

Demonstrating our ability to grow organic businesses quickly, our Yorkshire region delivered 123 homes in its first full year of operation despite the Covid-related disruption. Our three existing Midlands regions together delivered over 1,300 homes (2019: 1,785 homes) as they continue to grow to scale, supported by the opening of the first private for sale developments in the ex-Westleigh regions.

Our two factories, consisting of the modular panel factory in Warrington and our open-panel timber frame factory in Leicester, delivered 1,430 homes despite the Covid-19 closure, up 14% on 2019 (2019: 1,253 homes).

We have again been successful in winning new work during the year, adding 11,374 plots to the land bank (including preferred bidder status), including Waltham Forest, London (585 plots), Bracknell, Berkshire (392 plots) and a mixed-tenure development in Brackley, Salford (700 plots). We have secured a number of larger mixed-tenure sites in the Midlands, including 300 plots in Grantham, Lincolnshire, and 198 plots in Worksop, Nottinghamshire.

We started on 56 new developments during the year and had 31 open sales outlets as at 30 September 2020 (2019: 28), with a further 53 (2019: 70) sites under construction. The number of sites under construction fell as we completed a number of smaller ex-Westleigh affordable-only sites in the second half of the year.

OUTLOOK

Despite the near-term economic uncertainty, Partnerships' mixed-tenure model and clear visibility, along with the recent equity placing, ensure that the business is well positioned for strong growth over the medium term driven by its regional expansion and acceleration of its existing pipeline.

Having announced the establishment of three new regional businesses in July 2020, new management teams have been appointed in the South West and South London regions, with recruitment for the Chilterns well underway.

Two new chief executives have been appointed to run the North and Midlands divisions as the scale of the Partnerships business increases.



Despite the near-term economic uncertainty, Partnerships mixed tenure model and clear visibility, along with the recent equity placing, ensures that the business is well positioned for strong growth over the medium term driven by its regional expansion and acceleration of its existing pipeline.”



Fresh Wharf, Barking



Places People Love

Partners case study

ROCHESTER RIVERSIDE

Rochester Riverside is our £419m regeneration scheme with Hyde, built on a previously derelict brownfield site. The site, once fully complete in 2030, will provide 1,400 new homes and will feature 10 acres of landscaped and green open space such as play areas and parks. In addition, a new 2.5km public riverside walkway will open up a key part of the riverside for the first time, offering panoramic vistas of both the River Medway and historic Rochester.

The walkway provides a new gateway to Rochester with a pedestrian footbridge to the Rochester Riverside development; there will also be 1,200 sq m of commercial space once completed, including an 81-bed Travelodge hotel, Co-op store and Costa Coffee. These new amenities will be in an attractive landscaped plaza, offering an inviting entrance to the development from Rochester Station, which is just 100 metres away. Over the next ten years, working with Hyde, we will transform the site into a new mixed-tenure community with provision for a primary and nursery school for children living at Rochester Riverside and the surrounding area. The site will make a huge contribution to meeting local housing need, with 25% of new homes earmarked as affordable.

Rochester Riverside has received the highest accolade and been named the Winner of Winners at this year's prestigious Housing Design Awards. This is following the development also being awarded the Building for a Better Life Award for its work in Phase 1B. This double award victory recognises Rochester Riverside's revival of waterside living in this once forgotten part of Medway and the way in which the design and architecture has ensured residents' health and wellbeing are at the heart of the scheme.

David Gannicott, Group Business Development Director at Hyde, said: "It is great to be working with Countryside, Medway Council and Homes England on this landmark project for Rochester. We are really excited to start work and bring some fantastic new homes to the town."

Cllr Alan Jarrett, Leader of Medway Council, said: "I am delighted that work has begun on Rochester Riverside. It is Medway's flagship project and will bring hundreds of homes and jobs to the area. The development will include a school, nursery and hotel alongside green spaces. We are committed to providing affordable housing for the people of Medway and the development will include affordable housing. Rochester Riverside will be a fantastic place to live, work, learn and visit. Medway has a very exciting year ahead and Rochester Riverside is just one of the area's monumental regeneration projects."

Steven Kinsella, Director of Land at Homes England, said: "At Homes England we're using our land, finance and expertise to speed up the delivery of new homes. By working with Medway Council we're providing the land needed to make the Rochester Riverside development possible. It's an important milestone towards ultimately providing 1,400 new homes alongside the supporting infrastructure and facilities needed to create this new community. Rochester Riverside has excellent design quality and is a great example of the sort of schemes we want to support as we seek to raise the bar going forward."

Rochester Riverside, Kent





HOUSEBUILDING

Our Housebuilding division leverages a strong strategic land bank to deliver higher quality homes to local owner occupiers within 50 miles of London.

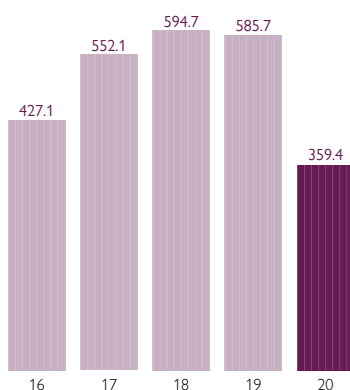
KEY HIGHLIGHTS

- Industry-leading strategic-led land bank
- Only 24% of land owned equivalent to c.4 years' supply
- Strong forward order book with 78% of 2021 private revenue already reserved
- Opening of new region in western home counties, with a view to achieving a balanced presence around London
- Significant focus on cash generation in response to Covid-19
- Operating margin impacted by extended build programmes and land sale deferral

Adjusted revenue¹ £m

£359.4m

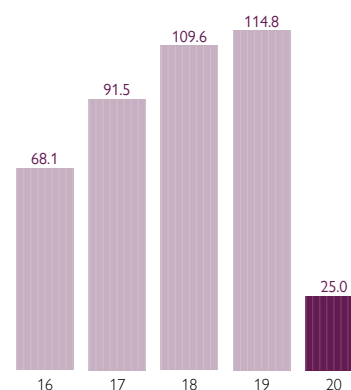
-39%



Adjusted operating profit² £m

£25.0m

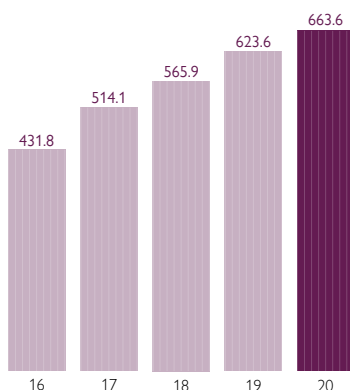
-78%



Tangible net asset value³ £m

£663.6m

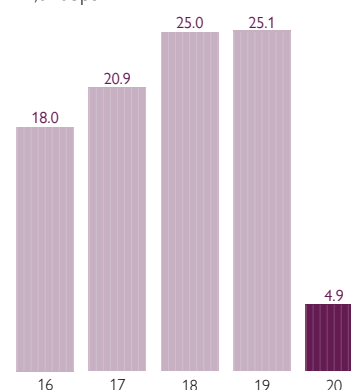
+6%



Return on capital employed⁴ %

4.9%

-2,020bps



1. Adjusted revenue includes the Group's share of revenue from associate and joint ventures of £52.7m (2019: £140.9m; 2018: £166.4m; 2017: £125.1m; 2016: £69.0m).

2. Adjusted operating profit includes the Group's share of operating profit from associate and joint ventures of £8.9m (2019: £33.5m; 2018: £36.9m; 2017: £22.9m; 2016: £18.3m). Divisional adjusted operating profit excludes non-underlying items of £5.2m (2019: £Nil; 2018: £Nil; 2017: £Nil; 2016: £Nil).

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

4. Adjusted operating profit divided by average TNOAV.



STRATEGY

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

During the year, we announced the opening of a new Housebuilding region in the western home counties, which will enable us to rebalance our delivery around London and contribute to returning the division to scale over the coming years. This new regional business now includes the remaining developments of Millgate as described on page 43.

We have 40 active sites (2019: 39 sites) supported by four development regions around London, together with a dedicated strategic land team. Around 82% of our land is sourced strategically, assembling land holdings under purchase options to promote planning strategies. This allows us to secure the long-term supply of land in a capital-efficient way, typically at a discount to the prevailing open market value.

We have been developing land in this way for over 50 years and have built up a land bank of around 25,000 plots of which 76% are held on options or controlled rather than owned. This gives us excellent visibility of future work, flexibility on draw down of land and a more efficient balance sheet.

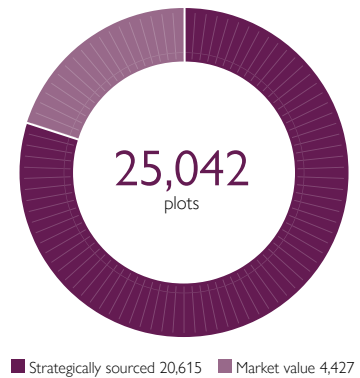
MARKET

The Covid-19 pandemic has not reduced the requirement for housebuilding at lower price points, and our private sales levels have remained strong in the year, particularly amongst first-time buyers who represent 36% of our purchasers, supported by the Help to Buy scheme and Government-led stamp duty incentives.

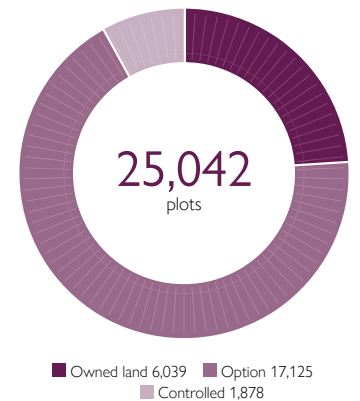
As in recent years, our primary focus is on ensuring that our house prices remain affordable for owner occupiers local to our sites which are located in high quality locations in areas of higher economic resilience around London. With the new regional price caps coming into the Help to Buy scheme, for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

Whilst interest rates remain low, there has been a reduction in mortgage availability with many higher loan-to-value products being withdrawn. We have not seen a significant impact on property valuations since the start of the pandemic.

Industry-leading strategic land bank



Balance sheet efficiency driven by options and conditional contracts



Wolsey Park, Rayleigh



PERFORMANCE

The closure of our sites and sales offices in March 2020 had a significant impact on the number of completions achieved in the year. The division delivered 840 homes in 2020 (2019: 1,308 homes) with private completions most significantly impacted, being down 39% from the prior year. As sites re-opened from May 2020, we were able to immediately recommence the delivery of our affordable and PRS plots, generating efficient cash returns for the business and underpinning a phased restart to construction of our private units.

Private ASPs were down by 5% to £477,000 (2019: £500,000), which reflects a shift in product mix and house price deflation of around (2.5)%.

Demand remains strong for our homes where we are creating high quality communities across the division. This is evidenced by strong performance at a number of developments, including Newhall, Harlow, Essex (52 homes), Beaulieu, Essex (52 homes), Kings Hill, Kent (39 homes) and St Michael's Hurst, Bishop's Stortford, Essex (36 homes).

Land sales were reduced compared to the prior year, largely driven by the Covid-19 pandemic, as counterparties deferred land purchases as an immediate response to the crisis. Two residential land sales concluded in the year, both at Bury St Edmunds, Suffolk. All three other sales delayed as a result of the lockdown in March now have terms agreed. The demand for our land bank remains strong and we continue to market land for sale where it assists us in managing geographic exposure or working capital, in line with our pre-Covid-19 strategy.

The reduction in private completions and land sales, together with a focus on liquidity, has been mitigated by reduced land expenditure in the year. We acquired 1,730 plots during the year (2019: 6,975 plots) and at 30 September 2020 our land bank totalled 25,042 plots (30 September 2019: 24,303). In addition, as we focused on working capital management we renegotiated the payment profile of certain existing land creditors, deferring these beyond 30 September 2020.

We own 6,039 plots within the land bank, which at 2019 volumes is equivalent to over four years of work.

OUTLOOK

Our current land bank, combined with a private forward sales position for the next financial year of 78%, gives us confidence in our ability to achieve our medium-term targets for the division as it returns to its target scale of 1,500 to 1,700 units per annum.

The decision to close the Millgate business and transfer the remaining developments to our newly established Housebuilding West region, retaining the brand for future use, will improve operational efficiency whilst allowing us to continue to benefit from the premium Millgate brand across the division.

We expect to see improvements in margin and asset turn as we benefit from increased standardisation and begin to use timber frame more widely in Housebuilding.

Throughout the pandemic, we have ensured we have maintained five-star customer satisfaction which reflects our commitment to quality and customer service.

“

Throughout the pandemic, we have ensured we have maintained five-star customer satisfaction which reflects our commitment to quality and customer service.”



Willow Grange, Coxheath



Places People Love

Supplier case study

CONTRACTORS AND SUPPLY CHAIN SURVEY

Our contractors and supply chain are key colleagues and stakeholders, and are fundamental to the success of our business. Therefore, their views are important to us and we wanted to understand how well we have communicated with them during the Covid-19 pandemic and get their thoughts on how safe our sites are. We sent out a survey to all our contractors and supply chain and the findings were:

89% felt we provide sufficient information and assistance to restart works on our sites following lockdown

88% felt we communicated well during Covid-19

89% felt that we have good H&S standards compared to other construction companies

86% felt our practices support the attraction, recruitment, retention and development of a diverse work force

89% felt sufficient controls were put in place for social distancing and hygiene

84% felt the measures we introduced allowed our supplier site operatives to be productive

81% feel we have taken positive steps to help and support vulnerable people in our communities during the pandemic

89% feel people from all backgrounds are fairly treated at Countryside

88% felt that the welfare facilities are appropriately modified to make them feel safe and are appropriately stocked

“

Countryside are a forward thinking, proactive company and it's a pleasure working for them, especially in these uncertain times.”

“

The Countryside team are excellent at ensuring all operatives fully understand the health and safety requirements.”

“

Site safety and welfare are extremely good compared to other UK housebuilders. This has always been our experience over the last 5-10 years.”

“

The procedures and actions put in place have made our employees and those involved with Countryside feel safe.”

“

Countryside has set the standards for all housebuilders.”

Beaulieu Keep, Chelmsford





MAINTAINING FINANCIAL CONTROL

MIKE SCOTT

GROUP CHIEF FINANCIAL OFFICER



The Covid-19 pandemic has significantly reduced delivery volumes in 2020, with margins eroded by programme elongation and costs of inefficiency and social distancing. Our equity placing has ensured that the business is well positioned to accelerate growth in Partnerships.

The Covid-19 pandemic has caused our business unprecedented challenges during 2020; however, our mixed-tenure model, strong forward order book and recent balance sheet strengthening position us well as we look to reinvigorate our sector-leading growth in the medium term.

GROUP PERFORMANCE

Despite the impact of Covid-19, the Group delivered total completions of 4,053 homes in 2020, down 29% on the prior year (2019: 5,733 homes). The reduction was caused by the closure of our construction sites from 25 March to 11 May and the consequent delay to production of over 2,000 homes planned for delivery in the final quarter of the year. This shortfall will be recovered in H1 2021 as these homes are completed and this contributed to our strong private forward order book at 30 September 2020, up 119% at £528m (2019: £241m).

As a result of these delays, private completions of 1,454 homes (2019: 2,177 homes) made up only 36% of the Group's volume with a further 1,691 affordable homes (2019: 2,179 homes) and 908 PRS homes (2019: 1,377 homes). The focus on our mixed-tenure model helped mitigate the impact of the number of private completions which have been delayed until the new financial year.

Our private average selling price ("ASP") was broadly flat at £364,000 (2019: £367,000) as some deflation within the Housebuilding division was offset by a shift in mix within our Southern Partnerships business. Affordable ASP was also flat year on year at £151,000 (2019: £153,000), whilst PRS ASP increased 4% to £143,000 (2019: £138,000) reflecting geographical mix as we recorded our first completions in the London region under the Sigma Framework agreement. As a result of the reduction in volume and shift in mix, Group adjusted revenue fell 31% year on year to £988.8m (2019: £1,422.8m).

Reported revenue reduced by 28% to £892.0m (2019: £1,237.1m). The difference between adjusted and reported revenue is the effect of the proportionate consolidation of the results of the Group's joint ventures and associate in the adjusted measure. Revenue at our Housebuilding joint ventures reduced in line with the rest of the business due to the reduction in completions during the year.

Group adjusted gross margin (including the Group's share of joint ventures and associate gross profit) reduced by 890bps to 12.8% (2019: 21.7%). This margin decrease was due to a combination of Covid-19-related costs, operational efficiencies which benefited margin in 2019 and a shift in mix towards the lower-margin Partnerships division. During 2020 the Group recorded Covid-19 costs of £21.6m, which included £10.4m of production-related overheads expensed during the period of lockdown, £2.7m relating to the cost of implementing social distancing and health and safety measures at our sites and office locations and £8.5m relating to programme elongation. We expect Covid-19-related costs to continue to unwind over the next two to three years.

Operating profit from land and commercial sales contributed £7.8m (2019: £18.6m), lower than last year as a consequence of a number of land sales planned for the first half which were delayed into 2021. Two sales completed in the second half, both located in Bury St Edmunds, Suffolk. A further three parcels now have terms agreed and are expected to complete in 2021. This included operating profit of £1.4m from commercial sales (2019: £4.4m) which was lower than the previous year due to significant prior year sales at Bicester and the completion of Abcam Plc's head office by our Medipark joint venture in Cambridge. No amount in respect of overage receivable was recognised in 2020 (2019: £0.9m). Land sales remain a part of our strategy for managing the balance sheet and geographical exposure, and are expected to deliver £15m to £20m of operating profit per annum.

Adjusted operating profit reduced by 77% to £54.2m (2019: £234.4m) largely as a result of the Covid-19 impact on both volumes and costs. The Group's adjusted operating margin reduced by 1,100bps to 5.5% (2019: 16.5%) reflecting the lower gross margins described above, with little change in operating costs year on year as we mitigated the impact of increased corporate costs through a reduction in discretionary bonuses for our staff.

The Group reported a statutory operating loss of £5.4m (2019: £170.4m operating profit) with the difference to adjusted operating profit being the proportionate consolidation of the Group's joint ventures and associate and non-underlying items recognised during the year. Further details of the difference can be found in Note 4 to the financial statements.



Our net reservation rate per open sales outlet was 0.78 (2019: 0.84) reflecting strong demand from customers throughout the year, including during the lockdown period. There were no bulk sales made during the year (2019: 339 plots). The average number of open sales outlets was up 13% on the prior year at 63 (2019: 56). In total, 62 sites (2019: 79 sites) were under construction but not yet open for sale as at 30 September 2020, slightly lower than last year following the closure of a number of smaller, affordable-only sites acquired through Westleigh in 2018 and a small number of sites where opening was delayed due to Covid-19-related factors.

Our total forward order book across all tenures increased 23% to £1,432m compared to £1,166m last year. Our private forward order book increased by 119% to £528m as a result of completions originally expected to complete in 2020 which were delayed until the first half of 2021 due to the Covid-19-related construction delays (2019: £241m).

The trend in house price inflation was upwards throughout the year, although on an aggregate basis we ended the year broadly flat from a pricing perspective. Our exposure to areas of stronger house price inflation in the North and Midlands offset the impact of negative inflation in the Housebuilding regions which are based in the South East. We saw pricing improvement across the Group in the second half with house price inflation in the forward order book of around 2% (2019: (1)%). Cost price inflation was broadly flat during the year, lower than in 2019 (2019: 4%), although some materials prices increased as a result of the shortage of supply following Covid-19 production delays. Overall, this was offset by softening labour prices and good availability throughout the supply chain.

PARTNERSHIPS

Despite the economic uncertainty, our Partnerships division has recovered quickly due to its higher proportion of affordable and PRS homes. The division ended 2020 with a record forward order book and land bank and we were pleased to see our newer regional businesses in the Midlands grow towards maturity. We have positioned the division for future growth with £150m of the proceeds raised in July allocated to help establish new regions in the Chilterns, the South West and South London, as well as accelerating eight existing London developments and confirming our investment in the new modular panel factory in Bardon, Leicestershire.

In total, 3,213 homes were delivered by the Partnerships division in the year, a reduction of 27% (2019: 4,425 homes); of these completions, 29% were private homes, down from 30% in 2019, as greater emphasis was placed on the delivery of affordable and PRS homes in the second half of the year. As we have taken steps to de-risk 2021 delivery, we expect the proportion of private homes to remain broadly in line with this in 2021.

Completions of private housing fell by 30% to 939 homes (2019: 1,336 homes) mainly driven by construction delays caused by Covid-19; consequently, our private forward order book includes 848 homes, 108% higher than last year (2019: 408 homes). Delivery of affordable homes fell less sharply, reflecting the resilient nature of our Partnerships division which allowed us to quickly return to construction of affordable and PRS homes following our return to sites in May. Total completions were down 26% to 2,274 homes (2019: 3,089 homes) with 1,390 affordable homes delivered (2019: 1,760 homes) and PRS volume reduced to 884 homes (2019: 1,329 homes). Our total forward order book for the division stands at £949m (2019: £817m).

Private average selling price increased 7% to £302,000 (2019: £283,000), reflecting a shift in mix within our Southern region as we completed a number of higher value homes at our development in Hoxton, London. Adjusted revenue fell by 25% to £629.4m (2019: £837.1m), with reported revenue, which excludes the Group's share of revenue from joint ventures, down 26% to £585.3m (2019: £792.3m).

The impact of social distancing, programme elongations and unutilised production staff has resulted in a £14.9m reduction in profit during the year. In the prior year the division benefited from a number of overage arrangements which delivered significant profit contributions; such arrangements have not delivered to the same extent this year and consequently adjusted gross margin for the Partnerships division decreased 800bps to 11.6% (2019: 19.6%).

Adjusted operating margin reduced to 5.2% (2019: 15.3%) as a result of an increase in total overheads as our Partnerships regions continue to mature, compounded by the fall in sales volumes. As a result of the reduction in volumes and expansion of regional overheads, adjusted operating profit was down 74% to £32.8m (2019: £127.8m) and reported operating profit decreased to £16.2m (2019: £107.1m).

During the year we secured 11,374 new plots (2019: 10,492), with significant new projects across all of our regions. These wins led to our Partnerships land bank, including preferred bidder, increasing by 22% with 42,442 plots under our control (2019: 34,842 plots). This represents approximately nine years' supply at 2019 volumes and provides significant visibility of future work.

HOUSEBUILDING

Completions in our Housebuilding division fell 36% to 840 homes (2019: 1,308 homes). Total adjusted revenue from Housebuilding was down 39% to £359.4m (2019: £585.7m) because of a reduction in volumes as a result of Covid-19, changes in site mix and fewer land and commercial sales than were achieved in 2019. Excluding the results of joint ventures and associate, on a reported basis Housebuilding revenue reduced 31% to £306.7m (2019: £444.8m).

Through our annual strategic review process, we concluded that our Millgate business should be closed, with its remaining developments moving into our newly established West region. Millgate has a strong brand presence in Berkshire and we will retain the brand for use within the Housebuilding business. Goodwill of £18.5m which arose on the acquisition of Millgate in 2014 has been impaired.

Private completions decreased by 39% to 515 homes (2019: 841 homes) as a result of build delays caused by the Covid-19 pandemic. Private ASP decreased 5% to £477,000 (2019: £500,000) as we continued to see negative house price inflation in the division throughout the year, although the pricing position improved in the second half.

Affordable completions reduced by 28% to 301 homes (2019: 419 homes) at an ASP of £180,000 (2019: £191,000), down 6% on 2019. PRS completions reduced by 50% to 24 homes (2019: 48 homes) at an ASP of £301,000 (2019: £321,000), down 6% on 2019 as a result of a change in mix.

£39.1m of adjusted revenue came from land and commercial sales during the year (2019: £50.0m), generating £7.2m of profit (2019: £16.9m) as we sold several sites, including land in Bury St Edmunds, Suffolk. Five parcels of land were due to be sold at the end of the first half and were delayed by the Covid-19 lockdown. Two of these sales completed in the second half with terms now agreed on the remaining three parcels. The gross margin on these land and commercial sales of 18.4% was lower than in the previous year (2019: 33.8%) due to an abnormally strong margin in 2019 and some impact from economic uncertainty in pricing.

Housebuilding adjusted gross margin reduced by 990bps to 14.8% (2019: 24.7%), reflecting a one-off cost of £3.4m in respect of unutilised production staff costs during lockdown and £3.3m relating to ongoing costs associated with elongated programmes and social distancing. Gross margin was also affected by lower margin land and commercial sales which were completed in the year and the effect of highly profitable legacy sites having sold through last year.



HOUSEBUILDING CONTINUED

Adjusted operating margin was lower as a result of the reduction in completion volumes and gross profit margin; this led to a 1,260bps reduction in adjusted operating profit margin to 7.0% (2019: 19.6%). Overall, the Housebuilding adjusted operating profit reduced by 78% to £25.0m (2019: £114.8m), whilst reported Housebuilding operating profit, excluding the results of the associate and joint ventures, reduced by 87% to £10.9m (2019: £81.3m).

In line with our strategy, we have maintained the land bank in our Housebuilding division and have acquired 1,730 plots on 6 sites during the year (2019: 6,975 plots across 18 sites). Including strategic land controlled off balance sheet through options and conditional contracts, the total Housebuilding land bank now stands at 25,042 plots (2019: 24,303 plots), of which over 82% has been strategically sourced.

NON-UNDERLYING ITEMS

In order to further Countryside's commitment as a signatory to the Government's Leasehold Pledge, we created the Countryside Ground Rent Assistance Scheme during the year and will seek agreement from freehold owners to vary the leaseholds of Countryside customers who still own homes with a leasehold ground rent that doubles more frequently than every 20 years, to be linked instead to the rate of RPI and reviewed every 15 years. In addition, the scheme will support homeowners who purchased a leasehold house from Countryside to purchase the freehold directly from the owner where possible. The cost of the scheme has been estimated at £10m. This provision has been expensed as a non-underlying item.

During the year the Group announced several restructuring initiatives to streamline the Group's operations at a cost of £3.5m, principally being the restructuring of the Millgate business discussed above and the closure of the Group's office in Central London. A charge relating to these restructuring activities has been included within non-underlying items for the year, together with an £18.5m impairment charge relating to the Millgate goodwill.

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

A total tax credit of £4.7m (2019: £3.4m) in relation to all of the above non-underlying items was included within taxation in the statement of comprehensive income.

Non-underlying items		
Year ended 30 September	2020 £m	2019 £m
Recorded within operating profit:		
Amortisation of acquisition-related intangible assets	10.2	10.2
Restructuring costs	3.5	—
Impairment of Millgate goodwill	18.5	—
Ground Rent Assistance Scheme	10.0	—
Deferred consideration relating to Westleigh acquisition	0.2	(2.2)
Acquisition and integration costs relating to Westleigh acquisition	—	1.8
Impairment of inventories	—	7.4
Total non-underlying items	42.4	17.2

FINANCING THROUGH THE COVID-19 PERIOD

Following the decision to close our construction sites, factories, sales

outlets and offices on 25 March, we took a number of steps to preserve cash in the business, carefully managing the Group's liquidity position. These steps included the decision not to pay an interim dividend and reductions in pay of 20% for the Group's Directors and Executive Committee in April and May. We also negotiated a relaxation of the Group's key gearing and interest cover banking covenants until September 2022 and secured an investment-grade credit rating which facilitated our eligibility for the Bank of England's CCF. A commercial paper programme of up to £300m was also put in place should it be needed.

As we returned to construction activity and our sales offices reopened, we modelled various plausible but severe downside cases on the business, including future local or national lockdowns and the impact of an economic recession arising from the impact of Covid-19 on the economy more widely. The short-term cash impact of Covid-19 is estimated to have been around £220m at the balance sheet date and whilst the impact of delayed completions is expected to unwind in 2021, in certain of those downside scenarios it was clear that the Group would require additional liquidity on top of its existing revolving credit facility.

On 23 July, the Group executed a placing of £250m of new equity through the issuance of 74.6m new ordinary shares. £100m of the proceeds were directly to strengthen the Group's balance sheet, while a further £150m was raised to ensure that our growth plans could be maintained, including the establishment of three new regional Partnerships businesses, confirmation of our investment in the new modular panel factory in Leicestershire and the acceleration of eight Partnerships developments in London which were already in our pipeline.

Following the equity placing in July, we ended the year with net cash of £98.2m (2019: £73.4m) after cash used in operations of £144.9m (2019: net cash generated from operations: £86.3m).

NET FINANCE COSTS

The Group has a £300m revolving credit facility expiring in May 2023. As noted above, the Group was confirmed as an eligible issuer for the CCF and put in place a £300m commercial paper programme to participate in the scheme should the need arise. Under the CCF, the Group may issue commercial paper at any time up to 22 March 2021, for a period of up to one year. Following the equity placing in July 2020, the Board does not consider it likely that the CCF will be required.

In 2020, net finance costs were £13.5m (2019: £10.9m), of which net cash costs were £5.1m (2019: £2.8m). Interest on the Group's bank loans and overdrafts was higher than last year, owing to the increased debt within the business prior to July's equity placing, with total charges of £5.3m (2019: £3.4m).

TAXATION

The income tax charge was £2.1m (2019: £35.2m), with an adjusted tax rate of 17.2% (2019: 18.5%) and, on a reported basis, an effective tax rate of (107.7)% (2019: 17.3%), the main difference between the rates reflecting non-underlying items and the treatment of joint ventures and associate.

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

Adjusted tax rate			
Year ended 30 September 2020			
	Profit £m	Tax £m	Rate %
Adjusted profit before tax and tax thereon	40.7	7.0	17.2
Adjustments and tax thereon:			
Non-underlying items	(42.4)	(4.7)	—
Taxation on joint ventures and associate in profit before tax	(0.2)	(0.2)	—
Reported profit before tax and tax thereon	(1.9)	2.1	(107.7)



In 2021, Countryside expects the adjusted tax rate to continue to be broadly in line with the UK statutory corporation tax rate.

EARNINGS PER SHARE

Adjusted basic earnings per share reduced by 82% to 7.4 pence (2019: 40.8 pence) reflecting the reduction in adjusted operating profit during the year. The basic weighted average number of shares in issue was 462.1m (2019: 445.1m).

The Group recorded a basic loss per share of (0.8) pence (2019 basic earnings per share: 37.7 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

On 25 March 2020, the Group announced that due to the uncertainty surrounding the remainder of the year, no interim dividend would be paid in 2020. As a result of the impact which the pandemic has had on this year's financial performance, no final dividend has been recommended for 2020 (2019: 10.3 pence per share). Consequently, no dividend will be paid in respect of the full year's performance in 2020 (2019: 16.3 pence per share).

As the Group has now returned to normal operations, and assuming no deterioration in market conditions, the Board intends to recommence the dividend in 2021.

STATEMENT OF FINANCIAL POSITION

As at 30 September 2020, Group TNAV was £951.7m (2019: £737.8m), an increase of £213.9m.

The Group's net working capital increased by £181.5m primarily as a result of £225.0m of additional inventory carried at year end arising from the delayed completion of over 2,000 homes due to construction delays caused by Covid-19. The Group's number of active sites had slightly reduced from 137 to 124, reflecting the completion of a number of smaller affordable-only developments in the East Midlands acquired with Westleigh in 2018.

Our net investment in joint ventures and associate, including loans from the Group to these vehicles, totalled £111.3m (2019: £115.0m) as increased levels of stock within our active investments were offset by reduced production from our Greenwich Millennium Village investment.

Deferred land and overage payments totalled £224.1m (2019: £192.2m), with £104.7m in Partnerships and £119.4m in Housebuilding (2019: £105.5m in Partnerships, £86.7m in Housebuilding), with the increase in Housebuilding's deferred land payments being driven by land purchases in Bishop's Stortford, Hertfordshire, and Maidstone, Kent.

ROCE reduced to 7.1% (2019: 37.8%) as the impact of Covid-19 weighed on both profitability as well as the Group's inventory at 30 September 2020. The Partnerships division achieved ROCE of 13.0% (2019: 78.3%), while Housebuilding ROCE fell to 4.9% (2019: 25.1%).

Return on capital employed		
Year ended 30 September	2020	2019
Adjusted operating profit (£m)	54.2	234.4
Average capital employed (£m) ¹	759.0	619.8
Return on capital employed (%)	7.1	37.8
Decrease	(3,070)bps	

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

CASH FLOW

Summary cash flow statement		
Year ended 30 September	2020 £m	2019 £m
(Loss)/profit before taxation	(1.9)	203.6
Non-cash items	38.5	(13.4)
Increase in inventories	(250.5)	(67.8)
Decrease/(increase) in receivables	48.2	(66.7)
Increase in payables	11.8	33.5
Increase/(decrease) in provisions	9.0	(2.9)
Cash (used in)/generated from operations	(144.9)	86.3
Interest and tax paid	(33.7)	(31.7)
Dividends paid	(50.5)	(56.0)
Purchase of own shares	(2.0)	(13.0)
(Increase)/decrease in advances to joint ventures and associate	(19.8)	6.8
Dividends received from joint ventures and associate	35.8	43.1
Repayment of members' interest	4.4	2.9
Proceeds of issue of share capital	243.0	—
Other net cash outflows	(7.4)	(10.0)
Net increase in cash and cash equivalents	24.9	28.4

The Group's cash position improved in the year to 30 September 2020 principally due to the equity placing which took place in July, which offset the impact of Covid-19.

In total, the Group invested £144.9m in its operations (2019: £86.3m cash generated) representing a net £181.5m increase in working capital during the year (2019: £103.9m). This movement is as a result of a build-up of work in progress across a number of our sites which is expected to unwind as homes are completed and our forward order book is satisfied.

During the year, the Group's Employee Benefit Trust ("EBT") purchased 1.2m shares at a total cost of £3.8m. Of this, the Group contributed £2.0m in 2020 to fund the purchases (2019: 4.5m shares, £13.0m).

Overall, net cash increased by £24.8m to £98.2m (2019: £73.4m).

IMPACT OF NEW ACCOUNTING STANDARDS

IFRS 16 "Leases" was effective for the year ended 30 September 2020. The impact of adopting this standard was the recognition of right of use assets of £30.3m and lease liabilities of £31.6m on transition in respect of offices, factories, company cars, IT equipment and show homes. The impact on operating profit for the year ended 30 September 2020 was £(0.2)m.

Mike Scott
Group Chief Financial Officer
2 December 2020

OUR PEOPLE MAKE THE DIFFERENCE EVERY DAY

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

Without that talent we would not be able to build sustainable communities where people love to live. This year we have continued to grow organically despite the Covid-19 pandemic and our current headcount stands at 1,924, up 7% on 2019. Our new starter numbers fell to just under 500 as a result of the pandemic with the majority of these new joiners coming in the first half. From March, we moved to online interviewing, on-boarding and induction programmes to ensure that our recruitment could continue to be managed in a Covid-secure way.

PEOPLE REMAIN A KEY DIFFERENTIATOR

Countryside continues to attract and retain the best people in the housebuilding sector to enable us to deliver our strategy. We believe that our people truly differentiate us from our competition. In the last five years, we have more than trebled our employee numbers and now have just under 2,000 people working for us. Our aim is to "grow our own" as much as we can, together with a healthy balance of new recruits. A third of our new recruits join us through our employee referral scheme, a third through direct recruitment, and a third through recruitment agencies.

SUPPORTING SUSTAINABLE GROWTH

As we have set out ambitious growth plans for the coming years, it is important that our people strategy supports this growth whilst ensuring we maintain appropriate control over the business. During the year, we have developed our standard operating procedures by adding a number of roles with Group-wide oversight of key functions, including Technical, Commercial and Sustainability, to supplement our other Group roles.

SIGNIFICANT INVESTMENT IN DEVELOPING OUR PEOPLE

We have maintained and developed our Group-wide approach to succession and talent management as part of our people strategy. This year we have delivered four levels of leadership development programmes. These

programmes are embedding leadership best practices and new thinking at all levels. At our most senior levels we have a well-established coaching programme for a targeted cross-section of our senior population, using a combination of internal and external coaches, tailored to the individual's needs. The third cohort of new Directors completed a ten-month senior leadership development programme and we are currently planning future cohorts. A greater proportion of our leadership training this year was delivered virtually in response to the Covid-19 pandemic

Our focus on quality of training delivery remains, particularly around induction, sales development and externally accredited leadership programmes. All programmes are designed to complement each other and provide consistent messaging and focus and are increasingly delivered virtually. We continue to develop our people at all levels

of the organisation through leadership, professional and vocational qualifications and e-learning.

Each region has a training matrix to assess and monitor people development requirements. During 2020 we ran over 100 training courses for c.1,100 delegates, despite the challenges which Covid-19 brought. Developing our people to facilitate growth and building a pipeline of talent are critical to our success.

FUTURE TALENT CONTINUES TO BE A PRIORITY

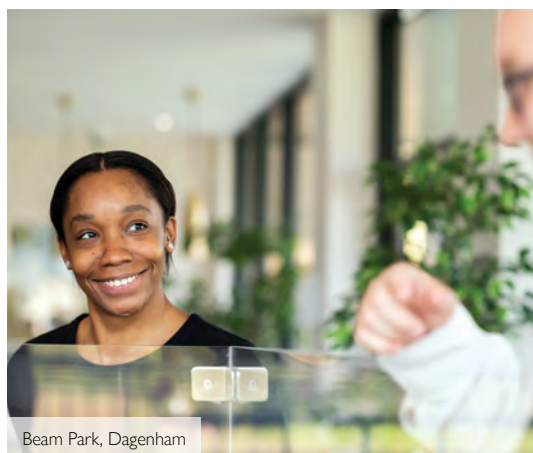
Our two-year graduate programme was ranked 23rd across the UK overall (2019: 31st) in the top 100 graduate employers by graduate recruitment website The Job Crowd. The programme is proving very successful and we continue to attract large numbers of high calibre graduate candidates. We currently have 24



Fresh Wharf, Barking



Fresh Wharf, Barking



Beam Park, Dagenham

graduates on our programme, with another large new intake this year.

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

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

REWARDING OUR PEOPLE

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

We were pleased to be one of the few companies in the sector to award an annual pay increase this year, of 1.5%. In addition, this year we reviewed our provision of retirement benefits to all of our staff and decided to increase the Company's pension contributions over a two-year period to align all of our employees at the upper end of our contribution range. The first step in this process was to award a 2% increase in contributions to around 1,500 of our employees currently receiving the lowest contribution.

We continue to encourage our people to participate in the growth of the Group by owning shares. In May 2020, we launched our fifth all-employee Save As You Earn ("SAYE") plan. These plans mean that around half of our eligible employees are either existing shareholders or are signed up to buy shares in Countryside.

December 2019 also saw the fifth grant of our Long-Term Incentive Plan to our most senior group as a retention tool for this key population.

More broadly, we undertook a full review of our reward packages for Directors and Managing Directors, and this review evidenced we continue to offer a highly market-competitive reward package at our most senior levels.

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

Our approach to reward is centred on choice. Our benefits range from buying and/or selling up to five days of annual leave, through to reduced fees on life, dental and travel insurance, to discounted medical and cancer screenings. During our 2020 flexible benefits annual enrolment window, 32% of employees selected a new benefit or amended an existing one. For those employees who qualify for a company car or cash allowance, we offer a sector-leading fleet proposition. This again focuses on offering our employees choice based on their lifestyle, while remaining environmentally conscious by starting to offer electric and hybrid vehicles. We offer sector-leading maternity, paternity and adoption benefits.

INCLUSION AND DIVERSITY

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

The Board Diversity Policy is reviewed annually. The Board, via the Nomination Committee, takes an active role in setting the diversity strategy and in setting and meeting objectives for the Group as a whole, as well as monitoring the impact of diversity initiatives. There will be further concerted effort in this area in 2021. As an example of initiatives to improve diversity our graduate programme has diverse ethnic representation and, in line with last year, the current year's intake has more women than men.

In 2020 our gender statistics showed a female: male ratio of 31:69 (2019: 30:70). At senior management level we have a female:male ratio of 16:84. Gender equality remains an issue for our sector as a whole and we recognise that

RATIO OF FEMALE:MALE EMPLOYEES

At 30 September 2020

Total employees

599; 31% 1,325; 69%

Senior management

52; 16% 272; 84%

Executive Committee

1; 13% 7; 87%

Board

2; 29% 5; 71%

Female Male

we must play our part in making the industry a more attractive career choice for women.

We have seen more senior women coming through our internal talent pipeline, and our aim remains to see more diversity at all levels from Board level down. Our flagship Senior Leadership Development Programme continues to help us develop talent internally, and we are seeing many promotions into the most senior positions in the Group from the alumni of this programme. Women now constitute 27% of our Regional Director population and 38% of our total population of the direct reports to the Executive Committee. Post-year-end, we announced two additional female appointments to our Group Executive Committee such that the female to male ratio will be 30:70 during 2021.

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

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

HEALTH AND SAFETY

For details on our health and safety practices and performance refer to the Sustainability Report on page 55.



Armed Forces Champions

ARMED FORCES PLEDGE

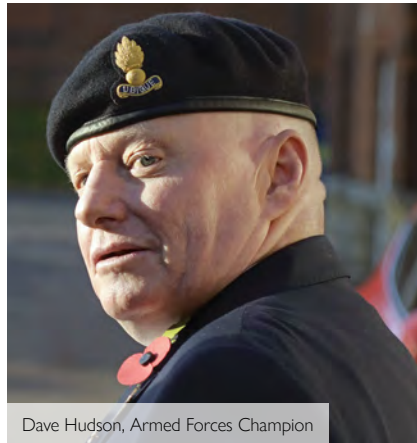
Countryside is a signatory to the Armed Forces Pledge, demonstrating our support for the armed forces community.

As part of this commitment, we aim to double the number of Countryside employees with military connections within the next five years. We will work to open avenues of employment from the armed forces to our Company, initially focusing on recruitment in three key business areas – Construction, Health and Safety, and Materials and Logistics. In addition, we will be facilitating site visits for Royal School of Military Engineering students as part of their training programmes, as well as sponsoring the Royal Engineers Association Football Club and the annual Royal Engineers Excellence Awards. During 2020, we recruited a further 19 employees with military connections, and we will continue to develop our partnership along these lines.

We are recognised with the Bronze award in the Defence Employer Recognition Scheme, which encourages employers to support the armed forces community and inspire others to do the same.

FOCUS ON EMPLOYEE WELLBEING

This year more than ever we have needed to focus on the wellbeing of our people and our priority through the Covid-19 pandemic has been to ensure the health and safety of all of our people. When the first lockdown period began in March 2020, we placed around 1,500 employees on fully paid leave as our sites and offices were closed. We ensured we stayed in touch with all of our people during that period, providing packs of information about available support to home addresses, including information on wellbeing and effective home working strategies. We reassured those with caring responsibilities that they could work more flexibly and we kept them regularly up to date



Dave Hudson, Armed Forces Champion

with developments in the business through direct communications from the Group Chief Executive and Executive Committee. We undertook various activities to help people feel connected and part of a team and equipped our leaders on how to motivate and look after their teams during these uncertain times.

In January 2020, we created a new Culture Transformation Director role to begin a programme of re-evaluating the Group's purpose and values and to set a new direction for the Group's culture (see opposite). This new role gave us the opportunity to fully focus on employee communication, wellbeing and engagement. We ran an employee engagement survey to understand how everyone was feeling about working at home and how the Group was looking after them. The response was overwhelmingly positive, and we developed specific interventions on the back of the results. Our communication with employees has been stronger than ever this year, the majority of this with a wellbeing goal.

We now have 56 mental health first aiders across the Group and by the end of 2021 we expect to have significantly more trained first aiders. Employee engagement groups have been set up in each region to ensure our employees have a voice.

OUR OFFICES ARE GREAT PLACES TO WORK

As part of our ongoing growth journey, we continue to deliver on our plans for an extensive overhaul and upgrade of our office space; following on from our new offices last year in Warrington, Leeds, Solihull and Leicester, we opened brand new offices in Ealing and Wolverhampton. Next year, we have plans for new office spaces in Bristol, Farnborough, Milton Keynes and South London, together with a significant refit of our head office in Brentwood, Essex.

CASE STUDY

SIAN MYERS CULTURE TRANSFORMATION

At the beginning of 2020, Countryside created the position of Culture Transformation Director. The aim was to have someone at a senior level in the business focusing on driving forward the culture at Countryside and working closely with the Executive Committee to set the strategy for this longer term. Sian Myers joined Countryside in April 2014 as Head of Reward and Employee Relations. She progressed to Head of Human Resources and then Human Resources Operations Director before being appointed Culture Transformation Director in February 2020.

Sian was well placed to move into the culture role because she has been a key part of the People team whilst Countryside has been going through significant changes as a business. Sian comments: "Countryside has experienced rapid growth during the five and a half years I have been part of the team; we have trebled in size, we've gone from a family-run business to a large plc and we've opened many new offices. Our culture needed to be defined."

When Sian started her new role of Culture Transformation Director in February, her first priority was to establish a Group purpose and Group values. Despite the challenges Covid-19 has created this year, this work has progressed and we are now proud to launch our new values and purpose.

Sian concludes: "Each of our regions will have a different personality. That is to be expected and it is a good thing. But we also need to remind ourselves about what connects us all and what makes us one Countryside team. We wanted to create shared values and behaviours that connect us and make us one Countryside. And we want to help all employees feel like they belong to something bigger and for everyone to be proud that they work for Countryside."

From January 2021 Sian will move into the role of Group Chief People Officer on the Group Executive Committee. The focus on culture will continue.



CULTURE AND VALUES

OUR VALUES

At the start of 2020, one of our key priorities was to create a Group purpose and a set of Group values to help us on the start of our journey to define our Group culture.

We wanted to co-create our values with people from across our business. It was important to us that our values were designed by everyone and not just agreed at Executive Committee level. We worked with Brunswick Group on the process to create our values. Over 100 people were directly involved in leader interviews and workshops. We heard how people felt about the current culture, what makes them proud to work for Countryside, what they would like us to stop, start and continue and ideas about what would make the perfect Countryside employee. In addition to the workshops and leader interviews we also ran an employee survey in June. We had over 1,500 responses to our survey. The survey was in three sections and asked how our people felt about flexible working, communication and culture and values. Highlights from our survey are shown opposite.

- The survey results showed our people felt productive and connected while working from home.
- As a business we have adapted well to working from home this year. As a result, longer term, over two-thirds of our people would prefer to work from home two or more days a week. We are planning to support this.
- It was recognised that a positive culture transformation is happening at Countryside. Despite the challenges this year has brought, people are feeling excited about the future.
- Our people feel that communication from the business has been good this year. We will maintain this level of communication as part of our “new normal”.
- We have had great feedback on how Countryside has managed employees throughout this year. The survey results also showed that our people feel we have communicated well with our supply chain and customers and that we have provided support to communities.

We also asked our people to share the values that are important to them and the values they had seen demonstrated by their teams. All the feedback from the interviews, workshops and the survey was then collated and reviewed by Brunswick Group and four themes were formed. We then went through a few weeks of testing the values themes with the Executive Committee and Board. Wording was refined and we launched our values to the business on 19 November. Our goal was to create a set of values that are:

Credible: they truly represent what it is like to work for Countryside;

Authentic: they were genuinely created by our people; and

Aspirational: they represent what we look like at our best.

We think that we have achieved our goal.

OUR VALUES

Our values have been launched but it does not stop there. Following the launch event everyone in the business has been participating in team workshops to fully understand our new values and where they came from, and to agree what changes each team will make to live our values.

We are putting a plan in place to embed our values in all business processes during 2021 and we will provide an update on our progress in the next Annual Report. We are also preparing an external communication plan to share our values with all our stakeholders including our customers and our supply chain. It is important to us that our values represent how we behave as a business both internally and externally.

WE REALLY CARE

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

WE GROW TOGETHER

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

WE TAKE PRIDE

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

WE ALWAYS DELIVER

in the right way,
the Countryside way.



Places People Love

Employee case study

WORKING FLEXIBLY

As part of our culture transformation programme, we engaged with our employees and, even before lockdown, there was a desire to work more flexibly. We want to build a culture around our people and ensuring the right work-life balance is an important part of that. Going forward, we are adapting the way in which we have traditionally worked, and together are creating our “new norm”.

One of the themes that came up regularly during lockdown is using commuting time to your advantage. Employees who previously spent many hours a day away from the desk and then had to catch up on emails each evening found time in lockdown to be far more productive. One such employee was David.

David outlined: “My role means I used to spend many hours on the road; however, now being able to video call my colleagues from the comfort of my home means I have been able to better manage my time. Working from home has given me the opportunity to spend more quality time with my family. I have been able to contribute to my daughter’s development, watching her learn and grow more each day.

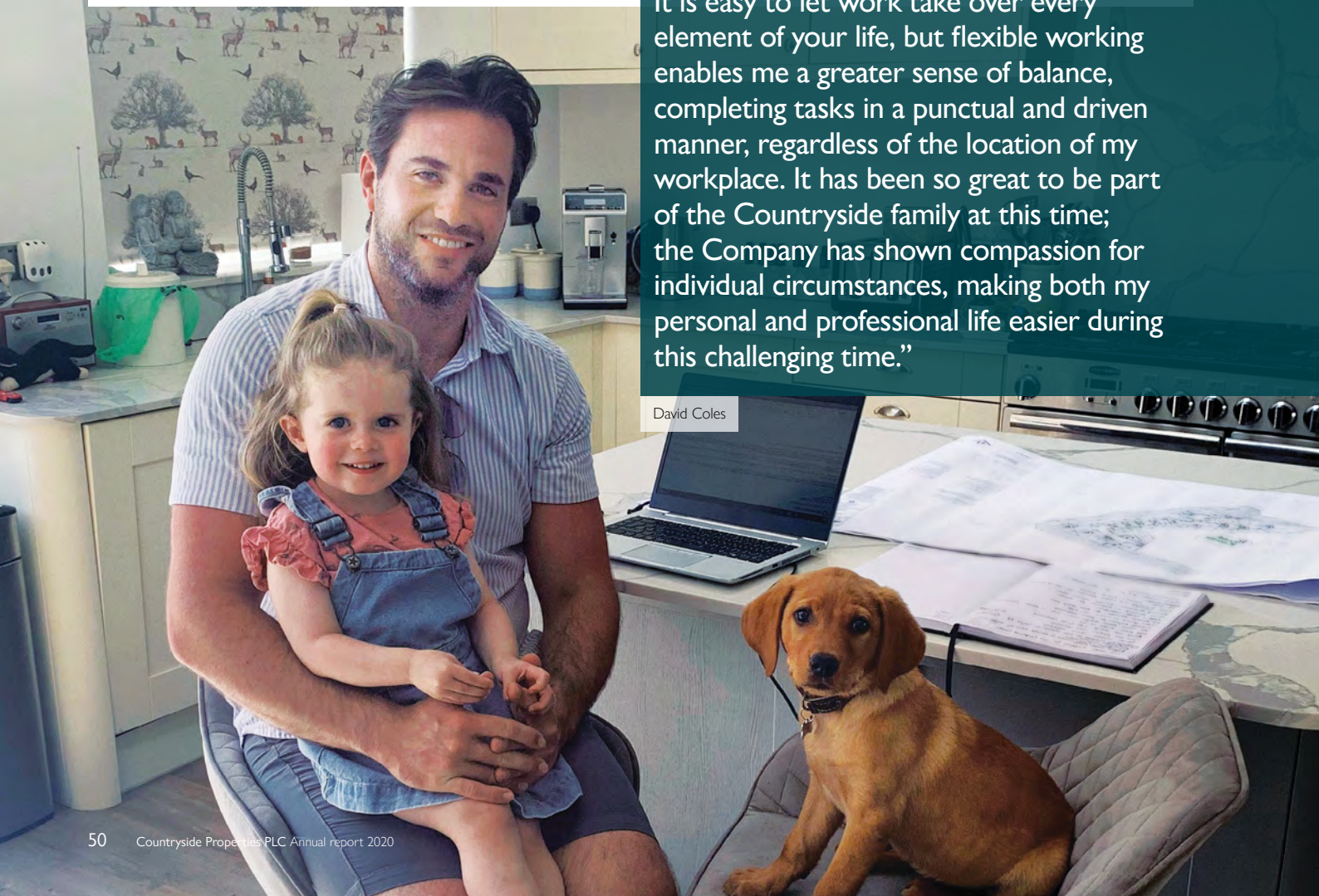
“Further to this, I used to rush to the gym before or after work, but now have been able to take more time to exercise, contributing to a better quality of life. We have managed to exercise more as a family, going on bike rides or for long walks.”

David has really felt in these exceptional circumstances that he has still been supported in his position at the Company. David added: “It is easy to let work take over every element of your life, but flexible working enables me a greater sense of balance, completing tasks in a punctual and driven manner, regardless of the location of my workplace. It has been so great to be part of the Countryside family at this time; the Company has shown compassion for individual circumstances, making both my personal and professional life easier.”

“

It is easy to let work take over every element of your life, but flexible working enables me a greater sense of balance, completing tasks in a punctual and driven manner, regardless of the location of my workplace. It has been so great to be part of the Countryside family at this time; the Company has shown compassion for individual circumstances, making both my personal and professional life easier during this challenging time.”

David Coles





CREATING PLACES PEOPLE LOVE

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

OUR SUSTAINABILITY STRATEGY

During 2019, we undertook a review of our sustainability activities and goals. We used an external third party to carry out interviews across Countryside to help identify the key sustainability issues relevant to our business. We carried out a benchmarking exercise amongst our peers as well as reviewing our internal practices and performance metrics. This has helped us to define what is important to our business and how we can maximise our positive impact on society. We intend to draw upon this knowledge and insight in the continuing advancement of our sustainability approach, details of which will be provided in our separate Sustainability Report, due to be published early in 2021. Our overarching aim is to position Countryside as a sustainable business in every sense of the word: environmentally sustainable, socially sustainable and financially sustainable. We carried out the sustainability evaluation alongside a review of the Group's values and purpose, recognising that credibility and authority is predicated on consistency of character. It is essential that both the development and activation of projects are aligned and mutually reinforcing.

Everyone employed in Countryside and all our supply chain partners have a role to play ensuring we behave in a responsible manner and deliver sustainable outcomes for the communities in which we operate. To enable this, we have developed processes that effectively communicate our policies and governance arrangements to all stakeholders (see our Non-Financial Information Statement on page 61). These communication processes are supported by comprehensive training programmes and assurance regimes, ensuring we consistently meet key requirements.

→ The process for defining our material issues and detailed objectives can be viewed online in our 2019 Sustainability Report at <https://www.countrysideproperties.com/media/3866/download>

OUR SUSTAINABILITY STORY

Where we live has a powerful impact on our lives, from the lifestyles we lead, to the type of transport we use, the schools our children attend, and even the air we breathe. Where we live affects our sense of wellbeing, belonging and economic prosperity. At Countryside, we know that central to everyone's experience of where they live is the community they feel a part of.

We work to create places that make life better for people. This means taking a placemaking approach that goes beyond building houses to also thinking critically about the social and digital infrastructure, transport and green spaces needed to nurture vibrant, connected and healthy communities. We think about the next generation, not just the next year, so whether we are working with existing communities to expand local opportunities for education and job creation, or fostering the diversity of new communities, we focus on helping them thrive, now and into the future.

Our approach to placemaking is also about creating a more sustainable world. The places we live and work have a big impact on our climate and on biodiversity and we have an important role to play in creating greener and more resilient environments. So we are working on new ways to provide homes and places for our growing population whilst reducing our waste and emissions.

→ Read further details on our risk management process on pages 62 to 65

Listening and engaging with people is key to how we hold ourselves accountable to the communities we serve. We work hand in hand with everyone from residents to partners to understand their priorities, and incorporate their perspectives and ideas into the development process. What sets us apart is the depth of our involvement with communities and partners, and the way we plan for communities that are set up not only for the people who are first to live in them, but for all of the people and families who follow.

It is the knowledge and passion of our people that underpin our vision for successful communities and our ability to deliver them. Whether a project large or small, we are committed to exceptional design and high-quality delivery that exceeds expectations and we have the depth of expertise and experience to do this. As an industry leader, we want to raise the bar for what a community should be and set higher standards.

We want to create Places People Love – and that means places that are resilient and sustainable in every way.

OUR PERFORMANCE

2020 has seen significant progress against our strategic sustainability objectives, although the coronavirus pandemic and associated restrictions have impacted upon a limited number of these objectives. Our environmental data has been given limited assurance by RPS Group and we are pleased to be able to fully report our environmental impact.



SUSTAINABILITY BENCHMARKING

Our commitment to performance disclosure and transparency is demonstrated through our participation in public reporting benchmarking initiatives. For a third year, we have been a constituent of the FTSE4Good Index series. In addition, we participated in the Carbon Disclosure Project (“CDP”) benchmarking schemes for climate change and forestry in 2020. We await the disclosure of our scores.

SOCIAL VALUE IN ACTION AT HODGSON'S GATE, SHERBURN IN ELMET

There is a significant shortage of high-quality affordable homes in North Yorkshire, with houses prices in some rural areas considerably higher than the national average. North Yorkshire typically has high employment but low wages linked to tourism and agricultural jobs. Hodgson's Gate is a 100% affordable housing development in association with Yorkshire Housing. Starting in early 2019, the development in Sherburn in Elmet, between Leeds and Selby, is expected to complete in April 2022. By that time, 270 affordable homes will have been developed for the community.

In the financial year, a total of £1.2m was spent on the local supply chain, of which 74% was spent on local micro, small and medium enterprises. 52 affordable homes have already been handed over during the period. Hodgson's Gate has supplied social and local economic value during this financial year equivalent to 31% of the gross development value through its various social value efforts.

OUR MEASURE AND OUTCOMES HODGSON'S GATE, SHERBURN IN ELMET

NUMBER OF WORKING DAYS OF PEOPLE EMPLOYED ON CONTRACT

3,250
days

NUMBER OF WEEKS OF APPRENTICESHIP OPPORTUNITIES ON CONTRACT

40
weeks

NUMBER OF WORKING DAYS OF LOCAL PEOPLE EMPLOYED ON CONTRACT

2,390
days

TOTAL AMOUNT SPENT IN LOCAL SUPPLY CHAIN THROUGH THE CONTRACT

£307k

PERCENTAGE OF LOCAL PEOPLE EMPLOYED ON CONTRACT

74%

TOTAL AMOUNT SPENT THROUGH CONTRACT WITH LOCAL MICRO, SMALL AND MEDIUM ENTERPRISES

£890k

NUMBER OF WORKING DAYS OF PEOPLE NOT IN EMPLOYMENT, EDUCATION OR TRAINING EMPLOYED ON CONTRACT

37
days

NUMBER OF AFFORDABLE HOMES CONSTRUCTED

52
of the 270 affordable homes to be constructed



GOVERNANCE

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

RISK MANAGEMENT

The Board has overall responsibility for the assessment and management of risk, assisted by the Risk Management Committee (see pages 62 to 65 for more detail on risk management). Oversight of more detailed aspects is managed through the Health, Safety, Environment and Quality Committee, which meets quarterly.

We maintain an Environmental Aspects, Impacts and Opportunities Register which identifies environmental risks and opportunities throughout all our activities. The register is reviewed twice annually against the corporate sustainability targets, to ensure they are fit for purpose and that systems are in place to enable their achievement. We will be looking in 2021 to broaden this register to also incorporate social value risk and opportunities.

MANAGEMENT SYSTEMS

In accordance with our approach to continuous improvement and managing risk, the Group has maintained its full accreditation to ISO 9001:2015 (Quality) and ISO 14001:2015 (Environmental) and ISO 45001:2018 (Health and Safety). These certificated management systems drive us to continually improve safety, quality and environmental performance through an iterative process of risk assessment, inspection, auditing and review. This disciplined approach to managing key risks and impacts helps gain and reinforce the trust of our stakeholders.

We had planned to amalgamate the former Westleigh regions into the Group's accreditation to ISO 9001 and ISO 14001 in 2020. However due to the difficulties in doing so during the pandemic, it is planned to extend these in 2021.

LEGAL COMPLIANCE

We are pleased to report that we continue to uphold our good record in environmental compliance, with no prosecutions or fines for more than 15 years. Countryside has not received any HSE Enforcement Notices in over 12 years.

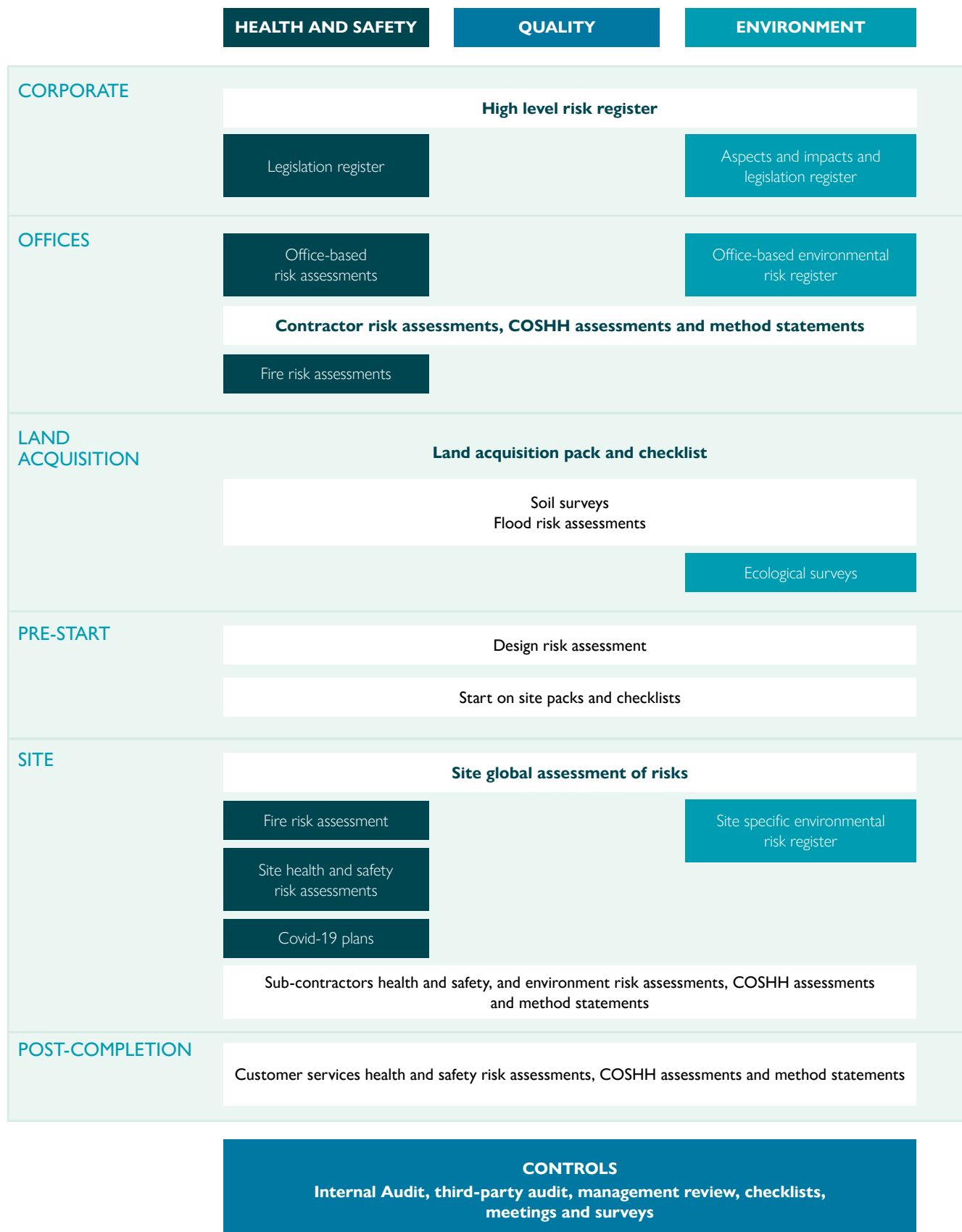
Fresh Wharf, Barking





GOVERNANCE CONTINUED

Risk is managed internally through our risk management process:





ETHICAL AND RESPONSIBLE BUSINESS

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

ETHICAL BUSINESS

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

On 4 September 2020 the Competition and Markets Authority (“CMA”) announced it had opened a case against Countryside and three other housing developers. See page 11 for further details.

In response to the requirements of Sections 414CA and 414CB of the Companies Act 2006, see our Non-Financial Information Statement on page 61.

HEALTH AND SAFETY

Health and safety standards remain our number one priority, and we continue to improve and develop our operations to ensure we deliver a safe and healthy environment for all our stakeholders. Communication with our contractors and supply chain is key to our success. We continue to evaluate our health and safety performance and following the results of a stakeholder survey in 2020, we plan to improve our communication and training via a new online portal, which will maintain our contact with suppliers in a Covid-secure manner.

In 2020 we introduced stringent Covid-19 plans across the Group, which allowed for our workforce to recommence works safely; this included specific Covid-19 Compliance Officers, temperature checking and additional hygiene and social distancing controls.

Our Annual Injury Incident Rate (“AIIR”) was below both the industry average and the Health and Safety Executive’s National Incident Rate (“NIR”) for the 17th consecutive year. Our AIIR averaged 224 (2019: 227) compared with the NIR of 416 (2019: 405).

OUR PEOPLE

Our people are our most valuable and important resource. Please see our dedicated People section on pages 46 to 50 of this report for information on how we seek to engage and develop our employees.



COMMUNITY-CENTRIC DEVELOPMENTS

Listening and engaging with people is key to informing our approach to community-centric developments. We work hard to form strong relationships with everyone from residents to community partners so that we can better appreciate a diverse range of perspectives, challenges and opportunities. Cambridge Road is a joint venture with the Royal Borough of Kingston which will deliver 2,170 new homes and improved community facilities. Residents have been at the heart of shaping the regeneration proposals from the outset and were part of the panel which selected Countryside. A programme of activity, including a variety of exhibitions, workshops, drop-ins, one-to-one sessions and an informal social calendar encouraged open and regular dialogue with residents. This dialogue resulted not only in significant changes to the layout of the estate but also the configuration of the actual homes themselves. At our proposed South Woodham Ferrers development in Chelmsford we adopted an innovative multifaceted approach to stakeholder engagement. Thematic workshops were held with stakeholders to help shape the masterplan. These sessions were then followed by the creation of a website and a virtual reality exhibition which was accessed by c.3,700 viewers. Material changes to the masterplan, as a result of this engagement, included a new bridleway being formed and the addition of a community woodland.

COMMUNITY

Creating “Places People Love” is core to our business; this is not just for our customers but for those residents and businesses in the local area. We pride ourselves on creating great, life-enhancing places for everyone to enjoy. We have been a leader in design, placemaking and sustainable development, and since 2000 have won 385 sustainability and design-related awards.

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

CASE STUDY

A GROUNDBREAKING PARTNERSHIP WITH RNIB

Royal Hill Park is a unique development of three, four and five-bedroom homes, being created on a former college site owned by the Royal National Institute for the Blind (“RNIB”). Not only will this development in Redhill, Surrey, offer 77 stylish new homes, but it will also provide inclusive accommodation for RNIB residents.

Our partnership with the RNIB is reflected by the use of “Royal” in the development’s name, while a sensory trail that runs through its heart has been created in consultation with partially sighted residents. Thoughtfully designed pathways and seating areas engage the senses of both visually impaired and sighted people, providing a multi-sensory environment to bring excitement, joy and peace to all.

The stunning homes at Royal Hill Park boast high specification finishes throughout, with large and spacious rooms and innovative design features that perfectly meet the needs of family life. Nestled in the undulating countryside, but accessible to London and nearby Reigate, these properties are ideal for discerning home buyers who are looking for something really special.

COMMUNITY CENTRIC DEVELOPMENTS CONTINUED

£1 MILLION COMMUNITIES FUND

In 2020 in response to the coronavirus pandemic we were proud to launch our £1m fund to support local charities and food banks. In addition to this, our Executive Committee and Board members agreed to a voluntary 20% reduction in base salary and fees from 1 April 2020 until at least 1 June 2020.

The equivalent cash amount saved from the reduction in salaries and fees was added to the charitable fund.

Group Chief Executive, Iain McPherson, said: "With the support of a team of volunteers from within Countryside, we hope that these funds will help support the most vulnerable people in our communities at this current time of need."

This supports our charitable and community initiatives which we continued to fund with charitable and community donations of £760,000 made during the year, an increase of more than 100% on 2019. As always, we fulfilled our Section 106 requirements at a cost of £34.4m which included the provision of a variety of affordable homes, community facilities and other local infrastructure.

CREATING SOCIAL VALUE

At Countryside we leverage our expertise and capital to maximise social, environmental and economic wellbeing outcomes in communities. In support of this the sustainability team has expanded, with the addition of two Sustainability Co-ordinators with a specific focus on social value. During this period, 127 sites were assessed in terms of their social value delivery. The primary focus has been on creating and growing awareness around social value and its importance to Countryside, which included extensive training sessions for those involved in social value to ensure co-ordination and consistency, as well as awareness and communication across the Group. As a result there have been vast improvements in the co-ordination and consistency of social value data collection, as well as improvement in the quality of the data and evidence collected, which is key in demonstrating Countryside's commitment to enhancing social and economic wellbeing of local communities.

Our approach to social value continues to evolve and improve with additional key themes being incorporated to support the diversity and inclusion agenda.

CUSTOMERS

Moving into a new home in a new community should always be an exciting and enjoyable experience, and we are pleased to report that Our Recommend a Friend score during 2020 was 90.6 per cent.

In 2020 the coronavirus pandemic gave us new challenges to ensure that potential customers could view, purchase and move into their new homes. This included virtual 360 degree viewings of our show homes, Covid-secure sales centres and appointments systems and Covid-safe procedures for our customers sales staff and customer services operatives to ensure sales and maintenance works could be carried out safely for all and in line with government rules.

We also monitor our build quality score, measured independently by the National House-Building Council ("NHBC") at key stages during the construction process. In 2020, this stood at of 0.22 reportable items, (2019: 0.21) per inspection within the year. We continue to review our customers' journey, focusing on service standards and customer engagement during the purchase process and dealing quickly with any quality issues.



CASE STUDY

SWAN RECEIVES GRANT FROM COUNTRYSIDE COMMUNITIES FUND TO SUPPORT ESSEX COMMUNITIES

Countryside has donated £3,500 to Swan Housing Association to support two projects that provide additional support to residents and Care and Support customers.

The first project will help to tackle social isolation currently being felt by some of the most vulnerable members of our community across Essex. As many customers who currently receive care in their own homes can often feel socially isolated, the donation will fund ten mobile tablets with larger screens to aid older clients with visual impairments so they can stay in touch and see their loved ones during social distancing.

The second project will fund a new digital training programme to support Swan residents facing unemployment by helping them build their CVs, practise interview skills and participate in training to build new skills from the comfort of their own home.

Phillip Lyons, Chief Executive, Housebuilding, Countryside, said: "The idea of developing a communities fund was exactly for this reason – to support grassroots charities and social organisations that work so hard to ensure everybody receives the support they deserve through these unprecedented times. This donation is having a far-reaching impact across Essex supporting both the older generation and those looking to get back into work."

Pete Morley-Watts, Interim Director of Operations and Customer Experience at Swan, added: "I would like to thank Countryside for their generous donation to support our customers at this unsettling time. The money will be used to decrease social isolation and increase skills, allowing customers to maintain relationships and build a better future for themselves."



I would like to thank Countryside for its generous donation to support our customers at this unsettling time."



ENVIRONMENT

As a responsible business we work hard to minimise the environmental impact of our operations. In support of this we set stretching objectives, systematically measuring and evaluating the delivery of them, right across the business. For the fifth year, we have collated and are reporting on our energy, water and waste performance across the business.

GREENHOUSE GAS REPORTING

We are reporting in full our energy, water, waste and business travel emissions. We use the Building Research Establishment's ("BRE") Smartwaste system to record site and manufacturing energy and water use and waste production and disposal.

Energy and water data is collated from supplier invoices agreed and paid within the reporting year. Office energy and water only includes that which we are directly invoiced for, either by the supplier or the landlord. Waste data is collated from supplier reports. Business travel mileage is recovered from staff expense claims and does not include staff commuting.

We have used the Government's greenhouse gas emissions conversion factors for 2020 to calculate our Scope 1, Scope 2 and Scope 3 emissions and to convert our gas oil use from litres to MWhs.

INTENSITY METRICS

At Countryside we are looking to decouple emission growth from business growth. Intensity metrics provide an indication of the environmental efficiency of our operations year on year. For site activities the intensity measure used is per 100m² of developed area within the reporting year, for manufacturing it is per 100 linear metres of product produced and for office activities and business travel an intensity factor of average employees within the reporting year is used. The relevant factors are stated below the data streams shown.

This year our targets have been to improve on the previous year's performance. As part of our planned vision and strategy identification in 2021 we intend to outline a carbon reduction pathway to net zero which will incorporate science-based targets.

ENERGY EFFICIENCY

In 2020 it was planned that a refurbishment of our main office would lead to the installation of more energy and water efficient systems. Unfortunately, due to the coronavirus pandemic and its associated effects on our working practices, this has been postponed.

The carbon reduction pathway to net zero being set in 2021 will include the measures required to reduce energy and fuel consumption.

ENERGY

OFFICE ACTIVITIES

Year	Scope 1			Scope 2			Total GHG	
	Gas (MWh)	Gas CO ₂ e (tonnes)	Total CO ₂ e (tonnes per employee) ¹	Electricity (MWh)	Electricity CO ₂ e (tonnes)	Total CO ₂ e (tonnes per employee) ¹	Total CO ₂ e (tonnes)	Total CO ₂ e (tonnes per employee) ¹
2020	818	150	0.08	1,372	320	0.16	470	0.24
2019	537	99	0.05	1,741	445	0.24	544	0.29
2018	1,103	203	0.12	1,420	402	0.23	605	0.35

1. Office intensity measure is based on 1,947 employees (2019: 1,851).

In 2020 as part of our business expansion we moved into new offices in Leeds and Ealing and completed moves to new premises in Sevenoaks and Warrington.

In March, our employees were instructed to work from home as per government coronavirus rules. We continue to encourage employees to work from home where possible and not to come into the office. This has meant a reduction in small power use within the offices; however, heating, and cooling systems have continued to run for those employees who attend the office, as necessary.

SITE ACTIVITIES

Year	Scope 1					Scope 2				
	Gas (MWh)	Gas CO ₂ e (tonnes)	Gas oil (MWh)	Gas oil CO ₂ e (tonnes)	Total (MWh)	Total CO ₂ e (tonnes)	Total CO ₂ e (tonnes per m ²) ¹	Electricity (MWh)	Electricity CO ₂ e (tonnes)	Total CO ₂ e (tonnes per m ²) ¹
2020	7,302	1,343	16,481	4,231	23,783	5,574	1.12	5,922	1,441	0.29
2019	4,837	889	16,582	4,389	21,419	5,278	0.90	4,913	1,331	0.21
2018	6,501	1,196	11,433	3,161	17,934	4,357	1.10	3,544	1,003	0.30

1. Site intensity measure tonnes/100m² based on developed area of 499,710m² completed build (2019: 603,173m²).

In 2020 our energy consumption increased for site activities. This was largely driven by a reduction in the developed area due to the Covid-19 pandemic.

MANUFACTURING

Year	Scope 1							Scope 2				
	Gas (MWh)	Gas CO ₂ e (tonnes)	Gas oil (MWh)	Gas oil CO ₂ e (tonnes)	LPG (MWh)	LPG CO ₂ e (tonnes)	Total (MWh)	Total CO ₂ e (tonnes)	Total CO ₂ e (tonnes per 100 linear metres)	Electricity (MWh)	Electricity CO ₂ e (tonnes)	Total CO ₂ e (tonnes per 100 linear metres) ¹
2020	0	0	38	10	169	36	207	46	0.03	589	145	0.10
2019	12	2	45	12	0	0	57	14	Not calculated	326	87	Not calculated

1. Manufacturing intensity measure tonnes/100 linear metres produced based on production of 140,196 linear metres (2019: not calculated).



ENVIRONMENT CONTINUED

Prior to 2020 we did not have sufficient data to provide an intensity metric for manufacturing. In April 2018 we acquired the Leicester factory (as part of acquiring Westleigh) and the Warrington factory opened in October 2018 for staff training and set-up only. Full production began in the Warrington factory in September 2019.

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.

BUSINESS TRAVEL

Year	CO ₂ e (tonnes)	Total CO ₂ e (tonnes per employee) ¹
2020	1,791	0.92
2019	1,827	0.99
2018	1,656	1.27

1. Fleet intensity measure is based on 1,947 employees (2019: 1,851).

The changes in operations due to the coronavirus pandemic with some staff put on paid leave for a period, operations at site temporarily halted in April and early May and the increase in the use of video conferencing rather than physical meetings have as expected led to a decrease in business mileage and associated emissions.

Our overall fleet CO₂ emissions decreased to 1,791 tonnes from 1,827 tonnes in 2019. Our emissions per FTE also decreased by 7% to 0.92 tonnes CO₂e per employee (2019: 0.99).

WASTE

In 2020 we are pleased to note that we improved on our journey towards zero waste to landfill on our construction sites with 98.5% (2019: 97.5%) of waste diverted from landfill.

Our total tonnage and normalised tonnage of waste on site rose this year. We have investigated and identified our three largest waste streams that have led to that increase. The introduction of a waste and resource strategy, action plan and communication plan with our staff, contractors and waste carriers will help us to drive improved waste management and reduction on site.

OFFICE ACTIVITIES

Year	Total general waste (tonnes)	Total general waste (tonnes per employee) ¹	Recycled (tonnes)	% recycled
2020	439	0.23	340	77%
2019	179	0.10	149	84%
2018	318	0.18	265	83%

1. Office intensity measure is based on 1,947 employees (2019: 1,851).

SITE ACTIVITIES

Year	Total waste (tonnes)	Total waste (tonnes) per 100m ² completed ¹	Reused/ recycled/ composted (tonnes)	Reused/ recycled/ composted (%)	Energy from waste (tonnes)	% energy from waste	Landfill (tonnes)	% landfill	% diverted from landfill
2020	44,162	8.8	41,677	94.4%	1,843	4.1%	641.1	1.5%	98.5%
2019	41,728	6.9	35,562	85.2%	5,136	12.3%	1,030	2.5%	97.5%
2018	30,724	7.7	24,981	81.3%	5,558	18.1%	185	0.6%	99.4%

1. Site intensity measure tonnes/100m² based on developed area of 499,710 completed build (2019: 603,173m²).

MANUFACTURING

Year	Total waste (tonnes)	Tonnes (per 100 linear metres) ¹	Reused/ recycled/ composted (tonnes)	Reused/ recycled/ composted (%)	Energy from waste (tonnes)	% energy from waste	Landfill (tonnes)	% landfill	% diverted from landfill
2020	891	0.64	865	97%	21	2%	6	1%	99%
2019	446	Not calculated	354	79%	81	18%	11	3%	98%

1. Manufacturing intensity measure tonnes/100 linear metre produced based on production of 140,196 linear metres (2019: not calculated).



WATER

We use water in our welfare facilities, for dust suppression, cleaning and wheel wash systems, and we are committed to reducing the amount of water we use in our operations. We do this by monitoring both our consumption (water in) and the amount of water we dispose of (water out). Due to the coronavirus lockdown our offices were fully closed for three months and have been partially opened since June as employees are encouraged to work from home. This has led to a reduction in water use as welfare facilities are used less.

OFFICE ACTIVITIES

Year	Water in (m ³)	Water in (m ³ per employee) ¹
2020	5,975	3.1
2019	9,361	5.1
2018	10,387	5.9

1. Office intensity measure is based on 1,947 employees (2019: 1,851).

SITE ACTIVITIES

Year	Water in (m ³)	Water in (per 100m ²) ¹	Water out (m ³)	Water out (per 100m ²) ¹
2020	15,891	3.18	11,167	2.23
2019	22,816	4.00	14,447	2.00
2018	33,414	8.00	Not reported	Not reported

1. Site intensity measure m³/100m² based on developed area of 499,710m² completed build (2019: 603,173m²).

MANUFACTURING

Year	Water in (m ³)	Water in (per 100 linear metres) ¹	Water out (m ³)	Water out (per 100 linear metres) ¹
2020	1,060	0.76	1,422	1.01
2019	1,036	Not calculated	1,036	Not calculated

1. Manufacturing intensity measure tonnes/100 linear metres produced based on production of 140,196 linear metres (2019: not calculated).

RESOURCE USE

Our Group Buying department is responsible for the selection and sourcing of sustainable products. All the timber we procure is certified to the Forest Stewardship Council ("FSC") or Programme for the Endorsement of Forest Certification ("PEFC") schemes. Our Group buying department holds and maintains certification supplied by our suppliers. We are also committed to minimising our resource use and in 2020 have worked with our timber supply chain and our factories to improve our monitoring of timber purchased with an aim to compare our timber purchasing with associated waste from our sites and factories to enable us to put in place resource and waste production action plans.

TRANSPORT

When planning our developments, we aim to provide our customers with a range of sustainable transport options, to not just limit the impact of new homes on existing infrastructure, but also to future proof our developments in a time when the transport mix is changing. We provide an increasing number of cycling facilities and electric charging points at our developments with secure cycle storage installed on 69% of our sites and electric charging points on 21% of sites. In 2020, 97% (2019: 97%) of our developments were located within 1km of a public transport node.

BIODIVERSITY

We are committed to establishing and enhancing ecological networks and habitats that are resilient to the current and future pressures of climate change. We carry out ecology surveys as standard on our sites with 100% of sites undergoing a full ecology survey and where required sites will undertake more specialist surveys such as bat surveys. During the year, we planted 2,806 trees and saved 644 trees. 67% (2019: 64%) of our sites contained public green spaces.

To expand on our biodiversity monitoring we have introduced a Site Start Environmental Information questionnaire which enables us to capture biodiversity data which will form part of our biodiversity performance monitoring.



Acton, Ealing

CASE STUDY

ACTON GARDENS BLOOMS

Countryside teamed up with charity and social enterprise Cultivate London to donate free gardening kits to residents of Acton Gardens, Countryside and L&Q's £800m regeneration of the former South Acton Estate in West London. The residents were given gardening starter kits including seeds and advice from Cultivate London on how to care for their new plants.

Countryside has worked with Cultivate London throughout the Acton Gardens regeneration and contributed towards the costs for new materials, which helped it grow its business and in turn supply most of the trees and plants to Acton Gardens. The 18-year Acton Gardens project is also transforming the former South Acton Estate with state-of-the-art community facilities and public spaces, including new parks and play areas.

Daniel King, Managing Director, Partnerships West London and Thames Valley, Countryside, said: "Recent months have given all us a new appreciation for where we live, and so we wanted to make Acton Gardens even greener by helping residents to spruce up their balconies and gardens. This project is part of our commitment to healthy living at Acton Gardens, where we're creating a total of 4.69 hectares of green, open space, as well as retaining mature trees across the development. Having worked with Cultivate London throughout the regeneration, we're delighted to have continued this partnership and we can't wait to see the gardens and balconies in bloom later this year!"

“

Recent months have given us all a new appreciation for where we live, and so we wanted to make Acton Gardens even greener.”



SUSTAINABLE PROCUREMENT

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

MODERN METHODS OF CONSTRUCTION

The UK is currently tasked with the target of delivering 300,000 new homes every year. Adopting modern methods of construction, like modular timber frames, is key to delivering homes at scale, pace and quality, whilst also delivering more sustainable outcomes. Countryside has invested c.£6m into a manufacturing facility at Warrington which produces fully formed, closed panel timber frames, with a new c.£20m factory in Bardon, Leicestershire, targeted to be operational by 2021. Modular timber frame manufacturing has a number of environmental benefits, specifically reduction in waste, energy consumption and improved thermal efficiency.

HOMES ENGLAND RESEARCH

In May 2020, Homes England commissioned its own research study into modern methods of construction to drive innovation in the construction industry. A series of Homes England's own sites will participate in the study, one of which is Spencer's Park in Hemel Hempstead, a 600-home development by Countryside, where all the homes will be closed panel timber frame units. The research will explore a range of themes, including cost and pace of build compared to traditional building methods, skills required, safety performance, snagging and defect issues, construction wastage, energy efficiency performance and post-occupation performance.



CASE STUDY

MODULAR FRAME FACTORY

To help quantify some of the environmental benefits of our modular timber frame manufacturing we commissioned a Carbon Life Cycle Assessment study. The primary objective of this assessment was to determine the embodied carbon levels of modular timber frame housing compared to traditional brick and block build construction. Embodied carbon is the total amount of carbon dioxide (CO₂) or greenhouse gas emissions that goes into a product through its life cycle. Embodied carbon related to the materials and construction of buildings is becoming an increasingly important factor for consideration in the mitigation of climate change.

The Carbon Life Cycle Assessment that was carried out by an external sustainability consultant concluded that our traditional brick and block build construction methodology has significantly higher values of embodied carbon attributed to its materials than a modular timber frame option, with approximately 12,700 kgCO₂e more embodied carbon in comparison. This is equivalent to the amount of carbon sequestered by approximately 16 acres of forest in one year. Timber is a sustainable building material that uses less intensive manufacturing processes compared to traditional materials such as steel and cement and has many other advantages, such as a faster build time.

We intend to use this attained knowledge to further promote the environmental benefits of modular timber frame options and also, more broadly, to drive better decision making around construction materials and processes across the business.



Modular timber frame has significantly lower values of embodied carbon attributed to its materials than traditional brick and block construction.”



NON-FINANCIAL INFORMATION STATEMENT

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

Key topic areas	Major supporting policies	Other information	Page(s)
Environmental matters (including the impact of the Company on the environment)	<ul style="list-style-type: none"> • Environmental Policy* • Climate Change Policy* • Sustainable Development Policy* • Waste Policy* • Biodiversity Policy* • Sustainable Procurement Policy* • Timber Policy* 	<ul style="list-style-type: none"> • Group KPIs: business sustainability and use of natural resources 	57 to 59
The Company's employees	<ul style="list-style-type: none"> • Business Ethics and Code of Conduct* • Board Diversity Policy • Health and Safety Policy 	<ul style="list-style-type: none"> • Our people • Nomination Committee Report 	46 to 50 88 to 89
Respect for human rights	<ul style="list-style-type: none"> • Modern Slavery Statement* • Business Ethics and Code of Conduct* • Health and Safety Policy* • Information Privacy Policy* 	<ul style="list-style-type: none"> • Our people • Group KPIs: business sustainability 	46 to 50 57 to 59
Social matters	<ul style="list-style-type: none"> • Business Ethics and Code of Conduct* • Health and Safety Policy* • Community and Charitable Donations Policy* • Social Value Policy* • Volunteering Policy* 	<ul style="list-style-type: none"> • Sustainability • Group KPIs: business sustainability and use of natural resources 	51 to 60 57 to 59
Anti-bribery and corruption compliance	<ul style="list-style-type: none"> • Anti-Bribery and Corruption Policy* • Gifts and Entertainment Policy* • Money Laundering Policy* • Whistleblowing Policy* 		

OUR APPROACH TO RISK

Risk identification and management are built into every aspect of Countryside's daily operations, ranging from the appraisal of new sites to building safely and selling effectively.

HOW WE MANAGE RISK

The Board oversees risk management within Countryside and determines the Group's overall risk profile and appetite for risk in achieving its strategy. This includes an assessment of the Group's emerging and principal risks. The Board completed its annual assessment of risks at its meeting on 7 October 2020, the results of which are set out on pages 66 to 69.

The Audit Committee supports the Board in the management of risk and reports to the Board on its assessment of the effectiveness of the Group's risk management and internal control processes during the year.

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

The standing business of the RMC includes reviewing:

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

At each RMC meeting, a different "principal risk" or "emerging risk" is reviewed in depth. A description of the key areas of risk considered during 2020 is set out below.

The process whereby the management boards of each regional business review all operational risks has been strengthened during 2020. The introduction of regional risk registers and the process of standardised reporting up to the Group's RMC has contributed to a better overall awareness of risk and implementation of mitigating actions. All such regional board meetings are attended by the relevant Divisional CEO, who in turn feeds back any matters requiring consideration by the RMC.

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

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

The risk assessments made are scored against a "risk scoring matrix" that grades the likelihood of occurrence and impact based on a range of types of impact (such as reputational, financial, operational and environmental) to improve consistency. The results are reviewed by the

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

Risk identification and management are built into every aspect of Countryside's daily operations, ranging from the appraisal of new sites, assessment of the prospects of planning success, building safely and selling effectively to achieving long-term success through the property market cycle. Risk management is built into standardised processes for each part of the business at every stage of the housebuilding process. Financial risk is managed centrally through maintenance of a strong balance sheet, forward selling new homes and the careful allocation of funds to the right projects, at the right time and in the right locations. Risk management also includes the internal controls described within the Corporate Governance Report on pages 76 to 82.

“
The impact of Covid-19 is a reminder of the critical importance of risk management to the long-term sustainability and success of Countryside.”



OUR APPROACH TO RISK

THE BOARD

Role and responsibilities

- Sets the Group strategy
- Determines the Group's risk policy, overall appetite for risk and the procedures that are put in place
- Monitors the Group's emerging and principal risks
- Assesses the progression of principal risks in comparison to the agreed appetite for each risk
- Reviews the effectiveness of the Group's risk management and internal control procedures

AUDIT COMMITTEE

Role and responsibilities

- Has delegated responsibility from the Board to oversee risk management and internal financial controls
- Monitors the integrity of the Group's financial reporting process
- Monitors the effectiveness of the Internal Audit function and the independence of the external audit

INTERNAL AUDIT

Role and responsibilities

- Undertakes independent reviews of the effectiveness of internal control procedures
- Reports on the effectiveness of management actions
- Provides assurance to the Audit Committee

RISK MANAGEMENT COMMITTEE

Role and responsibilities

- Manages the Group's risk register and assessment of net risk versus risk appetite
- Determines the appropriate controls for the timely identification and management of risk
- Monitors the effective implementation of action plans
- Assesses the Group's emerging risks
- Reviews reports from the Internal Audit function
- Reviews principal claims and litigations
- Reviews the annual renewal of the Group's insurance cover

EXECUTIVE COMMITTEE

Role and responsibilities

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

KEY AREAS OF FOCUS DURING 2020

COVID-19

The measures taken to mitigate the impact of the Covid-19 pandemic are set out in the Company's various announcements (Covid-19 updates on 25 March, 20 April and 7 May, the half-year results on 14 May and the Q3 trading statement on 23 July 2020). At the time of writing, all of the Group's sites, sales offices and offices are open and both factories are operating. But like all businesses, we remain vigilant and ready to react to any further Government requirements. We have adapted our business model to take into account the fact that life will not return to normal for some time. We have increased our online presence with both new and existing customers which includes conducting customer visits by video conference, as well as a number of virtual home tours.

To ensure that we continue to deliver the highest levels of customer service we have extended our new homes warranty by three months to reflect the period for which sites were closed.

An internal review of the lessons learnt from the measures taken to address the impact of the Covid-19 pandemic was carried out by the Internal Audit team. The report, outlining those aspects that were managed well and those areas where improvements could be made, was reviewed by the Executive Committee, Audit Committee and Board and the recommendations for change set out in the report are being implemented.



GOVERNMENT POLICY AND REGULATORY CHANGE

The principal areas of regulatory change reflecting Government policy, on which the Group has focused during the last 12 months, were Building Regulations, leasehold reform and the provision of Help to Buy.

Building regulations

Following the Grenfell Tower tragedy in June 2017, there have been a series of regulatory changes requiring swift implementation. A Fire Quality Assurance Committee (“FQAC”), made up of the technical directors from each division and representatives of Health and Safety and Legal, and chaired by the Divisional Chief Executive of Partnerships South, has been established to ensure uniform compliance across the Group with the revised regulations and any advice issued by Government. The FQAC, in combination with the newly appointed Group Technical Director, ensures that measures are in place to ensure all ongoing and future building projects fully comply with the Building Regulations.

Leasehold reform

Following concerns raised by homeowners about the leasehold tenure of their property or the terms of their ground rent escalation clause, the Government launched two consultations into leasehold properties and potential reform. The proposals included a ban on the sale of leasehold houses and plans to lower future ground rents to a nominal fee.

On 28 February 2020, the Competition & Markets Authority (“CMA”) announced that its market-wide investigation into the sale of leasehold properties had found evidence of “potential mis-selling and unfair contract terms in the leasehold housing sector and that it was set to launch enforcement actions” against those identified as responsible. On 4 September 2020, the CMA announced it had launched enforcement action against Countryside and three other housing developers in relation to possible breaches of consumer protection law in relation to leasehold homes. Countryside is committed to resolving this issue to the satisfaction of our customers and will continue to co-operate fully with the CMA’s ongoing investigation.

To date, Countryside has signed the Public Pledge for Leaseholders (<https://www.gov.uk/government/publications/leaseholder-pledge/public-pledge-for-leaseholders>) and, as reported in our half-year results, has created the Ground Rent Assistance Scheme – full details of which are set out on page 44.

Help to Buy (“HTB”)

In order to assist home buyers who have suffered delays because of Covid-19, the current Government backed HTB scheme arrangements have been extended for two months. The deadline for new homes to be completed has been moved from the end of December 2020 to 28 February 2021. Legal completion must be before the end of March 2021. As a consequence, a revised HTB scheme which introduces regional caps (set at 1.5 times

the current average first-time buyer price in each region) will extend to spring 2023. Measures have been introduced so that all new site proposals reviewed by management and the Board for approval take account of the availability of HTB funding when determining product mix.

In addition to this, Countryside is working with the Home Builders Federation, lenders, other housebuilders and Capsicum RE to develop a mortgage insurance solution to address the potential gap between the availability of mortgages and the savings capacity of first-time buyers.

END OF BREXIT TRANSITION PERIOD

Whilst the UK formally left the European Union (“EU”) on 31 January 2020 (“Brexit”), it commenced an 11-month period, known as transition, that keeps the UK bound by EU rules and part of the EU Customs Union and single market. Consequently, until the transition ends, most things remain the same whilst the UK and EU negotiations for a trade deal continue. The Government has stated in strong terms that it will not ask to extend the transition period and so, after 31 December 2020, the continued free movement of goods, services and people between the UK and EU will depend upon the terms of any such trade agreement reached. In the worst case, no trade deal may be agreed with the EU, in which case this would leave the UK trading on World Trade Organization (“WTO”) terms and tariffs.

As 31 December 2020 approaches, management and the Board have continued to carefully review Countryside’s exposure to risks that may flow from the end of the transition period. Mitigating actions and plans are in place to address the range of challenges relating to the supply of materials and people should they arise.

Many of our building supplies are manufactured in the UK and are not at risk from Brexit. Where possible, we endeavour to purchase key commodities in bulk via national or regional agreements and have preferential partnerships with many of our suppliers. Those products that have an element imported from the EU are mainly sourced through a network of UK-based suppliers. In the event of the Government failing to reproduce the effects of existing EU agreements at the end of the transition period, there is a risk that our supplier network may experience delays, volume restrictions and additional costs in their own supply chain and we are working closely with these manufacturers to understand any issues they may face. We have approached our supply chain partners by way of a survey to harvest intelligence to populate a supply chain risk matrix to recognise resilience and identify risk. We are reviewing first and second tier material origins, fixed price durations, WTO tariff impacts, logistical restrictions, Economic Operator Registration and Identification



accreditation and currency fluctuation mitigation measures. We also plan to increase stock levels where appropriate on sites and within the factories and underwrite or invest in commodities in order to secure volume.

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

IMPROVING ASSURANCE AND STANDARDISATION

As Countryside continues to grow, it is critical to ensure that processes, procedures and risk mitigation actions are implemented, standardised and uniformly applied across all parts of the Group. As part of the measures implemented to achieve this objective, there is now a director leading each of the Customer Service, Commercial and Technical functions, with Group-wide responsibility. Further, changes have been made to ensure that all Health and Safety, Sustainability and Legal functions report centrally.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Group is making considerable efforts to improve its performance in areas of environmental, social and governance ("ESG") responsibility. We appointed a Group Director of Sustainability who will be responsible for developing and leading the implementation of Countryside's sustainability vision and strategy to supplement the Group's positive record to date for environmental compliance.

VIABILITY STATEMENT

The following statement is made in accordance with the UK Corporate Governance Code (July 2018) 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 2023. In making this statement, the Board has performed a robust assessment of the principal risks facing the Company, including those risks that would threaten Countryside's business model, future performance, solvency or liquidity. The principal risks facing Countryside and how the Company addresses such risks are described in this Strategic Report and are summarised in the Principal Risks section of this report.

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

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

Scenario analysis considering the effect of a further three-month lockdown followed by a sharp reduction in house prices has been undertaken. Three separate scenarios have been considered, being a national three-month lockdown, a disruptive series of local lockdowns across a three-month period and two three-month periods of disruptive local lockdowns, with a four-month intervening period between each. Separate sensitivities have been prepared for each scenario to vary the timing of lockdown to ensure that the Group remains viable regardless of the timing of a lockdown relative to the Group's annual working capital cycle.

It has been assumed that under the restrictions of a national lockdown, all site and sales activity ceases in its entirety, akin to the lockdown experienced between March and May 2020.

Under the restrictions of localised lockdowns, sales volumes reduce by half, with 20% of sites being required to cease production, with further inefficiency being experienced on our remaining sites.

These lockdown scenarios reflect severe but plausible downsides relative to our experience of previous lockdowns. Our experience of the lockdown which took place in November 2020 has been less severe than these downside scenarios.

The level of uncertainty which Covid-19 poses to the business is significant. The Group has no knowledge of the long-term effect of the virus on the economy, house prices or our consumers and there is also no reliable way of forecasting when the pandemic will be controlled. The data which we have captured to date suggests that house prices and sales rates can be maintained; however, the effect of the furlough scheme coming to an end and the reversal of temporary stamp duty waivers creates further uncertainty in our forecasting.

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

- the Group's debt facility, which expires in 2023, will continue to be available on the same or similar basis throughout the period under review;
- 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;

- counterparties including local authorities and housing associations honour the phased viability terms and conditions contained in a number of the Group's Partnerships contracts;
- the Group proceeds without using Government support schemes, including the Furlough scheme and the CCFF; and
- the Group will be able to effectively mitigate risks through enacted or available actions, as described in the Principal Risks section of this report.

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

A three-month national lockdown occurring in 2021, followed by a 20% reduction in house prices, would result in a reduction of adjusted operating profit of up to £400m across the three-year period; however, through the mitigation measures noted above, liquidity headroom would be maintained throughout the testing period with the total impact on Group cash limited to no more than £200m.

In the event of three months of localised lockdowns followed by a 20% reduction in sales prices, the initial impact on the business would be less severe meaning that lesser mitigation measures are required. Consequently, the total reduction to operating profit would be £300m, with a net impact on cash of up to £150m.

Should there be two three-month periods of disruptive localised lockdowns separated by a four-month intervening period, with a 20% fall in house prices occurring after the initial lockdown, the Group would be required to take similar mitigation measures as were required under the national lockdown scenario, thereby limiting the adverse impact on the Group's liquidity to £30m when compared to the disruption caused by a single period of disruptive localised lockdowns. These mitigation measures would further impact the Group's longer-term growth aspirations. Through applying these mitigation measures, the Group would ensure that it continues to operate within its current borrowing facility limits.

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

Iain McPherson
Group Chief Executive
2 December 2020

MANAGING RISK EFFECTIVELY

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

BOARD, AUDIT COMMITTEE AND RISK MANAGEMENT COMMITTEE RESPONSIBILITY

The Audit Committee reviewed the Group's risk register and the assessment of the Group's emerging and principal risks, most recently at its meeting on 1 October 2020.

The Audit Committee has considered the effectiveness of the Group's systems and has taken this into account in preparing the Viability Statement on the previous page.

The Audit Committee reported on its findings at the Board's 7 October 2020 meeting, in order to support it in making its confirmation that it had carried out a robust assessment of the principal risks.

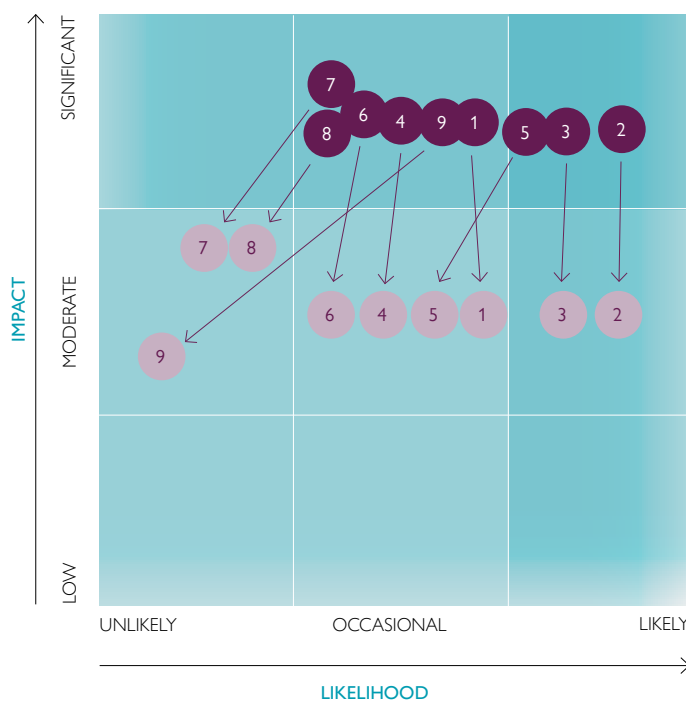
PRINCIPAL RISKS AND UNCERTAINTIES

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

EMERGING RISKS

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

CURRENT ASSESSMENT OF PRINCIPAL RISKS



- Pre-mitigation
- Post-mitigation

Impact on our strategy

- GROWTH
- RETURNS
- RESILIENCE
- SUSTAINABILITY

Risk change

- RISK INCREASED
- NO CHANGE
- RISK DECREASED



Risk and impacts

How we monitor and manage the risk

Impact on strategy

1. A MAJOR INCIDENT IMPACTS THE UNITED KINGDOM OR COUNTRIES WHERE KEY SUPPLIERS ARE LOCATED AND SIGNIFICANTLY IMPACTS THE BUSINESS

Responsible Executive: Group Chief Executive

The impact of a catastrophic event, such as flooding, failure of the National Grid, or the spread of an infectious disease on an epidemic or pandemic scale, can lead to the imposition of Government controls on the movement of people with the associated cessation of large parts of the economy for a significant period of time. The cessation of business can lead to zero or reduced revenues until business activity can be safely recommenced.

- Maintenance of a strong balance sheet to sustain periods of complete or partial cessation of business.
- Monitoring of World Health Organization and/or UK Government health warnings.
- Robust and tested business interruption plans, including “slow down” and “stop” procedures for all supply and contractor agreements.
- Site layouts and planning to facilitate swift roll-out of social distancing requirements.



Risk change



2. ADVERSE MACROECONOMIC CONDITIONS*

Responsible Executive: Group Chief Executive

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

- Funds are allocated between the 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.



Risk change



3. ADVERSE CHANGES TO GOVERNMENT POLICY AND REGULATION*

Responsible Executive: Group Company Secretary and General Counsel

Adverse changes to Government policy in areas such as tax, housing, planning, 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.

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



Risk change



4. CONSTRAINTS ON CONSTRUCTION RESOURCES*

Responsible Executive: Chief Executive, Partnerships North

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

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









Risk change



* The Board's review of risk, including the principal risks, takes into account the known and forecast developments flowing from plans being made for the termination of the "transition phase", on 31 December 2020, following the UK's exit from the European Union on 31 January 2020 ("Brexit"). Brexit affects many of the principal risks, but particularly those marked with an asterisk.



Risk and impacts	How we monitor and manage the risk	Impact on strategy
<p>5. PROGRAMME DELAY (RISING PROJECT COMPLEXITY) Responsible Executives: Each Divisional CEO 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 a project.</p>	<ul style="list-style-type: none"> 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>Risk change</p> <hr/> 
<p>6. INABILITY TO ATTRACT AND RETAIN TALENTED EMPLOYEES Responsible Executive: Group Chief People Officer Inability to attract and retain highly skilled, competent people, with adequate diversity and inclusion, at all levels could adversely affect the Group's results, prospects and financial condition.</p>	<ul style="list-style-type: none"> 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>Risk change</p> <hr/> 
<p>7. INADEQUATE HEALTH, SAFETY AND ENVIRONMENTAL PROCEDURES Responsible Executive: Group Chief Executive A deterioration in the Group's health, safety and environmental standards could put the Group's employees, contractors or the general public at risk of injury or death and could lead to litigation or penalties or damage the Group's reputation.</p>	<ul style="list-style-type: none"> 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>Risk change</p> <hr/> 



Risk and impacts

How we monitor and manage the risk

Impact on strategy

8. CYBER SECURITY

Responsible Executive: Group Chief Financial Officer

A failure of the Group's IT systems or a security breach of the internal systems, website or loss of data could significantly impact the Group's business.

- Maintenance and communication of Group-wide IT policies and procedures.
- Regular systems updates, backups and storage of data off-site.
- Compulsory GDPR and IT/cyber risk training for all employees within the business.
- All systems have the ability to accommodate home working.
- Third-party assessments, including penetration testing.



Risk change



9. REPUTATIONAL DAMAGE

Responsible Executive: Group Chief Executive

The perception of Countryside, its brand and values deteriorate in the eyes of investors, customers, suppliers, local authorities, housing associations, banks, analysts or auditors which could lead to increased operational and financial risks.

- Agreement of Company "purpose" and implementation of culture and values to support agreed strategy.
- Code of Conduct and Business Ethics.
- Alignment of actions with cultural values.
- Clear environmental, social and governance objectives and plan to achieve them.
- Clear Whistleblowing Policy and independent whistleblowing reporting hotline.
- Shareholder engagement programme.



Risk change





GOVERNANCE FOR THE SUSTAINABLE LONG-TERM SUCCESS OF THE COMPANY

Good corporate governance is vital to our success.



DEAR SHAREHOLDERS,

I would like to start by noting that this will be the last opportunity I have to make a personal statement on the Company's approach to corporate governance, given my decision to step down as Chairman and as a Director during 2021 (see page 11 for more information).

It is the Board's view that good governance is a core discipline that is vital to the long-term success of the Group and complements our desire to continually improve upon the success of the Group on our shareholders' behalf. This report sets out our approach to governance, explaining how our governance framework supported our activities throughout the year.

Despite the impact of the restrictions put in place to combat Covid-19, considerable progress has been made this year implementing and improving key corporate governance requirements as set out in the UK Corporate Governance Code 2018 (the "Code"). These have included:

- approval of the Company's purpose, culture and values. A full description of the purpose and values and how they were developed is set out on page 49, along with a summary of the plans for their roll-out and implementation across the Group. The Board will continue to monitor the development of the Group's culture and values to ensure they are aligned with the Group's strategy;

- improved engagement with the Company's major stakeholders in order that key Board decisions, taken to optimise the Company's long-term recovery from the impact of Covid-19, take account of the interests of such stakeholders and help develop their trust and mutual support. A full description of the Board's stakeholder engagement programme and its statement under Section 172 of the Companies Act 2006 is set out on page 82;
- a comprehensive re-appraisal of the Company's policies to ensure they support the objective of increasing diversity and inclusion across the Group. Whilst the Board is fully aware of and embraces the objectives of the Hampton-Alexander and Parker reviews (see page 89), we also recognise the improvements required to achieve a greater degree of diversity and inclusion across the Group to reflect the communities in which we operate;
- appointment of a Group Sustainability Director to bring greater strategic focus to our approach to sustainability which will be an area of focus for the Board in 2021 and beyond. This will build on the strong foundations the Group has established in environmental, social and governance matters and a summary of planned improvements is set out on page 19;

- conducting a comprehensive Board and Committee evaluation exercise, with the assistance of Claire Howard Consultancies, followed by consideration of Board composition and succession planning. Read more on page 79; and
- implementation of annual reporting and commentary on Chief Executive pay relative to the workforce and including Chief Executive pay ratios.

The Board is mindful of stakeholder focus on executive pay and has conducted extensive engagement with major shareholders to gain their feedback following the announcement of the planned salary changes for the Group Chief Financial Officer. Our report and commentary of Chief Executive pay relative to the workforce, including Chief Executive pay ratios, is set out on page 103, along with the Company's timetable and plans to align executive pensions with workforce pensions by 2022, in line with Investment Association principles.

I am very pleased to report that during the year ended 30 September 2020, and up to the date of this report, the Company has fully applied the main and supporting principles of the Code issued in 2018 (a copy of which is available from www.frc.org.uk).

CONSIDERING STAKEHOLDERS IN DECISION MAKING

In determining the Company's purpose, its values and culture, the Board is fully cognisant that companies do not exist in isolation and that for long-term sustainable success, a company needs to build and maintain successful relationships with a wide range of stakeholders.

The Company's recently published purpose and values are set out inside the front cover of this annual report and on page 49, along with a description of how the interests of our principal stakeholders have been considered when developing them.

It is a legal requirement for the Directors to promote the success of the Company for the benefit of shareholders as a whole,



having regard to a number of broader matters including the likely consequence of decisions for the long term, the need to act fairly between members of the Company, and the Company's wider relationships. On pages 30 to 33, we set out our engagement with the Company's key stakeholders, the feedback they provide and what we are doing in response. Page 82 also contains the Company's Section 172 statement of compliance with this long-standing legal requirement.

BOARD AND COMMITTEE EVALUATION

With the assistance of Claire Howard Consultants, the Board and its Committees carried out the annual evaluation process during July and August 2020. On page 79 we outline the process and summarise the conclusions and actions.

The names, responsibilities and other details of each of the Directors of the Board are set out on pages 72 and 73 with the composition of the Board on page 78.

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

INDEPENDENCE OF DIRECTORS

The Board reviewed the independence of all Non-Executive Directors (excluding the Chairman) at the Board meeting on 23 July 2020 and determined that they all continue to be independent. The Board is satisfied that the Chairman was independent upon appointment and remains independent.

DIVERSITY

The Board currently includes two women, constituting 29% of the total of seven Board members. The objective remains to reach the target of 33%, as recommended by the Hampton-Alexander Review for FTSE 350 Boards.

The Hampton-Alexander Review sets a similar target of 33% representation of women for the Executive Committee and direct reports. We recognise that our Executive Committee has not yet met this target, but we can report progress during 2020. First, Victoria Prior was appointed to the Executive Committee during July as the Managing Director of Corporate Affairs. Secondly, Sian Myers will join the Executive Committee with effect from 1 January 2021 as the Group Chief People Officer, in place of Nick Worrall who has decided to pursue opportunities elsewhere, and in November 2020 we announced the appointment of Joanne Jamieson as our first female Divisional CEO, taking female representation on the Executive Committee to 30%. Below Executive Committee level, Michelle Dearsley and Helen Saunders were appointed to Group roles during August, reporting directly to the Group Chief Executive and responsible for Health & Safety and Sales and Marketing respectively. In addition, Jonelle Burkett will join the Group in January 2021 as Divisional Finance Director for the newly established Partnerships Midlands division, reporting directly to the Group Chief Financial Officer. These appointments will take the percentage of women who are direct reports to Executive Committee members to over 30%.

MEETING OUR MAJOR SHAREHOLDERS

The Company maintains a comprehensive investor relations programme, designed to ensure that our Executive Directors meet with investors and analysts regularly, supported when appropriate by me and other members of the Board. We carried out a series of shareholder engagement events during 2020, as outlined below. We have held a number of virtual events to ensure we maintained an ongoing dialogue with shareholders and other stakeholders during the period of Covid-19 lockdown. We received positive feedback for each event and see them as a valuable opportunity to understand the views of our major shareholders and develop constructive relationships with them.

In July 2020, in advance of the equity placing described on page 44, senior management held meetings with a number of shareholders, representing around 70% of the shareholder register, to ensure shareholders remain supportive of the Group's growth strategy and would support the fundraising.

The Chairman and Chair of the Remuneration Committee held a series of one-to-one meetings with large shareholders in advance of the year end to give shareholders an additional opportunity to provide feedback to the Company.

David Howell Chairman

2 December 2020

Compliance with the Code

From 1 October 2019 until 30 September 2020, Countryside has complied with all the provisions of the UK Corporate Governance Code 2018.

SHAREHOLDER ENGAGEMENT

The Group's investor relations strategy aims to ensure that we maintain a regular dialogue with shareholders, prospective shareholders and equity analysts amongst other groups of relevant stakeholders. This has become even more important in the current environment to ensure that developments in the business are placed in the proper context and are widely understood.

Conference calls open to all shareholders and analysts were held after quarterly trading statements with a more detailed analyst presentation for the year-end results in November 2019 and a video conference for the half-year results in May 2020 due to the restrictions of the Covid-19 pandemic. Each results presentation was followed by an investor roadshow where executive management held meetings with investors, equity analysts and the sales desks of a number of investment banks.

Throughout the year, a number of meetings have been held with investors, prospective investors and equity analysts by the Group Chief Executive, Group Chief Financial Officer or Managing Director of Corporate Affairs to deepen their understanding of the business, its strategy and performance.

In advance of the equity placing in July 2020, 25 meetings were held to explain the rationale for the placing and the use of proceeds, and to take soundings from existing shareholders on the plan.

The Chairman undertook a number of meetings with the Group's larger shareholders to discuss the evolution of the Group's strategy and growth plans, the equity placing and plans for Board succession, amongst other topics.



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



DAVID HOWELL
Non-Executive Chair

N R

Appointment date¹
14 December 2015

Career and skills
David joined the Group in April 2014 as a Non-Executive Director and was appointed Non-Executive Chair in January 2015.

David is a chartered accountant with extensive experience covering a number of different industry sectors as either an Executive or Non-Executive Director. His last three executive roles were as:

Chairman of Western & Oriental plc; Chief Financial Officer and a member of the board of lastminute.com plc; and Group Finance Director of First Choice Holidays plc. He also was a Non-Executive Director of The Berkeley Group Holdings PLC for over ten years where he chaired the audit committee until 2014.

External appointments
David is Non-Executive Chairman of both Confidential Incident Reporting & Analysis Service Limited and Lioncor Developments Limited.



IAIN MCPHERSON
Group Chief Executive

E

Appointment date¹
1 January 2020

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

Iain has worked in the housing sector in London and the South East in various roles over the last 23 years. He originally worked for

local government in what is now known as Homes England before moving to join Hyde Housing Association in his first development role. He then moved into private housing by joining Crest Nicholson in 2008 where he was promoted to Managing Director.

External appointments
None.



MIKE SCOTT
Group Chief Financial Officer

E

Appointment date¹
1 October 2018

Career and skills
Mike joined the Group in December 2014 as Group Financial Controller and was appointed Group Chief Financial Officer on 1 October 2018.

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

External appointments
Mike is a Director of Old Hall Park Management Limited.



AMANDA BURTON
Independent Non-Executive Director

A N R

Appointment date¹
17 December 2015

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

Amanda is a lawyer and joined Clifford Chance LLP in 2000, leaving in December 2014 as its Global Chief Operating Officer. Prior to this, she was at Meyer International PLC where she was a Director and Chairman of its Timber Group. She also served

nine years on the board at Galliford Try plc, as a Non-Executive Director from 2005 and as Senior Independent Director from 2008.

External appointments
Amanda is Senior Independent Director and Chairman of the Remuneration Committee of HSS Hire Group plc, a Non-Executive Director of Skipton Building Society and a Non-Executive Director and Chairman of the Remuneration Committee of Connells Limited.



DOUGLAS HURT

Senior Independent Non-Executive Director

A N R

Appointment date¹
1 January 2018

Career and skills

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

Douglas is a Chartered Accountant and has significant financial experience, having served from 2006 to 2015 as Finance Director of IMI plc, the global engineering group. Prior to this, he held a number of senior

finance and general management positions at GlaxoSmithKline plc, which he joined in 1983, having worked previously at Price Waterhouse.

External appointments

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



BARONESS MORGAN OF HUYTON

Independent Non-Executive Director

A N R

Appointment date¹
17 December 2015

Career and skills

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

Baroness Morgan had a long and successful career in Central Government, serving as Director of Government Relations at 10 Downing Street from 2001 to 2005. Prior to this, she was Political Secretary to the Prime Minister from 1997 to 2001. She was appointed Minister for

Women and Equalities in 2001, being made a life peer in the same year. She previously served as a board member for the Olympic Delivery Authority, as Chair of Ofsted and as a member of the advisory committee of Virgin Group Holdings Limited.

External appointments

Baroness Morgan is Master of Fitzwilliam College, Cambridge, Chair 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.



SIMON TOWNSEND

Independent Non-Executive Director

A N R

Appointment date¹
1 March 2019

Career and skills

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

Simon has extensive experience in the UK hospitality industry, having worked for over 30 years in various sales, marketing, commercial and operational roles, serving from 2014 to 2020 as Chief Executive Officer of Ei

Group plc, the owner and operator of over 4,000 public houses across England and Wales. Prior to joining Ei Group plc in 1999, he was previously with Whitbread PLC, Allied Domecq PLC, The Rank Group Plc and Marston, Thompson & Evershed PLC.

External appointments

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

BOARD OF DIRECTORS KEY

COMMITTEE KEY:

A Audit Committee	N Nomination Committee
R Remuneration Committee	E Executive Committee
□ Chair	

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



IAIN MCPHERSON
Group Chief Executive

Full biography on page 72.



MIKE SCOTT
Group Chief Financial Officer

Full biography on page 72.



PHILLIP LYONS
Interim Chief Executive,
Partnerships North

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

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

From June 2020, Phillip has acted as interim Chief Executive of the Partnerships North division pending the appointment of the Chief Executives of the Partnerships North division and the Partnerships Midlands division with effect from January 2021.



MIKE WOOLLISCROFT
Chief Executive,
Partnerships South

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

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



PHIL CHAPMAN
Interim Chief Executive,
Housebuilding

Phil joined the Group in November 2019 to establish and lead as Managing Director of a new West region of the Housebuilding division and was appointed to his current role in June 2020 following Phillip Lyons' move the Partnerships North division. He has more than 30 years' experience holding senior positions at Taylor Wimpey and more recently at Linden Homes where he was Divisional Managing Director responsible for its housebuilding operations across the south of England.



GARY WHITAKER
General Counsel and
Company Secretary

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

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



NICK WORRALL
Group Chief People Officer

Nick joined the Group as Group Chief People Officer in September 2014.

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



VICTORIA PRIOR
Managing Director,
Corporate Affairs

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

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

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



BOARD VISIT TO ACTON SITE AND PARTNERSHIPS SOUTH'S WEST LONDON REGION

In February 2020, the Board visited Countryside's Acton site to meet site personnel, view the sales office and walk the site. The day started with a presentation from the Regional Managing Director and Sales and Marketing Director and a visit to some of the show homes. The Board learnt about the different phases of regeneration at Acton, the critical need for very careful engagement with the community (especially during the early stages to assuage concerns about the impact of development on community ties) and lessons learnt as the different phases of development have progressed. Having had a tour of the site, led by the Regional Managing Director and the Site Manager, the Board visited the Community Centre set up as part of the Acton development. In the afternoon, the Board visited the regional office for West London, based in Ealing, and walked the office, met staff and received a presentation on the development of the region, its geographic coverage and sites. The Board then held its scheduled meeting in the Ealing office, which included presentations on the Group's IT strategy and the planned financial transformation programme.

Acton, Ealing



GOVERNANCE IN ACTION

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

THE ROLE OF THE BOARD AND ITS COMMITTEES

The Board is collectively responsible for leading and directing the Group. It sets our corporate purpose, strategy, key policies and objectives, and the values and culture to achieve the long-term sustainability of the business, for the benefit of shareholders, customers, suppliers and the communities in which we operate. The Board also reviews and monitors the key risks and emerging risks that the Company faces, the risk appetite of the Company and the processes in operation to mitigate these. In discharging its responsibilities, the Board is supported by its management and specialist committees. Details on the role of the Board and its Committees can be found on pages 77 to 80.

Each Committee works from terms of reference which are reviewed annually and are available on the Company's website: investors.countrysideproperties.com. The most recent revision to the terms of reference for each Committee reflected substantial changes to give effect to the revised UK Corporate Governance Code 2018 (the "Code"). They were most recently reviewed and approved by the Board on 23 July 2020.

ADDITIONAL INFORMATION

The Directors' Report (see pages 106 to 108), which forms part of this Corporate Governance Report, includes information on the impact on the Company as required by the Takeover Directive, and information required under the Disclosure and Transparency Rules.

BOARD COMPOSITION

As at the date of this report, the Board consists of seven Directors, being a Non-Executive Chairman, two Executive Directors and four independent Non-Executive Directors. Their names, responsibilities and other details are set out on pages 72 and 73. Following David Howell's decision to step down from the Board during 2021, the search for a new Chairman will commence during 2021.

As previously reported, Ian Sutcliffe stood down as Group Chief Executive at the end of 2019, and was replaced by Iain McPherson from 1 January 2020. Ian Sutcliffe's employment by Countryside continued until 31 March 2020, during which time he was available to provide advice and guidance to the Board and Iain McPherson as required.

At its meeting on 11 August 2020, the Board reviewed the feedback from the annual evaluation of the Board and its Committees, carried out with the assistance of Claire Howard Consultancies. More detail on the evaluation process is set out on page 79, but overall the Board concluded that it continues to function effectively, with good principles of governance and in line with the requirements of the Code, and provides effective leadership of the Group.

SUMMARY OF MATTERS RESERVED FOR THE BOARD

The Board has a formal schedule of matters that are reserved for its decision. This includes the approval of half-year and full-year financial statements, changes to the Company's capital structure and any significant investments, contracts, acquisitions, mergers and disposals. The Board last reviewed these reserved matters on 7 October 2020. Other specific responsibilities are delegated to the Board Committees, which operate within clearly defined terms of reference.

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

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


The roles of the Chairman, the Group Chief Executive and the Senior Independent Non-Executive Director are clearly segregated. The division of responsibilities between them is set out in writing and was last reviewed by the Board on 7 October 2020. Full details of the roles and responsibilities of the Directors and the Company Secretary are set out on pages 77.

DIRECTORS' INDUCTIONS, TRAINING AND DEVELOPMENT

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

THE BOARD


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

 Read more on [pages 77 to 80](#)

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.

 Read more on [pages 77 to 105](#)

EXECUTIVE COMMITTEES

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

 See Countryside's website investors.countrysideproperties.com



CHAIRMAN

Role and responsibilities

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

SENIOR INDEPENDENT DIRECTOR

Role and responsibilities

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

COMPANY SECRETARY

Role and responsibilities

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

NON-EXECUTIVE DIRECTORS

Role and responsibilities

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

GROUP CHIEF EXECUTIVE

Role and responsibilities

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



AUDIT COMMITTEE

Role and responsibilities

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

NOMINATION COMMITTEE

Role and responsibilities

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

REMUNERATION COMMITTEE

Role and responsibilities

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

RISK MANAGEMENT COMMITTEE

Role and responsibilities

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

HEALTH, SAFETY, ENVIRONMENT AND QUALITY COMMITTEE

Role and responsibilities

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

EXECUTIVE COMMITTEE

Role and responsibilities

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



THE ROLE OF THE BOARD AND ITS COMMITTEES CONTINUED

DIRECTORS' INDUCTIONS, TRAINING AND DEVELOPMENT CONTINUED

During the financial year under review, the Company has completed the induction of Iain McPherson to the role of Group Chief Executive. Iain has had a number of senior roles within Countryside, most recently as Divisional CEO of Partnerships South, and so his induction was tailored to the areas new to his role as Group Chief Executive and included:

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

All Directors receive ongoing updates on the Company's projects and activities and on legal and regulatory changes. In 2020 these included briefings on the Government reform of Building Regulations and planning, the establishment of the Government's Building Safety Fund, the Company's IT strategy, customer service and sustainability.

Directors receive formal papers before each Board meeting, which enable them to make informed decisions on the issues under consideration. In addition to formal Board meetings, the Chairman maintained regular contact with the Group Chief Executive, the Group Chief Financial Officer and other senior executive management during 2020 to discuss specific issues. The Company Secretary acts as an advisor to the Board on matters concerning governance and ensures compliance with Board procedures. All Directors had access to the Company Secretary's advice, which was sought from time to time during 2020. Directors may also take independent professional advice at the Company's expense. In the event that any Director has concerns about the running of the Company, or a proposed action that cannot be resolved within the Board forum, these may be reflected in the Board minutes. The Company Secretary circulates minutes of each Board meeting following the meeting to allow such comments to be raised.

BOARD AND COMMITTEE ATTENDANCE

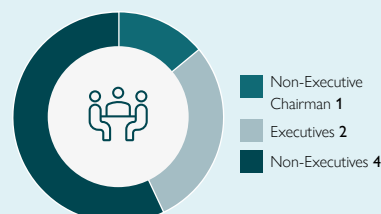
The number of Board and Committee meetings attended by each Director during the 2020 financial year was as follows:

	Board ¹	Audit Committee	Remuneration Committee	Nomination Committee	Overall attended
Number of meetings held	17	4	7	3	
David Howell	17/17	—	7/7	3/3	100%
Ian Sutcliffe ²	4/4	—	—	—	100%
Iain McPherson ²	13/13	—	—	—	100%
Mike Scott	17/17	—	—	—	100%
Amanda Burton ³	16/17	4/4	7/7	3/3	97%
Baroness Morgan	17/17	4/4	7/7	3/3	100%
Douglas Hurt	17/17	4/4	7/7	3/3	100%
Simon Townsend ⁴	17/17	3/4	6/7	3/3	94%

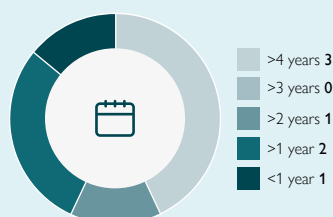
1. In addition to the Board's schedule of ten meetings per year, a further seven meetings were convened to consider matters arising during the year including, inter alia, the retirement of Ian Sutcliffe and other governance related matters. The Board held a number of weekly Board meetings to discuss/approve operational matters in relation to Covid-19. These meetings are not included in the above table.
2. Iain McPherson was appointed a Director and Group Chief Executive of the Company on 1 January 2020 in place of Ian Sutcliffe so the attendance table above reflects their respective periods of office as members of the Board.
3. Amanda Burton was unable to attend one Board meeting due to urgent medical treatment.
4. Simon Townsend was unable to attend one Audit Committee meeting and one Remuneration Committee meeting which had been scheduled before his appointment due to prior commitments.

BOARD ANALYSIS (AS AT 30 SEPTEMBER 2020)

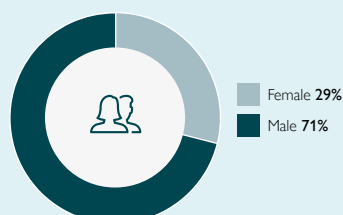
Composition



Length of tenure



Gender diversity





REVIEW OF BOARD EFFECTIVENESS

An externally facilitated Board evaluation is planned for next year, in accordance with the Code requirement for such a review every three years for FTSE 350 companies. The 2020 evaluation, led by the Chairman and supported by the Company Secretary, was “hybrid” in nature: the initial written part of the process was administered internally, but the follow-up interviews and reporting were conducted and produced by Claire Howard Consultancies as follows:

- Directors and the Company Secretary were asked to outline their thoughts and identify any key issues in relation to the Board and each of the Committees of which they are a member.
- The Company Secretary produced a report, collating the responses of all Directors and the Company Secretary on a non-attributable basis.
- The report was reviewed by the Chairman and the Company Secretary and shared with Claire Howard Consultancies and all Board members.
- Claire Howard individually interviewed each Director and the Company Secretary, with a focus on any principal issues raised during the initial reporting process.

- Claire Howard’s evaluation report was shared with the Chairman, the Company Secretary and each member of the Board.
- The Senior Independent Director (“SID”) met with each Director and the Company Secretary to review the performance of the Chairman.
- The SID fed back the results of his meetings to the Chairman in advance of a Board meeting on 11 August, at which the Board reviewed the findings of the 2020 evaluation process and agreed a series of actions designed to address the findings.
- The Chairman subsequently discussed each individual Director’s performance with them on a one-to-one basis.

The overall conclusion of the 2020 evaluation process was that the Board considers that it continues to function effectively, with good principles of governance and in line with the requirements of the Code, and provides effective leadership of the Group.

The principal issues raised in the 2020 performance evaluation and the actions agreed to address them are set out in the following table.

BOARD AND COMMITTEE EVALUATION: PRINCIPAL ACTIONS AND PROGRESS

2019 evaluation – recommendations included	Actions taken during 2019/20
Improve focus on monitoring the implementation of the strategy	Until the UK lockdown in response to Covid-19 on 23 March 2020, the Board would review progress against specific strategic milestones at each meeting. The revised strategic plans were outlined in the announcement regarding the Group’s equity placing, on 23 July 2020, and were considered in more detail at the Board’s follow-up strategy day on 10 September 2020.
Refine succession planning for the Executive and Non-Executive Directors	The Nomination Committee has spent considerable time during 2020 identifying candidates and developing succession plans for the Executive Directors and planning a sequenced succession for the Board’s Non-Executive Directors.
2020 evaluation – recommendations included	Actions taken to date
Refine Non-Executive sponsorship roles to support key Company objectives	The sponsorship roles of Non-Executive Directors have been reviewed, redefined to avoid the overlap of responsibilities and better aligned with their areas of personal expertise.
Improve planning and oversight of the Board (and its Committees) rolling agenda to better prioritise the order and timing of the review of key topics	Regular meetings of the Chairman, Group Chief Executive, Group Chief Financial Officer and Company Secretary have been scheduled to collectively review the planned annual calendar, to ensure it covers the necessary topics, in the right order and at the preferred frequency.
Review composition of each Board Committee	Save for the Chairman, who is not a member of the Audit Committee, all Directors are currently members (or Chairman) of all Committees. The Chairman has met with each Committee Chairman to obtain their views and the topic will be considered by the Nomination Committee and Board at their next scheduled meetings.
Review stakeholder engagement	Given the ever increasing importance of stakeholder engagement with the growing focus on matters such as regulation, remuneration, culture and sustainability, the Board’s engagement programme is being revitalised. We have already commenced a series of meetings between the Chairman and the Company’s principal shareholders, to hear their views and discuss alignment of interests with the Company’s strategy.



THE ROLE OF THE BOARD AND ITS COMMITTEES CONTINUED

TENURE, ELECTION AND RE-APPOINTMENT OF DIRECTORS

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

Non-Executive Director	Date of appointment	Date of re-appointment	Expiry date of current term
David Howell	14 December 2015	14 December 2018	13 December 2021
Amanda Burton	17 December 2015	17 December 2018	16 December 2021
Baroness Morgan	17 December 2015	17 December 2018	16 December 2021
Douglas Hurt	1 January 2018	1 January 2021	31 December 2023
Simon Townsend	1 March 2019	Not applicable	28 February 2022

The Board, having reviewed the findings of the 2020 Board and Committee evaluation, approved the re-appointment of the Chairman and the Non-Executive Directors in their current roles. With regard to the re-appointment of David Howell as Non-Executive Chairman, the Board also considered the feedback from Douglas Hurt (as Senior Independent Director), following his private meetings with each of the Executive Directors and Amanda Burton, Baroness Morgan and Simon Townsend to review the performance of the Chairman during 2020.

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 Annual General Meeting. The Non-Executive Directors do not have any entitlement to compensation if their office is terminated. Full details of the remuneration of the Non-Executive Directors are on page 98 of this document in the Directors' Remuneration Report.

Under the Articles of Association, all Directors are subject to re-election at the AGM at intervals of no more than three years. In line with the Code, all Directors will be put forward for re-election at the 2021 AGM. The Board believes that each of the Directors makes a valuable contribution to Countryside and supports their election and re-election in each case.

DIRECTORS' INTERESTS

Under Countryside's Articles of Association, the Board may authorise any actual or potential conflicts of interest for Directors. Each Director provides the Company Secretary with information about any actual or potential interests that may conflict with those of Countryside. These might include other directorships and any other potential interests that each thinks may cause a conflict requiring prior Board authorisation. If the circumstances of any of these disclosed interests change, the relevant Director must update the Company Secretary promptly. The register setting out

each Director's current disclosures (where relevant) was last reviewed and approved by the Board at its meeting on 7 October 2020. In each such situation, the Director under consideration did not vote on the matter. The Board will continue to review the register of interests regularly to ensure that the authorisations, and any conditions attached to them, are appropriate for the relevant matter to remain authorised. The Company Secretary maintains a list of all authorisations granted to Directors, setting out the date of authorisation, its expiry and scope and any limitations imposed (as applicable).

BOARD DIVERSITY

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

The Board Diversity Policy is reviewed annually, most recently at the 2 December 2020 Board meeting.

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

For details on Countryside's broader policy on diversity across the Group, please refer to the Our People section, on pages 46 to 48.

SITE VISITS

All Directors visit Group operations (sites, factories, sales offices) on a regular basis to engage with employees and contractors in order to develop and maintain an understanding of the Countryside business. For 2020, a series of visits to different operations were planned but, due to social distancing restrictions caused by Covid-19, those plans have been severely constrained. Prior to the nationwide lockdown, the Board together has visited one development site (as outlined on page 75).

MAJOR SHAREHOLDERS AS AT 20 NOVEMBER 2020

1. Aberdeen Standard Investments	12.2%
2. Aviva Investors	10.0%
3. Browning West LP	9.4%
4. M&G Investment Management Ltd	6.6%
5. Ruffer LLP	6.0%



WHAT THE BOARD DID IN 2020

During the year ended 30 September 2020, in addition to the usual programme of scheduled matters and approvals required by the Code, the Board undertook a number of additional activities including significant discussions, transactions and appointments, including:



FINANCIAL PERFORMANCE AND RISK MANAGEMENT

- Regularly monitored the financial performance of the Group and challenged management where appropriate
- Reviewed and challenged the Group's five-year plan and 2020 and 2021 budgets presented by management
- Following recommendations from the Audit Committee, approved the Group's half-year and full-year results announcements and Viability Statement
- Reviewed the Group's Finance Transformation programme, including enhancements to IT
- Reviewed the Group's defence strategy, including receiving presentations from the Group's advisors

OPERATIONAL PERFORMANCE

- Reviewed the fire safety of multi-occupancy buildings built in the past by the Group
- Received a number of presentations on the progress of the Group's Culture Transformation programme in advance of agreeing our purpose, and considered plans for new corporate values
- Received a detailed presentation on the Group's plans for sustainability
- Pre-Covid-19, undertook a site visit with divisional management in Partnerships South

SIGNIFICANT TRANSACTIONS

- Following discussion with management and advisors, and after taking soundings from the Group's shareholders, approved the placing of £250m of additional equity in July 2020
- Approved transactions to underpin the Group's future growth strategy, including a second modular panel factory, new office space and the establishment of three new regional businesses
- Following presentations from divisional management teams, approved a number of large developments requiring Board approval under the Group's delegated authority limits

COVID-19 RESPONSE

- From mid-March to mid-July 2020, the Board met remotely on a weekly basis to discuss and approve urgent operational and financial matters arising from Covid-19
- Approved the Group's participation in the Bank of England's Covid Corporate Financing Facility and changes to the covenants in relation to the existing revolving credit facility
- Decision not to call for funds under the Government's Coronavirus Job Retention Scheme



CONSIDERING STAKEHOLDERS IN BOARD DECISION MAKING

As in previous years, the Board has concluded that its key stakeholders are its business partners (such as the housing associations and local authorities that we work with), our employees, our suppliers, our investors, the communities in which we operate, our customers and the Government and regulators. On pages 30 to 33 (Stakeholder Engagement) we set out our Section 172 statement and detail the full range of ways in which we engage with our stakeholders, the feedback we obtain and the Group's response to such engagement. In this part of the report we describe how such stakeholder engagement has informed the Board's thinking and decision making in relation to its strategy and oversight of the Group's operations.

BUSINESS PARTNERS

A key part of the Board's strategy is a focus on mixed-tenure delivery. To implement this strategy, the Company has engaged in an extensive programme of engagement with housing associations, PRS providers and local authorities, the results of which are communicated to the Board via regular reports from the Group Chief Executive and other members of senior management. During 2020 the Board has reviewed and approved a series of new framework agreements, with new partners, to diversify and so strengthen the resilience of Countryside's mixed-tenure model. The Board also receives copies of pertinent Home Builders Federation and NHBC reports which help to inform the Board about the state of the homebuilding market, which in turn informs its deliberation of Group strategy.

EMPLOYEES

As well as receiving key employee data at regular Board and Committee meetings, the Board's programme normally involves a series of visits to sites and offices to meet and engage with employees and other elements of the workforce. Given the restrictions caused by Covid-19, this programme has been severely constrained for much of the last 12 months, and so a greater emphasis has had to be placed on feedback from employees obtained by surveys and remote engagement sessions with management. During 2019, Baroness Morgan was appointed as the "employee voice" to represent the interests of the workforce on the Board. Baroness Morgan has accompanied the Group's Chief People Officer to various employee engagement sessions (such as "meet the Chief Executive" breakfast meetings) and fed back their input to the Board at regular meetings. The key form of employee engagement during the last 12 months has been the work carried out to develop the Company's values, approved by the Board at its meeting on 7 October 2020, and as set out in more detail on pages 49. A key focus for the Board going forward will be monitoring compliance with the values and ensuring alignment with the Company's strategy.

SUPPLIERS

The Group Chief Executive provides a report to each Board meeting outlining the key factors relating to the supply chain. Maintaining strong and stable relationships with key suppliers is always critical but has been even more so during the periods of lockdown imposed by Government during 2020. Between 25 March and 11 May, the Group's sites had to be closed, which required careful co-ordination with all of the Group's stakeholders. The Board recognised the critical importance of

maintaining strong relations with the Group's suppliers to ensure a swift recommencement of operations once restrictions were lifted. Consequently, the Board directed that all steps were taken to support existing suppliers through dialogue, improved transparency of future requirements, maintenance of commercial terms and a focus on sub-contractor safety as Countryside sites re-opened. During the summer of 2020, the Group's Procurement Director conducted a survey of the principal suppliers, including their assessment of Countryside's reaction to the lockdown, the results of which were circulated to the Board which noted and approved various actions to address the findings of the survey.

COMMUNITIES

The critical importance of interacting with the local community to take their views fully into account is set out on page 32. Recognising the impact of the restrictions put in place to mitigate the effects of the Covid-19 pandemic, the Board approved the creation of a £1m Communities Fund (see case study on page 7).

CUSTOMERS

The Board receives regular reports on customer service matters, including customer satisfaction assessment ratings at regional and national levels. Recognising that delivering high quality product with a superior level of customer satisfaction enhances the Group's reputation, the Board introduced customer service as key metric of the employee bonus structure. We are pleased to report that the Company achieved a five-star Recommend a Friend score for the first time in 2020.

GOVERNMENT AND REGULATORS

The Board recognises that the Company's timely adoption of changes to Government policy and regulation is critical. As part of the Group's strategy, the Board endorsed a revised senior management structure with Directors with Group-wide responsibilities to ensure consistency of compliance with regulatory change in key areas such as construction and fire risk, sustainability, health & safety and reforms to the leasehold housing tenure. The Board receives regular updates from management and its advisors on key topics such as fire risk, building regulation and leasehold reform, which are used to set Group policy for the management of such issues. For more information on the steps taken by the Company in such areas, see page 64.

Report of the Audit Committee



AUDIT COMMITTEE

COMMITTEE CHAIR

Douglas Hurt

OTHER MEMBERS

Amanda Burton, Baroness Morgan, Simon Townsend

MEETINGS HELD

4

Role and responsibilities of the Audit Committee

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

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

Areas of focus in 2020

- Reviewing the key judgements and estimates relating to the Group's interim and full-year results
- Assessing the going concern basis for the financial statements and Viability Statement
- Reviewing the carrying value of goodwill and brand intangible assets, particularly in light of the closure of the Millgate business, and the transfer of its developments to the Housebuilding West region, and the appropriateness of the related disclosures
- Reviewing the carrying value of inventory in light of the market conditions caused by the Covid-19 pandemic
- Reviewing the appropriate treatment of items including the capitalisation of overheads in light of site closures due to Covid-19
- Considering the progress of the CMA investigation into leasehold properties and the impact on disclosure
- Considering the Group's review into the fire safety of historical construction of buildings over 18m and the impact on disclosure
- Reviewing the appointment of PwC as the Group's auditor
- Considering applicable taxation and accounting matters



COMMITTEE ATTENDANCE

The number of Committee meetings attended by each member during the 2020 financial year was as follows:

	Audit Committee	Overall attendance
Number of meetings held	4	
Douglas Hurt	4/4	100%
Amanda Burton	4/4	100%
Baroness Morgan	4/4	100%
Simon Townsend ¹	3/4	75%

1. Simon Townsend was unable to attend one Audit Committee meeting which had been scheduled before his appointment due to prior commitments.

DEAR SHAREHOLDERS,

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

The Committee set the scope of internal audit activity for the 2020 financial year and reviewed the findings of audits performed during the year. Following the appointment of a Director of Audit and Risk Assurance in 2019, the work to further strengthen and improve internal audit continues, including through further internal appointments and the engagement of BDO to assist internal audit on reviews requiring particular expertise (such as GDPR). Together, the Committee views these changes as materially strengthening and improving the quality of internal audit and oversight of the risk assurance function.

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

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

Douglas Hurt

Chair of the Audit Committee

2 December 2020



COMPOSITION

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

INTERNAL CONTROLS

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

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

WHISTLEBLOWING

The Group's whistleblowing processes were thoroughly reviewed during 2020, to ensure that the appointment of a new independent external service provider during 2019 was working effectively. An awareness programme is implemented annually, most recently during September 2020, to educate and inform all Countryside employees and sub-contractors of the whistleblowing facilities and the confidential treatment of any information provided. Where necessary, the awareness programme is run in a number of languages to try to ensure that it most effectively reaches all those working for Countryside across the Group. All cases of whistleblowing are appropriately investigated, with the results reported to the Committee. Having reviewed the whistleblowing procedures across the Countryside Group during 2020, the Committee is satisfied that the policy and its administration remain effective.

RISK MANAGEMENT

The successful management of risk is critical to achieving Countryside's strategic objectives. The Board has delegated responsibility for

reviewing and maintaining effective internal control over risk management systems and internal financial controls to the Committee. Day-to-day management of the Group's risk management framework has in turn been delegated to the Risk Management Committee. The Group's management of risk and the role and membership of the Risk Management Committee are detailed on pages 62 to 69.

At each Risk Management Committee meeting management discusses the key risks and any emerging risks and the mitigating action plans in place for each. Any changes to the Group's risk register are in turn presented for review by the Committee. The Committee has monitored the Group's risk management and internal control systems throughout the year and reviews the entire Group risk register annually, with the last review occurring on 16 July 2020.

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

The Group's key risk management procedures have been in place throughout 2019/20 and up to the date of approval of this Annual Report.

OVERVIEW OF THE RISK MANAGEMENT PROCESS

INTERNAL CONTROL

The Group's key internal control procedures include:

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

- formal authorisation procedures for all investments, with clear guidelines on appraisal techniques and success criteria; and
- formal authorisation procedures for all significant contracts, including land purchases and sales, with clear guidelines on success criteria and contracting practices.

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

The Committee Chair reported its findings to the Board at the 23 July 2020 Board meeting. The review considered all material controls in accordance with Financial Reporting Council guidance. Following this review, no significant weaknesses or failings were identified. Management is addressing noted improvement areas. The Board and the Committee will continue to monitor and review the internal control environment.

FAIR, BALANCED AND UNDERSTANDABLE

At the request of the Board, the Committee considered whether the 2020 Annual Report was fair, balanced and understandable and whether it provided the necessary information for shareholders to assess the Group's performance, business model and strategy. The Committee took into account its own knowledge of the Group, its strategy and performance during the year. Further comprehensive reviews were undertaken at different levels in the Group to ensure consistency and overall balance. The Committee also took into account a similar detailed review undertaken by senior management and the results of the external audit.

Before the publication of both the interim and full-year results for the Group, the Committee undertook a detailed assessment of the appropriateness of the Group's use of the going concern basis in preparing the financial statements. For further information about going concern, please refer to the Directors' Report on pages 106 to 108.

Shortly before publication of the full-year financial results for 2020, the Committee undertook a detailed assessment of the Viability Statement. It recommended to the Board that the Directors can have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three-year period of their assessment. For the detailed Viability Statement, please refer to our Risk section on page 65 of the Strategic Report.



OVERVIEW OF THE RISK MANAGEMENT PROCESS CONTINUED

INTERNAL AUDIT

The work performed by the Director of Audit and Risk Assurance and his internal audit team, assisted where necessary by BDO, focused on the areas determined by the Committee as of greatest risk to the Group. These included those matters identified through the risk management framework and any significant change projects occurring within the business.

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

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

OVERSIGHT OF THE EXTERNAL AUDIT

Following a tender process, PricewaterhouseCoopers LLP ("PwC") was appointed as external auditor in 2016 and its re-appointment was approved by shareholders at the 2020 AGM. The Company continues to comply with the requirements of The Statutory Audit Services for Large Companies Market Investigation (Mandatory use of competitive Tender Processes and Audit Responsibilities) Order 2014 for the financial year under review.

PwC's last audit of the Group will take place for the financial year ending 30 September 2021. The Company will commence a tender process for the audit of the year ending 30 September 2022 with the successful auditor

being appointed prior to 30 September 2021. Having regard to the Financial Reporting Council's guidance to audit committees on audit tenders, a variety of firms will be chosen to participate in the tender. Given its length of tenure, PwC will not be invited to participate in the tender process.

The Committee's oversight of the external audit includes reviewing and approving the annual audit plan and planned procedures for the Half Year Report. In reviewing the plans, the Committee discusses and challenges the auditor's assessment of materiality and those financial reporting risk areas most likely to give rise to material error. In addition, the Committee approved PwC's fee for the 2020 audit.

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

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

NON-AUDIT SERVICES POLICY

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

The award of non-audit services to the Group's external auditor is subject to controls (agreed by the Committee) to monitor and maintain

its objectivity and independence. In order to comply with the Revised Ethical Standard for Auditors, the Committee considered and approved revisions to the Group's policy for auditor independence and the provision of non-audit services at its meetings on 7 May 2020.

The revised policy removes the concept of "prohibited" service and lists selective "permitted" non-audit services. It also introduces the requirement that the Committee shall satisfy itself that an objective, reasonable and informed third party would conclude from the annual audit budget that it is probable that the independence of the external auditor would not be compromised (the "objective test").

The Committee is responsible for approving all non-audit services provided by the external auditor. The Group Chief Financial Officer holds authority to approve non-audit services on the "permitted list", where the services are considered to be clearly trivial (defined as those with a fee of less than £50,000). Where the services are not clearly trivial, or where the cumulative fee in the financial year exceeds £100,000, pre-approval is required from the Committee. Fees for non-audit services are capped at 70% of the average audit fee for the last three financial years, subject at all times to the "objective test".

ANNUAL EVALUATION OF AUDIT COMMITTEE PERFORMANCE

As part of the broader evaluation process, supported by Claire Howard Consultancies, the Committee reviewed its effectiveness during 2019/20. This considered areas including:

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

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

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

	2020 £m	2019 ¹ £m
Fees payable to the Group's auditors for the audit of parent and consolidated financial statements	0.4	0.2
Fees payable to the Group's auditors for other services:		
– Audit of subsidiary companies	0.5	0.5
– Audit of joint ventures	0.1	0.1
– Audit-related services	0.2	0.1
Total	1.2	0.9

1. Fees payable to the Group's auditors for the audit of subsidiary companies in 2019 were previously presented as £0.3m. This has been increased to £0.5m in the table above to reflect additional fees agreed after the date of signing the 2019 Group financial statements.



Areas of significant judgement considered by the Audit Committee in 2020

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

Significant matters considered

GOING CONCERN BASIS FOR THE FINANCIAL STATEMENTS AND VIABILITY STATEMENT Due to the significant uncertainty arising from the Covid-19 pandemic, management performed detailed reviews at both the half year and full year to determine if adopting the going concern basis for preparing the financial statements was appropriate, testing the Group's liquidity and banking covenant compliance in a range of scenarios.

The Viability Statement testing was based on the latest available three-year forecast. To ensure that the financial position of the Group was robust, management performed downside sensitivity testing, including modelling further Government-mandated lockdowns, by applying a range of overlays reflecting reduced sales rates and average selling prices, a reduction in land sales and reduced affordable housing sales. This review also included operational inefficiencies and enhanced cost inflation. Each of the above overlays was based on management's assumption of a reasonable downside outcome.

CARRYING VALUE OF INTANGIBLE ASSETS The value of goodwill and other acquired intangible assets is material to the Group's balance sheet. Whilst the carrying value of goodwill is assessed for impairment each year, management identified the reduction in revenues associated with the Covid-19 pandemic and the closure of the Millgate region to be triggering events for a full impairment review of associated intangible assets.

Management assessed whether the Millgate cash generating unit would continue to exist following the reorganisation of the business and concluded that separable cash flows could only be identified for a period of three years. As a result, the carrying value of goodwill could not be supported.

Management intends to continue to develop under the Millgate brand on large developments with the potential for co-branding. As such, the value of the brand could be supported, but only with a reduced useful economic life of five years.

CARRYING VALUE OF INVENTORY Inventory is material to the Group's balance sheet. There is a risk that the carrying value will exceed its net realisable value, particularly in challenging market conditions caused by the Covid-19 pandemic.

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

In light of the Covid-19 pandemic, additional comfort was sought at both the half year and full year to determine that the Group's inventory balance was supportable in a range of downside scenarios. Based on trading at the time of the reviews and given the uncertain outlook, no Group-wide inventory impairment was proposed at the half year or full year.

CAPITALISATION OF OVERHEADS The Countryside Group accounting policy allows the capitalisation into inventory of direct site labour costs, including site supervision, and a portion of overheads deemed to be directly attributable to site-specific work.

In response to the Government-imposed lockdown triggered by the Covid-19 pandemic, Countryside announced the temporary cessation of its operations on 25 March 2020 and a large number of staff were placed on paid leave. Sites started to re-open for production from 11 May 2020 with social distancing measures in place. Management considered whether site-related overheads should be capitalised into inventory during the Covid-19-related lockdown and the period following lockdown of reduced site productivity levels due to social distancing.

COMPETITION AND MARKETS AUTHORITY INVESTIGATION On 4 September 2020 the Competition & Markets Authority ("CMA") announced it had opened a case against Countryside and three other housing developers in relation to possible breaches of consumer protection law in the residential leasehold sector.

REVIEW OF FIRE SAFETY OF HISTORICAL MULTI-OCCUPANCY BUILDINGS The Group appointed Ashton Fire to conduct a review of the fire safety of multi-occupancy buildings of over 11m in height that it had constructed in the prior 15 years. The review did not identify any buildings which posed a high risk of fire.

A number of claims have been made against the Group by parties including resident management companies which allege that fire safety regulations were not met at the time of build, or that the buildings have other defects which require remediation.

Management has assessed the need to make a provision to cover the cost of any potential remediation, legal costs and insurance excess costs and concluded that the likelihood, timing and extent of such provisions is not sufficiently certain to require a provision to be made. Management has included disclosure of these matters in the financial statements in Note 32 Contingent Liabilities.



Our response to these matters

The Audit Committee reviewed and challenged management's assessment of forecast cash flows and the sensitivity assumptions applied. The Committee also considered the Group's financing facilities and future funding plans. Based on these reviews, the Committee confirmed it continued to be appropriate to adopt the going concern basis of accounting in preparing the interim and full-year financial statements and approved the Viability Statement. For further information see page 65 of this Annual Report.

The external auditor reported on the going concern basis for the financial statements at both the half-year review and again at the final audit.

The Audit Committee reviewed and challenged management's assumptions in relation to the carrying value of Millgate goodwill and brand assets. The external auditor also reported on the appropriateness of the assumptions applied in modelling the future cash flows associated with the Millgate brand. The Audit Committee is satisfied that the impairment of the Millgate goodwill and reduction in useful economic life of the brand asset, together with the associated disclosures, are appropriate.

The Audit Committee reviewed and challenged management's assumptions in relation to the carrying value of inventory. The external auditor reported on the methodology and assumptions applied in assessing the carrying values. The Audit Committee is satisfied with the conclusion that no Group-wide impairment of inventory was required.

The Audit Committee considered management's assessment of the treatment of overheads during and post the Covid-19 lockdown and was satisfied that £10.4m of overheads incurred during the period for which sites remained closed should be charged to the income statement as they did not progress sites or contracts towards completion. The Audit Committee also concurred that in the period post lockdown when site activity restarted it was appropriate to recommence the capitalisation of overheads to the extent that the costs contributed towards site and contract completion, even if more slowly than expected.

Having reviewed and discussed management's assessment of the status of the ongoing CMA investigation, the Audit Committee concurred with management's assessment that as the investigation has not concluded, any potential remedy remains unknown. As such, the Committee agreed that no provision was required and disclosure as a contingent liability was appropriate. See Note 32 to the financial statements.

The Audit Committee considered the detail of the claims made against the Group and management's assessment of the likelihood of material remedial action needing to be taken. This included a review of the adequacy of the insurance policies in place. The Committee concurred with management's view that the position is currently uncertain and with disclosure as a contingent liability.

NOMINATION COMMITTEE

Committee Chair

David Howell

Other members

Amanda Burton

Baroness Morgan

Douglas Hurt

Simon Townsend

Meetings held

3

Role and responsibilities of the Nomination Committee

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

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

Areas of focus in 2019/20

- Oversaw succession planning for the Board, its Committees and senior management, so as to maintain an appropriate balance of skills and experience
- Reviewed contingency plans for all Board and senior management as part of Covid-19 continuity planning
- Progressed the diversity and inclusivity agenda across the Group
- Reviewed the results of the annual evaluation process



COMMITTEE ATTENDANCE

The number of Committee meetings attended by each member during the 2020 financial year was:

	Nomination Committee	Overall attendance
Number of meetings held	3	
David Howell	3/3	100%
Amanda Burton	3/3	100%
Baroness Morgan	3/3	100%
Douglas Hurt	3/3	100%
Simon Townsend	3/3	100%

DEAR SHAREHOLDERS,

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

In the last 12 months there have been important changes to the Board and senior leadership of Countryside. Ian Sutcliffe, the former Group Chief Executive, stood down from the Board on 31 December 2019 and remained employed by the Company until 31 March 2020. During that time, he was available to provide advice to the Board and to Iain McPherson, who assumed the role of Group Chief Executive from 1 January 2020.

As part of its review of the results of the 2020 annual evaluation of the Board, the Committee discussed in detail the composition of the Board, and the skills and experience of individual Directors and the Board as a whole. More detail about the evaluation process, its recommendations and the actions agreed are set out on page 79.

Given my decision to step down from the Board during 2021, the Committee, led by Douglas Hurt in his capacity as Senior Independent Director, will start the search for my successor, along with our selected executive search consultants.

In line with the Financial Reporting Council guidance that nomination committees should look deeper into the organisation to identify future leaders, the Committee has spent considerable time reviewing the succession plans and talent spotting for all senior leadership roles. This has included reviewing the training and development plans put in place to nurture and promote that talent.

David Howell
Chair of the Nomination Committee

2 December 2020



THE WORK OF THE COMMITTEE

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

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

During 2020, the Committee met three times to agree a succession plan strategy for the Directors, to agree changes to the membership, composition and responsibilities of the Executive Committee, and to review the findings of the 2020 Board and Committee evaluation process.

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

Following a review of the balance of the Board's skills and experience which included an assessment of the Board's current diversity, it was noted, particularly, that following the departure of Rebecca Worthington as Group Operating Officer in April 2019, the Board no longer meets the 33% target of women on boards recommended by the Hampton-Alexander Review. This will be a key focus for the Board during the coming year.

THE COMMITTEE'S OBJECTIVES FOR THE COMING YEAR

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

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



REMUNERATION COMMITTEE

Committee Chair

Amanda Burton

Other members

David Howell

Baroness Morgan

Douglas Hurt

Simon Townsend

Meetings held

7

Role and responsibilities of the Remuneration Committee

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

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

Areas of focus in 2020

- Consultation with the Group's principal shareholders on a range of remuneration-related issues including remuneration strategy, executive pay and pension arrangements
- Review of gender pay gap
- Consideration of changes to executive pay in light of the Covid-19 pandemic
- Review and benchmarking of Executive Director and senior management remuneration, including annual salary increases
- Determination of the financial arrangements for Ian Sutcliffe's retirement
- Determining the remuneration package for Iain McPherson on his appointment as Group Chief Executive
- Review and benchmarking of overall employee benefits
- Consideration and approval of bonus, LTIP and SAYE arrangements



DEAR SHAREHOLDERS,

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

The Committee strives to align pay with strategy. Our business strategy has evolved this year and as well as continuing to focus on delivering sector-leading growth, superior return on capital and resilience throughout the business cycle, we are increasingly focused on delivering our strategy in a sustainable way. Our remuneration strategy supports these factors, and the long-term and short-term targets we agree for our Executive Directors and senior management aim to incentivise our most senior people towards successful delivery of the business strategy.

The Directors' Remuneration Policy ("DRP") was approved for three years at the Group's Annual General Meeting in January 2020, where 95.7% of votes were in favour. Last year's Annual Report on Remuneration was approved by 78.0% at the Annual General Meeting in January 2020.

Since the vote on the policy, we have been actively engaging with our top 20 shareholders over the summer. There were two matters that shareholders wished to discuss in particular:

1. Executive Director base salaries; and
2. Executive Director pension contributions.

EXECUTIVE DIRECTOR BASE SALARIES

The Nomination Committee and the Board were very pleased that we were able to develop both our Group Chief Executive and Group Financial Officer internally through our strong succession management approach. As part of our internal promotion process, we consciously set salaries at a discount to the levels that an external candidate would command and then phase subsequent increases over time, subject to experience and performance, until the market rate is reached. Beyond that point, future increases are normally expected to be at the rate awarded to the wider workforce.

Iain McPherson was appointed as Group Chief Executive from 1 January 2020 on an annual base salary of £500,000 which the Committee felt was appropriate given his level of experience and is significantly below the mid-market level. Our intention had been, subject to Iain performing strongly in his new role, to progressively reposition his base salary over the first two years of his tenure to bring him closer towards what would be the market rate for the role. The realignment remains our intention, though in light of the Covid-19 pandemic, this is not now expected to start until 1 October 2021.

On Mike Scott's promotion to Group Chief Financial Officer in October 2018, his base salary was set at £300,000 and his pension allowance was reduced. The Committee set his starting salary significantly below our view of the market rate for the role, in line with our stated policy. For a Chief Financial Officer, that market is both the housebuilding sector and a slightly wider UK listed company market as there is a greater degree of skills transportability than for other roles. The Committee published its intended approach of increasing Mike's base salary from £300,000 to £350,000 from 1 October 2019 and then to £400,000 a year later, thereby phasing the increases over two years, subject to continued performance and development in the year. We believe that Mike's performance, and the fact that we made this commitment to him, mean that we should deliver on our commitment. In these turbulent times, we recognise the importance of continuity at the



very top of the organisation, which could be even more challenging this year given pay-outs on bonus and Long-Term Incentive Plans ("LTIP") have been significantly impacted. Now this market realignment has been completed it is anticipated any future increases for Mike will be in line with the general workforce.

In addition, both Executive Directors, in line with the rest of the Group Executive Committee and Main Board, voluntarily took a 20% cut in base pay during April and May, when two-thirds of our employees were placed on paid leave by the business during the initial Covid-19 lockdown period. Notwithstanding this 20% reduction for the most senior executives in the Company, all of our employees below our Executive Committee continued to be paid in full throughout 2020, and no claim was made under the Government's Job Retention Scheme.

Over the last six months we have undertaken a significant amount of consultation with our main shareholders on the topic of Mike Scott's salary, both in writing and in conversation, and we were pleased that the majority of shareholders that we consulted voiced support for our plans.

EXECUTIVE DIRECTOR PENSION CONTRIBUTIONS

Iain McPherson's pension benefit was reduced from a maximum of 25% to 10% under the terms of his appointment as Group Chief Executive in line with the policy that was proposed to and approved by shareholders this January. Mike Scott's pension contribution rate prior to joining the Board was up to 20%, which was also reduced to 10% on his appointment as Chief Financial Officer. Our previous Chief Executive and Chief Financial Officer received pension benefits of 25% and 17.5% of salary respectively. As confirmed in our Remuneration Report last year, the contributions we make to both our Executive Directors' pensions will align with the contributions we make to the average employee by 31 December 2022. Additionally, for new Executive Directors the maximum contribution will be in line with the average employee. The average contribution we make to employees as a whole currently stands at 6% (in line with the market). Having reviewed our level of pension provision, the Committee determined that it would be appropriate to increase employer pension contributions with the objective of increasing the average contribution to 10% by 31 December 2022. As the first step in this realignment, from 1 October 2020 we have increased employer contributions by 2% for all those employees whose current employer contribution is below 10%, thereby reducing the gap between our senior and junior employees. This will take our average employer contribution from 6% to nearly 8%.

THE WORK OF THE REMUNERATION COMMITTEE

GENDER PAY GAP

The Committee undertook a full review of Countryside's gender pay gap during the year. Our mean gender pay gap remained at 28%, in line with last year and a reduction from the 33% we reported in 2018. Although there is still work to be done to address the gender pay gap by increasing female representation at senior levels, we are confident that there are no equal pay issues. We continue to address the underlying issues relating to this gap, and this will be an ongoing focus for the Company in 2021.

CONSIDERATION OF CHANGES TO EXECUTIVE PAY IN LIGHT OF THE COVID-19 PANDEMIC

As outlined in the introduction to the Directors' Remuneration Report, the Group Board and Executive Committee voluntarily took a 20% cut in base pay during April and May, the period when two-thirds of our employee base were placed on paid leave by the business during the initial Covid-19 lockdown period. Notwithstanding this 20% reduction, all of our employees continued to be paid in full throughout 2020, and no claim was made under the Government's Job Retention Scheme.

There was no easing of targets for either the annual bonus or in-flight Long-Term Incentive Plans in relation to the impact of the Covid-19 pandemic.

SHARE PLANS

The Committee approved grants under the Group's share plans, including the 16% discount to market value that was applied to the grant under the SAYE plan. The discount to market value was set at a level to maintain the grant price at a level no lower than the award made in 2019. Around half of our employees participate in the SAYE plan.

EQUITY PLACING

The Committee reviewed the impact of the equity placing in July 2020 on the vesting of in-flight Long-Term Incentive Plans. The Committee will ensure that the impact of the placing on the vesting level of tangible net asset value, return on capital employed and adjusted earnings per share is adjusted in the out-turn of those awards which were in place in July 2020, to ensure that the targets are made no easier or harder to achieve. The adjustments in respect of the December 2017 award are disclosed on page 99. The adjustments in respect of subsequent awards will be disclosed when the awards vest.

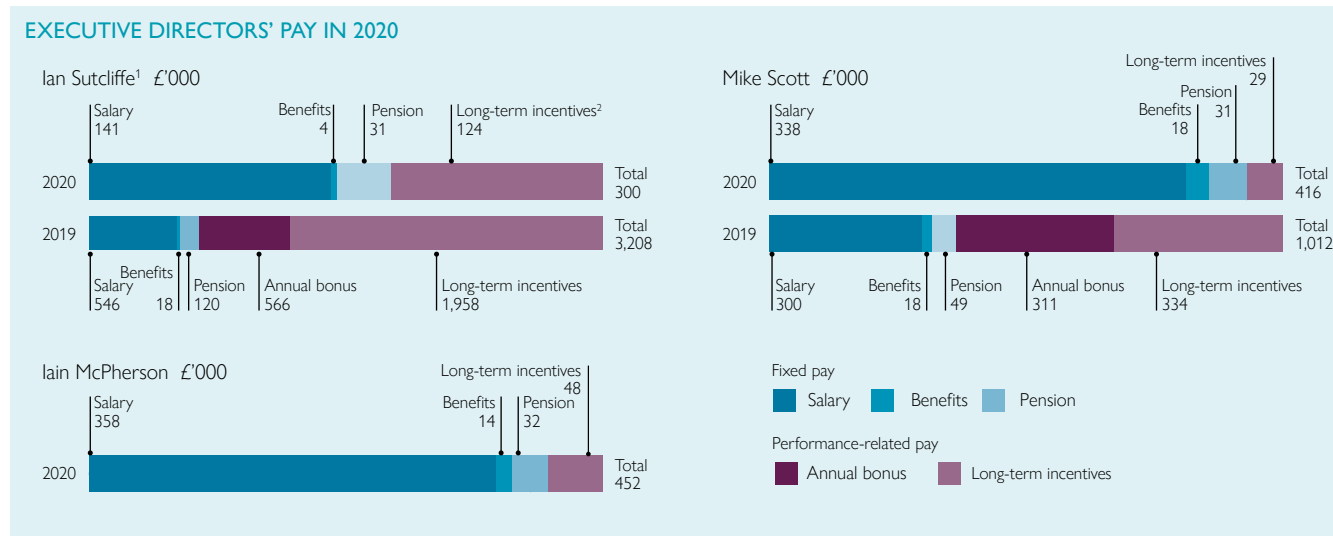
HOW DID WE PERFORM IN 2020?

The annual bonus in 2020 was measured against stretching targets with the component conditions summarised below:

		2020 max possible	2020 pay-out
Annual bonus	Adjusted operating profit	50%	0%
	Adjusted operating margin	35%	0%
	NHBC Recommend a Friend	15%	0%

The Group's annual bonus scheme includes a profit underpin, whereby no payment can be made where the amount of adjusted operating profit delivered in the year is lower than the amount delivered in the previous year. As a result of the unprecedented situation we have faced since March 2020 we did not reach our profit underpin and the Committee therefore determined that it was inappropriate to pay any bonus for 2020, despite once again achieving five-star status in the NHBC Recommend a Friend scheme.

We provide full details of the targets and our performance against them in the Annual Report on Remuneration (see page 98).



- In 2020, the reported amount represents the period 1 October 2019 to 31 December 2019 for Ian Sutcliffe and 1 January 2020 to 30 September 2020 for Iain McPherson.
- The 2019 long-term incentives comparative amount includes the TSR element of the February 2016 LTIP award and all elements of the December 2016 LTIP award. The 2019 long-term incentives values have been updated to reflect the actual vesting price of the shares from the December 2016 award, which vested in December 2019.

The performance period for the December 2017 LTIP award ended on 30 September 2020. As disclosed later in this report, the ROCE and TNAV targets failed to vest and TSR vested at 54.8%, resulting in an overall vesting of 16.4%.

REMUNERATION POLICY FOR 2020

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

CHANGES TO SALARIES

The Committee has agreed an increase in base salary for the Group Chief Executive in line with the increase for the workforce of 1.5% and an increase for the Group Chief Financial Officer in line with our previous commitment to him.

The Executive Directors will again be eligible for a maximum bonus opportunity of 150% and LTIP grant of up to 200% of base salary for the forthcoming financial year. The Committee will assess the level of LTIP award just prior to the date of grant and disclose this in the RNS statement shortly afterwards.

COMMITTEE ATTENDANCE

The number of Remuneration Committee meetings attended by each member during the 2020 financial year was:

	Remuneration Committee	Overall attendance
Number of meetings held	7	
Amanda Burton	7/7	100%
David Howell	7/7	100%
Douglas Hurt	7/7	100%
Baroness Morgan	7/7	100%
Simon Townsend	6/7	86%

BONUS AND LTIP METRICS

In 2021 we will retain the same bonus and LTIP metrics as we had last year for Executive Directors.

The LTIP targets for the December 2020 grant are set out on page 102. The targets were set by the Committee to reflect a combination of the Company's internal forecasts and market consensus, in order to ensure they were no less demanding than those set in the previous year.

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

CONCLUSION

The Committee recognises the importance of developing a close relationship with shareholders in facilitating its work in developing the Remuneration Policy, and as such we have engaged with our top 20 shareholders during the year. We will continue to ensure that our Remuneration Policy is both aligned with shareholders' interests and attracts and retains executives of the required calibre to ensure the Company's continued success. On behalf of the Committee, I welcome your feedback and ask for your support at the forthcoming Annual General Meeting.

Amanda Burton

Chair of the Remuneration Committee

2 December 2020

Remuneration policy report



OVERVIEW OF REMUNERATION POLICY

The Company's Remuneration Policy was last approved at the 2020 Annual General Meeting and is summarised in this report.

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

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

DIRECTORS' REMUNERATION POLICY

The following table summarises the key components of the Executive Director and Non-Executive Director remuneration arrangements, which were formally approved by shareholders at the 2020 Annual General Meeting in accordance with the regulations set out in the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. It is intended that this Policy will apply for three years from that date.

The full Policy wording is set out in the 2019 Annual Report which is available on the Company's website.

EXECUTIVE DIRECTORS

BASE SALARY

Link to strategy

Recognises the market value of an Executive Director's role, skill, responsibilities, performance and experience.

Operation

Salaries are normally reviewed annually, with any changes effective as of 1 October each year.

Current salaries, effective from 1 October 2020, are as follows:

- Group Chief Executive: £507,500
- Group Chief Financial Officer: £400,000

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.

Maximum opportunity

There is no formal maximum salary. Other than where there is a change of role or responsibility, any increases will normally be only for inflation and/or in line with the wider workforce. Starting salaries on appointment may be set below the market level and, in this circumstance, subject to performance, increased by more than inflation as the employee gains experience over time.

Performance measures and assessment

Not applicable.

OTHER BENEFITS

Link to strategy

Provides a market-competitive package.

Operation

We review benefits periodically to ensure they remain market competitive.

The main benefits currently provided include:

- car or car allowance;
- life, personal accident, disability and health insurance;
- Directors' and officers' insurance; and
- other benefits, including flexible benefits, as provided from time to time (for example where a Director relocates).

Executive Directors are eligible for other benefits which are introduced on broadly similar terms for the wider workforce.

In addition, the Company may reimburse any reasonable business expenses and tax thereon.

Maximum opportunity

Benefit values vary year on year depending on premiums.

The maximum potential value is the cost of providing these benefits.

Performance measures and assessment

Not applicable.



EXECUTIVE DIRECTORS CONTINUED

ANNUAL BONUS SCHEME

Link to strategy

Incentivises the Executive Directors to deliver against goals linked to the Company's strategy.
The deferral element ensures long-term alignment with shareholder interests.

Operation

Bonus awards will be granted annually. The performance period is one financial year. The Committee determines pay-outs following the year end, based on achievement against a range of performance targets.

In line with the overall discretion of the Remuneration Committee to determine the size of any bonus payment, as described on page 98, when determining bonus awards the Committee will take into account the overall performance of an Executive Director against the Group's in-year and longer-term strategic goals. The Committee also retains a broader discretion to override bonus outcomes if it deems necessary.

Up to two-thirds of the bonus award will be paid out in cash, with the remainder deferred into shares for a period of three years (subject to continued employment).

Malus and clawback arrangements will apply to annual bonus awards. This enables a reduction in vesting or the recovery of amounts paid in certain circumstances.

Maximum opportunity

The maximum opportunity is 150% of salary.

Participants may be entitled to dividends or dividend equivalents on the deferred shares that represent the value of dividends paid during the deferral period.

Performance measures and assessment

The Committee will set performance targets annually, based on a range of financial and strategic measures selected to reflect the in-year goals of the business and its longer-term strategy and KPIs. At least 50% of the bonus will be based on financial measures in any year.

Targets are normally set on a sliding scale, with no more than 25% of the maximum typically payable at threshold performance and 50% of the maximum typically payable for on-target performance.

LONG-TERM INCENTIVE PLAN ("LTIP")

Link to strategy

Incentivises Executive Directors to successfully deliver the Company's objectives over the longer term.

Creates alignment with investors over this period.

Operation

Awards of shares that vest three years from the date of grant. This is subject to achievement of performance conditions, normally measured over a three-year period. Awards are subject to malus and clawback provisions that enable reduced vesting or recovery of amounts paid in certain circumstances.

Awards are normally subject to a two-year post-vesting holding period, during which Executive Directors will not be permitted to sell vested shares other than to pay tax or National Insurance contributions. This takes the total period from grant to release of LTIP shares to five years.

Awards are also subject to a broad discretion to override the out-turn if the Committee deems necessary.

Maximum opportunity

The maximum LTIP award level is 200% of base salary.

Participants may at the Committee's discretion receive dividends or dividend equivalents representing the value of dividends paid during the performance period on LTIP awards.

Performance measures and assessment

LTIP performance will be assessed against a mix of metrics, including a balance between financial growth and return metrics. For the awards to be granted in the 2021 financial year these metrics are:

- adjusted basic EPS; and
- ROCE.

Targets are set on a sliding scale, with no more than 25% of each element vesting at threshold performance. The Committee will review and set weightings for measures and appropriate targets before each grant.

The Committee may change the balance of the measures, or use different measures for subsequent awards as appropriate.



PENSION

Link to strategy

Provides competitive levels of retirement benefit to aid retention.

Operation

Pension contributions are made into the Group's defined contribution scheme.

Alternatively, a participant may receive a cash allowance in lieu of pension (typically when they have reached the annual or lifetime allowance for pension tax relief set by HMRC). We pay the cash allowance less a reduction to reflect the Company's obligation to pay employer's National Insurance on the sum paid.

Maximum opportunity

The maximum contribution or equivalent allowance is up to 10% of base salary.¹

Prior to his retirement, for Ian Sutcliffe the maximum was 25% of base salary in accordance with his service agreement.

Performance measures and assessment

Not applicable.

SAVE AS YOU EARN ("SAYE") PLAN

Link to strategy

The purpose of this plan is to encourage all employees to become shareholders in the Company and thereby align their interests with shareholders.

Operation

Executive Directors 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.

Maximum opportunity

Maximum participation levels will be set based on the applicable limits set by HMRC from time to time.

Performance measures and assessment

Not applicable.

SHAREHOLDING GUIDELINES

Link to strategy

Aligns Executive Directors' interests with those of our long-term shareholders and other stakeholders.

Operation

Executive Directors are expected to build and maintain a holding in the Company's shares to a minimum value of two times their base salary over a five-year period.

Executive Directors must also retain the lower of their existing shareholding or two times their base salary for two years post-employment; this requirement applies only to vested shares acquired from share awards granted from 1 October 2019.

Maximum opportunity

Not applicable.

Performance measures and assessment

Not applicable.

1. On the appointment of new Executive Directors, the pension contribution will be aligned to the average employee. The pension contribution for existing Executive Directors will align with the average employee by 31 December 2022.



NOTES TO THE POLICY TABLE

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

MALUS AND CLAWBACK

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

NON-EXECUTIVE DIRECTOR REMUNERATION POLICY

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

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

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Executive Directors also receive life assurance, private health insurance and car allowances.

Executive Directors	Date of current contract	Payment in lieu of notice	Pension	Restrictive covenants	Notice (Executive/Company)
Iain McPherson ¹	24 January 2020	12 months' salary and benefits	10% of salary	Non-compete (6 months) Non-poaching (12 months) Non-solicit (12 months)	12 months/ 12 months
Ian Sutcliffe ²	29 January 2016	12 months' salary and benefits	25% of salary and only as a cash allowance	Non-compete (6 months) Non-poaching (12 months) Non-solicit (12 months)	12 months/ 12 months
Mike Scott	1 October 2018	12 months' salary and benefits	10% of salary	Non-compete (6 months) Non-poaching (12 months) Non-solicit (12 months)	12 months/ 12 months

1. Iain McPherson has served as Group Chief Executive since 1 January 2020.

2. Ian Sutcliffe served as Group Chief Executive until he stepped down from the Board on 31 December 2019.

Non-Executive Directors

	Date of appointment to the Board	Expiry of current term	Unexpired term of appointment at 30 September 2020
David Howell	14 December 2015	13 December 2021	>1 year
Amanda Burton	17 December 2015	16 December 2021	>1 year
Baroness Morgan	17 December 2015	16 December 2021	>1 year
Douglas Hurt ¹	1 January 2018	31 December 2020	<1 year
Simon Townsend	1 March 2019	28 February 2022	>1 year

1. The Board approved the extension of Douglas Hurt's appointment for a further three-year term from 1 January 2021 to 31 December 2023 at its meeting on 7 October 2020.

The Non-Executive Directors are entitled to claim out of pocket expenses incurred in the performance of their duties (and the Company may settle any tax thereon) and payment in lieu of notice where notice is served. They are not entitled to participate in the Company's share, bonus or pension schemes.

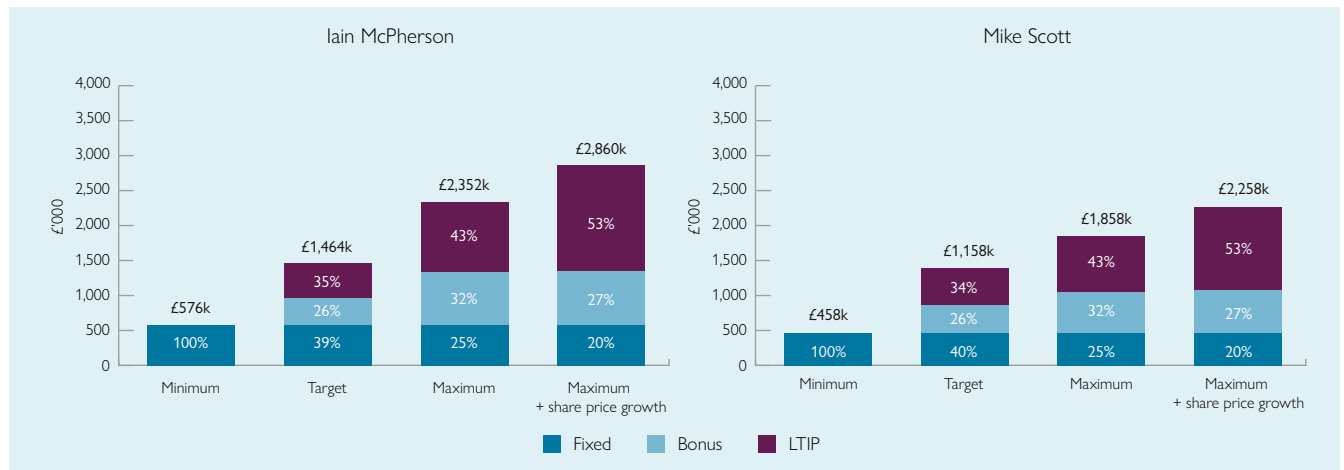


POLICY IN RESPECT OF EXTERNAL BOARD APPOINTMENTS FOR EXECUTIVE DIRECTORS

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

APPLICATION OF REMUNERATION POLICY

The graphs below shows the proposed application of the remuneration policy for 2021.



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

Target: fixed pay + 50% pay-out of the annual bonus entitlement (75% of salary) + 50% vesting of the LTIP (100% of salary).

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

Maximum plus 50% share price growth: shows maximum performance plus the impact on the LTIP of a hypothetical 50% increase in the share price.

ASSUMPTIONS

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

- Salary levels are based on those as at 1 October 2020.
- The value of benefits is that disclosed in the single figure for 2020. Iain McPherson's benefits have been annualised.
- Pension is 10% of salary for Iain McPherson and Mike Scott.
- Amounts have been rounded to the nearest £1,000 and for simplicity the value of SAYE, in which all employees may participate on the same terms, is excluded.
- We have taken no account of share price growth (except in the fourth scenario) 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 2020:

		Salary/fees ¹ £'000	Benefits ² £'000	Pension ³ £'000	Total fixed pay £'000	Annual bonus ⁴ £'000	Long-term incentives ⁵ £'000	Total variable pay £'000	Total pay £'000
Executive Directors									
Iain McPherson ⁶	2020	358	14	32	404	—	48	48	452
	2019	—	—	—	—	—	—	—	—
Ian Sutcliffe ⁷	2020	141	4	31	176	—	124	124	300
	2019	546	18	120	684	566	1,958	2,524	3,208
Mike Scott	2020	338	18	31	387	—	29	29	416
	2019	300	18	49	367	311	334	645	1,012
Non-Executive Directors									
David Howell	2020	193	—	—	193	—	—	—	193
	2019	175	—	—	175	—	—	—	175
Amanda Burton	2020	56	—	—	56	—	—	—	56
	2019	55	—	—	55	—	—	—	55
Baroness Morgan	2020	48	—	—	48	—	—	—	48
	2019	50	—	—	50	—	—	—	50
Douglas Hurt	2020	63	—	—	63	—	—	—	63
	2019	60	—	—	60	—	—	—	60
Simon Townsend ⁸	2020	48	—	—	48	—	—	—	48
	2019	29	—	—	29	—	—	—	29

- The Group Executive Committee and Main Board voluntarily took a 20% cut in base pay during April and May 2020, the period when two-thirds of our employee base were placed on paid leave. Notwithstanding this 20% reduction, the rest of our employee base, whether on paid leave or not, continued to be paid in full throughout 2020 and no claim was made under the Government's Job Retention Scheme.
 - Benefits include both cash and non-cash benefits, which are valued at their taxable amount. For both Iain McPherson and Mike Scott this included a car allowance (£1,325 per month) and private medical insurance (£1,974 per annum). For Ian Sutcliffe this included a car allowance (£1,325 per month) and private medical insurance (£1,579 per annum, pro rated).
 - Pension payments are stated net of employer's National Insurance contributions where a cash allowance is paid in lieu of pension contributions.
 - The annual bonus relates to performance during the financial year. The cash element is paid in December of the following financial year.
 - Long-term incentives for 2020 relate to the December 2017 LTIP award. The performance period for the December 2017 LTIP award ended on 30 September 2020 and the award vests in December 2020. None of the value of the LTIP vesting in 2020 was due to share price appreciation. Long-term incentives for 2019 include the value of the TSR component of the February 2016 award which vested on 18 February 2019 as well as the full vesting of the December 2016 award. The 2019 LTIP has been restated to reflect the actual vesting price of the shares from the December 2016 scheme, which vested in December 2019.
 - Iain McPherson joined the Board as Group Chief Executive on 1 January 2020.
 - Ian Sutcliffe resigned from the Board as Group Chief Executive on 31 December 2019.
 - Simon Townsend joined the Board on 1 March 2019. His fees for 2019 are shown pro-rata according to the number of months' service for the year ended 30 September 2019.
- Further details of each element of the Executive Directors' remuneration package are set out on pages 93 and 95.

ANNUAL BONUS TARGETS AND OUTCOMES (AUDITED)

The table below sets out the 2020 bonus targets and outcomes relating to the annual bonus figures shown in the single figure in the table above.

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

2020 measure	Performance required			Achieved	Pay-out level (% of maximum)
	Threshold (25% pay-out)	Target (50% pay-out)	Maximum (100% pay-out)		
Adjusted operating profit (50% weighting)	£237.5m	£250m	£262.5m	£54.2m	0%
Adjusted operating margin (35% weighting)	14.5%	15.0%	16.0%	5.5%	0%
NHBC Recommend a Friend score (15% weighting)	90.0%	91.0%	92.0%	90.6%	0%

The Group's annual bonus scheme includes a profit underpin, whereby no payment can be made where the amount of adjusted operating profit delivered in the year is lower than the amount delivered in the previous year. As a result of the unprecedented situation faced since March 2020, the profit underpin was not reached and the Committee therefore determined that it was inappropriate to pay any bonus for 2020, despite once again achieving five-star status in the NHBC Recommend a Friend scheme. Where applicable, bonus payments vest in a straight line between threshold and target, and between target and maximum. For Executive Directors and certain members of senior management, where bonuses have been earned, one-third of bonus payments are deferred in shares which vest after three years. The deferred shares have no performance conditions, but the individual must remain employed by the Group, subject to Remuneration Committee discretion.



SHARE SCHEME INTERESTS AWARDED DURING THE YEAR (AUDITED)

The Executive Directors were invited to participate in the Company's Long-Term Incentive Plan ("LTIP") in line with our Remuneration Policy. An award equivalent to 200% of salary was made to each Executive Director. The table below sets out details of the Executive Directors' participation in the LTIP.

There is no minimum value guaranteed on vesting, with the following awards subject to a two-year post-vest holding period.

	Date of grant	Award	Type ²	No. of shares	Value of the award ¹	% of salary	Performance conditions	Performance period
Iain McPherson	7 January 2020	Performance	Conditional award	215,266	£999,975	200	50% target ROCE 50% target EPS	Three years ending 30 September 2022
Mike Scott	12 December 2019	Performance	Nil-cost options	162,488	£699,998	200	50% target ROCE 50% target EPS	Three years ending 30 September 2022

1. Calculated based on the average of the closing mid-market share prices for the three dealing days prior to the date of grant of 430.8 pence per share for the 12 December 2019 grant and 464.5 pence for the 7 January 2020 grant.

2. Directors may choose to receive LTIP awards as nil-cost options or conditional share awards.

The following Executive Directors also received deferred awards under the Deferred Bonus Plan in respect of the deferred element of their 2019 bonus, details of which were set out in the 2019 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	12 December 2019	Performance	Conditional award	59,183	£188,675	33	None	12 December 2022
Mike Scott	12 December 2019	Performance	Conditional award	32,518	£103,671	33	None	12 December 2022

1. The number of shares is based on the average closing middle market price of the Company's shares for the last 30 days of the financial year ended 30 September 2019 of 318.8 pence.

VESTING CRITERIA FOR THE 2020 LTIP AWARDS (AUDITED)

The vesting criteria for LTIP awards made in December 2019 and January 2020 are set out below:

	Adjusted basic earnings per share ("EPS") (50% of awards)		Return on capital employed for the year ending 30 September 2022 (50% of awards)	
	Three-year compound adjusted basic EPS growth	Pay-out % of element	ROCE %	Pay-out % of element
Below threshold	<4%	0%	<35.0%	0%
Threshold	4%	25%	35.0%	25%
Target	6.5%	50%	37.0%	50%
Maximum	9.0%	100%	39.0%	100%

Vesting occurs on a linear basis between threshold and target and between target and maximum.

LONG-TERM INCENTIVE PLAN AWARDS INCLUDED IN 2020 TOTAL REMUNERATION FIGURE (AUDITED) LTIP VESTING CRITERIA

LTIP award	Performance condition	Threshold (20% vesting)	Maximum (100% vesting)	Actual	% vesting
December 2017	TSR	Threshold (median)	Upper quartile	61st percentile	54.8%

LTIP award	Performance condition	Threshold (25% vesting)	Target (50% vesting)	Maximum (100% vesting)	Actual	% vesting
December 2017	TNAV (£m)	£878.9m	£925.2m	£971.5m	£753.4m ¹	0%
	ROCE (%)	32.6%	33.6%	34.6%	7.1%	0%

1. TNAV result for 2020 (£951.7m) has been adjusted for cumulative contributions to the Employee Benefit Trust, changes in dividend pay-out ratio and equity placing in July 2020 which together had the effect of reducing TNAV by £198.3m to £753.4m.



LONG-TERM INCENTIVE PLAN AWARDS INCLUDED IN 2020 TOTAL REMUNERATION FIGURE (AUDITED) CONTINUED

LTIP VESTING

LTIP award	Performance condition	Weighting	% vesting (max 100%) ¹	Total shares vesting	Date of end of performance period	Date of vesting	Share price of vesting pence ²
December 2017	TNAV	35%	0%	0	30 September 2020	21 December 2020	325.9p
	ROCE	35%	0%	0	30 September 2020	21 December 2020	325.9p
	TSR	30%	54.8%	318,950	30 September 2020	21 December 2020	325.9p

1. The overall vesting percentage for the December 2017 scheme was 16.4% and was measured at 30 September 2020. For TSR, the period of measurement was the three-month period to 30 September 2020 compared to the three-month period to 30 September 2017.

2. The share price of 325.9 pence is the average of the closing share prices for the dealing days in the three months to 30 September 2020.

As a consequence of the Group's equity placing in July 2020, the Committee reviewed the out-turn of the December 2017 LTIP to ensure that the impact of the placing made the original targets no easier or harder to achieve. As a result, the TNAV out-turn was reduced by £243.0m, being the impact of the net proceeds of the placing on TNAV. The ROCE out-turn was not adjusted as the placing had no impact on adjusted operating margin or TNOAV. TSR was not adjusted as the placing had no impact on TSR.

TOTAL PENSION ENTITLEMENTS (AUDITED)

Executive Directors are eligible to participate in the Group's pension plan, a defined contribution arrangement. Up to his retirement, Ian Sutcliffe did not participate in the plan and received cash in lieu of pension benefits. In respect of ongoing pension benefits, Ian Sutcliffe received a salary supplement equal to 25% of salary reduced for employer's National Insurance contributions in lieu of pension. Iain McPherson and Mike Scott received pension contributions and a salary supplement which were together equivalent to 10% of salary reduced for National Insurance contributions where a salary supplement was received in lieu of pension.

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

DIRECTORS' SHAREHOLDINGS (AUDITED)

Under the terms of their service contracts, Executive Directors are required to hold shares in the Company to the value of 200% of annual salary within five years of their appointment. Non-Executive Directors are expected to hold shares in the Company to the value of 50% of annual fee within five years of their appointment. The beneficial interests of the Directors in office at the year end in the shares of the Company are shown below:

Director	Total share interests at 30 September 2020	Shares held, including connected persons, at 30 September 2020	Outstanding LTIP share awards at 30 September 2020	Outstanding deferred share bonus awards at 30 September 2020	Outstanding SAYE options at 30 September 2020	Shareholding (excluding outstanding LTIP and SAYE) as a percentage of salary ¹
Iain McPherson	753,800	207,470	451,647	88,808	5,875	199%
Mike Scott	559,477	89,827	429,788	32,518	7,344	117%
David Howell	62,246	62,246	n/a	n/a	n/a	105%
Amanda Burton	13,372	13,372	n/a	n/a	n/a	78%
Baroness Morgan	11,533	11,533	n/a	n/a	n/a	78%
Douglas Hurt	14,137	14,137	n/a	n/a	n/a	73%
Simon Townsend	21,940	21,940	n/a	n/a	n/a	147%

1. Assumes closing mid-market share price on 30 September 2020 of 336.0 pence per share.

There have been no movements in Directors' shareholdings from the year end to the date of this report.

IAN SUTCLIFFE – PAST DIRECTOR'S SHAREHOLDING

Director	Total share interests at 31 December 2019 ¹	Shares held, including connected persons, at 31 December 2019 ¹	Outstanding LTIP share awards at 31 December 2019 ¹	Outstanding deferred share bonus awards at 31 December 2019 ¹	Outstanding SAYE options at 31 December 2019 ¹
Ian Sutcliffe	5,003,161	4,092,505	696,442	212,339	1,875

1. Share interests are quoted as at 31 December 2020 when Ian Sutcliffe stepped down as Group Chief Executive.



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

As announced on 20 November 2019, Ian Sutcliffe retired from Countryside Properties PLC on 31 March 2020 (the "Termination Date"), having stepped down from his role as Group Chief Executive and as a Director of the Company on 31 December 2019. Ian Sutcliffe:

- continued to receive his basic salary of £563,000, pension contribution at 25% of salary, and all contractual benefits up to the Termination Date.
- although remaining eligible for a bonus for the financial year ended 30 September 2020, pro-rated to reflect the period until his retirement (i.e. up to the Termination Date), will receive no bonus in line with the other Executive Directors given the non-achievement of applicable performance conditions.

Given his retirement, the Remuneration Committee confirmed Ian Sutcliffe's "Good leaver" status, meaning the Deferred Bonus Plan and LTIP awards will remain capable of vesting in accordance with their terms on their normal vesting dates. The LTIP awards remain capable of vesting, subject to the application of applicable performance conditions and time pro-rating, in accordance with their terms. To the extent it vests, the 2018 LTIP award will be subject to a two-year holding period.

After pro-rating Ian Sutcliffe held the following outstanding employee share plan awards at 30 September 2020:

Plan	Grant year	Award type	No. of Company shares subject to award	Vesting year
Deferred Bonus Plan	2017	Conditional award	75,746	2020
	2018	Conditional award	77,410	2021
	2019	Conditional award	59,183	2022
Long-Term Incentive Plan ("LTIP")	2017	Conditional award	232,184	2020
	2018	Conditional award	161,192	2021

We confirm that payments have been or will be made in line with the termination policy as set out in the approved Directors' Remuneration Policy.

APPLICATION OF THE POLICY IN 2020

BASE SALARY

We have a strong succession process within the business which has enabled us to appoint both a Group Chief Financial Officer in October 2018 and a Group Chief Executive in January 2020. Our approach in relation to appointing Executive Directors from within the business is to set their starting salaries below the market levels that we would inevitably have to pay for an external candidate and subject to performance, increase the salary by more than inflation as the employee gains experience over time. Our DRP envisages this approach which the Board feels is in the interests of the Company.

Iain McPherson was appointed as Group Chief Executive from 1 January 2020 on an annual base salary of £500,000, which the Committee felt was appropriate given his level of experience and is significantly below the mid-market level. Our intention had been, subject to Iain performing strongly in his new role, to progressively reposition his base salary over the first two years of his tenure to bring him closer towards what would then be the market rate for the role. That remains our intention, though in light of the Covid-19 pandemic, we now intend to defer considering this realignment by a year. As such, Iain's salary increase in October 2020 was 1.5%, consistent with the increase for the workforce in general.

Upon his appointment as Group Chief Financial Officer in October 2018, Mike Scott's base salary was set at £300,000, below the Committee's view of the market rate for the role. To reflect his excellent performance in the role, the Committee agreed an increase to £350,000 from 1 October 2019 and a further increase to £400,000 from 1 October 2020. With this realignment complete, it is anticipated future increases will be in line with the general workforce.

	2020	2021	% increase
Iain McPherson	£500,000 ¹	£507,500	1.5%
Mike Scott	£350,000	£400,000	14.3%

1. Effective from 1 January 2020.

PENSION AND BENEFITS

As described in the Policy report, both Iain McPherson and Mike Scott will receive a pension contribution equivalent to 10% of base salary, reduced for National Insurance contributions where a salary supplement was received in lieu of pension. No other elements of remuneration are pensionable.

ANNUAL BONUS

Executive Directors are eligible to receive up to 150% of base salary as an annual bonus. The metrics and their weightings for 2020 are in line with 2019, as follows:

Metric	% of maximum bonus
Group adjusted operating profit	50
Group adjusted operating margin	35
Group NHBC Recommend a Friend score	15

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



APPLICATION OF THE POLICY IN 2020 CONTINUED

LONG-TERM INCENTIVE PLAN

The Committee intends to grant Iain McPherson and Mike Scott an award at a level of up to 200% of salary shortly after the announcement of the 2020 results. The proposed performance metrics and their weightings are set out below:

	Adjusted basic EPS (50%)		ROCE (50%)	
	Pence	Pay-out % of element	%	Pay-out % of element
Below threshold	<46.4	0%	<29%	0%
Threshold	46.4	25%	29%	25%
Target	51.2	50%	30%	50%
Maximum	55.2	100%	33%	100%

For each performance condition, vesting occurs on a linear basis for performance between each point. Both adjusted basic EPS and ROCE performance are measured for the year ending 30 September 2023.

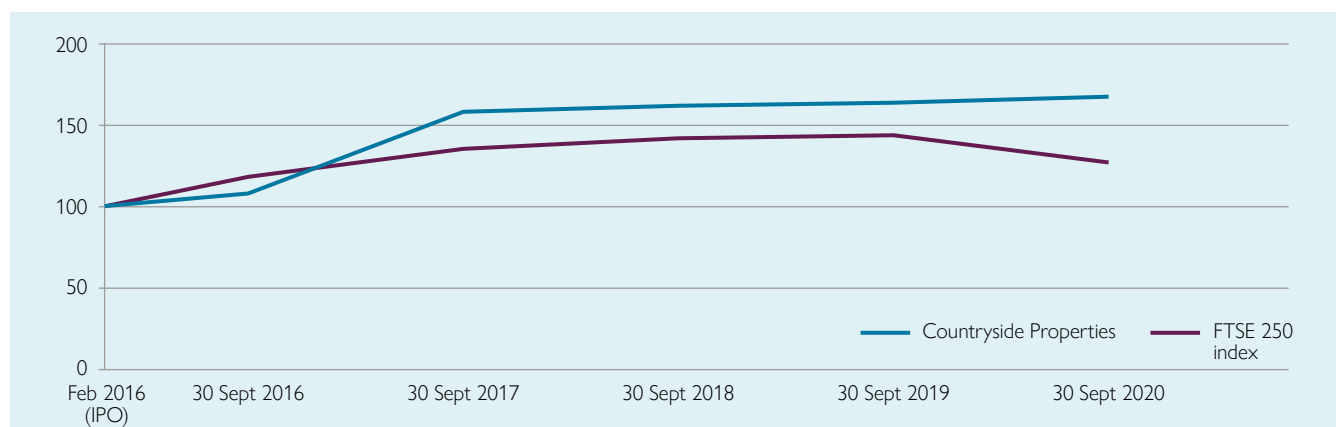
FEES FOR THE CHAIRMAN AND THE NON-EXECUTIVE DIRECTORS

Following a review of the Chairman's and Non-Executive Directors' fees and increments, both were deemed to be appropriate, and so remain unchanged. A summary of current annual fees is shown below:

Role	2020 fee £'000	2021 fee £'000	Percentage change
Chairman	200	200	0%
Non-Executive Director	50	50	0%
Additional fees:			
Senior Independent Director	7.5	7.5	0%
Audit Committee Chair	7.5	7.5	0%
Remuneration Committee Chair	7.5	7.5	0%

TOTAL SHAREHOLDER RETURN

The graph below illustrates the Company's total shareholder return performance against the performance of the FTSE 250 index since the Company's Initial Public Offering ("IPO") in February 2016. The FTSE 250 index has been chosen because it is a broad-based index of which the Company has been a constituent member throughout the period.





Executive Directors' pay table

GROUP CHIEF EXECUTIVE

Financial year	Name	Total remuneration £'000	Annual bonus as % of maximum	Vesting of LTIP as % of maximum
2020	Iain McPherson⁵	452¹	0%	16.4%
2020	Ian Sutcliffe⁴	300¹	0%	16.4%
2019	Ian Sutcliffe	3,208 ²	69.1%	77.9%
2018	Ian Sutcliffe	2,196	100%	85.6%

- The 2020 total remuneration figure includes the vesting of the December 2017 LTIP award which was measured at 30 September 2020.
- The 2019 total remuneration includes the LTIP TSR element of the February 2016 award, which vested during 2019, and the full December 2016 award vesting. The 2019 total remuneration figure has been restated to reflect the actual vesting price of the shares from the December 2016 scheme, which vested in December 2019.
- Iain McPherson joined the Board as Group Chief Executive on 1 January 2020.
- Ian Sutcliffe resigned from the Board as Group Chief Executive on 31 December 2019.

The annual change in base salary, benefits and annual variable pay is set out below. The 2020 annual variable pay includes vestings under the Group's Long-Term Incentive Plan relating to awards granted in December 2017. Excluding these amounts, annual variable pay for 2020 was £0 (2019: £566,000).

GROUP CHIEF FINANCIAL OFFICER

Financial year	Name	Total remuneration £'000	Annual bonus as % of maximum	Vesting of LTIP as % of maximum
2020	Mike Scott	416¹	0%	16.4%
2019	Mike Scott	1,012 ²	69.1%	77.9%
2018	Rebecca Worthington	1,347	100%	85.6%

- The 2020 total remuneration figure includes the vesting of the December 2017 LTIP award which was measured at 30 September 2020.
- The 2019 total remuneration includes the LTIP TSR element of the February 2016 award, which vested during 2019, and the full December 2016 award vesting. The 2019 total remuneration has been restated to reflect the actual vesting price of the shares from the December 2016 scheme, which vested in December 2019.

CHANGE IN REMUNERATION OF COUNTRYSIDE DIRECTORS AND EMPLOYEES

The table below shows the percentage change in remuneration of the Directors and the average employee from 2019 to 2020. As the Company has no employees, in either year, the average employee of the Group is used as the comparator.

	Role	Percentage change 2019 to 2020		
		Salary/fees ⁷	Benefits	Bonus
Iain McPherson ¹	Group Chief Executive	(9)%	4%	(100)%
Ian Sutcliffe ¹				
Mike Scott	Group Chief financial Officer	13%	0%	(100)%
Non-Executive Directors				
David Howell ⁴	Chairman	10%	—	—
Amanda Burton ⁵	Non-Executive Director	1%	—	—
Baroness Morgan	Non-Executive Director	(3)%	—	—
Douglas Hurt ⁵	Non-Executive Director	5%	—	—
Simon Townsend ²	Non-Executive Director	67%	—	—
Employee average^{3,6,8}		5%	12%	(66)%

- The base salary, benefits and annual bonus for 2020 represent the aggregate amounts for the 12 months paid to Ian Sutcliffe and Iain McPherson in their roles as the Group Chief Executive.
- Simon Townsend joined the Board on 1 March 2019. For the purpose of this analysis his single remuneration figures for 2019 and 2020 have been used. If his 2019 fees were annualised, Simon Townsend's fees decreased 3% year on year.
- The average employee figures exclude the base salary, benefits and annual bonus of the Directors.
- As reported in the 2019 Annual Report on Remuneration, the Chairman received an increase of £25,000 effective from 1 October 2019.
- As reported in the 2019 Annual Report on Remuneration, the £5,000 increment for Committee Chairmanship and Senior Independent Director was found to be below median and so was increased to £7,500 from 1 October 2019.
- The average employee was awarded a pay rise of 3% from 1 October 2019. A pay rise of 1.5% was awarded to all employees, excluding the Group Chief Financial Officer, from 1 October 2020.
- The Group Executive Committee and Main Board voluntarily took a 20% cut in base pay during April and May 2020, the period when two-thirds of employees were placed on paid leave.
- Sales commissions and site bonuses, where performance targets were met during the year have been included in the bonus figure for the average employee. No employee received an annual bonus in respect of 2020.



CHIEF EXECUTIVE PAY RATIO

The table below compares the single total figure of remuneration for the Group Chief Executive with that of the Group employees who are paid at the 25th percentile (lower quartile), 50th percentile (median) and 75th percentile (upper quartile) of its UK employee population. The Company decided to adopt Option B in preparing the Chief Executive pay ratio. This option was considered the most appropriate method as it was the most efficient and robust approach and allowed us to use gender pay gap figures. As the Group Chief Executive changed during the year, the amount used to represent the single total figure is the sum of the amounts paid to both office-holders during the year, £752,000.

Year	Method	25th percentile ratio	Median ratio	75th percentile ratio
2020	Option B	21.1:1	12.9:1	9.2:1

The remuneration figures for the employee at each quartile were determined with reference to the financial year ended 30 September 2020.

Under Option B of The Companies (Miscellaneous Reporting) Regulations 2018, the latest available gender pay gap data (i.e. from April 2020) was used to identify the best equivalent for three Group UK employees whose hourly rates of pay are at the 25th, 50th and 75th percentiles for the Group.

The Committee is comfortable that this approach provides a fair representation of the Group Chief Executive to employee pay ratios and is appropriate in comparison to alternative methods, balancing the need for statistical accuracy with internal operational resource constraints. A full-time equivalent total pay and benefits figure for 2020 was then calculated for each of those employees. This was also sense checked against a sample of employees with hourly pay rates either side of the identified individuals to ensure that the appropriate representative employee is selected. The pay ratios outlined on the previous page were then calculated as the ratio of the Group Chief Executive's single figure to the total pay and benefits of each of these employees.

Each employee's pay and benefits were calculated using each element of employee remuneration on a full-time basis, consistent with the Group Chief Executive. The table below sets out the salary and total pay and benefits for the three identified quartile point employees:

Year	25th percentile (P25)	Median ¹ (P50)	75th percentile (P75)
Base salary	£33,763	£47,917	£68,521
Total pay and benefits	£35,563	£58,091	£81,673

1. An adjustment has been made to the median employee's base salary as due to the sales nature of their role the median employee has a high proportion of variable pay. To make the adjustment the five employees either side of the median employee were identified and the proportion of fixed to variable pay for these individuals calculated. This representative proportion was applied to the median employee's total pay and benefits to calculate their base salary.

The Committee considers that the median pay ratio is consistent with the relative roles and responsibilities of the Group Chief Executive and the identified employees, and is consistent with the Company's wider policies on employee pay reward and progression.

Base salaries of all employees, including our Executive Directors, are set with reference to a range of factors including market practice, experience and performance in role. The Group Chief Executive's remuneration package is weighted towards variable pay (including the annual bonus and LTIP) due to the nature of the role. This means that the ratio is likely to fluctuate depending on the outcomes of bonus and incentive plans in each year.

The Committee also recognises that, due to the nature of our business and the ways in which we pay our employees, the flexibility permitted within the regulations for identifying and calculating the total pay and benefits for employees, as well as differences in employment and remuneration models between companies, the ratios reported above may not be comparable to those reported by other companies.

RELATIVE IMPORTANCE OF REMUNERATION

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

	2020 £m	2019 £m
Total staff costs	130.2	131.6
Dividends paid	46.2	56.0
Taxation paid	27.2	27.9
Interest paid	5.4	3.8

DILUTION

The Group's share plans comply with the Investment Association's guidelines on dilution limits of 5% in ten years for discretionary schemes and 10% in ten years for all schemes. As at 30 September 2020, the Group had utilised 1.5% of the 10% in ten years limit and 0.7% of the 5% in ten years limit.



REMUNERATION COMMITTEE

The Remuneration Committee assists the Board in fulfilling its responsibilities in relation to remuneration. This includes: making recommendations to the Board on the Company's policy on executive remuneration; setting the overarching principles, parameters and governance framework of the Group's Remuneration Policy; and determining the individual remuneration and benefits package of each of the Company's Executive Directors.

The Remuneration Committee will also ensure compliance with the UK Corporate Governance Code in relation to remuneration. The UK Corporate Governance Code provides that a remuneration committee should comprise at least three members who are independent non-executive directors (other than the chairman).

ADVISORS

Aon plc announced its intention to cease the provision of independent advice to the Committee during the financial year due to changes in its business model. Following an extensive competitive tendering process, which included a review of services to be provided and associated fees, the Committee decided to appoint Korn Ferry to replace Aon with effect from 1 June 2020. Aon did not provide any other services to the Company. Korn Ferry provided executive search services to the Group during the year, but these services were carried out by a team wholly separate to the remuneration advisory team. The Committee is satisfied that the advice received both from Korn Ferry and from Aon in relation to executive remuneration matters during the year was objective and independent. Terms of engagement are available on request from the Company Secretary. Both Korn Ferry and Aon are members of the Remuneration Consultants Group and abide by the Remuneration Consultants Group Code of Conduct, which requires their advice to be objective and impartial. The fees paid to Aon for advice during the year were £65,266 (excluding VAT); the fees paid to Korn Ferry during the year were £33,145 (excluding VAT).

STATEMENT OF SHAREHOLDER VOTING

Votes cast at the Annual General Meeting held on 23 January 2020 in respect of the Remuneration Report and Remuneration 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	304,347,476	77.97%	370,380,362	95.69%
Against	85,971,065	22.03%	16,667,086	4.31%
Total	390,318,541	100%	387,047,448	100%
Withheld	23,299,095	N/A	26,570,188	N/A

APPROVAL

The Directors' Remuneration Report was approved by the Board of Directors on 2 December 2020 and signed on its behalf by:

Amanda Burton

Chair of the Remuneration Committee

2 December 2020



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 2020.

The Directors' Report comprises pages 106 to 108 of this Annual Report, in addition to the sections incorporated by reference, including the Board biographies, the Corporate Governance Report, the Audit Committee Report, the Nomination Committee Report and the Directors' Remuneration Report.

In accordance with the UK Financial Conduct Authority's Listing Rules (LR 9.8.4C), the information to be included in the Annual Report and Accounts, where applicable, under LR 9.8.4, is set out in this Directors' Report.

GENERAL INFORMATION

Countryside Properties PLC is a public limited company, listed on the Main Market of the London Stock Exchange, incorporated and domiciled in the UK. The registered address of the Company is Countryside House, The Drive, Brentwood, Essex CM13 3AT. The Company acts as the holding company and ultimate parent for the Group. More information on the Company, its financial position and its financial statements can be found on pages 161 to 168.

PRINCIPAL ACTIVITIES AND STRATEGIC REPORT

Countryside is a UK homebuilder and urban regeneration partner, operating in locations across London, the South East, the North West of England, the Midlands and Yorkshire. We operate through two divisions: Partnerships and Housebuilding. Our Strategic Report on pages 3 to 69 sets out detailed information on the Group and its strategy, its principal activities, the operation of the businesses, and the results and financial position for the year ended 30 September 2020. 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

As reported on 21 November 2019, Ian Sutcliffe's last day as Group Chief Executive was 31 December 2019 when he also stepped down from the Board. Iain McPherson was promoted to the Group Chief Executive role and joined the Board with effect from 1 January 2020.

For more details on the members of the Board, see pages 72 and 73. The Corporate Governance Report on pages 76 to 82 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 100 of the Directors' Remuneration Report.

SIGNIFICANT CONTRACTUAL AGREEMENTS

We do not consider that the Group is dependent upon any particular customer or supplier contract or other arrangement that is essential to the Group. Countryside has a £300m revolving credit facility with a syndicate of four banks which expires in May 2023.

SIGNIFICANT AGREEMENTS – CHANGE OF CONTROL

Upon a change of control of the Company, a number of significant agreements alter or terminate as follows:

- **Revolving credit facility:** Under the terms of the £300m revolving credit facility, which expires in May 2023, provided by a syndicate of banks to Countryside Properties, the lenders may, following such change in control, elect to continue to provide such facility, or alternatively cancel it and require all monies borrowed under such facility to be repaid.
- **CCFF:** if as a result of the change of control Countryside Properties ceases to be considered an Investment Grade company for the purposes of the CCFF, breaches any financial covenant or defaults under any existing financing arrangement, or is unable to provide the CCFF notes with the same ranking as with other unsecured and unsubordinated indebtedness, then it may not remain eligible to access CCFF funding.
- **Directors and employees:** There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid or change of control.
- The Group has many land and commercial contracts which contain assignment or change of control consent requirements, but the Board does not consider any of these agreements to be individually significant to the Group.

PEOPLE

The Group is committed to employment policies which follow best practice based on equal opportunities for all employees, irrespective of gender, race, nationality, colour, disability, marital status, sexual orientation, age or religion. All decisions relating to employment practices are objective, free from bias and based upon work criteria and individual merit. The Group's policy is to offer appropriate training and career development to disabled persons that are, as far as possible, identical to other employees and in line with best practice. In the event of a member of staff becoming disabled, the Group makes every effort to continue employment, arrange appropriate retraining and offer opportunities for promotion. For more information on our diversity statistics, please refer to the Our People section on page 46.

During 2020, there has been an extensive programme of engagement with employees, including as part of the process for the development of the Company's values, more detail on which is set out on pages 49.

Baroness Morgan is appointed to represent the “employee voice” as a Non-Executive Director on the Board.

We encourage employee involvement in the Group; a common awareness of the financial and economic factors affecting the Group on the part of all employees plays a major role in maintaining the Group's customer-focused approach. For more information on how the Group engages its employees, refer to page 31 of this report. For more information on how employees can participate in the Group's performance through membership of the Long-Term Incentive Plan and Save As You Earn employee share plans, refer to pages 46 and 48 of the report.

ENGAGEMENT WITH OTHER KEY STAKEHOLDERS

It is critical for the success of the Group that it engages with all of its key stakeholders, seeks their views and takes into consideration their interests as part of its decision-making process. On pages 30 to 33 of this report we set out the ways in which we engage with key stakeholders, what they are telling us and how that has been taken into account in the Board's decision-making process.



POLICY ON FINANCIAL INSTRUMENTS

The policy on financial instruments is covered in the accounting policy (Note 3) to the financial statements. The notes to the financial statements include the Company's policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

INDEPENDENT AUDITOR

The Board is satisfied that PricewaterhouseCoopers LLP ("PwC") remained independent for the purpose of the 2020 audit.

CORPORATE GOVERNANCE

A report on Countryside's corporate governance framework, together with how we comply with the principles and provisions of the UK Corporate Governance Code, can be found in the Corporate Governance Report on pages 76 to 82. This forms part of this Directors' Report and is incorporated into it by cross-reference.

POLITICAL CONTRIBUTIONS

The Group does not make political contributions.

DIVIDEND

As previously reported, the Directors do not recommend the payment of a final dividend for 2020 (2019: a final dividend of 10.3 pence per ordinary share, taking the total dividend for 2019 to 16.3 pence per ordinary share).

The Company will nonetheless continue to operate a Dividend Reinvestment Plan ("DRIP"), further details of which can be found on our website at <https://investors.countrysideproperties.com/shareholder-information/dividend-information>. The DRIP will operate automatically in respect of all future dividends for those shareholders who have previously registered a DRIP mandate (unless changed beforehand by shareholders). The Board will continue to keep the availability of the DRIP under regular review.

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

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

SUBSTANTIAL SHAREHOLDINGS

At 20 November 2020, being the latest practicable date prior to the publication of this Annual Report, the Company has been notified of the following interests amounting to 3% or more of the voting rights in the issued share capital of the Company:

	Interest in Countryside
Aberdeen Standard Investments	12.2%
Aviva Investors	10.0%
Browning West LP	9.4%
M&G Investment Management Ltd	6.6%
Ruffer LLP	6.0%
Invesco Asset Management	3.9%
The Vanguard Group	3.9%
Aegon Asset Management	3.7%
Liontrust Investment Partners LLP	3.2%
J.P. Morgan Asset Management	3.1%

SUBSTANTIAL SHAREHOLDINGS

At 20 November 2020, being the latest practicable date prior to the publication of this Annual Report, the Company has been notified of the following interests amounting to 3% or more of the voting rights in the issued share capital of the Company, please see table above.

POWER OF THE DIRECTORS

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

DIRECTORS' INDEMNITIES

By means of a Deed of Indemnity entered into separately by the Company and each Director, there is a qualifying third-party indemnity provision (as per the Companies Act 2006). This provides, for the financial year ended 30 September 2020 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, 524,626,870 ordinary shares of £0.01 each have been issued, are fully paid up and are admitted to trading on the London Stock Exchange. The Company's Articles of Association, copies of which can be obtained from the Company's website, set out the rights and obligations attaching to the Company's ordinary shares, as well as the powers of the Company's Directors.

We provide details of employee share plans in Note 29 to the Group financial statements.

PURCHASE OF THE COMPANY'S OWN SHARES

At the 2020 AGM, shareholders approved a resolution permitting the Company to make purchases of its own shares up to a maximum of 45,000,000 ordinary shares (representing 10% of the issued share capital at 5 December 2019). This resolution remains in force until the conclusion of the 2021 AGM. The Company has made no purchases of its own shares to date.

The Company will seek to renew this authority at the 2021 AGM.

AUTHORITY TO ALLOT SHARES

At the 2020 AGM, shareholders also 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. These resolutions remain in force until the conclusion of the 2021 AGM. During the year the Company allotted 74,626,870 shares in connection with its equity placing.

The Company will seek to renew this authority at the 2021 AGM.



STATEMENT OF DISCLOSURE OF INFORMATION TO THE AUDITOR

Each Director of the Company confirms that, as far as each is aware, there is no relevant audit information of which the Company's auditor is unaware and that each of the Directors has taken all the steps they ought to have taken individually as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

GOING CONCERN

The Group's business activities, together with the factors likely to affect its future development, are set out in the Strategic Report on pages 3 to 69. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described on pages 42 to 45 of the Strategic Report. Further disclosures regarding borrowings are provided in Note 20.

As described in the Viability Statement, the Directors have assessed the prospects and viability of the Company over a three-year period to September 2023. The Board has performed a robust assessment of the principal risks facing the Company, including those risks that would threaten Countryside's business model, future performance, solvency or liquidity.

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

The Directors' Viability Statement is in the Strategic Report on page 65.

PARENT COMPANY FINANCIAL POSITION

As at 30 September 2020, the parent company had net assets of £779.3m and net current assets of £52.3m. The parent company's ability to continue as a going concern is inextricably linked to the results of the Group as a whole. Having considered the Group's cash flow forecasts, the Directors are satisfied that the parent company has sufficient liquidity and covenant headroom to enable the parent company to meet its liabilities as they fall due for at least the next 12 months.

CARBON EMISSIONS

We set out details of the Group's approach to the environment, including information in relation to its carbon emissions, in the section headed Environment on pages 57 to 79. This forms part of the Sustainability Report section of the Annual Report on pages 51 to 60.

ANNUAL GENERAL MEETING

The 2021 Annual General Meeting of the Company will be held at the Company's offices at Suffolk House, 154 High Street, Sevenoaks, Kent TN13 1XE, at 12.00 noon on Friday, 5 February 2021. To ensure its Covid-security, the meeting will be a closed meeting which means that usual attendance by shareholders is not permitted with the quorum provided by the Directors and voting by proxy only. 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
2 December 2020



Statement of Directors' responsibilities in respect of the financial statements

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

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

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

The Directors are 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 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 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 loss 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

Iain McPherson
Group Chief Executive
2 December 2020

Mike Scott
Group Chief Financial Officer
2 December 2020



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 2020 and of the Group's loss and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report, which comprise: the consolidated and parent company statements of financial position as at 30 September 2020; 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 7 to the financial statements, we have provided no non-audit services to the Group or the parent company in the period from 1 October 2019 to 30 September 2020.

OUR AUDIT APPROACH

Context

Countryside Properties PLC is a housebuilder and urban regeneration company listed on the London Stock Exchange. The Group is wholly UK based, operating around London and the Home Counties, and in the Midlands, Yorkshire and North West of England through its Partnerships division.

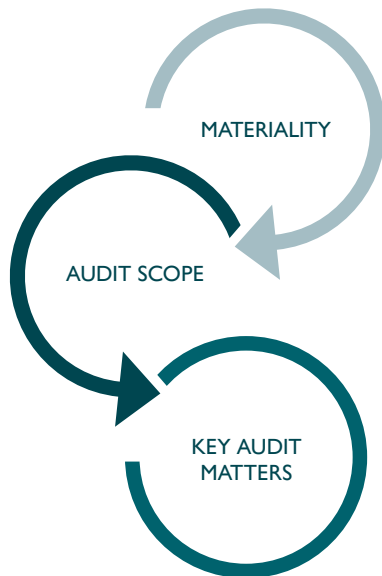
The Group is susceptible to external macro-economic factors such as Government regulation, mortgage availability and changes in the wider building sector including customer demand, supply chain availability and build cost inflation. This was particularly relevant for our work in the areas of margin forecasting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



REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS CONTINUED

OUR AUDIT APPROACH CONTINUED

Overview



- Overall Group materiality: £7.6m (2019: £11.0m), based on 5% of the three year average of (loss)/profit before tax, adjusted for non-underlying items.
 - Overall parent company materiality: £6.9m (2019: £8.0m), based on 1% of total assets, restricted to an amount below the Group overall materiality.
-
- The Group operates in two divisions, Partnerships and Housebuilding, as set out in the Annual Report (refer to pages 34 to 40). Each of the divisions is broken down into a number of reporting units which are consolidated into the Group financial statements along with central reporting entities.
 - We performed audit work over the complete financial information of 32 reporting units, including central reporting entities and the parent company. We also performed audit work over material revenue and inventory balances outside of these 32 reporting units.
 - Together, this accounted for 96% of the Group's revenues and 86% of the Group's loss before tax, adjusted for non-underlying items.
-
- Cost forecast and margin estimates (Group).
 - Land and inventory valuation (Group).
 - Commercial land transactions (Group).
 - Carrying value of goodwill (Group) and recoverability of investment carrying value (Parent).
 - Going concern (Group and Parent).
 - Covid-19 (Group and Parent).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the Group and the industry in which it operates, we identified that the principal risks of non-compliance with laws and regulations related to the acts by the Group which were contrary to applicable laws and regulations including fraud and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to inflated revenue and profit.

Audit procedures performed included: review of the financial statement disclosures to underlying supporting documentation, review of correspondence with and reports to the regulators, including correspondence with the Competition and Markets Authority ("CMA"), review of correspondence with legal advisors, enquiries of management and review of internal audit reports in so far as they related to the financial statements, and testing of journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

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



REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS CONTINUED

OUR AUDIT APPROACH CONTINUED

Key audit matters continued

Key audit matter	How our audit addressed the key audit matter
<p>COST FORECAST AND MARGIN ESTIMATES (GROUP) Refer to Note 3 (Accounting policies) and Note 2 (Critical accounting judgements and estimates).</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 judgement and estimation involved in the accounting for the Group's developments given that sales prices and build costs are inherently uncertain and are influenced by changes in external market factors.</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 attended a number of management's monthly cost review meetings which gave us additional evidence over the robustness of the forecasting process across the Group. We held discussions with management to understand the status and progress of a sample of sites and tested that the explanations received were consistent with the latest forecast.</p> <p>Our substantive procedures focused on sites that generated significant revenue in the year or exhibited other risk factors such as high change in forecasted margin from the previous year or high WIP (work in progress) levels 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; tested a sample of forecast sales prices to the actual sales price attained for similar properties, industry forecasts, and based on our wider knowledge of management's intentions regarding specific sites to support the validity of the estimated sales price; tested a sample of costs incurred to third party support to assess the completeness and accuracy of the costs; assessed management's historical forecasting accuracy on completed sites, understanding the reasons and testing, where appropriate, differences from the original forecast margin to test long term forecasting accuracy; and recalculated the forecast margin and the cost of sales then recognised. <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) Refer to Note 3 (Accounting policies) and Note 2 (Critical accounting judgements and estimates).</p> <p>Inventory consists of land held for development, work in progress, raw materials and completed units.</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") using 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 "Cost forecast and margin estimates" key audit matter above and is therefore subject to the same key assumptions. Due to the influence of the same external factors and the cyclical nature of the housing industry, with periodic downturns in customer demand, there is a risk that the calculation of a development's NRV may be subject to estimation error, leading to inventory being held at an incorrect value and an unrecorded impairment charge.</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 a 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.</p> <p>In particular this year, we assessed management's estimates of the potential impact of Covid-19 on both the build costs and future selling prices. We made reference to evidence of the actual additional costs incurred during the year as a result of site closures and social distancing measures on construction sites and in respect of selling prices we made reference to industry forecasts of future house price movements.</p> <p>We obtained an analysis of the composition of the inventory balance, specifically the level of completed but unreserved units, to understand if completed stock is held at the appropriate carrying value.</p> <p>We also assessed the historical accuracy of management's forecasting on completed sites in FY20, understanding the reasons and testing, where appropriate, differences to the forecast margin.</p> <p>For sites with a provision, we compared the inventory valuation with the forecast NRV.</p> <p>Based on the procedures performed, we did not identify any sites where we determined additional impairments were required, above those already recorded by management.</p>
<p>COMMERCIAL LAND TRANSACTIONS (GROUP) Refer to Note 3 (Accounting policies).</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.</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 meetings 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 any 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 IFRS 15 as applicable.</p> <p>We were satisfied that management had appropriately accounted for these transactions.</p>



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>CARRYING VALUE OF GOODWILL (GROUP) AND RECOVERABILITY OF INVESTMENT CARRYING VALUE (PARENT)</p> <p>Refer to Note 2 (Critical accounting judgements and estimates), Note 11 of the consolidated financial statements (Intangible assets) and Note 4 of the parent company financial statements (Investments).</p> <p>At 30 September 2020 the Group had a net balance of £91.3m of goodwill (2019: £109.8m) which is included in the total £143.1m of intangible assets (2019: £170.9m).</p> <p>The Company had a corresponding investment in subsidiaries balance of £727m (2019: £727m).</p> <p>Goodwill has been allocated to the applicable cash generating units (CGUs) of Copthorn Holdings Limited, Millgate Developments Limited, and Westleigh Group Limited.</p> <p>At 30 September 2020, goodwill of £18.5m in relation to Millgate was impaired as a result of the closure of the Millgate business. The carrying values of the remaining goodwill and intangible assets, and of the Company's investment in subsidiaries, are contingent on future cash flows and there is a risk that the assets will be impaired if these cash flows do not meet the Group's expectations. The impairment reviews performed by the Group contained a number of judgements and estimates including discount rates, growth rates and expected changes to revenue and direct costs during the period. Changes in these assumptions could lead to an impairment to the carrying value of the assets.</p>	<p>We obtained the Directors' future cash flow forecasts, which were prepared to a sufficiently detailed level. Initially, we evaluated management's basis of determination of the CGUs between Copthorn Holdings Limited, Millgate Developments Limited, and Westleigh Group Limited and also its use of the Value in use (VIU) or Fair value less cost to sell (FVLCS) methods.</p> <p>We performed the following testing:</p> <ul style="list-style-type: none"> we compared the cash flows with the latest Board approved budgets, tested the integrity of the underlying calculations and assessed how both internal and external drivers of performance were incorporated into the projections; we challenged the discount rate used by independently recalculating the cost of capital; we tested the forecast revenue and profit figures with reference to the development appraisals of sites in progress and options on future potential sites as well as with reference to the revenue and profit achieved in previous years. We also tested a sample of the agreed contracts with Private Rented Sector (PRS) and Housing Association (HA) customers and a sample of private sales reservations; and we performed sensitivity analysis on the key drivers of the cash flow forecasts, in particular the revenue growth and margin assumptions. <p>Overall, we concluded management's assessment was reasonable and we also reviewed the related disclosures to ensure these are in line with the requirements of IAS 36.</p>
<p>GOING CONCERN (GROUP AND PARENT)</p> <p>Refer to Note 3 (Accounting policies).</p> <p>At 30 September 2020, the Group had £100.5m of cash and cash equivalents and an RCF facility of £300m which, subject to certain covenants, is secured until May 2023.</p> <p>During the year, following the outbreak of the Covid -19 pandemic and the adverse impact on the business, the Group agreed a relaxation of its banking covenants until September 2022 and has raised £250m in additional equity.</p> <p>We determined the audit risk of going concern to be significant, in particular on the basis of the impact that Covid-19 has had on the Group's operations.</p> <p>The Group's cash flow forecasts to 31 December 2021 ('the going concern period') have been approved by the Board. These are prepared based on certain key assumptions, against which a number of severe but plausible downside sensitivities have been applied. These included consideration of the potential impact on the Group's working capital and projected covenant compliance of reductions in trading volumes, selling prices and site specific risks over the forecast period. These also reflected a scenario of a second Covid-19 national lockdown, during the forecast period and assumed that construction and house sales were not permitted during the lockdown.</p> <p>These forecasts show that the Group is at all times within its liquidity limits, and also demonstrate compliance with the Group's covenants over the forecast period.</p>	<p>We evaluated the Directors' going concern assessment and performed the following procedures:</p> <ul style="list-style-type: none"> We assessed the appropriateness of the cash flow forecasts in the context of the Group's 2020 financial performance and evaluated the Directors' downside sensitivities against these forecasts; We evaluated the key assumptions in the forecasts which were consistent with the forecasts used to assess goodwill above, and considered whether these were supported by the evidence we obtained; We tested the forecast revenue and profit figures with reference to the development appraisals of sites in progress and options on future potential sites as well as the revenue and profit achieved in previous years. We also tested a sample of the agreed contracts with PRS and HA customers and a sample of private sales reservations; For sites with significant revenue budgeted from private sales in the going concern period, we performed additional procedures regarding selling prices, comparing actual selling prices against forecast values provided by a third-party property agent; and performed sensitivity analyses over prices. We compared the prior year forecasts against current year actual performance to assess management's ability to forecast accurately, particularly in the period before Covid-19 but also considering the performance of the Group since the first lockdown on 23 March 2020; We obtained and evaluated the Group's Brexit and Covid-19 impact assessments and considered whether these were appropriately reflected in the going concern model; We examined the minimum committed facility headroom under the base case cash flow forecasts, as well as the Directors' and our own sensitised cases, and evaluated whether the Directors' conclusion that sufficient liquidity headroom remained throughout the going concern period was supported by the evidence we obtained; We obtained and reperformed the Group's forecast covenant compliance calculations, including sensitising the profits and cash flows as applicable for each covenant to assess the potential impact of our downside sensitivities on covenant compliance; We also reviewed the disclosures relating to the going concern basis of preparation and found that these provided an explanation of the Directors' assessment that was consistent with the evidence we obtained. <p>Our conclusions on going concern are set out in the "Going concern" section of our report on page 115.</p>



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>COVID-19 (GROUP AND PARENT)</p> <p>The Covid-19 pandemic has had a significant impact on the performance of the Group during FY20. As a result, the pandemic has brought increased estimation uncertainty to certain areas of the financial statements.</p> <p>The key areas of the financial statements most impacted by the increased estimation uncertainty are described below:</p> <p>i) The Directors have carefully considered the appropriateness of the going concern basis of preparation in the Group's financial statements, including assessing the impact on the Group's working capital and projected covenant compliance of reductions in trading volumes, selling prices and site specific risks over the forecast period. These also reflected a scenario of a second Covid-19 national lockdown during the forecast period and assumed that construction and house sales were not permitted during the lockdown.</p> <p>ii) Covid-19 has increased the estimation uncertainty during the year due to the potential impact on house prices and construction timelines. The Directors have performed a detailed review of the Group's developments, considering the impact of Covid-19 on forecast costs and have concluded that no material impairment of inventory is required at 30 September 2020.</p>	<p>In response to the key areas identified as being significantly impacted by Covid-19, we performed the following procedures:</p> <p>i) Refer to our key audit matter above for details of how we considered the impact of Covid-19 in our audit procedures over going concern.</p> <p>ii) Refer to our key audit matter above for details of how we considered the impact of Covid-19 in our audit procedures over an increased risk of estimation uncertainty over land and inventory valuation.</p>

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 comprises two divisions, Housebuilding and Partnerships. Each of the divisions is broken down into a number of reporting units (which also include joint ventures and an associate) which are included in the Group financial statements, along with the centralised functions.

The reporting units vary in size and we identified 32 reporting units, including centralised functions and the parent company which required an audit of their complete financial information due to their individual size. These 32 reporting units were all audited by the Group engagement team and, where applicable, included the audit of the joint ventures and the associate.

We also performed audit work over material revenue and inventory balances outside of these 32 reporting units. Together, this accounted for 96% of the Group's revenues and 86% of the Group's (loss)/profit before tax, adjusted for non-underlying items. Our audit work at these reporting units, together with the additional procedures performed at Group level on going concern, the consolidation, goodwill, joint ventures, the associate, tax, and share based payments, gave us the evidence we needed for our opinion on the Group and parent company financial statements as a whole.

Materiality

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

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

	Group financial statements	Parent company financial statements
Overall materiality	£7.6m (2019: £11.0m).	£6.9m (2019: £8.0m).
How we determined it	5% of a three year average of (loss)/profit before tax, adjusted for non-underlying items.	1% of total assets, restricted to an amount below the Group overall materiality.
Rationale for benchmark applied	Based on our professional judgement, we determined materiality by applying a benchmark of 5% of a three year average of (loss)/profit before tax, adjusted for non-underlying items. We believe that underlying (loss)/profit before tax is the most appropriate measure as it eliminates any disproportionate effect of non-underlying items and provides a consistent year-on-year basis for our work. A three year average has been applied because we consider the volatility as a result of Covid-19 to be indicative of a temporary downturn in the business and is not a rebasing of expected results prospectively.	We believe that total assets is the primary measure used by the shareholders in assessing the position of the entity, and is an accepted auditing benchmark.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was £0.1m and £6.9m. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above approximately £0.4m (Group audit) (2019: approximately £0.4m) and approximately £0.4m (parent company audit) (2019: approximately £0.5m) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.



REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS CONTINUED

OUR AUDIT APPROACH CONTINUED

Going concern

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

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Group's and the parent company's ability to continue as a going concern over a period of at least 12 months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. As not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and parent company's ability to continue as a going concern.
We are required to report if the Directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

REPORTING ON OTHER INFORMATION

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

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

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 September 2020 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 65 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 65 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)



REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS CONTINUED

REPORTING ON OTHER INFORMATION CONTINUED

Other Code Provisions

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

- The statement given by the Directors, on page 84, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and parent company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and parent company obtained in the course of performing our audit.
- The section of the Annual Report on pages 86 to 87 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The Directors' statement relating to the parent company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' Remuneration

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

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Responsibilities of the Directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

OTHER REQUIRED REPORTING

COMPANIES ACT 2006 EXCEPTION REPORTING

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

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

We have no exceptions to report arising from this responsibility.

APPOINTMENT

Following the recommendation of the Audit Committee, we were appointed by the members on 19 November 2015 to audit the financial statements for the year ended 30 September 2016 and subsequent financial periods. The period of total uninterrupted engagement is five years, covering the years ended 30 September 2016 to 30 September 2020.

John Waters (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

2 December 2020



Consolidated statement of comprehensive income

For the year ended 30 September 2020

	Note	2020 £m	2019 £m
Revenue	6	892.0	1,237.1
Cost of sales		(783.9)	(983.5)
Gross profit		108.1	253.6
Administrative expenses		(113.5)	(83.2)
Operating (loss)/profit	7	(5.4)	170.4
Analysed as:			
Adjusted operating profit		54.2	234.4
Less: share of joint ventures and associate operating profit	14, 15	(17.2)	(46.8)
Less: non-underlying items	7	(42.4)	(17.2)
Operating (loss)/profit	7	(5.4)	170.4
Finance costs	8	(14.2)	(11.9)
Finance income	8	0.7	1.0
Share of post-tax profit from joint ventures and associate accounted for using the equity method	14, 15	17.0	44.1
(Loss)/profit before income tax		(1.9)	203.6
Income tax expense	9	(2.1)	(35.2)
(Loss)/profit and total comprehensive (loss)/income for the year		(4.0)	168.4
(Loss)/profit is attributable to:			
– Owners of the parent		(3.7)	167.7
– Non-controlling interest		(0.3)	0.7
		(4.0)	168.4
(Loss)/earnings per share (expressed in pence per share):			
Basic	10	(0.8)	37.7
Diluted	10	(0.8)	37.3

Revenue and operating (losses)/profits arise from the Group's continuing operations. There were no items of other comprehensive income during the year (2019: £Nil).

The Group has applied IFRS 16 using the modified retrospective approach and therefore comparatives have not been restated. Refer to Note 34.

Consolidated statement of financial position

As at 30 September 2020



	Note	2020 £m	2019 £m
Assets			
Non-current assets			
Intangible assets	11	143.1	170.9
Property, plant and equipment	12	15.1	12.8
Right of use assets	13	26.3	—
Investment in joint ventures	14	40.9	62.2
Investment in associate	15	1.3	3.5
Deferred tax assets	17	4.1	5.3
Trade and other receivables	19	19.6	15.2
		250.4	269.9
Current assets			
Inventories	18	1,059.1	808.6
Financial assets at fair value through profit or loss	16	—	5.0
Trade and other receivables	19	199.2	232.8
Current income tax receivable		0.6	—
Cash and cash equivalents	20	100.5	75.6
		1,359.4	1,122.0
Total assets		1,609.8	1,391.9
Liabilities			
Current liabilities			
Trade and other payables	21	(344.6)	(322.6)
Lease liabilities	13	(5.9)	—
Current income tax liabilities		—	(24.7)
Provisions	22	(10.9)	(1.8)
		(361.4)	(349.1)
Non-current liabilities			
Borrowings	20	(2.3)	(2.2)
Trade and other payables	21	(124.5)	(130.0)
Lease liabilities	13	(24.6)	—
Deferred tax liabilities	17	(10.5)	(10.9)
Provisions	22	(0.5)	(0.6)
		(162.4)	(143.7)
Total liabilities		(523.8)	(492.8)
Net assets		1,086.0	899.1
Equity			
Share capital	23	5.2	4.5
Share premium	23	5.3	—
Retained earnings		1,075.2	892.3
Equity attributable to owners of the parent		1,085.7	896.8
Equity attributable to non-controlling interest	23	0.3	2.3
Total equity		1,086.0	899.1

The Group has applied IFRS 16 using the modified retrospective approach and therefore comparatives have not been restated. Refer to Note 34.

The notes on pages 121 to 161 form part of these financial statements.

These financial statements were approved by the Board of Directors on 2 December 2020.

On behalf of the Board

Iain McPherson **Mike Scott**
Director Director



Consolidated statement of changes in equity

For the year ended 30 September 2020

	Note	Share capital £m	Share premium £m	Retained earnings £m	Equity attributable to owners of the parent £m	Non-controlling interest £m	Total equity £m
At 1 October 2018		4.5	—	787.6	792.1	1.6	793.7
Comprehensive income							
Profit and total comprehensive income for the year		—	—	167.7	167.7	0.7	168.4
Transactions with owners							
Share-based payments, net of deferred tax	17, 29	—	—	6.0	6.0	—	6.0
Purchase of shares by Employee Benefit Trust	23	—	—	(13.0)	(13.0)	—	(13.0)
Dividends paid to owners of the parent	33	—	—	(56.0)	(56.0)	—	(56.0)
Total transactions with owners		—	—	(63.0)	(63.0)	—	(63.0)
At 30 September 2019		4.5	—	892.3	896.8	2.3	899.1
Comprehensive loss							
Loss and total comprehensive loss for the year		—	—	(3.7)	(3.7)	(0.3)	(4.0)
Transactions with owners							
Issue of shares, net of transaction costs	23	0.7	5.3	237.0	243.0	—	243.0
Share-based payments, net of deferred tax	17, 29	—	—	0.4	0.4	—	0.4
Purchase of shares by Employee Benefit Trust	23	—	—	(2.0)	(2.0)	—	(2.0)
Dividends paid to owners of the parent	33	—	—	(46.2)	(46.2)	—	(46.2)
Dividends paid to non-controlling interests	23	—	—	—	—	(4.3)	(4.3)
Reclassification	23	—	—	(2.6)	(2.6)	2.6	—
Total transactions with owners		0.7	5.3	186.6	192.6	(1.7)	190.9
At 30 September 2020		5.2	5.3	1,075.2	1,085.7	0.3	1,086.0

The Group has applied IFRS 16 using the modified retrospective approach and therefore comparatives have not been restated. Refer to Note 34.

Consolidated cash flow statement

For the year ended 30 September 2020



	Note	2020 £m	2019 £m
Cash (used in)/generated from operations	24	(144.9)	86.3
Interest paid – lease liabilities		(1.1)	—
Interest paid – other		(5.4)	(3.8)
Interest received		0.2	0.6
Tax paid		(27.2)	(27.9)
Net cash (outflow)/inflow from operating activities		(178.4)	55.2
Cash flows from investing activities			
Purchase of intangible assets	11	(2.9)	(3.1)
Purchase of property, plant and equipment	12	(4.8)	(7.8)
Proceeds from disposal of financial assets at fair value through profit or loss	16	5.0	—
Proceeds from disposal of property, plant and equipment		—	0.3
(Increase)/decrease in advances to joint ventures and associate	26	(19.8)	6.8
Repayment of members' interest from joint venture	14	4.4	2.9
Dividends received from joint ventures and associate	14, 15	35.8	43.1
Net cash inflow from investing activities		17.7	42.2
Cash flows from financing activities			
Dividends paid to owners of the parent	33	(46.2)	(56.0)
Dividends paid to non-controlling interests		(4.3)	—
Repayment of lease liabilities		(4.9)	—
Purchase of shares by Employee Benefit Trust	23	(2.0)	(13.0)
Net proceeds from the issue of share capital	23	243.0	—
Borrowings under the revolving credit facility		297.6	—
Repayment of borrowings under the revolving credit facility		(297.6)	—
Net cash inflow/(outflow) from financing activities		185.6	(69.0)
Net increase in cash and cash equivalents		24.9	28.4
Cash and cash equivalents at the beginning of the year		75.6	47.2
Cash and cash equivalents at the end of the year	20	100.5	75.6

The Group has applied IFRS 16 using the modified retrospective approach and therefore comparatives have not been restated. Refer to Note 34.



Notes to the consolidated financial statements

For the year ended 30 September 2020

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 Company, its subsidiaries, joint ventures and associate are together defined as the "Group".

The Group operates through two differentiated, complementary divisions: Partnerships and Housebuilding. The Partnerships division specialises in urban regeneration of public sector land, delivering private, affordable and private rented sector ("PRS") homes in partnership with local authorities and housing associations. It also develops brownfield land in the Midlands, the North West of England and Yorkshire. The Housebuilding division delivers high quality homes aimed at local owner occupiers. It develops primarily private and affordable homes on land owned or controlled by the Group, located in outer London and the Home Counties.

The parent company financial statements are on pages 162 to 168.

2. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

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

CRITICAL ACCOUNTING JUDGEMENTS

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

KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Estimation of site profitability

In order to determine the profit or loss that the Group recognises on its developments and construction contracts in a specific period, the Group allocates the total cost of each development or construction contract between the proportion completing in the period and the proportion completing in future periods. The assessment of the total costs to be incurred requires a degree of estimation. Actual costs may differ to forecasts for several reasons such as site delays, unforeseen costs, change orders and uncontracted cost inflation and the Group is also exposed to various market fluctuations. The long-term nature of the Group's activities adds further complexity as forecasts are required for the duration of developments or construction contracts. The Covid-19 pandemic has increased this estimation uncertainty during the year due to the potential impact on house prices, materials, labour costs and construction timelines. Group management has established internal controls to review and ensure the appropriateness of estimates made on an individual development or contract basis.

The Directors note that a change in estimated margins on several sites (due, for example, to changes in estimates of cost inflation or a material reduction in house prices in the private market) could materially alter future profitability. The Directors have performed a detailed review of the Group's developments, considering the impact of the Covid-19 pandemic, and have concluded that no impairment of inventory is required at 30 September 2020.

As an illustration, if the Directors were to reduce the forecast margins of all developments by 5%, the gross profit recognised in the year would have reduced by £45m, or £50m on an adjusted basis, with a reduction to net assets of the same value. Likewise, an increase to margins by 5% would have increased gross profit and net assets by the same values.

3. ACCOUNTING POLICIES

BASIS OF PREPARATION

These financial statements for the year to 30 September 2020 are those of the Company and all of its subsidiaries. They have been prepared in accordance with IFRS as adopted by the European Union, IFRS Interpretations Committee ("IFRS IC") interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

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

These financial statements have been prepared on a going concern basis in Sterling and rounded to the nearest £0.1m under the historical cost convention, except for financial assets at fair value through profit or loss, share-based payments and certain other assets and liabilities recognised at fair value as a result of business combinations.

GOING CONCERN

The Group has the benefit of a £300m revolving credit facility ("RCF") provided by its banking syndicate of four banks, which expires in May 2023. The facility includes covenants in respect of gearing, interest cover, tangible net asset value and loan to book value. In response to the initial outbreak of Covid-19, the Group's gearing and interest cover covenants were relaxed until September 2022 to provide additional headroom under the RCF.

In response to Covid-19, the Group also put in place a £300m commercial paper programme under the Government's Covid Corporate Financing Facility ("CCFF"), which may allow the Group access to an additional £300m of funding until 22 March 2021. The CCFF will be used to provide standby liquidity, should that be required. The Group do not consider this requirement to be likely.

The Group's RCF and the CCFF were undrawn as at 30 September 2020 and as at the date of approval of these financial statements.



3. ACCOUNTING POLICIES CONTINUED

GOING CONCERN CONTINUED

As described in the Viability Statement (page 65), the Directors have performed a robust assessment of the principal risks facing the Company, including those risks that would threaten Countryside's business model, future performance, solvency and liquidity. The principal risks facing Countryside and how the Company addresses such risks are described in the Principal Risks section of the Strategic Report on pages 67 to 69.

The assessment includes a financial review, derived from the Board-approved strategic forecasts, which incorporates severe but plausible downside case scenarios at varying points throughout the Group's working capital cycle, illustrating the potential impact upon viability of one or more of the Group's principal risks crystallising, both individually and in combination. Three scenarios have been considered: firstly, a further three-month national lockdown followed by a sharp reduction in house prices; secondly, a series of disruptive local lockdowns over a three-month period, followed by a sharp reduction in house prices; and thirdly, two successive three-month periods of local lockdowns with a four-month intervening period, with a sharp reduction in house prices after the initial three-month lockdown. For the purposes of these scenarios, it has been assumed that under the restrictions of a national lockdown, all site and sales activity ceases in its entirety. Under the restrictions of localised lockdowns, sales volumes reduce by half, with 20% of sites being required to cease production with further inefficiency being experienced on our remaining sites. These lockdown scenarios reflect severe but plausible downsides relative to our experience of previous lockdowns. Our experience of the lockdown which took place in November 2020 has been less severe than these downside scenarios.

Under the national lockdown scenario, a temporary cessation of all operations and a sharp 20% reduction in house prices results in a sudden deterioration in profitability and liquidity as the business is required to cease production and fund its fixed cost base in the absence of income from third parties. A gradual recovery in volumes and house prices is then reflected over an 18-month period. The viability testing demonstrates that sufficient liquidity exists and no covenant breaches would arise. However, such a scenario would put some pressure on interest cover covenants and liquidity headroom. As a consequence, the business would need to defer investment in respect of the planned Partnerships growth initiatives and identified land purchases, reduce production rates to prevent a build-up of stock and delay recruitment to preserve cash within the business.

The three months of localised lockdowns demonstrate the effect of several short-term temporary closures of regional businesses which reduce the Group's overall volumes by half across the three-month period, along with an immediate 20% fall in house prices. Volumes and house prices are then projected to recover across an 18-month period. This scenario has less severe repercussions on short-term liquidity and profitability; however, the implications for medium-term liquidity are still significant as the business continues to invest through the lockdown period. Under this scenario it is necessary for the business to scale back some, but not all, of its investment plans, whilst also delaying recruitment and deferring some land purchases. The Group is expected to maintain significant headroom across all of its financial covenants under this scenario.

The final scenario which has been tested demonstrates the effect of two consecutive three-month periods of local lockdowns with a four-month intervening period, with a 20% fall in house prices occurring after the initial lockdown. A gradual recovery in volumes and house prices is then reflected over an 18-month period. Under this scenario, the Group would be required to take mitigating action similar to that described for the national lockdown scenario in order to preserve liquidity; however, no covenant breaches would be expected to arise.

Based on the forecasts and scenarios modelled, the Directors have assessed the Group's going concern status over the next 12 months, which incorporates the downside case scenarios noted above. The Directors note that the level of uncertainty which Covid-19 poses to the Group is significant; however, under all the scenarios, the assessment performed has shown that the Group has sufficient cash reserves to remain liquid, without breaching covenants or issuing commercial paper under the CCFF, for at least 12 months from the date of these financial statements. Accordingly, these financial statements have been prepared on a going concern basis.

ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

During the financial year ended 30 September 2020, the Group adopted the following standards and amendments issued by the International Accounting Standards Board ("IASB"):

- IFRS 16 "Leases";
- IFRIC 23 "Uncertainty over Income Tax Treatments";
- Amendments to IAS 28 – Long-Term Interests in Associates and Joint Ventures; and
- Annual improvements to IFRS Standards 2015–2017 Cycle.

Information on the initial application of IFRS 16, including the impact on the financial position and performance of the Group, has been disclosed in Note 34. The adoption of the other amendments in the year did not have a material impact on the financial statements.

STANDARDS, INTERPRETATIONS AND AMENDMENTS IN ISSUE BUT NOT YET EFFECTIVE

The following amendments to standards and interpretations have also been issued, but are not yet effective and have not been early adopted for the financial year ended 30 September 2020:

- Definition of Material – Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors";
- Definition of a Business – Amendments to IFRS 3 "Business Combinations";
- Revised Conceptual Framework for Financial Reporting; and
- Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28.

The adoption of these amendments is not expected to have a material impact on the Group.



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 Group financial statements using the acquisition method of accounting from the date on which control is obtained up until the date that control ceases.

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

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

Intragroup transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated in preparing the financial statements. Gains arising from transactions with joint arrangements and associates are eliminated as described below.

JOINT ARRANGEMENTS AND ASSOCIATES

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

Where there is joint control (as described by IFRS 11), the arrangement is classified as a joint arrangement and accounted for using the equity method (for joint ventures) or on the basis of the Group's proportional share of the arrangement's assets, liabilities, revenues and costs (for joint operations).

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

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

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

The Group funds its joint ventures and associates through a combination of equity investments and shareholder loans. The Directors review the recoverability of investments and shareholder loans for impairment annually.

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

PURCHASE OF SHARES BY EMPLOYEE BENEFIT TRUST

From time to time, the Employee Benefit Trust ("EBT") purchases shares of the Company in order to hold an appropriate level of shares towards the future settlement of outstanding share-related incentives on behalf of the Group. The EBT is funded directly by the Group. The EBT waives its dividend and voting rights in respect of the shares it holds. The purchase value of EBT shares is charged to retained earnings.

BUSINESS COMBINATIONS

All acquisitions are accounted for using the acquisition method of accounting. The cost of an acquisition is the aggregate of the fair values of the assets transferred, liabilities incurred or assumed, and equity instruments issued at the date of acquisition. The consideration transferred includes the fair value of the asset or liability resulting from a deferred or contingent consideration arrangement, unless that arrangement is dependent on continued employment of the beneficiaries.

The identified assets and liabilities are measured at their fair value at the date of acquisition. The excess of consideration over the Group's share of the fair value of the total identifiable net assets acquired is recorded as goodwill.

Costs directly relating to an acquisition are expensed to the statement of comprehensive income.

INTANGIBLE ASSETS

Goodwill

Goodwill recognised on acquisition of a subsidiary represents the excess of consideration over the Group's share of the fair value of the total identifiable net assets acquired. If the total consideration transferred is less than the fair value of the net assets acquired, the difference is recognised directly in the statement of comprehensive income.

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

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

Brands

The Group carries assets on the statement of financial position for acquired brands. The cost is determined at acquisition as being directly attributable cost or, where relevant, by using an appropriate valuation method. The assets are tested for impairment when a triggering event is identified and are amortised over a period of between five and twenty years. Internally generated brands are not recognised.



3. ACCOUNTING POLICIES CONTINUED

INTANGIBLE ASSETS CONTINUED

Customer-related assets

The Group carries customer-related intangible assets on the statement of financial position resulting from acquisitions. These assets are recognised at fair value. The assets are tested for impairment when a triggering event is identified and are amortised over a period of between two and a half and ten years. Internally generated relationships are not recognised.

Computer software

Computer software that generates an economic benefit of greater than one year is recognised as an intangible asset and carried at cost less accumulated amortisation. Computer software costs that are recognised as an asset are amortised on a straight-line basis over their economic useful life of either four or five years. These assets are reviewed for impairment at such time as there is a change in circumstances due to which the carrying value may no longer be recoverable.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost less accumulated depreciation and any applicable impairment losses.

Depreciation is charged at rates to write off the cost of the asset (to its residual value) on a straight-line basis over the estimated useful life of the asset. The applicable annual rates are:

- Plant and machinery 20% to 25%
- Fixtures and fittings 10%

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

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

FINANCIAL ASSETS

The Group classifies its financial assets in the following categories:

- financial assets at amortised cost; and
- financial assets at fair value through profit or loss.

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. Financial assets are derecognised only when the contractual rights to the cash flows from the financial assets expire or when the Group is no longer considered to have control over the assets.

Financial assets at amortised cost

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the asset matures or management intends to dispose of it within 12 months of the end of the reporting period.

Changes in the fair value of financial assets at fair value through profit or loss are recorded in the statement of comprehensive income.

The fair value of financial instruments is determined by quoted prices for identical instruments in active markets where possible (for example, over-the-counter derivatives). Where this information is available, the financial instrument is classified as Level 1.

Where quoted prices for identical instruments are not available, the fair value of financial instruments 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, either directly (as prices) or indirectly (derived from prices), the instrument is classified as Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is classified as Level 3.

INVENTORIES

Inventories are held at the lower of cost or net realisable value, with the exception of inventories acquired as part of a business combination which are held at fair value. Costs comprise land, land option costs, 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.

Purchased land options are initially stated at cost. Option costs are written off on a straight-line basis over the remaining life of the option and are also subject to impairment review. Impairment reviews are performed when circumstances arise which indicate an impairment is likely, such as a refusal of planning permission. Any impairments are recognised immediately in the statement of comprehensive income. Upon exercise, the unamortised balance of an option is included within the value of inventory.

Land inventory is recognised when the Group obtains control of the land, which is considered to be on unconditional exchange of contracts. Where land is purchased on deferred payment terms, the liability is discounted to fair value with the land recognised at the discounted value in inventories. The liability is presented as "deferred land payments" within trade and other payables.

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



3. ACCOUNTING POLICIES CONTINUED

INVENTORIES CONTINUED

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

The Group determines the value of inventories charged to cost of sales based on the total forecast margin of developing a site or part of a site. Refer to page 127 for the Group's cost of sales accounting policy.

TRADE RECEIVABLES

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less any provision for impairment.

The Group applies the simplified approach under IFRS 9 to measure expected credit losses ("ECL") associated with trade receivables. The carrying value of the receivable is reduced at each reporting date for any increase in the lifetime ECL, with an impairment loss recognised in the statement of comprehensive income.

If collection is expected in one year or less, receivables are classified as current assets. If not, they are classified as non-current assets.

Where land is sold on deferred payment terms, the revenue and associated receivable are discounted to their fair value. The discount to fair value is amortised over the period to the settlement date and credited to finance income using the effective interest rate method. Changes in estimates of the final amount due are recognised in revenue in the statement of comprehensive income.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and in hand and other short-term deposits held by the Group with maturities of three months or less.

TRADE PAYABLES

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

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

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

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

Trade payables are classified as current liabilities if payment is due within 12 months. If not, they are classified as non-current liabilities.

LEASES

Lease liabilities are initially recognised at the present value of future lease payments. Future lease payments are included in the lease liability where they are fixed in value, or variable based on an index or a rate. Variable lease payments that do not depend on an index or rate are recognised as an expense in the period in which the condition that triggers the payment occurs. To calculate the present value of future lease payments, the payments are discounted at the Group's incremental borrowing rate, which is the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Subsequently, lease liabilities increase to reflect the unwind of discount and reduce by the value of payments made to lessors. Lease liabilities are remeasured where the Group's assessment of the expected lease term changes or there is a modification to the lease terms. The unwind of the discount on lease liabilities is recorded in finance costs in the statement of comprehensive income. Cash outflows relating to lease interest are presented within net cash flows from operating activities in the statement of cash flows.

Right of use assets are initially measured at cost, comprising the initial value of the lease liabilities adjusted for rental payments made at or prior to the start of the lease term, initial direct costs, lease incentives and restoration costs.

Subsequently, right of use assets are measured at cost less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right of use assets are depreciated over the shorter of the asset's estimated useful life and the lease term on a straight-line basis. Depreciation is recorded in either cost of sales or administrative expenses in the statement of comprehensive income depending on the nature of the asset.

The Group applies the recognition exemptions for short-term and low value asset leases. The rental expense for these leases is recognised on a straight-line basis in the statement of comprehensive income. The rental expense is recorded in either cost of sales or administrative expenses depending on the nature of the asset. Short-term leases are leases with a lease term of 12 months or less.

BORROWINGS

Interest-bearing bank loans and overdrafts are recorded initially at fair value. Such instruments are subsequently carried at amortised cost and finance charges, including premiums payable on settlement or redemption, are amortised over the term of the instrument using the effective interest rate method.

Bank loans are reported net of direct transaction costs to the extent that borrowings are available for offset. If the value of unamortised borrowing costs exceeds the value of borrowings, these amounts are disclosed within prepayments.

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

Bank overdrafts are classified as current liabilities.



3. ACCOUNTING POLICIES CONTINUED

PROVISIONS

Provisions are recognised when the Group has a present obligation as a result of a past event which is probable to result in an outflow of economic benefits that can be reliably estimated. Where the effect of the time value of money is material, the provision is discounted at the pre-tax discount rate that reflects the risks specific to the liability.

SHARE CAPITAL AND SHARE PREMIUM

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

OFFSETTING FINANCIAL INSTRUMENTS

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

REVENUE

Revenue comprises the fair value of the consideration received or receivable, net of applicable Value-Added Tax, stamp duty land tax, rebates and discounts and after eliminating sales within the Group.

The Group's two divisions – Partnerships and Housebuilding – operate a range of legal and contractual structures which are tailored according to the land structure and parties to the contract. Recognition of revenue reflects the underlying nature of these contracts, as described below in more detail by category.

Private revenue

Revenue is recognised on the sale of private housing at a point in time on legal completion, as this is when the customer obtains control of the property and the Group has fulfilled its performance obligations. Revenue is recognised at the fair value of the consideration received.

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

Cash is received by the Group on legal completion and there is no variable or financing component to the consideration received. Where customers use the Government's Help to Buy scheme, the Group typically receives the cash from Homes England within two weeks of legal completion.

Affordable housing and private rented sector ("PRS") revenue

Contract revenue for affordable housing and PRS contracts is recognised over time based on surveyor-certified valuations of work performed at the balance sheet date. As the build progresses, customer-controlled assets are created, with the design tailored to the specification of the customer. The Group has an enforceable right to be paid for the work completed to date and invoices are issued and paid over the life of the development.

Variations in contract work and claims are included to the extent that it is highly probable that there will not be a significant reversal when the value of such payments are finalised.

Where progress towards the satisfaction of performance obligations cannot be reasonably determined, revenue is recognised over time as the work is performed, to the extent that costs have been incurred and are expected to be recoverable, and contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately in the statement of comprehensive income within cost of sales.

Other revenue – land sales

Revenue is recognised in the statement of comprehensive income at a point in time on unconditional exchange of contracts as this is the point at which the Group is considered to have satisfied its performance obligations. Revenue is measured as the fair value of consideration received or receivable.

Where there are residual obligations in the land sale contract that are not satisfied at the balance sheet date, an element of the transaction price is deferred into future periods. If the stand-alone selling price of the residual obligations is not directly observable, the transaction price is derived by calculating a value for the land element of the contract and deducting this from the total transaction price. The remainder is allocated to the residual obligations. Revenue is recognised on the residual obligations at a point in time when the performance obligations have been satisfied.

Cash is either received on completion or on deferred settlement terms. Where land is sold on deferred settlement terms the revenue and associated receivable are discounted to their fair value. The discount to fair value is amortised over the period to the settlement date and credited to finance income using the effective interest rate method. Changes in estimates of the final amount due are recognised in revenue in the statement of comprehensive income.

Other revenue – commercial sales

Revenue is typically recognised in the statement of comprehensive income at a point in time on unconditional exchange of contracts as this is the point at which the Group is considered to have satisfied its performance obligations. Cash is received on legal completion and, in most cases, there is no variable or financing component to the consideration received.

In some cases, where longer-term performance obligations are present, for example in design and build contracts, revenue is recognised over time as described above in "Affordable housing and private rented sector ("PRS") revenue". Revenue is measured as the fair value of consideration received or receivable.

Other revenue – project management services

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



3. ACCOUNTING POLICIES CONTINUED

REVENUE CONTINUED

Other revenue – part exchange

In certain instances, property may be accepted as part consideration in the sale of a Countryside property. The fair value of the part exchange property is established by independent surveyors and reduced for costs to sell. The sale of the Countryside property is recorded in line with the accounting policy for private housing described above, with the value of revenue recognised reflecting the total of cash proceeds and the fair value of the part exchange property received by the Group. The part exchange property is recognised within inventories until sold.

The subsequent sale of the part exchange property is treated as a separate transaction with revenue recognised in line with the treatment of private housing described above.

Other revenue – freehold reversions

Revenue is recognised on freehold reversion sales on unconditional exchange.

COST OF SALES

The Group determines the value of inventories charged to cost of sales based on the total forecast margin of developing a site or a phase of a site. Once the total expected margin of the site or phase of a site is established it is allocated based on revenue to calculate a build cost per plot. These costs are recognised within cost of sales when the related revenue is recognised in accordance with the Group's revenue recognition policy.

To the extent that additional costs or savings are identified and the expected margin changes as the site progresses, the change is recognised over the remaining units.

Cost of sales for land and commercial property which form part of a larger site are recognised based on forecast site margin as described above. Where land and commercial property relates to the entirety of a site, cost of sales represents the carrying value of the related inventory in the Group's statement of financial position and is recognised within cost of sales when revenue is recognised in accordance with the Group's revenue recognition policy.

FINANCE COSTS AND FINANCE INCOME

Borrowing costs

Borrowing costs in relation to the Group's debt facility are recognised on an accruals basis. Also included in borrowing costs is the amortisation of fees associated with the arrangement of the financing.

Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the statement of comprehensive income using the effective interest method. These amounts are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

The Group capitalises borrowing costs into developments only where project-specific borrowings are used.

Unwind of discounting

The finance costs and income associated with the time value of money on discounted payables and receivables are recognised within finance costs and income as the discount unwinds over the life of the relevant item.

CURRENT AND DEFERRED INCOME TAXATION

Income tax comprises current and deferred tax.

Current taxation

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

Deferred taxation

Deferred taxation is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and their corresponding tax values used in the computation of taxable profit and is accounted for using the balance sheet liability method.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the taxable profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based upon tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items credited or charged directly to the statement of changes in equity, in which case the deferred tax is also dealt with in equity.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the Group intends to settle the balances on a net basis.



3. ACCOUNTING POLICIES CONTINUED

SEGMENTAL REPORTING

The chief operating decision maker ("CODM") has been identified as the Group's Executive Committee. The CODM reviews the Group's internal reporting in order to assess performance and allocate resources. The CODM assesses the performance of the operating segments based on adjusted revenue, adjusted operating profit, return on capital employed ("ROCE"), tangible net asset value ("TNAV") and tangible net operating asset value ("TNOAV"). 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.

PENSION PLANS

The Group operates a defined contribution pension plan. A defined contribution plan is a pension plan under which the Group pays fixed contributions to a separate entity.

The Group has no further payment obligations once the contributions have been paid. The contributions are recognised on an accruals basis as employee benefit expenses.

SHARE-BASED PAYMENTS

The Group provides benefits to employees of the Group, including Directors, in the form of equity-settled share-based awards, whereby employees render services in exchange for rights over shares.

For equity-settled share-based payments, the fair value of the employee services rendered is determined by reference to the fair value of the shares awarded or options granted, excluding the impact of any non-market vesting conditions. All share options are valued using an option-pricing model (Black Scholes or Monte Carlo). This fair value is charged to the statement of comprehensive income over the vesting period of the share-based awards.

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

NON-UNDERLYING ITEMS

Certain items which do not relate to the Group's underlying performance are presented separately in the statement of comprehensive income as non-underlying items where, in the judgement of the Directors, they need to be disclosed separately by virtue of their nature, size or incidence in order to obtain a clear and consistent presentation of the Group's underlying business performance. As these non-underlying items can vary significantly from year to year, they create volatility in reported earnings.

In addition, the Directors believe that in discussing the performance of the Group, the results of joint ventures and associates should be proportionally consolidated, including the Group's share of revenue and operating profit, as they are managed as an integral part of the Group's operations. As such, the Directors adjust for these non-underlying items in the calculation of the Group's Alternative Performance Measures ("APMs"), which are set out on pages 169 to 171.

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

- costs incurred directly in relation to business combinations or capital market transactions including advisory costs, one-off integration costs and employment-related deferred consideration costs;
- adjustments to the statement of financial position that do not relate to trading activity such as the recognition and reversal of non-trade impairments or the recognition of material liabilities which are not considered to be in the ordinary course of business; and
- the costs of significant Group restructuring exercises.

In addition, the amortisation of acquisition-related intangible assets is treated as a non-underlying item as management does not believe this potentially variable cost should be included when considering the underlying trading performance of the Group.

DIVIDENDS

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Dividends payable are recorded in the period in which they become unconditional.

4. SEGMENTAL REPORTING

Segmental reporting is presented in respect of the Group's business segments reflecting the Group's management and internal reporting structure and is the basis on which strategic operating decisions are made by the Group's CODM. The Group's two business segments are Partnerships and Housebuilding; these are described below and in more detail in the Strategic Report, on pages 2 to 69.

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

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

Segmental adjusted operating profit and segmental operating profit include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Central head office costs that are directly attributable to a segment are allocated where possible, or otherwise allocated between segments based on an appropriate allocation methodology, such as headcount.

Segmental TNAV and TNOAV include items directly attributable to the segment as well as those that can be allocated on a reasonable basis, with the exception of intangible assets and net cash or debt.



4. SEGMENTAL REPORTING CONTINUED

Adjusted revenue, adjusted operating profit, TNAV and TNOAV are Alternative Performance Measures (“APMs”) for the Group. Further detail on APMs is provided on pages 169 to 171.

Countryside operates entirely within the United Kingdom.

(A) SEGMENTAL FINANCIAL PERFORMANCE

	Partnerships £m	Housebuilding £m	Group items £m	Total £m
Year ended 30 September 2020				
Adjusted revenue including share of revenue from joint ventures and associate	629.4	359.4	—	988.8
Less: share of revenue from joint ventures and associate	(44.1)	(52.7)	—	(96.8)
Revenue	585.3	306.7	—	892.0
Adjusted operating profit/(loss) including share of operating profit/(loss) from joint ventures and associate	32.8	25.0	(3.6)	54.2
Less: share of operating profit from joint ventures and associate	(8.3)	(8.9)	—	(17.2)
Less: non-underlying items (Note 7)	(8.3)	(5.2)	(28.9)	(42.4)
Operating profit/(loss)	16.2	10.9	(32.5)	(5.4)
	Partnerships £m	Housebuilding £m	Group items £m	Total £m
Year ended 30 September 2019				
Adjusted revenue including share of revenue from joint ventures and associate	837.1	585.7	—	1,422.8
Less: share of revenue from joint ventures and associate	(44.8)	(140.9)	—	(185.7)
Revenue	792.3	444.8	—	1,237.1
Adjusted operating profit/(loss) including share of operating profit/(loss) from joint ventures and associate	127.8	114.8	(8.2)	234.4
Less: share of operating profit from joint ventures and associate	(13.3)	(33.5)	—	(46.8)
Less: non-underlying items (Note 7)	(7.4)	—	(9.8)	(17.2)
Operating profit/(loss)	107.1	81.3	(18.0)	170.4

(B) SEGMENTAL FINANCIAL POSITION

Segmental TNAV represents the net assets of the Group’s two operating divisions. Segmental TNAV includes divisional net assets less intangible assets (net of deferred tax) and excludes inter-segment cash funding. TNOAV is the Group’s measure of capital employed, as used in the calculation of ROCE.

	Partnerships £m	Housebuilding £m	Group items £m	Total £m
TNAV at 30 September 2019				
Operating profit/(loss)	16.2	10.9	(32.5)	(5.4)
Add back items with no impact on TNAV:				
– Share-based payments, net of deferred tax	—	—	0.4	0.4
– Impairment of goodwill	—	—	18.5	18.5
– Amortisation of intangible assets	—	—	12.2	12.2
Other items affecting TNAV:				
– Share issue, net of transaction costs	196.5	46.5	—	243.0
– Share of post-tax profit from joint ventures and associate	8.0	9.0	—	17.0
– Dividends paid to owners of the parent	(29.5)	(16.7)	—	(46.2)
– Dividends paid to non-controlling interests	(4.3)	—	—	(4.3)
– Taxation	(1.2)	(0.9)	—	(2.1)
– Purchase of shares by EBT	(1.2)	(0.8)	—	(2.0)
– Other	(10.6)	(8.0)	1.4	(17.2)
TNAV at 30 September 2020	288.1	663.6	—	951.7
Inter-segment cash funding/(net cash)	39.4	(137.6)	—	(98.2)
Segmental capital employed (TNOAV)	327.5	526.0	—	853.5



4. SEGMENTAL REPORTING CONTINUED

(B) SEGMENTAL FINANCIAL POSITION CONTINUED

	Partnerships £m	Housebuilding £m	Group items £m	Total £m
TNAV at 30 September 2018	54.2	565.9	—	620.1
Operating profit/(loss)	107.1	81.3	(18.0)	170.4
Add back items with no impact on TNAV:				
– Share-based payments, net of deferred tax	—	—	6.0	6.0
– Amortisation of intangible assets	—	—	11.7	11.7
Other items affecting TNAV:				
– Share of post-tax profit from joint ventures and associate	13.3	30.8	—	44.1
– Dividends paid	(29.5)	(26.5)	—	(56.0)
– Taxation	(18.5)	(16.7)	—	(35.2)
– Purchase of shares by EBT	(6.8)	(6.2)	—	(13.0)
– Other	(5.6)	(5.0)	0.3	(10.3)
TNAV at 30 September 2019	114.2	623.6	—	737.8
Inter-segment cash funding/(net cash)	62.6	(136.0)	—	(73.4)
Segmental capital employed (TNOAV)	176.8	487.6	—	664.4

(C) SEGMENTAL OTHER ITEMS

	Partnerships £m	Housebuilding £m	Group items £m	Total £m
Year ended 30 September 2020				
Investment in joint ventures	12.1	28.8	—	40.9
Investment in associate	—	1.3	—	1.3
Share of post-tax profit from joint ventures and associate	8.0	9.0	—	17.0
Capital expenditure – property, plant and equipment	4.2	0.6	—	4.8
Capital expenditure – right of use assets	3.1	1.3	—	4.4
Capital expenditure – intangible assets	—	—	2.9	2.9
Depreciation – property, plant and equipment	1.8	0.7	—	2.5
Depreciation – right of use assets	4.6	3.2	—	7.8
Amortisation – intangible assets	—	—	12.2	12.2
Impairment of goodwill	—	—	18.5	18.5
Share-based payments	—	—	1.0	1.0
	Partnerships £m	Housebuilding £m	Group items £m	Total £m
Year ended 30 September 2019				
Investment in joint ventures	17.4	44.8	—	62.2
Investment in associate	—	3.5	—	3.5
Share of post-tax profit from joint ventures and associate	13.3	30.8	—	44.1
Capital expenditure – property, plant and equipment	5.0	2.8	—	7.8
Capital expenditure – intangible assets	0.2	—	2.9	3.1
Depreciation – property, plant and equipment	1.5	0.7	—	2.2
Amortisation – intangible assets	—	—	11.7	11.7
Share-based payments	—	—	6.7	6.7



5. EMPLOYEES AND DIRECTORS

(A) STAFF COSTS FOR THE GROUP DURING THE YEAR

	2020 £m	2019 £m
The aggregate remuneration for the employees and Directors of the Group comprised:		
Wages and salaries	108.8	105.7
Social security costs	13.8	13.4
Other pension costs	6.6	5.8
Share-based payments (Note 29)	1.0	6.7
	130.2	131.6

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

	2020 Number	2019 Number
Development	1,782	1,674
Head office	165	177
	1,947	1,851

(B) RETIREMENT BENEFITS

All the Group's employees are entitled to join the Group's defined contribution schemes, which are invested with Aegon. Annual contributions to these plans expensed in the statement of comprehensive income amounted to £6.6m (2019: £5.8m), of which £0.8m (2019: £0.7m) was outstanding as at 30 September 2020. The Group does not operate any defined benefit pension schemes.

(C) KEY MANAGEMENT COMPENSATION

The following table details the aggregate staff costs expensed in respect of the members of the Board of Directors and Executive Committee.

	2020 £m	2019 £m
Salaries and bonus	3.0	6.7
Retirement benefits	0.4	0.8
Share-based payments	0.1	3.5
	3.5	11.0

(D) DIRECTORS' EMOLUMENTS

The following table details the aggregate staff costs expensed in respect of the members of the Board of Directors.

	2020 £m	2019 £m
Aggregate emoluments	2.1	4.3

(E) EMOLUMENTS OF THE HIGHEST PAID DIRECTOR

The following table details the aggregate staff costs expensed in respect of the highest paid Director:

	2020 £m	2019 £m
Aggregate emoluments	0.6	2.3

The disclosures of shares granted under the long-term incentive schemes are included in Note 29.

For the year ended 30 September 2020

6. REVENUE

An analysis of Group reported revenue by type is set out below:

	2020 £m	2019 £m
Partnerships:		
– Private	251.7	355.2
– Affordable	196.6	243.1
– PRS	116.5	167.1
– Other	20.5	26.9
	585.3	792.3
Housebuilding:		
– Private	205.1	312.2
– Affordable	46.2	70.1
– PRS	7.2	15.4
– Other	48.2	47.1
	306.7	444.8
Total	892.0	1,237.1

At 30 September 2020, the aggregate amount of unsatisfied performance obligations relating to contracts with customers was £891.8m (2019: £893.5m). Approximately half of these amounts are expected to be recognised as revenue within one year, with the remainder recognised over varying contractual lengths.

7. OPERATING (LOSS)/PROFIT**(A) OPERATING (LOSS)/PROFIT**

Operating (loss)/profit of £(5.4)m (2019: £170.4m) is stated after charging/(crediting):

	Note	2020 £m	2019 £m
Inventories expensed to cost of sales		760.5	964.9
Net provisions against inventories	18	1.4	(0.5)
Impairment of inventories	18	4.8	7.4
Staff costs	5a	130.2	131.6
Amortisation – intangible assets	11	12.2	11.7
Impairment of goodwill	11	18.5	—
Depreciation – property, plant and equipment	12	2.5	2.2
Depreciation – right of use assets	13	7.8	—

During the year the Group received the following services from the Group's auditors:

	2020 £m	2019 £m
Fees payable to the Group's auditors for the audit of parent and consolidated financial statements	0.4	0.2
Fees payable to the Group's auditors for other services:		
– Audit of subsidiary companies	0.5	0.5
– Audit of joint ventures and associate (Group share)	0.1	0.1
– Audit-related services	0.2	0.1
Total	1.2	0.9

Fees payable to the Group's auditors for the audit of subsidiary companies in 2019 were previously presented as £0.3m. This has been increased to £0.5m in the table above to reflect additional fees agreed after the date of signing the 2019 Group financial statements.



7. OPERATING (LOSS)/PROFIT CONTINUED

(B) NON-UNDERLYING ITEMS

	2020 £m	2019 £m
Non-underlying items included within administrative expenses:		
– Impairment of goodwill	(18.5)	—
– Restructuring costs	(3.5)	—
– Ground Rent Assistance Scheme	(10.0)	—
– Amortisation of acquisition-related intangible assets	(10.2)	(10.2)
– Deferred consideration relating to Westleigh	(0.2)	2.2
– Acquisition and integration costs relating to Westleigh	—	(1.8)
Non-underlying items included within cost of sales:		
– Impairment of inventory	—	(7.4)
Total non-underlying items	(42.4)	(17.2)

Impairment of goodwill

During September 2020, the Directors announced the Board's decision to close the Millgate business with the remaining Millgate sites being transferred to the Housebuilding West region where the brand will be retained for future use. The goodwill previously recognised on the acquisition of Millgate was tested for impairment and, as a consequence of reduced cash flows from the business in future years, an impairment charge of £18.5m has been recognised. Refer to Note 11 for further detail on the impairment testing performed.

Restructuring costs

The closure of the Millgate business noted above has resulted in restructuring costs of £1.7m recognised in the year. The Millgate office will be closed resulting in an acceleration of £0.8m of depreciation on the right of use asset for the office lease, and a further £0.9m of costs have been recognised primarily relating to employee severance costs.

As announced during the equity placing in July 2020, the Group intends to expand the Partnerships division and has taken steps during the fourth quarter of the year to restructure the existing regions in order to facilitate the future growth. These steps have resulted in £0.6m of non-underlying costs being recognised, primarily relating to employee severance costs.

The Directors have assessed the office portfolio of the Group in light of the Covid-19 pandemic and the associated changes to working practices. The Group's London office will be closed, resulting in an acceleration of £1.2m of depreciation on the associated right of use asset.

Ground Rent Assistance Scheme

Following the Group's earlier commitment to the Government's Leasehold Pledge, in April 2020 the Group established the Countryside Ground Rent Assistance Scheme (the "Scheme"). The Scheme is expected to operate for a period of at least two years. It will be offered on a voluntary basis and will apply to such leases where the ground rent payable was not for the ultimate benefit of either a local authority or a registered provider of social housing.

The Group will seek agreement from freehold owners to vary the leaseholds of Countryside customers who still own homes with a leasehold ground rent that doubles more frequently than every 20 years. Working with the joint venture partners where required, Countryside aims to achieve agreement from the freehold owners to vary the leasehold ground rent to increase every 15 years in line with RPI. In parallel, where any customer has received an offer from their freehold owner to vary their lease terms in compliance with the Pledge, Countryside will reimburse the price payable by the customer plus any reasonable legal fees incurred. The Scheme is in the early stages of its development and the associated cost is estimated to be £10m.

Amortisation of acquisition-related intangible assets

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

Deferred consideration relating to Westleigh

As part of the agreement to purchase Westleigh, deferred consideration was payable to management who remained with the Group post-acquisition. These costs were accrued over the period to 31 March 2020 with changes to the estimated amount payable recognised in the statement of comprehensive income.

Acquisition and integration costs relating to Westleigh

During the year ended 30 September 2019, the Group incurred integration costs relating to the acquisition of Westleigh, including costs related to property moves and employee severance.

Impairment of inventory

During the prior year, a non-cash charge of £7.4m was recognised to impair the value of inventory in the Group's Manchester region. This was the result of costs accrued over a four-year period not being appropriately recognised in the statement of comprehensive income. No further inventory impairments have been recorded in non-underlying items during the year.

Taxation

A total tax credit of £4.7m (2019: £3.4m) in relation to all of the above non-underlying items was included within taxation in the statement of comprehensive income.

8. NET FINANCE COSTS

	Note	2020 £m	2019 £m
Bank loans and overdrafts		(5.3)	(3.4)
Amortisation of debt finance costs	20	(0.7)	(0.6)
Unwind of discount relating to:			
Land purchases on deferred payment terms		(7.0)	(7.9)
Lease liabilities	13	(1.1)	—
Other loans		(0.1)	—
Finance costs		(14.2)	(11.9)
Interest receivable		0.2	0.6
Unwind of discount relating to:			
Land sales on deferred settlement terms		0.5	0.4
Finance income		0.7	1.0
Net finance costs		(13.5)	(10.9)

9. INCOME TAX EXPENSE

	2020 £m	2019 £m
Analysis of charge for the year		
Current tax		
Current year	1.9	33.9
Total current tax	1.9	33.9
Deferred tax (Note 17)		
Origination and reversal of temporary differences	0.2	1.3
Total deferred tax	0.2	1.3
Total income tax expense	2.1	35.2

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). Deferred taxes at the balance sheet have been measured using the enacted rates that are expected to apply to the unwind of each asset or liability.

The Group effective tax rate for the year of (107.7)% (2019: 17.3%) results in a higher tax expense (2019: lower tax expense) than the standard rate of corporation tax in the United Kingdom of 19.0% (2019: 19.0%). The table below shows the reconciliation of the Group's income tax expense/(credit) calculated at the standard rate of tax in the United Kingdom to the Group's income tax expense at the effective tax rate.

	2020 £m	2019 £m
(Loss)/profit before income tax	(1.9)	203.6
Tax calculated at the parent entity rate of tax of 19.0% (2019: 19.0%)	(0.4)	38.7
Impairment of goodwill	3.5	—
Adjustments to deferred tax due to increase in UK tax rates	0.7	—
Other timing differences	(0.9)	(0.2)
Deferred tax charged directly to reserves	(0.6)	(0.7)
Joint ventures and associate tax	(0.2)	(2.2)
Income not taxable	—	(0.3)
Enhanced deductions for land remediation	—	(0.2)
Expenses not deductible for tax	—	0.1
Income tax expense	2.1	35.2



10. EARNINGS/(LOSS) PER SHARE

Basic earnings per share ("basic EPS") is calculated by dividing the profit from continuing operations attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period, adjusted for the weighted average number of shares held by the Employee Benefit Trust ("EBT"). For diluted earnings per share ("diluted EPS"), the weighted average number of ordinary shares also assumes the conversion of all potentially dilutive share awards.

(A) BASIC AND DILUTED EARNINGS/(LOSS) PER SHARE

	2020	2019
(Loss)/profit from continuing operations attributable to equity holders of the parent (£m)	(3.7)	167.7
Basic weighted average number of shares (millions)	462.1	445.1
Basic (loss)/earnings per share (pence per share)	(0.8)	37.7
Diluted weighted average number of shares (millions)	464.5	450.1
Diluted (loss)/earnings per share (pence per share)	(0.8)	37.3

The basic weighted average number of shares of 462.1 million (2019: 445.1 million) excludes the weighted average number of shares held in the EBT during the year of 1.2 million (2019: 4.9 million).

(B) ADJUSTED BASIC AND DILUTED EARNINGS PER SHARE

Adjusted basic and diluted earnings per share are APMs for the Group. Refer to pages 169 to 171 for details of the Group's APMs.

	2020	2019
(Loss)/profit from continuing operations attributable to equity holders of the parent (£m)	(3.7)	167.7
Add: non-underlying items net of tax (£m)	37.7	13.8
Adjusted profit from continuing operations attributable to equity holders of the parent (£m)	34.0	181.5
Basic weighted average number of shares (millions)	462.1	445.1
Adjusted basic earnings per share (pence per share)	7.4	40.8
Diluted weighted average number of shares (millions)	465.3	450.1
Adjusted diluted earnings per share (pence per share)	7.3	40.3

Non-underlying items net of tax include costs of £42.4m, net of tax of £4.7m (2019: costs of £17.2m, net of tax of £3.4m). Refer to Note 7.

11. INTANGIBLE ASSETS

	Software £m	Customer related £m	Brand £m	Goodwill £m	Total £m
Cost					
At 1 October 2018	5.1	42.1	34.6	109.8	191.6
Additions	3.1	—	—	—	3.1
At 30 September 2019	8.2	42.1	34.6	109.8	194.7
Additions	2.9	—	—	—	2.9
At 30 September 2020	11.1	42.1	34.6	109.8	197.6
Accumulated amortisation and impairment					
At 1 October 2018	1.6	3.4	7.1	—	12.1
Amortisation charge for the year	1.7	6.7	3.3	—	11.7
At 30 September 2019	3.3	10.1	10.4	—	23.8
Amortisation charge for the year	2.2	6.7	3.3	—	12.2
Impairment charge for the year	—	—	—	18.5	18.5
At 30 September 2020	5.5	16.8	13.7	18.5	54.5
Net book value					
At 30 September 2020	5.6	25.3	20.9	91.3	143.1
At 30 September 2019	4.9	32.0	24.2	109.8	170.9

**11. INTANGIBLE ASSETS CONTINUED****GOODWILL**

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

	2020 £m	2019 £m
Cophthorn Holdings Limited ("Cophthorn") – April 2013	19.3	19.3
Millgate Developments Limited ("Millgate") – February 2014	—	18.5
Westleigh Group Limited ("Westleigh") – April 2018	72.0	72.0
	91.3	109.8

In all three cases, the acquired entities represent cash generating units ("CGUs") or groups of CGUs for the purpose of impairment testing.

IMPAIRMENT TESTING

Goodwill is tested annually for impairment at the year end; however, impairment testing was also carried out at 31 March 2020 in light of the uncertainty caused by the Covid-19 pandemic. No impairment charge was recorded at 31 March 2020 or at 30 September 2019 as a result of the impairment testing.

The recoverable amount of a CGU or group of CGUs is the greater of the value in use and fair value less costs of disposal.

The recoverable amounts of the Cophthorn and Westleigh groups of CGUs are based on value in use, in line with the prior year assessment.

The key estimates for the value in use calculations are the forecast cash flows and the discount rates.

Forecast cash flows are derived from the most recent Board-approved strategic plan. The strategic plan incorporates management's assumptions regarding the future performance of the Group over the next three years, including the impact of the Covid-19 pandemic. This includes the Directors' assessment of current market conditions relating to house prices and the costs of materials and labour. The plan also considers broader market trends, the Group's growth plans, planned changes to the business model, and expected regulatory and tax changes.

Cash flows beyond the strategic plan are extrapolated using a growth rate of 1% per annum based on GDP growth forecasts by HM Treasury.

Forecast cash flows are discounted using a pre-tax discount rate that reflects the time value of money and the estimated risk profile of the CGU or group of CGUs. The discount rate applied to the Cophthorn group of CGUs was 9.0% and the discount rate applied to the Westleigh CGU was 11.0%.

Sensitivity analysis has been undertaken for each impairment review by changing discount rates, cash flows and long-term growth rates applicable to each CGU or group of CGUs to which goodwill has been allocated. Neither an increase in the discount rate of 3%, a reduction in cash flows of 10% per annum, nor a reduction of the long-term growth rate to 0% would indicate impairment in the Cophthorn and Westleigh groups of CGUs.

The recoverable amount of the Millgate CGU in the prior year was based on value in use. As detailed in Note 7, the Group announced the closure of the business during the year with the remaining Millgate sites being transferred to the Housebuilding West region where the brand will be retained for future use. This decision has resulted in finite future cash flows attributable to the Millgate CGU, reducing the value in use, through the absence of long-term growth and terminal value, to a lower value compared with the fair value less costs of disposal. The recoverable amount in the current year impairment testing is therefore based on fair value less costs of disposal.

The carrying amount of the CGU primarily consists of inventories, goodwill, trade receivables and the Millgate brand. The fair value of inventories is estimated based on the Group's past experience and internal forecasts of Millgate developments and the fair value of trade receivables is based on the Group's expected credit loss assessment. The Directors have assessed the fair value of the brand based on internal forecasts and management information. Costs of disposal were estimated based on available market information which indicated costs of disposal in the region of 2-5% of net assets. As the inputs required to fair value the CGU are not based on observable market data, the fair value is classified as Level 3.

The fair value less costs of disposal of the Millgate CGU was calculated as £84.7m, which resulted in a goodwill impairment charge of £18.5m (2019: £Nil) recognised in administrative expenses in the statement of comprehensive income. No further impairment was recognised against any other assets of the CGU.

BRANDS

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

	Acquired (year)	Life (years)	2020 £m	2019 £m
Countryside	2013	20.0	8.4	9.1
Millgate	2014	11.7	7.2	7.7
Westleigh	2018	5.0	5.3	7.4
			20.9	24.2

As noted above, the Group announced the closure of the Millgate business during the year. The remaining sites are being transferred to the Housebuilding West region where the brand will be retained for future use. As a result of these changes, the remaining useful life of the Millgate brand has been reduced to five years ending 30 September 2025, reducing the total useful life from 20 to 11.7 years. The change in useful life is a change in accounting estimate per IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and is therefore recognised prospectively. The impact of the change in estimate will be an increase to the annual amortisation charge of £0.9m through to 30 September 2025.



11. INTANGIBLE ASSETS CONTINUED

CUSTOMER-RELATED INTANGIBLE ASSETS

Customer-related intangible assets of £25.3m relate to customer relationships recognised on the acquisition of Westleigh in April 2018. The prior year balance of £32.0m also included customer contracts of £3.4m relating to Westleigh that are now fully amortised. The useful economic life of the customer relationships is ten years, reflecting the expected timeframe over which the Group will derive value from these assets.

Amortisation is charged to administrative expenses in the statement of comprehensive income.

12. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery £m	Fixtures and fittings £m	Total £m
Cost			
At 1 October 2018	8.5	7.4	15.9
Additions	2.8	5.0	7.8
Disposals	(0.9)	(1.2)	(2.1)
At 30 September 2019	10.4	11.2	21.6
Additions	3.8	1.0	4.8
Disposals	(0.2)	(0.1)	(0.3)
At 30 September 2020	14.0	12.1	26.1
Accumulated depreciation			
At 1 October 2018	5.2	3.0	8.2
Depreciation charge for the year	1.5	0.7	2.2
Disposals	(0.8)	(0.8)	(1.6)
At 30 September 2019	5.9	2.9	8.8
Depreciation charge for the year	1.6	0.9	2.5
Disposals	(0.2)	(0.1)	(0.3)
At 30 September 2020	7.3	3.7	11.0
Net book value			
At 30 September 2020	6.7	8.4	15.1
At 30 September 2019	4.5	8.3	12.8

Depreciation is charged to administrative expenses in the statement of comprehensive income.

Plant and machinery additions during the year include £2.4m relating to machinery for the new modular panel factory in Bardon, Leicestershire. The machinery is classified as assets under construction and depreciation will commence when the machinery is operational in the new factory.

**13. LEASES**

During the year ended 30 September 2020, the Group adopted IFRS 16 “Leases” using the modified retrospective approach. The impact of the adoption of IFRS 16 on the Group’s financial statements is explained in Note 34.

The Group’s leases consist primarily of buildings (offices, factories and show homes). The Group also leases other assets such as company cars and IT equipment, presented within “Other” below.

RIGHT OF USE ASSETS

	Buildings £m	Other £m	Total £m
Cost			
At 1 October 2019	26.9	3.4	30.3
Additions	1.4	3.0	4.4
Disposals	(1.2)	—	(1.2)
At 30 September 2020	27.1	6.4	33.5
Accumulated depreciation			
At 1 October 2019	—	—	—
Depreciation charge for the year	5.9	1.9	7.8
Disposals	(0.6)	—	(0.6)
At 30 September 2020	5.3	1.9	7.2
Net book value			
At 30 September 2020	21.8	4.5	26.3

LEASE LIABILITIES

	2020 £m
Current	5.9
Non-current	24.6
Total	30.5

The total cash outflow relating to lease liabilities for the year ended 30 September 2020 was £6.0m. A maturity analysis of the contractual undiscounted future lease payments is presented in Note 28.

Lease liabilities at 30 September 2020 include liabilities relating to the Group’s timber frame factory in Leicester and the modular panel factory in Warrington. During the year, the Group signed an agreement to lease a second modular panel factory in Bardon, Leicestershire. The factory is under construction and the 20-year lease will commence on occupation by the Group. A right of use asset and corresponding lease liability will be recognised of c.£32m when the lease commences.

A new lease for the head office in Brentwood, Essex, was signed on 27 November 2020. This has been treated as a non-adjusting post balance sheet event. Refer to Note 35 for further details.

AMOUNTS RECOGNISED IN THE STATEMENT OF COMPREHENSIVE INCOME

	2020 £m
Depreciation of right of use assets	7.8
Finance costs – unwind of discount	1.1
Expenses relating to short-term leases	0.9
Expenses relating to leases of low value assets	0.3



14. JOINT ARRANGEMENTS

JOINT VENTURES

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

	2020			2019		
	Partnerships £m	Housebuilding £m	Group £m	Partnerships £m	Housebuilding £m	Group £m
Summarised statement of financial position:						
Non-current assets	1.6	0.9	2.5	1.7	7.1	8.8
Current assets excluding cash	56.8	227.0	283.8	78.6	212.5	291.1
Cash	1.4	4.6	6.0	3.5	15.5	19.0
Current liabilities	(16.0)	(34.3)	(50.3)	(45.6)	(37.8)	(83.4)
Non-current liabilities	(19.6)	(140.6)	(160.2)	(3.4)	(107.7)	(111.1)
	24.2	57.6	81.8	34.8	89.6	124.4
Movements in net assets:						
At 1 October	34.8	89.6	124.4	27.3	97.8	125.1
Profit for the year	16.0	17.8	33.8	26.6	54.6	81.2
Dividends paid	(26.6)	(40.4)	(67.0)	(19.1)	(56.1)	(75.2)
Repayment of members' interest	—	(8.8)	(8.8)	—	(5.8)	(5.8)
Other movements	—	(0.6)	(0.6)	—	(0.9)	(0.9)
At 30 September	24.2	57.6	81.8	34.8	89.6	124.4
Summarised statement of comprehensive income:						
Revenue	88.2	105.4	193.6	89.6	263.5	353.1
Expenses	(71.7)	(87.6)	(159.3)	(63.0)	(204.7)	(267.7)
Operating profit for the year	16.5	17.8	34.3	26.6	58.8	85.4
Finance (costs)/income	(0.6)	0.2	(0.4)	—	(0.5)	(0.5)
Income tax credit/(expense)	0.1	(0.2)	(0.1)	—	(3.8)	(3.8)
Profit for the year	16.0	17.8	33.8	26.6	54.5	81.1
Group's share in %			50.0%			50.0%
Share of revenue			96.8			176.6
Share of operating profit			17.2			42.7
Dividends received by the Group			33.5			37.6
Investment in joint ventures			40.9			62.2

The amount due from joint ventures is £69.5m (2019: £49.7m) and the amount due to joint ventures is £0.4m (2019: £0.4m). Transactions between the Group and its joint ventures are disclosed in Note 26.



For the year ended 30 September 2020

14. JOINT ARRANGEMENTS CONTINUED**INVESTMENT IN JOINT VENTURES**

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

	2020 £m	2019 £m
At 1 October	62.2	62.5
Share of post-tax profit	16.9	40.6
Dividends received	(33.5)	(37.6)
Repayment of members' interest	(4.4)	(2.9)
Other movements	(0.3)	(0.4)
At 30 September	40.9	62.2

INDIVIDUALLY MATERIAL JOINT VENTURES

The Directors consider that joint ventures are material where they contribute to 5% or more of either Group profit after tax or Group net assets.

The summarised results and position of individually material joint ventures are highlighted below:

2020	Acton Gardens LLP £m	Greenwich Millennium Village Ltd £m	Countryside Zest (Beaulieu Park) LLP £m	Countryside L&Q (Oaks Village) LLP £m
	Partnerships	Housebuilding	Housebuilding	Housebuilding
Summarised statement of financial position:				
Non-current assets	1.6	0.1	0.7	0.1
Current assets excluding cash	47.6	78.2	128.9	16.2
Cash	0.4	0.9	0.6	0.7
Current liabilities	(29.8)	(43.4)	(7.5)	(2.9)
Non-current liabilities	(3.2)	(3.9)	(112.9)	(3.0)
	16.6	31.9	9.8	11.1
Movements in net assets:				
At 1 October	27.0	30.6	30.2	22.0
Profit for the year	16.2	1.3	10.7	5.3
Dividends paid	(26.6)	—	(31.1)	(7.4)
Repayment of members' interest	—	—	—	(8.8)
At 30 September	16.6	31.9	9.8	11.1
Summarised statement of comprehensive income:				
Revenue	88.2	13.4	55.9	26.5
Expenses	(71.7)	(11.8)	(45.6)	(21.1)
Operating profit for the year	16.5	1.6	10.3	5.4
Finance (costs)/income	(0.4)	(0.1)	0.4	(0.1)
Income tax credit/(expense)	0.1	(0.2)	—	—
Profit for the year	16.2	1.3	10.7	5.3



14. JOINT ARRANGEMENTS CONTINUED INDIVIDUALLY MATERIAL JOINT VENTURES CONTINUED

2019	Acton Gardens LLP £m	Greenwich Millennium Village Ltd £m	Countryside Zest (Beaulieu Park) LLP £m	Countryside L&Q (Oaks Village) LLP £m
	Partnerships	Housebuilding	Housebuilding	Housebuilding
Summarised statement of financial position:				
Non-current assets	1.7	0.1	6.6	0.4
Current assets excluding cash	70.9	48.0	134.4	27.0
Cash	1.7	1.0	8.9	0.4
Current liabilities	(43.9)	(13.8)	(20.2)	(2.3)
Non-current liabilities	(3.4)	(4.7)	(99.5)	(3.5)
	27.0	30.6	30.2	22.0
Movements in net assets:				
At 1 October	19.5	37.9	22.1	32.3
Profit for the year	26.6	14.6	30.1	7.6
Dividends paid	(19.1)	(21.9)	(22.0)	(12.2)
Repayment of members' interest	—	—	—	(5.8)
Other movements	—	—	—	0.1
At 30 September	27.0	30.6	30.2	22.0
Summarised statement of comprehensive income:				
Revenue	89.6	71.9	130.5	33.7
Expenses	(63.0)	(53.4)	(100.5)	(26.0)
Operating profit	26.6	18.5	30.0	7.7
Finance costs	—	(0.5)	0.1	(0.1)
Income tax expense	—	(3.4)	—	—
Profit for the year	26.6	14.6	30.1	7.6

**14. JOINT ARRANGEMENTS CONTINUED****THE GROUP'S JOINT VENTURES**

The Group's joint ventures, all of which are incorporated and domiciled in the UK and are accounted for using the equity method, comprise:

	Country of incorporation	Ownership interest %	Principal activity
Acton Gardens LLP	UK	50.0	Development
Brenthall Park (Commercial) Limited	UK	50.0	Dormant
Brenthall Park (Infrastructure) Limited	UK	50.0	Dormant
Brenthall Park (Three) Limited	UK	50.0	Dormant
Brenthall Park Limited	UK	50.0	Dormant
Cambridge Medipark Limited	UK	50.0	Commercial
CBC Estate Management Limited ¹	UK	50.0	Estate management
C.C.B. (Stevenage) Limited ²	UK	33.3	Non-trading
Countryside 27 Limited	UK	50.0	Commercial
Countryside L&Q (Oaks Village) LLP	UK	50.0	Development
Countryside Annington (Mill Hill) Limited	UK	50.0	Development
Countryside Clarion (Eastern Quarry) LLP	UK	50.0	Development
Countryside Clarion (North Leigh) LLP	UK	50.0	Dormant
Countryside Properties (Accordia) Limited	UK	50.0	Non-trading
Countryside Properties (Booth Street 2) Limited	UK	39.0	Dormant
Countryside Properties (Merton Abbey Mills) Limited	UK	50.0	Non-trading
Countryside Maritime Limited	UK	50.0	Development
Countryside Neptune LLP	UK	50.0	Development
Countryside Zest (Beaulieu Park) LLP	UK	50.0	Development
Greenwich Millennium Village Limited	UK	50.0	Development
iCO Didsbury Limited	UK	50.0	Commercial
Kingsmere Estate Management Limited	UK	50.0	Estate management
Mann Island Estate Limited	UK	50.0	Estate management
Marrco 25 Limited	UK	50.0	Non-trading
Oaklands Hamlet Resident Management Limited	UK	50.0	Estate management
Peartree Village Management Limited	UK	50.0	Estate management
Silversword Properties Limited	UK	50.0	Commercial
Westleigh Cherry Bank LLP	UK	50.0	Non-trading
Woolwich Countryside Limited (in liquidation) ³	UK	50.0	Non-trading

All joint ventures hold the registered address of Countryside House, The Drive, Brentwood, Essex CM13 3AT, except where noted otherwise.

No joint venture was committed to the purchase of any property, plant and equipment or software intangible assets as at 30 September 2020 (2019: £Nil).

1. CBC Estate Management has the registered address of The Control Tower, 29 Liberty Square, Kings Hill, West Malling, Kent ME19 4RG.

2. C.C.B. Stevenage has the registered address of Croudace House, Tupwood Lane, Caterham, Surrey CR3 6XQ.

3. Woolwich Countryside has the registered address of 15 Canada Square, London E14 5GL.

JOINT OPERATIONS

The Group has a number of joint operations. These include Beam Park in Rainham and Fresh Wharf in Barking where the Group has joint control of the developments, alongside a housing association. Joint operations are proportionally consolidated with 50% of the assets, liabilities, income and expenses included in the consolidated financial statements.



15. INVESTMENT IN ASSOCIATE

The Group holds 28.5% of the ordinary share capital with pro-rata voting rights in Countryside Properties (Bicester) Limited, a company incorporated and domiciled in the UK, whose principal activity is the sale of serviced parcels of land, and for segmental purposes is disclosed within the Housebuilding division. It is accounted for using the equity method.

The Group's investment in associate is represented by:

	2020 £m	2019 £m
Summarised statement of financial position:		
Non-current assets	—	1.0
Current assets excluding cash	3.2	20.8
Cash	13.4	24.8
Current liabilities	(11.4)	(32.8)
Non-current liabilities	(0.5)	(1.5)
	4.7	12.3
Movements in net assets:		
At 1 October	12.3	19.2
Profit for the year	0.4	12.4
Dividends paid	(8.0)	(19.3)
At 30 September	4.7	12.3
Summarised statement of comprehensive income:		
Revenue	—	32.1
Expenses	—	(17.6)
Operating profit	—	14.5
Finance income	0.5	1.0
Income tax expense	(0.1)	(3.1)
Profit for the year	0.4	12.4
Group's share in %	28.5%	28.5%
Share of revenue	—	9.1
Share of operating profit	—	4.1
Dividends received by the Group	2.3	5.5
Investment in associate	1.3	3.5

Transactions between the Group and its associate are disclosed in Note 26. No amounts are due to or from the associate as at 30 September 2020 (2019: £Nil).

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

	2020 £m	2019 £m
Reconciliation to carrying amount:		
At 1 October	3.5	5.4
Share of post-tax profit	0.1	3.5
Dividends received	(2.3)	(5.5)
Other movements	—	0.1
At 30 September	1.3	3.5

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

**16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	2020 £m	2019 £m
At 1 October	5.0	4.1
Increase in fair value	—	0.9
Settlement	(5.0)	—
At 30 September	—	5.0

Financial assets at fair value through profit or loss at 30 September 2019 related solely to a deferred land overage receivable resulting from agreements where land was sold to a third party and the Group was entitled to a share of surplus profits once development was complete. The overage receivable was held at fair value, being the Directors' best estimate of the value that could be achieved in a presumed sale of these assets to a third party, after taking into account judgements of the variability of the expected final cash value, the time value of money and the degree of completion of the developments. Given that the inputs were estimated and not observed in a market, the fair value is classified as Level 3 in the fair value hierarchy.

During the year, the receivable was settled for £5.0m with no gain or loss recognised in the statement of comprehensive income.

17. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets held on the balance sheet date have the following expected maturities:

	2020 £m	2019 £m
Amounts due to be recovered within one year	1.4	1.6
Amounts due to be recovered after more than one year	2.7	3.7
	4.1	5.3

Deferred tax liabilities held on the balance sheet date have the following expected maturities:

	2020 £m	2019 £m
Amounts due to be settled within one year	1.3	1.7
Amounts due to be settled after more than one year	9.2	9.2
	10.5	10.9

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

	Share-based payments £m	Other timing differences £m	Total £m
At 1 October 2018	3.6	(7.2)	(3.6)
Charge to the statement of comprehensive income for the year	(0.6)	(0.7)	(1.3)
Amount transferred to the statement of changes in equity	(0.7)	—	(0.7)
At 30 September 2019	2.3	(7.9)	(5.6)
Charge to the statement of comprehensive income for the year	(0.8)	0.6	(0.2)
Amount transferred to the statement of changes in equity	(0.6)	—	(0.6)
At 30 September 2020	0.9	(7.3)	(6.4)

Temporary differences arising in connection with interests in joint ventures and associate are not significant. Unrecognised tax assets on joint ventures and associate are £0.6m on historical losses of £3.5m (2019: £0.6m on historical losses of £3.5m). No deferred tax asset has been recognised in relation to losses where it is considered that they are not recoverable in the near future. The Group has unrecognised deferred tax assets of £1.4m on historical losses of £7.6m (2019: £1.2m on historical losses of £7.0m).



18. INVENTORIES

	2020 £m	2019 £m
Development land and work in progress	965.0	741.4
Completed properties unsold or awaiting sale	94.1	67.2
	1,059.1	808.6

Development land and work in progress of £965.0m (2019: £741.4m) includes land costs of £421.2m (2019: £412.4m), land options with a carrying value of £26.9m (2019: £24.2m) and development expenditure of £521.7m (2019: £308.3m), offset by provisions of £(4.8)m (2019: £(3.5)m). The table below reconciles the movement in provisions during the year:

	2020 £m	2019 £m
At 1 October	3.5	5.7
Charged in the year	1.4	—
Released in the year	—	(0.5)
Utilised in the year	(0.1)	(1.7)
At 30 September	4.8	3.5

Borrowing costs capitalised into inventories during the year were £Nil (2019: £Nil).

During the year, an impairment charge of £4.8m was recognised against inventories (2019: £7.4m).

19. TRADE AND OTHER RECEIVABLES

	2020 £m	2019 £m
Amounts falling due within one year:		
Trade receivables	44.5	57.2
Amounts recoverable on construction contracts	40.4	78.5
Advances to joint ventures	69.5	49.7
Other taxation and social security	6.0	14.9
Other receivables	1.5	0.3
Prepayments and accrued income	37.3	32.2
	199.2	232.8
Amounts falling due in more than one year:		
Amounts recoverable on construction contracts	19.6	15.2
	19.6	15.2
Total trade and other receivables	218.8	248.0

The Group applies the simplified approach under IFRS 9 to measure expected credit losses (“ECL”) associated with trade and other receivables. The carrying value of the receivable is reduced at each reporting date for any increase in the lifetime ECL, with an impairment loss recognised in the statement of comprehensive income.

The Directors are of the opinion that there are no significant concentrations of credit risk (Note 28). Trade receivables and amounts recoverable on construction contracts include amounts outstanding past their due date of £9.0m (2019: £9.9m); however, £Nil was impaired (2019: £Nil).

A provision of £8.0m (2019: £8.0m) is held against an advance to Countryside Neptune LLP, a joint venture, to reflect the Directors’ view of the recoverability of this advance. The other classes within trade and other receivables do not contain impaired assets.

Prepayments and accrued income of £37.3m include £31.1m of contract assets (2019: £25.7m) relating to invoiced amounts where revenue has been recognised in the statement of comprehensive income.

The fair value of the financial assets included in trade and other receivables is not considered to be materially different from their carrying value. The fair values are based on discounted cash flows and are within Level 3 of the fair value hierarchy.

**20. CASH AND BORROWINGS****(A) CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise cash and short-term deposits held in Sterling of £100.5m (2019: £75.6m).

As at 30 September 2019, the Group had allocated £30m of its £300m revolving credit facility to a separate overdraft facility. This allocation was removed at the request of the Group during the year. As a result, there are no overdraft balances in the statement of financial position as at 30 September 2020 (2019: £Nil).

As at 30 September 2020, there is £Nil (2019: £Nil) ring-fenced for specific developments.

(B) BORROWINGS

	2020 £m	2019 £m
Other loans	(2.3)	(2.2)
Total borrowings	(2.3)	(2.2)

Bank loans

The Group has a £300m revolving credit facility ("RCF") with Lloyds Bank plc, Barclays Bank PLC, HSBC Bank plc and Santander UK plc, expiring in May 2023. The agreement has a floating interest rate based on LIBOR. As at 30 September 2020 and 30 September 2019 the Group had no drawings under the facility.

Subject to obtaining credit approval from the syndicate banks, the Group has the option to extend the facility by a further £100m. This facility is subject to both financial and non-financial covenants and is secured by floating charges over all the Group's assets.

The Group also has the option to issue promissory notes from Barclays Bank PLC under the facility, with any notes issued reducing the available funds such that total borrowings under the facility does not exceed £300m. As at 30 September 2020, and 30 September 2019, the Group had no promissory notes in issue from Barclays Bank PLC.

Bank loan arrangement fees are amortised over the term of the facility. At 30 September 2020, unamortised loan arrangement fees were £2.2m (2019: £2.0m), including £0.9m incurred during the year in connection with the amendment of certain financial covenants in April 2020 in response to the Covid-19 pandemic. Amortisation of £0.7m (2019: £0.6m) is included in finance costs in the statement of comprehensive income (Note 8).

As the Group did not have any debt under this facility at 30 September 2020 or 30 September 2019, the unamortised loan arrangement fees are included within prepayments in the statement of financial position.

Covid Corporate Financing Facility ("CCFF")

On 28 April 2020, the Group received confirmation from the Bank of England of its eligibility to participate in the CCFF. The Group has put in place a commercial paper programme which will allow up to £300m of commercial paper to be issued. The facility will be used to provide standby liquidity, should that be required, and is currently undrawn.

Other loans

During the year ended 30 September 2018, the Group received an interest-free loan of £2.5m for the purpose of funding remediation works in relation to one of its joint operations. The loan is repayable on 22 November 2022. The loan was initially recognised at fair value and subsequently carried at amortised cost.

During the year, a local authority made available a forward funding loan arrangement of £2.5m that the Group can draw upon if required under the development agreement. At 30 September 2020, no amounts had been received by the Group relating to this arrangement.

Interbank Offered Rates ("IBOR") reform

The Directors do not anticipate the IBOR reform to have a material impact on the Group's finance costs. A further detailed review will be undertaken prior to implementation of the reform.



21. TRADE AND OTHER PAYABLES

	2020 £m	2019 £m
Amounts falling due within one year:		
Trade payables	71.9	50.7
Deferred land payments	109.5	73.0
Overage payable	11.5	7.4
Accruals and deferred income	141.7	160.2
Other taxation and social security	4.9	3.3
Other payables	4.7	27.6
Advances from joint ventures	0.4	0.4
	344.6	322.6
Amounts falling due in more than one year:		
Trade payables	21.4	17.9
Deferred land payments	83.3	85.3
Overage payable	19.8	26.5
Accruals and deferred income	—	0.3
	124.5	130.0
Total trade and other payables	469.1	452.6

Trade and other payables principally comprise amounts outstanding for trade purchases and land acquired on deferred terms. The Directors consider that the carrying amount of trade payables approximates to their fair value.

The carrying amount of deferred land payments and overage payable represents the discounted payment obligations. At 30 September 2020, the liabilities had been discounted by £9.2m (2019: £12.4m), reflecting the time value of money.

Land acquired on deferred payment terms is discounted using an interest rate of 3.4% for transactions entered into from 1 April 2017 and 6.0% for transactions prior to this date. Discount rates are regularly reviewed to ensure that the most appropriate rate is applied at the inception of new developments. The most recent review was performed at 30 September 2020.

Deferred land payments include £Nil (2019: £2.4m) relating to land acquisitions using promissory notes, issued under the Group's revolving credit facility.

Accruals and deferred income include £11.9m (2019: £2.3m) of contract liabilities, where the value of payments made by customers exceeds the revenue recognised in the statement of comprehensive income. The Group recognised revenue of £1.6m during the year relating to the contract liabilities of £2.3m as at 30 September 2019.

22. PROVISIONS

	2020 Ground Rent Assistance Scheme £m	2020 Other £m	2020 Total £m	2019 Total £m
At 1 October	—	2.4	2.4	5.3
Charged in the year	10.0	0.7	10.7	0.4
Released in the year	—	(1.0)	(1.0)	(2.5)
Utilised in the year	—	(0.7)	(0.7)	(0.9)
Reclassification	—	—	—	0.1
At 30 September	10.0	1.4	11.4	2.4
Current	10.0	0.9	10.9	1.8
Non-current	—	0.5	0.5	0.6
Total provisions	10.0	1.4	11.4	2.4

Provisions primarily relate to the Countryside Ground Rent Assistance Scheme and office dilapidations.

The Countryside Ground Rent Assistance Scheme (the "Scheme") was established in April 2020 following the Group's earlier commitment to the Government's Leasehold Pledge and applies to leases where the ground rent payable was not for the ultimate benefit of either a local authority or a registered provider of social housing. The Group will seek agreement from all freehold owners to vary the leaseholds of Countryside customers who still own homes with a leasehold ground rent that doubles more frequently than every 20 years. Working with the joint venture partners where required, the Group aims to achieve agreement from the freehold owners to vary the leasehold ground rent to increase every 15 years in line with RPI. In parallel, where any customer has received an offer from their freehold owner to vary their lease terms in compliance with the Pledge, Countryside will reimburse the price payable by the customer plus any reasonable legal fees incurred. The Scheme is expected to last two years and the associated cost is estimated at £10.0m. As the timing of utilisation is uncertain, the provision has been included within current liabilities.

**23. RESERVES****(A) SHARE CAPITAL AND SHARE PREMIUM**

	Number of shares		Share capital	
	2020 m	2019 m	2020 £m	2019 £m
Allotted, issued and fully paid				
Ordinary shares of £0.01 each	525	450	5.2	4.5

Equity placing

On 23 July 2020, the Company carried out a non-pre-emptive placing of ordinary shares at a placing price of 335 pence, raising net proceeds of £243.0m (net of issue costs).

The total number of ordinary shares issued of 74,626,870 represented 16.6% of the existing issued share capital of the Company on the date of the placing. As at 30 September 2020 the Company had 524,626,870 ordinary shares of £0.01 each in issue, all of which are allotted and fully paid.

A total of 72,983,484 ordinary shares were placed using a cash box structure, whereby the cash box entity issued redeemable preference shares in exchange for cash proceeds from institutional investors. The Company's ordinary shares were issued to the institutional investors as consideration for the transfer of the shares of the cash box entity. The placing qualified for merger relief under Section 612 of the Companies Act 2006 resulting in the recognition of retained earnings of £237.0m (net of issue costs).

The remaining 1,643,386 shares were issued to retail investors, Company Directors and Group management in consideration for cash resulting in the recognition of share premium of £5.3m (net of issue costs).

The shares are fully paid and rank pari passu in all respects with the existing ordinary shares, including the right to receive all dividends and other distributions declared, made or paid in respect of ordinary shares.

(B) EMPLOYEE BENEFIT TRUST ("EBT")

From time to time, the EBT purchases shares of the Company, on behalf of the Group, in order to hold an appropriate level of shares towards the future settlement of outstanding share-related incentives. The purchase value of EBT shares is charged to retained earnings.

In September 2020, the EBT acquired 1,200,000 shares in the Company through purchases on the London Stock Exchange to meet the Group's expected obligations under share-based incentive arrangements. The total amount paid by the EBT for the shares was £3.8m, with the Group contributing £2.0m during the year to fund the purchases.

The EBT has waived its right to vote and to dividends on the shares it holds which are unallocated. The number of shares held in the EBT as at 30 September 2020 was 1,649,207 (2019: 3,959,289).

(C) NON-CONTROLLING INTEREST

Non-controlling interest of £0.3m (2019: £2.3m) relates to the Group's investment in Countryside Sigma Limited. During the year, £2.6m was reclassified from retained earnings to non-controlling interest relating to historical profits of Countryside Sigma Limited previously presented as earnings attributable to owners of the parent. Countryside Sigma Limited paid dividends of £8.6m during the year (2019: £Nil) of which £4.3m was paid to the non-controlling interest.



24. NOTES TO THE CASH FLOW STATEMENT

The table below provides a reconciliation of profit before income tax to cash generated from operations:

	Note	2020 £m	2019 £m
(Loss)/profit before income tax		(1.9)	203.6
Adjustments for:			
– Amortisation – intangible assets	11	12.2	11.7
– Depreciation – property, plant and equipment	12	2.5	2.2
– Depreciation – right of use assets	13	7.8	—
– Impairment of goodwill	11	18.5	—
– Share of post-tax profit from joint ventures and associate	14, 15	(17.0)	(44.1)
– Share-based payments (pre-tax)	29	1.0	6.7
– Finance costs	8	14.2	11.9
– Finance income	8	(0.7)	(1.0)
– Fair value gain on financial assets held at fair value through profit or loss	16	—	(0.9)
– Other non-cash items		—	0.1
Changes in working capital:			
– Increase in inventories		(250.5)	(67.8)
– Decrease/(increase) in trade and other receivables		48.2	(66.7)
– Increase in trade and other payables		11.8	33.5
– Increase/(decrease) in provisions	22	9.0	(2.9)
Cash (used in)/generated from operations		(144.9)	86.3

Changes in liabilities relating to financing activities are shown below for the period from the adoption of IFRS 16 “Leases”:

	Borrowings £m	Lease liabilities £m	Total £m
Liabilities from financing activities at 30 September 2019	2.2	—	2.2
Liabilities recognised on transition to IFRS 16	—	31.6	31.6
Liabilities from financing activities at 1 October 2019	2.2	31.6	33.8
Financing cash flows	—	(4.9)	(4.9)
Operating cash flows	—	(1.1)	(1.1)
Lease additions	—	4.4	4.4
Lease disposals	—	(0.6)	(0.6)
Unwind of discount	0.1	1.1	1.2
Liabilities from financing activities at 30 September 2020	2.3	30.5	32.8



For the year ended 30 September 2020

25. INVESTMENTS

The Company substantially owns, directly or indirectly, the whole of the issued and fully paid ordinary share capital of its subsidiary undertakings. Subsidiary undertakings of the Group as at 30 September 2020 are presented below:

	Country of incorporation	Voting rights %	Principal activity
Direct investment			
Cophthorn Holdings Limited	UK	100	Holding company
Indirect investment			
Alma Estate (Enfield) Management Company Limited	UK	100	Estate management
Brenthall Park (One) Limited	UK	100	Dormant
Beechgrove (Sunninghill) Management Company Limited	UK	100	Estate management
Breedon Place Management Company Limited	UK	100	Estate management
Cambridge Road (RBK) LLP ¹	UK	100	Development
Countryside 26 Limited	UK	100	Development
Countryside 28 Limited	UK	100	Development
Countryside Cambridge One Limited	UK	100	Holding land
Countryside Cambridge Two Limited	UK	100	Holding land
Countryside Developments Limited	UK	100	Dormant
Countryside Four Limited	UK	100	Holding company
Countryside Properties (Commercial) Limited	UK	100	Dormant
Countryside Properties (Holdings) Limited	UK	100	Holding company
Countryside Properties (In Partnership) Limited	UK	100	Dormant
Countryside Properties (Joint Ventures) Limited	UK	100	Holding company
Countryside Properties Land (One) Limited	UK	100	Holding land
Countryside Properties Land (Two) Limited	UK	100	Holding land
Countryside Properties (London & Thames Gateway) Limited	UK	100	Dormant
Countryside Properties (Northern) Limited	UK	100	Non-trading
Countryside Properties (Salford Quays) Limited	UK	100	Non-trading
Countryside Properties (Southern) Limited	UK	100	Dormant
Countryside Properties (Special Projects) Limited	UK	100	Dormant
Countryside Properties (Springhead) Limited	UK	100	Development
Countryside Properties (Uberior) Limited	UK	100	Development
Countryside Properties (UK) Limited	UK	100	Development
Countryside Properties (WGL) Limited	UK	100	Holding company
Countryside Properties (WHL) Limited	UK	100	Holding company
Countryside Properties (WPL) Limited	UK	100	Development
Countryside Residential Limited	UK	100	Dormant
Countryside Residential (South Thames) Limited	UK	100	Dormant
Countryside Residential (South West) Limited	UK	100	Dormant
Countryside Seven Limited	UK	100	Dormant
Countryside Sigma Limited	UK	74.9	Development
Countryside Thirteen Limited	UK	100	Development
Countryside Timber Frame Limited	UK	100	Manufacturing
Countryside (UK) Limited	UK	100	Dormant
Dunton Garden Suburb Limited	UK	100	Land promotion
Fresh Wharf Residents Management Company Limited	UK	100	Estate management
Harold Wood Management Limited	UK	100	Estate management
Hilborn Management Company Limited	UK	100	Estate management
Knight Strategic Land Limited	UK	100	Land promotion
Mandeville Place (Radwinter) Management Limited	UK	100	Estate management
Millgate Developments Limited	UK	100	Development
Millgate (UK) Holdings Limited	UK	100	Holding company
Mulberry Green Management Company Limited	UK	100	Estate management
New Avenue (Cockfosters) Management Company Limited	UK	100	Estate management
Newhall Land Limited	UK	100	Development
Newhall Resident Management Company Limited	UK	100	Estate management



25. INVESTMENTS CONTINUED

	Country of incorporation	Voting rights %	Principal activity
Indirect investment continued			
Parklands Manor Management Company Limited	UK	100	Estate management
Skyline 120 Management Limited	UK	100	Estate management
Skyline 120 Nexus Management Limited	UK	100	Estate management
Springhead Resident Management Company Limited	UK	100	Estate management
Urban Hive Hackney Management Limited	UK	100	Estate management
Watersplash Lane Management Company Limited	UK	100	Estate management
Westleigh Construction Limited	UK	100	Dormant
Westleigh LNT Limited	UK	100	Dormant
Westleigh Homes Limited	UK	100	Dormant
York Road (Maidenhead) Management Limited	UK	100	Estate management

1. Cambridge Road (RBK) LLP is a Limited Liability Partnership. The Partnership was incorporated on 25 September 2020 with two designated Members, Countryside Properties (UK) Limited and Countryside Properties (Joint Ventures) Limited. On 24 November 2020, Countryside Properties (Joint Ventures) Limited ceased to be a Member of the Partnership, being replaced by a third party. As a result at the date of approval of the financial statements, the Group holds 50% of the voting rights of the Partnership.

All subsidiaries are fully consolidated, after eliminating intergroup transactions.

The registered office address of Millgate Developments Limited, Breedon Place Management Company Limited, Hilborn Management Company Limited, Parklands Manor Management Company Limited, Watersplash Lane Management Company Limited and Beechgrove (Sunninghill) Management Company Limited is Millgate House, Ruscombe Lane, Twyford, Berkshire RG10 9JT.

The registered office address of all other subsidiaries is Countryside House, The Drive, Brentwood, Essex CM13 3AT.

26. RELATED PARTY TRANSACTIONS TRANSACTIONS WITH JOINT VENTURES AND ASSOCIATE

	Joint ventures		Associate	
	2020 £m	2019 £m	2020 £m	2019 £m
Sales during the year	14.8	29.8	0.2	2.4
Net advances to joint ventures and associate at 1 October	49.3	56.1	—	—
Net advances/(repayments) during the year	19.8	(6.8)	—	—
Net advances to joint ventures and associate at 30 September	69.1	49.3	—	—

The transactions noted above are between the Group and its joint ventures and associate, the details of which are described in Note 14 and Note 15 respectively.

Sales of goods and services to related parties related principally to the provision of services to the joint ventures and associate at contractually agreed prices. No purchases were made by the Group from its joint ventures or associate. The amounts outstanding ordinarily bear no interest and will be settled in cash.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Key management personnel are deemed to be the Executive Committee, along with other Directors of the Company, including the Non-Executive Directors. The aggregate remuneration of these personnel during the year was £5.2m (2019: £11.0m).

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

During the year ended 30 September 2020, one close family member of Ian Sutcliffe and two close family members of Phillip Lyons were employed by a subsidiary of the Group. All these individuals were recruited through the normal interview process and are employed at salaries commensurate with their experience and roles. The combined annual salary and benefits of these individuals is less than £190,000 (2019: three individuals less than £190,000).

On 23 July 2020, the Company carried out a non-pre-emptive placing of ordinary shares at a placing price of 335 pence (Note 23). The Board of Directors along with their close family members and members of the Executive Committee participated in the placing, purchasing a total of 119,997 new ordinary shares.

TRANSACTIONS WITH SIGNIFICANT SHAREHOLDERS

Standard Life Aberdeen ("SLA") and Aviva Investors ("Aviva") are substantial shareholders of the Group and classify as related parties for the purposes of the Listing Rules. Both shareholders participated in the non-pre-emptive placing noted above with SLA subscribing to 9,084,169 shares for total consideration of £30.4m and Aviva subscribing to 6,509,512 shares for total consideration of £21.8m. The participation in the placing by SLA and Aviva constitutes a smaller related party transaction for the purpose of Listing Rule 11.1.10R.

**27. FINANCIAL INSTRUMENTS**

The following tables categorise the Group's financial assets and liabilities included in the statement of financial position:

	Financial assets at amortised cost £m	Financial assets at fair value through profit or loss £m	Total £m
2020			
Assets			
Trade and other receivables	106.0	—	106.0
Amounts due from joint ventures	69.5	—	69.5
Cash and cash equivalents	100.5	—	100.5
	276.0	—	276.0
2019			
Assets			
Financial assets at fair value through profit or loss	—	5.0	5.0
Trade and other receivables	151.2	—	151.2
Amounts due from joint ventures	49.7	—	49.7
Cash and cash equivalents	75.6	—	75.6
	276.5	5.0	281.5

Financial assets at fair value through profit or loss at 30 September 2019 related solely to a deferred land overage receivable (Note 16), the fair value of which was determined through unobservable inputs and classified as Level 3 in the fair value hierarchy. During the year, the receivable was settled for £5.0m with no gain or loss recognised in the statement of comprehensive income. There are no further financial assets held at fair value.

There were no transfers of assets or liabilities between levels of the fair value hierarchy during the year.

Trade and other receivables presented above excludes "prepayments and accrued income" and "other taxation and social security".

	Other financial liabilities at amortised cost £m
2020	
Liabilities	
Other loans	2.3
Deferred land payments and overage payable	224.1
Lease liabilities	30.5
Other trade and other payables	98.0
Amount due to joint ventures	0.4
	355.3
2019	
Liabilities	
Other loans	2.2
Deferred land payments and overage payable	192.2
Other trade and other payables	96.2
Amount due to joint ventures	0.4
	291.0

Other trade and other payables presented above excludes "accruals and deferred income" and "other taxation and social security".

28. FINANCIAL RISK MANAGEMENT

The Group has identified the main financial risks to be liquidity risk, interest rate risk, housing market risk and credit risk. The Directors are responsible for managing these risks and the policies adopted are set out below.

LIQUIDITY RISK

The Group finances its operations through a mixture of equity (Company share capital, reserves and retained earnings) and debt (bank loan facilities).

Liquidity risk is managed by monitoring existing facilities for both financial covenant compliance and funding headroom against forecast requirements based on short-term and long-term cash flow forecasts.



28. FINANCIAL RISK MANAGEMENT CONTINUED

LIQUIDITY RISK CONTINUED

During the year the Group raised net proceeds of £243.0m to support accelerated growth of its Partnerships division, as well as to improve the liquidity of the business. Additionally, the Board of Directors chose not to pay a dividend in respect of the year ended 30 September 2020, which provided further liquidity headroom through the Group's retained earnings.

The Group has access to a £300m revolving credit facility which is committed to May 2023; this facility is provided by a syndicate of four banks, reducing the Group's exposure to any single institution. The facility is subject to a number of financial and technical covenants which, if breached, could result in the facility becoming immediately repayable. The Directors regularly review forecasts which extend beyond the maturity of the facility to ensure acceptable headroom exists across all of these financial covenants, including under certain downside scenarios as referenced in the Viability Statement on page 65. Following the onset of the Covid-19 pandemic, the Group's key gearing and interest cover covenants were relaxed until September 2022 to provide further security over the Group's funding. Operational controls preventing the breach of technical covenants have been implemented across the business.

In April 2020, the Group put in place a £300m commercial paper programme under the Government's Covid Corporate Financing Facility, which allows the Group access to a further £300m of funding should it need to do so. The Group may issue commercial paper anytime up to 22 March 2021, with repayment falling up to 12 months after issuance. Currently the business does not anticipate needing to use this funding to support the business either under its base case business plan or the scenarios outlined in the Group's Viability Statement.

MATURITY ANALYSIS

The following table sets out the contractual undiscounted maturities, including estimated cash flows, of the financial assets and liabilities of the Group at 30 September:

	Less than one year £m	One to two years £m	Two to five years £m	Over five years £m	Total £m
2020					
Assets					
Cash and cash equivalents	100.5	—	—	—	100.5
Trade and other receivables	86.4	14.1	5.0	0.5	106.0
Amounts due from joint ventures	69.5	—	—	—	69.5
	256.4	14.1	5.0	0.5	276.0
2020					
Liabilities					
Other loans	—	—	2.5	—	2.5
Deferred land payments and overage payable	123.2	69.7	35.1	5.3	233.3
Lease liabilities	5.5	5.2	10.3	13.7	34.7
Other trade and other payables	76.6	10.0	11.4	—	98.0
Amounts due to joint ventures	0.4	—	—	—	0.4
	205.7	84.9	59.3	19.0	368.9
2019					
Assets					
Cash and cash equivalents	75.6	—	—	—	75.6
Financial assets at fair value through profit or loss	5.0	—	—	—	5.0
Trade and other receivables	136.4	9.9	5.3	—	151.6
Amounts due from joint ventures	49.7	—	—	—	49.7
	266.7	9.9	5.3	—	281.9
2019					
Liabilities					
Other loans	—	—	2.5	—	2.5
Deferred land payments and overage payable	82.2	80.0	26.7	15.7	204.6
Other trade and other payables	78.3	9.5	8.2	0.2	96.2
Amounts due to joint ventures	0.4	—	—	—	0.4
	160.9	89.5	37.4	15.9	303.7



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28. FINANCIAL RISK MANAGEMENT CONTINUED**INTEREST RATE RISK**

Interest rate risk reflects the Group's exposure to fluctuations in interest rates in the market. This risk arises from bank loans that are drawn under the Group's loan facilities with variable interest rates based upon UK LIBOR. For the year ended 30 September 2020 it is estimated that an increase of 0.5% to UK LIBOR would have decreased the Group's profit before tax by £0.9m (2019: £0.5m).

The following table sets out the interest rate risk associated with the Group's financial liabilities:

	Fixed rate £m	Floating rate £m	Non-interest bearing £m	Total £m
2020				
Liabilities				
Other loans	—	—	2.3	2.3
Deferred land payments and overage payable	—	—	224.1	224.1
Lease liabilities	—	—	30.5	30.5
Other trade and other payables	—	—	98.0	98.0
Amounts due to joint ventures	—	—	0.4	0.4
	—	—	355.3	355.3
2019				
Liabilities				
Other loans	—	—	2.2	2.2
Deferred land payments and overage payable	—	2.4	189.8	192.2
Other trade and other payables	—	—	96.2	96.2
Amounts due to joint ventures	—	—	0.4	0.4
	—	2.4	288.6	291.0

Floating rate deferred land payments and overage payable of £Nil (2019: £2.4m) relates to land acquisitions using promissory notes, issued under the Group's revolving credit facility.

The Group's financial assets are non-interest bearing with the exception of cash and cash equivalents of £100.5m (2019: £75.6m) which attracts interest at floating rates.

The Group has minimal exposure to foreign currency risk.

HOUSING MARKET RISK

The Group is affected by price fluctuations in the UK housing market. These are in turn affected by the wider economic conditions such as mortgage availability and associated interest rates, employment and consumer confidence. Whilst these risks are beyond the Group's ultimate control, the Group's mixed-tenure model provides resilience by reducing the reliance on the private for sale market. The geographical spread of the Group's sites across the UK also reduces the risk of adverse conditions in regional housing markets significantly impacting the Group.

CREDIT RISK

The Group's exposure to credit risk is limited solely to the UK for housebuilding activities and by the fact that the Group receives cash at the point of legal completion of its sales.

The Group's remaining credit risk predominantly arises from trade receivables, amounts recoverable from construction contracts and cash and cash equivalents.

Trade receivables on deferred settlement terms arise from land sales. The amount deferred is secured by a charge over the land until payment is received.

Trade and other receivables primarily comprise amounts receivable from Homes England (in relation to Help to Buy), housing associations and joint ventures. The Directors consider the credit rating of the various debtors to be good in respect of the amounts outstanding and therefore credit risk is considered to be low.

Cash and cash equivalents are held with UK clearing banks which are either A or A- rated.



28. FINANCIAL RISK MANAGEMENT CONTINUED

CAPITAL MANAGEMENT

The Group's policies seek to protect returns to shareholders by ensuring the Group will continue to trade profitably in the foreseeable future. The Group also aims to optimise its capital structure of debt and equity over the medium term so as to minimise its cost of capital, though for operational flexibility may choose to use varying levels of debt in the short term. The Group manages its capital with regard to the risks inherent in the business and the sector within which it operates by monitoring its actual cash flows against bank loan facilities, financial covenants and the cash flow forecasts approved by the Directors.

	2020 £m	2019 £m
Total borrowings	2.3	2.2
Total equity	1,086.0	899.1
Total capital	1,088.3	901.3

29. SHARE-BASED PAYMENTS

The Group recognised £1.0m (2019: £6.7m) of employee costs related to share-based payment transactions during the financial year, excluding accrued National Insurance contributions. A deferred tax asset of £0.9m (2019: £2.3m) is held in relation to share-based payments, of which £0.8m was charged to the statement of comprehensive income (2019: £0.6m) and £0.6m was charged directly to equity (2019: £0.7m) during the year.

National Insurance contributions are payable in respect of certain share-based payment transactions and are treated as cash-settled transactions. The cost of these contributions during the year was £0.6m (2019: £0.8m). At 30 September 2020, the carrying amount of National Insurance contributions payable was £0.7m (2019: £2.0m), which is included in accruals within trade and other payables in the statement of financial position.

The Group operated a number of share-based payment schemes during the financial year (all of which are equity settled) as set out below:

(A) SAVINGS-RELATED SHARE OPTION SCHEME ("SRSOS")

The Group operates an SRSOS, which is open to all employees at the date of invitation. This is a UK tax-advantaged Save As You Earn ("SAYE") plan.

Under the SAYE, eligible participants are granted options over such number of shares as determined by reference to their monthly savings contract over three years. Participants remaining in the Group's employment at the end of the three-year savings period are entitled to use their savings to purchase shares in the Company at a stated exercise price (set at a discount of up to 20% of the share price on the day preceding the date of grant). Employees leaving for certain reasons are able to use their savings to purchase shares within six months of their cessation of employment. A reconciliation of option movements is shown below.

Options granted during the year were valued using the Black Scholes option-pricing model. No performance conditions or assumptions regarding service were included in the fair value calculations. The fair value per option granted during the year and the assumptions used in the calculation are detailed in the table below:

Date of grant	24 June 2020	27 June 2019	19 December 2017	22 December 2016	16 March 2016
Options granted (millions)	2.2	2.1	0.6	0.8	3.0
Share price at date of grant (pence)	329	293	349	236	240
Exercise price (pence)	245	245	282	192	192
Volatility (%)	36	30	38	28	29
Option life (years)	3	3	3	3	3
Expected dividend yield (%)	2.6	3.9	3.6	3.0	3.0
Risk-free rate (%)	(0.1)	0.6	0.6	1.0	1.0
Fair value per option – Black Scholes (pence)	77	63	93	55	57
	Instruments m	Instruments m	Instruments m	Instruments m	Instruments m
Movements in the year					
Options outstanding at 1 October 2018	—	—	0.5	0.6	2.1
Granted	—	2.1	—	—	—
Forfeited	—	—	(0.1)	(0.1)	—
Exercised	—	—	—	—	(2.0)
Options outstanding at 30 September 2019	—	2.1	0.4	0.5	0.1
Granted	2.2	—	—	—	—
Forfeited	(0.1)	(0.2)	—	—	—
Exercised	—	—	—	(0.5)	(0.1)
Options outstanding at 30 September 2020	2.1	1.9	0.4	—	—

**29. SHARE-BASED PAYMENTS CONTINUED****(A) SAVINGS-RELATED SHARE OPTION SCHEME ("SRSOS") CONTINUED**

The resulting fair value is expensed over the service period of three years, on the assumption that each year 15% of options will lapse as employees leave the Company based on the Group's experience of employee attrition rates.

Options under the December 2016 grant vested on 1 February 2020, with 64% of granted options vesting. The average share price during the year ended 30 September 2020 was 376 pence.

Awards under the December 2017 grant will vest on 1 February 2021.

The weighted average remaining contractual life of share options outstanding at 30 September 2020 was 2.1 years (2019: 2.1 years).

(B) LONG-TERM INCENTIVE PLAN ("LTIP")

Under the LTIP, shares are conditionally awarded to senior managers of the Group. The core awards are calculated as a percentage of the participants' salaries and scaled according to grade. Awards issued in prior years are assessed against ROCE, TNAV and relative total shareholder return ("TSR"). Two further awards were issued in the year ended 30 September 2020 which are assessed against ROCE and adjusted basic EPS.

Straight-line vesting will apply if performance falls between threshold and target or target and maximum. Performance will be measured at the end of the three-year performance period. If the required level of performance has been reached, the awards vest and the shares under award will be released. Dividends do not accrue on the shares that vest.

For grants from 1 October 2018, once released, the shares issued to the Group Chief Executive and the Group Chief Financial Officer are subject to a two-year post-vesting holding period.

The weighted average remaining contractual life of LTIP awards outstanding at 30 September 2020 was 1.2 years (2019: 1.2 years). Details of the shares conditionally allocated at 30 September 2020 are set out below.

The conditional shares were valued using the following methods:

- for the non-market-based elements of the award, a Black Scholes option-pricing model; and
- for the relative TSR elements of the award, a Monte Carlo simulation model.

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	7 January 2020	12 December 2019	19 December 2018	19 December 2017	22 May 2017	15 December 2016	18 February 2016
Awards granted (millions)	0.3	1.7	3.5	2.7	0.2	3.7	3.8
Share price at date of grant (pence)	462	426	288	349	299	236	237
Exercise price (pence)	nil	nil	nil	nil	nil	nil	nil
Volatility (%)	29	29	35	38	28	28	29
Award life (years)	3	3	3	3	3	3	3
Expected dividend yield (%)	4.7	4.7	4.8	3.5	3.0	3.0	3.0
Risk-free rate (%)	0.6	0.6	0.7	0.6	1.0	1.0	1.0
Fair value per conditional share – Black Scholes – no holding period (pence)	401	370	174	220	179	151	153
Fair value per conditional share – Monte Carlo – no holding period (pence)	n/a	n/a	46	54	46	40	42
Total fair value per conditional share – no holding period (pence)	401	370	220	274	225	191	195
Fair value per conditional share – Black Scholes – two-year holding period (pence)	367	339	157	n/a	n/a	n/a	n/a
Fair value per conditional share – Monte Carlo – two-year holding period (pence)	n/a	n/a	48	n/a	n/a	n/a	n/a
Total fair value per conditional share – two-year holding period (pence)	367	339	205	n/a	n/a	n/a	n/a



29. SHARE-BASED PAYMENTS CONTINUED

(B) LONG-TERM INCENTIVE PLAN ("LTIP") CONTINUED

Movements in the year (millions)	7 January 2020	12 December 2019	19 December 2018	19 December 2017	22 May 2017	15 December 2016	18 February 2016
Awards outstanding at 1 October 2018	—	—	—	2.7	0.2	3.2	3.2
Granted	—	—	3.5	—	—	—	—
Lapsed	—	—	(0.4)	(0.1)	—	(0.1)	(0.5)
Forfeited	—	—	(0.1)	(0.1)	—	—	—
Exercised	—	—	—	—	—	—	(2.7)
Awards outstanding at 30 September 2019	—	—	3.0	2.5	0.2	3.1	—
Granted	0.3	1.7	—	—	—	—	—
Lapsed	—	(0.1)	(0.4)	(0.3)	(0.1)	(0.7)	—
Forfeited	—	(0.3)	(0.4)	(0.3)	—	—	—
Exercised	—	—	—	—	(0.1)	(2.4)	—
Awards outstanding at 30 September 2020	0.3	1.3	2.2	1.9	—	—	—

Awards under the December 2016 and May 2017 grants vested during the year with 77.9% of the awards outstanding vesting.

Awards under the December 2017 grant will vest on 21 December 2020. The performance conditions for this award were measured at 30 September 2020 and 16.4% of the awards outstanding will vest.

(C) DEFERRED BONUS PLAN ("DBP")

Under the DBP, certain senior managers and Directors of the Group receive one-third of their annual bonus entitlement as a conditional share award. The number of shares awarded is calculated by dividing the value of the deferred bonus by the average mid-market share price on the three business days prior to grant. The shares vest after three years subject to the employee remaining in the employment of the Group. If an employee leaves during the three-year period, the shares are forfeited except in certain circumstances as set out in the Plan rules. Additional shares are issued on vesting equivalent to the value of dividends declared by the Company during the vesting period.

The fair value of the awards is equal to the share price on the date of grant. The fair value is expensed to the statement of comprehensive income in a straight line over four years, being the year in which the bonus is earned and the three-year holding period.

During the year, 0.4 million shares were conditionally allocated on 12 December 2019 (2019: 0.4 million) with the share price on the date of grant being 426 pence. A reconciliation of the number of shares conditionally allocated is shown below:

Movements in the year	12 December 2019 m	19 December 2018 m	19 December 2017 m	15 December 2016 m
Awards outstanding at 1 October 2018	—	—	0.4	0.5
Granted	—	0.4	—	—
Awards outstanding at 30 September 2019	—	0.4	0.4	0.5
Granted	0.4	—	—	—
Forfeited	(0.1)	(0.1)	(0.1)	—
Exercised	—	—	—	(0.5)
Awards outstanding at 30 September 2020	0.3	0.3	0.3	—

Awards under the December 2016 grant vested during the year with 100% of the awards outstanding vesting.

30. CAPITAL COMMITMENTS

The Group was committed to the purchase of property, plant and equipment of £6.0m relating to machinery for the new modular panel factory in Bardon, Leicestershire.

The Group was not committed to the purchase of any software intangible assets at 30 September 2020 (2019: £Nil).



31. GUARANTEES

Subsidiaries of the Group have made guarantees to its joint ventures and associate in the ordinary course of business.

The Group has entered into counter indemnities to banks, insurance companies, statutory undertakings and the National House Building Council in the ordinary course of business, including those in respect of the Group's joint ventures and associate, from which it is anticipated that no material liabilities will arise.

32. LITIGATION, CLAIMS AND CONTINGENT LIABILITIES

The Group is subject to various claims, audits and investigations that have arisen in the ordinary course of business. These matters include but are not limited to employment and commercial matters. The outcome of all of these matters is subject to future resolution, including the uncertainties of litigation. Based on information currently known to the Group and after consultation with external lawyers, the Directors believe that the ultimate resolution of these matters, individually and in aggregate, will not have a material adverse impact on the Group's financial condition. Where necessary, applicable costs are included within the cost to complete for individual developments or are otherwise accrued in the statement of financial position.

During the prior financial year, the Competition & Markets Authority ("CMA") commenced a sector-wide inquiry into the sale of leasehold properties. On 28 February 2020, the CMA announced that it had found evidence of "potential mis-selling and unfair contract terms in the leasehold housing sector" and on 4 September 2020, the CMA announced it was launching enforcement action against four housing developers that it believes may have broken consumer protection law in relation to leasehold homes, one of which was Countryside Properties. The Group will continue to co-operate fully with the inquiry and is providing the CMA with all the information that it requires. To date, the CMA has not referenced any specific breaches of consumer law by Countryside Properties and, given the stage of the matter and the uncertainty regarding outcomes, the Directors are unable to make a reliable estimate of any potential liability and accordingly have not recorded a provision in relation to this matter as at 30 September 2020.

During the prior financial year, an amendment to Building Regulations banned the use of combustible materials on the external cladding of tall (over 18m) buildings. The Directors commissioned an independent third-party desktop review of historical multi-occupied developments (buildings of apartments) which was completed during the year and found that the Group had no high risk buildings where the Group was required to perform remediation works.

In January 2020, the Ministry of Housing, Communities & Local Government's (MHCLG) published "Advice for Building Owners of Multi-storey, Multi-occupied Residential Buildings". This requires that a formal fire safety assessment must be conducted by a suitably qualified and competent professional (typically a Fire Engineer) for all multi-occupancy buildings. In December 2019, the Royal Institute of Chartered Surveyors (RICS), UK Finance and the Building Societies Association introduced the External Wall Fire Review process to support mortgage valuation processes. This requires assessment of the external wall system for buildings over 18m, or where specific fire safety concerns exist, which is summarised on the newly introduced form EWS1.

The Directors have engaged an independent third-party to complete these assessments for all Countryside owned or controlled buildings where EWS1 is applicable. The Group is also working with a number of partners and third parties to assist in their review of buildings within the scope of the MHCLG advice note and EWS1 and the review process remains ongoing. No provision has been made for fire-safety related works as at 30 September 2020 and the Group's liability in respect of these matters will be kept under review as the independent risk assessments are concluded during 2021.

33. DIVIDENDS

The following dividends have been recognised as distributions and paid in the year:

	2020 £m	2019 £m
Prior year final dividend per share of 10.3 pence (2019: 6.6 pence)	46.2	29.2
Current year interim dividend per share of Nil pence (2019: 6.0 pence)	—	26.8
	46.2	56.0

The Board of Directors does not recommend the payment of a final dividend for the year ended 30 September 2020 (2019: 10.3 pence per share).



34. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

During the year ended 30 September 2020, the Group has adopted IFRS 16 “Leases”, as issued by the International Accounting Standards Board (“IASB”). The impact of the adoption of IFRS 16 on the Group’s financial statements is explained below.

A. CHANGES TO ACCOUNTING POLICIES

Prior to the adoption of IFRS 16, the Group’s lease commitments were all classified as operating leases under IAS 17, with rental costs recognised in operating profit on a straight-line basis over the period of the lease.

IFRS 16 requires lessees to recognise right of use assets and lease liabilities in the statement of financial position for all leases, except short-term and low value asset leases.

Lease liabilities are initially recognised at the present value of future lease payments. Future lease payments are included in the lease liability where they are fixed in value, or variable based on an index or a rate. Variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the condition that triggers the payment occurs. To calculate the present value of future lease payments, the payments are discounted at the Group’s incremental borrowing rate, which is the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Subsequently, lease liabilities increase to reflect the unwind of discount and reduce by the value of payments made to lessors. Lease liabilities are remeasured where the Group’s assessment of the expected lease term changes or there is a modification to the lease terms. The unwind of the discount on lease liabilities is recorded in finance costs in the statement of comprehensive income. Cash outflows relating to lease interest are presented within net cash flows from operating activities in the statement of cash flows.

Right of use assets are initially measured at cost, comprising the initial value of the lease liabilities adjusted for rental payments made at or prior to the start of the lease term, initial direct costs, lease incentives received and restoration costs.

Subsequently, right of use assets are measured at cost less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right of use assets are depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis. Depreciation is recorded in either cost of sales or administrative expenses in the statement of comprehensive income depending on the nature of the asset.

The Group applies the recognition exemptions for short-term and low value assets. The rental expense for these leases is recognised on a straight-line basis in the statement of comprehensive income. The rental expense is recorded in either cost of sales or administrative expenses depending on the nature of the asset. Short-term leases are leases with a lease term of 12 months or less.

B. ADJUSTMENTS RECOGNISED ON ADOPTION OF IFRS 16

The Group has recognised lease liabilities and right of use assets for leases relating to offices, factories, company cars, IT equipment, and show homes/marketing suites that have been sold and leased back.

IFRS 16 has been applied using the modified retrospective approach with no restatement of comparative financial information, as permitted under the specific transitional provisions in the standard. The adjustments arising from the adoption of IFRS 16 are therefore recognised in the opening balances of the statement of financial position on 1 October 2019.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted in the standard:

- the application of a single discount rate to portfolios of leases with reasonably similar characteristics;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 October 2019 as short-term leases even though the initial term of the leases from lease commencement date may have been more than 12 months; and
- the reliance on previous assessments on whether contracts contain a lease or leases are onerous.

The adoption of IFRS 16 on 1 October 2019 had the following impact on the statement of financial position:

- lease liabilities recognised of £31.6m;
- right of use assets recognised of £30.3m;
- accruals derecognised of £1.9m;
- prepayments derecognised of £0.6m; and
- no impact on net assets, TNAV or TNOAV.

**34. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS CONTINUED****B. ADJUSTMENTS RECOGNISED ON ADOPTION OF IFRS 16 CONTINUED**

Right of use assets recognised on transition have been measured at the value of lease liabilities, adjusted for prepaid or accrued lease payments immediately before the date of initial application.

The weighted average incremental borrowing rate applied in calculating the lease liabilities on 1 October 2019 was 3.4%.

The following table reconciles the Group's total operating lease commitments as at 30 September 2019 to the lease liabilities recognised under IFRS 16 on 1 October 2019. The principal difference, aside from discounting, is the treatment of termination options. The Group has a number of leases that include termination options, exercisable by the Group, to provide operational flexibility. The lease liabilities recognised on transition reflect the rental payments over the expected term of the Group's leases, which in some cases exceed the minimum lease commitments disclosed under IAS 17.

	£m
Total operating lease commitments disclosed as at 30 September 2019	26.9
Add: adjustments as a result of different treatment of termination options	10.3
Less: short-term leases recognised on a straight-line basis as an expense	(0.3)
Less: low value leases recognised on a straight-line basis as an expense	(0.3)
	36.6
Discounted using incremental borrowing rate	(5.0)
Total lease liabilities recognised under IFRS 16 at 1 October 2019	31.6
Of which:	
Current liabilities	4.5
Non-current liabilities	27.1

C. IMPACT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

The table below outlines the impact of IFRS 16 on the statement of comprehensive income for the year ended 30 September 2020.

	Prior to adjustments for the adoption of IFRS 16	Adjustments in respect of the adoption of IFRS 16	Year ended 30 September 2020 as reported
Operating loss (£m)	(5.2)	(0.2)	(5.4)
Finance costs (£m)	(13.1)	(1.1)	(14.2)
Loss before tax (£m)	(0.6)	(1.3)	(1.9)
Basic loss per share (pence)	(0.6)	(0.2)	(0.8)
Diluted loss per share (pence)	(0.6)	(0.2)	(0.8)

The table below outlines the impact of IFRS 16 on the statement of financial position as at 30 September 2020.

	Prior to adjustments for the adoption of IFRS 16	Adjustments in respect of the adoption of IFRS 16	As at 30 September 2020 as reported
Right of use assets (£m)	—	26.3	26.3
Trade and other receivables (£m)	219.0	(0.2)	218.8
Lease liabilities (£m)	—	(30.5)	(30.5)
Trade and other payables (£m)	(465.9)	1.8	(464.1)
Provisions (£m)	(12.5)	1.1	(11.4)
Retained earnings (£m)	1,076.3	(1.1)	1,075.2



34. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS CONTINUED

C. IMPACT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020 CONTINUED

The table below outlines the impact of IFRS 16 on the statement of cash flows for the year ended 30 September 2020.

	Prior to adjustments for the adoption of IFRS 16	Adjustments in respect of the adoption of IFRS 16	Year ended 30 September 2020 as reported
Cash used in operations (£m)	(150.9)	6.0	(144.9)
Interest paid – lease liabilities (£m)	—	(1.1)	(1.1)
Net cash outflow from operating activities (£m)	(183.3)	4.9	(178.4)
Repayment of lease liabilities (£m)	—	(4.9)	(4.9)
Net cash inflow from financing activities (£m)	190.5	(4.9)	185.6
Net increase in cash and cash equivalents (£m)	24.9	—	24.9

35. POST BALANCE SHEET EVENTS

A. LEASES

On 27 November 2020, the Group signed a new lease for the head office in Brentwood, Essex, after the original lease ended in June 2020. The Group has accounted for the interim period from June 2020 to November 2020 as a short-term lease under the recognition exemptions of IFRS 16. The new lease will commence on 1 January 2021 and expires in March 2036.

A right of use asset and corresponding lease liability of c.£11m will be recognised relating to the new lease in the interim financial statements for the period ending 31 March 2021.

The new lease includes a commitment for the Group and the lessor to undertake a programme of refurbishment works. The total cost of the refurbishment is estimated at c.£8m, with the lessor contributing c.£5m and the Group committed to c.£3m.

The signing of the new lease after 30 September 2020 is a non-adjusting post balance sheet event.

B. COVID-19 LOCKDOWN

A second national lockdown in England commenced on 5 November 2020. Unlike the first Covid-19 lockdown in Spring 2020, construction, manufacturing and house selling activities have continued and, whilst we have seen a slight reduction in visitor flows, there has been no disruption to the normal operation of the business. The second national lockdown is a non-adjusting post balance sheet event.

Parent company statement of financial position

As at 30 September 2020



	Note	2020 £m	2019 £m
Fixed assets			
Investments	4	727.0	727.0
Current assets			
Debtors	5	78.2	76.3
Cash and cash equivalents		—	0.1
Current liabilities			
Creditors: amounts falling due within one year	6	(25.9)	(215.2)
Net current assets/(liabilities)		52.3	(138.8)
Total assets less current liabilities		779.3	588.2
Capital and reserves			
Share capital	7	5.2	4.5
Share premium	7	5.3	—
Retained earnings (including loss for the financial year of £(4.7)m (2019: £(3.3)m))		768.8	583.7
Total equity		779.3	588.2

The notes on pages 164 to 168 are part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 2 December 2020 and are signed on its behalf by:

Iain McPherson **Mike Scott**
Director Director

Company Registration No. 09878920

Parent company statement of changes in equity

For the year ended 30 September 2020



	Share capital £m	Share premium £m	Retained earnings £m	Total equity £m
At 1 October 2018	4.5	—	649.3	653.8
Loss and total comprehensive expense for the year	—	—	(3.3)	(3.3)
Dividends paid	—	—	(56.0)	(56.0)
Share-based payments	—	—	6.7	6.7
Purchase of shares by Employee Benefit Trust	—	—	(13.0)	(13.0)
At 30 September 2019	4.5	—	583.7	588.2
Loss and total comprehensive expense for the year	—	—	(4.7)	(4.7)
Issue of share capital, net of transaction costs	0.7	5.3	237.0	243.0
Dividends paid	—	—	(46.2)	(46.2)
Share-based payments	—	—	1.0	1.0
Purchase of shares by Employee Benefit Trust	—	—	(2.0)	(2.0)
At 30 September 2020	5.2	5.3	768.8	779.3



1. ACCOUNTING POLICIES

COMPANY INFORMATION

Countryside Properties PLC (the “Company”) was incorporated on 18 November 2015 to serve as a holding company for the purposes of listing on the London Stock Exchange. Countryside Properties PLC was admitted to the premium segment of the London Stock Exchange on 17 February 2016.

The Company is a limited company domiciled and incorporated in England and Wales. The Company’s registered office is Countryside House, The Drive, Brentwood, Essex CM13 3AT.

1.1 ACCOUNTING CONVENTION

These financial statements have been prepared in accordance with FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” and the requirements of the Companies Act 2006.

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions which have been complied with, including notification of, and no objection to, the use of exemptions by the Company’s shareholders.

The Company has taken advantage of the following exemptions:

- from preparing a statement of cash flows, on the basis that it is a qualifying entity and the statement of cash flows, included in these financial statements, includes the Company’s cash flows;
- from the financial instrument disclosures, required under FRS 102 paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29, as the information is provided in the consolidated financial statement disclosures;
- from disclosing share-based payment arrangements, required under FRS 102 paragraphs 26.18(c), 26.19 to 26.21 and 26.23, concerning its own equity instruments. The Company financial statements are presented with the consolidated financial statements and the relevant disclosures are included therein; and
- from disclosing the Company key management personnel compensation, as required by FRS 102 paragraph 33.7.

As permitted by Section 408 of the Companies Act 2006, the parent company’s profit and loss account has not been presented in these financial statements.

The financial statements are prepared in Sterling, which is the functional currency of the Company, and are rounded to the nearest hundred thousand pounds.

The financial statements are prepared on a going concern basis under the historical cost convention. The principal accounting policies adopted are set out below.

The Company has not disclosed the information required by regulation 5(1)(b) of the Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008 as the Group financial statements of the Company are required to comply with regulation 5(1)(b) as if the undertakings included in the consolidation were a single group.

1.2 GOING CONCERN

The Company’s ability to continue as a going concern is inextricably linked to the results of the Group as a whole. Having considered the Group’s cash flow forecasts, the Directors are satisfied that the Company has sufficient liquidity and covenant headroom to enable the Company to meet its liabilities as they fall due for at least the next 12 months. As such, the Directors consider the Company to be a going concern and these financial statements have been prepared on this basis.

The Group’s business activities, together with the factors likely to affect its future development, are set out in the Strategic Report on pages 2 to 69. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described on pages 42 to 45 of the Strategic Report. Further disclosures regarding borrowings are provided in Note 20 to the Group financial statements.

1.3 FIXED ASSET INVESTMENTS

The value of the investment in each subsidiary held by the Company is recorded at cost less any impairment in the Company’s statement of financial position.

A subsidiary is an entity where the Company has the power of control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to govern the financial and operating policies so as to obtain economic benefits from its activities.

1.4 CASH AND CASH EQUIVALENTS

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



1.5 FINANCIAL INSTRUMENTS

Fair value measurement of financial instruments

The Company has elected to adopt the recognition and measurement provisions of IAS 39 “Financial Instruments: Recognition and Measurement” and the disclosure requirements of Sections 11 and 12 of FRS 102.

Financial assets

Financial assets primarily represent loans to subsidiary companies and cash, which are initially recognised at fair value.

Borrowings

Interest-bearing bank loans and overdrafts are recorded initially at their fair value, net of direct transaction costs. Borrowings are subsequently carried at their amortised cost and loan arrangement fees are amortised over the term of the instrument. Finance costs associated with each individual drawdown are expensed over the period of that drawdown.

Further details of the Company's bank loans can be found in Note 20 to the Group financial statements.

1.6 EQUITY INSTRUMENTS

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

1.7 DIVIDENDS

Dividend distributions to the Company's shareholders are recognised in the Company's financial statements in the periods in which the final dividends are approved in the Annual General Meeting, or when paid in the case of an interim dividend.

1.8 SHARE-BASED PAYMENTS

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

1.9 TAXATION

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

1.10 SHARE CAPITAL AND SHARE PREMIUM

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

1.11 RELATED PARTIES

The Group discloses transactions with related parties as described in Note 26 to the Group financial statements. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the Directors, separate disclosure is necessary to understand the effect of the transactions on the Group financial statements.

2. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the financial statements requires the Directors to make estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income, expenses and related disclosures.

CRITICAL ACCOUNTING JUDGEMENTS

In the process of applying the Company's accounting policies, which are described above, the Directors have made no individual judgements that have had significant impact upon the financial information, apart from those involving estimations, which are dealt with below.

KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Impairment of fixed asset investments

Determining whether fixed asset investments are impaired requires judgement and estimation. The Directors periodically review fixed asset investments for possible impairment when events or changes in circumstances indicate, in management's judgement, that the carrying amount of an asset may not be recoverable. Such indicating events would include a significant planned restructuring, a major change in market conditions or technology and expectations of future operating losses or negative cash flows. When such impairment reviews are conducted, the Company will perform valuations based on cash flow forecasts, following the same valuation methodologies and assumptions as set out in the Group's annual goodwill reviews described in Note 11 to the Group financial statements.



3. OPERATING LOSS

The Company had no employees during the year (2019: none).

Directors' emoluments are disclosed in Note 5 to the Group financial statements.

Details of the audit fees can be found in Note 7 to the Group financial statements.

4. INVESTMENTS

	2020 £m	2019 £m
At 1 October and 30 September	727.0	727.0

Details of the Company's subsidiaries at 30 September 2020 are included in Note 25 to the Group financial statements.

The Company conducted an impairment review following the same valuation methodologies and assumptions as set out in the Group's annual goodwill reviews described in Note 11 to the Group financial statements. Neither an increase in the discount rate of 3%, a reduction in Group cash flows of 10% per annum, nor a reduction in the long-term growth rate to 0% would indicate an impairment in the Company's investments. Therefore, the Company did not record an impairment charge during the year ended 30 September 2020 (2019: £Nil).

5. DEBTORS

Amounts falling due within one year:

	2020 £m	2019 £m
Amounts due from Group undertakings	71.6	71.0
Corporation tax recoverable from Group undertakings	4.4	3.3
Prepayments and accrued income	2.2	2.0
	78.2	76.3

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

	2020 £m	2019 £m
Amounts due to Group undertakings	25.4	214.8
Accruals and deferred income	0.5	0.4
	25.9	215.2

Amounts owed to Group undertakings by the Company are unsecured, repayable on demand and non-interest bearing.

BANK LOANS

Details of the Group's facilities and borrowings are disclosed in Note 20 to the Group financial statements.



7. SHARE CAPITAL AND SHARE PREMIUM

	Number of shares		Share capital		Share premium	
	2020 m	2019 m	2020 m	2019 m	2020 m	2019 m
Allotted, issued and fully paid						
Ordinary shares of £0.01 each	525	450	5.2	4.5	5.3	—

EQUITY PLACING

On 23 July 2020, the Company carried out a non-pre-emptive placing of ordinary shares at a placing price of 335 pence, raising net proceeds of £243.0m (net of issue costs).

The total number of ordinary shares issued of 74,626,870 represented 16.6% of the existing issued share capital of the Company on the date of the placing. As at 30 September 2020 the Company has 524,626,870 ordinary shares of £0.01 each in issue, all of which are allotted and fully paid.

A total of 72,983,484 ordinary shares were placed using a cash box structure, whereby the cash box entity issued redeemable preference shares in exchange for cash proceeds from institutional investors. The Company's ordinary shares were issued to the institutional investors as consideration for the transfer of the shares of the cash box entity. The placing qualified for merger relief under Section 612 of the Companies Act 2006 resulting in the recognition of retained earnings of £237.0m (net of issue costs).

The remaining 1,643,386 shares were issued to retail investors, Company Directors and Group management in consideration for cash resulting in the recognition of share premium of £5.3m (net of issue costs).

The shares are fully paid and rank pari passu in all respects with the existing ordinary shares, including the right to receive all dividends and other distributions declared, made or paid in respect of ordinary shares.

EMPLOYEE BENEFIT TRUST ("EBT")

From time to time, the EBT purchases shares of the Company, on behalf of the Group, in order to hold an appropriate level of shares towards the future settlement of outstanding share-related incentives. The purchase value of EBT shares is charged to retained earnings.

In September 2020, the EBT acquired 1,200,000 shares in the Company through purchases on the London Stock Exchange to meet the Group's expected obligations under share-based incentive arrangements. The total amount paid by the EBT for the shares was £3.8m, with the Group contributing £2.0m during the year to fund the purchases.

The EBT has waived its right to vote and to dividends on the shares it holds which are unallocated. The number of shares held in the EBT as at 30 September 2020 was 1,649,207 (2019: 3,959,289).

RECONCILIATION OF SHARES IN ISSUE

The table below reconciles the movements in the number of shares in issue during the year:

	EBT	Other	Total
At 1 October 2019	3,959,289	446,040,711	450,000,000
Share placing	—	74,626,870	74,626,870
Exercised share options	(3,510,082)	3,510,082	—
Purchase of shares by Employee Benefit Trust	1,200,000	(1,200,000)	—
At 30 September 2020	1,649,207	522,977,663	524,626,870



8. COMMITMENTS AND CONTINGENT LIABILITIES

GUARANTEES

The Company has made guarantees to the Group's joint ventures and associate, in the ordinary course of business.

The Company has entered into counter indemnities to banks, insurance companies, statutory undertakings and the National House Building Council in the normal course of business, including those in respect of joint ventures from which it is anticipated that no material liabilities will arise.

9. DIVIDENDS

The following dividends have been recognised as distributions in the year:

	2020 £m	2019 £m
Prior year final dividend per share of 10.3 pence (2019: 6.6 pence)	46.2	29.2
Current year interim dividend per share of Nil pence (2019: 6.0 pence)	—	26.8
	46.2	56.0

The Board of Directors does not recommend a final dividend for the year ended 30 September 2020 (2019: 10.3 pence per share).

Alternative Performance Measures (unaudited)



In the reporting of financial information, the Directors have adopted various Alternative Performance Measures ("APMs"). These measures are not defined by IFRS and therefore may not be directly comparable with other companies' APMs, including those in the Group's industry. APMs should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measurements.

The Directors believe that the inclusion of the Group's share of joint ventures and associate and the removal of non-underlying items from financial information presents a clear and consistent presentation of the underlying performance of the ongoing business for shareholders.

(A) FINANCIAL PERFORMANCE

ADJUSTED REVENUE

Adjusted revenue includes the Group's share of revenue from the joint ventures and associate. Refer to Note 4a for a reconciliation to reported revenue.

ADJUSTED GROSS MARGIN

Adjusted gross margin is calculated as adjusted gross profit divided by adjusted revenue. The table below reconciles adjusted gross profit to reported gross profit and presents the calculation of adjusted gross margin.

Adjusted gross profit includes the Group's share of gross profit from the joint ventures and associate and excludes non-underlying items.

	Note	2020 £m	2019 £m
Gross profit		108.1	253.6
Add: non-underlying items	7	—	7.4
Add: share of gross profit from joint ventures and associate		18.2	47.8
Adjusted gross profit		126.3	308.8
Adjusted revenue	4a	988.8	1,422.8
Adjusted gross margin		12.8%	21.7%

ADJUSTED OPERATING PROFIT

Adjusted operating profit includes the Group's share of operating profit from the joint ventures and associate and excludes non-underlying items. Refer to Note 4a for a reconciliation to reported operating profit.

ADJUSTED OPERATING MARGIN

Adjusted operating margin is calculated as adjusted operating profit divided by adjusted revenue. The table below presents the calculation of adjusted operating margin.

	Note	2020 £m	2019 £m
Adjusted operating profit	4a	54.2	234.4
Adjusted revenue	4a	988.8	1,422.8
Adjusted operating margin		5.5%	16.5%

ADJUSTED BASIC AND DILUTED EARNINGS PER SHARE

Adjusted basic and diluted earnings per share exclude the impact of non-underlying items on profit from continuing operations attributable to equity holders of the parent. Refer to Note 10 for a reconciliation to reported basic and diluted earnings per share.

RETURN ON CAPITAL EMPLOYED ("ROCE")

ROCE is calculated as adjusted operating profit divided by average tangible net operating asset value ("TNOAV").

The table below presents the calculation of ROCE for the Group:

	Note	2020 £m	2019 £m
Closing TNOAV	4b	853.5	664.4
Opening TNOAV		664.4	575.1
Average TNOAV		759.0	619.8
Adjusted operating profit	4a	54.2	234.4
Group ROCE (%)		7.1%	37.8%



(A) FINANCIAL PERFORMANCE CONTINUED

RETURN ON CAPITAL EMPLOYED ("ROCE") CONTINUED

The table below presents the calculation of ROCE for the Partnerships segment:

	Note	2020 £m	2019 £m
Closing TNOAV	4b	327.5	176.8
Opening TNOAV		176.8	149.5
Average TNOAV		252.2	163.2
Adjusted operating profit	4a	32.8	127.8
Partnerships ROCE (%)		13.0%	78.3%

The table below presents the calculation of ROCE for the Housebuilding segment:

	Note	2020 £m	2019 £m
Closing TNOAV	4b	526.0	487.6
Opening TNOAV		487.6	425.6
Average TNOAV		506.8	456.6
Adjusted operating profit	4a	25.0	114.8
Housebuilding ROCE (%)		4.9%	25.1%

ASSET TURN

Asset turn is calculated as adjusted revenue divided by average TNOAV.

The table below presents the calculation of asset turn for the Group:

	Note	2020 £m	2019 £m
Adjusted revenue	4a	988.8	1,422.8
Average TNOAV		759.0	619.8
Group asset turn		1.3	2.3

The table below presents the calculation of asset turn for the Partnerships segment:

	Note	2020 £m	2019 £m
Adjusted revenue	4a	629.4	837.1
Average TNOAV		252.2	163.2
Partnerships asset turn		2.5	5.1

The table below presents the calculation of asset turn for the Housebuilding segment:

	Note	2020 £m	2019 £m
Adjusted revenue	4a	359.4	585.7
Average TNOAV		506.8	456.6
Housebuilding asset turn		0.7	1.3



(B) FINANCIAL POSITION

TANGIBLE NET ASSET VALUE ("TNAV")

TNAV is calculated as net assets excluding intangible assets net of deferred tax. The table below reconciles TNAV to reported net assets.

	Note	2020 £m	2019 £m
Net assets		1,086.0	899.1
Less: intangible assets	11	(143.1)	(170.9)
Add: deferred tax on intangible assets		8.8	9.6
TNAV	4b	951.7	737.8

NET CASH/(DEBT)

Net cash/(debt) includes borrowings and net cash and cash equivalents and excludes lease liabilities and debt arrangement fees included in borrowings.

	Note	2020 £m	2019 £m
Borrowings	20	(2.3)	(2.2)
Add: net cash and cash equivalents	20	100.5	75.6
Net cash		98.2	73.4

TANGIBLE NET OPERATING ASSET VALUE ("TNOAV")

TNOAV is calculated as TNAV excluding net cash/debt. The table below presents the calculation of TNOAV.

		2020 £m	2019 £m
TNAV		951.7	737.8
Less: net cash		(98.2)	(73.4)
TNOAV		853.5	664.4

GEARING

Gearing is calculated as net debt divided by net assets. The table below presents the calculation of gearing.

	Note	2020 £m	2019 £m
Net cash		(98.2)	(73.4)
Net assets		1,086.0	899.1
Gearing		(9.0)%	(8.2)%

ADJUSTED GEARING

Adjusted gearing is calculated as net debt, including deferred land payments (excluding overage), divided by net assets. The table below presents the calculation of adjusted gearing.

	Note	2020 £m	2019 £m
Net cash		(98.2)	(73.4)
Add: deferred land payments (excluding overage)	21	192.8	158.3
Adjusted net debt		94.6	84.9
Net assets		1,086.0	899.1
Adjusted gearing		8.7%	9.4%



FINANCIAL CALENDAR 2020/21

Ex-dividend date	n/a
Record date	n/a
Payment of final dividend	n/a
Annual General Meeting	5 February 2021
Trading update	21 January 2021

FIVE-YEAR SUMMARY (UNAUDITED)

	2020	2019	2018	2017	2016
Adjusted revenue	£988.8m	£1,422.8m	£1,229.5m	£1,028.8m	£777.0m
Adjusted operating profit	£54.2m	£234.4m	£211.4m	£165.3m	£122.5m
Adjusted operating margin	5.5%	16.5%	17.2%	16.1%	15.8%
Reported revenue	£892.0m	£1,237.1m	£1,018.6m	£845.8m	£671.3m
Reported operating (loss)/profit	£(5.4)m	£170.4m	£149.3m	£128.9m	£87.3m
Reported operating margin	(0.6)%	13.8%	14.7%	15.2%	13.0%
Return on capital employed	7.1%	37.8%	37.4%	30.6%	26.8%
Tangible net asset value	£951.7m	£737.8m	£620.1m	£632.3m	£537.4m
Completions (homes) ¹	4,053	5,733	4,295	3,389	2,657
Private average selling price	£364,000	£367,000	£402,000	£430,000	£465,000
Net reservation rates ²	0.78	0.84	0.80	0.84	0.78
Average open sales outlets	63	56	53	47	36
Land bank (plots)	53,118	49,000	43,523	34,581	27,204

1. Completions includes the Group's share of completions from the joint ventures and associate.

2. Net reservation rate including bulk sales for the year ended 30 September 2019 was 0.95.

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