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Countryside Properties PLC
22 November 2017

COUNTRYSIDE PROPERTIES PLC
Audited results for the full year ended 30 September 2017

Outstanding growth from mixed-tenure delivery

Countryside, a leading UK homebuilder and regeneration partner, today announces its audited results for the twelve months ended 30 September 2017.

Results highlights

	2017	2016	Change
Completions	**3,389**	2,657	+28%
Adjusted revenue[1]	**£1,028.8m**	£777.0m	+32%
Adjusted operating profit[2]	**£164.1m**	£122.5m	+34%
Adjusted operating margin[3]	**16.0%**	15.8%	+20bps
Adjusted basic earnings per share[4]	**27.8p**	16.3p	+71%
Return on capital employed[5]	**30.5%**	26.8%	+370bps
Dividend per share	**8.4p**	3.4p	+147%
Reported revenue	**£845.8m**	£671.3m	+26%
Reported operating profit	**£128.9m**	£87.3m	+48%
Net cash[6]	**£77.4m**	£12.0m	+£65.4m
Basic earnings per share	**26.0p**	13.6p	+91%

Group operational highlights
- Excellent year of growth with 28% uplift in completions and 32% increase in revenue
- Net reservation rate of 0.84 (2016: 0.78) from 47 sales outlets (2016: 43 sales outlets)
- Private Average Selling Price ("ASP") of £430,000, down 8% in line with our strategic objectives (2016: £465,000), with underlying house price inflation of 5%
- Record year end Group private forward order book of £242.4m, up 8% (2016: £225.4m)

Partnerships highlights
- Completions: 2,192 homes (2016: 1,874) up 17%
- Adjusted operating profit: £79.4m (2016: £56.8m) up 40%
- Adjusted operating margin: 16.7% (2016: 16.2%) up 50 bps
- Land bank plus preferred bidder: 19,223 plots (2016: 14,504) up 33%

Housebuilding highlights
- Completions: 1,197 homes (2016: 783) up 53%
- Adjusted operating profit: £91.5m (2016: £68.1m) up 34%
- Adjusted operating margin: 16.6% (2016: 15.9%) up 70bps
- Land bank: 19,826 plots (2016: 19,322) of which 83% has been strategically sourced

Outlook and current trading
Current trading remains robust with strong demand from owner occupiers for our high-quality homes. Our mixed-tenure delivery of affordable, private rental sector and private for sale homes continues to accelerate growth and build resilience. The Partnerships division's ongoing growth leaves us well placed to benefit from the expanding opportunity for estate regeneration both in the outer boroughs of London and the regions. With strong political support for more housing across all forms of ownership and moderate build cost inflation, we look forward with confidence to delivering our growth plans in 2018 and the medium term.

Commenting on the results, Ian Sutcliffe, Group Chief Executive, said:
"With completions up 28%, 2017 has been another outstanding year of growth as our mixed-tenure model has met the demands of the housing market. The opportunity in estate regeneration, through our Partnerships division, continues to grow, with our land bank and bid pipeline expanding significantly. We are pleased that the actions we have taken during the year to ensure our product meets the areas of strongest demand are delivering results. We remain confident of delivering sector-leading growth in 2018 and beyond."

There will be an analyst and investor meeting at 9.00am GMT today at Numis Securities, The London Stock Exchange Building, 10 Paternoster Square, London, EC4M 7LT hosted by Group Chief Executive, Ian Sutcliffe. The presentation will also be available via a live webcast through the Countryside corporate website http://investors.countryside-properties.com/

A playback facility will be provided shortly after the presentation has finished.

Enquiries:

Countryside Properties PLC Tel: +44 (0) 1277 260 000

Ian Sutcliffe - Group Chief Executive
Rebecca Worthington - Group Chief Financial Officer
Victoria Prior - Investor Relations & Strategy Director

Brunswick Group LLP Tel: +44 (0) 20 7404 5959

Nina Coad
Will Rowberry
Oliver Sherwood

Note to editors:
Countryside is a leading UK home builder and regeneration partner specialising in place making and urban regeneration. Our business is centred around two complementary divisions, Partnerships and Housebuilding. Our Partnerships division specialises in urban regeneration of public sector land, delivering private and affordable homes by partnering with local authorities and housing associations. The Housebuilding division, operating under Countryside and Millgate brands, develops sites that provide private and affordable housing, on land owned or controlled by the Group. Countryside was founded in 1958. It operates in locations across outer London, the South East, the North West of England and the West Midlands.

For further information, please visit the Group's website: www.countryside-properties.com

Cautionary statement regarding forward-looking statements
Some of the information in this document may contain projections or other forward-looking statements regarding future events or the future financial performance of Countryside Properties PLC and its subsidiaries (the Group). You can identify forward-looking statements by terms such as "expect", "believe", "anticipate", "estimate", "intend", "will", "could", "may" or "might", the negative of such terms or other similar expressions. Countryside Properties PLC (the Company) wishes to caution you that these statements are only predictions and that actual events or results may differ materially. The Company does not intend to update these statements to reflect events and circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events. Many factors could cause the actual results to differ materially from those contained in projections or forward-looking statements of the Group, including among others, general economic conditions, the competitive environment as well as many other risks specifically related to the Group and its operations. Past performance of the Group cannot be relied on as a guide to future performance.

"Countryside" or the "Group" refers to Countryside Properties PLC and its subsidiary companies.

[1] Adjusted revenue includes the Group's share of revenue from joint ventures and associate of £183.0m (2016: £105.7m).

[2] Adjusted operating profit includes the Group's share of operating profit from joint ventures and associate of £33.6m (2016: £25.3m) and excludes non-underlying items of £1.6m (2016: £9.9m).

[3] Adjusted operating margin is defined as adjusted operating profit divided by adjusted revenue.

[4] Adjusted basic earnings per share is defined as adjusted profit attributable to ordinary shareholders, net of attributable taxation, divided by the weighted average number of shares in issue. In the prior period, the number of shares in issue from the date of the IPO to 30 September 2016 was applied (see note 10).

[5] Return on capital employed ("ROCE") is defined as adjusted operating profit divided by average tangible net operating asset value. Tangible net operating asset value ("TNOAV") is calculated as net assets excluding net cash and intangible assets net of deferred tax. In prior periods, loans from the Group's principal shareholder and accrued loan interest were added back to TNOAV.

[6] Net debt is defined as bank borrowings less unrestricted cash. Unamortised debt arrangement fees are not included in net debt.

The Directors believe that the use of adjusted measures is necessary to understand the trading performance of the Group.

Dividend Reinvestment Plan

The final dividend, subject to approval at the Annual General Meeting on 25 January 2018, will be paid as a cash dividend on 9 February 2018 and shareholders are again being offered the opportunity to reinvest some or all of their dividend under the Dividend Reinvestment Plan ("DRIP"), details of which are available from our Registrars and on our website. Elections to join the DRIP must reach the Registrars by 15 January 2018 in order to be effective for this dividend. Further details can be found on our website investors.countryside-properties.com/shareholder-information/dividends.

Chairman's statement

A year of significant progress

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

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

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

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

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

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

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

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

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

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

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

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

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

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

David Howell
Chairman
21 November 2017

Group Chief Executive's review

Delivering sector-leading growth from our mixed-tenure model

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

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

Our Partnerships division operates in Outer London, the West Midlands and the North West of England. It delivers private, affordable and Private Rental Sector ("PRS") homes on larger sites, typically public sector brownfield sites or local authority estate regeneration. The land is typically sourced via public procurement or direct negotiation and is developed in partnership with local authorities, housing associations or PRS providers. It is a low-capital model offering strong returns and the flexibility of long-term development agreements, many with phased viability and priority returns. The division has an excellent track record of winning new work, reflecting over 30 years' experience on over 60 regeneration schemes, strong relationships with local authorities and expertise in placemaking. Typically, we secure around 40 per cent of bids we submit, and with a current pipeline of approximately nine years, we have excellent visibility of future work.

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

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

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

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

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

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

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

We continue to focus on capital and operational efficiency both at the divisional and at the Group level. Group operating margin increased by 20bps which, together with increased revenue, gave an adjusted Group operating profit of £164.1m[2] (2016: £122.5m), up 34 per cent on the prior year. This, combined with our focus on capital efficiency, allowed us to exceed our ROCE target of 28 per cent, as set out at our IPO, a year earlier than planned at 30.5 per cent in 2017, up 370bps on the prior year (2016: 26.8 per cent).

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

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

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

Ian Sutcliffe
Group Chief Executive
21 November 2017

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

Group Chief Financial Officer's review

Another year of strong performance

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

Group performance
2017 was a year of substantial growth for the Group, with total completions up 28 per cent to 3,389 homes (2016: 2,657 homes). We continued to manage down private ASP to moderate our exposure to higher price points which resulted in an eight per cent reduction in ASP to £430,000 (2016: £465,000). Affordable ASP increased by 13 per cent to £135,000 (2016: £120,000), driven by the increasing use of shared ownership and low-cost housing by Registered Providers. As a result, the Group delivered adjusted revenue of £1,028.8m (2016: £777.0m), up 32 per cent from last year as the Group passed the £1bn sales mark for the first time.

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

A combination of factors, including the geographical mix of the business, management of our pricing exposure and legacy issues at a Housebuilding site in Mill Hill, London, meant that our operating margin progress was modest during the year. We made good progress with controlling overheads as a result of a number of initiatives including a small restructuring of Head

Office functions in the first half which resulted in overheads falling further as a percentage of sales to 5.0 per cent (2016: 5.9 per cent). Overall, adjusted operating margin increased by 20bps to 16.0 per cent (2016: 15.8 per cent) which contributed to a 34 per cent increase in adjusted operating profit to £164.1m (2016: £122.5m).

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

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

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

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

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

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

We ended the year with net cash of £77.4m (2016: £12.0m), slightly higher than planned due to the delayed start of two developments in our Partnerships division which will begin early in the new financial year.

As a result of the lower interest cost of our new facility and lower average debt levels during the year, the Group's bank interest cost fell to £3.0m (2016: £5.2m). Despite a change to the discount rate applied to our land creditors and overage liabilities discussed in further detail below, reported net finance costs decreased to £16.9m (2016: £28.2m).

Partnerships
We began to see the results of our increased investments since IPO in our Partnerships division during 2017 with total completions up 17 per cent to 2,192 homes (2016: 1,874 homes). With private ASP increasing 12 per cent to £343,000 (2016: £307,000) and affordable ASP up nine per cent to £121,000 (2016: £111,000), adjusted revenue increased 36 per cent to £476.7m (2016: £349.9m).

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

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

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

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

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

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

Private completions increased by 68 per cent to 837 homes (2016: 499 homes). With the high rate of sales, we sold out on a number of sites during the year, resulting in open sales outlets at the year end down one at 24 (2016: 25). With an additional 18 active sites in production, we anticipate a material increase in open selling outlets by the end of the 2018 financial year.

Private ASP of £515,000 was 23 per cent lower than last year (2016: £665,000). This reduction was driven in part by our decision to manage price points down to focus on the market below £600,000 where demand remains strongest but also some reductions in sales rates at premium price points over £1m. Despite these pressures at the upper end of the market, volumes have remained in line with our expectations and ahead of 2016.

Affordable revenue increased by 47 per cent to £65.7m (2016: £44.6m) with completions up 27 per cent to 360 (2016: 284) at an ASP of £183,000 (2016: £157,000), up 17 per cent. Housebuilding adjusted gross margin was 21.6 per cent (2016: 22.4 per cent), a reduction of 80bps driven by delayed completions at our joint venture with Annington Developments Limited at Mill Hill in North London, together with some pressure at higher price points.

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

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

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

Non-underlying items

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

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

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

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

Non-underlying items

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

Net finance costs

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

Net finance costs

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

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

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

In line with Countryside's broader corporate strategy, the key goals directing our tax strategy are:
- adherence to applicable laws and regulations;
- maximisation of shareholder value on a sustainable basis; and
- protection of our reputation and brand.

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

The income tax charge was £24.1m (2016: £17.3m), with an adjusted tax rate of 18.5 per cent (2016: 21.8 per cent) and, on a reported basis, an effective tax rate of 19.0 per cent (2016: 22.0 per cent).

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

Adjusted tax rate

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

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

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

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

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

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

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

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

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

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

Return on capital employed

Year ended 30 September	2017	2016

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

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

Financing

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

Cash flow

Summary cash flow statement

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

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

Impact of the new revenue accounting standard

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

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

Rebecca Worthington
Group Chief Financial Officer
21 November 2017

Risk management

Principal risks and uncertainties

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

Risk	Description	Mitigation
1	***Adverse macroeconomic conditions*** A decline in macroeconomic conditions, or conditions in the UK residential property market, can reduce the propensity to buy homes. Higher unemployment, 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.
2	***Adverse changes to Government policy and regulation*** Adverse changes to Government policy in areas such as tax, housing, the environment and building regulations may result in increased costs and/or delays. Failure to comply with laws and regulations could expose the Group to penalties and reputational damage.	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.
3	***Constraints on construction resources*** 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.
4	***Programme delay (rising project complexity)*** Failure to secure timely planning permission on	The budgeted programme for each site is approved by the Divisional Board before acquisition. Sites are

	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.	managed as a portfolio to control overall Group delivery risk. There is weekly monitoring at both divisional and Group level.
5	***Inability to source and develop suitable land*** Competition or poor planning may result in a failure to procure land in the right location, at the right price and at the right time.	A robust land appraisal process ensures each project is financially viable and consistent with the Group's strategy.
6	***Inability to attract and retain talented employees*** Inability to attract and retain highly skilled, competent people at all levels could adversely affect the Group's results, prospects and financial condition.	Remuneration packages are regularly benchmarked against industry standards to ensure competitiveness. Succession plans are in place for all key roles within the Group. Exit interviews are used to identify any areas for improvement.
7	***Inadequate health, safety and environmental procedures*** A deterioration in the Group's health, safety & environmental standards could put the Group's employees, contractors or the general public at risk of injury or death and could lead to litigation or penalties or damage the Group's reputation.	Procedures, training and reporting are all carefully monitored to ensure that high standards are maintained. An environmental risk assessment is carried out prior to any land acquisition. Appropriate insurance is in place to cover the risks associated with housebuilding.

Consolidated statement of comprehensive income

For the year ended 30 September 2017

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

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

Consolidated statement of financial position

As at 30 September 2017

	Note	2017 £m	2016 £m
Assets			
Non-current assets			
Intangible assets	11	**59.5**	58.9
Property, plant and equipment	12	**2.6**	2.7
Investment in joint ventures	13	**58.8**	53.9

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

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

On behalf of the Board
Ian Sutcliffe
Rebecca Worthington
Directors

Consolidated statement of changes in equity

For the year ended 30 September 2017

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

Consolidated cash flow statement

For the year ended 30 September 2017

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

Notes to the consolidated financial statements

For the year ended 30 September 2017

1. General information

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

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

Initial public offering ("IPO")

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

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

The result of the application of the capital reorganisation is to present the financial statements as if the Company had always owned the Group - the financial statements have been presented as a continuation of Midco.

2. Critical accounting judgements and estimates

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

Critical accounting judgements

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

Key sources of estimation uncertainty

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

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

Estimation of site profitability

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

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

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

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

3. Accounting policies
Basis of preparation
These financial statements for the year to 30 September 2017 are those of the Company and all of its subsidiaries. It has been prepared in accordance with the IFRS as endorsed by the European Union, IFRS Interpretations Committee ("IFRS IC") interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

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

These financial statements have been prepared on a going concern basis in Sterling and rounded to the nearest £0.1m under the historical cost convention, except for available-for-sale financial assets and share-based payments.

Going concern
The Group's business activities, together with the factors likely to affect its future development, are set out in the Strategic Report on pages 2 to 39 of the 2017 Annual Report. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described on pages 26 to 29 of the Strategic Report of the 2017 Annual Report. Further disclosures regarding borrowings are provided in Note 23.

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

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

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

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

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

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

  We are working with advisors and others in the industry to determine the appropriate treatment for the recognition of revenue on land sales to Registered Providers of social housing where separate construction activity is also performed for the Registered Provider. We understand that this matter is due to be considered by the International Financial Reporting Interpretations Committee at their meeting on 22 November 2017. We expect to reach a conclusion on this in the first half of the 2018 financial year and will provide further narrative and quantative disclosure on the impact of the standard, if any, in our 2018 Annual Report.
- **IFRS 16 'Leases'** (effective 1 October 2019) addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The standard replaces IAS 17 'Leases', and related interpretations. Whilst management's full impact assessment of the introduction of IFRS 16 is not complete, the Group does not have a significant number of leases which relate principally to office buildings and leased company cars. The principal impact is likely to be the recognition of additional leasing assets and liabilities and the Income Statement impact is not expected to be material.
- **Amendments to IAS 7 and IAS 12** (effective 1 October 2018). These amendments require additional disclosures in the statement of cash flows and recognition of deferred tax assets for unrealised losses respectively.
- **Amendment to IFRS 2** (effective 1 October 2018). This amendment clarifies the measurement for cash-settled, share-based payments and the accounting for modifications that change an award from cash settled to equity settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity settled,

where an employer is obliged to withhold an amount for the employee's tax obligations associated with a share-based payment and pay that amount to the tax authority.
- **Amendment to IFRS 15** (effective 1 October 2018). These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation).

There are no IFRSs or IFRS IC interpretations that are not yet effective that would be expected to have a material impact on the Group for the financial year beginning 1 October 2017.

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

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

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

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

Non-controlling interests in the results and equity of subsidiaries are shown separately in the Income Statement, the Statement of Changes in Equity and Statement of Financial Position.

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

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

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

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

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

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

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

Business combinations
All acquisitions are accounted for using the acquisition method of accounting. The cost of an acquisition is the aggregate of the fair values of the assets transferred, liabilities incurred or assumed and equity instruments issued at the date of acquisition. The consideration transferred includes the fair value of the asset or liability resulting from a deferred and contingent consideration arrangement.

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

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

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

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

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

Software
Computer software that generates an economic benefit of greater than one year is recognised as an intangible asset and carried at cost less accumulated amortisation. Computer software costs that are recognised as assets are amortised on a straight line basis over their economic useful life of four years. These are reviewed for impairment at such time as there is a change in circumstances by which the carrying value may no longer be recoverable.

Property, plant and equipment
Property, plant and equipment is stated at cost less accumulated depreciation and any applicable impairment losses.

Depreciation is charged at rates to write off the cost of the asset on a straight line basis over the estimated useful life of the asset. The applicable annual rates are:

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

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

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

Financial assets
The Group classifies its financial assets in the following categories:

- loans and receivables; and
- available for sale.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Revenue
Revenue comprises the fair value of the consideration received or receivable, net of applicable value added tax, Stamp Duty Land Tax, rebates and discounts and after eliminating sales within the Group. Revenue and profit are recognised as set out below.

Private housing
Revenue is recognised in the Income Statement on legal completion at the fair value of the consideration received.

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

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

Land and commercial sales
Revenue is recognised when substantially all of the risks and rewards of ownership of the land or commercial property transfer to the buyer, generally when there is an unconditional exchange of contracts. Revenue is measured as the fair value of consideration received or receivable.

Affordable housing contracts and design and build contracting
Contract revenue and costs are recognised in accordance with IAS 11 'Construction Contracts'.

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

Where the outcome of a long-term contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately in the Income Statement within cost of sales.

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

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

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

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

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

Leases
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Rentals payable and incentives receivable under operating leases are recognised on a straight line basis over the term of the relevant lease.

Finance costs and finance income

Borrowing costs
Borrowing costs in relation to the Group's debt facility are recognised on an accruals basis. Also included in borrowing costs is the amortisation of fees associated with the arrangement of the financing. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the Income Statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

The Group does not capitalise borrowing costs into developments.

Unwind of discounting
The finance cost associated with the time value of money on discounted receivables and payables is recognised within finance costs as the discount unwinds over the life of the relevant item.

Current and deferred income taxation
Income tax comprises current and deferred tax.

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

Deferred taxation
Deferred taxation is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax rates used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the taxable profit nor the accounting profit.

Deferred tax is calculated at the substantively enacted tax rates that are expected to apply to the period when the asset is realised or the liability is settled based upon tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in comprehensive income, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity, or items charged or credited directly to other comprehensive income, in which case the deferred tax is also recognised in other comprehensive income.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the Group intends to settle the balances on a net basis.

Segment reporting
Segment reporting is presented in the consolidated financial statements in respect of the Group's business segments. Segmental reporting reflects the Group's management structure and primary basis of internal reporting.

Segmental results include items directly attributable to the segment, as well as those that can be allocated on a reasonable basis.

The chief operating decision-maker ("CODM") has been identified as the Group's Executive Committee. The CODM reviews the Group's internal reporting in order to assess performance and allocate resources. The CODM assesses the performance of the operating segments based on underlying operating profit and tangible net operating asset values ("TNOAV").

Pension obligations
The Group operates a defined contribution pension plan. A defined contribution plan is a pension plan under which the Group pays fixed contributions to a separate entity.

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

Share-based payments
The Group provides benefits to employees (including Directors) of the Group in the form of equity-settled share-based payment transactions, whereby employees render services in exchange for rights over shares. For equity-settled share-based payments, the fair value of the employee services rendered is determined by reference to the fair value of the shares awarded or options granted, excluding the impact of any non-market vesting conditions. All share options are valued using an option-pricing model (Black Scholes or Monte Carlo). This fair value is charged to the Income Statement over the vesting period of the share-based payment scheme.

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

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

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

operations.

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

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

- fees incurred in relation to business combinations or capital market transactions;
- adjustments to the Statement of Financial Position that do not relate to trading activity such as the recognition and reversal of non-trade impairments;
- the impact of material and non-recurring changes to discount rates;
- accelerated write off of unamortised issue costs on the re-financing of borrowings; and
- the costs of Group restructuring exercises.

Share-based payment charges in respect of the pre-IPO Management Incentive Plan established during the year ended 30 September 2013 in connection with the acquisition of Copthorn Holdings Limited and its subsidiary companies by Oaktree Capital Management LLC were also treated as a non-underlying item in the prior year. This allows the underlying performance of the Group to be measured from period to period, due to the fact that the full benefits of owning these shares are crystallised only following an exit event, such as the IPO.

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

Dividends
Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Dividends payable are recorded in the period in which they are approved or paid, whichever is earliest.

4. Segmental reporting
Segmental reporting is presented in respect of the Group's business segments reflecting the Group's management and internal reporting structure and is the basis on which strategic operating decisions are made by the Group's Chief Operating Decision-Maker ("CODM"). The Group's two business segments are Partnerships and Housebuilding.

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

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

Segmental adjusted operating profit and segmental operating profit includes items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Central head office costs have been allocated between the segments using a percentage of revenue basis. Items below Group operating profit have not been allocated.

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

Countryside operates entirely within the United Kingdom.

(a) Segmental income statement

	Partnerships £m	Housebuilding £m	Group items £m	Total £m
Year ended 30 September 2017				
Adjusted revenue including share of associate and joint ventures' revenue	**476.7**	**552.1**	**-**	**1,028.8**
Share of associate and joint ventures' revenue	**(57.9)**	**(125.1)**	**-**	**(183.0)**
Revenue	**418.8**	**427.0**	**-**	**845.8**
Segment result:				
Adjusted operating profit including share of operating profit from associate and joint ventures	**79.4**	**91.5**	**(6.8)**	**164.1**
Less: share of operating profit from associate and joint ventures	**(10.7)**	**(22.9)**	**-**	**(33.6)**
Less: non-underlying items	**-**	**-**	**(1.6)**	**(1.6)**
Operating profit/(loss)	**68.7**	**68.6**	**(8.4)**	**128.9**

	Partnerships £m	Housebuilding £m	Group items £m	Total £m
Year ended 30 September 2016				
Adjusted revenue including share of associate and joint ventures' revenue	349.9	427.1	-	777.0
Share of associate and joint ventures' revenue	(36.7)	(69.0)	-	(105.7)
Revenue	313.2	358.1	-	671.3
Segment result:				
Adjusted operating profit including share of operating profit from associate and joint ventures	56.8	68.1	(2.4)	122.5
Less: share of operating profit from associate and joint ventures	(7.0)	(18.3)	-	(25.3)
Less: non-underlying items	2.6	-	(12.5)	(9.9)
Operating profit/(loss)	52.4	49.8	(14.9)	87.3

(b) Segmental capital employed

	Partnerships £m	Housebuilding £m	Group items £m	Total £m

	Partnerships £m	Housebuilding £m	Group items £m	Total £m
Year ended 30 September 2017				
Net assets[1]	**101.7**	**447.9**	**135.6**	**685.2**
TNOAV[2]	**101.7**	**447.9**	**-**	**549.6**

	Partnerships £m	Housebuilding £m	Group items £m	Total £m
Year ended 30 September 2016				
Net assets[1]	103.3	422.2	67.4	592.9
TNOAV[2]	103.3	422.2	-	525.5

1. Group items include intangible assets of £59.5m (2016: £58.9m), net of deferred tax of £1.3m (2016: £3.5m) and net cash of £77.4m (2016: £12.0m)).
2. TNOAV is calculated as net assets excluding the Group items described above.

(c) Segmental other items

	Partnerships £m	Housebuilding £m	Group items £m	Total £m
Year ended 30 September 2017				
Investment in associate	**-**	**2.6**	**-**	**2.6**
Investment in joint ventures	**3.9**	**54.9**	**-**	**58.8**
Share of post-tax profit from associate and joint ventures	**10.7**	**19.0**	**-**	**29.7**
Capital expenditure - property, plant and equipment	**0.4**	**0.4**	**-**	**0.8**
Capital expenditure - software	**-**	**-**	**2.3**	**2.3**
Depreciation and amortisation	**0.4**	**0.5**	**1.7**	**2.6**
Share-based payments	**-**	**-**	**5.1**	**5.1**

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

5. Employees and Directors

(a) Staff costs for the Group during the year

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

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

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

(b) Retirement benefits

All the Group's employees are entitled to join the Group's defined contribution schemes, which are invested with Aegon. Annual contributions to these plans charged against income amounted to £3.6m (2016: £2.6m), of which £0.4m (2016: £0.2m) was outstanding at 30 September 2017. The Group does not operate any defined benefit pension schemes.

(c) Directors' emoluments

	2017 £m	2016 £m
Aggregate emoluments	**2.6**	2.5

(d) Emoluments of the highest paid Director

	2017 £m	2016 £m
Aggregate emoluments	**1.4**	1.4

(e) Key management compensation

The following table details the aggregate compensation paid in respect of the members of the Executive Committee of the Board of Directors, including the Executive Directors.

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

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

6. Group operating profit

(a) Group operating profit is stated after charging

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

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

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

(b) Non-underlying items

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

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

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

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

Share-based payments - pre-IPO
In the year ended 30 September 2013, a Management Incentive Plan (the "Plan") was approved by the Board in which certain senior employees of Countryside Properties (UK) Limited, a subsidiary company, were invited to acquire shares issued by OCM Luxembourg Midco S.à r.l. This Plan was treated as a non-underlying item.

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

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

Impairment of unamortised loan arrangement fees
As described in Note 23, the Group refinanced in May 2016. As a result, unamortised debt finance costs in relation to the previous facility as at the refinancing date of £nil (2016: £3.2m) were expensed as a non-underlying finance cost.

Taxation
A total tax credit of £1.8m (2016: £1.0m) in relation to all of the above non-recurring items was included within taxation in the income statement.

(c) Non-GAAP performance measures
The Directors believe that adjusted revenue (including share of revenue from associate and joint ventures), adjusted operating profit (including share of operating profit from associates and joint ventures) and underlying diluted and basic earnings per share measures presented provide a clear and consistent presentation of the underlying performance of the Group's ongoing business for

shareholders. These are not measures that are defined by IFRS and therefore may not be directly comparable with the adjusted or underlying profit measures of other companies.

The following table reconciles revenue to adjusted Group revenue:

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

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

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

7. Finance costs

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

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

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

8. Finance income

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

9. Income tax expense

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

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

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

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

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

Adjustments in respect of prior periods

In both years presented the adjustments relate to the finalisation of entity tax computations following the signing of the Group financial statements.

Expenses not deductible for tax
This includes disallowable accounting charges in respect of share based payments and, in the case of the prior period, disallowable costs incurred in relation to the IPO, principally legal and advisory fees.

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

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

10. Earnings per share
Basic and diluted earnings per share are calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue. In the prior year, the weighted average number of shares in issue was calculated from the date of the IPO to 30 September 2016. The weighted average number of shares, for 2016, has been stated as if the Group reorganisation had occurred at the beginning of the year.

(a) Basic and diluted earnings per share

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

(b) Adjusted basic and diluted earnings per share
Adjusted Group operating profit represents a key measure for the Group. Adjusted earnings per share excludes non-underlying items from Group profit as follows:

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

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

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

11. Intangible assets

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

Goodwill
Goodwill relates to the acquisition of the Copthorn Holdings Group in April 2013 (£19.3m) and Millgate Developments in February 2014 (£18.5m). Both entities are considered to be cash generating units ("CGUs"). The goodwill balance is tested annually for impairment. The recoverable amount has been determined as the value in use of the business assessed on the current five-year cash flow forecasts. These forecasts are based on achieving the Group's medium-term targets of 17 per cent operating margin and 28 per cent ROCE with appropriate growth rates applied in following years. Forecast revenue is based on a Board-approved five-year plan which takes into account current market trends and the Group's growth plans. Cash flow beyond the five-year period is extrapolated using a growth rate of 2 per cent per annum. Cash flows generated by both CGUs are discounted using a pre-tax discount rate of 12.5 per cent, approved by the Board of Directors.

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

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

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

12. Property, plant and equipment

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

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

13. Investment in joint ventures

The Directors have aggregated disclosure of joint ventures' statements of financial position and income statement on the basis that all of the joint ventures share a similar risk profile. The Group's aggregate investment in its joint ventures is represented by:

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

The aggregate amount due from joint ventures is £67.9m (2016: £84.5m). The amount due to joint ventures is £0.3m (2016: £0.3m). Transactions between the Group and its joint ventures are disclosed in Note 27.

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

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

The Group's investments in joint ventures, all of which are incorporated in the United Kingdom and are accounted for using the equity method, comprise:

	Country of incorporation	Ownership interest %	Principal activity
Acton Gardens LLP	UK	50.0	Housebuilding
Brenthall Park (Commercial) Limited	UK	50.0	Non-trading
Brenthall Park (Infrastructure) Limited	UK	50.0	Dormant

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

14. Investment in associate

The Group holds 28.5 per cent of the ordinary share capital with pro-rata voting rights in Countryside Properties (Bicester) Limited, a company incorporated in the United Kingdom, whose principal activity is the sale of serviced parcels of land, and for segmental purposes is disclosed within the Housebuilding division. It is accounted for using the equity method.

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

	2017 £m	2016 £m
Summarised statement of financial position:		
Non-current assets	**-**	1.5
Current assets	**13.9**	11.2
Cash	**10.9**	19.8
Current liabilities	**(15.4)**	(14.1)
Non-current liabilities	**(0.4)**	-
	9.0	18.4
Reconciliation to carrying amount:		
At 1 October	**18.4**	14.6
Profit for the year	**5.4**	3.8
Dividends paid	**(14.8)**	-
At 30 September	**9.0**	18.4

Summarised statement of comprehensive income:		
Revenue	**17.4**	17.7
Expenses	**(10.7)**	(12.0)
Operating profit	**6.7**	5.7
Finance income	**-**	0.1
Income tax	**(1.3)**	(2.0)
Profit for the year	**5.4**	3.8
Group's share in per cent	**28.5%**	28.5%
Share of revenue	**5.0**	5.0
Share of operating profit	**1.9**	1.6
Dividends paid	**(4.2)**	-
Investment in associate	**2.6**	5.2

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

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

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

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

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

15. Available-for-sale financial assets

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

At 30 September	**7.4**	8.7

The available-for-sale financial assets comprise loans advanced to homebuyers to assist in the purchase of their property under shared equity schemes. The loans are secured by either a first or second legal charge over the property and are either interest free or have interest chargeable from the fifth year onwards or tenth year onwards, dependent upon the scheme under which the loans were issued.

The assets are held at fair value, which represents the current market value of the properties held discounted to fair value, based on the redemption date of the loan. These loans are subject to credit risk, where loans may potentially not be repaid if the borrower defaults on repayment. An adjustment for credit risk is built into the calculation by using a discount rate equivalent for home loans, which rank behind mortgages. None of these financial assets are either past due or impaired.

The estimated value takes into consideration movements in house prices, the anticipated timing of the repayment of the asset and associated credit risk. As the precise valuation and timing of the redemption of these assets remains uncertain, the Group applies assumptions based upon current market conditions and the Group's experience of actual cash flows resulting from these transactions. These assumptions are reviewed at the end of each financial year as part of the impairment review conducted by the Directors. The difference between the estimated future value and the initial fair value is credited to finance income over the term of the loan.

Future house price inflation is assumed to be zero (2016: zero). The discount rate applied is 8.5 per cent (2016: 8.5 per cent), which the Directors believe approximates the cost of a second charge mortgage on similar properties.

If UK house price inflation had been one per cent higher or lower, with all other variables held constant and excluding any effect of current or deferred tax, the value of shared equity would increase or decrease by £0.1m (2016: £0.1m) respectively, whilst if the discount rate used had been one per cent higher or lower, the value of these financial instruments would decrease or increase by £0.4m (2016: £0.5m) and £0.4m (2016: £0.5m), respectively. Changes in economic conditions will change the estimates made, therefore impacting the fair value of these loans.

The inputs used are by nature estimated and the resultant fair value has been classified as Level 3 under the fair value hierarchy.

16. Deferred tax assets

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

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

	Losses £m	Other £m	Total £m
At 1 October 2015	5.6	-	5.6
Charge to the Income Statement for the year	(3.2)	0.7	(2.5)
Amount transferred to the Statement of Changes in Equity	-	0.2	0.2
At 30 September 2016	2.4	0.9	3.3
Charge to the Income Statement for the year	(1.5)	0.3	(1.2)
Amount transferred to the Statement of Changes in Equity	-	0.7	0.7
At 30 September 2017	**0.9**	**1.9**	**2.8**

A deferred tax asset of £0.9m (2016: £2.4m) has been recognised in respect of unutilised losses where realisation of the related tax benefit through future taxable profits is probable. Deferred tax assets of £1.9m (2016: £0.4m) in respect of share-based payments, and £nil (2016: £0.5m) in respect of other short-term timing differences has also been recognised. Temporary differences arising in connection with interests in associate and joint ventures are not significant. No deferred tax asset has been recognised in relation to losses where it is considered that they are not recoverable in the near future. The Group has unrecognised deferred tax assets of £1.2m on historical losses of £7.0m (2016: £1.3m on losses of £7.4m).

17. Inventories

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

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

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

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

18. Construction contracts

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

19. Trade and other receivables

	2017 £m	2016 £m
Amounts falling due within one year:		

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

The Directors are of the opinion that there are no significant concentrations of credit risk (Note 29). The fair value of the financial assets is not considered to be materially different from their carrying value. The fair values are based on discounted cash flows and are within Level 3 of the fair value hierarchy.

Trade receivables at year end have been assessed for recoverability. A provision for impairment is made when there is objective evidence of impairment, which is usually indicated by a delay in the expected cash flows or non-payment from customers. Trade receivables remaining outstanding past their due date are £1.3m (2016: £0.5m); however, none were impaired.
A provision of £8.0m (2016: £8.0m) has been made against amounts due from Countryside Neptune LLP, a joint venture, to reflect the Directors' view of the recoverability of this advance.

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

20. Cash and cash equivalents

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

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

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

21. Trade and other payables

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

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

22. Provisions

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

£1.0m (2016: £1.5m) relates to an onerous lease on a leasehold office property, and is calculated on the estimated cash flows over the remaining length of the lease, discounted at a risk-free rate. £1.4m has been reclassified from accruals during the year and relates to the Group's potential obligations to rectify dilapidations of office buildings.

23. Borrowings

	2017 £m	2016 £m
Bank loans	**-**	-
Bank loan and arrangement fees	**-**	-
	-	-

Bank loans
In May 2016, the Group signed a new £300m revolving credit facility with Lloyds Bank plc, Barclays Bank PLC, HSBC Bank plc and Santander UK plc. The agreement has a variable interest rate based on LIBOR and expired in May 2021, although the Group has the opportunity to extend the term of the facility by a further two years. Subject to obtaining credit approval from the syndicate banks, the

Group also has the option to extend the facility by a further £100m. This facility is subject to both financial and non-financial covenants and is secured by floating charges over all the Group's assets. In May 2017, the Group exercised the first option to extend the facility by a further year to May 2022.

The carrying value of the loans drawn under both the old and new facilities is equal to their fair value. As the impact of discounting is not significant, the fair values are based on discounted cash flows and are within Level 2 of the fair value hierarchy.

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

The Group has the following undrawn facilities:

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

24. Reserves

(a) Share capital

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

(b) Reserves

Cumulative net gains and losses recognised in the Income Statement and Statement of Changes in Equity.

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

25. Notes to the cash flow statement

Reconciliation of operating profit to cash generated from operations

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

Non-cash items

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

26. Investments

The Company substantially owns directly or indirectly the whole of the issued and fully paid ordinary share capital of its subsidiary undertakings. Subsidiary undertakings of the Group at 30 September 2017 are presented below:

	Country of incorporation	Voting rights %	Principal activity
Direct investment			
Copthorn Holdings Limited	UK	100.0	Holding company
Indirect investment			

Alma Estate (Enfield) Management Company Limited	UK	100.0	Estate Management
Beaulieu Park Limited	UK	100.0	Dormant
Brenthall Park (One) Limited	UK	100.0	Dormant
Cliveden Village Management Company Limited	UK	100.0	Estate Management
Copthorn 2009 Limited (in liquidation)	UK	100.0	Dormant
Copthorn Finance Limited (in liquidation)	UK	100.0	Dormant
Copthorn Limited (in liquidation)	UK	100.0	Dormant
Countryside 26 Limited	UK	100.0	Housebuilding
Countryside 28 Limited	UK	100.0	Housebuilding
Countryside Build Limited	UK	100.0	Dormant
Countryside Cambridge One Limited	UK	100.0	Holding Land
Countryside Cambridge Two Limited	UK	100.0	Holding Land
Countryside Commercial & Industrial Properties Limited	UK	100.0	Dormant
Countryside Developments Limited	UK	100.0	Dormant
Countryside Eight Limited	UK	100.0	Dormant
Countryside Four Limited	UK	100.0	Holding Company
Countryside Investments Limited	UK	100.0	Dormant
Countryside Properties (Commercial) Limited	UK	100.0	Dormant
Countryside Properties (Holdings) Limited	UK	100.0	Holding Company
Countryside Properties (In Partnership) Limited	UK	100.0	Housebuilding
Countryside Properties (Joint Ventures) Limited	UK	100.0	Holding Company
Countryside Properties Land (One) Limited	UK	100.0	Holding Land
Countryside Properties Land (Two) Limited	UK	100.0	Holding Land
Countryside Properties (London & Thames Gateway) Limited	UK	100.0	Dormant
Countryside Properties (Northern) Limited	UK	100.0	Housebuilding
Countryside Properties (Southern) Limited	UK	100.0	Housebuilding
Countryside Residential (South Thames) Limited	UK	100.0	Dormant
Countryside Properties (Special Projects) Limited	UK	100.0	Dormant
Countryside Properties (Springhead) Limited	UK	100.0	Housebuilding
Countryside Properties (Uberior) Limited	UK	100.0	Housebuilding
Countryside Properties (UK) Limited	UK	100.0	Housebuilding
Countryside Residential Limited	UK	100.0	Dormant
Countryside Residential (South West) Limited	UK	100.0	Dormant
Countryside Seven Limited	UK	100.0	Dormant
Countryside Sigma Limited	UK	74.9	Housebuilding
Countryside Thirteen Limited	UK	100.0	Housebuilding
Countryside (UK) Limited	UK	100.0	Dormant
Dunton Garden Suburb Limited	UK	100.0	Land Promotion
Knight Strategic Land Limited	UK	100.0	Land Promotion
Harold Wood Management Limited	UK	100.0	Estate Management
Lakenmoor Ltd	UK	100.0	Dormant
Mandeville Place (Radwinter) Management Limited	UK	100.0	Estate Management
Millgate Developments Limited	UK	100.0	Housebuilding
Millgate Homes Limited	UK	100.0	Dormant
Millgate Homes UK Limited	UK	100.0	Dormant
Millgate (UK) Holdings Limited	UK	100.0	Holding Company
Newhall Land Limited	UK	100.0	Housebuilding
Oaklands Hamlet Resident Management Limited	UK	100.0	Estate Management
Skyline 120 Management Limited	UK	100.0	Estate Management
Skyline 120 Nexus Management Limited	UK	100.0	Estate Management
Springhead Resident Management Company Limited	UK	100.0	Estate Management
South at Didsbury Point Two Management Limited	UK	100.0	Estate Management
Trinity Place Residential Management Company Limited	UK	100.0	Estate Management
Urban Hive Hackney Management Limited	UK	100.0	Estate Management
Wychwood Park Golf Club Limited	UK	100.0	Dormant
Wychwood Park (Holdings) Limited	UK	100.0	Estate Management
Wychwood Park (Management) Limited	UK	100.0	Estate Management

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

27. Related party transactions

Transactions with Group joint ventures and associate

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

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

The transactions noted above are between the Group and its joint ventures and associate whose relationship is described in Note 13 and Note 14 respectively.

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

Remuneration of key management personnel
The aggregate remuneration of the Executive Committee, who are considered to be key management personnel of the Group, was £7.1m (2016: £6.1m).

Transactions with key management personnel
In 2014, properties were sold at market value by the Group to parties related to key management personnel who continue to lease them back to the Group as. Payments under those leases were made to the individuals as follows:
- Close family members of Ian Sutcliffe received £17,250 (2016: £17,250).
- A company of which Graham Cherry, a member of the Group's Executive Committee, is a Director and shareholder received £21,000 (2016: £21,000).

In 2016 a close family member of Ian Sutcliffe jointly purchased a property from Acton Gardens LLP, an entity in which the Group has a 50 per cent interest, at market value of £530,000.

In 2016, a close family member of Ian Sutcliffe and a close family member of Graham Cherry were employed by a subsidiary of the Group. Both individuals were recruited through the normal interview process and are employed at salaries commensurate with their experience and roles. The combined annual salary and benefits of these individuals is less than £100,000 (2016: less than £100,000).

28. Financial instruments
The following tables categorise the Group's financial assets and liabilities included in the Consolidated Statement of Financial Position:

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

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

Fair value estimation
The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs). The key assumptions used in Level 3 valuations include house price movements, the expected timing of receipts, credit risk and discount rates. Future house price inflation is assumed to be zero (2016: zero). The discount rate applied was 8.5 per cent (2016: 8.5 per cent) which Directors believe approximates the cost of a second charge mortgage on similar properties. Techniques, such as discounted cash flow analysis, have been used to determine fair value for the Level 3 financial instruments.

The following table presents the Group's assets that are measured at fair value at 30 September:

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
2017				
Assets				
Available-for-sale financial assets	**-**	**-**	**7.4**	**7.4**
2016				
Assets				
Available-for-sale financial assets	-	-	8.7	8.7

There were no transfers between levels during the year.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined

by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.
The fair values of the financial instruments that are measured at amortised cost is not shown, because the difference is not material.

29. Financial risk management
The main financial risks associated with the Group have been identified as liquidity risk, interest rate risk, housing market risk and credit risk. The Directors are responsible for managing these risks and the policies adopted are set out below.

Liquidity risk
The Group finances its operations through a mixture of equity (Company share capital, reserves and retained earnings) and debt (bank loan facilities). The Group manages its liquidity risk by monitoring its existing facilities for both financial covenant and funding headroom against forecast requirements based on short-term and long-term cash flow forecasts.

Maturity analysis
The following table sets out the contractual undiscounted maturities including estimated cash flows of the financial assets and liabilities (excluding financial derivatives) of the Group at 30 September:

	Less than one year £m	One to two years £m	Two to five years £m	Over five years £m	Total £m
2017					
Assets					
Cash and cash equivalents	**77.4**	**-**	**-**	**-**	**77.4**
Available-for-sale financial assets	**0.9**	**2.3**	**4.9**	**5.8**	**13.9**
Trade and other receivables	**69.5**	**10.8**	**2.5**	**-**	**82.8**
Amounts due from joint ventures and associate	**67.9**	**-**	**-**	**-**	**67.9**
	215.7	**13.1**	**7.4**	**5.8**	**242.0**
2017					
Liabilities					
Overdrafts	**-**	**-**	**-**	**-**	**-**
Trade and other payables	**253.3**	**50.3**	**38.2**	**0.3**	**342.1**
Amounts due to joint ventures	**0.3**	**-**	**-**	**-**	**0.3**
Provisions	**0.6**	**1.4**	**0.6**	**-**	**2.6**
	254.2	**51.7**	**38.8**	**0.3**	**345.0**
2016					
Assets					
Cash and cash equivalents	38.3	-	-	-	38.3
Available-for-sale financial assets	-	1.1	6.0	9.1	16.2
Trade and other receivables	49.6	5.9	4.7	0.2	60.4
Amounts due from joint ventures and associate	84.5	-	-	-	84.5
	172.4	7.0	10.7	9.3	199.4
2016					
Liabilities					
Overdrafts	26.3	-	-	-	26.3
Trade and other payables	102.2	48.8	75.8	1.6	228.4
Amounts due to joint ventures	0.3	-	-	-	0.3
Provisions	0.8	0.5	0.2	-	1.5
	129.6	49.3	76.0	1.6	256.5

Cash and cash equivalents includes £74.5m (2016: £36.6m) which is available for offset against loans drawn under the Group's revolving credit facility and overdrafts.

Interest rate risk
Interest rate risk reflects the Group's exposure to fluctuations in interest rates in the market. This risk arises from bank loans that are drawn under the Group's loan facilities with variable interest rates based upon UK LIBOR. For the year ended 30 September 2017 it is estimated that an increase by 0.5 per cent in interest rates would have decreased the Group's profit before tax by £0.4m (2016: £0.7m).

The following table sets out the interest rate risk associated with the Group's financial liabilities at 30 September 2017:

	Fixed rate £m	Floating rate £m	Non-interest bearing £m	Total £m
2017				
Liabilities				
Bank loans and finance cost	**-**	**-**	**-**	**-**
Trade and other payables	**-**	**-**	**229.0**	**229.0**
Amounts due to joint ventures	**-**	**-**	**0.3**	**0.3**
	-	**-**	**229.3**	**229.3**
2016				
Liabilities				
Bank loans and finance cost	-	26.3	-	26.3
Trade and other payables	32.2	-	182.7	214.9
Amounts due to joint ventures	-	-	0.3	0.3
	32.2	26.3	183.0	241.5

The financial assets of the Group amounting to £215.7m (2016: £191.9m) with the exception of cash and cash equivalents amounting to £77.4m (2016: £38.3m) are all non-interest bearing.

The Group has no exposure to foreign currency risk.

Housing market risk
The Group is affected by price fluctuations in the UK housing market. These are in turn affected by the wider economic conditions

such as mortgage availability and associated interest rates, employment and consumer confidence. Whilst these risks are beyond the Group's ultimate control, risk is spread across business activities undertaken by the Group and the geographic regions in which it operates. We have considered the sensitivity in relation to available-for-sale financial assets, which is detailed in Note 15.

Credit risk
The Group's exposure to credit risk is limited solely to the United Kingdom for housebuilding activities and by the fact that the Group receives cash at the point of legal completion of its sales.

The Group's remaining credit risk predominantly arises from trade receivables and cash and cash equivalents.

Loans receivable from financial assets held for sale are those advanced to homebuyers to assist in their purchase of property under the shared equity schemes. The loans are secured by either a first or second charge over the property and are held at fair value.

Trade receivables on deferred terms arise from land sales. The amount deferred is secured by a charge over the land until such time payment is received.

Trade and other receivables comprise mainly the amounts receivable from the Homes and Communities Agency in relation to the Help to Buy scheme, housing associations, joint ventures and the associate. The Directors consider the credit rating of the various debtors is good in respect of the amounts outstanding and therefore credit risk is considered to be low.

Cash and cash equivalents and derivative financial instruments are held with UK clearing banks which are either A or A- rated.

Capital management
The Group's policies seek to protect returns to shareholders by ensuring the Group will continue to trade profitably in the foreseeable future. The Group also aims to optimise its capital structure of debt and equity so as to minimise its cost of capital. The Group manages its capital with regard to the risks inherent in the business and the sector within which it operates by monitoring its actual cash flows against bank loan facilities, financial covenants and the cash flow forecasts approved by the Directors.

	2017 £m	2016 £m
Total borrowings	**-**	-
Less: cash and cash equivalents available for offset	**-**	-
Net borrowings	**-**	-
Total equity	**685.2**	592.9
Total capital	**685.2**	592.9

30. Share-based payments
The Group recognised £5.1m (2016: £3.0m) of employee costs related to share-based payment transactions during the financial year. A deferred tax asset of £1.9m (2016: £0.4m) was recognised in relation to these transactions, of which £0.8m (2016: £0.2m) was credited to the income statement and £0.7m (2016: £0.2m) was credited directly to equity.

National Insurance contributions are payable in respect of certain share-based payment transactions and are treated as cash-settled transactions. The cost of these contributions is included within the share-based payment expense. At 30 September 2017, the carrying amount of National Insurance contributions payable was £1.2m (2016: £0.2m), which was recognised in the Consolidated Statement of Financial Position within accruals.

The Group operated a number of share-based payment schemes during the financial year (all of which are equity-settled) as set out below:

(a) Savings-Related Share Option Scheme ("SRSOS")
The Group operates an SRSOS, which is open to all employees with more than three months' continuous service. This is a UK tax-advantaged "SAYE" plan.

Under the SAYE, eligible participants are granted options over such number of shares as determined by reference to their monthly savings contract over three years. Participants remaining in the Group's employment at the end of the three-year savings period are entitled to use their savings to purchase shares in the Company at a stated exercise price (set at a discount of up to 20 per cent of the share price on the day preceding the date of grant). Employees leaving for certain reasons are able to use their savings to purchase shares within six months of their cessation of employment. At 30 September 2017, employees held 760 three-year savings contracts (2016: 650) in respect of options over 3.0 million shares (2016: 2.8 million). 254 employees subscribed to the December 2016 offer, representing a participation rate of 23 per cent of eligible employees (February 2016: 691 employees, 70 per cent). The reduction in the participation rate was due to the high number of employees subscribing for the maximum allowed amount in February 2016. A reconciliation of option movements is shown below.

Options granted during the year were valued using the Black Scholes option-pricing model. No performance conditions or assumptions regarding service were included in the fair value calculations. The fair value per option granted during the year and the assumptions used in the calculation are detailed in the table below.

Date of grant	22 December 2016	16 March 2016
Options granted (millions)	0.8	3.0
Share price at date of grant (pence)	236	240
Exercise price (pence)	192	192
Volatility (per cent)	28	29
Option life (years)	3	3
Expected dividend yield (per cent)	3.0	3.0
Risk-free rate (per cent)	1.0	1.0
Fair value per option - Black Scholes (pence)	55	57

Movements in the year	Instruments m	Instruments m
Options outstanding at 1 October 2015	-	-
Granted	-	3.0
Lapsed	-	-
Forfeited	-	(0.2)
Options outstanding at 30 September 2016	-	2.8
Granted	0.8	-

Lapsed	-	(0.1)
Forfeited	(0.1)	(0.4)
Outstanding at 30 September 2017	0.7	2.3

The resulting fair value is expensed over the service period of three years, on the assumption that 45 per cent of options will lapse over the service period as employees leave the Company based on the Group's experience of employee attrition rates.

As the first two awards of options under the scheme were made in the current and prior years, none of the options are currently exercisable. The weighted average remaining contractual life of share options outstanding at 30 September 2017 was 1.6 years (2016: 2.4 years).

(b) Long Term Incentive Plan ("LTIP")
Under the LTIP, shares are conditionally awarded to senior managers of the Company. The core awards are calculated as a percentage of the participants' salaries and scaled according to grade. The awards granted in 2016 and 2017 are assessed against ROCE, TNAV and relative TSR. Straight line vesting will apply if performance falls between two thresholds. Performance will be measured at the end of the three-year performance period. If the required level of performance has been reached, the awards vest and the shares under award will be released. Dividends do not accrue on the shares that vest.

The weighted average remaining contractual life of LTIP awards outstanding at 30 September 2017 was 1.8 years. Details of the shares conditionally allocated at 30 September 2017 are set out below.

The conditional shares were valued using the following methods:
- for the non-market-based elements of the award, a combination of a Black Scholes option-pricing model; and
- for the relative TSR element of the award, a Monte Carlo simulation model.

The key assumptions underpinning the Black Scholes model and Monte Carlo simulation model are set out in the table below.

Date of grant	22 May 2017	15 December 2016	18 February 2016
Awards granted (millions)	0.2	3.7	3.8
Share price at date of grant (pence)	299	236	237
Exercise price (pence)	nil	nil	nil
Volatility (per cent)	28	28	29
Award life (years)	3	3	3
Expected dividend yield (per cent)	3.0	3.0	3.0
Risk-free rate (per cent)	1.0	1.0	1.0
Fair value per conditional share - Black Scholes (pence)	255	216	219
Fair value per conditional share - Monte Carlo (pence)	153	132	140

Movements in the year	Instruments m	Instruments m	Instruments m
Awards outstanding at 1 October 2015	-	-	-
Granted	-	-	3.8
Lapsed	-	-	(0.2)
Awards outstanding at 30 September 2016	-	-	3.6
Granted	0.2	3.7	-
Lapsed	-	(0.3)	(0.2)
Awards outstanding at 30 September 2017	0.2	3.4	3.4

No awards under the plan have vested.

(c) Deferred Bonus Plan ("DBP")
Under the DBP, certain senior managers and Directors of the Company receive one-third of their annual bonus entitlement as a conditional share award. The number of shares awarded is calculated by dividing the value of the deferred bonus by the average mid-market share price on the three business days prior to grant. The shares vest after three years subject to the employee remaining in the employment of the Group. If an employee leaves during the three-year period, the shares are forfeited except in certain circumstances as set out in the Plan rules.

The fair value of the awards is equal to the share price on the date of grant. The fair value is expensed to the income statement in a straight line over four years, being the year in which the bonus is earned and the three-year holding period.

During the year, 0.5 million shares were conditionally allocated on 15 December 2016 (2016: nil) with the share price on the date of grant being £2.42. A reconciliation of the number of shares conditionally allocated is shown below:

	2017 Number of shares (m)
Outstanding at the beginning of the year	**-**
Granted	**0.5**
Forfeited	**-**
Exercised	**-**
Expired	**-**
Outstanding at the end of the year	**0.5**

(d) Legacy Management Incentive Plan ("MIP")
Prior to IPO, Ian Sutcliffe and Rebecca Worthington participated in the MIP under which participants were awarded shares in OCM Luxembourg Coppice Midco S.à r.l. ("Midco"). These interests were purchased at fair value, determined by a third party.

Immediately prior to IPO, any shares in Midco held by the participants were exchanged for new shares in Countryside Properties PLC. On 17 February 2016, the awards vested when the Company was admitted to the London Stock Exchange. No further performance or employment conditions are attached to these shares, save for a requirement not to sell for a period of one year following the IPO. 36.5m shares vested under the awards. The residual shareholding for Ian Sutcliffe and Rebecca Worthington at 30 September 2017 is disclosed as part of the total shareholding in the Directors' Remuneration Report.

31. Operating lease commitments
The Group has various leases under non-cancellable operating lease agreements. The lease terms are between one and 20 years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

The Group also leases various vehicles, under cancellable lease agreements. The Group is required to give a six-month notice for termination of these agreements. The lease expenditure charged to the Income Statement during the year is disclosed in Note 6.

At 30 September the future aggregate minimum lease payments under non-cancellable operating leases were as follows:

	2017 **£m**	2016 £m
Within one year	**4.3**	4.0
Later than one year and less than five years	**7.2**	8.5
After five years	**2.4**	1.6
	13.9	14.1

32. Capital commitments
The Group was not committed to the purchase of any property, plant and equipment or software intangible assets at 30 September 2017 (2016: £nil).

33. Parent company guarantees
The Group has made parent company guarantees to its joint ventures and associate in the ordinary course of business.

The Group has entered into counter indemnities to banks, insurance companies, statutory undertakings and the National House Building Council in the ordinary course of business, including those in respect of joint venture partners from which it is anticipated that no material liabilities will arise.

34. Litigation and claims
The Group is subject to various claims, audits and investigations that have arisen in the ordinary course of business. These matters include but are not limited to employment and commercial matters. The outcome of all of these matters is subject to future resolution, including the uncertainties of litigation. Based on information currently known to the Group and after consultation with external lawyers, the Directors believe that the ultimate resolution of these matters, individually and in aggregate, will not have a material adverse impact on the Group's financial condition.

35. Dividend
The following dividends have been recognised as distributions in the year:

	2017 **£m**	2016 £m
Prior year final dividend per share of 3.4 pence (2016: £nil)	**15.3**	-
Current year interim dividend per share of 3.4 pence (2016: £nil)	**15.3**	-
	30.6	-

The Board of Directors recommend a final dividend of 5.0 pence per share, amounting to a total dividend of £22.5m (2016: £15.3m) which will be paid on 9 February 2018 to shareholders on the register on 22 December 2017, subject to shareholder approval. The expense has not been recognised in these financial statements as the shareholders' right to receive the dividend had not been established at 30 September 2017.

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