COUNTRYSIDE
Places People Love

3 December 2020

Positioned well for the next phase of growth

Countryside, a leading UK home builder and regeneration partner, today announces its results for the year ended 30 September 2020.

Results highlights

	2020	2019	Change
Completions[1]	**4,053**	5,733	-29%
Adjusted revenue[2]	**£988.8m**	£1,422.8m	-31%
Adjusted operating profit[3]	**£54.2m**	£234.4m	-77%
Adjusted operating margin[4]	**5.5%**	16.5%	-1,100bps
Adjusted basic earnings per share[5]	**7.4p**	40.8p	-82%
Return on capital employed[6]	**7.1%**	37.8%	-3,070bps
Group total forward order book	**£1,432m**	£1,166m	+23%
Dividend per share	**nil**	16.3p	-100%
Reported revenue	**£892.0m**	£1,237.1m	-28%
Reported operating (loss)/profit	**£(5.4)m**	£170.4m	-103%
Net cash[7]	**£98.2m**	£73.4m	34%
Reported basic (loss)/earnings per share	**(0.8)p**	37.7p	-102%

Group headlines
- Significant impact of Covid-19 lockdown on volumes, profit and margin
- On track to deliver at the upper end of consensus adjusted operating profit expectations for Financial Year 2021
- Good progress on executing accelerated Partnerships growth
- Announcing new 2023 targets for Partnerships and Housebuilding on completions, operating margins and ROCE
- Rothschild & Co now appointed to advise the Board on the separation of Housebuilding from the Group
- Significant new framework agreements signed which underpin mixed tenure delivery
- Record forward order book up 23% to £1,432m (2019: £1,166m) including £528m in private order book (2019: £241m)
- Net private reservation rate[8] of 0.78 (2019: 0.84) despite closure of sales offices during first lockdown
- Average of 63 open sales outlets (2019: 56) up 13%
- Achieved HBF 5-star builder status for the first time
- Non-Executive Chairman David Howell to step down in 2021 (see separate announcement)

Partnerships headlines
- Completions: 3,213 homes (2019: 4,425) down 27%
- Adjusted operating profit: £32.8m (2019: £127.8m) down 74%
- Adjusted operating margin: 5.2% (2019: 15.3%) down 1,010bps
- Total forward order book: £948.9m (2019: £817.3m) up 16%
- Land bank plus preferred bidder: 42,442 plots (2019: 34,842) up 22%

Housebuilding headlines
- Completions: 840 homes (2019: 1,308) down 36%
- Adjusted operating profit: £25.0m (2019: £114.8m) down 78%
- Adjusted operating margin: 7.0% (2019: 19.6%) down 1,260bps
- Total forward order book: £483.0m (2019: £348.8m) up 38%
- Land bank: 25,042 plots (2019: 24,303) of which 82% has been strategically sourced

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

Commenting on the results, Iain McPherson, Group Chief Executive, said:
"Despite the challenges presented by Covid-19 we have remained focused on executing our growth strategy and we are proud of the continued hard work of all our employees across the Group. Since July, we have been accelerating the growth plans as we progress towards our goal of delivering 10,000 homes in our Partnerships division. As more capital is allocated to Partnerships we are reorganising the business to facilitate a future separation of the Housebuilding division to optimise long-term shareholder value.

We are on track to deliver sector leading volume growth and high returns in Partnerships. We have signed a number of significant new framework agreements, our expansion into new regions is progressing well and our second modular factory is underway, all of which underpins our confidence in delivering mixed-tenure homes across the country. Our record forward order book, growing geographical footprint and strong balance sheet, provides a significant platform for our next phase of growth."

Summary of key adjusted financial metrics

	Partnerships	**Housebuilding**	**Group**
Private completions (#homes)	939	515	1,454
Affordable completions (#homes)	1,390	301	1,691
PRS completions (#homes)	884	24	908
Total completions (#homes)	3,213	840	4,053
Private ASP (£'000)	302	477	364
Affordable ASP (£'000)	145	180	151
PRS ASP (£'000)	139	301	143
Adjusted revenue (£'000)	629.4	359.4	988.8
Gross profit (£m)	73.0	53.3	126.3
Gross margin	11.6%	14.8%	12.8%
Operating profit (£m)	32.8	25.0	54.2
Operating margin	5.2%	7.0%	5.5%
Return on capital employed	13.0%	4.9%	7.1%

There will be a live webcast and conference call of our analyst and investor presentation hosted by Group Chief Executive, Iain McPherson, at 0900hrs (GMT). There will be the ability to ask questions via the webcast link as well as via the conference call. Details are set out below:

Date:	Thursday 3 December 2020
Time:	0900hrs
Dial in (Int'l):	+44 (0)20 3936 2999
Dial in UK FreeCall:	0800 640 6441
Dian in UK LocalCall:	020 3936 2999
Conference ID / passcode:	**794333**
Webcast link:	http://investors.countrysideproperties.com/

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

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Note to editors:
Countryside is a leading UK mixed-tenure developer through its two divisions, Partnerships and Housebuilding.

Countryside's Partnerships division was established over 40 years ago, specialising in estate regeneration, with operations in London, the South East, the North West, the Midlands and Yorkshire. It works mainly on public sector owned and brownfield land, in partnership with local authorities and housing associations to develop private, affordable and PRS homes. It recently established a modular panel manufacturing facility in Warrington to improve quality and reduce build times on site. Its developments include large scale urban regeneration projects at Beam Park, Rainham, Acton Gardens, Ealing and Rochester Riverside, Medway.

Countryside's Housebuilding division benefits from an industry leading strategic land bank which is focused around outer London and the Home Counties. It builds family homes, with a focus on placemaking and selling to local owner occupiers. Its developments include a number of large-scale projects including Beaulieu Park, Essex, Springhead Park, Ebbsfleet and Tattenhoe Park, Milton Keynes.

For more information see www.countrysideproperties.com or follow @CountrysideProp on Twitter.

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] Completions include the Group's share of completions of joint ventures and associate of 224 homes (2019: 383 homes). Completions include legally completed private homes and an equivalent number of affordable and PRS homes calculated based on the contract's stage of completion.
[2] Adjusted revenue includes the Group's share of revenue of joint ventures and associate of £96.8m (2019: £185.7m).
[3] Adjusted operating profit includes the Group's share of operating profit from joint ventures and associate of £17.2m (2019: £46.8m) and excludes non-underlying items of £(42.4)m (2019: £(17.2)m).
[4] Adjusted operating margin is defined as adjusted operating profit divided by adjusted revenue.
[5] 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 for the period.
[6] Return on capital employed ("ROCE") is defined as adjusted operating profit for the last 12 months divided by average of opening and closing tangible net operating asset value ("TNOAV") for the 12-month period. TNOAV is calculated as net assets excluding net cash or debt less intangible assets net of deferred tax.
[7] Net cash is defined as unrestricted cash less bank borrowings. Unamortised debt arrangement fees and lease obligations are not included in net cash
[8] Including bulk sales (multiple private homes sold in bulk to a third-party such as a housing association or PRS provider) the net reservation rate per open outlet was 0.78 (2019: 0.95)
[9] Adjusted Group operating profit is after charging central costs.

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

Our response to Covid-19

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

Organising our Response

- As the impact of the Covid-19 pandemic became clear, our Executive Committee met daily to make key operational and financial decisions as the situation rapidly developed. We also held weekly Board briefings to ensure the Non-Executive Directors were kept informed of developments.
- To ensure we had good two-way communication between the Executive Committee and the business, we set up a Covid-19 working group involving key employees from across the business with representatives from employee, customer and supplier-facing functions to health and safety, finance, IT and facilities. This allowed us to focus on the immediate priorities in dealing with the impact of Covid-19 on our business.
- We have continued to refine our contingency plans to plan our response to a range of developments such as further local or national lockdowns. These will ensure our business remains agile and that we are well placed to adapt to changing conditions.

Our people

- The wellbeing of our employees, amongst other stakeholder groups, has been our utmost priority through the crisis.
- Sales offices, construction sites, factories and regional offices closed on 25 March 2020 while adjustments to the workplaces and procedures were made to ensure social distancing.
- Office-based employees were supported with the transition to home working with minimal disruption to the business.

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

Our customers

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

Our financial position

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

Our partners

- Having recognised that our supply chain is vital to being able to deliver on our plans, we needed to support them through the period of shutdown to be able to restart effectively.

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

Our communities

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

Chairman’s statement

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

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

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

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

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

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

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

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

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

Priorities of the Board

Covid-19

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

Preparing for lockdown

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

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

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

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

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

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

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

Group Structure
The Board regularly reviews its strategy for maximising long-term shareholder value from the Group's mixed tenure model. Having considered the growth opportunities for both divisions, which operate largely independently of each other, and our focus on allocating capital to growing Partnerships, the opportunities to grow the Housebuilding business may be restricted. The Board has therefore recently appointed Rothschild & Co. to advise the Board on the best time and process to realise best value from the separation of Housebuilding from the Group.

Our financial position
The Board considered the impact that Covid-19 was having on the financial strength of the business, with this being the first complete shutdown of operations in the Group's history. In April, the Board agreed a number of steps to preserve cash in the Group including changes to land payment profiles and tightening controls around cash spend. The Board supported the application for access to the Bank of England's Covid Corporate Financing Facility ("CCFF"), which to date has not been utilised.

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

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

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

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

Our priority on capital allocation remains focused on investing to deliver the growth of the business by executing our Partnerships growth strategy, before returning cash to shareholders. In relation to our broader approach to capital allocation and shareholder returns, the Board intends to reinstate the dividend in 2021. However, we are mindful that given the significant growth opportunities that we see for our high return on capital Partnerships division, that we should ensure that the level of the dividend appropriately reflects the opportunity to deliver enhanced shareholder value by growing that division

more quickly. The Board will confirm the level of dividend pay-out at the half year results, in light of market conditions at that time.

Both Amanda Burton, Chair of the Remuneration Committee, and I have carried out a number of meetings with shareholders during the course of 2020 to seek their views on key issues such as executive remuneration and Group strategy. All feedback has been shared with the wider Board and has been factored into our key decision making. This will be an ongoing programme as we progress into the next financial year.

Our people

Ian Sutcliffe stood down from the Board on 31 December 2019 and was replaced as Group Chief Executive by Iain McPherson on 1 January 2020. Ian made an enormous contribution to the Group, including leading its IPO in 2016 and its subsequent growth. The Board thanks Ian for his contribution and wishes him well in his retirement. Iain McPherson has significant industry experience having held a number of senior roles prior to joining the Group in September 2014 to establish the Southern Housebuilding region. He then led the Partnerships South division before stepping into the role of Group Chief Executive earlier this year.

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

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

David Howell
Chairman
2 December 2020

Group Chief Executive's review

Our strategy

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

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

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

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

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

Since becoming Group Chief Executive in January 2020, I have increased our focus on operating as a more sustainable business. This is to ensure that we take a long-term view of the business, including our environmental performance, alongside our social impact while delivering an exceptional customer experience to everyone who interacts with

Countryside. We already have very strong engagement with communities and in sustainable development. We will be continuing to evolve our approach to sustainability in 2021 with key targets to support delivery of our business strategy.

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

Group structure

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

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

In conjunction with Partnerships, we have an excellent Housebuilding business, with a strong presence in the resilient South East housing market and a leading strategic land bank. Our two divisions already operate largely independently of one another. We are currently completing an internal reorganisation of our Group so that its legal structure more closely resembles its operational structure.

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

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

Our new targets for 2023 are outlined below:

	Partnerships		**Housebuilding**		**Group**	
	2020	**2023 target**	**2020**	**2023 target**	**2020**	**2023 target**
Completions	3,213	c. 8,000	840	c.1,500	4,053	c. 9,500
Adjusted operating margin	5.2%	15%	7.0%	18%	5.5%	15-16%
ROCE	13.0%	>40%	4.9%	>25%	7.1%	>30%

Note: Adjusted Group operating margin is after charging central costs

Looking through the crisis

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

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

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

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

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

While we have not seen any direct impact from the prolonged Brexit negotiations, we do anticipate further build cost increases from possible Sterling weakness and potential EU labour migration. We are addressing some of the risk by building strong relationships with sub-contractors and suppliers given our long-term visibility of work. Furthermore, we believe that off-site construction is integral to meeting our growth plans and securing our supply chain for the future and we have invested in this area through our two modular panel factories.

Our performance

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

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

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

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

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

We have made further progress in positioning the business to be sustainable for the long term by increasing our focus on our environmental impact, along with the use of the Social Value Portal to measure the impact of our developments on local communities during the year. We have also continued our focus on build methodology, with a study carried out during the year demonstrating that our modular panel homes reduce embodied carbon by an estimated 25% (12,700kg CO_2e) when compared with one of our traditional brick and block homes. We are continuing to invest in our manufacturing capability and commenced construction of our second modular panel factory in Bardon, Leicestershire, during the year. This combined with our existing modular panel factory in Warrington will give us capacity to deliver up to 5,000 modular homes per annum supporting growth in our regional businesses. We also plan to extend timber frame construction to the South East which will improve build times and enhance asset turn.

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

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

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

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

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

Outlook

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

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

Iain McPherson

Group Chief Executive

2 December 2020

Group Chief Financial Officer's review

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

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

Group performance

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

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

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

Reported revenue reduced by 28% to £892.0m (2019: £1,237.1m). The difference between adjusted and reported revenue is the effect of the proportionate consolidation of the results of the Group's joint ventures and associate in the adjusted

measure. Revenue at our Housebuilding joint ventures reduced in line with the rest of the business due to the reduction in completions during the year.

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

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

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

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

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

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

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

Partnerships

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

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

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

Private average selling price increased 7% to £302,000 (2019: £283,000), reflecting a shift in mix within our Southern region as we completed a number of higher value homes at our development in Hoxton, London. Adjusted revenue fell by 25% to

£629.4m (2019: £837.1m), with reported revenue, which excludes the Group's share of revenue from joint ventures, down 26% to £585.3m (2019: £792.3m).

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

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

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

Housebuilding

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

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

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

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

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

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

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

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

Non-underlying items

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

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

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

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

Non-underlying items

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

Financing through the Covid-19 period

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

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

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

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

Net finance costs

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

In 2020, net finance costs were £13.5m (2019: £10.9m), of which net cash costs were £5.1m (2019: £2.8m). Interest on the Group's bank loans and overdrafts was higher than last year, owing to the increased debt within the business prior to July's equity placing, with total charges of £5.4m (2019: £3.4m).

Taxation

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

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

Adjusted tax rate

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

Reported profit before tax and tax thereon	**(1.9)**	**2.1**	**(107.7)**

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

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

The Group recorded a basic loss per share of (0.8) pence (2019 basic earnings per share: 37.7 pence). Basic earnings per share is lower than adjusted basic earnings per share due to the effect of non-underlying items that are excluded from adjusted results.

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

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

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

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

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

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

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

Return on capital employed

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

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

Cash flow

Summary cash flow statement

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

Other net cash outflows	**(7.4)**	(10.0)
Net increase in cash and cash equivalents	**24.9**	28.4

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

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

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

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

Impact of new accounting standards

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

Mike Scott
Group Chief Financial Officer
2 December 2020

Principal risks

Risk and impacts	How we monitor and manage the risk	Impact on strategy
1. A major incident impacts the United Kingdom or countries where key suppliers are located and significantly impacts the business **Responsible Executive:** Group Chief Executive The impact of a catastrophic event, such as flooding, failure of the National Grid, or the spread of an infectious disease on an epidemic or pandemic scale, can lead to the imposition of Government controls on the movement of people with the associated cessation of large parts of the economy for a significant period of time. The cessation of business can lead to zero or reduced revenues until business activity can be safely recommenced.	• Maintenance of a strong balance sheet to sustain periods of complete or partial cessation of business. • Monitoring of World Health Organization and/or UK Government health warnings. • Robust and tested business interruption plans, including "slow down" and "stop" procedures for all supply and contractor agreements. • Site layouts and planning to facilitate swift roll-out of social distancing requirements.	• Growth • Returns • Resilience **Risk change** Increased
2. Adverse macroeconomic conditions* **Responsible Executive:** Group Chief Executive A decline in macroeconomic conditions, or conditions in the UK residential property market, can reduce the propensity to buy homes. Higher unemployment, interest rates and inflation can affect consumer confidence and reduce demand for new homes. Constraints on mortgage availability, or higher costs of mortgage funding, may make it more difficult to sell homes.	• Funds are allocated between the Housebuilding and Partnerships businesses. • In Housebuilding, land is purchased based on planning prospects, forecast demand and market resilience. • In Partnerships, contracts are phased and, where possible, subject to viability testing. • In all cases, forward sales, cash flow and work in progress are carefully monitored to give the Group time to react to changing market conditions.	• Growth • Returns **Risk change** No change
3. Adverse changes to Government policy and regulation* **Responsible Executive:** Group Company Secretary and General Counsel Adverse changes to Government policy in areas such as tax, housing, planning, the environment and building regulations may result in increased costs and/or delays. Failure to comply with laws and regulations could expose the Group to penalties and reputational damage.	• The potential impact of changes in Government policy and new laws and regulations are monitored and communicated throughout the business. • Detailed policies and procedures are in place to address the prevailing regulations.	• Growth • Returns • Sustainability **Risk change** No change

Risk	Mitigation	Link to strategy / Risk change
4. Constraints on construction resources* **Responsible Executive**: Chief Executive, Partnerships North Costs may increase beyond budget due to the reduced availability of skilled labour or shortages of sub-contractors or building materials at competitive prices to support the Group's growth ambitions. The Group's strategic geographic expansion may be at risk if new supply chains cannot be established.	• Optimise use of standard house types and design to maximise buying power. • Use of strategic suppliers to leverage volume price reductions and minimise unforeseen disruption. • Robust contract terms to control costs. • Modular panel factory mitigates supply chain exposures.	• Growth • Returns **Risk change** No change
5. Programme delay (rising project complexity) **Responsible Executives:** Each Divisional CEO Failure to secure timely planning permission on economically viable terms or poor project forecasting, unforeseen operational delays due to technical issues, disputes with third-party contractors or suppliers, bad weather or changes in purchaser requirements may cause delay or potentially termination of a project.	• The budgeted programme for each site is approved by the Divisional Board before acquisition. • Sites are managed as a portfolio to control overall Group delivery risk. • Weekly monitoring at both divisional and Group level.	• Growth • Returns **Risk change** No change
6. Inability to attract and retain talented employees **Responsible Executive:** Group Chief People Officer Inability to attract and retain highly skilled, competent people, with adequate diversity and inclusion, at all levels could adversely affect the Group's results, prospects and financial condition.	• 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.	• Growth • Returns • Resilience • Sustainability **Risk change** No change
7. Inadequate health, safety and environmental procedures **Responsible Executive:** Group Chief Executive A deterioration in the Group's health, safety and environmental standards could put the Group's employees, contractors or the general public at risk of injury or death and could lead to litigation or penalties or damage the Group's reputation.	• 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.	• Returns • Sustainability **Risk change** No change
8. Cyber security **Responsible Executive:** Group Chief Financial Officer A failure of the Group's IT systems or a security breach of the internal systems, website or loss of data could significantly impact the Group's business.	• Maintenance and communication of Group-wide IT policies and procedures. • Regular systems updates, backups and storage of data off-site. • Compulsory GDPR and IT/cyber risk training for all employees within the business. • All systems have the ability to accommodate home working. • Third-party assessments, including penetration testing.	• Returns • Resilience **Risk change** Increased
9. Reputational Damage **Responsible Executive:** Group Chief Executive The perception of Countryside, its brand and values deteriorate in the eyes of investors, customers, suppliers, local authorities, housing associations, banks, analysts or auditors which could lead to increased operational and financial risks.	• Agreement of Company "purpose" and implementation of culture and values to support agreed strategy. • Code of Conduct and Business Ethics. • Alignment of actions with cultural values. • Clear environmental, social and governance objectives and plan to achieve them. • Clear Whistleblowing Policy and independent whistleblowing reporting hotline • Shareholder engagement plan	• Growth • Returns • Resilience • Sustainability **Risk change** Increased

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

Consolidated statement of comprehensive income

For the year ended 30 September 2020

	Note	**2020 £m**	2019 £m
Revenue	6	**892.0**	1,237.1
Cost of sales		**(783.9)**	(983.5)
Gross profit		**108.1**	253.6
Administrative expenses		**(113.5)**	(83.2)
Operating (loss)/profit	7	**(5.4)**	170.4
Analysed as:			
Adjusted operating profit		**54.2**	234.4
Less: share of joint ventures and associate operating profit	14, 15	**(17.2)**	(46.8)
Less: non-underlying items	7	**(42.4)**	(17.2)
Operating (loss)/profit	7	**(5.4)**	170.4
Finance costs	8	**(14.2)**	(11.9)
Finance income	8	**0.7**	1.0
Share of post-tax profit from joint ventures and associate accounted for using the equity method	14, 15	**17.0**	44.1
(Loss)/profit before income tax		**(1.9)**	203.6
Income tax expense	9	**(2.1)**	(35.2)
(Loss)/profit and total comprehensive (loss)/income for the year		**(4.0)**	168.4
(Loss)/profit is attributable to:			
– Owners of the parent		**(3.7)**	167.7
– Non-controlling interest		**(0.3)**	0.7
		(4.0)	168.4
(Loss)/earnings per share (expressed in pence per share):			
Basic	10	**(0.8)**	37.7
Diluted	10	**(0.8)**	37.3

Revenue and operating (losses)/profits arise from the Group's continuing operations. There were no items of other comprehensive income during the year (2019: £Nil).

The Group has applied IFRS 16 using the modified retrospective approach and therefore comparatives have not been restated. Refer to Note 34.

Consolidated statement of financial position

As at 30 September 2020

	Note	**2020 £m**	2019 £m
Assets			
Non-current assets			
Intangible assets	11	**143.1**	170.9
Property, plant and equipment	12	**15.1**	12.8
Right of use assets	13	**26.3**	—
Investment in joint ventures	14	**40.9**	62.2
Investment in associate	15	**1.3**	3.5
Deferred tax assets	17	**4.1**	5.3
Trade and other receivables	19	**19.6**	15.2
		250.4	269.9
Current assets			
Inventories	18	**1,059.1**	808.6
Financial assets at fair value through profit or loss	16	**—**	5.0
Trade and other receivables	19	**199.2**	232.8
Current income tax receivable		**0.6**	—
Cash and cash equivalents	20	**100.5**	75.6
		1,359.4	1,122.0
Total assets		**1,609.8**	1,391.9
Liabilities			
Current liabilities			
Trade and other payables	21	**(344.6)**	(322.6)
Lease liabilities	13	**(5.9)**	—
Current income tax liabilities		**—**	(24.7)
Provisions	22	**(10.9)**	(1.8)
		(361.4)	(349.1)
Non-current liabilities			
Borrowings	20	**(2.3)**	(2.2)
Trade and other payables	21	**(124.5)**	(130.0)
Lease liabilities	13	**(24.6)**	—
Deferred tax liabilities	17	**(10.5)**	(10.9)
Provisions	22	**(0.5)**	(0.6)
		(162.4)	(143.7)
Total liabilities		**(523.8)**	(492.8)
Net assets		**1,086.0**	899.1
Equity			
Share capital	23	**5.2**	4.5
Share premium	23	**5.3**	—
Retained earnings		**1,075.2**	892.3
Equity attributable to owners of the parent		**1,085.7**	896.8
Equity attributable to non-controlling interest	23	**0.3**	2.3
Total equity		**1,086.0**	899.1

The Group has applied IFRS 16 using the modified retrospective approach and therefore comparatives have not been restated. Refer to Note 34.

The notes on pages 21 to 56 form part of these financial statements.

These financial statements were approved by the Board of Directors on 2 December 2020.

On behalf of the Board

Iain McPherson   **Mike Scott**
Director   ***Director***

Consolidated statement of changes in equity

For the year ended 30 September 2020

	Note	Share capital £m	Share premium £m	Retained earnings £m	Equity attributable to owners of the parent £m	Non-controlling interest £m	Total equity £m
At 1 October 2018		4.5	—	787.6	792.1	1.6	793.7
Comprehensive income							
Profit and total comprehensive income for the year		—	—	167.7	167.7	0.7	168.4
Transactions with owners							
Share-based payments, net of deferred tax	17, 29	—	—	6.0	6.0	—	6.0
Purchase of shares by Employee Benefit Trust	23	—	—	(13.0)	(13.0)	—	(13.0)
Dividends paid to owners of the parent	33	—	—	(56.0)	(56.0)	—	(56.0)
Total transactions with owners		—	—	(63.0)	(63.0)	—	(63.0)
At 30 September 2019		4.5	—	892.3	896.8	2.3	899.1
Comprehensive loss							
Loss and total comprehensive loss for the year		—	—	(3.7)	(3.7)	(0.3)	(4.0)
Transactions with owners							
Issue of shares, net of transaction costs	23	0.7	5.3	237.0	243.0	—	243.0
Share-based payments, net of deferred tax	17, 29	—	—	0.4	0.4	—	0.4
Purchase of shares by Employee Benefit Trust	23	—	—	(2.0)	(2.0)	—	(2.0)
Dividends paid to owners of the parent	33	—	—	(46.2)	(46.2)	—	(46.2)
Dividends paid to non-controlling interests	23	—	—	—	—	(4.3)	(4.3)
Reclassification	23	—	—	(2.6)	(2.6)	2.6	—
Total transactions with owners		0.7	5.3	186.6	192.6	(1.7)	190.9
At 30 September 2020		**5.2**	**5.3**	**1,075.2**	**1,085.7**	**0.3**	**1,086.0**

The Group has applied IFRS 16 using the modified retrospective approach and therefore comparatives have not been restated. Refer to Note 34.

Consolidated cash flow statement

For the year ended 30 September 2020

	Note	**2020 £m**	2019 £m
Cash (used in)/generated from operations	24	**(144.9)**	86.3
Interest paid – lease liabilities		**(1.1)**	—
Interest paid - other		**(5.4)**	(3.8)
Interest received		**0.2**	0.6
Tax paid		**(27.2)**	(27.9)
Net cash (outflow)/inflow from operating activities		**(178.4)**	55.2
Cash flows from investing activities			
Purchase of intangible assets	11	**(2.9)**	(3.1)
Purchase of property, plant and equipment	12	**(4.8)**	(7.8)
Proceeds from disposal of financial assets at fair value through profit or loss	16	**5.0**	—
Proceeds from disposal of property, plant and equipment		**—**	0.3
(Increase)/decrease in advances to joint ventures and associate	26	**(19.8)**	6.8
Repayment of members' interest from joint venture	14	**4.4**	2.9
Dividends received from joint ventures and associate	14, 15	**35.8**	43.1
Net cash inflow from investing activities		**17.7**	42.2
Cash flows from financing activities			
Dividends paid to owners of the parent	33	**(46.2)**	(56.0)
Dividends paid to non-controlling interests		**(4.3)**	—
Repayment of lease liabilities		**(4.9)**	—
Purchase of shares by Employee Benefit Trust	23	**(2.0)**	(13.0)
Net proceeds from the issue of share capital	23	**243.0**	—
Borrowings under the revolving credit facility		**297.6**	—
Repayment of borrowings under the revolving credit facility		**(297.6)**	—
Net cash inflow/(outflow) from financing activities		**185.6**	(69.0)
Net increase in cash and cash equivalents		**24.9**	28.4
Cash and cash equivalents at the beginning of the year		**75.6**	47.2
Cash and cash equivalents at the end of the year	20	**100.5**	75.6

The Group has applied IFRS 16 using the modified retrospective approach and therefore comparatives have not been restated. Refer to Note 34.

Notes to the consolidated financial statements

For the year ended 30 September 2020

1. General information

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

The Group operates through two differentiated, complementary divisions: Partnerships and Housebuilding. The Partnerships division specialises in urban regeneration of public sector land, delivering private, affordable and private rented sector ("PRS") homes in partnership with local authorities and housing associations. It also develops brownfield land in the Midlands, the North West of England and Yorkshire. The Housebuilding division delivers high quality homes aimed at local owner occupiers. It develops primarily private and affordable homes on land owned or controlled by the Group, located in outer London and the Home Counties.

2. Critical accounting judgements and estimates

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

Critical accounting judgements

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

Key sources of estimation uncertainty

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

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

Estimation of site profitability

In order to determine the profit or loss that the Group recognises on its developments and construction contracts in a specific period, the Group allocates the total cost of each development or construction contract between the proportion completing in the period and the proportion completing in future periods. The assessment of the total costs to be incurred requires a degree of estimation. Actual costs may differ to forecasts for several reasons such as site delays, unforeseen costs, change orders and uncontracted cost inflation and the Group is also exposed to various market fluctuations. The long-term nature of the Group's activities adds further complexity as forecasts are required for the duration of developments or construction contracts. The Covid-19 pandemic has increased this estimation uncertainty during the year due to the potential impact on house prices, materials, labour costs and construction timelines. Group management has established internal controls to review and ensure the appropriateness of estimates made on an individual development or contract basis.

The Directors note that a change in estimated margins on several sites (due, for example, to changes in estimates of cost inflation or a material reduction in house prices in the private market) could materially alter future profitability. The Directors have performed a detailed review of the Group's developments, considering the impact of the Covid-19 pandemic, and have concluded that no impairment of inventory is required at 30 September 2020.

As an illustration, if the Directors were to reduce the forecast margins of all developments by 5%, the gross profit recognised in the year would have reduced by £45m, or £50m on an adjusted basis, with a reduction to net assets of the same value. Likewise, an increase to margins by 5% would have increased gross profit and net assets by the same values.

3. Accounting policies

Basis of preparation

These financial statements for the year to 30 September 2020 are those of the Company and all of its subsidiaries. They have been prepared in accordance with IFRS as adopted by the European Union, IFRS Interpretations Committee ("IFRS IC") interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

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

These financial statements have been prepared on a going concern basis in Sterling and rounded to the nearest £0.1m under the historical cost convention, except for financial assets at fair value through profit or loss, share-based payments and certain other assets and liabilities recognised at fair value as a result of business combinations.

Going concern

The Group has the benefit of a £300m revolving credit facility ("RCF") provided by its banking syndicate of four banks, which expires in May 2023. The facility includes covenants in respect of gearing, interest cover, tangible net asset value and loan to book value. In response to the initial outbreak of Covid-19, the Group's gearing and interest cover covenants were relaxed until September 2022 to provide additional headroom under the RCF.

In response to Covid-19, the Group also put in place a £300m commercial paper programme under the Government's Covid Corporate Financing Facility ("CCFF"), which may allow the Group access to an additional £300m of funding until 22 March 2021. The CCFF will be used to provide standby liquidity, should that be required. The Group do not consider this requirement to be likely.

The Group's RCF and the CCFF were undrawn as at 30 September 2020 and as at the date of approval of these financial statements.

The Directors have performed a robust assessment of the principal risks facing the Company, including those risks that would threaten Countryside's business model, future performance, solvency and liquidity. The principal risks facing Countryside and how the Company addresses such risks are described in the 2020 Annual Report.

The assessment includes a financial review, derived from the Board-approved strategic forecasts, which incorporates severe but plausible downside case scenarios at varying points throughout the Group's working capital cycle, illustrating the potential impact upon viability of one or more of the Group's principal risks crystallising, both individually and in combination. Three scenarios have been considered: firstly, a further three-month national lockdown followed by a sharp reduction in house prices; secondly, a series of disruptive local lockdowns over a three-month period, followed by a sharp reduction in house prices; and thirdly, two successive three-month periods of local lockdowns with a four-month intervening period, with a sharp reduction in house prices after the initial three-month lockdown. For the purposes of these scenarios, it has been assumed that under the restrictions of a national lockdown, all site and sales activity ceases in its entirety. Under the restrictions of localised lockdowns, sales volumes reduce by half, with 20% of sites being required to cease production with further inefficiency being experienced on our remaining sites. These lockdown scenarios reflect severe but plausible downsides relative to our experience of previous lockdowns. Our experience of the lockdown which took place in November 2020 has been less severe than these downside scenarios.

Under the national lockdown scenario, a temporary cessation of all operations and a sharp 20% reduction in house prices results in a sudden deterioration in profitability and liquidity as the business is required to cease production and fund its fixed cost base in the absence of income from third parties. A gradual recovery in volumes and house prices is then reflected over an 18-month period. The viability testing demonstrates that sufficient liquidity exists and no covenant breaches would arise. However, such a scenario would put some pressure on interest cover covenants and liquidity headroom. As a consequence, the business would need to defer investment in respect of the planned Partnerships growth initiatives and identified land purchases, reduce production rates to prevent a build-up of stock and delay recruitment to preserve cash within the business.

The three months of localised lockdowns demonstrate the effect of several short-term temporary closures of regional businesses which reduce the Group's overall volumes by half across the three-month period, along with an immediate 20% fall in house prices. Volumes and house prices are then projected to recover across an 18-month period. This scenario has less severe repercussions on short-term liquidity and profitability; however, the implications for medium-term liquidity are still significant as the business continues to invest through the lockdown period. Under this scenario it is necessary for the business to scale back some, but not all, of its investment plans, whilst also delaying recruitment and deferring some land purchases. The Group is expected to maintain significant headroom across all of its financial covenants under this scenario.

The final scenario which has been tested demonstrates the effect of two consecutive three-month periods of local lockdowns with a four-month intervening period, with a 20% fall in house prices occurring after the initial lockdown. A gradual recovery in volumes and house prices is then reflected over an 18-month period. Under this scenario, the Group would be required to take mitigating action similar to that described for the national lockdown scenario in order to preserve liquidity; however, no covenant breaches would be expected to arise.

Based on the forecasts and scenarios modelled, the Directors have assessed the Group's going concern status over the next 12 months, which incorporates the downside case scenarios noted above. The Directors note that the level of uncertainty which Covid-19 poses to the Group is significant; however, under all scenarios, the assessment performed has shown that the Group has sufficient cash reserves to remain liquid, without breaching covenants or issuing commercial paper under the CCFF, for at least 12 months from the date of these financial statements. Accordingly, these financial statements have been prepared on a going concern basis.

Adoption of new and revised accounting standards

During the financial year ended 30 September 2020, the Group adopted the following standards and amendments issued by the International Accounting Standards Board ("IASB"):

- IFRS 16 "Leases";
- IFRIC 23 "Uncertainty over Income Tax Treatments";
- Amendments to IAS 28 – Long-Term Interests in Associates and Joint Ventures; and
- Annual improvements to IFRS Standards 2015–2017 Cycle.

Information on the initial application of IFRS 16, including the impact on the financial position and performance of the Group, has been disclosed in Note 34. The adoption of the other amendments in the year did not have a material impact on the financial statements.

Standards, interpretations and amendments in issue but not yet effective

The following amendments to standards and interpretations have also been issued, but are not yet effective and have not been early adopted for the financial year ended 30 September 2020:

- Definition of Material – Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors";
- Definition of a Business – Amendments to IFRS 3 "Business Combinations";
- Revised Conceptual Framework for Financial Reporting; and
- Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28.

The adoption of these amendments is not expected to have a material impact on the Group.

Basis of consolidation

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

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

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

Intragroup transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated in preparing the financial statements. Gains arising from transactions with joint arrangements and associates are eliminated as described below.

Joint arrangements and associates

Where the Group collaborates with other entities on a development or contract, a judgement is made about the nature of the relationship. Where there is joint control (as described by IFRS 11), the arrangement is classified as a joint arrangement and accounted for using the equity method (for joint ventures) or on the basis of the Group's proportional share of the arrangement's assets, liabilities, revenues and costs (for joint operations).

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

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

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

The Group funds its joint ventures and associates through a combination of equity investments and shareholder loans. The Directors review the recoverability of investments and shareholder loans for impairment annually.

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

Purchase of shares by Employee Benefit Trust

From time to time, the Employee Benefit Trust ("EBT") purchases shares of the Company in order to hold an appropriate level of shares towards the future settlement of outstanding share-related incentives on behalf of the Group. The EBT is funded directly by the Group. The EBT waives its dividend and voting rights in respect of the shares it holds. The purchase value of EBT shares is charged to retained earnings.

Business combinations

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

The identified assets and liabilities are measured at their fair value at the date of acquisition. The excess of consideration over the Group's share of the fair value of the total identifiable net assets acquired is recorded as goodwill.

Costs directly relating to an acquisition are expensed to the statement of comprehensive income.

Intangible assets

Goodwill

Goodwill recognised on acquisition of a subsidiary represents the excess of consideration over the Group's share of the fair value of the total identifiable net assets acquired. If the total consideration transferred is less than the fair value of the net assets acquired, the difference is recognised directly in the statement of comprehensive income.

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

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

Brands

The Group carries assets on the statement of financial position for acquired brands. The cost is determined at acquisition as being directly attributable cost or, where relevant, by using an appropriate valuation method. The assets are tested for impairment when a triggering event is identified and are amortised over a period of between five and twenty years. Internally generated brands are not recognised.

Customer-related assets

The Group carries customer-related intangible assets on the statement of financial position resulting from acquisitions. These assets are recognised at fair value. The assets are tested for impairment when a triggering event is identified and are amortised over a period of between two and a half and ten years. Internally generated relationships are not recognised.

Computer software

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

Property, plant and equipment

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

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

- Plant and machinery 20% to 25%
- Fixtures and fittings 10%

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

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

Financial assets

The Group classifies its financial assets in the following categories:

- financial assets at amortised cost; and
- financial assets at fair value through profit or loss.

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. Financial assets are derecognised only when the contractual rights to the cash flows from the financial assets expire or when the Group is no longer considered to have control over the assets.

Financial assets at amortised cost

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the asset matures or management intends to dispose of it within 12 months of the end of the reporting period.

Changes in the fair value of financial assets at fair value through profit or loss are recorded in the statement of comprehensive income.

The fair value of financial instruments is determined by quoted prices for identical instruments in active markets where possible (for example, over-the-counter derivatives). Where this information is available, the financial instrument is classified as Level 1.

Where quoted prices for identical instruments are not available, the fair value of financial instruments is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates.

If all significant inputs required to fair value an instrument are observable, either directly (as prices) or indirectly (derived from prices), the instrument is classified as Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is classified as Level 3.

Inventories

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

Purchased land options are initially stated at cost. Option costs are written off on a straight-line basis over the remaining life of the option and are also subject to impairment review. Impairment reviews are performed when circumstances arise which indicate an impairment is likely, such as a refusal of planning permission. Any impairments are recognised immediately in the statement of comprehensive income. Upon exercise, the unamortised balance of an option is included within the value of inventory.

Land inventory is recognised when the Group obtains control of the land, which is considered to be on unconditional exchange of contracts. Where land is purchased on deferred payment terms, the liability is discounted to fair value with the land recognised at the discounted value in inventories. The liability is presented as “deferred land payments” within trade and other payables.

Pre-contract expenditure is capitalised into inventories where it is probable that a contract will be signed or otherwise is recognised as an expense within costs of sales in the statement of comprehensive income.

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

The Group determines the value of inventories charged to cost of sales based on the total forecast margin of developing a site or part of a site. Refer to page 27 for the Group’s cost of sales accounting policy.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less any provision for impairment.

The Group applies the simplified approach under IFRS 9 to measure expected credit losses (“ECL”) associated with trade receivables. The carrying value of the receivable is reduced at each reporting date for any increase in the lifetime ECL, with an impairment loss recognised in the statement of comprehensive income.

If collection is expected in one year or less, receivables are classified as current assets. If not, they are classified as non-current assets.

Where land is sold on deferred payment terms, the revenue and associated receivable are discounted to their fair value. The discount to fair value is amortised over the period to the settlement date and credited to finance income using the effective interest rate method. Changes in estimates of the final amount due are recognised in revenue in the statement of comprehensive income.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and other short-term deposits held by the Group with maturities of three months or less.

Trade payables

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

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

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

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

Trade payables are classified as current liabilities if payment is due within 12 months. If not, they are classified as non-current liabilities.

Leases

Lease liabilities are initially recognised at the present value of future lease payments. Future lease payments are included in the lease liability where they are fixed in value, or variable based on an index or a rate. Variable lease payments that do not depend on an index or rate are recognised as an expense in the period in which the condition that triggers the payment occurs. To calculate the present value of future lease payments, the payments are discounted at the Group’s incremental borrowing rate, which is the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Subsequently, lease liabilities increase to reflect the unwind of discount and reduce by the value of payments made to lessors. Lease liabilities are remeasured where the Group's assessment of the expected lease term changes or there is a modification to the lease terms. The unwind of the discount on lease liabilities is recorded in finance costs in the statement of comprehensive income. Cash outflows relating to lease interest are presented within net cash flows from operating activities in the statement of cash flows.

Right of use assets are initially measured at cost, comprising the initial value of the lease liabilities adjusted for rental payments made at or prior to the start of the lease term, initial direct costs, lease incentives and restoration costs.

Subsequently, right of use assets are measured at cost less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right of use assets are depreciated over the shorter of the asset's estimated useful life and the lease term on a straight-line basis. Depreciation is recorded in either cost of sales or administrative expenses in the statement of comprehensive income depending on the nature of the asset.

The Group applies the recognition exemptions for short-term and low value asset leases. The rental expense for these leases is recognised on a straight-line basis in the statement of comprehensive income. The rental expense is recorded in either cost of sales or administrative expenses depending on the nature of the asset. Short-term leases are leases with a lease term of 12 months or less.

Borrowings

Interest-bearing bank loans and overdrafts are recorded initially at fair value. Such instruments are subsequently carried at amortised cost and finance charges, including premiums payable on settlement or redemption, are amortised over the term of the instrument using the effective interest rate method.

Bank loans are reported net of direct transaction costs to the extent that borrowings are available for offset. If the value of unamortised borrowing costs exceeds the value of borrowings, these amounts are disclosed within prepayments.

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

Bank overdrafts are classified as current liabilities.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event which is probable to result in an outflow of economic benefits that can be reliably estimated. Where the effect of the time value of money is material, the provision is discounted at the pre-tax discount rate that reflects the risks specific to the liability.

Share capital and share premium

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

Offsetting financial instruments

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

Revenue

Revenue comprises the fair value of the consideration received or receivable, net of applicable Value-Added Tax, stamp duty land tax, rebates and discounts and after eliminating sales within the Group.

The Group's two divisions – Partnerships and Housebuilding – operate a range of legal and contractual structures which are tailored according to the land structure and parties to the contract. Recognition of revenue reflects the underlying nature of these contracts, as described below in more detail by category.

Private revenue

Revenue is recognised on the sale of private housing at a point in time on legal completion, as this is when the customer obtains control of the property and the Group has fulfilled its performance obligations. Revenue is recognised at the fair value of the consideration received.

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

Cash is received by the Group on legal completion and there is no variable or financing component to the consideration received. Where customers use the Government's Help to Buy scheme, the Group typically receives the cash from Homes England within two weeks of legal completion.

Affordable housing and private rented sector ("PRS") revenue

Contract revenue for affordable housing and PRS contracts is recognised over time based on surveyor-certified valuations of work performed at the balance sheet date. As the build progresses, customer-controlled assets are created, with the design tailored to the specification of the customer. The Group has an enforceable right to be paid for the work completed to date and invoices are issued and paid over the life of the development.

Variations in contract work and claims are included to the extent that it is highly probable that there will not be a significant reversal when the value of such payments are finalised.

Where progress towards the satisfaction of performance obligations cannot be reasonably determined, revenue is recognised over time as the work is performed, to the extent that costs have been incurred and are expected to be recoverable, and contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately in the statement of comprehensive income within cost of sales.

Other revenue – land sales

Revenue is recognised in the statement of comprehensive income at a point in time on unconditional exchange of contracts as this is the point at which the Group is considered to have satisfied its performance obligations. Revenue is measured as the fair value of consideration received or receivable.

Where there are residual obligations in the land sale contract that are not satisfied at the balance sheet date, an element of the transaction price is deferred into future periods. If the stand-alone selling price of the residual obligations is not directly observable, the transaction price is derived by calculating a value for the land element of the contract and deducting this from the total transaction price. The remainder is allocated to the residual obligations. Revenue is recognised on the residual obligations at a point in time when the performance obligations have been satisfied.

Cash is either received on completion or on deferred settlement terms. Where land is sold on deferred settlement terms the revenue and associated receivable are discounted to their fair value. The discount to fair value is amortised over the period to the settlement date and credited to finance income using the effective interest rate method. Changes in estimates of the final amount due are recognised in revenue in the statement of comprehensive income.

Other revenue – commercial sales

Revenue is typically recognised in the statement of comprehensive income at a point in time on unconditional exchange of contracts as this is the point at which the Group is considered to have satisfied its performance obligations. Cash is received on legal completion and, in most cases, there is no variable or financing component to the consideration received.

In some cases, where longer-term performance obligations are present, for example in design and build contracts, revenue is recognised over time as described above in “Affordable housing and private rented sector (“PRS”) revenue”. Revenue is measured as the fair value of consideration received or receivable.

Other revenue – project management services

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

Other revenue – part exchange

In certain instances, property may be accepted as part consideration in the sale of a Countryside property. The fair value of the part exchange property is established by independent surveyors and reduced for costs to sell. The sale of the Countryside property is recorded in line with the accounting policy for private housing described above, with the value of revenue recognised reflecting the total of cash proceeds and the fair value of the part exchange property received by the Group. The part exchange property is recognised within inventories until sold.

The subsequent sale of the part exchange property is treated as a separate transaction with revenue recognised in line with the treatment of private housing described above.

Other revenue – freehold reversions

Revenue is recognised on freehold reversion sales on unconditional exchange.

Cost of sales

The Group determines the value of inventories charged to cost of sales based on the total forecast margin of developing a site or a phase of a site. Once the total expected margin of the site or phase of a site is established it is allocated based on revenue to calculate a build cost per plot. These costs are recognised within cost of sales when the related revenue is recognised in accordance with the Group’s revenue recognition policy.

To the extent that additional costs or savings are identified and the expected margin changes as the site progresses, the change is recognised over the remaining units.

Cost of sales for land and commercial property which form part of a larger site are recognised based on forecast site margin as described above. Where land and commercial property relates to the entirety of a site, cost of sales represents the carrying value of the related inventory in the Group’s statement of financial position and is recognised within cost of sales when revenue is recognised in accordance with the Group’s revenue recognition policy.

Finance costs and finance income

Borrowing costs

Borrowing costs in relation to the Group's debt facility are recognised on an accruals basis. Also included in borrowing costs is the amortisation of fees associated with the arrangement of the financing.

Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the statement of comprehensive income using the effective interest method. These amounts are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

The Group capitalises borrowing costs into developments only where project-specific borrowings are used.

Unwind of discounting

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

Current and deferred income taxation

Income tax comprises current and deferred tax.

Current taxation

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

Deferred taxation

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

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

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

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

Segmental reporting

The chief operating decision maker ("CODM") has been identified as the Group's Executive Committee. The CODM reviews the Group's internal reporting in order to assess performance and allocate resources. The CODM assesses the performance of the operating segments based on adjusted revenue, adjusted operating profit, return on capital employed ("ROCE"), tangible net asset value ("TNAV") and tangible net operating asset value ("TNOAV"). Segmental reporting reflects the Group's management structure and primary basis of internal reporting.

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

Pension plans

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

The Group has no further payment obligations once the contributions have been paid. The contributions are recognised on an accruals basis as employee benefit expenses.

Share-based payments

The Group provides benefits to employees of the Group, including Directors, in the form of equity-settled share-based awards, whereby employees render services in exchange for rights over shares.

For equity-settled share-based payments, the fair value of the employee services rendered is determined by reference to the fair value of the shares awarded or options granted, excluding the impact of any non-market vesting conditions. All share options are valued using an option-pricing model (Black Scholes or Monte Carlo). This fair value is charged to the statement of comprehensive income over the vesting period of the share-based awards.

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

Non-underlying items

Certain items which do not relate to the Group's underlying performance are presented separately in the statement of comprehensive income as non-underlying items where, in the judgement of the Directors, they need to be disclosed separately by virtue of their nature, size or incidence in order to obtain a clear and consistent presentation of the Group's underlying business performance. As these non-underlying items can vary significantly from year to year, they create volatility in reported earnings.

In addition, the Directors believe that in discussing the performance of the Group, the results of joint ventures and associates should be proportionally consolidated, including the Group's share of revenue and operating profit, as they are managed as an integral part of the Group's operations. As such, the Directors adjust for these non-underlying items in the calculation of the Group's Alternative Performance Measures ("APMs"), which are set out on pages 57 to 59.

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

- costs incurred directly in relation to business combinations or capital market transactions including advisory costs, one-off integration costs and employment-related deferred consideration costs;
- adjustments to the statement of financial position that do not relate to trading activity such as the recognition and reversal of non-trade impairments or the recognition of material liabilities which are not considered to be in the ordinary course of business; and
- the costs of significant Group restructuring exercises.

In addition, the amortisation of acquisition-related intangible assets is treated as a non-underlying item as management does not believe this potentially variable cost should be included when considering the underlying trading performance of the Group.

Dividends

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

Dividends payable are recorded in the period in which they become unconditional.

4. Segmental reporting

Segmental reporting is presented in respect of the Group's business segments reflecting the Group's management and internal reporting structure and is the basis on which strategic operating decisions are made by the Group's CODM. The Group's two business segments are Partnerships and Housebuilding; these are described below and in the 2020 Annual Report.

The Partnerships division specialises in urban regeneration of public sector land, delivering private, affordable and PRS homes in partnership with local authorities and housing associations. It also develops brownfield land in the Midlands, the North West of England and Yorkshire.

The Housebuilding division delivers high quality homes aimed at local owner occupiers. It develops primarily private and affordable homes on land owned or controlled by the Group, located in outer London and the Home Counties.

Segmental adjusted operating profit and segmental operating profit include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Central head office costs that are directly attributable to a segment are allocated where possible, or otherwise allocated between segments based on an appropriate allocation methodology, such as headcount.

Segmental TNAV and TNOAV include items directly attributable to the segment as well as those that can be allocated on a reasonable basis, with the exception of intangible assets and net cash or debt.

Adjusted revenue, adjusted operating profit, TNAV and TNOAV are Alternative Performance Measures ("APMs") for the Group. Further detail on APMs is provided on pages 57 to 59.

Countryside operates entirely within the United Kingdom.

(a) Segmental financial performance

	Partnerships £m	Housebuilding £m	Group items £m	Total £m
Year ended 30 September 2020				
Adjusted revenue including share of revenue from joint ventures and associate	**629.4**	**359.4**	**—**	**988.8**
Less: share of revenue from joint ventures and associate	**(44.1)**	**(52.7)**	**—**	**(96.8)**
Revenue	**585.3**	**306.7**	**—**	**892.0**
Adjusted operating profit/(loss) including share of operating profit/(loss) from joint ventures and associate	**32.8**	**25.0**	**(3.6)**	**54.2**
Less: share of operating profit from joint ventures and associate	**(8.3)**	**(8.9)**	**—**	**(17.2)**
Less: non-underlying items (Note 7)	**(8.3)**	**(5.2)**	**(28.9)**	**(42.4)**
Operating profit/(loss)	**16.2**	**10.9**	**(32.5)**	**(5.4)**

	Partnerships £m	Housebuilding £m	Group items £m	Total £m
Year ended 30 September 2019				
Adjusted revenue including share of revenue from joint ventures and associate	837.1	585.7	—	1,422.8
Less: share of revenue from joint ventures and associate	(44.8)	(140.9)	—	(185.7)
Revenue	792.3	444.8	—	1,237.1
Adjusted operating profit/(loss) including share of operating profit/(loss) from joint ventures and associate	127.8	114.8	(8.2)	234.4
Less: share of operating profit from joint ventures and associate	(13.3)	(33.5)	—	(46.8)
Less: non-underlying items (Note 7)	(7.4)	—	(9.8)	(17.2)
Operating profit/(loss)	107.1	81.3	(18.0)	170.4

(b) Segmental financial position

Segmental TNAV represents the net assets of the Group's two operating divisions. Segmental TNAV includes divisional net assets less intangible assets (net of deferred tax) and excludes inter-segment cash funding. TNOAV is the Group's measure of capital employed, as used in the calculation of ROCE.

	Partnerships £m	Housebuilding £m	Group items £m	Total £m
TNAV at 30 September 2019	114.2	623.6	—	737.8
Operating profit/(loss)	16.2	10.9	(32.5)	(5.4)
Add back items with no impact on TNAV:				
– Share-based payments, net of deferred tax	—	—	0.4	0.4
– Impairment of goodwill	—	—	18.5	18.5
– Amortisation of intangible assets	—	—	12.2	12.2
Other items affecting TNAV:				
– Share issue, net of transaction costs	196.5	46.5	—	243.0
– Share of post-tax profit from joint ventures and associate	8.0	9.0	—	17.0
– Dividends paid to owners of the parent	(29.5)	(16.7)	—	(46.2)
– Dividends paid to non-controlling interests	(4.3)	—	—	(4.3)
– Taxation	(1.2)	(0.9)	—	(2.1)
– Purchase of shares by EBT	(1.2)	(0.8)	—	(2.0)
– Other	(10.6)	(8.0)	1.4	(17.2)
TNAV at 30 September 2020	**288.1**	**663.6**	**—**	**951.7**
Inter-segment cash funding/(net cash)	39.4	(137.6)	—	(98.2)
Segmental capital employed (TNOAV)	**327.5**	**526.0**	**—**	**853.5**

	Partnerships £m	Housebuilding £m	Group items £m	Total £m
TNAV at 30 September 2018	54.2	565.9	—	620.1
Operating profit/(loss)	107.1	81.3	(18.0)	170.4
Add back items with no impact on TNAV:				
– Share-based payments, net of deferred tax	—	—	6.0	6.0
– Amortisation of intangible assets	—	—	11.7	11.7
Other items affecting TNAV:				
– Share of post-tax profit from joint ventures and associate	13.3	30.8	—	44.1
– Dividends paid	(29.5)	(26.5)	—	(56.0)
– Taxation	(18.5)	(16.7)	—	(35.2)
– Purchase of shares by EBT	(6.8)	(6.2)	—	(13.0)
– Other	(5.6)	(5.0)	0.3	(10.3)
TNAV at 30 September 2019	114.2	623.6	—	737.8
Inter-segment cash funding/(net cash)	62.6	(136.0)	—	(73.4)
Segmental capital employed (TNOAV)	176.8	487.6	—	664.4

(c) Segmental other items

	Partnerships £m	Housebuilding £m	Group items £m	Total £m
Year ended 30 September 2020				
Investment in joint ventures	**12.1**	**28.8**	**—**	**40.9**
Investment in associate	**—**	**1.3**	**—**	**1.3**
Share of post-tax profit from joint ventures and associate	**8.0**	**9.0**	**—**	**17.0**
Capital expenditure – property, plant and equipment	**4.2**	**0.6**	**—**	**4.8**
Capital expenditure – right of use assets	**3.1**	**1.3**	**—**	**4.4**
Capital expenditure – intangible assets	**—**	**—**	**2.9**	**2.9**
Depreciation – property, plant and equipment	**1.8**	**0.7**	**—**	**2.5**
Depreciation – right of use assets	**4.6**	**3.2**	**—**	**7.8**
Amortisation – intangible assets	**—**	**—**	**12.2**	**12.2**
Impairment of goodwill	**—**	**—**	**18.5**	**18.5**
Share-based payments	**—**	**—**	**1.0**	**1.0**

	Partnerships £m	Housebuilding £m	Group items £m	Total £m
Year ended 30 September 2019				
Investment in joint ventures	17.4	44.8	—	62.2
Investment in associate	—	3.5	—	3.5
Share of post-tax profit from joint ventures and associate	13.3	30.8	—	44.1
Capital expenditure – property, plant and equipment	5.0	2.8	—	7.8
Capital expenditure – intangible assets	0.2	—	2.9	3.1
Depreciation – property, plant and equipment	1.5	0.7	—	2.2
Amortisation – intangible assets	—	—	11.7	11.7
Share-based payments	—	—	6.7	6.7

5. Employees and Directors

(a) Staff costs for the Group during the year

	2020 £m	2019 £m
The aggregate remuneration for the employees and Directors of the Group comprised:		
Wages and salaries	**108.8**	105.7
Social security costs	**13.8**	13.4
Other pension costs	**6.6**	5.8
Share-based payments (Note 29)	**1.0**	6.7
	130.2	131.6

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

	2020 Number	2019 Number
Development	**1,782**	1,674
Head office	**165**	177
	1,947	1,851

(b) Retirement benefits

All the Group's employees are entitled to join the Group's defined contribution schemes, which are invested with Aegon. Annual contributions to these plans expensed in the statement of comprehensive income amounted to £6.6m (2019: £5.8m), of which £0.8m (2019: £0.7m) was outstanding as at 30 September 2020. The Group does not operate any defined benefit pension schemes.

(c) Key management compensation

The following table details the aggregate staff costs expensed in respect of the members of the Board of Directors and Executive Committee.

	2020 £m	2019 £m
Salaries and bonus	**3.0**	6.7
Retirement benefits	**0.4**	0.8
Share-based payments	**0.1**	3.5
	3.5	11.0

The disclosures of shares granted under the long-term incentive schemes are included in Note 29.

(d) Directors' emoluments

The following table details the aggregate staff costs expensed in respect of the members of the Board of Directors.

	2020 £m	2019 £m
Aggregate emoluments	**2.1**	4.3

(e) Emoluments of the highest paid Director

The following table details the aggregate staff costs expensed in respect of the highest paid Director.

	2020 £m	2019 £m
Aggregate emoluments	**0.6**	2.3

6. Revenue

An analysis of Group reported revenue by type is set out below:

	2020 £m	2019 £m
Partnerships:		
– Private	**251.7**	355.2
– Affordable	**196.6**	243.1
– PRS	**116.5**	167.1
– Other	**20.5**	26.9
	585.3	792.3
Housebuilding:		
– Private	**205.1**	312.2
– Affordable	**46.2**	70.1
– PRS	**7.2**	15.4
– Other	**48.2**	47.1
	306.7	444.8
Total	**892.0**	1,237.1

At 30 September 2020, the aggregate amount of unsatisfied performance obligations relating to contracts with customers was £891.8m (2019: £893.5m). Approximately half of these amounts are expected to be recognised as revenue within one year, with the remainder recognised over varying contractual lengths.

7. Operating (loss)/profit

(a) Operating (loss)/profit

Operating (loss)/profit of £(5.4)m (2019: £170.4m) is stated after charging/(crediting):

	Note	**2020 £m**	2019 £m
Inventories expensed to cost of sales		**760.5**	964.9
Net provisions against inventories	18	**1.4**	(0.5)
Impairment of inventories	18	**4.8**	7.4
Staff costs	5a	**130.2**	131.6
Amortisation – intangible assets	11	**12.2**	11.7
Impairment of goodwill	11	**18.5**	—
Depreciation – property, plant and equipment	12	**2.5**	2.2
Depreciation – right of use assets	13	**7.8**	—

During the year the Group received the following services from the Group's auditors:

	2020 £m	2019 £m
Fees payable to the Group's auditors for the audit of parent and consolidated financial statements	**0.4**	0.2
Fees payable to the Group's auditors for other services:		
– Audit of subsidiary companies	**0.5**	0.5
– Audit of joint ventures and associate (Group share)	**0.1**	0.1
– Audit-related services	**0.2**	0.1
Total	**1.2**	0.9

Fees payable to the Group's auditors for the audit of subsidiary companies in 2019 were previously presented as £0.3m. This has been increased to £0.5m in the table above to reflect the finalisation of fees after the date of signing the 2019 Group financial statements.

(b) Non-underlying items

	2020 £m	2019 £m
Non-underlying items included within administrative expenses:		
– Impairment of goodwill	**(18.5)**	—
– Restructuring costs	**(3.5)**	—
– Ground Rent Assistance Scheme	**(10.0)**	—
– Amortisation of acquisition-related intangible assets	**(10.2)**	(10.2)
– Deferred consideration relating to Westleigh	**(0.2)**	2.2
– Acquisition and integration costs relating to Westleigh	**—**	(1.8)
Non-underlying items included within cost of sales:		
– Impairment of inventory	**—**	(7.4)
Total non-underlying items	**(42.4)**	(17.2)

Impairment of goodwill

During September 2020, the Directors announced the Board's decision to close the Millgate business with the remaining Millgate sites being transferred to the Housebuilding West region where the brand will be retained for future use. The goodwill previously recognised on the acquisition of Millgate was tested for impairment and, as a consequence of reduced cash flows from the business in future years, an impairment charge of £18.5m has been recognised. Refer to Note 11 for further detail on the impairment testing performed.

Restructuring costs

The closure of the Millgate business noted above has resulted in restructuring costs of £1.7m recognised in the year. The Millgate office will be closed resulting in an acceleration of £0.8m of depreciation on the right of use asset for the office lease, and a further £0.9m of costs have been recognised primarily relating to employee severance costs.

As announced during the equity placing in July 2020, the Group intends to expand the Partnerships division and has taken steps during the fourth quarter of the year to restructure the existing regions in order to facilitate the future growth. These steps have resulted in £0.6m of non-underlying costs being recognised, primarily relating to employee severance costs.

The Directors have assessed the office portfolio of the Group in light of the Covid-19 pandemic and the associated changes to working practices. The Group's London office will be closed, resulting in an acceleration of £1.2m of depreciation on the associated right of use asset.

Ground Rent Assistance Scheme

Following the Group's earlier commitment to the Government's Leasehold Pledge, in April 2020 the Group established the Countryside Ground Rent Assistance Scheme (the "Scheme"). The Scheme is expected to operate for a period of at least two years. It will be offered on a voluntary basis and will apply to such leases where the ground rent payable was not for the ultimate benefit of either a local authority or a registered provider of social housing.

The Group will seek agreement from freehold owners to vary the leaseholds of Countryside customers who still own homes with a leasehold ground rent that doubles more frequently than every 20 years. Working with the joint venture partners where required, Countryside aims to achieve agreement from the freehold owners to vary the leasehold ground rent to increase every 15 years in line with RPI. In parallel, where any customer has received an offer from their freehold owner to vary their lease terms in compliance with the Pledge, Countryside will reimburse the price payable by the customer plus any reasonable legal fees incurred. The Scheme is in the early stages of its development and the associated cost is estimated to be £10m.

Amortisation of acquisition-related intangible assets

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

Deferred consideration relating to Westleigh

As part of the agreement to purchase Westleigh, deferred consideration was payable to management who remained with the Group post-acquisition. These costs were accrued over the period to 31 March 2020 with changes to the estimated amount payable recognised in the statement of comprehensive income.

Acquisition and integration costs relating to Westleigh

During the year ended 30 September 2019, the Group incurred integration costs relating to the acquisition of Westleigh, including costs related to property moves and employee severance.

Impairment of inventory

During the prior year, a non-cash charge of £7.4m was recognised to impair the value of inventory in the Group's Manchester region. This was the result of costs accrued over a four-year period not being appropriately recognised in the statement of comprehensive income. No further inventory impairments have been recorded in non-underlying items during the year.

Taxation

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

8. Net finance costs

	Note	2020 £m	2019 £m
Bank loans and overdrafts		**(5.3)**	(3.4)
Amortisation of debt finance costs	20	**(0.7)**	(0.6)
Unwind of discount relating to:			
Land purchases on deferred payment terms		**(7.0)**	(7.9)
Lease liabilities	13	**(1.1)**	—
Other loans		**(0.1)**	—
Finance costs		**(14.2)**	(11.9)
Interest receivable		**0.2**	0.6
Unwind of discount relating to:			
Land sales on deferred settlement terms		**0.5**	0.4
Finance income		**0.7**	1.0
Net finance costs		**(13.5)**	(10.9)

9. Income tax expense

Analysis of charge for the year	2020 £m	2019 £m
Current tax		
Current year	**1.9**	33.9
Total current tax	**1.9**	33.9
Deferred tax (Note 17)		
Origination and reversal of temporary differences	**0.2**	1.3
Total deferred tax	**0.2**	1.3
Total income tax expense	**2.1**	35.2

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). Deferred taxes at the balance sheet have been measured using the enacted rates that are expected to apply to the unwind of each asset or liability.

The Group effective tax rate for the year of (107.7)% (2019: 17.3%) results in a higher tax expense (2019: lower tax expense) than the standard rate of corporation tax in the United Kingdom of 19.0% (2019: 19.0%). The table below shows the reconciliation of the Group's income tax expense/(credit) calculated at the standard rate of tax in the United Kingdom to the Group's income tax expense at the effective tax rate.

	2020 £m	2019 £m
(Loss)/profit before income tax	**(1.9)**	203.6
Tax calculated at the parent entity rate of tax of 19.0% (2019: 19.0%)	**(0.4)**	38.7
Impairment of goodwill	**3.5**	—
Adjustments to deferred tax due to increase in UK tax rates	**0.7**	—
Other timing differences	**(0.9)**	(0.2)
Deferred tax charged directly to reserves	**(0.6)**	(0.7)
Joint ventures and associate tax	**(0.2)**	(2.2)
Income not taxable	**—**	(0.3)
Enhanced deductions for land remediation	**—**	(0.2)
Expenses not deductible for tax	**—**	0.1
Income tax expense	**2.1**	35.2

10. Earnings/(loss) per share

Basic earnings per share ("basic EPS") is calculated by dividing the profit from continuing operations attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period, adjusted for the weighted average number of shares held by the Employee Benefit Trust ("EBT"). For diluted earnings per share ("diluted EPS"), the weighted average number of ordinary shares also assumes the conversion of all potentially dilutive share awards.

(a) Basic and diluted earnings/(loss) per share

	2020	2019
(Loss)/profit from continuing operations attributable to equity holders of the parent (£m)	**(3.7)**	167.7
Basic weighted average number of shares (millions)	**462.1**	445.1
Basic (loss)/earnings per share (pence per share)	**(0.8)**	37.7
Diluted weighted average number of shares (millions)	**464.5**	450.1
Diluted (loss)/earnings per share (pence per share)	**(0.8)**	37.3

The basic weighted average number of shares of 462.1 million (2019: 445.1 million) excludes the weighted average number of shares held in the EBT during the year of 1.2 million (2019: 4.9 million).

(b) Adjusted basic and diluted earnings per share

Adjusted basic and diluted earnings per share are APMs for the Group. Refer to pages 57 to 59 for details of the Group's APMs.

	2020	2019
(Loss)/profit from continuing operations attributable to equity holders of the parent (£m)	**(3.7)**	167.7
Add: non-underlying items net of tax (£m)	**37.7**	13.8
Adjusted profit from continuing operations attributable to equity holders of the parent (£m)	**34.0**	181.5
Basic weighted average number of shares (millions)	**462.1**	445.1
Adjusted basic earnings per share (pence per share)	**7.4**	40.8
Diluted weighted average number of shares (millions)	**465.3**	450.1
Adjusted diluted earnings per share (pence per share)	**7.3**	40.3

Non-underlying items net of tax include costs of £42.4m, net of tax of £4.7m (2019: costs of £17.2m, net of tax of £3.4m). Refer to Note 7.

11. Intangible assets

	Software £m	Customer related £m	Brand £m	Goodwill £m	Total £m
Cost					
At 1 October 2018	5.1	42.1	34.6	109.8	191.6
Additions	3.1	—	—	—	3.1
At 30 September 2019	8.2	42.1	34.6	109.8	194.7
Additions	2.9	—	—	—	2.9
At 30 September 2020	**11.1**	**42.1**	**34.6**	**109.8**	**197.6**
Accumulated amortisation and impairment					
At 1 October 2018	1.6	3.4	7.1	—	12.1
Amortisation charge for the year	1.7	6.7	3.3	—	11.7
At 30 September 2019	3.3	10.1	10.4	—	23.8
Amortisation charge for the year	2.2	6.7	3.3	—	12.2
Impairment charge for the year	—	—	—	18.5	18.5
At 30 September 2020	**5.5**	**16.8**	**13.7**	**18.5**	**54.5**
Net book value					
At 30 September 2020	**5.6**	**25.3**	**20.9**	**91.3**	**143.1**
At 30 September 2019	4.9	32.0	24.2	109.8	170.9

Goodwill

Goodwill held by the Group comprises that resulting from the following acquisitions:

	2020 £m	2019 £m
Copthorn Holdings Limited ("Copthorn") – April 2013	**19.3**	19.3
Millgate Developments Limited ("Millgate") – February 2014	**—**	18.5
Westleigh Group Limited ("Westleigh") – April 2018	**72.0**	72.0
	91.3	109.8

In all three cases, the acquired entities represent cash generating units ("CGUs") or groups of CGUs for the purpose of impairment testing.

Impairment testing

Goodwill is tested annually for impairment at the year end; however, impairment testing was also carried out at 31 March 2020 in light of the uncertainty caused by the Covid-19 pandemic. No impairment charge was recorded at 31 March 2020 or at 30 September 2019 as a result of the impairment testing.

The recoverable amount of a CGU or group of CGUs is the greater of the value in use and fair value less costs of disposal.

The recoverable amounts of the Copthorn and Westleigh groups of CGUs are based on value in use, in line with the prior year assessment.

The key estimates for the value in use calculations are the forecast cash flows and the discount rates.

Forecast cash flows are derived from the most recent Board-approved strategic plan. The strategic plan incorporates management's assumptions regarding the future performance of the Group over the next three years, including the impact of the Covid-19 pandemic. This includes the Directors' assessment of current market conditions relating to house prices and the costs of materials and labour. The plan also considers broader market trends, the Group's growth plans, planned changes to the business model, and expected regulatory and tax changes.

Cash flows beyond the strategic plan are extrapolated using a growth rate of 1% per annum based on GDP growth forecasts by HM Treasury.

Forecast cash flows are discounted using a pre-tax discount rate that reflects the time value of money and the estimated risk profile of the CGU or group of CGUs. The discount rate applied to the Copthorn group of CGUs was 9.0% and the discount rate applied to the Westleigh CGU was 11.0%.

Sensitivity analysis has been undertaken for each impairment review by changing discount rates, cash flows and long-term growth rates applicable to each CGU or group of CGUs to which goodwill has been allocated. Neither an increase in the discount rate of 3%, a reduction in cash flows of 10% per annum, nor a reduction of the long-term growth rate to 0% would indicate impairment in the Copthorn and Westleigh groups of CGUs.

The recoverable amount of the Millgate CGU in the prior year was based on value in use. As detailed in Note 7, the Group announced the closure of the business during the year with the remaining Millgate sites being transferred to the Housebuilding West region where the brand will be retained for future use. This decision has resulted in finite future cash flows attributable to the Millgate CGU, reducing the value in use, through the absence of long-term growth and terminal value, to a lower value compared with the fair value less costs of disposal. The recoverable amount in the current year impairment testing is therefore based on fair value less costs of disposal.

The carrying amount of the CGU primarily consists of inventories, goodwill, trade receivables and the Millgate brand. The fair value of inventories is estimated based on the Group's past experience and internal forecasts of Millgate developments and the fair value of trade receivables is based on the Group's expected credit loss assessment. The Directors have assessed the fair value of the brand based on internal forecasts and management information. Costs of disposal were estimated based on available market information which indicated costs of disposal in the region of 2-5% of net assets. As the inputs required to fair value the CGU are not based on observable market data, the fair value is classified as Level 3.

The fair value less costs of disposal of the Millgate CGU was calculated as £84.7m, which resulted in a goodwill impairment charge of £18.5m (2019: £Nil) recognised in administrative expenses in the statement of comprehensive income. No further impairment was recognised against any other assets of the CGU.

Brands

Brands reflect those acquired in business combinations and are not internally generated:

	Acquired (year)	Life (years)	**2020 £m**	2019 £m
Countryside	2013	20.0	**8.4**	9.1
Millgate	2014	11.7	**7.2**	7.7
Westleigh	2018	5.0	**5.3**	7.4
			20.9	24.2

As noted above, the Group announced the closure of the Millgate business during the year. The remaining sites are being transferred to the Housebuilding West region where the brand will be retained for future use. As a result of these changes, the remaining useful life of the Millgate brand has been reduced to five years ending 30 September 2025, reducing the total useful life from 20 to 11.7 years. The change in useful life is a change in accounting estimate per IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and is therefore recognised prospectively. The impact of the change in estimate will be an increase to the annual amortisation charge of £0.9m through to 30 September 2025.

Customer-related intangible assets

Customer-related intangible assets of £25.3m relate to customer relationships recognised on the acquisition of Westleigh in April 2018. The prior year balance of £32.0m also included customer contracts of £3.4m relating to Westleigh that are now fully amortised. The useful economic life of the customer relationships is ten years, reflecting the expected timeframe over which the Group will derive value from these assets.

Amortisation is charged to administrative expenses in the statement of comprehensive income.

12. Property, plant and equipment

	Plant and machinery £m	Fixtures and fittings £m	Total £m
Cost			
At 1 October 2018	8.5	7.4	15.9
Additions	2.8	5.0	7.8
Disposals	(0.9)	(1.2)	(2.1)
At 30 September 2019	10.4	11.2	21.6
Additions	3.8	1.0	4.8
Disposals	(0.2)	(0.1)	(0.3)
At 30 September 2020	**14.0**	**12.1**	**26.1**
Accumulated depreciation			
At 1 October 2018	5.2	3.0	8.2
Depreciation charge for the year	1.5	0.7	2.2
Disposals	(0.8)	(0.8)	(1.6)
At 30 September 2019	5.9	2.9	8.8
Depreciation charge for the year	1.6	0.9	2.5
Disposals	(0.2)	(0.1)	(0.3)
At 30 September 2020	**7.3**	**3.7**	**11.0**
Net book value			
At 30 September 2020	**6.7**	**8.4**	**15.1**
At 30 September 2019	4.5	8.3	12.8

Depreciation is charged to administrative expenses in the statement of comprehensive income.

Plant and machinery additions during the year include £2.4m relating to machinery for the new modular panel factory in Bardon, Leicestershire. The machinery is classified as assets under construction and depreciation will commence when the machinery is operational in the new factory.

13. Leases

During the year ended 30 September 2020, the Group adopted IFRS 16 “Leases” using the modified retrospective approach. The impact of the adoption of IFRS 16 on the Group’s financial statements is explained in Note 34.

The Group’s leases consist primarily of buildings (offices, factories and show homes). The Group also leases other assets such as company cars and IT equipment, presented within “Other” below.

Right of use assets

	Buildings £m	Other £m	Total £m
Cost			
At 1 October 2019	26.9	3.4	30.3
Additions	1.4	3.0	4.4
Disposals	(1.2)	—	(1.2)
At 30 September 2020	**27.1**	**6.4**	**33.5**
Accumulated depreciation			
At 1 October 2019	—	—	—
Depreciation charge for the year	5.9	1.9	7.8
Disposals	(0.6)	—	(0.6)
At 30 September 2020	**5.3**	**1.9**	**7.2**
Net book value			
At 30 September 2020	**21.8**	**4.5**	**26.3**

Lease liabilities

	2020 £m
Current	**5.9**
Non-current	**24.6**
Total	**30.5**

The total cash outflow relating to lease liabilities for the year ended 30 September 2020 was £6.0m. A maturity analysis of the contractual undiscounted future lease payments is presented in Note 28.

Lease liabilities at 30 September 2020 include liabilities relating to the Group’s timber frame factory in Leicester and the modular panel factory in Warrington. During the year, the Group signed an agreement to lease a second modular panel factory in Bardon, Leicestershire. The factory is under construction and the 20-year lease will commence on occupation by the Group. A right of use asset and corresponding lease liability will be recognised of c.£32m when the lease commences.

A new lease for the head office in Brentwood, Essex, was signed on 27 November 2020. This has been treated as a non-adjusting post balance sheet event. Refer to Note 35 for further detail.

Amounts recognised in the statement of comprehensive income

	2020 £m
Depreciation of right of use assets	**7.8**
Finance costs – unwind of discount	**1.1**
Expenses relating to short-term leases	**0.9**
Expenses relating to leases of low value assets	**0.3**

14. Joint arrangements

Joint ventures

The Directors have aggregated the disclosure of the joint ventures' statements of financial position and statements of comprehensive income, and separately disclosed material joint ventures below. The Group's aggregate investment in joint ventures is represented by:

	2020			2019		
	Partnerships £m	**Housebuilding £m**	**Group £m**	Partnerships £m	Housebuilding £m	Group £m
Summarised statement of financial position:						
Non-current assets	**1.6**	**0.9**	**2.5**	1.7	7.1	8.8
Current assets excluding cash	**56.8**	**227.0**	**283.8**	78.6	212.5	291.1
Cash	**1.4**	**4.6**	**6.0**	3.5	15.5	19.0
Current liabilities	**(16.0)**	**(34.3)**	**(50.3)**	(45.6)	(37.8)	(83.4)
Non-current liabilities	**(19.6)**	**(140.6)**	**(160.2)**	(3.4)	(107.7)	(111.1)
	24.2	**57.6**	**81.8**	34.8	89.6	124.4
Movements in net assets:						
At 1 October	**34.8**	**89.6**	**124.4**	27.3	97.8	125.1
Profit for the year	**16.0**	**17.8**	**33.8**	26.6	54.6	81.2
Dividends paid	**(26.6)**	**(40.4)**	**(67.0)**	(19.1)	(56.1)	(75.2)
Repayment of members' interest	**—**	**(8.8)**	**(8.8)**	—	(5.8)	(5.8)
Other movements	**—**	**(0.6)**	**(0.6)**	—	(0.9)	(0.9)
At 30 September	**24.2**	**57.6**	**81.8**	34.8	89.6	124.4
Summarised statement of comprehensive income:						
Revenue	**88.2**	**105.4**	**193.6**	89.6	263.5	353.1
Expenses	**(71.7)**	**(87.6)**	**(159.3)**	(63.0)	(204.7)	(267.7)
Operating profit for the year	**16.5**	**17.8**	**34.3**	26.6	58.8	85.4
Finance (costs)/ncome	**(0.6)**	**0.2**	**(0.4)**	—	(0.5)	(0.5)
Income tax credit/(expense)	**0.1**	**(0.2)**	**(0.1)**	—	(3.8)	(3.8)
Profit for the year	**16.0**	**17.8**	**33.8**	26.6	54.5	81.1
Group's share in %			**50.0%**			50.0%
Share of revenue			**96.8**			176.6
Share of operating profit			**17.2**			42.7
Dividends received by the Group			**33.5**			37.6
Investment in joint ventures			**40.9**			62.2

The amount due from joint ventures is £69.5m (2019: £49.7m) and the amount due to joint ventures is £0.4m (2019: £0.4m). Transactions between the Group and its joint ventures are disclosed in Note 26.

Investment in joint ventures

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

	2020 £m	2019 £m
At 1 October	**62.2**	62.5
Share of post-tax profit	**16.9**	40.6
Dividends received	**(33.5)**	(37.6)
Repayment of members' interest	**(4.4)**	(2.9)
Other movements	**(0.3)**	(0.4)
At 30 September	**40.9**	62.2

Individually material joint ventures

The Directors consider that joint ventures are material where they contribute to 5% or more of either Group profit after tax or Group net assets. The summarised results and position of individually material joint ventures are highlighted below:

2020	**Acton Gardens LLP £m**	**Greenwich Millennium Village Ltd £m**	**Countryside Zest (Beaulieu Park) LLP £m**	**Countryside L&Q (Oaks Village) LLP £m**
	Partnerships	**Housebuilding**	**Housebuilding**	**Housebuilding**
Summarised statement of financial position:				
Non-current assets	**1.6**	**0.1**	**0.7**	**0.1**
Current assets excluding cash	**47.6**	**78.2**	**128.9**	**16.2**
Cash	**0.4**	**0.9**	**0.6**	**0.7**
Current liabilities	**(29.8)**	**(43.4)**	**(7.5)**	**(2.9)**
Non-current liabilities	**(3.2)**	**(3.9)**	**(112.9)**	**(3.0)**
	16.6	**31.9**	**9.8**	**11.1**
Movements in net assets:				
At 1 October	**27.0**	**30.6**	**30.2**	**22.0**
Profit for the year	**16.2**	**1.3**	**10.7**	**5.3**
Dividends paid	**(26.6)**	**—**	**(31.1)**	**(7.4)**
Repayment of members' interest	**—**	**—**	**—**	**(8.8)**
At 30 September	**16.6**	**31.9**	**9.8**	**11.1**
Summarised statement of comprehensive income:				
Revenue	**88.2**	**13.4**	**55.9**	**26.5**
Expenses	**(71.7)**	**(11.8)**	**(45.6)**	**(21.1)**
Operating profit for the year	**16.5**	**1.6**	**10.3**	**5.4**
Finance (costs)/income	**(0.4)**	**(0.1)**	**0.4**	**(0.1)**
Income tax credit/(expense)	**0.1**	**(0.2)**	**—**	**—**
Profit for the year	**16.2**	**1.3**	**10.7**	**5.3**

2019	Acton Gardens LLP £m	Greenwich Millennium Village Ltd £m	Countryside Zest (Beaulieu Park) LLP £m	Countryside L&Q (Oaks Village) LLP £m
	Partnerships	Housebuilding	Housebuilding	Housebuilding
Summarised statement of financial position:				
Non-current assets	1.7	0.1	6.6	0.4
Current assets excluding cash	70.9	48.0	134.4	27.0
Cash	1.7	1.0	8.9	0.4
Current liabilities	(43.9)	(13.8)	(20.2)	(2.3)
Non-current liabilities	(3.4)	(4.7)	(99.5)	(3.5)
	27.0	30.6	30.2	22.0
Movements in net assets:				
At 1 October	19.5	37.9	22.1	32.3
Profit for the year	26.6	14.6	30.1	7.6
Dividends paid	(19.1)	(21.9)	(22.0)	(12.2)
Repayment of members' interest	—	—	—	(5.8)
Other movements	—	—	—	0.1
At 30 September	27.0	30.6	30.2	22.0
Summarised statement of comprehensive income:				
Revenue	89.6	71.9	130.5	33.7
Expenses	(63.0)	(53.4)	(100.5)	(26.0)
Operating profit	26.6	18.5	30.0	7.7
Finance costs	—	(0.5)	0.1	(0.1)
Income tax expense	—	(3.4)	—	—
Profit for the year	26.6	14.6	30.1	7.6

The Group's joint ventures

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

	Country of incorporation	Ownership interest %	Principal activity
Acton Gardens LLP	UK	50.0	Development
Brenthall Park (Commercial) Limited	UK	50.0	Dormant
Brenthall Park (Infrastructure) Limited	UK	50.0	Dormant
Brenthall Park (Three) Limited	UK	50.0	Dormant
Brenthall Park Limited	UK	50.0	Dormant
Cambridge Medipark Limited	UK	50.0	Commercial
CBC Estate Management Limited[1]	UK	50.0	Estate management
C.C.B. (Stevenage) Limited[2]	UK	33.3	Non-trading
Countryside 27 Limited	UK	50.0	Commercial
Countryside L&Q (Oaks Village) LLP	UK	50.0	Development
Countryside Annington (Mill Hill) Limited	UK	50.0	Development
Countryside Clarion (Eastern Quarry) LLP	UK	50.0	Development
Countryside Clarion (North Leigh) LLP	UK	50.0	Dormant
Countryside Properties (Accordia) Limited	UK	50.0	Non-trading
Countryside Properties (Booth Street 2) Limited	UK	39.0	Dormant
Countryside Properties (Merton Abbey Mills) Limited	UK	50.0	Non-trading
Countryside Maritime Limited	UK	50.0	Development
Countryside Neptune LLP	UK	50.0	Development
Countryside Zest (Beaulieu Park) LLP	UK	50.0	Development
Greenwich Millennium Village Limited	UK	50.0	Development
iCO Didsbury Limited	UK	50.0	Commercial
Kingsmere Estate Management Limited	UK	50.0	Estate management
Mann Island Estate Limited	UK	50.0	Estate management
Marrco 25 Limited	UK	50.0	Non-trading
Oaklands Hamlet Resident Management Limited	UK	50.0	Estate management
Peartree Village Management Limited	UK	50.0	Estate management
Silversword Properties Limited	UK	50.0	Commercial
Westleigh Cherry Bank LLP	UK	50.0	Non-trading
Woolwich Countryside Limited (in liquidation)[3]	UK	50.0	Non-trading

All joint ventures hold the registered address of Countryside House, The Drive, Brentwood, Essex CM13 3AT, except where noted otherwise.

No joint venture was committed to the purchase of any property, plant and equipment or software intangible assets as at 30 September 2020 (2019: £Nil).

1. CBC Estate Management has the registered address of The Control Tower, 29 Liberty Square, Kings Hill, West Malling, Kent ME19 4RG.
2. C.C.B. Stevenage has the registered address of Croudace House, Tupwood Lane, Caterham, Surrey CR3 6XQ.
3. Woolwich Countryside has the registered address of 15 Canada Square, London E14 5GL.

Joint operations

The Group has a number of joint operations. These include Beam Park in Rainham and Fresh Wharf in Barking where the Group has joint control of the developments, alongside a housing association. Joint operations are proportionally consolidated with 50% of the assets, liabilities, income and expenses included in the consolidated financial statements.

15. Investment in associate

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

The Group's investment in associate is represented by:

	2020 £m	2019 £m
Summarised statement of financial position:		
Non-current assets	**—**	1.0
Current assets excluding cash	**3.2**	20.8
Cash	**13.4**	24.8
Current liabilities	**(11.4)**	(32.8)
Non-current liabilities	**(0.5)**	(1.5)
	4.7	12.3
Movements in net assets:		
At 1 October	**12.3**	19.2
Profit for the year	**0.4**	12.4
Dividends paid	**(8.0)**	(19.3)
At 30 September	**4.7**	12.3
Summarised statement of comprehensive income:		
Revenue	**—**	32.1
Expenses	**—**	(17.6)
Operating profit	**—**	14.5
Finance income	**0.5**	1.0
Income tax expense	**(0.1)**	(3.1)
Profit for the year	**0.4**	12.4
Group's share in %	**28.5%**	28.5%
Share of revenue	**—**	9.1
Share of operating profit	**—**	4.1
Dividends received by the Group	**2.3**	5.5
Investment in associate	**1.3**	3.5

Transactions between the Group and its associate are disclosed in Note 26. No amounts are due to or from the associate as at 30 September 2020 (2019: £Nil).

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

	2020 £m	2019 £m
Reconciliation to carrying amount:		
At 1 October	**3.5**	5.4
Share of post-tax profit	**0.1**	3.5
Dividends received	**(2.3)**	(5.5)
Other movements	**—**	0.1
At 30 September	**1.3**	3.5

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

16. Financial assets at fair value through profit or loss

	2020 £m	2019 £m
At 1 October	**5.0**	4.1
Increase in fair value	**—**	0.9
Settlement	**(5.0)**	—
At 30 September	**—**	5.0

Financial assets at fair value through profit or loss at 30 September 2019 related solely to a deferred land overage receivable resulting from agreements where land was sold to a third party and the Group was entitled to a share of surplus profits once development was complete. The overage receivable was held at fair value, being the Directors' best estimate of the value that could be achieved in a presumed sale of these assets to a third party, after taking into account judgements of the variability of the expected final cash value, the time value of money and the degree of completion of the developments. Given that the inputs were estimated and not observed in a market, the fair value is classified as Level 3 in the fair value hierarchy.

During the year, the receivable was settled for £5.0m with no gain or loss recognised in the statement of comprehensive income.

17. Deferred tax assets and liabilities

Deferred tax assets held on the balance sheet date have the following expected maturities:

	2020 £m	2019 £m
Amounts due to be recovered within one year	**1.4**	1.6
Amounts due to be recovered after more than one year	**2.7**	3.7
	4.1	5.3

Deferred tax liabilities held on the balance sheet date have the following expected maturities:

	2020 £m	2019 £m
Amounts due to be settled within one year	**1.3**	1.7
Amounts due to be settled after more than one year	**9.2**	9.2
	10.5	10.9

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

	Share-based payments £m	Other timing differences £m	Total £m
At 1 October 2018	3.6	(7.2)	(3.6)
Charge to the statement of comprehensive income for the year	(0.6)	(0.7)	(1.3)
Amount transferred to the statement of changes in equity	(0.7)	—	(0.7)
At 30 September 2019	2.3	(7.9)	(5.6)
Charge to the statement of comprehensive income for the year	(0.8)	0.6	(0.2)
Amount transferred to the statement of changes in equity	(0.6)	—	(0.6)
At 30 September 2020	**0.9**	**(7.3)**	**(6.4)**

Temporary differences arising in connection with interests in joint ventures and associate are not significant. Unrecognised tax assets on joint ventures and associate are £0.6m on historical losses of £3.5m (2019: £0.6m on historical losses of £3.5m). No deferred tax asset has been recognised in relation to losses where it is considered that they are not recoverable in the near future. The Group has unrecognised deferred tax assets of £1.4m on historical losses of £7.6m (2019: £1.2m on historical losses of £7.0m).

18. Inventories

	2020 £m	2019 £m
Development land and work in progress	**965.0**	741.4
Completed properties unsold or awaiting sale	**94.1**	67.2
	1,059.1	808.6

Development land and work in progress of £965.0m (2019: £741.4m) includes land costs of £421.2m (2019: £412.4m), land options with a carrying value of £26.9m (2019: £24.2m) and development expenditure of £521.7m (2019: £308.3m), offset by provisions of £(4.8)m (2019: £(3.5)m). The table below reconciles the movement in provisions during the year.

	2020 £m	2019 £m
At 1 October	**3.5**	5.7
Charged in the year	**1.4**	—
Released in the year	**—**	(0.5)
Utilised in the year	**(0.1)**	(1.7)
At 30 September	**4.8**	3.5

Borrowing costs capitalised into inventories during the year were £Nil (2019: £Nil).

During the year, an impairment charge of £4.8m was recognised against inventories (2019: £7.4m).

19. Trade and other receivables

	2020 £m	2019 £m
Amounts falling due within one year:		
Trade receivables	**44.5**	57.2
Amounts recoverable on construction contracts	**40.4**	78.5
Advances to joint ventures	**69.5**	49.7
Other taxation and social security	**6.0**	14.9
Other receivables	**1.5**	0.3
Prepayments and accrued income	**37.3**	32.2
	199.2	232.8
Amounts falling due in more than one year:		
Amounts recoverable on construction contracts	**19.6**	15.2
	19.6	15.2
Total trade and other receivables	**218.8**	248.0

The Group applies the simplified approach under IFRS 9 to measure expected credit losses ("ECL") associated with trade and other receivables. The carrying value of the receivable is reduced at each reporting date for any increase in the lifetime ECL, with an impairment loss recognised in the statement of comprehensive income.

The Directors are of the opinion that there are no significant concentrations of credit risk (Note 28). Trade receivables and amounts recoverable on construction contracts include amounts outstanding past their due date of £9.0m (2019: £9.9m); however, £Nil was impaired (2019: £Nil).

A provision of £8.0m (2019: £8.0m) is held against an advance to Countryside Neptune LLP, a joint venture, to reflect the Directors' view of the recoverability of this advance. The other classes within trade and other receivables do not contain impaired assets.

Prepayments and accrued income of £37.3m include £31.1m of contract assets (2019: £25.7m) relating to uninvoiced amounts where revenue has been recognised in the statement of comprehensive income.

The fair value of the financial assets included in trade and other receivables is not considered to be materially different from their carrying value. The fair values are based on discounted cash flows and are within Level 3 of the fair value hierarchy.

20. Cash and borrowings

(a) Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term deposits held in Sterling of £100.5m (2019: £75.6m).

As at 30 September 2019, the Group had allocated £30m of its £300m revolving credit facility to a separate overdraft facility. This allocation was removed at the request of the Group during the year. As a result, there are no overdraft balances in the statement of financial position as at 30 September 2020 (2019: £Nil).

As at 30 September 2020, there is £Nil (2019: £Nil) ring-fenced for specific developments.

(b) Borrowings

	2020 £m	2019 £m
Other loans	**(2.3)**	(2.2)
Total borrowings	**(2.3)**	(2.2)

Bank loans

The Group has a £300m revolving credit facility ("RCF") with Lloyds Bank plc, Barclays Bank PLC, HSBC Bank plc and Santander UK plc, expiring in May 2023. The agreement has a floating interest rate based on LIBOR. As at 30 September 2020 and 30 September 2019, the Group had no drawings under the facility.

Subject to obtaining credit approval from the syndicate banks, the Group has the option to extend the facility by a further £100m. This facility is subject to both financial and non-financial covenants and is secured by floating charges over all the Group's assets.

The Group also has the option to issue promissory notes from Barclays Bank PLC under the facility, with any notes issued reducing the available funds such that total borrowings under the facility does not exceed £300m. As at 30 September 2020 and 30 September 2019, the Group had no promissory notes in issue from Barclays Bank PLC.

Bank loan arrangement fees are amortised over the term of the facility. At 30 September 2020, unamortised loan arrangement fees were £2.2m (2019: £2.0m), including £0.9m incurred during the year in connection with the amendment of certain financial covenants in April 2020 in response to the Covid-19 pandemic. Amortisation of £0.7m (2019: £0.6m) is included in finance costs in the statement of comprehensive income (Note 8).

As the Group did not have any debt under this facility at 30 September 2020 or 30 September 2019, the unamortised loan arrangement fees are included within prepayments in the statement of financial position.

Covid Corporate Financing Facility ("CCFF")

On 28 April 2020, the Group received confirmation from the Bank of England of its eligibility to participate in the CCFF. The Group has put in place a commercial paper programme which will allow up to £300m of commercial paper to be issued. The facility will be used to provide standby liquidity, should that be required, and is currently undrawn.

Other loans

During the year ended 30 September 2018, the Group received an interest-free loan of £2.5m for the purpose of funding remediation works in relation to one of its joint operations. The loan is repayable on 22 November 2022. The loan was initially recognised at fair value and subsequently carried at amortised cost.

During the year, a local authority made available a forward funding loan arrangement of £2.5m that the Group can draw upon if required under the development agreement. At 30 September 2020, no amounts had been received by the Group relating to this arrangement.

Interbank Offered Rates ("IBOR") reform

The Directors do not anticipate the IBOR reform to have a material impact on the Group's finance costs. A further detailed review will be undertaken prior to implementation of the reform.

21. Trade and other payables

	2020 £m	2019 £m
Amounts falling due within one year:		
Trade payables	**71.9**	50.7
Deferred land payments	**109.5**	73.0
Overage payable	**11.5**	7.4
Accruals and deferred income	**141.7**	160.2
Other taxation and social security	**4.9**	3.3
Other payables	**4.7**	27.6
Advances from joint ventures	**0.4**	0.4
	344.6	322.6
Amounts falling due in more than one year:		
Trade payables	**21.4**	17.9
Deferred land payments	**83.3**	85.3
Overage payable	**19.8**	26.5
Accruals and deferred income	**—**	0.3
	124.5	130.0
Total trade and other payables	**469.1**	452.6

Trade and other payables principally comprise amounts outstanding for trade purchases and land acquired on deferred terms. The Directors consider that the carrying amount of trade payables approximates to their fair value.

The carrying amount of deferred land payments and overage payable represents the discounted payment obligations. At 30 September 2020, the liabilities had been discounted by £9.2m (2019: £12.4m), reflecting the time value of money.

Land acquired on deferred payment terms is discounted using an interest rate of 3.4% for transactions entered into from 1 April 2017 and 6.0% for transactions prior to this date. Discount rates are regularly reviewed to ensure that the most appropriate rate is applied at the inception of new developments. The most recent review was performed at 30 September 2020.

Deferred land payments include £Nil (2019: £2.4m) relating to land acquisitions using promissory notes, issued under the Group's revolving credit facility.

Accruals and deferred income include £11.9m (2019: £2.3m) of contract liabilities, where the value of payments made by customers exceeds the revenue recognised in the statement of comprehensive income. The Group recognised revenue of £1.6m during the year relating to the contract liabilities of £2.3m as at 30 September 2019.

22. Provisions

	2020 Ground Rent Assistance Scheme £m	**2020 Other £m**	**2020 Total £m**	2019 Total £m
At 1 October	**—**	**2.4**	**2.4**	5.3
Charged in the year	**10.0**	**0.7**	**10.7**	0.4
Released in the year	**—**	**(1.0)**	**(1.0)**	(2.5)
Utilised in the year	**—**	**(0.7)**	**(0.7)**	(0.9)
Reclassification	**—**	**—**	**—**	0.1
At 30 September	**10.0**	**1.4**	**11.4**	2.4
Current	**10.0**	**0.9**	**10.9**	1.8
Non-current	**—**	**0.5**	**0.5**	0.6
Total provisions	**10.0**	**1.4**	**11.4**	2.4

Provisions primarily relate to the Countryside Ground Rent Assistance Scheme and office dilapidations.

The Countryside Ground Rent Assistance Scheme (the "Scheme") was established in April 2020 following the Group's earlier commitment to the Government's Leasehold Pledge and applies to leases where the ground rent payable was not for the ultimate benefit of either a local authority or a registered provider of social housing. The Group will seek agreement from all freehold owners to vary the leaseholds of Countryside customers who still own homes with a leasehold ground rent that doubles more frequently than every 20 years. Working with the joint venture partners where required, the Group aims to achieve agreement from the freehold owners to vary the leasehold ground rent to increase every 15 years in line with RPI. In parallel, where any customer has received an offer from their freehold owner to vary their lease terms in compliance with the Pledge, Countryside will reimburse the price payable by the customer plus any reasonable legal fees incurred. The Scheme is expected to last two years and the associated cost is estimated at £10.0m. As the timing of utilisation is uncertain, the provision has been included within current liabilities.

23. Reserves

(a) Share capital and share premium

	Number of shares		Share capital	
	2020	2019	**2020**	2019
	m	m	**£m**	£m
Allotted, issued and fully paid				
Ordinary shares of £0.01 each	**525**	450	**5.2**	4.5

Equity placing

On 23 July 2020, the Company carried out a non-pre-emptive placing of ordinary shares at a placing price of 335 pence, raising net proceeds of £243.0m (net of issue costs).

The total number of ordinary shares issued of 74,626,870 represented 16.6% of the existing issued share capital of the Company on the date of the placing. As at 30 September 2020 the Company had 524,626,870 ordinary shares of £0.01 each in issue, all of which are allotted and fully paid.

A total of 72,983,484 ordinary shares were placed using a cash box structure, whereby the cash box entity issued redeemable preference shares in exchange for cash proceeds from institutional investors. The Company's ordinary shares were issued to the institutional investors as consideration for the transfer of the shares of the cash box entity. The placing qualified for merger relief under Section 612 of the Companies Act 2006 resulting in the recognition of retained earnings of £237.0m (net of issue costs).

The remaining 1,643,386 shares were issued to retail investors, Company Directors and Group management in consideration for cash resulting in the recognition of share premium of £5.3m (net of issue costs).

The shares are fully paid and rank pari passu in all respects with the existing ordinary shares, including the right to receive all dividends and other distributions declared, made or paid in respect of ordinary shares.

(b) Employee Benefit Trust ("EBT")

From time to time, the EBT purchases shares of the Company, on behalf of the Group, in order to hold an appropriate level of shares towards the future settlement of outstanding share-related incentives. The purchase value of EBT shares is charged to retained earnings.

In September 2020, the EBT acquired 1,200,000 shares in the Company through purchases on the London Stock Exchange to meet the Group's expected obligations under share-based incentive arrangements. The total amount paid by the EBT for the shares was £3.8m, with the Group contributing £2.0m during the year to fund the purchases.

The EBT has waived its right to vote and to dividends on the shares it holds which are unallocated. The number of shares held in the EBT as at 30 September 2020 was 1,649,207 (2019: 3,959,289).

(c) Non-controlling interest

Non-controlling interest of £0.3m (2019: £2.3m) relates to the Group's investment in Countryside Sigma Limited. During the year, £2.6m was reclassified from retained earnings to non-controlling interest relating to historical profits of Countryside Sigma Limited previously presented as earnings attributable to owners of the parent. Countryside Sigma Limited paid dividends of £8.6m during the year (2019: £Nil) of which £4.3m was paid to the non-controlling interest.

24. Notes to the cash flow statement

The table below provides a reconciliation of profit before income tax to cash generated from operations:

	Note	**2020 £m**	2019 £m
(Loss)/profit before income tax		**(1.9)**	203.6
Adjustments for:			
– Amortisation – intangible assets	11	**12.2**	11.7
– Depreciation – property, plant and equipment	12	**2.5**	2.2
– Depreciation – right of use assets	13	**7.8**	—
– Impairment of goodwill	11	**18.5**	—
– Share of post-tax profit from joint ventures and associate	14, 15	**(17.0)**	(44.1)
– Share-based payments (pre-tax)	29	**1.0**	6.7
– Finance costs	8	**14.2**	11.9
– Finance income	8	**(0.7)**	(1.0)
– Fair value gain on financial assets held at fair value through profit or loss	16	**—**	(0.9)
– Other non-cash items		**—**	0.1
Changes in working capital:			
– Increase in inventories		**(250.5)**	(67.8)
– Decrease/(increase) in trade and other receivables		**48.2**	(66.7)
– Increase in trade and other payables		**11.8**	33.5
– Increase/(decrease) in provisions	22	**9.0**	(2.9)
Cash (used in)/generated from operations		**(144.9)**	86.3

Changes in liabilities relating to financing activities are shown below for the period from the adoption of IFRS 16 “Leases”:

	Borrowings £m	Lease liabilities £m	Total £m
Liabilities from financing activities at 30 September 2019	2.2	—	2.2
Liabilities recognised on transition to IFRS 16	—	31.6	31.6
Liabilities from financing activities at 1 October 2019	2.2	31.6	33.8
Financing cash flows	—	(4.9)	(4.9)
Operating cash flows	—	(1.1)	(1.1)
Lease additions	—	4.4	4.4
Lease disposals	—	(0.6)	(0.6)
Unwind of discount	0.1	1.1	1.2
Liabilities from financing activities at 30 September 2020	**2.3**	**30.5**	**32.8**

25. Investments

The Company substantially owns, directly or indirectly, the whole of the issued and fully paid ordinary share capital of its subsidiary undertakings. Subsidiary undertakings of the Group as at 30 September 2020 are presented below:

	Country of incorporation	Voting rights %	Principal activity
Direct investment			
Copthorn Holdings Limited	UK	100	Holding company
Indirect investment			
Alma Estate (Enfield) Management Company Limited	UK	100	Estate management
Brenthall Park (One) Limited	UK	100	Dormant
Beechgrove (Sunninghill) Management Company Limited	UK	100	Estate management
Breedon Place Management Company Limited	UK	100	Estate management
Cambridge Road (RBK) LLP[1]	UK	100	Development
Countryside 26 Limited	UK	100	Development
Countryside 28 Limited	UK	100	Development
Countryside Cambridge One Limited	UK	100	Holding land
Countryside Cambridge Two Limited	UK	100	Holding land
Countryside Developments Limited	UK	100	Dormant
Countryside Four Limited	UK	100	Holding company
Countryside Properties (Commercial) Limited	UK	100	Dormant
Countryside Properties (Holdings) Limited	UK	100	Holding company
Countryside Properties (In Partnership) Limited	UK	100	Dormant
Countryside Properties (Joint Ventures) Limited	UK	100	Holding company
Countryside Properties Land (One) Limited	UK	100	Holding land
Countryside Properties Land (Two) Limited	UK	100	Holding land
Countryside Properties (London & Thames Gateway) Limited	UK	100	Dormant
Countryside Properties (Northern) Limited	UK	100	Non-trading
Countryside Properties (Salford Quays) Limited	UK	100	Non-trading
Countryside Properties (Southern) Limited	UK	100	Dormant
Countryside Properties (Special Projects) Limited	UK	100	Dormant
Countryside Properties (Springhead) Limited	UK	100	Development
Countryside Properties (Uberior) Limited	UK	100	Development
Countryside Properties (UK) Limited	UK	100	Development
Countryside Properties (WGL) Limited	UK	100	Holding company
Countryside Properties (WHL) Limited	UK	100	Holding company
Countryside Properties (WPL) Limited	UK	100	Development
Countryside Residential Limited	UK	100	Dormant
Countryside Residential (South Thames) Limited	UK	100	Dormant
Countryside Residential (South West) Limited	UK	100	Dormant
Countryside Seven Limited	UK	100	Dormant
Countryside Sigma Limited	UK	74.9	Development
Countryside Thirteen Limited	UK	100	Development
Countryside Timber Frame Limited	UK	100	Manufacturing
Countryside (UK) Limited	UK	100	Dormant
Dunton Garden Suburb Limited	UK	100	Land promotion
Fresh Wharf Residents Management Company Limited	UK	100	Estate management
Harold Wood Management Limited	UK	100	Estate management
Hilborn Management Company Limited	UK	100	Estate management
Knight Strategic Land Limited	UK	100	Land promotion
Mandeville Place (Radwinter) Management Limited	UK	100	Estate management
Millgate Developments Limited	UK	100	Development
Millgate (UK) Holdings Limited	UK	100	Holding company
Mulberry Green Management Company Limited	UK	100	Estate management
New Avenue (Cockfosters) Management Company Limited	UK	100	Estate management
Newhall Land Limited	UK	100	Development
Newhall Resident Management Company Limited	UK	100	Estate management
Parklands Manor Management Company Limited	UK	100	Estate management
Skyline 120 Management Limited	UK	100	Estate management
Skyline 120 Nexus Management Limited	UK	100	Estate management
Springhead Resident Management Company Limited	UK	100	Estate management
Urban Hive Hackney Management Limited	UK	100	Estate management
Watersplash Lane Management Company Limited	UK	100	Estate management
Westleigh Construction Limited	UK	100	Dormant
Westleigh LNT Limited	UK	100	Dormant
Westleigh Homes Limited	UK	100	Dormant
York Road (Maidenhead) Management Limited	UK	100	Estate management

1. Cambridge Road (RBK) LLP is a Limited Liability Partnership. The Partnership was incorporated on 25 September 2020 with two designated Members, Countryside Properties (UK) Limited and Countryside Properties (Joint Ventures) Limited. On 24 November 2020, Countryside Properties (Joint Ventures) Limited ceased to be a Member of the Partnership, being replaced by a third party. As a result, at the date of approval of the financial statements the Group holds 50% of the voting rights of the Partnership.

All subsidiaries are fully consolidated, after eliminating intergroup transactions.

The registered office address of Millgate Developments Limited, Breedon Place Management Company Limited, Hilborn Management Company Limited, Parklands Manor Management Company Limited, Watersplash Lane Management Company Limited and Beechgrove (Sunninghill) Management Company Limited is Millgate House, Ruscombe Lane, Twyford, Berkshire RG10 9JT.

The registered office address of all other subsidiaries is Countryside House, The Drive, Brentwood, Essex CM13 3AT.

26. Related party transactions

Transactions with joint ventures and associate

	Joint ventures		Associate	
	2020	2019	**2020**	2019
	£m	£m	**£m**	£m
Sales during the year	**14.8**	29.8	**0.2**	2.4
Net advances to joint ventures and associate at 1 October	**49.3**	56.1	**—**	—
Net advances/(repayments) during the year	**19.8**	(6.8)	**—**	—
Net advances to joint ventures and associate at 30 September	**69.1**	49.3	**—**	—

The transactions noted above are between the Group and its joint ventures and associate, the details of which are described in Note 14 and Note 15 respectively.

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

Remuneration of key management personnel

Key management personnel are deemed to be the Executive Committee, along with other Directors of the Company, including the Non-Executive Directors. The aggregate remuneration of these personnel during the year was £5.2m (2019: £11.0m).

Transactions with key management personnel

During the year ended 30 September 2020, one close family member of Ian Sutcliffe and two close family members of Phillip Lyons were employed by a subsidiary of the Group. All these individuals were recruited through the normal interview process and are employed at salaries commensurate with their experience and roles. The combined annual salary and benefits of these individuals is less than £190,000 (2019: three individuals less than £190,000).

On 23 July 2020, the Company carried out a non-pre-emptive placing of ordinary shares at a placing price of 335 pence (Note 23). The Board of Directors along with their close family members and members of the Executive Committee participated in the placing, purchasing a total of 119,997 new ordinary shares.

Transactions with significant shareholders

Standard Life Aberdeen ("SLA") and Aviva Investors ("Aviva") are substantial shareholders of the Group and classify as related parties for the purposes of the Listing Rules. Both shareholders participated in the non-pre-emptive placing noted above with SLA subscribing to 9,084,169 shares for total consideration of £30.4m and Aviva subscribing to 6,509,512 shares for total consideration of £21.8m. The participation in the placing by SLA and Aviva constitutes a smaller related party transaction for the purpose of Listing Rule 11.1.10R.

27. Financial instruments

The following tables categorise the Group's financial assets and liabilities included in the statement of financial position:

	Financial assets at amortised cost £m	Financial assets at fair value through profit or loss £m	Total £m
2020			
Assets			
Trade and other receivables	**106.0**	**—**	**106.0**
Amounts due from joint ventures	**69.5**	**—**	**69.5**
Cash and cash equivalents	**100.5**	**—**	**100.5**
	276.0	**—**	**276.0**
2019			
Assets			
Financial assets at fair value through profit or loss	—	5.0	5.0
Trade and other receivables	151.2	—	151.2
Amounts due from joint ventures	49.7	—	49.7
Cash and cash equivalents	75.6	—	75.6
	276.5	5.0	281.5

Financial assets at fair value through profit or loss at 30 September 2019 related solely to a deferred land overage receivable (Note 16), the fair value of which was determined through unobservable inputs and classified as Level 3 in the fair value hierarchy. During the year, the receivable was settled for £5.0m with no gain or loss recognised in the statement of comprehensive income. There are no further financial assets held at fair value.

There were no transfers of assets or liabilities between levels of the fair value hierarchy during the year. Trade and other receivables presented above excludes "prepayments and accrued income" and "other taxation and social security".

	Other financial liabilities at amortised cost £m
2020	
Liabilities	
Other loans	**2.3**
Deferred land payments and overage payable	**224.1**
Lease liabilities	**30.5**
Other trade and other payables	**98.0**
Amount due to joint ventures	**0.4**
	355.3
2019	
Liabilities	
Other loans	2.2
Deferred land payments and overage payable	192.2
Other trade and other payables	96.2
Amount due to joint ventures	0.4
	291.0

Other trade and other payables presented above excludes "accruals and deferred income" and "other taxation and social security".

28. Financial risk management

The Group has identified the main financial risks to be liquidity risk, interest rate risk, housing market risk and credit risk. The Directors are responsible for managing these risks and the policies adopted are set out below.

Liquidity risk

The Group finances its operations through a mixture of equity (Company share capital, reserves and retained earnings) and debt (bank loan facilities).

Liquidity risk is managed by monitoring existing facilities for both financial covenant compliance and funding headroom against forecast requirements based on short-term and long-term cash flow forecasts.

During the year the Group raised net proceeds of £243.0m to support accelerated growth of its Partnerships division, as well as to improve the liquidity of the business. Additionally, the Board of Directors chose not to pay a dividend in respect of the year ended 30 September 2020, which provided further liquidity headroom through the Group's retained earnings.

The Group has access to a £300m revolving credit facility which is committed to May 2023; this facility is provided by a syndicate of four banks, reducing the Group's exposure to any single institution. The facility is subject to a number of financial and technical covenants which, if breached, could result in the facility becoming immediately repayable. The Directors regularly review forecasts which extend beyond the maturity of the facility to ensure acceptable headroom exists across all of these financial covenants, including under certain downside scenarios as referenced under "Going concern" in Note 3. Following the onset of the Covid-19 pandemic, the Group's key gearing and interest cover covenants were relaxed until September 2022 to provide further security over the Group's funding. Operational controls preventing the breach of technical covenants have been implemented across the business.

In April 2020, the Group put in place a £300m commercial paper programme under the Government's Covid Corporate Financing Facility, which allows the Group access to a further £300m of funding should it need to do so. The Group may issue commercial paper anytime up to 22 March 2021, with repayment falling up to 12 months after issuance. Currently the business does not anticipate needing to use this funding to support the business either under its base case business plan or the scenarios outlined under "Going concern" in Note 3.

Maturity analysis

The following table sets out the contractual undiscounted maturities, including estimated cash flows, of the financial assets and liabilities of the Group at 30 September:

	Less than one year £m	One to two years £m	Two to five years £m	Over five years £m	Total £m
2020					
Assets					
Cash and cash equivalents	**100.5**	**—**	**—**	**—**	**100.5**
Trade and other receivables	**86.4**	**14.1**	**5.0**	**0.5**	**106.0**
Amounts due from joint ventures	**69.5**	**—**	**—**	**—**	**69.5**
	256.4	**14.1**	**5.0**	**0.5**	**276.0**
2020					
Liabilities					
Other loans	**—**	**—**	**2.5**	**—**	**2.5**
Deferred land payments and overage payable	**123.2**	**69.7**	**35.1**	**5.3**	**233.3**
Lease liabilities	**5.5**	**5.2**	**10.3**	**13.7**	**34.7**
Other trade and other payables	**76.6**	**10.0**	**11.4**	**—**	**98.0**
Amounts due to joint ventures	**0.4**	**—**	**—**	**—**	**0.4**
	205.7	**84.9**	**59.3**	**19.0**	**368.9**

	Less than one year £m	One to two years £m	Two to five years £m	Over five years £m	Total £m
2019					
Assets					
Cash and cash equivalents	75.6	—	—	—	75.6
Financial assets at fair value through profit or loss	5.0	—	—	—	5.0
Trade and other receivables	136.4	9.9	5.3	—	151.6
Amounts due from joint ventures	49.7	—	—	—	49.7
	266.7	9.9	5.3	—	281.9
2019					
Liabilities					
Other loans	—	—	2.5	—	2.5
Deferred land payments and overage payable	82.2	80.0	26.7	15.7	204.6
Other trade and other payables	78.3	9.5	8.2	0.2	96.2
Amounts due to joint ventures	0.4	—	—	—	0.4
	160.9	89.5	37.4	15.9	303.7

Interest rate risk

Interest rate risk reflects the Group's exposure to fluctuations in interest rates in the market. This risk arises from bank loans that are drawn under the Group's loan facilities with variable interest rates based upon UK LIBOR. For the year ended 30 September 2020 it is estimated that an increase of 0.5% to UK LIBOR would have decreased the Group's profit before tax by £0.9m (2019: £0.5m).

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

	Fixed rate £m	Floating rate £m	Non-interest bearing £m	Total £m
2020				
Liabilities				
Other loans	**—**	**—**	**2.3**	**2.3**
Deferred land payments and overage payable	**—**	**—**	**224.1**	**224.1**
Lease liabilities	**—**	**—**	**30.5**	**30.5**
Other trade and other payables	**—**	**—**	**98.0**	**98.0**
Amounts due to joint ventures	**—**	**—**	**0.4**	**0.4**
	—	**—**	**355.3**	**355.3**
2019				
Liabilities				
Other loans	—	—	2.2	2.2
Deferred land payments and overage payable	—	2.4	189.8	192.2
Other trade and other payables	—	—	96.2	96.2
Amounts due to joint ventures	—	—	0.4	0.4
	—	2.4	288.6	291.0

Floating rate deferred land payments and overage payable of £Nil (2019: £2.4m) relates to land acquisitions using promissory notes, issued under the Group's revolving credit facility.

The Group's financial assets are non-interest bearing with the exception of cash and cash equivalents of £100.5m (2019: £75.6m) which attracts interest at floating rates.

The Group has minimal exposure to foreign currency risk.

Housing market risk

The Group is affected by price fluctuations in the UK housing market. These are in turn affected by the wider economic conditions such as mortgage availability and associated interest rates, employment and consumer confidence. Whilst these risks are beyond the Group's ultimate control, the Group's mixed-tenure model provides resilience by reducing the reliance on the private for sale market. The geographical spread of the Group's sites across the UK also reduces the risk of adverse conditions in regional housing markets significantly impacting the Group.

Credit risk

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

The Group's remaining credit risk predominantly arises from trade receivables, amounts recoverable from construction contracts and cash and cash equivalents.

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

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

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

Capital management

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

	2020 £m	2019 £m
Total borrowings	**2.3**	2.2
Total equity	**1,086.0**	899.1
Total capital	**1,088.3**	901.3

29. Share-based payments

The Group recognised £1.0m (2019: £6.7m) of employee costs related to share-based payment transactions during the financial year, excluding accrued National Insurance contributions. A deferred tax asset of £0.9m (2019: £2.3m) is held in relation to share-based payments, of which £0.8m was charged to the statement of comprehensive income (2019: £0.6m) and £0.6m was charged directly to equity (2019: £0.7m) during the year.

National Insurance contributions are payable in respect of certain share-based payment transactions and are treated as cash-settled transactions. The cost of these contributions during the year was £0.6m (2019: £0.8m). At 30 September 2020, the carrying amount of National Insurance contributions payable was £0.7m (2019: £2.0m), which is included in accruals within trade and other payables in the statement of financial position.

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

(a) Savings-Related Share Option Scheme ("SRSOS")

The Group operates an SRSOS, which is open to all employees at the date of invitation. This is a UK tax-advantaged Save As You Earn ("SAYE") plan.

Under the SAYE, eligible participants are granted options over such number of shares as determined by reference to their monthly savings contract over three years. Participants remaining in the Group's employment at the end of the three-year savings period are entitled to use their savings to purchase shares in the Company at a stated exercise price (set at a discount of up to 20% of the share price on the day preceding the date of grant). Employees leaving for certain reasons are able to use their savings to purchase shares within six months of their cessation of employment. A reconciliation of option movements is shown below.

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

Date of grant	24 June 2020	27 June 2019	19 December 2017	22 December 2016	16 March 2016
Options granted (millions)	2.2	2.1	0.6	0.8	3.0
Share price at date of grant (pence)	329	293	349	236	240
Exercise price (pence)	245	245	282	192	192
Volatility (%)	36	30	38	28	29
Option life (years)	3	3	3	3	3
Expected dividend yield (%)	2.6	3.9	3.6	3.0	3.0
Risk-free rate (%)	(0.1)	0.6	0.6	1.0	1.0
Fair value per option – Black Scholes (pence)	77	63	93	55	57

Movements in the year	Instruments m	Instruments m	Instruments m	Instruments m	Instruments m
Options outstanding at 1 October 2018	—	—	0.5	0.6	2.1
Granted	—	2.1	—	—	—
Forfeited	—	—	(0.1)	(0.1)	—
Exercised	—	—	—	—	(2.0)
Options outstanding at 30 September 2019	—	2.1	0.4	0.5	0.1
Granted	2.2	—	—	—	—
Forfeited	(0.1)	(0.2)	—	—	—
Exercised	—	—	—	(0.5)	(0.1)
Options outstanding at 30 September 2020	**2.1**	**1.9**	**0.4**	**—**	**—**

The resulting fair value is expensed over the service period of three years, on the assumption that each year 15% of options will lapse as employees leave the Company based on the Group's experience of employee attrition rates.

Options under the December 2016 grant vested on 1 February 2020, with 64% of granted options vesting. The average share price during the year ended 30 September 2020 was 376 pence. Awards under the December 2017 grant will vest on 1 February 2021.

The weighted average remaining contractual life of share options outstanding at 30 September 2020 was 2.1 years (2019: 2.1 years).

(b) Long-Term Incentive Plan ("LTIP")

Under the LTIP, shares are conditionally awarded to senior managers of the Group. The core awards are calculated as a percentage of the participants' salaries and scaled according to grade. Awards issued in prior years are assessed against ROCE, TNAV and relative total shareholder return ("TSR"). Two further awards were issued in the year ended 30 September 2020 which are assessed against ROCE and adjusted basic EPS.

Straight-line vesting will apply if performance falls between threshold and target or target and maximum. Performance will be measured at the end of the three-year performance period. If the required level of performance has been reached, the awards vest and the shares under award will be released. Dividends do not accrue on the shares that vest.

For grants from 1 October 2018, once released, the shares issued to the Group Chief Executive and the Group Chief Financial Officer are subject to a two-year post-vesting holding period.

The weighted average remaining contractual life of LTIP awards outstanding at 30 September 2020 was 1.2 years (2019: 1.2 years). Details of the shares conditionally allocated at 30 September 2020 are set out below.

The conditional shares were valued using the following methods:

- for the non-market-based elements of the award, a Black Scholes option-pricing model; and
- for the relative TSR elements of the award, a Monte Carlo simulation model.

The key assumptions underpinning the Black Scholes option-pricing model and Monte Carlo simulation model are set out in the table below:

Date of grant	7 January 2020	12 December 2019	19 December 2018	19 December 2017	22 May 2017	15 December 2016	18 February 2016
Awards granted (millions)	0.3	1.7	3.5	2.7	0.2	3.7	3.8
Share price at date of grant (pence)	462	426	288	349	299	236	237
Exercise price (pence)	nil	nil	nil	nil	nil	nil	nil
Volatility (%)	29	29	35	38	28	28	29
Award life (years)	3	3	3	3	3	3	3
Expected dividend yield (%)	4.7	4.7	4.8	3.5	3.0	3.0	3.0
Risk-free rate (%)	0.6	0.6	0.7	0.6	1.0	1.0	1.0
Fair value per conditional share – Black Scholes – no holding period (pence)	401	370	174	220	179	151	153
Fair value per conditional share – Monte Carlo – no holding period (pence)	n/a	n/a	46	54	46	40	42
Total fair value per conditional share – no holding period (pence)	401	370	220	274	225	191	195
Fair value per conditional share – Black Scholes – two-year holding period (pence)	367	339	157	n/a	n/a	n/a	n/a
Fair value per conditional share – Monte Carlo – two-year holding period (pence)	n/a	n/a	48	n/a	n/a	n/a	n/a
Total fair value per conditional share – two-year holding period (pence)	367	339	205	n/a	n/a	n/a	n/a

Movements in the year (millions)	7 January 2020	12 December 2019	19 December 2018	19 December 2017	22 May 2017	15 December 2016	18 February 2016
Awards outstanding at 1 October 2018	—	—	—	2.7	0.2	3.2	3.2
Granted	—	—	3.5	—	—	—	—
Lapsed	—	—	(0.4)	(0.1)	—	(0.1)	(0.5)
Forfeited	—	—	(0.1)	(0.1)	—	—	—
Exercised	—	—	—	—	—	—	(2.7)
Awards outstanding at 30 September 2019	—	—	3.0	2.5	0.2	3.1	—
Granted	0.3	1.7	—	—	—	—	—
Lapsed	—	(0.1)	(0.4)	(0.3)	(0.1)	(0.7)	—
Forfeited	—	(0.3)	(0.4)	(0.3)	—	—	—
Exercised	—	—	—	—	(0.1)	(2.4)	—
Awards outstanding at 30 September 2020	**0.3**	**1.3**	**2.2**	**1.9**	**—**	**—**	**—**

Awards under the December 2016 and May 2017 grants vested during the year with 77.9% of the awards outstanding vesting.

Awards under the December 2017 grant will vest on 21 December 2020. The performance conditions for this award were measured at 30 September 2020 and 16.4% of the awards outstanding will vest.

(c) Deferred Bonus Plan ("DBP")

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

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

During the year, 0.4 million shares were conditionally allocated on 12 December 2019 (2019: 0.4 million) with the share price on the date of grant being 426 pence. A reconciliation of the number of shares conditionally allocated is shown below:

Movements in the year	12 December 2019 m	19 December 2018 m	19 December 2017 m	15 December 2016 m
Awards outstanding at 1 October 2018	—	—	0.4	0.5
Granted	—	0.4	—	—
Awards outstanding at 30 September 2019	—	0.4	0.4	0.5
Granted	0.4	—	—	—
Forfeited	(0.1)	(0.1)	(0.1)	—
Exercised	—	—	—	(0.5)
Awards outstanding at 30 September 2020	**0.3**	**0.3**	**0.3**	**—**

Awards under the December 2016 grant vested during the year with 100% of the awards outstanding vesting.

30. Capital commitments

The Group was committed to the purchase of property, plant and equipment of £6.0m relating to machinery for the new modular panel factory in Bardon, Leicestershire.

The Group was not committed to the purchase of any software intangible assets at 30 September 2020 (2019: £Nil).

31. Guarantees

Subsidiaries of the Group have made guarantees to its joint ventures and associate in the ordinary course of business.

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

32. Litigation, claims and contingent liabilities

The Group is subject to various claims, audits and investigations that have arisen in the ordinary course of business. These matters include but are not limited to employment and commercial matters. The outcome of all of these matters is subject to future resolution, including the uncertainties of litigation. Based on information currently known to the Group and after consultation with external lawyers, the Directors believe that the ultimate resolution of these matters, individually and in aggregate, will not have a material adverse impact on the Group's financial condition. Where necessary, applicable costs are included within the cost to complete for individual developments or are otherwise accrued in the statement of financial position.

During the prior financial year, the Competition & Markets Authority ("CMA") commenced a sector-wide inquiry into the sale of leasehold properties. On 28 February 2020, the CMA announced that it had found evidence of "potential mis-selling and unfair contract terms in the leasehold housing sector" and on 4 September 2020, the CMA announced it was launching enforcement action against four housing developers that it believes may have broken consumer protection law in relation to leasehold homes, one of which was Countryside Properties. The Group will continue to co-operate fully with the inquiry and is providing the CMA with all the information that it requires. To date, the CMA has not referenced any specific breaches of consumer law by Countryside Properties and, given the stage of the matter and the uncertainty regarding outcomes, the Directors are unable to make a reliable estimate of any potential liability and accordingly have not recorded a provision in relation to this matter as at 30 September 2020.

During the prior financial year, an amendment to Building Regulations banned the use of combustible materials on the external cladding of tall (over 18m) buildings. The Directors commissioned an independent third-party desktop review of historical multi-occupied developments (buildings of apartments) which was completed during the year and found that the Group had no high risk buildings where the Group was required to perform remediation works.

In January 2020, the Ministry of Housing, Communities & Local Government's ("MHCLG") published "Advice for Building Owners of Multi-storey, Multi-occupied Residential Buildings". This requires that a formal fire safety assessment must be conducted by a suitably qualified and competent professional (typically a Fire Engineer) for all multi-occupancy buildings. In December 2019, the Royal Institute of Chartered Surveyors ("RICS"), UK Finance and the Building Societies Association introduced the External Wall Fire Review process to support mortgage valuation processes. This requires assessment of the external wall system for buildings over 18m, or where specific fire safety concerns exist, which is summarised on the newly introduced form EWS1.

The Directors have engaged an independent third party to complete these assessments for all Countryside owned or controlled buildings where EWS1 is applicable. The Group is also working with a number of partners and third parties to assist in their review of buildings within the scope of the MHCLG advice note and EWS1 and the review process remains ongoing. No provision has been made for fire safety-related works as at 30 September 2020 and the Group's liability in respect of these matters will be kept under review as the independent risk assessments are concluded during 2021.

33. Dividends

The following dividends have been recognised as distributions and paid in the year:

	2020 **£m**	2019 £m
Prior year final dividend per share of 10.3 pence (2019: 6.6 pence)	**46.2**	29.2
Current year interim dividend per share of Nil pence (2019: 6.0 pence)	**—**	26.8
	46.2	56.0

The Board of Directors does not recommend the payment of a final dividend for the year ended 30 September 2020 (2019: 10.3 pence per share).

34. Adoption of new and revised accounting standards

During the year ended 30 September 2020, the Group has adopted IFRS 16 "Leases", as issued by the International Accounting Standards Board ("IASB"). The impact of the adoption of IFRS 16 on the Group's financial statements is explained below.

a. Changes to accounting policies

Prior to the adoption of IFRS 16, the Group's lease commitments were all classified as operating leases under IAS 17, with rental costs recognised in operating profit on a straight-line basis over the period of the lease.

IFRS 16 requires lessees to recognise right of use assets and lease liabilities in the statement of financial position for all leases, except short-term and low value asset leases.

Lease liabilities are initially recognised at the present value of future lease payments. Future lease payments are included in the lease liability where they are fixed in value, or variable based on an index or a rate. Variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the condition that triggers the payment occurs. To calculate the present value of future lease payments, the payments are discounted at the Group's incremental borrowing rate, which is the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Subsequently, lease liabilities increase to reflect the unwind of discount and reduce by the value of payments made to lessors. Lease liabilities are remeasured where the Group's assessment of the expected lease term changes or there is a modification to the lease terms. The unwind of the discount on lease liabilities is recorded in finance costs in the statement of comprehensive income. Cash outflows relating to lease interest are presented within net cash flows from operating activities in the statement of cash flows.

Right of use assets are initially measured at cost, comprising the initial value of the lease liabilities adjusted for rental payments made at or prior to the start of the lease term, initial direct costs, lease incentives received and restoration costs.

Subsequently, right of use assets are measured at cost less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right of use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Depreciation is recorded in either cost of sales or administrative expenses in the statement of comprehensive income depending on the nature of the asset.

The Group applies the recognition exemptions for short-term and low value assets. The rental expense for these leases is recognised on a straight-line basis in the statement of comprehensive income. The rental expense is recorded in either cost of sales or administrative expenses depending on the nature of the asset. Short-term leases are leases with a lease term of 12 months or less.

b. Adjustments recognised on adoption of IFRS 16

The Group has recognised lease liabilities and right of use assets for leases relating to offices, factories, company cars, IT equipment, and show homes/marketing suites that have been sold and leased back.

IFRS 16 has been applied using the modified retrospective approach with no restatement of comparative financial information, as permitted under the specific transitional provisions in the standard. The adjustments arising from the adoption of IFRS 16 are therefore recognised in the opening balances of the statement of financial position on 1 October 2019.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted in the standard:

- the application of a single discount rate to portfolios of leases with reasonably similar characteristics;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 October 2019 as short-term leases even though the initial term of the leases from lease commencement date may have been more than 12 months; and
- the reliance on previous assessments on whether contracts contain a lease or leases are onerous.

The adoption of IFRS 16 on 1 October 2019 had the following impact on the statement of financial position:

- lease liabilities recognised of £31.6m;
- right of use assets recognised of £30.3m;
- accruals derecognised of £1.9m;
- prepayments derecognised of £0.6m; and
- no impact on net assets, TNAV or TNOAV.

Right of use assets recognised on transition have been measured at the value of lease liabilities, adjusted for prepaid or accrued lease payments immediately before the date of initial application.

The weighted average incremental borrowing rate applied in calculating the lease liabilities on 1 October 2019 was 3.4%.

The following table reconciles the Group's total operating lease commitments as at 30 September 2019 to the lease liabilities recognised under IFRS 16 on 1 October 2019. The principal difference, aside from discounting, is the treatment of termination options. The Group has a number of leases that include termination options, exercisable by the Group, to provide operational flexibility. The lease liabilities recognised on transition reflect the rental payments over the expected term of the Group's leases, which in some cases exceed the minimum lease commitments disclosed under IAS 17.

	£m
Total operating lease commitments disclosed as at 30 September 2019	26.9
Add: adjustments as a result of different treatment of termination options	10.3
Less: short-term leases recognised on a straight-line basis as an expense	(0.3)
Less: low value leases recognised on a straight-line basis as an expense	(0.3)
	36.6
Discounted using incremental borrowing rate	(5.0)
Total lease liabilities recognised under IFRS 16 at 1 October 2019	31.6
Of which:	
Current liabilities	4.5
Non-current liabilities	27.1

c. Impact on the consolidated financial statements for the year ended 30 September 2020
The table below outlines the impact of IFRS 16 on the statement of comprehensive income for the year ended 30 September 2020.

	Prior to adjustments for the adoption of IFRS 16	Adjustments in respect of the adoption of IFRS 16	**Year ended 30 September 2020 as reported**
Operating loss (£m)	(5.2)	(0.2)	**(5.4)**
Finance costs (£m)	(13.1)	(1.1)	**(14.2)**
Loss before tax (£m)	(0.6)	(1.3)	**(1.9)**
Basic loss per share (pence)	(0.6)	(0.2)	**(0.8)**
Diluted loss per share (pence)	(0.6)	(0.2)	**(0.8)**

The table below outlines the impact of IFRS 16 on the statement of financial position as at 30 September 2020.

	Prior to adjustments for the adoption of IFRS 16	Adjustments in respect of the adoption of IFRS 16	**As at 30 September 2020 as reported**
Right of use assets (£m)	—	26.3	**26.3**
Trade and other receivables (£m)	219.0	(0.2)	**218.8**
Lease liabilities (£m)	—	(30.5)	**(30.5)**
Trade and other payables (£m)	(465.9)	1.8	**(464.1)**
Provisions (£m)	(12.5)	1.1	**(11.4)**
Retained earnings (£m)	1,076.3	(1.1)	**1,075.2**

The table below outlines the impact of IFRS 16 on the statement of cash flows for the year ended 30 September 2020.

	Prior to adjustments for the adoption of IFRS 16	Adjustments in respect of the adoption of IFRS 16	**Year ended 30 September 2020 as reported**
Cash used in operations (£m)	(150.9)	6.0	**(144.9)**
Interest paid – lease liabilities (£m)	—	(1.1)	**(1.1)**
Net cash outflow from operating activities (£m)	(183.3)	4.9	**(178.4)**
Repayment of lease liabilities (£m)	—	(4.9)	**(4.9)**
Net cash inflow from financing activities (£m)	190.5	(4.9)	**185.6**
Net increase in cash and cash equivalents (£m)	24.9	—	**24.9**

35. Post balance sheet events

A. Leases

On 27 November 2020, the Group signed a new lease for the head office in Brentwood, Essex, after the original lease ended in June 2020. The Group has accounted for the interim period from June 2020 to November 2020 as a short-term lease under the recognition exemptions of IFRS 16. The new lease will commence on 1 January 2021 and expires in March 2036.

A right of use asset and corresponding lease liability of c.£11m will be recognised relating to the new lease in the interim financial statements for the period ending 31 March 2021.

The new lease includes a commitment for the Group and the lessor to undertake a programme of refurbishment works. The total cost of the refurbishment is estimated at c.£8m, with the lessor contributing c.£5m and the Group committed to c.£3m.

The signing of the new lease after 30 September 2020 is a non-adjusting post balance sheet event.

B. Covid-19 lockdown

A second national lockdown in England commenced on 5 November 2020. Unlike the first Covid-19 lockdown in Spring 2020, construction, manufacturing and house selling activities have continued and, whilst we have seen a slight reduction in visitor flows, there has been no disruption to the normal operation of the business. The second national lockdown is a non-adjusting post balance sheet event.

Alternative Performance Measures (unaudited)

In the reporting of financial information, the Directors have adopted various Alternative Performance Measures ("APMs"). These measures are not defined by IFRS and therefore may not be directly comparable with other companies' APMs, including those in the Group's industry. APMs should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measurements.

The Directors believe that the inclusion of the Group's share of joint ventures and associate and the removal of non-underlying items from financial information presents a clear and consistent presentation of the underlying performance of the ongoing business for shareholders.

(a) Financial performance

Adjusted revenue

Adjusted revenue includes the Group's share of revenue from the joint ventures and associate. Refer to Note 4a for a reconciliation to reported revenue.

Adjusted gross margin

Adjusted gross margin is calculated as adjusted gross profit divided by adjusted revenue. The table below reconciles adjusted gross profit to reported gross profit and presents the calculation of adjusted gross margin.

Adjusted gross profit includes the Group's share of gross profit from the joint ventures and associate and excludes non-underlying items.

	Note	**2020 £m**	2019 £m
Gross profit		**108.1**	253.6
Add: non-underlying items	7	**—**	7.4
Add: share of gross profit from joint ventures and associate		**18.2**	47.8
Adjusted gross profit		**126.3**	308.8
Adjusted revenue	4a	**988.8**	1,422.8
Adjusted gross margin		**12.8%**	21.7%

Adjusted operating profit

Adjusted operating profit includes the Group's share of operating profit from the joint ventures and associate and excludes non-underlying items. Refer to Note 4a for a reconciliation to reported operating profit.

Adjusted operating margin

Adjusted operating margin is calculated as adjusted operating profit divided by adjusted revenue. The table below presents the calculation of adjusted operating margin.

	Note	**2020 £m**	2019 £m
Adjusted operating profit	4a	**54.2**	234.4
Adjusted revenue	4a	**988.8**	1,422.8
Adjusted operating margin		**5.5%**	16.5%

Adjusted basic and diluted earnings per share

Adjusted basic and diluted earnings per share exclude the impact of non-underlying items on profit from continuing operations attributable to equity holders of the parent. Refer to Note 10 for a reconciliation to reported basic and diluted earnings per share.

Return on capital employed ("ROCE")

ROCE is calculated as adjusted operating profit divided by average tangible net operating asset value ("TNOAV").

The table below presents the calculation of ROCE for the Group:

	Note	**2020 £m**	2019 £m
Closing TNOAV	4b	**853.5**	664.4
Opening TNOAV		**664.4**	575.1
Average TNOAV		**759.0**	619.8
Adjusted operating profit	4a	**54.2**	234.4
Group ROCE (%)		**7.1%**	37.8%

The table below presents the calculation of ROCE for the Partnerships segment:

	Note	2020 £m	2019 £m
Closing TNOAV	4b	**327.5**	176.8
Opening TNOAV		**176.8**	149.5
Average TNOAV		**252.2**	163.2
Adjusted operating profit	4a	**32.8**	127.8
Partnerships ROCE (%)		**13.0%**	78.3%

The table below presents the calculation of ROCE for the Housebuilding segment:

	Note	2020 £m	2019 £m
Closing TNOAV	4b	**526.0**	487.6
Opening TNOAV		**487.6**	425.6
Average TNOAV		**506.8**	456.6
Adjusted operating profit	4a	**25.0**	114.8
Housebuilding ROCE (%)		**4.9%**	25.1%

Asset turn

Asset turn is calculated as adjusted revenue divided by average TNOAV.

The table below presents the calculation of asset turn for the Group:

	Note	2020 £m	2019 £m
Adjusted revenue	4a	**988.8**	1,422.8
Average TNOAV		**759.0**	619.8
Group asset turn		**1.3**	2.3

The table below presents the calculation of asset turn for the Partnerships segment:

	Note	2020 £m	2019 £m
Adjusted revenue	4a	**629.4**	837.1
Average TNOAV		**252.2**	163.2
Partnerships asset turn		**2.5**	5.1

The table below presents the calculation of asset turn for the Housebuilding segment:

	Note	2020 £m	2019 £m
Adjusted revenue	4a	**359.4**	585.7
Average TNOAV		**506.8**	456.6
Housebuilding asset turn		**0.7**	1.3

(b) Financial position

Tangible net asset value ("TNAV")

TNAV is calculated as net assets excluding intangible assets net of deferred tax. The table below reconciles TNAV to reported net assets.

	Note	2020 £m	2019 £m
Net assets		**1,086.0**	899.1
Less: intangible assets	11	**(143.1)**	(170.9)
Add: deferred tax on intangible assets		**8.8**	9.6
TNAV	4b	**951.7**	737.8

Net cash/(debt)

Net cash/(debt) includes borrowings and net cash and cash equivalents and excludes lease liabilities and debt arrangement fees included in borrowings.

	Note	2020 £m	2019 £m
Borrowings	20	**(2.3)**	(2.2)
Add: net cash and cash equivalents	20	**100.5**	75.6
Net cash		**98.2**	73.4

Tangible net operating asset value ("TNOAV")

TNOAV is calculated as TNAV excluding net cash/debt. The table below presents the calculation of TNOAV.

	2020 £m	2019 £m
TNAV	**951.7**	737.8
Less: net cash	**(98.2)**	(73.4)
TNOAV	**853.5**	664.4

Gearing

Gearing is calculated as net debt divided by net assets. The table below presents the calculation of gearing.

	2020 £m	2019 £m
Net cash	**(98.2)**	(73.4)
Net assets	**1,086.0**	899.1
Gearing	**(9.0)%**	(8.2)%

Adjusted gearing

Adjusted gearing is calculated as net debt, including deferred land payments (excluding overage), divided by net assets. The table below presents the calculation of adjusted gearing.

	Note	**2020 £m**	2019 £m
Net cash		**(98.2)**	(73.4)
Add: deferred land payments (excluding overage)	21	**192.8**	158.3
Adjusted net debt		**94.6**	84.9
Net assets		**1,086.0**	899.1
Adjusted gearing		**8.7%**	9.4%