THE TOWN AND COUNTRY PLANNING ACT

1990 AND

THE ACQUISITION OF LAND ACT 1981

CHICHESTER DISTRICT COUNCIL

(TANGMERE) COMPULSORY PURCHASE

ORDER 2020

STATEMENT OF EVIDENCE OF MARTIN LEACH

APPENDIX ML 2

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17 August 2021

Company Registration No. 00614864 (England and Wales)

COUNTRYSIDE PROPERTIES (UK) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

The Directors present their Strategic Report on Countryside Properties (UK) Limited (the 'Company') for the year ended 30 September 2020. The Company is an indirectly held, wholly owned subsidiary of Countryside Properties PLC. Countryside Properties PLC, its subsidiaries, joint ventures and associate are together defined as the "Group".

Business activities
Countryside Properties (UK) Limited is a housebuilding business focused on the development of new homes and communities and estate regeneration through partnerships with landowners and Registered Providers of social housing. A number of its projects are of mixed-use and incorporate commercial property as well as mixed-tenure housing with appropriate supporting community and recreational facilities.

The principal areas of the Company's operations are in London and the South East, the Midlands, the North West of England and Yorkshire.

Trading performance and financial position
The Covid-19 pandemic has caused our business unprecedented challenges during 2020 and has significantly reduced delivery volumes during the year, with margins eroded by programme elongation and costs of inefficiency and social distancing.

Revenue decreased by 18% to £791.3m (2019: £970.8m) in 2020 due to reduced completions as a result of the closure of our construction sites from 25 March to 11 May 2020 and the consequent delay to the production of private homes planned for delivery in the final quarter of the year.

Adjusted operating profit decreased by 78% to £32.7m (2019: £148.8m). Adjusted operating margin decreased by 1120bps to 4.1% (2019: 15.3%). 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. Adjusted measures are reported excluding non-underlying items disclosed in note 5 to the financial statements, totalling £12.2m (2019: £102.4m).

Profit before tax fell by 73% to £16.1m (2019: £60.6m). Total shareholders' funds increased to £487.6m (2019: £472.8m).

Overview of the market
The unprecedented challenges presented by Covid-19 were a key area of focus for the Board during the year, ranging from ensuring the safety of our people (across offices, sites and factories) to determining the strategic realignment of the Company after the gradual release from the first UK lockdown period in May (please see Strategy section below). The Group's full response to the pandemic is disclosed in the Annual Report and Accounts of the Company's ultimate parent, Countryside Properties PLC.

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-pandemic 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.

The Group's 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. The stamp duty holiday announced in July 2020 will run until June 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.

Overview of the market (continued)
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 private rented sector ("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 and the end of the year-long transition period following the UK’s exit from the European Union, 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.

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 that 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 the Group's 2019 delivery.

Strategy (continued)
During the year we 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 the delivery of our business strategy.

We have also 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 members of the Executive Committee of Countryside Properties PLC. They are an investment in increasing consistency across all regions, as well as maintaining the quality of our production and customer service as the Group continues to grow rapidly.

Group structure
As we have put in place a clear plan to accelerate Partnerships delivery over the coming 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. The Group's 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 the 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, the Directors of Countryside Properties PLC 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 twelve, 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.

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

As in previous years, the Board has concluded that its key stakeholders are its business partners (such as the housing associations and local authorities that we work with), our employees, our suppliers, our investors, the communities in which we operate, our customers and the Government and regulators. The stakeholder voice is brought into the boardroom throughout the annual cycle through information provided by management and also by direct engagement with stakeholders themselves.

Stakeholder engagement (continued)
The engagement process for each key stakeholder group is described in more detail below.

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

How we engage
Measures include engagement with large housing associations through the G15 Group and other forums; membership of the Home Builders Federation, District Council Network, County Council Network, Civic Voice and National Planning Forum; and regular engagement meetings with other partners.

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

How we engage
Engagement strategies include new joiner inductions with Executive team; quarterly business update presentations; staff intranet and magazine; "Meet the CEO" breakfast meetings; staff engagement groups at a regional level, with feedback to Group Executive Committee and NED involvement; Board visits to different sites and offices; increased virtual training and personal development sessions and HR roadshows; staff survey; dedicated Culture Transformation website; and employee emails sent to all employee addresses.

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

How we engage
Strategies include detailed tendering processes; liaison through a central procurement department working closely with major suppliers nationally; centralised process to provide unified data, trend analysis and risk profiling; local buying teams engaging with local suppliers; networking events and liaison with wider supply chain partners (sub contractors, distributors); contractors and supply chain survey; collaborative scoping meetings; and regular meetings, engagement groups, training and "toolbox talks".

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

How we engage
The Company engages with investors via the Annual General Meeting; Board interaction with major shareholders; regular conversations with shareholders and other investors regarding the strategy and performance of the Group; quarterly trading updates including full-year, and half-year results and associated investor roadshows; investor conferences and virtual roadshows both with Company management and the Chairman; analyst and investor site visits and capital market events; and feedback from Company brokers and market analysts.

Stakeholder engagement (continued)

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

How we engage
Engagement strategies include consultation through the planning process to understand the needs of the local community; meetings with councillors, planning officers and other key officials such as highways and education; town hall meetings, consultation events and drop-in sessions; collaboration with local charities and community groups; developing scheme-specific websites and social media to reach a wider group of people; newsletter drops to surrounding community to keep them informed of proposals; employing local people who understand local needs; and dedicated community development team with Community Liaison Officers.

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

How we engage
Customer engagement takes the form of consultations on planning and regeneration; sales advisors and site management liaising with customers through the home buying process; "Meet the builder" sessions on site; home buyer demonstrations; customer service teams; in-house and NHBC surveys; on-site community engagement events; and resident community boards.

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

How we engage
Engagement strategies include regular dialogue with Government and industry groups; active membership of the HBF; ongoing engagement with planning authorities; and regular communication with other regulators such as HMRC and HSE.

Principal risks and uncertainties
The Company's risk management strategy is primarily controlled by the Board of Countryside Properties PLC, the Company's ultimate parent company. Whilst overall responsibility sits with the Board, this is overseen in detail by Countryside Properties PLC's Risk Management Committee ("RMC"). The Board has overall responsibility for the Company's systems of internal control and their effectiveness and maintains an overview of these systems of internal control relating to operational, financial and compliance matters. Further information is available from the consolidated financial statements of Countryside Properties PLC available from the Group's website - http://investors.countrysideproperties.com.

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

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

The main business risks identified are:

(1) A major incident impacts the United Kingdom or countries where key suppliers are located and significantly impacts the business
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 suspension of business can lead to zero or reduced revenues until business activity can be safely recommenced.

To mitigate this risk, we maintain a strong balance sheet able to withstand a sustained period of complete or partial suspension of activity. We monitor World Health Organization and UK Government health warnings and site layouts are planned to facilitate swift roll-out of social distancing requirements if required. Robust and tested business interruption plans are also in place, including "slow down" and "stop" procedures for all supply and contractor agreements.

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

To mitigate this risk, 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 Company time to react to changing market conditions.

(3) Adverse changes in Government policy and regulation
Adverse changes to Government policy in areas such as tax, housing, and environmental and building regulations may result in increased costs and/or delays. Failure to comply with laws and regulations could expose the Company to penalties and reputational damage.

To mitigate this risk, 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.

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

To mitigate the risk, the Company optimises the use of standard house types and design to maximise buying power. The Company also uses strategic suppliers to leverage volume price reductions and minimise unforeseen disruption. The Company enforces robust contract terms to control costs.

Principal risks and uncertainties (continued)

(5) Programme delay (including rising project complexity)
Failure to secure timely planning permission on economically viable terms or poor project forecasting, unforeseen operational delays due to technical issues, disputes with third party contractors or suppliers, bad weather or changes in purchaser requirements may cause delay or potentially termination of project.

To mitigate this risk, the budgeted programme for each site is approved by the Divisional Board before acquisition. Sites are managed as a portfolio to control overall Company delivery risk and weekly monitoring is completed at divisional level.

(6) Inability to attract and retain talented employees
Inability to attract and retain highly-skilled, competent people at all levels could adversely affect the Company's results, prospects and financial condition.

To mitigate the risk, remuneration packages are regularly benchmarked against industry standards to ensure competitiveness. Succession plans are in place for all key roles within the Company and exit interviews are used to identify any areas for improvement.

(7) Inadequate health, safety and environmental procedures
A deterioration in the Group's Health, Safety & Environmental standards, including additional measures put in place to comply with Public Health England guidance on social distancing, could put the Company'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.

To mitigate the risk, procedures, training and reporting are all carefully monitored to ensure that high standards are maintained. Additional social distancing measures will be put in place in all workplaces to comply with Public Health England social distancing guidelines. An environmental risk assessment is carried out prior to any land acquisition. Appropriate insurance is in place to cover the risks associated with housebuilding.

(8) Cyber security
A failure of the Company's IT systems or a security breach of the internal systems, website or loss of data could significantly impact the Company's business.

To mitigate this risk there is frequent review and communication of IT policies and procedures. We conduct regular systems updates, backups and the storage of data off-site and all systems have the ability to accommodate home working. We also undertake third-party assessments, including penetration testing.

(9) Reputational damage
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.

To mitigate this risk we have refreshed the Company "purpose" and undertaken a programme of employee engagement during the year to reinforce the Group's culture and values, helping to support the agreed strategy and align actions with cultural values. We have in place a Code of Conduct and Business Ethics guidelines, alongside a clear Whistleblowing Policy and independent whistleblowing reporting hotlines. The Company also has clear environmental, social and governance objectives with plans to achieve them, and a proactive shareholder engagement plan.

Financial risk management
The key financial risks affecting the Company are as follows:

Liquidity risk
The Company finances its operations through a mixture of equity (Company share capital, reserves and retained earnings) and debt (intra-group loans). The Company manages its liquidity risk by monitoring its funding headroom against requirements based on short term and long term cash flow forecasts.

Credit risk
The Company's exposure to credit risk is limited for house building activities by the fact that the Company typically receives cash at the point of legal completion for its private sales. The Company's remaining credit risk predominantly arises from receivables under construction contracts and bank deposits of cash and cash equivalents.

Key Performance Indicators (KPIs)
The Directors consider the Company's KPIs are revenue, adjusted operating margin, adjusted operating profit, profit before tax and total shareholder's funds, which are disclosed in this Strategic Report.

By order of the Board

G N W
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G N Whitaker
Secretary
31 March 2021

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2020

The Directors present their report and the audited Financial Statements of the Company for the year ended 30 September 2020.

Dividends
The Directors do not recommend the payment of a dividend on the ordinary shares (2019: £Nil).

During the year £17.6m (2019: £20.6m) of dividend income was received from The Company's subsidiaries, associate and joint ventures.

Directors
The Directors of the Company who were in office during the year and up to the date of signing the financial statements were:

I C Sutcliffe	(Resigned 31 December 2019)
P V Lyons	
I R Kelley	(Resigned 9 December 2020)
M I Scott	
I D McPherson	
M Woolliscroft	(Appointed 1 January 2020)
J Jamieson	(Appointed 8 February 2021)
P A Chapman	(Appointed 2 March 2021)

Qualifying third party indemnity provisions
The Company has made qualifying third party indemnity provisions for the benefit of its Directors during the year in accordance with the Companies Act 2006, which remain in force at the date of approval of the financial statements.

Research and development
The Company incurred research and development costs during the current year totalling £0.8m (2019: £1.5m).

Going concern
Since the impact of the Covid-19 pandemic became clear in March 2020, the directors of the Company's ultimate parent company, Countryside Properties PLC, have taken a number of steps to protect the business and manage liquidity in an uncertain environment. These steps included renegotiating the financial covenants contained within the Group's Revolving Credit Facility and undertaking an equity placing of £250m in July 2020.

As at the date of these financial statements, the Directors have assessed the Group's cash flows, and have concluded that there is a reasonable expectation that the Company has adequate resources to meet its liabilities falling due for a period no less than 12 months from the date of signing the financial statements. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

Financial risk management
The Directors' opinion on Financial Risk Management has been included in the Strategic Report.

Employees

Equal opportunities

The Company is committed to employment policies which follow best practice based on equal opportunities for all employees, irrespective of gender, race, nationality, colour, disability, marital status, sexual orientation, age or religion. All decisions relating to employment practices are objective, free from bias and based upon work criteria and individual merit. The Company's policy is to offer appropriate training and career development to disabled persons that are, as far as possible, identical to other employees and in line with best practice. In the event of a member of staff becoming disabled, the Company makes every effort to continue employment, arrange appropriate retraining and offer opportunities for promotion. For more information on our diversity statistics, please refer to page 47 of Countryside Properties PLC's 2020 Annual Report.

Employee engagement

The Company systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the Company is encouraged, a common awareness on the part of all employees of the financial and economic factors affecting the Company plays a major role in maintaining the Company's customer-focused approach. For more information on how the Company engages with its employees, please refer to page 31 of Countryside Properties PLC's 2020 Annual Report. For more information on how employees can participate in the Company's performance through membership of the Save-as-You-Earn (SAYE) employee share plan, and the long-term incentive plan, please refer to page 47 of Countryside Properties PLC's 2020 Annual Report.

Events after the reporting date

Since the reporting date the Company has signed a number of new lease agreements and the directors have approved a reduction of the Company's capital. Further detail on these events, along with a brief summary of the impact of the Covid-19 pandemic on the Company since the balance sheet date, is provided in Note 30.

Future developments

The Directors' opinion on the future outlook and prospects of the Company has been included in the Strategic Report.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and accordingly shall be deemed to be reappointed as auditors for a further term.

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 “Reduced Disclosure Framework”, and applicable law).

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company’s transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors’ confirmations
In the case of each Director in office at the date the Directors’ report is approved:

- so far as the Director is aware, there is no relevant audit information of which the company’s auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the company’s auditors are aware of that information.

By order of the board

G N W
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G N Whitaker
Secretary
..31 March 2021..

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF COUNTRYSIDE PROPERTIES (UK) LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, Countryside Properties (UK) Limited’s financial statements:

- give a true and fair view of the state of the company’s affairs as at 30 September 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 “Reduced Disclosure Framework”, and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the “Annual Report”), which comprise: the statement of financial position as at 30 September 2020; the income statement and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors’ use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company’s ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company’s ability to continue as a going concern.

Reporting on other information

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

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

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

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 September 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities set out on page 11, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

John Waters (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
31 March 2021

COUNTRYSIDE PROPERTIES (UK) LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Note	2020 £'m	2019 £'m
Revenue	**4**	**791.3**	970.8
Cost of sales		**(700.7)**	(757.4)
Gross profit		**90.6**	213.4
Administrative expenses		**(85.1)**	(167.0)
Operating profit	**6**	**5.5**	46.4
Analysed as:			
Adjusted Operating profit		**32.7**	148.8
Less: Cost of sales - Non-underlying items	**5**	**(15.0)**	**-**
Less: Administrative expenses: Non-underlying items	**5**	**(12.2)**	(102.4)
Operating profit	**6**	**5.5**	46.4
Dividend income from subsidiaries, associate and joint ventures		**17.6**	20.6
Profit before interest and taxation		**23.1**	67.0
Interest receivable and similar income	**9**	**0.7**	1.0
Interest payable and similar expenses	**10**	**(7.7)**	(7.4)
Profit before taxation		**16.1**	60.6
Tax on profit	**11**	**(0.6)**	(30.3)
Profit for the financial year		**15.5**	30.3

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

COUNTRYSIDE PROPERTIES (UK) LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2020

	Note	2020 £'m	2019 £'m
Fixed assets			
Intangible assets	**12**	**5.3**	4.3
Property, plant and equipment	**13**	**8.1**	7.8
Right of use assets	**14**	**25.8**	-
Investments in joint ventures and associate	**15**	**0.4**	0.4
Investments in subsidiaries	**15**	**72.9**	74.8
Trade and other receivables	**22**	**13.4**	10.4
		125.9	97.7
Current assets			
Inventories	**20**	**937.8**	678.1
Deferred tax	**21**	**1.7**	3.1
Trade and other receivables	**22**	**256.5**	496.2
Financial assets at fair value through profit or loss	**19**	**-**	5.0
Cash and cash equivalents		**100.3**	57.6
		1,296.3	1,240.0
Creditors: amounts falling due within one year			
Trade and other payables	**24**	**(771.7)**	(732.9)
Current income tax liabilities		**(0.7)**	(20.3)
Lease liabilities	**14**	**(5.1)**	-
Provisions		**(25.7)**	-
		(803.2)	(753.2)
Creditors: amounts falling due after more than one year			
Borrowings	**23**	**(2.3)**	(2.2)
Trade and other payables	**24**	**(104.5)**	(107.3)
Lease liabilities	**14**	**(24.2)**	-
Provisions	**25**	**(0.4)**	(2.2)
		(131.4)	(111.7)
Net assets		**487.6**	472.8

COUNTRYSIDE PROPERTIES (UK) LIMITED

STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 30 SEPTEMBER 2020

		2020	2019
		£'m	**£'m**
Equity			
Called up share capital	**26**	**20.3**	20.3
Share premium account		**89.0**	89.0
Retained earnings		**378.3**	363.5
Total shareholders' funds		**487.6**	472.8

The notes on pages 19 - 54 form part of these financial statements.

The financial statements on pages 15 to 54 were approved by the Board of Directors on ..31 March 2021.. and were signed on its behalf by:

Mike Scott
....
M I Scott
Director

Company Registration No. 00614864

COUNTRYSIDE PROPERTIES (UK) LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Called up share capital £'m	Share premium account £'m	Retained earnings £'m	Total Shareholder's Funds £'m
Balance at 1 October 2018	20.3	89.0	334.0	443.3
Profit for the financial year	-	-	30.3	30.3
Total comprehensive income for the year	-	-	30.3	30.3
Deferred tax recognised in equity	-	-	(0.8)	(0.8)
Balance at 30 September 2019	20.3	89.0	363.5	472.8
Profit for the financial year	-	-	15.4	15.4
Total comprehensive income for the year	-	-	15.4	15.4
Deferred tax recognised in equity	-	-	(0.6)	(0.6)
Balance at 30 September 2020	20.3	89.0	378.3	487.6

1 Accounting policies

General information

Countryside Properties (UK) Limited (the 'Company') is a housebuilding business focused on the development of new homes and communities and estate regeneration through partnerships with landowners and registered providers. A number of its projects are mixed-use and incorporate commercial property as well as mixed-tenure housing and appropriate supporting community and recreational facilities. Its development activities are carried out both on its own as well as through joint ventures.

The Company is a private company limited by shares and is incorporated and domiciled in the United Kingdom. The address of its registered office is Countryside House, The Drive, Brentwood, Essex, CM13 3AT.

Summary of significant accounting policies

The principal accounting policies are outlined below and have been applied consistently in the years presented, with the exception of new accounting standards adopted in the year as detailed in Notes 2 and 32.

1.1 Basis of preparation

The Financial Statements of Countryside Properties (UK) Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) as issued by the Financial Reporting Council and those parts of the Companies Act 2006 applicable to companies reporting under FRS 101.

The preparation of Financial Statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements are disclosed in Note 3.

The Company is an indirect wholly-owned subsidiary of Countryside Properties PLC. It is included in the consolidated Financial Statements of Countryside Properties PLC which are publicly available. Therefore the Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated Financial Statements.

These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- IFRS 7, 'Financial Instruments Disclosures'
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d) (statement of cash flows)
  - 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements);
- IAS 7, 'Statement of cash flows';
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation); and
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

1 Accounting policies **(Continued)**

1.2 Going concern

Since the impact of the Covid-19 pandemic became clear in March 2020, the directors of the Company's ultimate parent company, Countryside Properties PLC, have taken a number of steps to protect the business and manage liquidity in an uncertain environment. These steps included renegotiating the financial covenants contained within the Group’s Revolving Credit Facility and undertaking an equity placing of £250m in July 2020.

As at the date of these financial statements, the Directors have assessed the Group’s cash flows and have concluded that there is a reasonable expectation that the Company has adequate resources to meet its liabilities falling due for a period no less than 12 months from the date of signing the financial statements. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

1.3 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.

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 Company 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 Company 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 Company 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 Company 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.

1 Accounting policies **(Continued)**

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 Company 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 Company 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 Company. 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.

1 Accounting policies **(Continued)**

1.4 Cost of Sales

The Company 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 Company'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 Company's statement of financial position and is recognised within cost of sales when revenue is recognised in accordance with the Company's revenue recognition policy.

1.5 Dividend income

Dividend income from investments is recognised when the Company's right to receive payment has been established.

1.6 Finance income and expense

Finance income is recognised using the effective interest rate method. When a loan and receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

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

1.7 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:

Fixtures and fittings	10%
Plant and equipment	20% to 25%

The Company 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 reporting date.

1.8 Intangible assets

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

1 Accounting policies (Continued)

1.9 Investments

Investments in subsidiaries, joint ventures and associates are recorded at cost in the statement of financial position. They are tested for impairment when there is objective evidence of impairment and any impairment losses are recognised in the period in which they occur.

1.10 Inventories

Inventories are held at the lower of cost or net realisable 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 Company 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 Company 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 the Company’s cost of sales accounting policy.

1.11 Cash and cash equivalents

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

1.12 Offsetting financial instruments

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

1 Accounting policies **(Continued)**

1.13 Financial assets

The Company 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 asset expire or the Company 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 Company's financial assets at amortised cost comprise "trade and other receivables" and "cash and cash equivalents" in the statement of financial position.

Trade and other receivables

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

The Company 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.

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

Cash and cash equivalents

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

Financial assets at fair value through profit or loss

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

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

1 Accounting policies **(Continued)**

1.14 Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of each contractual agreement.

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

Trade payables also includes overage payable where the Company 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 one year or less. If not, they are classified as non-current liabilities.

Share Capital

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

1.15 Taxation

Income tax comprises current and deferred tax.

Current taxation

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

1 Accounting policies **(Continued)**

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

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

Deferred tax is calculated at the substantively enacted tax rates that are expected to apply to the period when the asset is realised or the liability is settled based upon tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in the Income Statement, except when it relates to items credited or charged directly to 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 Company intends to settle the balances on a net basis.

1.16 Provisions

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

1.17 Share-based payments

Countryside Properties PLC (the ultimate parent) operates share based schemes under which the Company receives services from employees as consideration for equity instruments (options) of the parent. This fair value of the employee services received by the Company is charged to the income statement over the vesting period of the share-based payment scheme.

The fair value of the employee services rendered is determined by reference to the fair value of the shares awarded or options granted, at the grant date, excluding the impact of any non-market vesting conditions. All share options are valued using an option- pricing model (Black-Scholes or Monte Carlo).

Further details in respect of the underlying Group schemes can be found in the Group consolidated financial statements.

1 Accounting policies **(Continued)**

1.18 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 Company’s incremental borrowing rate, which is the rate that the Company 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 Company’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 Company 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.

1.19 **Adjusted measures**

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

As such, the Directors believe that the "adjusted operating profit" measure presented provides a clear and consistent presentation of the underlying performance of the Company's ongoing business for shareholders. Adjusted operating profit is not defined by IFRS and therefore may not be directly comparable with the "adjusted" or "underlying" profit measures of other companies. Adjusted measures should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measurements.

2 Adoption of new and revised standards and changes in accounting policies

New and amended standards adopted by the Company

During the financial year ended 30 September 2020, the Company adopted the following standards issued by the International Accounting Standards Board:

IFRS 16 “Leases”;
IFRIC 23 “Uncertainty over Income Tax Treatments”;
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 Company, has been disclosed in Note 32.

Standards which are in issue but not yet effective

At the date of authorisation of these financial statements, the following Standards and Interpretations, which have not yet been applied in these financial statements, were in issue but not yet effective:

- Definition of Material - Amendments to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”;
- Revised Conceptual Framework for Financial Reporting.

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

3 Critical accounting estimates and judgements

The preparation of the Company's financial statements under Financial Reporting Standard 101 (“FRS 101”) 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.

In the process of applying the Company’s accounting policies, 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 value of inventory

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 500bps, the gross profit recognised in the year would have reduced by £40.0m with a reduction to net assets of the same value. Likewise, an increase in margins of 500bps across all sites in 2020 would have increased gross profit and net assets by the same value.

Provision for costs associated with legacy properties

As a result of progress made in the Company’s review of expected costs associated with legacy properties, the Directors approved the recognition of a provision of £15.0m during March 2021, which has been treated as an adjusting event after the reporting period. The estimation of the expected future outflows in relation to these properties, together with any potential recovery of costs, is complex, resulting in significant estimation uncertainty. Refer to Note 25 for further detail.

4 Revenue

An analysis of the Company's revenue by category:

	2020 £'m	2019 £'m
Partnerships		
Private	251.7	309.0
Affordable	179.0	167.3
PRS	116.5	161.3
Other	20.2	23.5
	567.4	**661.1**
Housebuilding		
Private	145.2	211.4
Affordable	36.4	49.5
PRS	-	7.0
Other	42.3	41.8
	223.9	**309.7**
	791.3	**970.8**

All of the Company's revenues are derived in the United Kingdom and from its housebuilding and related development activities.

5 Non-underlying items

Certain items which do not relate to the Company's underlying performance are presented separately in the income statement as non-underlying items where, in the judgement of the Directors, they need to be disclosed separately by virtue of their size, nature or incidence in order to obtain a clear and consistent presentation of the Company's underlying business performance.

Non underlying expenses/(income) recognised in the current and prior year are detailed below:

	2020 £'m	2019 £'m
Recognised within cost of sales:		
Costs associated with legacy properties	15.0	-
Recognised within administrative expenses:		
Deferred consideration relating to Westleigh	0.2	(1.8)
Ground Rent Assistance Scheme	10.0	-
Restructuring costs	2.0	-
Impairment of investment in subsidiary	-	76.6
Material provision against amounts owed by Group undertakings	-	27.6
	27.2	**102.4**

(Continued)

5 Non-underlying items

Costs associated with legacy properties

As a result of progress made in the Company's review of expected costs associated with legacy properties, the Directors approved the recognition of a provision of £15.0m during March 2021, which has been treated as an adjusting event after the reporting period. Refer to Note 25 for further detail.

Deferred consideration relating to Westleigh

As part of the agreement to purchase Westleigh, deferred consideration was payable to management who remained with Countryside post-acquisition. These costs were accrued at the prior year-end with changes to the estimated amount payable recognised in the income statement during the year.

Ground Rent Assistance Scheme

Following the Group's earlier commitment to the Government's Leasehold Pledge, in April 2020 the Company 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 Company 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. 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.

Restructuring costs

As announced during the Group 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 this future growth. These steps have resulted in £0.8m of non-underlying costs being recognised in the Company, primarily relating to employee severance costs.

The Directors have also 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.

Impairment of investment in subsidiary

Following impairment indicators in the comparative year, the investment in Countryside Properties (WGL) Limited was fully impaired.

Material provision against amounts owed by Group undertakings

As a result of the acquisition of the Westleigh group by the Company in 2018, significant receivable balances were recognised by the Company from entities within the Westleigh group. Limited trade is forecast within the Westleigh group of entities moving forward, with the ongoing trade operating through the Company instead. As a result a material expected credit loss (ECL) provision was recorded in the prior year.

6 Operating profit

	2020 £'m	2019 £'m
Operating profit for the financial year is stated after charging:		
Depreciation of property, plant and equipment	1.4	1.3
Depreciation of right of use assets	6.6	-
Amortisation of intangible assets	1.9	1.6
Cost of inventories recognised as an expense	686.4	743.9
Staff costs	122.9	124.9

7 Auditors' remuneration

During the year, the Company incurred costs relating to services provided by the auditors of the ultimate parent company and its subsidiaries.

Audit and tax compliance fees for the financial year were £0.3m (2019: £0.2m).

8 Employees

The average monthly number of employees was:

	2020 Number	2019 Number
Housebuilding and development activities	1,782.0	1,635.0
Head Office	165.0	150.0
	1,947.0	1,785.0

The average number of employees above includes 155 employees (2019: 32 employees) who are contracted to the Company but whose employment costs are recharged to other Group companies. The relevant employment costs that were recharged during the year totalled £7.3m (2019: £1.1m) and are therefore excluded from the Company's employment costs disclosed below.

Employment costs	2020 £'m	2019 £'m
Wages and salaries	102.7	97.3
Social security costs	13.0	13.0
Other pension costs	6.2	8.0
Performance related incentives	1.0	6.6
	122.9	124.9

The Company recognised £1.0m (2019: £6.6m) of employee costs related to share-based payment transactions made during the financial year for, save as you earn (SAYE), long term incentive (LTIP) and deferred bonus plans. Of these, £Nil (2019: £Nil) were cash settled. At 30 September 2020, options had been granted over 14.3m shares in the Company's ultimate parent undertaking Countryside Properties PLC.

9 Interest receivable and similar income

	2020 £'m	2019 £'m
Bank deposits	0.2	0.6
Unwind of discount relating to land sales on deferred settlement terms	0.5	0.4
	0.7	1.0

10 Interest payable and similar expenses

	2020 £'m	2019 £'m
Bank loans and overdrafts	0.5	-
Amortisation of debt finance costs	0.1	0.1
Unwind of discount relaing to:		
Land purchases on deferred payment terms	6.1	7.3
Lease liabilities	1.0	-
Total interest payable and similar expenses	7.7	7.4

11 Tax on profit

	2020 £'m	2019 £'m
Corporation tax		
Current year	(0.2)	28.1
Adjustments in respect of prior periods	-	0.4
	(0.2)	28.5
Deferred tax		
Origination and reversal of temporary differences	0.8	1.8
	0.8	1.8
Total tax charge	0.6	30.3

(Continued)

11 Tax on profit

Tax assessed for the year is lower (2019: higher) than the standard rate of corporation tax in the United Kingdom at 19.0% (2019: 19.0%).

	2020 £'m	2019 £'m
Profit before taxation	16.1	60.6
Profit before taxation multiplied by standard rate of UK corporation tax of 19.0% (2019: 19.0%)	3.1	11.5
Taxation impact of factors affecting tax charge:		
Expenses not deductible	1.5	21.7
Adjustments in respect of prior periods - current tax	-	0.3
Other short term timing differences	(1.4)	(1.0)
Joint venture tax	1.5	2.5
Deferred tax charged directly to equity	(0.6)	(0.8)
Joint venture income not subject to tax	(3.3)	(3.9)
Transfer pricing adjustments	(0.2)	-
Total adjustments	(2.5)	18.8
Tax charge for the year	0.6	30.3

12 Intangible assets

	Software £'m
Cost	
At 1 October 2019	7.3
Additions	2.9
At 30 September 2020	10.2
Accumulated amortisation	
At 1 October 2019	3.0
Charge for the year	1.9
At 30 September 2020	4.9
Net book value	
At 30 September 2020	5.3
At 30 September 2019	4.3

13 Property, plant and equipment

	Plant and equipment	Fixtures and fittings	Total
	£'m	£'m	£'m
Cost			
At 1 October 2019	8.8	10.1	18.9
Additions	0.7	1.0	1.7
Disposals	(0.2)	-	(0.2)
At 30 September 2020	9.3	11.1	20.4
Accumulated depreciation			
At 1 October 2019	6.0	5.1	11.1
Charge for the year	0.8	0.6	1.4
Disposals	(0.2)	-	(0.2)
At 30 September 2020	6.6	5.7	12.3
Net book value			
At 30 September 2020	2.7	5.4	8.1
At 30 September 2019	2.8	5.0	7.8

14 Leases

During the year ended 30 September 2020, the Company adopted IFRS 16 “Leases” using the modified retrospective approach. The impact of the adoption of IFRS 16 on the Company’s financial statements is explained in Note 32.

The Company’s leases consist primarily of buildings (offices, factories and show homes). The Company 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	25.3	3.2	28.5
Additions	1.4	3.0	4.4
Disposals	(1.1)	-	(1.1)
At 30 September 2020	25.6	6.2	31.8
Accumulated depreciation			
At 1 October 2019	-	-	-
Charge for the year	4.7	1.9	6.6
Disposals	(0.6)	-	(0.6)
At 30 September 2020	4.1	1.9	6.0
Net book value			
At 30 September 2020	21.5	4.3	25.8
At 30 September 2019	-	-	-

14 Leases (Continued)

Lease Liabilities

	2020 £'m
Current	5.1
Non-current	24.2
	29.3

The total cash outflow relating to lease liabilities for the year ended 30 September 2020 was £7.0m.

New lease agreements for the head office in Brentwood, Essex, as well as additional offices in Bristol and Farnborough have been signed subsequent to 30 September 2020. These have been treated as a non-adjusting post balance sheet events. Refer to Note 30 for further detail.

Amounts recognised in statement of comprehensive income

	2020 £'m
Depreciation of right of use assets	6.6
Finance costs – unwind of discount	1.0
Expenses relating to short-term leases	0.9
Expenses relating to leases of low value assets	0.3

15 Investments in subsidiaries, joint ventures and associate

	Joint ventures and associate £'m	Subsidiaries £'m	Total £'m
Cost			
At 1 October 2018 and 30 September 2019	3.1	154.4	157.5
Disposals	-	(1.4)	(1.4)
At 30 September 2020	3.1	153.0	156.1
Impairment			
At 1 October 2018	(2.7)	(3.0)	(5.7)
Charge for the year	-	(76.6)	(76.6)
At 30 September 2019	(2.7)	(79.6)	(82.3)
Charge for the year	-	(0.5)	(0.5)
At 30 September 2020	(2.7)	(80.1)	(82.8)
Net book value			
At 30 September 2020	0.4	72.9	73.3
At 30 September 2019	0.4	74.8	75.2

15 Investments in subsidiaries, joint ventures and associate (Continued)

The impairment charge of £0.5m recognised during the year related to the Company's investment in its former subsidiary, Countryside Investments Limited. Subsequent to this impairment charge being recognised, Countryside Investments Limited was dissolved on the 24 March 2020, giving rise to the cost of investment disposed of £1.4m presented above.

The Directors believe that the carrying value of the remaining investments are supported by their underlying assets and future cashflows.

16 Subsidiary undertakings

Details of the Company's subsidiary undertakings at 30 September 2020, all of which are incorporated and domiciled in the United Kingdom, are as follows:

	Country of incorporation	Voting rights & shares held	Principal Activity
Direct			
Brenthall Park (One) Limited	UK	100.0%	Dormant
Countryside 26 Limited	UK	100.0%	Development
Countryside 28 Limited	UK	100.0%	Development
Countryside Cambridge One Limited	UK	100.0%	Holding Land
Countryside Cambridge Two Limited	UK	100.0%	Holding Land
Countryside Developments Limited	UK	100.0%	Dormant
Countryside Four Limited	UK	100.0%	Holding Company
Countryside Properties (Commercial) Limited	UK	100.0%	Dormant
Countryside Properties (In Partnership) Limited	UK	100.0%	Dormant
Countryside Properties (Joint Ventures) Limited	UK	100.0%	Holding Company
Countryside Properties (London & Thames Gateway Limited)	UK	100.0%	Dormant
Countryside Properties (Northern) Limited	UK	100.0%	Non-trading
Countryside Properties (Salford Quays) Limited	UK	100.0%	Non-trading
Countryside Properties (Southern) Limited	UK	100.0%	Dormant
Countryside Properties (Special Projects) Limited	UK	100.0%	Dormant
Countryside Properties (Springhead) Limited	UK	100.0%	Development
Countryside Properties (Uberior) Limited	UK	100.0%	Development
Countryside Properties (WGL) Limited	UK	100.0%	Holding Company
Countryside Residential Limited	UK	100.0%	Dormant
Countryside Residential (South Thames) Limited	UK	100.0%	Dormant
Countryside Residential (South West) Limited	UK	100.0%	Dormant
Countryside Sigma Limited	UK	74.9%	Development
Countryside Thirteen Limited	UK	100.0%	Development
Countryside Timber Frame Limited	UK	100.0%	Manufacturing
Countryside (UK) Limited	UK	100.0%	Dormant
Dunton Garden Suburb Limited	UK	100.0%	Land Promotion
Knight Strategic Land Limited	UK	100.0%	Land Promotion
Millgate (UK) Holdings Limited	UK	100.0%	Holding Company
Newhall Land Limited	UK	100.0%	Development
Skyline 120 Management Limited	UK	100.0%	Estate Management
Skyline 120 Nexus Management Limited	UK	100.0%	Estate Management
Springhead Resident Management Company Limited	UK	100.0%	Estate Management
Urban Hive Hackney Management Limited	UK	100.0%	Estate Management

16 Subsidiary undertakings (Continued)

Indirect	Country of incorporation	Voting rights & shares held	Principal Activity
Alma Estate (Enfield) Management Company Limited	UK	100.0%	Estate Management
Beechgrove (Sunninghill) Management Company Limited			Estate Management
Breedon Place Management Company Limited	UK	100.0%	Estate Management
Countryside Properties (WHL) Limited	UK	100.0%	Holding Company
Countryside Properties (WPL) Limited	UK	100.0%	Development
Countryside Seven Limited	UK	100.0%	Dormant
Fresh Wharf Residents Management Company Limited	UK	100.0%	Estate Management
Harold Wood Management Limited	UK	100.0%	Estate Management
Hilborn Management Company Limited	UK	100.0%	Estate Management
Mandeville Place (Radwinter) Management Limited	UK	100.0%	Estate Management
Millgate Developments Limited	UK	100.0%	Development
Mulberry Green Management Company Limited	UK	100.0%	Estate Management
New Avenue (Cockfosters) Management Company Limited	UK	100.0%	Estate Management
Newhall Resident Management Company Limited	UK	100.0%	Estate Management
Parklands Manor Management Company Limited	UK	100.0%	Estate Management
Watersplash Lane Management Company Limited	UK	100.0%	Estate Management
Westleigh Construction Limited	UK	100.0%	Dormant
Westleigh LNT Limited	UK	100.0%	Dormant
Westleigh Homes Limited	UK	100.0%	Dormant
York Road (Maidenhead) Management Limited	UK	100.0%	Estate Management

Registered Address

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

17 Joint ventures

Details of the Company's joint ventures at 30 September 2020 are as follows:

		Country of incorporation	Voting rights & shares held	Principal Activity
	Direct			
	Acton Gardens LLP	UK	50.0%	Development
	Brenthall Park Limited	UK	50.0%	Dormant
1	C.C.B. (Stevenage) Limited	UK	33.3%	Non-trading
	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
	Greenwich Millennium Village Limited	UK	50.0%	Development
	Silversword Properties Limited	UK	50.0%	Commercial
	Indirect			
	Brenthall Park (Commercial) Limited	UK	50.0%	Dormant
	Brenthall Park (Infrastructure) Limited	UK	50.0%	Dormant
	Brenthall Park (Three) Limited	UK	50.0%	Dormant
	Cambridge Medipark Limited	UK	50.0%	Commercial
	Cambridge Road (RBK) LLP	UK	50.0%	Development
2	CBC Estate Management Limited	UK	50.0%	Estate Management
	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 Neptune LLP	UK	50.0%	Development
	Countryside Zest (Beaulieu Park) LLP	UK	50.0%	Development
	iCO Didsbury Limited	UK	50.0%	Commercial
	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
	Westleigh Cherry Bank LLP	UK	50.0%	Non-trading
3	Woolwich Countryside Limited**	UK	50.0%	Non-trading

*Countryside Clarion (North Leigh) LLP was dissolved on 27 October 2020.
**Woolwich Countryside Limited is in liquidation.

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 C.C.B. Stevenage has the registered address of Croudace House, Tupwood Lane, Caterham, Surrey CR3 6XQ.

2 CBC Estate Management has the registered address of Prologis House, Blythe Gate, Blythe Valley Park, Shirley, Solihull B90 8AH.

3 Woolwich Countryside has the registered address of 15 Canada Square, London E14 5GL.

18 Associate

The Company's wholly-owned subsidiary undertaking, Countryside Properties (Joint Ventures) Limited, holds a 28.50% share with pro-rata voting rights in Countryside Properties (Bicester) Limited whose principal activity is the development and sale of land and is incorporated and domiciled in the United Kingdom. This shares the same registered address as Countryside Properties (Joint Ventures) Limited.

Countryside Properties (Bicester) Limited has a single subsidiary, Kingsmere Estate Management Limited, which shares the same registered address as its parent company.

19 Financial assets at fair value through profit or loss

	£'m Overage Receivable
At 1 October 2018	4.1
Fair value gain	0.9
At 30 September 2019	5.0
Settlement	(5.0)
At 30 September 2020	-

Overage receivable
Financial assets through profit or loss at 30 September 2019 related solely to a deferred land overage receivable, where land had been sold to a third party and where the Company was entitled to a share of surplus profits once development was completed on that site. The carrying value of the receivable was adjusted to fair value at each reporting date and was cash settled in April 2020.

20 Inventories

	2020 £'m	2019 £'m
Completed properties unsold or awaiting sale	70.3	47.6
Development land and work in progress	867.5	630.5
	937.8	678.1

An impairment charge of £1.4m (2019: nil) was recognised against inventories during the year.

21 Deferred tax

The following are the major deferred tax assets recognised by the Company and movements thereon during the current and prior reporting periods.

	Share based payments £'m	Short term temporary differences £'m	Total £'m
Deferred tax asset at 1 October 2018	3.6	2.1	5.7
Deferred tax movements in prior year			
Charge to statement of comprehensive income	(0.5)	(1.3)	(1.8)
Charge direct to equity	(0.8)	-	(0.8)
Deferred tax asset at 30 September 2019	2.3	0.8	3.1
Deferred tax movements in current year			
Charge to statement of comprehensive income	(0.9)	0.1	(0.8)
Charge direct to equity	(0.6)	-	(0.6)
Deferred tax asset at 30 September 2020	0.8	0.9	1.7

22 Trade and other receivables

	2020 £'m	2019 £'m
Amounts falling due within one year:		
Trade and other receivables	42.6	49.9
Amounts recoverable on construction contracts	37.4	66.1
Other taxation and social security	5.7	14.4
Amounts due from Group undertakings	113.9	330.3
Amounts due from joint ventures	25.0	12.5
Prepayments and accrued income	31.9	23.0
	256.5	496.2
Amounts falling due in more than one year:		
Amounts recoverable on construction contracts	13.4	10.4
	13.4	10.4

The Company 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 income statement.

The Directors are of the opinion that there are no significant concentrations of credit risk. 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.

Prepayments and accrued income includes £28.6m (2019: £20.4m) of contract assets relating to uninvoiced amounts where revenue has been recognised in the income statement.

Amounts due from Group undertakings are unsecured, non-interest bearing, have no fixed date of repayment and are repayable on demand.

23 Borrowings

	2020 £'m	2019 £'m
Unsecured borrowings at amortised cost		
Bank loans	2.3	2.2

Analysis of borrowings

During the 2018 financial year, the Beam Park development (a joint arrangement with L&Q New Homes Limited) received an interest free loan of £5.0m for the purpose of remediation works. The loan is repayable on the 22 November 2022. The carrying value of the loan is equal to the fair value, and was recognised initially at fair value and subsequently carried at amortised cost.

Borrowings are classified in line with the settlement dates that the amounts are expected to be settled, these are disclosed as follows:

	2020 £'m	2019 £'m
Non-current liabilities	2.3	2.2

24 Creditors: amounts falling due within one year

	2020 £'m	2019 £'m
Amounts falling due within one year:		
Trade payables	174.9	112.3
Amounts due to Group undertakings	450.1	441.1
Amounts due to joint ventures	0.4	0.4
Accruals and deferred income	136.7	148.4
Other taxation and social security	4.2	3.4
Other payables	5.4	27.3
	771.7	732.9
Amounts falling due after more than one year:		
Trade payables	104.5	107.3

24 Creditors: amounts falling due within one year **(Continued)**

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 £7.1m (2019: £8.3m), 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.

Accruals and deferred income include £21.4m (2019: £12.1m) of contract liabilities, where the value of payments made by customers exceeds the revenue recognised in the statement of comprehensive income.

Amounts due to Group undertakings are unsecured, non-interest bearing, have no fixed date of repayment and are repayable on demand.

25 Provisions

Analysis of provisions

Provisions are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2020	**2019**
	£'m	**£'m**
Current liabilities	25.7	1.8
Non-current liabilities	0.4	0.4
	26.1	2.2

	2020	**2019**
	£'m	**£'m**
At 1 October	2.2	5.3
Charged in the year	25.6	0.3
Reversal of provision	(1.0)	(2.6)
Utilisation of provision	(0.7)	(0.8)
At 30 September	26.1	2.2

25 Provisions

Provisions primarily relate to costs associated with legacy properties, the Countryside Ground Rent Assistance Scheme and office dilapidations.

Costs associated with legacy properties
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 process requires assessment of the external wall system for buildings over 18 metres tall, or where specific fire safety concerns exist, which is summarised on the newly introduced form EWS1.

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 for all multi-occupancy buildings.

The Directors have engaged an independent third party to complete these assessments for all Countryside owned or controlled buildings where EWS1 is applicable. The Company 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.

The Company has made considerable progress with these reviews during the three months prior to the date of approval of these financial statements. During the course of these reviews, certain remedial actions were identified which are required to be undertaken prior to issuing an EWS1 form. As a result, during March 2021 the Directors approved a provision of £15m in respect of expected remediation costs. As these conditions were considered to exist at the balance sheet date, these costs have been treated as an adjusting event after the reporting period and are reflected in these financial statements.

The calculation of the expected future outflows is complex and requires the consideration of many inputs such as the extent of works required, potential disruption to occupiers, the height and square footage of the buildings, the costs of interrogation, and the costs of labour and materials to carry out the remedial works. The Directors recognise that guidance in this area is changing and evolving over time and that the assumptions made at the date of approval of these financial statements may require revision in future financial periods, resulting in changes to the expected future cash outflows to the Company. As an illustration, if changes to assumptions result in an increase to forecast cash outflows of 10%, the profit before tax recognised in the year would have reduced by £1.5m.

As the timing of utilisation is uncertain, the provision has been included within current liabilities.

The Countryside Ground Rent Assistance Scheme
The Countryside Ground Rent Assistance Scheme (the "Scheme") was established in April 2020 following the Company'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 Company 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.

Provisions for dilapidations
The remaining provisions and movements during the year relate to amounts in respect of expected dilapidations on office buildings which are leased by the Company.

26 Called up share capital	2020 £'m	2019 £'m
Allotted, issued and fully paid		
81,351,980 (2019: 81,351,980) Ordinary shares of 25p each	20.3	20.3

On Monday 15 March 2021, the Directors approved a reduction of capital to reduce the Company's share capital to £1 and share premium account to £Nil. The share capital of the Company at the date of approval of these financial statements includes four Ordinary shares of 25 pence each. Refer to Note 30.

27 Contingent liabilities

On 12 May 2016 the Company's ultimate parent undertaking refinanced its debt facilities. Following this refinancing, the Group's bankers hold a floating charge over all the Group's assets.

The Company has entered into counter indemnities to bankers, insurance companies, statutory undertakings and the National House Building Council in the normal course of business.

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. On 19 March 2021 the CMA notified Countryside that it would require the Company to remove certain terms from its existing leasehold contracts.The Company is in the process of responding to the CMA's concerns and will continue to engage constructively with the CMA to resolve this complex issue. Alongside these discussions, its resolution will require the engagement of a number of other parties, including certain freehold owners, for a satisfactory solution to be found. 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.

28 Related party transactions

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 the Company.

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).

28 Related party transactions (Continued)

Other transactions with related parties

During the year the Company earnt fees from transactions with related parties:

	Sale of goods	
	2020	**2019**
	£'m	**£'m**
Associate	0.2	2.4
Joint ventures	10.1	10.6
	10.3	13.0

	Net advanced/(repaid) during the year		Balances outstanding at the year end	
	2020	**2019**	**2020**	**2019**
	£'m	**£'m**	**£'m**	**£'m**
Joint ventures	12.5	2.0	24.6	12.1

Sales of services to related parties were made on normal commercial terms. No purchases were made by the Company from its joint ventures or associate. The amounts outstanding bear no interest and will be settled in cash on demand.

29 Capital commitments

The Company was committed to the purchase of plant and equipment totalling £6.0m at 30 September 2020. The Company was not committed to the purchase of any property, plant and equipment or software intangible assets at 30 September 2019.

30 Events after the reporting date

Leases

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

A right of use asset and corresponding lease liability of c.£10.0m will be recognised relating to the new lease in the financial statements for the year ending 30 September 2021. The new lease includes a commitment for the Company 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 Company committed to c.£3m.

In December 2020, the Company also commenced two new leases for offices in Bristol and Farnborough, both on ten year terms. Right of use assets and corresponding lease liabilities of c.£2.0m in respect of the Farnborough office, and c.£0.8m in respect of the Bristol office, will be recognised in the financial statements for the year ending 30 September 2021.

The signing of the new leases after 30 September 2020 have been treated as a non-adjusting post balance sheet events.

Covid-19

Two further national lockdowns have taken place in England since the balance sheet date. The first took place between 5 November 2020 and 2 December 2020, whist the second commenced on 4 January 2021 and remains in place at the date of approval of these financial statements.

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 during these periods.

The further national lockdown periods described above have been treated as non-adjusting post balance sheet events.

Costs associated with legacy properties

During the three months prior to the date of approval of these financial statements, the Company has made considerable progress with its reviews of legacy properties. During the course of these reviews, certain remedial actions were identified which are required to be undertaken prior to issuing an EWS1 form. As a result, during March 2021 the Directors approved the recognition of a provision of £15.0m in respect of expected remediation costs. As these conditions were considered to exist at the balance sheet date, these costs have been treated as an adjusting event after the reporting period and are reflected in these financial statements. Refer to Note 25 for further detail.

Capital reduction

On Monday 15 March 2021, the Directors approved a reduction of capital to reduce the Company's share capital to £1 and share premium account to £Nil. This is a non-adjusting post-balance sheet event and is therefore not reflected in the Company's financial position as at 30 September 2020.

31 Ultimate parent undertaking

The Company's immediate parent company is Countryside Properties (Housebuilding) Limited.

The ultimate parent company of the Company at 30 September 2020 was Countryside Properties PLC.

The smallest and largest group into which the Company is consolidated is Countryside Properties PLC. Financial statements for the companies which comprise the Countryside Properties PLC Group are available from the Company Secretary, Countryside House, The Drive, Great Warley, Brentwood, Essex, United Kingdom, CM13 3AT.

32 Adoption of new and revised accounting standards

IFRS 16 "Leases"

Changes to accounting policies
Prior to the adoption of IFRS 16, the Company’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 Company'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 Company'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.

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 Company 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.

32 Adoption of new and revised accounting standards **(Continued)**

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 Company 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 £30.0m;
- right of use assets recognised of £28.5m;
- accruals derecognised of £1.9m
- prepayments derecognised of £0.4m

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 Company'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 Company 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 Company'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*	30.6
Add: adjustments as a result of different treatment of termination options	5.0
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)
	35.0
Discounted using incremental borrowing rate	(5.0)
Total lease liabilities recognised under IFRS 16 at 1 October 2019	30.0

* Operating lease commitments previously disclosed of £23.9m omitted lease commitments relating to one of the Group's timber frame factories of £6.7m.

32 Adoption of new and revised accounting standards (Continued)

Of which:	
Current liabilities	4.1
Non-current liabilities	25.9

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 profit (£m)	5.7	(0.2)	5.5
Finance costs (£m)	(6.8)	(1.1)	(7.9)
Profit before tax (£m)	17.3	(1.2)	16.1

The table below outlines the impact of IFRS 16 on the statement of financial position 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
Right of use assets (£m)	-	25.8	25.8
Trade and other receivables (£m)	270.0	(0.1)	269.9
Lease liabilities (£m)	-	(29.3)	(29.3)
Trade and other payables (£m)	(878.0)	1.8	(876.2)
Provisions (£m)	(26.5)	0.4	(26.1)
Retained earnings (£m)	379.3	(1.0)	378.3