COUNTRYSIDE PROPERTIES PLC
Audited results for the full year ended 30 September 2019

COUNTRYSIDE
Places People Love

21 November 2019

Sector-leading growth with strong performance in both divisions

Countryside, a leading UK home builder and regeneration partner, today announces its results for the year ended 30 September 2019.

Results highlights

	2019	2018	Change
Completions	**5,733**	4,295	+33%
Adjusted revenue[1]	**£1,422.8m**	£1,229.5m	+16%
Adjusted operating profit[2]	**£234.4m**	£211.4m	+11%
Adjusted operating margin[3]	**16.5%**	17.2%	-70bps
Adjusted basic earnings per share[4]	**40.8p**	36.0p	+13%
Return on capital employed[5, 6]	**37.8%**	37.4%	+40bps
Dividend per share	**16.3p**	10.8p	+51%
Reported revenue	**£1,237.1m**	£1,018.6m	+21%
Reported operating profit	**£170.4m**	£149.3m	+14%
Reported basic earnings per share	**37.7p**	33.1p	+14%

Group highlights

- Sector-leading growth with 33% increase in completions and 11% growth in adjusted operating profit
- Net private reservation rate[7] of 0.84 (2018: 0.80)
- Average of 56 open sales outlets (2018: 53) with year-end active sites up 19% to 137 (2018: 115)
- Forward order book up 30% to £1,166m (2018: £900m) of which £241m private for sale (2018: £215m)
- Modular build factory delivered 376 homes in its first six months, on track for 1,400 homes in 2020
- Trending at 5-star HBF status with 92.5% customer satisfaction
- As announced separately, Ian Sutcliffe, Group Chief Executive, to retire on 31 March 2020

Partnerships highlights

- Completions: 4,425 homes (2018: 3,019) up 47% including a full year of trading in ex. Westleigh regions
- Adjusted operating profit: £127.8m (2018: £110.6m) up 16%
- Adjusted operating margin: 15.3% (2018: 17.4%) down 210bps as expected
- Land bank plus preferred bidder: 34,842 plots (2018: 29,878) up 17%

Housebuilding highlights

- Completions: 1,308 homes (2018: 1,276) up 3%
- Adjusted operating profit: £114.8m (2018: £109.6m) up 5%
- Adjusted operating margin ahead of expectations: 19.6% (2018: 18.4%) up 120bps
- Land bank: 24,303 plots (2018: 19,778) of which 81% has been strategically sourced

Outlook and current trading

We have started the new financial year well, with a record order book and robust current trading in both divisions. Net reservation rates for the first seven weeks of the year are ahead of the same period last year. With new site openings in the first half, we expect delivery to be weighted to the second half. We have a robust balance sheet and continued visibility of future earnings from our Partnerships business and strategic land bank in Housebuilding. Potential economic and political uncertainty aside, we remain confident of delivering further earnings growth in 2020.

Commenting on the results, Ian Sutcliffe, Group Chief Executive, said:

"We have continued our excellent growth trajectory during the past year and have exceeded our expectations in operating margins, return on capital employed and cash generation. Our differentiated Partnerships division continues to go from strength to strength, while our Housebuilding division is benefitting from operational efficiency and continued capital discipline to deliver improved returns. With strong demand from first-time buyers and ongoing political support, the Board looks forward to delivering continued growth from both of our operating divisions."

COUNTRYSIDE PROPERTIES PLC
Audited results for the full year ended 30 September 2019

There will be an analyst and investor meeting at 9.00am GMT today at Chartered Accountants Hall, One Moorgate Place, London, EC2R 6EA hosted by Group Chief Executive, Ian Sutcliffe. The presentation will also be available via a live webcast through the Countryside corporate website http://investors.countrysideproperties.com/

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

Enquiries:

Countryside Properties PLC Tel: +44 (0) 1277 260 000
Ian Sutcliffe – Group Chief Executive
Mike Scott – Group Chief Financial Officer
Victoria Prior – IR & Strategy Director

Brunswick Group LLP Tel: +44 (0) 20 7404 5959
Nina Coad
Oliver Sherwood

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

For further information, please visit the Group's website: www.countrysideproperties.com

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

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

[1] Adjusted revenue includes the Group's share of revenue of joint ventures and associate of £185.7m (2018: £210.9m).
[2] Adjusted operating profit includes the Group's share of operating profit from joint ventures and associate of £46.8m (2018: £46.4m) and excludes non-underlying items of £(17.2)m (2018: £(15.7)m).
[3] Adjusted operating margin is defined as adjusted operating profit divided by adjusted revenue.
[4] Adjusted basic earnings per share is defined as adjusted profit attributable to ordinary shareholders, net of attributable taxation, divided by the weighted average number of shares in issue for the period.
[5] Return on capital employed ("ROCE") is defined as adjusted operating profit for the last 12 months divided by average of opening and closing tangible net operating asset value ("TNOAV") for the 12-month period. TNOAV is calculated as net assets excluding net cash or debt less intangible assets net of deferred tax.
[6] Prior year comparatives have been restated, as described in Note 3 to the financial statements.
[7] Including bulk sales (multiple private homes sold in bulk to a third-party such as a housing association or PRS provider) the net reservation rate per open outlet was 0.95 (2018: 0.80).

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

Dividend Reinvestment Plan
The final dividend, subject to approval at the Annual General Meeting on 23 January 2020, will be paid as a cash dividend on 7 February 2020 and shareholders are again being offered the opportunity to reinvest some or all of their dividend under the Dividend Reinvestment Plan ("DRIP"), details of which are available from our Registrars and on our website. Elections to join the DRIP must reach the Registrars by 17 January 2020 in order to be effective for this dividend. Further details can be found on our website investors.countrysideproperties.com/shareholder-information/dividends.

Chairman's statement

I am delighted to report on another year of significant progress in 2019. Despite the broader political uncertainty that has been present throughout the year, our differentiated business model, which is focused on delivering mixed-tenure communities, has continued to experience robust demand. Customers remain at the heart of our business and we are delighted to be trending at Home Builders Federation ("HBF") five-star builder status with over 90% of customers willing to recommend us to a friend or family.

Excellent results with established platform
In 2019, our strong organic growth has been supplemented by a full year's contribution from the Westleigh business, acquired in April 2018. This acquisition has now been fully integrated into the Group and is operating under the Countryside brand, providing an excellent platform for further growth by delivering a mix of tenures over larger sites in the new geographies.

Our financial and operational results showed continued progress and consistency in execution of our strategy. The Group delivered on all metrics either in line with or ahead of market expectations and, with another record forward order book, we remain well positioned to continue our growth into the new financial year.

Our modular panel factory became operational in March 2019 and we are delighted with how it has performed. We intend to deliver around 1,400 homes from this facility in the forthcoming year and secure our supply chain in the process.

We ended the year with a strong balance sheet as the cash generation of both divisions continued, with a return on capital employed in excess of 37%. We continue to have clear visibility over our future growth plans and the financial capacity to support them. Our forward order book and pipeline in both divisions increased during the year, positioning us well for the future.

Priorities of the Board
Whilst the Board's principal focus remains on developing and implementing the Group's business strategy, other Board priorities during the last 12 months have been:

Improving customer satisfaction

Customers are central to Countryside's ongoing success. A key priority has been to improve the level of customer satisfaction during 2019. I am delighted to report that we are currently achieving equivalent to a five-star HBF customer satisfaction rating, up from a four-star rating during 2018.

Working with Government to implement new regulations

During the year we have worked very closely with both Government and the HBF to proactively formulate policy on fire safety, quality and leasehold reform.

On fire safety we have undertaken a detailed review of all tall buildings to ensure compliance with all regulations. We have established a Technical Fire Standards Committee and have also engaged an independent third-party fire consultancy to verify all aspects of fire safety strategy on all apartment developments.

Having responded to each of the Government consultations on the topic of leasehold reform, we have also adjusted Countryside's leasehold policy to reflect their guidance and have co-operated with the ongoing sector-wide inquiry by the Competition & Markets Authority.

Improving risk management

Given the continued growth of Countryside, the Board and its Audit Committee have spent considerable time ensuring that risk management and internal controls remain effective. The changes and investment in this area, include the appointment of a new Director of Audit and Risk Assurance.

Board and Executive Committee succession planning
Ian Sutcliffe, Group Chief Executive, is to retire from the Company on 31 March 2020. He will step down from the Board and be succeeded by Iain McPherson, currently head of the Group's Partnerships South business, from 1 January 2020.

As we have reported during the year, there have been a number of additional changes to the Board. On 1 October 2018, Mike Scott joined the Board as Group Chief Financial Officer and Rebecca Worthington was appointed as Group Chief Operating Officer. On 15 February 2019, we announced the appointment of Simon Townsend as a Non-Executive Director of the Company with effect from 1 March 2019. Simon was subsequently appointed to each of the Board's Committees on 10 May 2019.

On 17 April 2019, we reported that Rebecca Worthington was leaving the Group and stepping down from her role as Group Chief Operating Officer. We would like to thank Rebecca for her contribution to the business over the past four years.

Returns to shareholders
After another year of strong profit growth and excellent return on capital employed, the Board recommends a final dividend of 10.3 pence per share. This reflects the Board's decision to change the dividend policy to a 40% pay-out ratio of adjusted earnings (from 30% previously) as announced at our half-year results in May. Subject to approval at the Annual General Meeting ("AGM") on 23 January 2020, the dividend will be paid on 7 February 2020 to shareholders registered at

20 December 2019. Together with the interim dividend of 6.0 pence per share, this will give a total dividend of 16.3 pence per share.

Our people
As our business continues to grow, so does the number of employees to support that growth. We ended the year with approximately 1,800 employees. We continue to focus on their development with extensive training programmes at all levels within the business. In addition, during the year we recruited a record number of graduates and apprentices, including apprentices for our modular panel factory in Warrington, bringing through the next wave of talent for the industry.

I would like to take this opportunity to thank each and every one of our employees, our supply chain and our business partners for their commitment to the business. Without them we would not be able to deliver our continued growth plans or maintain the quality, satisfaction and safety standards our customers and partners have come to expect of Countryside.

David Howell
Chairman
20 November 2019

Group Chief Executive's review

.

Group strategy
We have continued to deliver our strategic objectives of growth, returns and resilience, despite the wider political and economic uncertainty. Our mixed-tenure business model, delivering private for sale, private rented and affordable homes, has allowed us to meet the continued strong demand for housing of all tenure types.

Our balanced business model of Partnerships and Housebuilding divisions has delivered another year of earnings and completion growth, underpinned by a robust operating margin and strong return on capital employed. Our innovative low capital Partnerships business model has continued to deliver sector-leading growth and excellent returns, while our Housebuilding division has delivered a robust performance, with improved returns being delivered from the strategic land bank and continued efficiency.

As we deliver our strong growth in completions, we continue to ensure that we improve our qualitative measures of health and safety, build quality and customer satisfaction. I am delighted to say that we remain ahead of industry benchmarks on all three.

We consider the fire safety of our homes to be an absolute priority and ensure that our developments meet all regulations and evolving best practice regarding materials, design and construction detail. We define the fire strategy in line with regulations prior to development, monitor and record progress throughout construction and have added an independent third-party certification of apartment buildings this year.

We have also ensured that our business is sustainable for the future with industry-leading land banks in both divisions underpinning our future profitability for the medium term. We manage our financial exposure by ensuring we are not overexposed to owned undeveloped land or land creditors, with the majority of land held on either options in Housebuilding or development agreements in Partnerships. We do not overexpose our business to excessive debt, ensuring that we maintain a cash positive position at each year end.

During the year, we have invested in an off-site modular build facility to mitigate site labour constraints, opening our first factory in Warrington.

We employ around 1,800 people and maintain a strong focus on people, recruiting strong talent at all levels, developing them in their roles and ensuring we retain them to continue the expansion of the business.

Both Partnerships and Housebuilding are now reaching scale and operate largely independently of each other, other than the provision of a small number of shared central services, such as Group Finance, HR, corporate governance and IT. Partnerships delivered over 75% of the Group's completions and just over 50% of the Group's profit, due to the lower average selling prices from its tenure mix and regional geography.

We now have 13 operating regions, nine in Partnerships covering London and the Home Counties, the Midlands, the North West of England and Yorkshire, while Housebuilding operates from four regions in the Home Counties around London. Both divisions have the capacity for further growth as we continue to expand our presence in the Midlands and North following last year's Partnerships acquisition of Westleigh, while in Housebuilding we continue to expand our business to the South and west Home Counties.

Market background
The commitment of both national and local Government to deliver more housing, and in particular to increase the amount of affordable housing in London, is aligned closely to our strategy. We have significantly grown our delivery of affordable and private rental sector ("PRS") housing during the year, as the demand for both continues to exceed supply.

Private for sale housing accounted for only 38% of our total completions in 2019. Our target customer is typically a first-time buyer and a local owner occupier. We continue to target areas of economic growth and resilience, providing a range of housing types in a placemaking environment.

Despite the wider political uncertainty demand for housing of all tenures remains robust. Private for sale housing demand remains strongest for houses under £600,000, supported in part by the Government Help to Buy scheme, which continues to drive first-time buyers to choose new build homes over the second-hand market. While Help to Buy is an important scheme for first-time buyers, because of our mixed-tenure approach it is used on only 54% of our private completions excluding bulk sales or 20% of our total completions.

The combination of higher stamp duty, fewer buy to let investors and the migration of first-time buyers to new build has caused a slowdown in the second-hand market, which, in turn, has made some trade-up transactions harder to complete where purchases are subject to a dependent sale of property.

The mortgage market remains open with lenders prepared to offer highly competitive rates and up to 95% loan to value. Lenders' valuations ensure that properties are not oversold and that Help to Buy values are in line with comparable sales without Help to Buy. House price inflation has moderated, and we have seen increases only at lower price points, with some increased incentives above £600,000. Overall, 90% of our private completions are made at price points below £600,000.

Affordable housing, particularly non-Section 106 driven, has been in strong demand from housing associations with a subsequent increase in average selling prices. PRS housing has also seen an increase in average selling prices with strong demand from our existing partners and institutional investors.

The increase in average selling prices has not translated into stronger margins due to build cost inflation, from both materials and labour, as well as additional cost from changes to fire safety regulations. While we have not seen any direct impact from the prolonged Brexit negotiations, we do anticipate further build cost increases from currency fluctuations and potential EU labour migration.

Our performance

During 2019, we delivered a fifth consecutive year of strong growth and improved earnings in both divisions.

In Partnerships, our expansion into the Midlands and the North, including Yorkshire, provided the growth. This has largely been an expansion of our affordable and PRS delivery, following the Westleigh acquisition, assisted by the framework agreements with Sigma Capital to deliver PRS and with Midland Heart to deliver affordable homes. The greater emphasis on these tenures has reduced operating margin as expected, but we plan to mitigate this going forward as we deliver a greater proportion of private for sale homes in the North and Midlands.

Our Housebuilding business has continued to expand and, despite more challenging trading conditions at higher price points, we have managed to increase both operating margin and return on capital by continued operational efficiency and capital discipline. We continue to reposition our average selling prices to ensure that our private for sale homes remain affordable for local owner occupiers and first-time buyers in particular.

We continue to make progress on all non-financial key performance indicators. Our customer satisfaction rating as measured independently by the NHBC Recommend a Friend score has risen to 92.5% (2018: 84.6%), which is also assessed as a five-star builder by the HBF. This rating is underpinned by our build quality score, again measured independently by the NHBC at key stages during the construction process. This stood at 0.21 reportable items per plot visit (2018: 0.22), equivalent to one remedial item per five inspections.

Our health and safety has been maintained at better than industry benchmark levels with the Accident Injury Incident Rate (“AIIR”), standing at 227 per 100,000 people at risk compared with the national average of 405 (2018: 162). We take the safety of our employees extremely seriously and have recently introduced a new accident and safety observation reporting system to identify any trending issues more quickly. Following the tragic death of a sub-contractor on one of our sites in November 2018, we fully co-operated with all relevant authorities. The coroner's verdict was that this was an accidental death and the Health and Safety Executive has confirmed that no further legal action will be taken.

As the business has grown, we have constantly sought ways to ensure that purpose and values do not become diluted, but are enhanced with new regions, people and partners. Countryside was founded over 60 years ago on the principles of enduring long-term relationships with our staff, sub-contractors and business partners. We believe that by treating people fairly, honestly and directly we will build both the trust of all stakeholders that we engage with and a sustainable enduring business.

“Places People Love” is more than an advertising slogan; it embodies what the Group is aiming to deliver, not just in our completed developments, but on our construction sites and our places of work. We aim to create the best environment to attract our customers, to retain and develop our workforce and to become the development partner of choice for landowners and local authorities.

We have invested in our recruitment, development and training of staff over the past year. As well as investing in new regional offices in Ealing, Warrington, Solihull, Leeds and Leicester, we have made additional investment into the welfare facilities on our construction sites to ensure that we have a consistent offering for our site teams and sub-contractors.

We have opened our modular panel factory in Warrington that will produce complete structural wall panels from a semi-automated production line. We have 12 apprentices across the North West, 7 of which are from the local technical college and work across local developments, as well as the modular panel factory as they develop their careers. The factory is already producing the equivalent of 15 homes per week and with the addition of a second shift will ultimately produce around 1,400 homes per year.

Our new Social Value Portal measures the impact of our developments on the local community. This includes the financial and social benefits of the site, including employment, sustainability and additional facilities that are created in addition to

the homes that are provided. This tool allows us not only to quantify our broader sustainability footprint, but to demonstrate to landowners and local authorities the wider benefit of our developments.

Outlook
We have started the new financial year well, with a record order book and robust current trading in both divisions. Net reservation rates for the first seven weeks of the year are ahead of the same period last year. With new site openings in the first half, we expect delivery to be weighted to the second half. We have a robust balance sheet and continued visibility of future earnings from our Partnerships business and strategic land bank in Housebuilding. Potential economic and political uncertainty aside, we remain confident of delivering further earnings growth in 2020.

It is paramount that we maintain our build quality, customer satisfaction and health and safety standards, which in the most part have been improving in recent years. We will continue to focus on ensuring that we have a large enough skilled workforce to continue delivering on the ground.

On a personal note, it has been a real privilege to lead Countryside for the past six years. It is a tremendous business with an incredibly talented workforce. I am immensely proud of what we have all achieved together and I would like to thank David, the rest of the Board and everyone at Countryside for the unwavering support they have given the business over the years. I am delighted to be handing over the leadership of the business in such good shape to someone of Iain’s calibre.

Ian Sutcliffe
Group Chief Executive
20 November 2019

Group Chief Financial Officer’s review

We have continued our growth trajectory with both divisions now operating at scale and delivering solid growth in earnings this year. With a strong forward order book, low gearing and good operational execution, the Group is well positioned to continue to execute its strategy.

Group performance
Total completions were up 33% in 2019 to 5,733 homes (2018: 4,295 homes) as we delivered growth across all tenures, with particularly strong growth in affordable and PRS homes. Our private average selling price ("ASP") reduced by 9% to £367,000 (2018: £402,000) as a result of the shift in geographical mix towards the regions outside London following the acquisition of Westleigh in 2018 and our focus on price points appropriate to local owner occupiers. Affordable ASP decreased by 4% to £153,000 (2018: £159,000) again reflecting an increase in the proportion of homes delivered from our regional businesses. As a result of the increase in completions, Group adjusted revenue was up 16% year on year to £1,422.8m (2018: £1,229.5m). The legacy Westleigh business in the East Midlands contributed 1,225 homes and £163.1m of revenue in the year (2018: 465 homes; £63.5m revenue).

Reported revenue increased by 21% to £1,237.1m (2018: £1,018.6m). The difference between adjusted and reported revenue is the effect of the proportionate consolidation of the results of the Group’s joint ventures and associate in the adjusted measure. Revenue at our homebuilding joint ventures was broadly consistent year on year with a reduction in revenue at our Medipark joint venture in Cambridge as it completed the development of Abcam plc’s new head office in early 2019.

Group adjusted gross margin (including the Group’s share of joint ventures and associate gross profit) reduced by 80bps to 21.7% (2018: 22.5%). This margin decrease was principally due to the change in tenure mix driven by the growth of our regional Partnerships businesses outside London and a return to target margins on Partnerships sites in the South.

Profit from land sales contributed £14.2m (2018: £11.0m) as we tactically sold parcels of Housebuilding land where we no longer expect to build with a further £4.4m profit (2018: £6.1m) from commercial sales principally generated from retail units at our associate in Bicester. An additional £0.9m was recognised in respect of overage receivable (2018: £4.1m).

Adjusted operating profit increased 11% to £234.4m (2018: £211.4m) largely as a result of volume growth. The Group’s adjusted operating margin reduced by 70bps to 16.5% (2018: 17.2%) primarily as a result of lower gross margins described above, offset by a focus on operating costs.

Reported operating profit increased 14% to £170.4m (2018: £149.3m) with the difference to adjusted operating profit being the proportionate consolidation of the Group’s joint ventures and associate and non-underlying items. Further details of the difference can be found in Note 4 to the financial statements.

Our net reservation rate per open sales outlet was 0.84 (2018: 0.80) reflecting continued strong demand for our homes. During the year, bulk sales of 212 units were made to local authorities and Sigma Capital which, if included, would have increased the net reservation rate to 0.95 (2018: 0.80). The average number of open sales outlets was up 6% on the prior year at 56 (2018: 53). A further 79 sites (2018: 55 sites) were under construction but not yet open for sale as at 30 September 2019, sustaining the production growth underpinning our medium-term targets. This included 36 sites that will deliver only PRS and affordable homes. Our total forward order book, including private for sale reservations, affordable

and PRS homes under contract, increased 30% to £1,166.1m compared to £899.7m last year, as a result of growth in all three tenures. Our private forward order book has grown 12% to £241.4m (2018: £215.1m).

We continued to see strong demand for our homes in the North West and the Midlands where prices increased by around 6%. The market in the South East and outer London boroughs has been more challenging with prices 3% lower on average. Cost price inflation remained at around 4% and we managed to offset the impact of cost inflation through operational efficiencies and through better sub-contractor availability which allowed us to place certain contracts for longer durations. In the North West and Midlands, cost pressure remained due to strong regional demand, but this was more than offset by house price inflation in the year.

We ended the year with net cash of £73.4m (2018: £45.0m), slightly lower than planned due to increased investment in the Midlands regions and the timing of land sale receipts at year end. Reported net finance costs remained in line with last year at £10.9m (2018: £10.6m), of which £3.4m represented cash interest on the Group's borrowing facility (2018: £3.3m).

Partnerships

Our Partnerships division grew strongly in 2019 driven by the full-year impact of the Westleigh acquisition in 2018 and a focus on growing the regional businesses outside the South East. In total, 4,425 homes were delivered by the Partnerships division in the year, an increase of 47% (2018: 3,019 homes), of which Westleigh delivered 1,225 homes (2018: 465 homes). Excluding these, completions grew by 25%.

The ability of mixed-tenure to accelerate delivery was demonstrated at Broughton, Salford (130 homes), Trinity Place, Becontree (126 homes) and Bilston Urban Village, Wolverhampton (121 homes), where PRS and affordable homes allowed us to deliver more completions than a traditional housebuilding site.

Completions of private housing increased by 18% to 1,336 homes (2018: 1,137 homes) driven by delivery at Wilson Chase, Huyton (93 homes); Trinity Place, Becontree (81 homes); and Elements, Enfield (96 homes). Delivery of affordable homes increased 64% to 1,760 homes (2018: 1,073 homes), and PRS homes increased 64% to 1,329 homes (2018: 809 homes), as our relationship with Sigma Capital continues to thrive.

Private average selling price decreased 11% to £283,000 (2018: £318,000), reflecting the change in mix of the business towards the North and Midlands, which typically deliver lower priced homes. Adjusted revenue increased by 32% to £837.1m (2018: £634.8m) with reported revenue, which excludes the Group's share of revenue from joint ventures, up 34% to £792.3m (2018: £590.3m).

Whilst the growth in delivery came from all tenures, private housing made up 30% of the divisional completions (2018: 38%), with affordable completions being 40% of the total and PRS the remaining 30% (2018: affordable 35%; PRS 27%). This change in the tenure mix, combined with the expansion into regional geographies and the completion of two high margin developments in London in 2018, meant that adjusted gross margin for the Partnerships division decreased 220bps to 19.6% (2018: 21.8%) as expected.

Adjusted operating margin reduced to 15.3% (2018: 17.4%) which is in line with our target level. As a result of the increased volume, adjusted operating profit was up 16% to £127.8m (2018: £110.6m) and reported Partnerships operating profit increased to £107.1m (2018: £101.1m).

We have had another very successful year in winning new business in the Partnerships division, particularly in our new regions in the Midlands and Yorkshire. In addition to those sites already in the land bank, including those with preferred bidder status, we secured 10,492 new plots in the period. We now have 34,842 Partnerships plots under our control (2018: 29,878 plots). This represents approximately eight years' supply at current volumes and provides significant visibility.

Housebuilding

Our Housebuilding division delivered a 3% increase in completions to 1,308 homes (2018: 1,276 homes). Total adjusted revenue from Housebuilding was down 2% to £585.7m (2018: £594.7m) as a result of site mix during the year and the challenging market at higher price points. Excluding the results of joint ventures and associate, on a reported basis Housebuilding revenue increased 4% to £444.8m (2018: £428.3m), with higher completion volumes offset by a reduction in ASP.

Private completions decreased by 2% to 841 homes (2018: 858 homes). Open sales outlets at the year end increased to 30 (2018: 27) and we were active on an additional nine sites at 30 September 2019 (2018: 14). Private ASP decreased 2% to £500,000 (2018: £512,000) which is in line with our targeting of local owner occupiers and reflects the softening of prices at higher price points in the South East.

Affordable adjusted revenue increased by 2% to £79.9m (2018: £78.1m) with completions in line with last year at 419 (2018: 418) at an ASP of £191,000 (2018: £187,000), up 2% on 2018.

During the year we completed our first PRS sales in Housebuilding, with 48 PRS units being delivered in Harlow, Essex, for Sigma Capital, generating £15.4m of revenue (2018: £Nil).

A further £50.0m of adjusted revenue came from land and commercial sales (2018: £65.9m), generating £16.9m of profit (2018: £16.6m) as we sold surplus land at Rayleigh, Essex, and Bury St. Edmunds, Suffolk, as well as completing a commercial sale of retail units in our associate at Bicester. The gross margin on these sales of 33.8% was higher than in 2018 due to the nature of the land sold in the year.

Housebuilding adjusted gross margin increased by 140bps to 24.7% (2018: 23.3%), as a number of profitable legacy sites sold through and we saw the benefit of site-level operational efficiencies being realised.

Adjusted operating margin improved by 120bps to 19.6% (2018: 18.4%) as the benefit of improved gross margins were realised. Overall, the Housebuilding adjusted operating profit increased by 5% to £114.8m (2018: £109.6m), whilst reported Housebuilding operating profit, excluding the results of the associate and joint venture, increased by 12% to £81.3m (2018: £72.7m).

In line with our strategy, we have maintained the land bank in our Housebuilding division and have acquired 6,975 plots on 18 sites during the period. The Housebuilding land bank now stands at 24,303 plots (2018: 19,778 plots), of which 81% has been strategically sourced.

Non-underlying items
In the first half of the year, a non-cash charge of £7.4m was recognised to impair the value of inventories in our Manchester region. This was the result of costs accrued over a four-year period not being appropriately recognised in the consolidated statement of comprehensive income. Management took a number of steps to rectify this and to ensure the issue was contained in this region, including the appointment of Deloitte LLP to perform a full investigation. Disciplinary action was taken against the members of staff involved, none of whom remain employed by the Group.

Following the acquisition of Westleigh in 2018, further integration costs of £1.8m were incurred during the year. The integration of Westleigh is now complete with new regions in Leicester, Solihull and Leeds now fully operational and re-branded as Countryside. As part of the agreement to purchase Westleigh, deferred consideration is payable to management who remained with the Group post acquisition. £18.1m is expected to be paid in 2020.

The amortisation of acquisition-related intangible assets is reported within non-underlying items as management does not believe this cost should be included when considering the underlying performance of the Group. The increased cost in 2019 reflects a full year of amortisation related to Westleigh.

A total tax credit of £3.4m (2018: £2.4m) in relation to all of the above non-underlying items was included within taxation in the statement of comprehensive income.

Non-underlying items

Year ended 30 September	**2019 £m**	2018 £m
Recorded within operating profit:		
Amortisation of intangible assets recognised in acquisitions	**10.2**	5.6
Acquisition and integration costs relating to Westleigh acquisition	**1.8**	2.7
Deferred consideration relating to Westleigh acquisition	**(2.2)**	7.4
Impairment of inventories	**7.4**	—
Total non-underlying items	**17.2**	15.7

Net finance costs
The Group has a £300m revolving credit facility expiring in May 2023.

In 2019, net finance costs were £10.9m (2018: £10.6m), of which net cash costs were £2.8m (2018: £3.2m). Interest on the Group's bank loans and overdrafts remained broadly in line with last year at £3.4m (2018: £3.3m).

Finalisation of Westleigh acquisition accounting
The prior year Group financial statements presented provisional accounting for the acquisition of Westleigh, based on the assessment of fair values at 30 September 2018. The Directors' assessment of the fair values of Westleigh's assets and liabilities has now concluded. As a result, goodwill relating to Westleigh has increased by £10.0m to £72.0m, primarily due to the fair value of inventories being reduced by £8.9m. As required by IFRS 3 "Business Combinations", this change has been reflected in the comparative presentation of the consolidated statement of financial position as at 30 September 2018, with no change to reported results or cash flows.

Taxation
The income tax charge was £35.2m (2018: £32.1m), with an adjusted tax rate of 18.5% (2018: 19.0%) and, on a reported basis, an effective tax rate of 17.3% (2018: 17.8%), the main difference between the rates reflecting the treatment of joint ventures and associate and non-underlying items.

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

Adjusted tax rate

Year ended 30 September 2019	Profit £m	Tax £m	Rate %
Adjusted profit before tax and tax thereon	223.5	41.3	18.5
Adjustments and tax thereon, for:			
Non-underlying items	(17.2)	(3.4)	—
Taxation on associate and joint ventures in profit before tax	(2.7)	(2.7)	—
Profit before tax and tax thereon	**203.6**	**35.2**	**17.3**

In 2020, Countryside expects the adjusted tax rate to continue to be slightly lower than the UK statutory corporation tax.

Earnings per share
Adjusted basic earnings per share increased by 13% to 40.8 pence (2018: 36.0 pence) reflecting the increase in adjusted operating profit during the year. The weighted average number of shares in issue was 445.1m (2018: 447.5m).

Basic earnings per share was 37.7 pence (2018: 33.1 pence). Basic earnings per share is lower than adjusted basic earnings per share due to the effect of non-underlying items that are excluded from adjusted results.

Dividend

Given the continued strong cash generation in the business, the Board has increased the recommended dividend pay-out to represent 40% of adjusted earnings. Accordingly, a final dividend of 10.3 pence per share (2018: 6.6 pence per share) has been recommended, taking the total dividend for 2019 to 16.3 pence per share (2018: 10.8 pence per share).

The proposed final dividend was recommended by the Board on 20 November 2019 and has not been included as a liability as at 30 September 2019.

In 2020, Countryside intends that the dividend will continue to represent 40% of adjusted earnings per share.

Statement of financial position

As at 30 September 2019, Group TNAV was £737.8m (2018: £620.1m), an increase of £117.7m. As we continued to grow the business, inventory grew by £67.8m to £808.6m (2018: £740.8m) as we were active on 137 sites at 30 September 2019 (2018: 115 sites). Investments in joint ventures and associate were maintained broadly in line with last year at £65.7m (2018: £67.9m).

ROCE increased to 37.8% (2018: 37.4%) as our business model continued to deliver strong returns from mixed-tenure delivery, driven by the increased proportion of Partnerships' contribution to the Group's result. Partnerships divisional ROCE of 78.3% (2018: 87.4%) remained ahead of our medium-term target with a small improvement in asset turn to 5.1 times (2018: 5.0 times) offset by the reduction in margin discussed above. Housebuilding divisional ROCE remained flat at 25.1% (2018: 25.0%) with a continued focus on operational and capital discipline.

Return on capital employed

Year ended 30 September	**2019**	2018 restated
Adjusted operating profit (£m)	**234.4**	211.4
Average capital employed (£m)[1]	**619.8**	565.0
Return on capital employed (%)	**37.8**	37.4
Increase	**40bps**	

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

Cash flow

Summary cash flow statement

Year ended 30 September	**2019 £m**	2018 £m
Profit before taxation	**203.6**	180.7
Non-cash items	**(13.4)**	(17.6)
Increase in inventories	**(67.8)**	(59.3)
Increase in receivables	**(66.7)**	(26.8)
Increase in payables	**34.1**	31.7
(Decrease)/increase in provisions	**(2.9)**	2.7
Cash generated from operations	**86.9**	111.4
Interest and tax paid	**(31.7)**	(25.9)
Dividends paid	**(56.0)**	(41.1)
Acquisition of subsidiary	**—**	(111.1)
Purchase of own shares	**(13.0)**	(11.4)
Decrease in loans to associate and joint ventures	**6.8**	11.5
Dividends received from associate and joint ventures	**43.1**	26.9
Repayment of members' interest	**2.9**	12.1
Proceeds of borrowings	**—**	2.5
Other net cash (outflows)/inflows	**(10.6)**	(5.1)
Net increase/(decrease) in cash and cash equivalents	**28.4**	(30.2)

The Group continued to be cash generative, with £86.9m generated from operations (2018: £111.4m) after investing a net £103.3m in working capital during the year. This investment related to the growth of our new Yorkshire and Midlands regions, together with significant infrastructure investment on other large Partnerships developments such as Beam Park, Dagenham, and Houghton Regis, Bedfordshire, and the acquisition of a strategic Housebuilding site in Rayleigh, Essex.

The increase in dividends paid reflects both the increase in adjusted profit after tax and the enhancement in the pay-out ratio to 40% of adjusted earnings at the half year in May 2019.

During the year, the Group's Employee Benefit Trust ("EBT") purchased 4,500,000 shares at a total cost of £13.0m (2018: 3,219,634 shares; £11.4m) to enable it to satisfy future vesting under the Group's various share plans. The EBT acquired a further 1,000,000 shares using proceeds from Save As You Earn ("SAYE") schemes.

Overall, net cash increased by £28.4m to £73.4m (2018: £45.0m).

Impact of the new accounting standards

IFRS 15 "Revenue from Contracts with Customers" was effective for the year ended 30 September 2019. The only impacts of adopting this standard are that proceeds from the sale of part exchanged properties are presented as revenue as opposed to being offset within cost of sales and where there are residual obligations in land sale contracts that are not satisfied at the balance sheet date, an element of the transaction price will be deferred into future periods.

During the year ended 30 September 2019, £9.1m of revenue was recognised on the sale of part exchange properties. The impact on adjusted revenue (including share of revenue from joint ventures and associate) was £10.3m.

£3.0m of adjusted revenue and £0.6m of related profit was deferred relating to residual obligations in land sale contracts that were not satisfied at the balance sheet date (£0.7m of reported revenue and £0.2m of related profit). This is expected to be realised during the year ended 30 September 2020.

There was no impact to the Group on transition to IFRS 9 "Financial Instruments".

IFRS 16 "Leases" is effective for the Group from the 2020 financial year commencing on 1 October 2019. We have completed our review of the impact of this standard and do not believe there will be a material impact on profit or net assets, although new offsetting right of use assets and lease liabilities will be recognised of around £35m. Further information on the impact of the change is described in Note 3 to the Group financial statements.

Mike Scott
Group Chief Financial Officer
20 November 2019

Principal risks

Risk and impacts		How we monitor and manage the risk	Impact on strategy
1. Adverse macroeconomic conditions* ***Responsible Executive:*** Group Chief Executive	A decline in macroeconomic conditions, or conditions in the UK residential property market, can reduce the propensity to buy homes. Higher unemployment, interest rates and inflation can affect consumer confidence and reduce demand for new homes. Constraints on mortgage availability, or higher costs of mortgage funding, may make it more difficult to sell homes.	• Funds are allocated between the Housebuilding and Partnerships businesses. • In Housebuilding, land is purchased based on planning prospects, forecast demand and market resilience. • In Partnerships, contracts are phased and, where possible, subject to viability testing. • In all cases, forward sales, cash flow and work in progress are carefully monitored to give the Group time to react to changing market conditions.	• Growth • Returns **Risk change** No change
2. Adverse changes to Government policy and regulation* ***Responsible Executive:*** Group Company Secretary and General Counsel	Adverse changes to Government policy in areas such as tax, housing, the environment and building regulations may result in increased costs and/or delays. Failure to comply with laws and regulations could expose the Group to penalties and reputational damage.	• The potential impact of changes in Government policy and new laws and regulations are monitored and communicated throughout the business. • Detailed policies and procedures are in place to address the prevailing regulations.	• Growth • Returns • Resilience **Risk change** Risk increase
3. Constraints on construction resources* ***Responsible Executive:*** Chief Executive, Partnerships North	Costs may increase beyond budget due to the reduced availability of skilled labour or shortages of sub-contractors or building materials at competitive prices to support the Group's growth ambitions. The Group's strategic	• Optimise use of standard house types and design to maximise buying power. • Use of strategic suppliers to leverage volume price	• Growth • Returns **Risk change** No change

	geographic expansion may be at risk if new supply chains cannot be established.	reductions and minimise unforeseen disruption. • Robust contract terms to control costs. • Modular panel factory.	
4. Programme delay (rising project complexity) ***Responsible Executive:*** Chief Executive, Partnerships South	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.	• The budgeted programme for each site is approved by the Divisional Board before acquisition. • Sites are managed as a portfolio to control overall Group delivery risk. • Weekly monitoring at both divisional and Group level.	• Growth • Returns **Risk change** No change
5. Inability to source and develop suitable land ***Responsible Executive:*** Chief Executive, Housebuilding	Competition or poor planning may result in a failure to procure land in the right location, at the right price and at the right time.	• A robust land appraisal process ensures each project is financially viable and consistent with the Group's strategy.	• Growth • Returns **Risk change** No change
6. Inability to attract and retain talented employees[1] ***Responsible Executive:*** Group HR Director	Inability to attract and retain highly skilled, competent people at all levels could adversely affect the Group's results, prospects and financial condition.	• Remuneration packages are regularly benchmarked against industry standards to ensure competitiveness. • Succession plans are in place for all key roles within the Group. • Exit interviews are used to identify any areas for improvement.	• Growth • Returns • Resilience **Risk change** No change
7. Inadequate health, safety and environmental procedures ***Responsible Executive:*** Group Company Secretary and General Counsel	A deterioration in the Group's health, safety and environmental standards could put the Group's employees, contractors or the general public at risk of injury or death and could lead to litigation or penalties or damage the Group's reputation.	• Procedures, training and reporting are all carefully monitored to ensure that high standards are maintained. • An environmental risk assessment is carried out prior to any land acquisition. • Appropriate insurance is in place to cover the risks associated with housebuilding.	• Returns **Risk change** No change

[1] The Board's review of risk, including the principal risks, takes into account the known and forecast developments flowing from plans being made for Brexit. Brexit affects many of the principal risks, but particularly those marked with an asterisk.

Consolidated statement of comprehensive income

For the year ended 30 September 2019

	Note	**2019 £m**	2018 £m
Revenue	6	**1,237.1**	1,018.6
Cost of sales		**(983.5)**	(788.9)
Gross profit		**253.6**	229.7
Administrative expenses		**(83.2)**	(80.4)
Operating profit		**170.4**	149.3
Analysed as:			
Adjusted operating profit		**234.4**	211.4
Less: share of joint ventures and associate operating profit	15, 16	**(46.8)**	(46.4)
Less: non-underlying items	7	**(17.2)**	(15.7)
Operating profit		**170.4**	149.3
Finance costs	8	**(11.9)**	(12.0)
Finance income	9	**1.0**	1.4
Share of post-tax profit from joint ventures and associate	15, 16	**44.1**	42.0
Profit before income tax		**203.6**	180.7
Income tax expense	10	**(35.2)**	(32.1)
Profit for the year		**168.4**	148.6
Profit is attributable to:			
– Owners of the parent		**167.7**	147.9
– Non-controlling interest		**0.7**	0.7
		168.4	148.6
Other comprehensive income/(expense)			
Items that may be reclassified to profit and loss:			
– Increase in the fair value of available for sale financial assets		**—**	0.1
Items reclassified to profit and loss:			
– Reclassification of available for sale reserve to profit and loss		**—**	(0.4)
Total comprehensive income for the year		**168.4**	148.3
Total comprehensive income for the year attributable to:			
– Owners of the parent		**167.7**	147.6
– Non-controlling interest		**0.7**	0.7
		168.4	148.3
Earnings per share (expressed in pence per share):			
Basic	11	**37.7**	33.1
Diluted	11	**37.3**	32.6

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

Consolidated statement of financial position

As at 30 September 2019

	Note	**2019 £m**	2018 restated £m
Assets			
Non-current assets			
Intangible assets	12	**170.9**	179.5
Property, plant and equipment	13	**12.8**	7.7
Investment in joint ventures	15	**62.2**	62.5
Investment in associate	16	**3.5**	5.4
Financial assets at fair value through profit or loss	17	**-**	4.1
Deferred tax assets	18	**5.3**	9.3
Trade and other receivables	20	**15.2**	21.8
		269.9	290.3
Current assets			
Inventories	19	**808.6**	740.8
Financial assets at fair value through profit or loss	17	**5.0**	-
Trade and other receivables	20	**232.8**	165.9
Cash and cash equivalents	21	**75.6**	47.2
		1,122.0	953.9
Total assets		**1,391.9**	1,244.2
Liabilities			
Current liabilities			
Trade and other payables	22	**(322.6)**	(317.6)
Current income tax liabilities		**(24.7)**	(18.7)
Provisions	23	**(1.8)**	(4.2)
		(349.1)	(340.5)
Non-current liabilities			
Borrowings	21	**(2.2)**	(2.2)
Trade and other payables	22	**(130.0)**	(93.8)
Deferred tax liabilities	18	**(10.9)**	(12.9)
Provisions	23	**(0.6)**	(1.1)
		(143.7)	(110.0)
Total liabilities		**(492.8)**	(450.5)
Net assets		**899.1**	793.7
Equity			
Share capital	24	**4.5**	4.5
Reserves		**892.3**	787.6
Equity attributable to owners of the parent		**896.8**	792.1
Equity attributable to non-controlling interest		**2.3**	1.6
Total equity		**899.1**	793.7

The Group's financial position as at 30 September 2018 has been restated, as described in Note 3.

These financial statements were approved by the Board of Directors on 20 November 2019.

On behalf of the Board

Ian Sutcliffe	**Mike Scott**
Director	***Director***

Consolidated statement of changes in equity

For the year ended 30 September 2019

	Note	Share capital £m	Retained earnings £m	Available for sale reserve £m	Equity attributable to owners of the parent £m	Non-controlling interest £m	Total equity £m
At 1 October 2017		4.5	684.8	0.3	689.6	0.9	690.5
Comprehensive income							
Profit for the year		—	147.9	—	147.9	0.7	148.6
Other comprehensive expense		—	—	(0.3)	(0.3)	—	(0.3)
Total comprehensive income		—	147.9	(0.3)	147.6	0.7	148.3
Transactions with owners							
Share-based payments, net of deferred tax	18, 30	—	7.4	—	7.4	—	7.4
Purchase of shares by Employee Benefit Trust	24	—	(11.4)	—	(11.4)	—	(11.4)
Dividends paid	35	—	(41.1)	—	(41.1)	—	(41.1)
Total transactions with owners		—	(45.1)	—	(45.1)	—	(45.1)
At 30 September 2018		4.5	787.6	—	792.1	1.6	793.7
Comprehensive income							
Profit for the year		—	167.7	—	167.7	0.7	168.4
Total comprehensive income		—	167.7	—	167.7	0.7	168.4
Transactions with owners							
Share-based payments, net of deferred tax	18, 30	—	6.0	—	6.0	—	6.0
Purchase of shares by Employee Benefit Trust	24	—	(13.0)	—	(13.0)	—	(13.0)
Dividends paid	35	—	(56.0)	—	(56.0)	—	(56.0)
Total transactions with owners		—	(63.0)	—	(63.0)	—	(63.0)
At 30 September 2019		**4.5**	**892.3**	**—**	**896.8**	**2.3**	**899.1**

Consolidated cash flow statement

For the year ended 30 September 2019

	Note	**2019 £m**	2018 £m
Cash generated from operations	25	**86.9**	111.4
Interest paid		**(3.8)**	(3.2)
Tax paid		**(27.9)**	(22.7)
Net cash inflow from operating activities		**55.2**	85.5
Cash flows from investing activities			
Purchase of intangible assets	12	**(3.1)**	(1.4)
Purchase of property, plant and equipment	13	**(7.8)**	(5.3)
Proceeds from disposal of available for sale financial assets		**—**	4.8
Proceeds from disposal of property, plant and equipment		**0.3**	—
Acquisition of subsidiary (net of cash acquired)		**—**	(39.9)
Funding to settle subsidiary's net debt on acquisition		**—**	(71.2)
Repayment of advances to joint ventures and associate	27	**6.8**	11.5
Investment in new joint ventures	15	**—**	(3.2)
Repayment of members' interest	15	**2.9**	12.1
Dividends received from joint ventures and associate	15, 16	**43.1**	26.9
Net cash inflow/(outflow) from investing activities		**42.2**	(65.7)
Cash flows from financing activities			
Dividends paid	35	**(56.0)**	(41.1)
Purchase of shares by Employee Benefit Trust	24	**(13.0)**	(11.4)
Borrowings under revolving credit facility		**—**	125.0
Repayment of borrowings under revolving credit facility		**—**	(125.0)
Proceeds from other borrowings	21	**—**	2.5
Net cash outflow from financing activities		**(69.0)**	(50.0)
Net increase/(decrease) in cash and cash equivalents		**28.4**	(30.2)
Cash and cash equivalents at the beginning of the year		**47.2**	77.4
Cash and cash equivalents at the end of the year	21	**75.6**	47.2

Notes to the consolidated financial statements

For the year ended 30 September 2019

1. General information

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

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

2. Critical accounting judgements and estimates

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

Critical accounting judgements

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

Key sources of estimation uncertainty

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

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

Estimation of site profitability

In order to determine the profit or loss that the Group recognises on its developments and construction contracts in a specific period, the Group allocates the total cost of each development or construction contract between the proportion completing in the period and the proportion to complete in a future period. The assessment of the total costs to be incurred requires a degree of estimation due to the long-term nature of the Group's activities and because actual costs are subject to market fluctuations. Group management has established internal controls to review and ensure the appropriateness of estimates made on an individual development or contract basis. No individual development or contract is sufficiently large that a plausible change in estimates would result in a material change to the Group's results. However, 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. As an illustration, a reasonably possible change in margins of 5% across all sites in 2019 would have reduced gross profit and net assets by an estimated £60m, or £70m on an adjusted basis.

3. Accounting policies

Basis of preparation

These financial statements for the year to 30 September 2019 are those of the Company and all of its subsidiaries. They have been prepared in accordance with IFRS as adopted by the European Union, IFRS Interpretations Committee ("IFRS IC") interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

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

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

Prior year restatement

During the prior financial year, the Group acquired 100% of Westleigh Group Limited ("Westleigh"). The fair values of acquired net assets have been finalised during the year and the statement of financial position as at 30 September 2018 restated accordingly, as required by IFRS 3 "Business Combinations". There was no change to the reported financial performance or cash flows of the Group. Refer to Note 14 for further detail.

Going concern

The Group's business activities, together with the factors likely to affect its future development, are set out above. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described above. Further disclosures regarding borrowings are provided in Note 21.

As described in the Viability Statement, the Directors have assessed the prospects and viability of the Company over a three-year period to September 2022. The Board has performed a robust assessment of the principal risks facing the Company, including those risks that would threaten Countryside's business model, future performance, solvency or liquidity.

The Board has also performed a further assessment of the Group's going concern status over the next 12 months. Having considered the Group's cash flow forecasts, the Directors are satisfied that the Group has sufficient liquidity and covenant headroom to conduct its business and meet its liabilities as they fall due for at least 12 months from the date of these financial statements. Accordingly, these financial statements have been prepared on a going concern basis.

Adoption of new and revised accounting standards

During the financial year ended 30 September 2019, the Group adopted the following standards and amendments issued by the International Accounting Standards Board ("IASB"):

- IFRS 9 "Financial Instruments";
- IFRS 15 "Revenue from Contracts with Customers";
- Amendments to IFRS 2 "Share-based Payment" regarding the classification and measurement of share-based payment transactions; and
- Annual Improvements to IFRSs 2014–2016 Cycle.

Information on the initial application of IFRS 9 and IFRS 15, including the impact on the financial position and performance of the Group, has been disclosed in Note 36. The adoption of the other amendments in the year did not have any impact on the financial statements.

Standards, interpretations and amendments in issue but not yet effective

IFRS 16 "Leases" has been issued, and is effective for the Group for the financial year ending 30 September 2020. IFRS 16 addresses the definition, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. The standard replaces IAS 17 "Leases" and related interpretations.

IFRS 16 requires lessees to recognise right of use assets and lease liabilities on the statement of financial position for all leases, except short-term and low value asset leases. At commencement of the lease, the lease liability equals the present value of future lease payments, and the right of use asset equals the lease liability, adjusted for payments already made, lease incentives, initial direct costs and any provision for dilapidation costs.

For operating leases entered into prior to the adoption of IFRS 16, the rental charge is replaced by depreciation of the right of use asset and interest on the lease liability. IFRS 16 therefore results in an increase to operating profit, which is reported prior to interest being deducted. Depreciation is charged on a straight line basis; however, as interest is charged on outstanding lease liabilities it reduces over the life of the lease. As a result, the impact on profit before tax is highly dependent on lease maturity.

The Group has carried out a detailed exercise to determine the impact of IFRS 16 on the Group's financial position and performance based on the lease commitments of the Group as at 30 September 2019.

The Group will adopt the modified retrospective approach to transition, applying the practical expedients available under this approach. A right of use asset of around £35m will be recognised on the statement of financial position with a corresponding lease liability recognised of the same value. There will therefore be no impact on net assets on transition to IFRS 16.

The approximate impact on operating profit for the financial year ending 30 September 2020 is an increase of c.£1m with a small reduction in profit before tax after the unwind of the discount on the lease liability through finance costs.

The following amendments to standards and interpretations have also been issued, but are not yet effective and have not been early adopted for the financial year ended 30 September 2019:

- Annual Improvements to IFRSs 2015–2017 Cycle;
- Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" regarding the definition of material; and
- Amendments to IAS 28 "Investments in Associates and Joint Ventures" regarding long-term interests in associates and joint ventures.

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

Basis of consolidation

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

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

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

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

Joint ventures and associates

Where the Group collaborates with other entities on a development or contract, a judgement is made of the nature of the relationship. Where there is joint control (as described by IFRS 11), the arrangement is classified as a joint arrangement and accounted for using the equity method (for joint ventures) or on the basis of the Group's proportional share of the arrangement's assets, liabilities, revenues and costs (for joint operations). The Group's joint ventures are disclosed in Note 15.

An associate is an entity over which the Group is in a position to exercise significant influence but does not exercise control or joint control. Investments in associates are accounted for using the equity method. The Group's associates are disclosed in Note 16.

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

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

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

Purchase of shares by Employee Benefit Trust

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

Business combinations

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

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

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

Intangible assets

Goodwill

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

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

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

Brands

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

Customer-related assets

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

Computer software

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

Property, plant and equipment

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

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

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

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

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

Financial assets

The Group classifies its financial assets in the following categories:

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

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

Financial assets at amortised cost

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are 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 statement of comprehensive income.

Inventories

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

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

Land inventory is recognised when the Group obtains control of the land, which is considered to be on unconditional exchange of contracts. Where land is purchased on deferred payment terms, a corresponding liability is recognised 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 and work in progress to their net realisable value.

Trade receivables

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

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

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

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

Cash and cash equivalents

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

Trade payables

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

Where land is purchased on deferred 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 statement of comprehensive income.

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

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

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

Borrowings

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

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

Provisions

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

Share capital

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

Offsetting financial instruments

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

Revenue

Revenue comprises the fair value of the consideration received or receivable, net of applicable Value-Added Tax, Stamp Duty Land Tax, rebates and discounts and after eliminating sales within the Group.

The Group's two divisions – Partnerships and Housebuilding – operate a range of legal and contractual structures which are tailored 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. We generically refer to our arrangements with housing associations and local authorities as "partnerships", but this should not be taken to mean these arrangements are accounted for as joint arrangements or take the legal form of partnerships (see policy on joint ventures and associates above).

Private housing

Revenue is recognised in the statement of comprehensive income at a point in time on legal completion as this is when the customer obtains control of the property. Revenue is recognised at the fair value of the consideration received.

Cash is received by the Group on legal completion and there is no variable or financing component to the consideration received.

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 fair value of the part exchange property replacing cash receipts.

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. The proceeds are presented in private revenue in Note 6.

Cash incentives

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

Affordable housing and PRS contracts

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

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

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

Land sales

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

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

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

Commercial sales

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

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

Project management services

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

Cost of sales

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

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

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

Leases

Where a significant portion of the risks and rewards of ownership are retained by the lessor, leases are classified as operating leases.

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

Finance costs and finance income

Borrowing costs

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

The Group capitalises borrowing costs into developments only where project-specific debt is used.

Unwind of discounting

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

Current and deferred income taxation

Income tax comprises current and deferred tax.

Current taxation

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

Deferred taxation

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

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

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

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

Segmental reporting

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

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

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

Pension plans

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

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

Share-based payments

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

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

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

Non-underlying items

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

In addition, the Directors believe that in discussing the performance of the Group, the results of joint ventures and associates should be proportionally consolidated, including the Group's share of revenue and operating profit given their importance to the Group's operations.

As such, the Directors adjust for the above in the calculation of the Group's Alternative Performance Measures ("APMs"). Further detail on APMs is provided at the end of this report.

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

- costs incurred directly in relation to business combinations or capital market transactions including advisory costs, one-off integration costs and employment-related deferred consideration costs;
- adjustments to the statement of financial position that do not relate to trading activity such as the recognition and reversal of non-trade impairments;
- accelerated write off of unamortised issue costs on the re-financing of borrowings; and
- the costs of Group restructuring exercises.

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

Dividends

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

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

4. Segmental reporting

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

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

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

Segmental adjusted operating profit and segmental operating profit include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Central head office costs are allocated between the segments where possible, or otherwise allocated between the segments using a percentage of units sold basis.

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

Adjusted revenue, adjusted operating profit, TNAV and TNOAV are Alternative Performance Measures ("APMs") for the Group. Further detail on APMs is provided at the end of this report.

Countryside operates entirely within the United Kingdom.

COUNTRYSIDE PROPERTIES PLC
Audited results for the full year ended 30 September 2019

(a) Segmental financial performance

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

	Partnerships £m	Housebuilding £m	Group items £m	Total £m
Year ended 30 September 2018				
Adjusted revenue	634.8	594.7	—	1,229.5
Less: share of revenue from joint ventures and associate	(44.5)	(166.4)	—	(210.9)
Revenue	590.3	428.3	—	1,018.6
Adjusted operating profit/(loss)	110.6	109.6	(8.8)	211.4
Less: share of operating profit from joint ventures and associate	(9.5)	(36.9)	—	(46.4)
Less: non-underlying items (Note 7)	—	—	(15.7)	(15.7)
Operating profit/(loss)	101.1	72.7	(24.5)	149.3

(b) Segmental financial position

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

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

TNAV as at 30 September 2018 has been restated, as described in Note 14.

(c) Segmental other items

	Partnerships £m	Housebuilding £m	Group items £m	Total £m
Year ended 30 September 2019				
Investment in joint ventures	**17.4**	**44.8**	**—**	**62.2**
Investment in associate	**—**	**3.5**	**—**	**3.5**
Share of post-tax profit from joint ventures and associate	**13.3**	**30.8**	**—**	**44.1**
Capital expenditure – property, plant and equipment	**5.0**	**2.8**	**—**	**7.8**
Capital expenditure – software	**0.2**	**—**	**2.9**	**3.1**
Depreciation and amortisation	**1.5**	**0.7**	**11.7**	**13.9**
Share-based payments	**—**	**—**	**6.7**	**6.7**

	Partnerships £m	Housebuilding £m	Group items £m	Total £m
Year ended 30 September 2018				
Investment in joint ventures	13.6	48.9	—	62.5
Investment in associate	—	5.4	—	5.4
Share of post-tax profit from joint ventures and associate	9.6	32.4	—	42.0
Capital expenditure – property, plant and equipment	4.5	0.8	—	5.3
Capital expenditure – software	—	—	1.4	1.4
Depreciation and amortisation	0.7	0.4	6.6	7.7
Share-based payments	—	—	6.8	6.8

5. Employees and Directors

(a) Staff costs for the Group during the year

	2019 £m	2018 £m
The aggregate remuneration for the employees and Directors of the Group comprised:		
Wages and salaries	**108.6**	100.0
Social security costs	**11.2**	11.3
Other pension costs	**5.1**	6.8
Share-based payments (Note 30)	**6.7**	6.8
	131.6	124.9

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

	2019 Number	2018 Number
Development	**1,674**	1,388
Head office	**177**	169
	1,851	1,557

(b) Retirement benefits

All the Group's employees are entitled to join the Group's defined contribution schemes, which are invested with Aegon. Annual contributions to these plans expensed in the statement of comprehensive income amounted to £5.1m (2018: £6.8m), of which £0.7m (2018: £0.5m) was outstanding as at 30 September 2019. The Group does not operate any defined benefit pension schemes.

(c) Directors' emoluments

	2019 £m	2018 £m
Aggregate emoluments	**4.3**	3.7

(d) Emoluments of the highest paid Director

	2019 £m	2018 £m
Aggregate emoluments	**2.3**	2.3

(e) Key management compensation

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

	2019 £m	2018 £m
Salaries and bonus	**7.2**	6.7
Retirement benefits	**0.3**	0.5
Share-based payments	**3.5**	1.6
	11.0	8.8

The disclosures of shares granted under the long-term incentive schemes are included in Note 30.

6. Revenue

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

	2019 £m	2018 £m
Partnerships:		
– Private	**355.2**	336.7
– Affordable	**243.1**	122.2
– PRS	**167.1**	94.5
– Other	**26.9**	36.9
	792.3	590.3
Housebuilding:		
– Private	**312.2**	332.2
– Affordable	**70.1**	62.3
– PRS	**15.4**	—
– Other	**47.1**	33.8
	444.8	428.3
Total	**1,237.1**	1,018.6

At 30 September 2019, the aggregate amount of revenue allocated to unsatisfied performance obligations was £893.5m (2018: £596.9m). The reasons for the increase in the forward order book are discussed in the Strategic Report. Approximately half of these amounts will be recognised within one year with the remainder recognised over varying contractual lengths.

7. Group operating profit

(a) Group operating profit is stated after charging/(crediting)

	Note	2019 £m	2018 £m
Inventories expensed to cost of sales		**964.9**	780.6
Staff costs	5a	**131.6**	124.9
Amortisation of intangible assets	12	**11.7**	6.6
Depreciation of property, plant and equipment	13	**2.2**	1.1
Net provisions against inventories	19	**(0.5)**	2.1
Impairment of inventories	19	**7.4**	—
Operating leases		**7.7**	6.3
Auditor's remuneration		**0.7**	0.5

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

	2019 £m	2018 £m
Fees payable to Group's auditor and its associates for the audit of parent and consolidated financial statements	**0.2**	0.1
Fees payable to Group's auditor and its associates for other services:		
– Audit of subsidiary companies	**0.3**	0.2
– Audit of joint ventures and associate (Group share)	**0.1**	0.1
– Audit-related services	**0.1**	0.1
	0.7	0.5

(b) Non-underlying items

	2019 £m	2018 £m
Non-underlying items included within cost of sales:		
– Impairment of inventories	**(7.4)**	—
Non-underlying items included within administrative expenses:		
– Amortisation of acquisition-related intangible assets	**(10.2)**	(5.6)
– Acquisition and integration costs relating to the Westleigh acquisition	**(1.8)**	(2.7)
– Deferred consideration relating to the Westleigh acquisition	**2.2**	(7.4)
Total non-underlying items	**(17.2)**	(15.7)

Impairment of inventories

During the year, a non-cash charge of £7.4m was recognised to impair the value of inventories in the Group's Manchester region. This is the result of costs accrued over a four-year period not being appropriately recognised in the statement of comprehensive income. The Directors have taken appropriate steps to rectify this and to ensure the issue was contained in this region, including the appointment of Deloitte LLP to assist in the investigation. Disciplinary action has been taken against the members of staff involved.

The amount has been excluded from adjusted operating profit on the basis of its size and non-recurring nature in the year. In accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”, as the amount is not material either individually or in aggregate in preceding financial years, it has not required the restatement of prior years’ financial statements.

Amortisation of acquisition-related intangible assets

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

Acquisition and integration costs relating to the Westleigh acquisition

During the prior financial year, the Group incurred advisory costs relating to the acquisition of Westleigh and subsequent integration costs. During the year ended 30 September 2019, further integration costs have been incurred, including those of property moves and employee severance. No further integration costs will be included in non-underlying items after 30 September 2019.

Deferred consideration relating to the Westleigh acquisition

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

Taxation

A total tax credit of £3.4m (2018: £2.4m) in relation to all of the above non-underlying items was included within taxation in the statement of comprehensive income.

8. Finance costs

	Note	**2019 £m**	2018 £m
Bank loans and overdrafts		**3.4**	3.3
Unwind of discount		**7.9**	8.1
Amortisation of debt finance costs	21	**0.6**	0.6
		11.9	12.0

Unwind of discount relates to land purchases on deferred payment terms.

9. Finance income

	2019 £m	2018 £m
Interest receivable	**0.6**	0.1
Unwind of discount	**0.4**	1.3
	1.0	1.4

Unwind of discount relates to land sales on deferred settlement terms.

10. Income tax expense

Analysis of charge for the year	**2019 £m**	2018 £m
Current tax		
Current year	**33.9**	33.7
Adjustments in respect of prior periods	**—**	(0.1)
Total current tax	**33.9**	33.6
Deferred tax (Note 18)		
Origination and reversal of temporary differences	**1.3**	(1.6)
Adjustments in respect of prior periods	**—**	0.1
Total deferred tax	**1.3**	(1.5)
Total income tax expense	**35.2**	32.1

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

The Group effective tax rate for the year of 17.3% (2018: 17.8%) is lower (2018: lower) than the standard rate of corporation tax in the United Kingdom, which is 19.0% (2018: 19.0%).

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

	2019 £m	2018 £m
Profit before income tax	**203.6**	180.7
Tax calculated at the parent entity rate of tax: 19.0% (2018: 19.0%)	**38.7**	34.3
Adjustments to deferred tax due to reduction in UK tax rates	**—**	0.8
Income not taxable	**(0.3)**	—
Expenses not deductible for tax	**0.1**	0.4
Deferred tax (charged)/credited directly to reserves	**(0.7)**	0.6
Enhanced deductions for land remediation	**(0.2)**	(0.5)
Other timing differences	**(0.2)**	(0.6)
Associate and joint venture tax	**(2.2)**	(2.9)
Income tax expense	**35.2**	32.1

11. Earnings per share

Basic and diluted earnings per share are calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue.

(a) Basic and diluted earnings per share

	2019	2018
Profit from continuing operations attributable to equity holders of the parent (£m)	**167.7**	147.9
Basic weighted average number of shares (millions)	**445.1**	447.5
Basic earnings per share (pence per share)	**37.7**	33.1
Diluted weighted average number of shares (millions)	**450.1**	453.6
Diluted earnings per share (pence per share)	**37.3**	32.6

The basic weighted average number of shares of 445.1 million (2018: 447.5 million) excludes the weighted average number of shares held in the EBT during the year of 4.9 million (2018: 2.5 million).

(b) Adjusted basic and diluted earnings per share

Adjusted basic and diluted earnings per share are APMs for the Group. Further detail on APMs is provided at the end of this report.

Adjusted earnings exclude non-underlying items from Group profit as presented below:

	2019	2018
Profit from continuing operations attributable to equity holders of the parent (£m)	**167.7**	147.9
Add: non-underlying items net of tax (£m)	**13.8**	13.3
Adjusted profit from continuing operations attributable to equity holders of the parent (£m)	**181.5**	161.2
Basic weighted average number of shares (millions)	**445.1**	447.5
Adjusted basic earnings per share (pence per share)	**40.8**	36.0
Diluted weighted average number of shares (millions)	**450.1**	453.6
Adjusted diluted earnings per share (pence per share)	**40.3**	35.5

Non-underlying items net of tax include costs of £17.2m, net of tax of £3.4m (2018: costs of £15.7m, net of tax of £2.4m).

12. Intangible assets

	Software £m	Customer-related £m	Brand £m	Goodwill £m	Total £m
Cost					
At 1 October 2017	3.0	—	24.2	37.8	65.0
Acquired in business combinations (restated)	0.7	42.1	10.4	72.0	125.2
Additions	1.4	—	—	—	1.4
At 30 September 2018 (restated)	5.1	42.1	34.6	109.8	191.6
Additions	3.1	—	—	—	3.1
At 30 September 2019	**8.2**	**42.1**	**34.6**	**109.8**	**194.7**
Accumulated amortisation					
At 1 October 2017	0.6	—	4.9	—	5.5
Amortisation	1.0	3.4	2.2	—	6.6
At 30 September 2018	1.6	3.4	7.1	—	12.1
Amortisation	1.7	6.7	3.3	—	11.7
At 30 September 2019	**3.3**	**10.1**	**10.4**	**—**	**23.8**
Net book value					
At 30 September 2019	**4.9**	**32.0**	**24.2**	**109.8**	**170.9**
At 30 September 2018 (restated)	3.5	38.7	27.5	109.8	179.5

Goodwill

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

	2019 £m	2018 restated £m
Copthorn Holdings Limited (April 2013)	**19.3**	19.3
Millgate Developments Limited (February 2014)	**18.5**	18.5
Westleigh Group Limited (April 2018)	**72.0**	72.0
	109.8	109.8

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

The prior year Group financial statements presented provisional accounting for the acquisition of Westleigh. The Directors' assessment of the fair values of the acquired assets and liabilities has now concluded. As a result, goodwill relating to Westleigh has been restated, as required by IFRS 3 "Business Combinations". Refer to Note 14 for further details.

Impairment testing

Goodwill is tested annually for impairment.

The recoverable amount has been determined as the value in use of the applicable CGU or group of CGUs. The key estimates for the value in use calculation are the forecast cash flows and the discount rates.

Forecast cash flows are derived from the most recent Board-approved five-year plan. The five-year plan considers current market trends and the Group's growth plans and incorporates management's assumptions around economic activity, planned changes to the business model, and expected regulatory and tax changes.

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

Forecast cash flows are discounted using a pre-tax discount rate that reflects the time value of money and the estimated risk profile of the CGU or group of CGUs. The discount rate applied to the Copthorn and Millgate CGUs was 10.7%. The discount rate applied to the Westleigh CGU was 12.7%.

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

Brands

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

	Acquired (year)	Life (years)	**2019 £m**	2018 £m
Countryside	2013	20	**9.1**	9.8
Millgate	2014	20	**7.7**	8.3
Westleigh	2018	5	**7.4**	9.4
			24.2	27.5

Customer-related intangible assets

Customer-related intangible assets of £32.0m (2018: £38.7m) include customer relationships and customer contracts recognised on the acquisition of Westleigh in the prior financial year. Useful economic lives of these assets range between two and a half and ten years, reflecting the range of expected timeframes over which the Group will derive value from these assets.

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

13. Property, plant and equipment

	Plant and machinery £m	Fixtures and fittings £m	Total £m
Cost			
At 1 October 2017	5.8	4.1	9.9
Acquired in business combinations (restated)	0.5	0.4	0.9
Additions	2.4	2.9	5.3
Disposals	(0.2)	—	(0.2)
At 30 September 2018 (restated)	8.5	7.4	15.9
Additions	2.8	5.0	7.8
Disposals	(0.9)	(1.2)	(2.1)
At 30 September 2019	**10.4**	**11.2**	**21.6**
Accumulated depreciation			
At 1 October 2017	4.6	2.7	7.3
Depreciation charge for the year	0.8	0.3	1.1
Disposals	(0.2)	—	(0.2)
At 30 September 2018	5.2	3.0	8.2
Depreciation charge for the year	1.5	0.7	2.2
Disposals	(0.8)	(0.8)	(1.6)
At 30 September 2019	**5.9**	**2.9**	**8.8**
Net book value			
At 30 September 2019	**4.5**	**8.3**	**12.8**
At 30 September 2018 (restated)	3.3	4.4	7.7

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

Property, plant and equipment as at 30 September 2018 has been restated, as described in Note 14.

14. Business combination

On 12 April 2018, the Group acquired 100% of Westleigh, a well-established partnerships homebuilder based in Leicester, as part of the Group's strategy to expand the Partnerships business.

The prior year Group financial statements presented provisional accounting for the acquisition, based on the assessment of fair values that was underway at the time. The Directors' assessment of the fair values of Westleigh's assets and liabilities has now concluded within the measurement period, as defined by IFRS 3. As a result, goodwill relating to Westleigh has been restated as required by IFRS 3. The increase is goodwill of £10.0m is primarily due to the fair value of inventories being reduced by £8.9m, as set out in the table below:

	30 September 2018 reported £m	Adjustments within the measurement period £m	30 September 2018 restated £m
Property, plant and equipment	1.1	(0.2)	0.9
Intangible assets	53.2	—	53.2
Inventory	24.9	(8.9)	16.0
Cash	23.9	—	23.9
Other current assets	23.9	(0.8)	23.1
Other payables	(31.0)	(0.1)	(31.1)
Deferred tax liabilities	(8.5)	—	(8.5)
Borrowings	(72.9)	—	(72.9)
Total identifiable net assets	**14.6**	**(10.0)**	**4.6**
Goodwill	62.0	10.0	72.0
Total	**76.6**	**—**	**76.6**

These changes have been reflected in the comparative presentation of the statement of financial position as at 30 September 2018, with no change to reported financial performance or cash flows of the Group.

15. Investment in joint ventures

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

	2019 Partnerships £m	2019 Housebuilding £m	2019 Group £m	2018 Partnerships £m	2018 Housebuilding £m	2018 Group £m
Summarised statement of financial position:						
Non-current assets	**1.7**	**7.1**	**8.8**	0.5	0.8	1.3
Current assets excluding cash	**78.6**	**212.5**	**291.1**	69.1	257.6	326.7
Cash	**3.5**	**15.5**	**19.0**	10.8	11.6	22.4
Current liabilities	**(45.6)**	**(37.8)**	**(83.4)**	(51.4)	(45.0)	(96.4)
Non-current liabilities	**(3.4)**	**(107.7)**	**(111.1)**	(1.7)	(127.2)	(128.9)
	34.8	**89.6**	**124.4**	27.3	97.8	125.1
Movements in net assets:						
At 1 October	**27.3**	**97.8**	**125.1**	7.8	110.9	118.7
Profit for the year	**26.6**	**54.5**	**81.1**	19.2	56.9	76.1
Dividends paid	**(19.1)**	**(56.1)**	**(75.2)**	(6.1)	(45.3)	(51.4)
Repayment of members' interest	**—**	**(5.8)**	**(5.8)**	—	(24.2)	(24.2)
Other movements	**—**	**(0.8)**	**(0.8)**	—	(0.5)	(0.5)
Investment in new joint ventures	**—**	**—**	**—**	6.4	—	6.4
At 30 September	**34.8**	**89.6**	**124.4**	27.3	97.8	125.1
Summarised statement of comprehensive income:						
Revenue	**89.6**	**263.5**	**353.1**	89.0	307.2	396.2
Expenses	**(63.0)**	**(204.7)**	**(267.7)**	(69.9)	(243.3)	(313.2)
Operating profit	**26.6**	**58.8**	**85.4**	19.1	63.9	83.0
Finance costs	**—**	**(0.5)**	**(0.5)**	—	(1.6)	(1.6)
Income tax expense	**—**	**(3.8)**	**(3.8)**	0.1	(5.4)	(5.3)
Profit for the year	**26.6**	**54.5**	**81.1**	19.2	56.9	76.1
Group's share in %			**50.0%**			50.0%
Share of revenue			**176.6**			198.1
Share of operating profit			**42.7**			41.5
Dividends received by the Group			**37.6**			25.8
Investment in joint ventures			**62.2**			62.5

The amount due from joint ventures is £49.7m (2018: £56.5m) and the amount due to joint ventures is £0.4m (2018: £0.4m). Transactions between the Group and its joint ventures are disclosed in Note 27.

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

	2019 £m	2018 £m
At 1 October	**62.5**	59.4
Share of post-tax profit	**40.6**	38.0
Dividends received	**(37.6)**	(25.8)
Investment in new joint ventures	**—**	3.2
Repayment of members' interest	**(2.9)**	(12.1)
Other movements	**(0.4)**	(0.2)
At 30 September	**62.2**	62.5

Individually material joint ventures

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

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

2018	Acton Gardens LLP £m	Greenwich Millennium Village Ltd £m	Countryside Zest (Beaulieu Park) LLP £m	Countryside L&Q (Oaks Village) LLP £m
	Partnerships	Housebuilding	Housebuilding	Housebuilding
Summarised statement of financial position:				
Non-current assets	0.4	0.8	—	—
Current assets excluding cash	57.6	46.1	171.7	34.5
Cash	8.8	3.4	1.6	0.6
Current liabilities	(47.3)	(8.1)	(28.3)	(2.8)
Non-current liabilities	—	(4.3)	(122.9)	—
	19.5	37.9	22.1	32.3
Movements in net assets:				
At 1 October	6.5	42.9	9.7	52.1
Profit for the year	19.1	15.1	21.4	12.2
Dividends paid	(6.1)	(20.1)	(9.0)	(7.7)
Repayment of members' interest	—	—	—	(24.2)
Other movements	—	—	—	(0.1)
At 30 September	19.5	37.9	22.1	32.3
Summarised statement of comprehensive income:				
Revenue	89.0	80.7	117.3	43.2
Expenses	(69.9)	(62.1)	(94.7)	(31.0)
Operating profit	19.1	18.6	22.6	12.2
Finance costs	—	(0.2)	(1.2)	—
Income tax expense	—	(3.3)	—	—
Profit for the year	19.1	15.1	21.4	12.2

Group's investment in joint ventures

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

	Country of incorporation	Ownership interest %	Principal activity
Acton Gardens LLP	UK	50.0	Development
Brenthall Park (Commercial) Limited	UK	50.0	Dormant
Brenthall Park (Infrastructure) Limited	UK	50.0	Dormant
Brenthall Park (Three) Limited	UK	50.0	Dormant
Brenthall Park Limited	UK	50.0	Dormant
Cambridge Medipark Limited	UK	50.0	Commercial
CBC Estate Management Limited[1]	UK	50.0	Estate management
C.C.B. (Stevenage) Limited[2]	UK	33.3	Non-trading
Countryside 27 Limited	UK	50.0	Commercial
Countryside L&Q (Oaks Village) LLP	UK	50.0	Development
Countryside Annington (Colchester) Limited (in liquidation)[3]	UK	50.0	Development
Countryside Annington (Mill Hill) Limited	UK	50.0	Development
Countryside Clarion (Eastern Quarry) LLP	UK	50.0	Development
Countryside Clarion (North Leigh) LLP	UK	50.0	Dormant
Countryside Properties (Accordia) Limited	UK	50.0	Non-trading
Countryside Properties (Booth Street 2) Limited	UK	39.0	Dormant
Countryside Properties (Merton Abbey Mills) Limited	UK	50.0	Non-trading
Countryside Maritime Limited	UK	50.0	Development
Countryside Neptune LLP	UK	50.0	Development
Countryside Zest (Beaulieu Park) LLP	UK	50.0	Development
Greenwich Millennium Village Limited	UK	50.0	Development
iCO Didsbury Limited	UK	50.0	Commercial
Mann Island Estate Limited	UK	50.0	Estate management
Marrco 25 Limited	UK	50.0	Non-trading
Oaklands Hamlet Resident Management Limited	UK	50.0	Estate management
Peartree Village Management Limited	UK	50.0	Estate management
Silversword Properties Limited	UK	50.0	Commercial
Westleigh Cherry Bank LLP	UK	50.0	Non-trading
Woolwich Countryside Limited (in liquidation)[4]	UK	50.0	Non-trading

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

During the year, the Group acquired the remaining shares of Countryside Properties (Salford Quays) Limited from the joint venture partner. This legal entity is now a 100% owned subsidiary undertaking as disclosed in Note 26. There was no gain or loss recorded on acquisition in the statement of comprehensive income, and the consideration was not material.

No joint venture was committed to the purchase of any property, plant and equipment or software intangible assets as at 30 September 2019 (2018: £Nil).

1. CBC Estate Management has the registered address of The Control Tower, 29 Liberty Square, Kings Hill, West Malling, Kent ME19 4RG.
2. C.C.B. Stevenage has the registered address of Croudace House, Tupwood Lane, Caterham, Surrey CR3 6XQ.
3. Countryside Annington (Colchester) has the registered address of The Old Exchange, 234 Southchurch Road, Southend On Sea, Essex SS1 2EG.
4. Woolwich Countryside has the registered address of 15 Canada Square, London E14 5GL.

16. Investment in associate

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

The Group's investment in associate is represented by:

	2019 £m	2018 £m
Summarised statement of financial position:		
Non-current assets	**1.0**	—
Current assets excluding cash	**20.8**	37.3
Cash	**24.8**	25.0
Current liabilities	**(32.8)**	(41.4)
Non-current liabilities	**(1.5)**	(1.7)
	12.3	19.2
Movements in net assets:		
At 1 October	**19.2**	9.0
Profit for the year	**12.4**	14.2
Dividends paid	**(19.3)**	(4.0)
At 30 September	**12.3**	19.2
Summarised statement of comprehensive income:		
Revenue	**32.1**	45.1
Expenses	**(17.6)**	(27.5)
Operating profit	**14.5**	17.6
Finance income	**1.0**	0.1
Income tax expense	**(3.1)**	(3.5)
Profit for the year	**12.4**	14.2
Group's share in %	**28.5%**	28.5%
Share of revenue	**9.1**	12.8
Share of operating profit	**4.1**	4.9
Dividends received by the Group	**5.5**	1.1
Investment in associate	**3.5**	5.4

No amounts are due to or from the associate as at 30 September 2019 (2018: £Nil).

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

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

	2019 £m	2018 £m
Reconciliation to carrying amount:		
At 1 October	**5.4**	2.6
Share of post-tax profit	**3.5**	4.0
Dividends received	**(5.5)**	(1.1)
Other movements	**0.1**	(0.1)
At 30 September	**3.5**	5.4

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

17. Financial assets at fair value through profit or loss

	2019 Overage receivable £m	2018 Overage receivable £m	2018 Shared equity loans £m
At 1 October	**4.1**	—	7.4
Newly recognised assets	**—**	4.1	—
Increase in fair value	**0.9**	—	0.1
Unwind of discount	**—**	—	0.2
Disposal	**—**	—	(7.4)
Redemptions	**—**	—	(0.3)
At 30 September	**5.0**	4.1	—

Overage receivable

Financial assets at fair value through profit or loss at 30 September 2019 relate solely to a deferred land overage receivable. This receivable reflects sums which the Group is virtually certain to receive, resulting from agreements where land has been sold to a third-party and in which the Group is entitled to a share of surplus profits once development is completed on the land sold. The carrying value of the receivable is adjusted to fair value at each reporting date and the timing of receipt is uncertain.

The overage receivable is held at fair value, being the Directors' best estimate of the value that could be achieved in a presumed sale of these assets to a third-party, after taking into account judgements of the variability of the expected final cash value, the time value of money and the degree of completion of the developments.

Given that the inputs are estimated and not observed in a market, the fair value is classified as Level 3 in the fair value hierarchy.

Shared equity loans

During the prior financial year, the Group disposed of all of its shared equity loans that were previously classified as available for sale financial assets. IAS 39 continues to apply to these assets as they were derecognised prior to the date of initial application of IFRS 9.

18. Deferred tax assets and liabilities

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

	2019 £m	2018 £m
Amounts due to be recovered within one year	**1.6**	2.2
Amounts due to be recovered after more than one year	**3.7**	7.1
	5.3	9.3

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

	2019 £m	2018 £m
Amounts due to be settled after more than one year	**10.9**	12.9

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

	Losses £m	Share-based payments £m	Other timing differences £m	Total £m
At 1 October 2017	0.9	1.9	—	2.8
(Charge)/credit to the statement of comprehensive income for the year	(0.9)	1.1	1.3	1.5
Amount transferred to the statement of changes in equity	—	0.6	—	0.6
Deferred tax recorded on acquisition	—	—	(8.5)	(8.5)
At 30 September 2018	—	3.6	(7.2)	(3.6)
Charge to the statement of comprehensive income for the year	—	(0.6)	(0.7)	(1.3)
Amount transferred to the statement of changes in equity	—	(0.7)	—	(0.7)
At 30 September 2019	**—**	**2.3**	**(7.9)**	**(5.6)**

Temporary differences arising in connection with interests in joint ventures and associate are not significant. Unrecognised tax assets on joint ventures and associate are £0.6m on historical losses of £3.5m (2018: £0.6m on historical losses of £3.5m). No deferred tax asset has been recognised in relation to losses where it is considered that they are not recoverable in the near future. The Group has unrecognised deferred tax assets of £1.2m on historical losses of £7.0m (2018: £1.2m on historical losses of £7.0m).

19. Inventories

	2019 £m	2018 restated £m
Development land and work in progress	**741.4**	672.6
Completed properties unsold or awaiting sale	**67.2**	68.2
	808.6	740.8

Development land and work in progress includes land options with a carrying value of £24.2m (2018: £20.5m).

Interest incurred on deferred land purchases amounting to £Nil (2018: £Nil) was capitalised during the year to inventories.

Total provisions against inventories as at 30 September 2019 were £3.5m (2018: £5.7m), as set out below. An impairment charge of £7.4m (2018: £Nil) was recognised against inventories during the year, as described in Note 7.

	2019 £m	2018 £m
At 1 October	**5.7**	4.8
Charged in the year	**—**	2.4
Released in the year	**(0.5)**	(0.3)
Utilised in the year	**(1.7)**	(1.2)
At 30 September	**3.5**	5.7

Inventories as at 30 September 2018 have been restated, as described in Note 14.

20. Trade and other receivables

	2019 £m	2018 restated £m
Amounts falling due within one year:		
Trade receivables	**57.2**	45.1
Amounts recoverable on construction contracts	**78.5**	45.2
Amounts owed by joint ventures	**49.7**	56.5
Other taxation and social security	**14.9**	9.5
Other receivables	**0.3**	1.8
Prepayments and accrued income	**32.2**	7.8
	232.8	165.9
Amounts falling due in more than one year:		
Trade receivables	**—**	12.8
Amounts recoverable on construction contracts	**15.2**	9.0
	15.2	21.8
Total trade and other receivables	**248.0**	187.7

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

The Directors are of the opinion that there are no significant concentrations of credit risk (Note 29). Trade receivables outstanding past their due date are £1.1m (2018: £0.8m); however, £Nil was impaired (2018: £Nil).

A provision of £8.0m (2018: £8.0m) is held against amounts due from Countryside Neptune LLP, a joint venture, to reflect the Directors’ view of the recoverability of this advance. The other classes within trade and other receivables do not contain impaired assets.

Trade and other receivables includes £25.7m of contract assets (2018: £3.0m) relating to uninvoiced amounts where revenue has been recognised in the statement of comprehensive income. Substantially all of the uninvoiced amounts as at 1 October 2018 were subsequently invoiced and the cash received during the year.

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.

Trade and other receivables as at 30 September 2018 have been restated, as described in Note 14.

21. Cash and borrowings

(a) Net cash and cash equivalents

	2019 £m	2018 £m
Net cash and cash equivalents	**75.6**	47.2

Net cash and cash equivalents comprise cash and short-term deposits of £75.6m (2018: £47.2m) and overdrafts of £Nil (2018: £Nil). Cash and cash equivalents of £34.4m (2018: £34.5m) are available to offset against amounts drawn under the Group’s revolving credit facility. There is £Nil (2018: £Nil) ring-fenced for specific developments. At 30 September 2019, all financial assets held were in Sterling.

Cash and cash equivalents available for offset

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

(b) Borrowings

	2019 £m	2018 £m
Other loans	**2.2**	2.2

Bank loans

The Group has a £300m revolving credit facility with Lloyds Bank plc, Barclays Bank PLC, HSBC Bank plc and Santander UK plc, expiring in May 2023. The agreement has a variable interest rate based on LIBOR and includes an overdraft facility of £30m. As at 30 September 2019, the Group had drawn down £Nil of the facility (2018: £Nil).

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

Bank loan arrangement fees are amortised over the term of the facility. At 30 September 2019, unamortised loan arrangement fees were £2.0m (2018: £2.6m) and £0.6m (2018: £0.6m) of amortisation is included in finance costs in the statement of comprehensive income (Note 8). As the Group did not have any debt under this facility at 30 September 2019 or 30 September 2018, the unamortised loan arrangement fees are included within prepayments in the statement of financial position.

Other loans

During the prior financial year, the Group received an interest-free loan of £2.5m for the purpose of remediation works in relation to one of its joint operations. The loan is repayable on 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.

(c) Alternative Performance Measure – Net debt

Net debt is calculated as borrowings less net cash and cash equivalents, and excludes debt arrangement fees including in borrowings. The table below presents the calculation of net debt:

	2019 £m	2018 £m
Borrowings	**2.2**	2.2
Less: net cash and cash equivalents	**(75.6)**	(47.2)
Net debt/(cash)	**(73.4)**	(45.0)

22. Trade and other payables

	2019 £m	2018 restated £m
Amounts falling due within one year:		
Trade payables	**50.7**	69.4
Deferred land payments	**73.0**	82.0
Overage payable	**7.4**	27.7
Accruals and deferred income	**160.2**	131.6
Other taxation and social security	**3.3**	3.0
Other payables	**27.6**	3.5
Amounts due to joint ventures	**0.4**	0.4
	322.6	317.6
Amounts falling due in more than one year:		
Trade payables	**17.9**	1.3
Deferred land payments	**85.3**	45.6
Overage payable	**26.5**	25.2
Accruals and deferred income	**0.3**	1.4
Other payables	**—**	20.3
	130.0	93.8
Total trade and other payables	**452.6**	411.4

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 2019, the liabilities had been discounted by £12.4m (2018: £12.4m), reflecting the time value of money.

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

Deferred land payments include £2.4m (2018: £4.8m) relating to land acquisitions using promissory notes, issued under the Group's revolving credit facility.

Other payables include £18.1m (2018: £20.2m) of acquisition-related deferred consideration and remuneration payable in March 2020.

Trade and other payables include £2.3m (2018: £1.9m) of contract liabilities, where the value of payments made by customers exceeds the revenue recognised in the statement of comprehensive income. Substantially all of the contract liabilities at 1 October 2018 have been recognised as revenue during the year.

Trade and other payables as at 30 September 2018 have been restated, as described in Note 14.

23. Provisions

	2019 £m	2018 £m
At 1 October	**5.3**	2.6
Charged in the year	**0.4**	1.2
Released in the year	**(2.5)**	—
Utilised in the year	**(0.9)**	(0.3)
Reclassification	**0.1**	1.8
At 30 September	**2.4**	5.3
Disclosed as current liabilities	**1.8**	4.2
Disclosed as non-current liabilities	**0.6**	1.1
	2.4	5.3

Provisions held relate mostly to dilapidation and onerous lease costs. Provisions are discounted, where appropriate.

24. Share capital

	Number of shares			
	2019 m	2018 m	2019 £m	2018 £m
Allotted, issued and fully paid				
Ordinary shares of £0.01 each	**450**	450	**4.5**	4.5

Purchase of shares by Employee Benefit Trust

The Employee Benefit Trust ("EBT") was established by the Company to acquire shares on its behalf. The EBT has waived its right to vote and to dividends on the shares it holds which are unallocated.

The EBT acquired 4,500,000 shares in the Group through purchases on the London Stock Exchange in October 2018 to meet the Group's expected obligations under share-based incentive arrangements. The total amount paid to acquire the shares was £13.0m.

The EBT acquired a further 1,000,000 shares on 15 July 2019 for £3.0m using proceeds from Save As You Earn ("SAYE") schemes.

The number of shares held in the EBT as at 30 September 2019 was 3,959,289 (2018: 3,164,054).

25. Notes to the cash flow statement

Reconciliation of profit before income tax to cash generated from operations

	Note	2019 £m	2018 £m
Profit before income tax		**203.6**	180.7
Adjustments for:			
– Amortisation charge	12	**11.7**	6.6
– Depreciation charge	13	**2.2**	1.1
– Share of post-tax profit from joint ventures and associate	15, 16	**(44.1)**	(42.0)
– Share-based payments (pre-tax)	30	**6.7**	6.8
– Finance costs	8	**11.9**	12.0
– Finance income	9	**(1.0)**	(1.4)
– Loss on disposal of property, plant and equipment		**0.2**	—
– Profit on disposal of available for sale financial assets		**—**	(1.0)
– Fair value gain on financial assets held at fair value through profit or loss	17	**(0.9)**	—
– Other non-cash items		**(0.1)**	0.3
Changes in working capital:			
– Increase in inventories		**(67.8)**	(59.3)
– Increase in trade and other receivables		**(66.7)**	(26.8)
– Increase in trade and other payables		**34.1**	31.7
– (Decrease)/increase in provisions	23	**(2.9)**	2.7
Cash generated from operations		**86.9**	111.4

26. Investments

The Company substantially owns, directly or indirectly, the whole of the issued and fully paid ordinary share capital of its subsidiary undertakings. Subsidiary undertakings of the Group as at 30 September 2019 are presented below:

	Country of incorporation	Voting rights %	Principal activity
Direct investment			
Copthorn Holdings Limited	UK	100	Holding company
Stonefield Edge (Bilston) Management Company Limited	UK	100	Estate management
Indirect investment			
Alma Estate (Enfield) Management Company Limited	UK	100	Estate management
Beaulieu Park Limited	UK	100	Dormant
Brenthall Park (One) Limited	UK	100	Dormant

	Country of incorporation	Voting rights %	Principal activity
Indirect investment (continued)			
Breedon Place Management Company Limited	UK	100	Estate management
Countryside 26 Limited	UK	100	Development
Countryside 28 Limited	UK	100	Development
Countryside Build Limited	UK	100	Dormant
Countryside Cambridge One Limited	UK	100	Holding land
Countryside Cambridge Two Limited	UK	100	Holding land
Countryside Commercial & Industrial Properties Limited	UK	100	Dormant
Countryside Developments Limited	UK	100	Dormant
Countryside Eight Limited	UK	100	Dormant
Countryside Four Limited	UK	100	Holding company
Countryside Investments Limited	UK	100	Dormant
Countryside Properties (Commercial) Limited	UK	100	Dormant
Countryside Properties (Holdings) Limited	UK	100	Holding company
Countryside Properties (In Partnership) Limited	UK	100	Dormant
Countryside Properties (Joint Ventures) Limited	UK	100	Holding company
Countryside Properties Land (One) Limited	UK	100	Holding land
Countryside Properties Land (Two) Limited	UK	100	Holding land
Countryside Properties (London & Thames Gateway) Limited	UK	100	Dormant
Countryside Properties (Northern) Limited	UK	100	Non-trading
Countryside Properties (Salford Quays) Limited	UK	100	Non-trading
Countryside Properties (Southern) Limited	UK	100	Dormant
Countryside Properties (Special Projects) Limited	UK	100	Dormant
Countryside Properties (Springhead) Limited	UK	100	Development
Countryside Properties (Uberior) Limited	UK	100	Development
Countryside Properties (UK) Limited	UK	100	Development
Countryside Properties (WGL) Limited	UK	100	Holding company
Countryside Properties (WHL) Limited	UK	100	Holding company
Countryside Properties (WPL) Limited	UK	100	Development
Countryside Residential Limited	UK	100	Dormant
Countryside Residential (South Thames) Limited	UK	100	Dormant
Countryside Residential (South West) Limited	UK	100	Dormant
Countryside Seven Limited	UK	100	Dormant
Countryside Sigma Limited	UK	74.9	Development
Countryside Thirteen Limited	UK	100	Development
Countryside Timber Frame Limited	UK	100	Manufacturing
Countryside (UK) Limited	UK	100	Dormant
Dunton Garden Suburb Limited	UK	100	Land promotion
Fresh Wharf Residents Management Company Limited	UK	100	Estate management
Harold Wood Management Limited	UK	100	Estate management
Hilborn Management Company Limited	UK	100	Estate management
Knight Strategic Land Limited	UK	100	Land promotion
Lakenmoor Ltd	UK	100	Dormant
Mandeville Place (Radwinter) Management Limited	UK	100	Estate management
Millgate Developments Limited	UK	100	Development
Millgate Homes Limited	UK	100	Dormant
Millgate Homes UK Limited	UK	100	Dormant
Millgate (UK) Holdings Limited	UK	100	Holding company
New Avenue (Cockfosters) Management Company Limited	UK	100	Estate management
Newhall Land Limited	UK	100	Development
Newhall Resident Management Company Limited	UK	100	Estate management
Parklands Manor Management Company Limited	UK	100	Estate management
Skyline 120 Management Limited	UK	100	Estate management
Skyline 120 Nexus Management Limited	UK	100	Estate management
Springhead Resident Management Company Limited	UK	100	Estate management
South at Didsbury Point Two Management Limited	UK	100	Estate management
Trinity Place Residential Management Company Limited	UK	100	Estate management
Urban Hive Hackney Management Limited	UK	100	Estate management
Watersplash Lane Management Company Limited	UK	100	Estate management
Westframe Limited	UK	100	Dormant
Westleigh Construction Limited	UK	100	Dormant
Westleigh LNT Limited	UK	100	Dormant
Westleigh Homes Limited	UK	100	Dormant
Wychwood Park Golf Club Limited	UK	100	Dormant
York Road (Maidenhead) Management Limited	UK	100	Estate management

All subsidiaries are fully consolidated, after eliminating intergroup transactions. The address of the registered office of all the subsidiaries is Countryside House, The Drive, Brentwood, Essex CM13 3AT, except for the following. The registered office address of Millgate Developments Limited, Breedon Place Management Company Limited, Hilborn Management Company Limited, Parklands Manor Management Company Limited and Watersplash Lane Management Company Limited is Millgate House, Ruscombe Lane, Twyford, Berkshire RG10 9JT. The registered office address of Stonefield Edge (Bilston) Management Company Limited is Unit 7 Portal Business Park, Eaton Lane, Tarporley CW6 9DL.

27. Related party transactions

Transactions with joint ventures and associate

	Joint ventures		Associate	
	2019 **£m**	2018 £m	**2019** **£m**	2018 £m
Sales during the year	**29.8**	20.2	**2.4**	1.7
Net advances to joint ventures and associate at 1 October	**56.1**	67.6	**—**	—
Net repayments during the year	**(6.8)**	(11.5)	**—**	—
Net advances to joint ventures and associate at 30 September	**49.3**	56.1	**—**	—

The transactions noted above are between the Group and its joint ventures and associate, the details of which are described in Note 15 and Note 16 respectively.

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

Remuneration of key management personnel

Key management personnel are deemed to be the Executive Committee, along with other Directors of the Company, including the Non-Executive Directors. The aggregate remuneration of these personnel during the year was £11.0m (2018: £8.8m).

Transactions with key management personnel

In 2014, properties were sold at market value by the Group to a company of which Graham Cherry is a Director and shareholder. The Group leased back these properties incurring rental expenses of £21,000 in the prior financial year. The Group no longer leases these properties and therefore payments during the year ended 30 September 2019 were £Nil.

During the prior financial year, a close family member of Ian Sutcliffe and a close family member of Graham Cherry were employed by a subsidiary of the Group. During the year ended 30 September 2019, two close family members of Phillip Lyons were also employed by a subsidiary of the Group. All of 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 (2018: less than £110,000).

28. Financial instruments

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

	Financial assets at amortised cost £m	Financial assets at fair value through profit or loss £m	Total £m
2019			
Assets			
Financial assets at fair value through profit or loss	**—**	**5.0**	**5.0**
Trade and other receivables	**151.2**	**—**	**151.2**
Amounts due from joint ventures	**49.7**	**—**	**49.7**
Cash and cash equivalents	**75.6**	**—**	**75.6**
	276.5	**5.0**	**281.5**
2018			
Assets			
Financial assets at fair value through profit or loss	—	4.1	4.1
Trade and other receivables	113.9	—	113.9
Amounts due from joint ventures	56.5	—	56.5
Cash and cash equivalents	47.2	—	47.2
	217.6	4.1	221.7

Trade and other receivables presented above excludes "Prepayments and accrued income" and "Other taxation and social security".

	Other financial liabilities at amortised cost £m
2019	
Liabilities	
Other loans	**2.2**
Deferred land payments and overage payable	**192.2**
Other trade and other payables	**96.2**
Amount due to joint ventures	**0.4**
	291.0
2018	
Liabilities	
Other loans	2.2
Deferred land payments and overage payable	180.5
Other trade and other payables	94.5
Amount due to joint ventures	0.4
	277.6

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

Fair value estimation

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

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

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

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

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

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
2019				
Assets				
Financial assets at fair value through profit or loss	**—**	**—**	**5.0**	**5.0**
2018				
Assets				
Financial assets at fair value through profit or loss	—	—	4.1	4.1

There were no transfers between levels during the year.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

29. Financial risk management

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

Liquidity risk

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

Maturity analysis

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

	Less than one year £m	One to two years £m	Two to five years £m	Over five years £m	Total £m
2019					
Assets					
Cash and cash equivalents	**75.6**	**—**	**—**	**—**	**75.6**
Financial assets at fair value through profit or loss	**5.0**	**—**	**—**	**—**	**5.0**
Trade and other receivables	**136.4**	**9.9**	**5.3**	**—**	**151.6**
Amounts due from joint ventures	**49.7**	**—**	**—**	**—**	**49.7**
	266.7	**9.9**	**5.3**	**—**	**281.9**
2019					
Liabilities					
Other loans	**—**	**—**	**2.5**	**—**	**2.5**
Deferred land payments and overage payable	**82.2**	**80.0**	**26.7**	**15.7**	**204.6**
Other trade and other payables	**78.3**	**9.5**	**8.2**	**0.2**	**96.2**
Amounts due to joint ventures	**0.4**	**—**	**—**	**—**	**0.4**
	160.9	**89.5**	**37.4**	**15.9**	**303.7**
2018					
Assets					
Cash and cash equivalents	47.2	—	—	—	47.2
Financial assets at fair value through profit or loss	4.1	—	—	—	4.1
Trade and other receivables	95.4	19.0	—	—	114.4
Amounts due from joint ventures	56.5	—	—	—	56.5
	203.2	19.0	—	—	222.2
2018					
Liabilities					
Other loans	—	—	2.5	—	2.5
Deferred land payments and overage payable	110.4	34.3	33.1	15.1	192.9
Other trade and other payables	72.9	21.6	—	—	94.5
Amounts due to joint ventures	0.4	—	—	—	0.4
	183.7	55.9	35.6	15.1	290.3

Interest rate risk

Interest rate risk reflects the Group's exposure to fluctuations in interest rates in the market. This risk arises from bank loans that are drawn under the Group's loan facilities with variable interest rates based upon UK LIBOR. For the year ended 30 September 2019 it is estimated that an increase of 0.5% to UK LIBOR would have decreased the Group's profit before tax by £0.5m (2018: £0.3m).

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

	Fixed rate £m	Floating rate £m	Non-interest bearing £m	Total £m
2019				
Liabilities				
Other loans	**—**	**—**	**2.2**	**2.2**
Deferred land payments and overage payable	**—**	**2.4**	**189.8**	**192.2**
Other trade and other payables	**—**	**—**	**96.2**	**96.2**
Amounts due to joint ventures	**—**	**—**	**0.4**	**0.4**
	—	**2.4**	**288.6**	**291.0**
2018				
Liabilities				
Other loans	—	—	2.2	2.2
Deferred land payments and overage payable	—	4.8	175.7	180.5
Other trade and other payables	3.0	—	91.5	94.5
Amounts due to joint ventures	—	—	0.4	0.4
	3.0	4.8	269.8	277.6

Floating rate deferred land payments and overage payable of £2.4m (2018: £4.8m) relates to land acquisitions using promissory notes, issued under the Group's revolving credit facility.

The Group's financial assets are non-interest bearing with the exception of cash and cash equivalents of £75.6m (2018: £47.2m) which attracts interest at floating rates.

The Group has no exposure to foreign currency risk.

Housing market risk

The Group is affected by price fluctuations in the UK housing market. These are in turn affected by the wider economic conditions such as mortgage availability and associated interest rates, employment and consumer confidence. Whilst these risks are beyond the Group's ultimate control, risk is spread across business activities undertaken by the Group and the geographic regions in which it operates.

Credit risk

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

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

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

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

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

Capital management

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

	2019 £m	2018 £m
Total borrowings	**2.2**	2.2
Total equity	**899.1**	793.7
Total capital	**901.3**	795.9

30. Share-based payments

The Group recognised £6.7m (2018: £6.8m) of employee costs related to share-based payment transactions during the financial year, excluding accrued National Insurance contributions. A deferred tax asset of £2.3m (2018: £3.6m) is held in relation to these transactions, of which £0.6m was charged to the statement of comprehensive income (2018: £1.1m credit) and £0.7m was charged directly to equity (2018: £0.6m credit).

National Insurance contributions are payable in respect of certain share-based payment transactions and are treated as cash-settled transactions. The cost of these contributions during the year was £0.8m (2018: £1.1m). At 30 September

2019, the carrying amount of National Insurance contributions payable was £2.0m (2018: £2.3m), which is included in accruals within trade and other payables in the statement of financial position.

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

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

The Group operates an SRSOS, which is open to all employees at the date of invitation. This is a UK tax-advantaged SAYE plan.

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

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

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

Movements in the year	Instruments m	Instruments m	Instruments m	Instruments m
Options outstanding at 1 October 2017	—	—	0.7	2.3
Granted	—	0.6	—	—
Lapsed	—	—	—	—
Forfeited	—	(0.1)	(0.1)	(0.2)
Options outstanding at 30 September 2018	—	0.5	0.6	2.1
Granted	2.1	—	—	—
Lapsed	—	—	—	—
Forfeited	—	(0.1)	(0.1)	—
Exercised	—	—	—	(2.0)
Options outstanding at 30 September 2019	**2.1**	**0.4**	**0.5**	**0.1**

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

Options under the March 2016 grant vested on 1 April 2019, with 67% of potential options vesting. The average share price during the year ended 30 September 2019 was 307 pence.

Awards under the December 2016 grant will vest on 1 February 2020.

The weighted average remaining contractual life of share options outstanding at 30 September 2019 was 2.1 years (2018: 0.9 years).

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

Under the LTIP, shares are conditionally awarded to senior managers of the Group. The core awards are calculated as a percentage of the participants' salaries and scaled according to grade. The awards are assessed against ROCE, TNAV and relative total shareholder return ("TSR").

Straight line vesting will apply if performance falls between threshold and target or target and maximum. Performance will be measured at the end of the three-year performance period. If the required level of performance has been reached, the awards vest and the shares under award will be released. For grants from 1 October 2018, once released, the shares are subject to a two-year post-vesting holding period. Dividends do not accrue on the shares that vest.

The weighted average remaining contractual life of LTIP awards outstanding at 30 September 2019 was 1.2 years (2018: 1.3 years). Details of the shares conditionally allocated at 30 September 2019 are set out below.

The conditional shares were valued using the following methods:

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

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

Date of grant	19 December 2018	19 December 2017	22 May 2017	15 December 2016	18 February 2016
Awards granted (millions)	3.5	2.7	0.2	3.7	3.8
Share price at date of grant (pence)	288	349	299	236	237
Exercise price (pence)	nil	nil	nil	nil	nil
Volatility (%)	35	38	28	28	29
Award life (years)	3	3	3	3	3
Expected dividend yield (%)	4.8	3.5	3.0	3.0	3.0
Risk-free rate (%)	0.7	0.6	1.0	1.0	1.0
TNAV/ROCE fair value per conditional share – Black Scholes (pence)	170	220	179	151	153
TSR fair value per conditional share – Monte Carlo (pence)	45	54	46	40	42
Fair value per conditional share – total (pence)	215	274	225	191	195

Movements in the year	Instruments m	Instruments m	Instruments m	Instruments m	Instruments m
Awards outstanding at 1 October 2017	—	—	0.2	3.4	3.4
Granted	—	2.7	—	—	—
Lapsed	—	—	—	(0.2)	(0.2)
Awards outstanding at 30 September 2018	—	2.7	0.2	3.2	3.2
Granted	3.5	—	—	—	—
Lapsed	(0.4)	(0.1)	—	(0.1)	(0.5)
Forfeited	(0.1)	(0.1)	—	—	—
Exercised	—	—	—	—	(2.7)
Awards outstanding at 30 September 2019	**3.0**	**2.5**	**0.2**	**3.1**	**—**

The first awards under the Plan vested on 18 February 2019 with 71.1% of potential awards vesting. Awards under the December 2016 grant will vest on 16 December 2019. The performance conditions for this award were measured at 30 September 2019 and 77.9% of the awards outstanding will vest.

(c) Deferred Bonus Plan ("DBP")

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

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

During the year, 0.4 million shares were conditionally allocated on 19 December 2018 (2018: 0.4 million) with the share price on the date of grant being 288 pence. A reconciliation of the number of shares conditionally allocated is shown below:

Movements in the year	19 December 2018 m	19 December 2017 m	15 December 2016 m
Awards outstanding at 1 October 2017	—	—	0.5
Granted	—	0.4	—
Awards outstanding at 30 September 2018	—	0.4	0.5
Granted	0.4	—	—
Awards outstanding at 30 September 2019	**0.4**	**0.4**	**0.5**

31. Operating lease commitments

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

The Group also leases various vehicles, under cancellable lease agreements. The Group is required to give a six-month notice for termination of these agreements.

The charge to the statement of comprehensive income relating to operating leases during the year was £7.7m (2018: £6.3m).

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

	2019 £m	2018 £m
Within one year	**5.6**	5.2
Later than one year and less than five years	**13.8**	10.2
After five years	**7.5**	10.7
	26.9	26.1

32. Capital commitments
The Group was not committed to the purchase of any property, plant and equipment or software intangible assets at 30 September 2019 (2018: £Nil).

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

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

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

During the year, the Competition & Markets Authority commenced an inquiry into the sale of leasehold properties. We are fully co-operating with this sector-wide inquiry and the Directors believe that no liability exists in relation to this matter as at 30 September 2019.

During the year, an amendment to Building Regulations banned the use of combustible materials on the external cladding of tall buildings. The Directors have commissioned an independent third-party review of historical developments and no provision has been made for works as at 30 September 2019. This will be reviewed in the year ending 30 September 2020 when the third-party review has been concluded.

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

	2019 £m	2018 £m
Prior year final dividend per share of 6.6 pence (2018: 5.0 pence)	**29.2**	22.3
Current year interim dividend per share of 6.0 pence (2018: 4.2 pence)	**26.8**	18.8
	56.0	41.1

The Board of Directors recommend a final dividend of 10.3 pence per share, amounting to a total dividend of £45.9m (2018: £29.2m) which will be paid on 7 February 2020 to shareholders on the register on 20 December 2019, subject to shareholder approval. The recommended dividend has not been recognised as a liability in these financial statements as the shareholders' right to receive the dividend had not been established at 30 September 2019.

36. Adoption of new and revised accounting standards
During the financial year ended 30 September 2019, the Group has adopted the following accounting standards issued by the International Accounting Standards Board ("IASB"):

- IFRS 9 "Financial Instruments"
- IFRS 15 "Revenue from Contracts with Customers"

The impact of the adoption of these new standards on the Group's financial statements is explained below.

IFRS 9 "Financial Instruments"

Classification and measurement of financial assets

IFRS 9 replaces the guidance in IAS 39 "Financial Instruments: Recognition and Measurement" and addresses the classification, measurement, impairment and recognition of financial assets and financial liabilities.

Financial assets previously classified as loans and receivables under IAS 39 have been classified and measured at amortised cost under IFRS 9.

Financial assets previously classified as available for sale have been classified and measured at fair value through profit or loss under IFRS 9. Prior to the implementation of IFRS 9, changes to the fair value of available for sale financial assets were recorded within reserves, to the extent available. On transition to IFRS 9, fair value gains and losses are recorded directly in the statement of comprehensive income.

At the date of initial application of IFRS 9, available for sale financial assets related solely to a deferred land overage receivable (Note 17). There had been no changes to fair value recorded on the overage receivable from the date of initial recognition to the date of transition to IFRS 9. As a result, no adjustments were required on transition to IFRS 9.

During the prior financial year, the Group disposed of all of its shared equity loans that were previously classified as available for sale financial assets. IAS 39 continues to apply to these assets as they were derecognised prior to the date of initial application of IFRS 9.

Impairment of financial assets

IFRS 9 also requires the Group to recognise expected credit losses ("ECL") and to update the amount of ECL recognised at each reporting date to reflect changes in the credit risk of financial assets.

The Group applies the simplified approach under IFRS 9. This involves measuring the lifetime ECL for trade and other receivables at all times. Given the nature of the receivables and lack of significant exposure to ECL, no adjustments were required on transition to IFRS 9.

IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 replaces IAS 18 "Revenue", IAS 11 "Construction Contracts" and related interpretations. The core principle of IFRS 15 is that an entity will recognise revenue to reflect the transfer of goods and services to customers at the amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

IFRS 15 introduces a five-step approach to the timing of revenue recognition based on performance obligations in contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service.

A full assessment of the Group's principal revenue streams against the requirements of IFRS 15 has been performed as set out in the table below.

IFRS 15 has been adopted using the modified retrospective approach with no restatement of comparative information.

The impact of IFRS 15 on the Group is as follows:

- proceeds from the sale of part exchange properties are now presented as revenue, as opposed to an offset to cost of sales; and
- where there are residual obligations in land sale contracts that are not satisfied at the balance sheet date, an element of the transaction price is deferred into future periods.

During the year ended 30 September 2019, £9.1m of revenue has been recognised on the sale of part exchange properties, or £10.3m on an adjusted basis. Income from the sale of part exchange properties recognised within cost of sales for the year ended 30 September 2018 was £9.9m, or £11.8m on an adjusted basis.

During the year ended 30 September 2019, £0.7m of revenue, and £0.2m of related profit, has been deferred relating to residual obligations in land sale contracts that have not been satisfied at the balance sheet date (£3.0m of revenue and £0.6m of related profit on an adjusted basis). This is expected to be realised during the year ending 30 September 2020.

An assessment of the Group's principal revenue streams against the requirements of IFRS 15 is set out below:

Revenue stream	Nature, timing of satisfaction of performance obligations and significant payment terms	Impact of IFRS 15 compared with previous accounting standards
Private housing	Revenue is recognised at a point in time on legal completion as this is when the customer obtains control of the property. Cash is received by the Group on legal completion and there is no variable or financing component to the consideration received.	Under IAS 18, revenue was recognised when the risks and rewards were transferred to the customer, which was deemed to be on legal completion. There is therefore no impact on the timing of revenue recognition on transition to IFRS 15.
Sale of part exchange properties	Revenue is recognised at a point in time on legal completion of the part exchange property as this is when the customer obtains control of the property. Cash is received on completion and there is no variable or financing component to the consideration received.	Under IAS 18, the profit/(loss) on the sale of a part exchange property was included within cost of sales, linked to a sale of a Countryside property. Under IFRS 15, the sale of the part exchange property is treated as a separate transaction with revenue recognised in line with the treatment of private housing. The proceeds are presented within private revenue.
Affordable housing and PRS contracts	Revenue is recognised over time based on surveyor-certified valuations of work performed at the balance sheet date. As the build progresses, customer-controlled assets are created, with the design tailored to the specification of the customer. The Group has an enforceable right to be paid for the work completed to date and invoices are issued and paid over the life of the development.	These contracts were previously recognised in accordance with IAS 11 with revenue and costs recognised by reference to stage of completion of the contract activity. There is therefore no impact of the timing of revenue recognition on transition to IFRS 15.
Land sales	Revenue is recognised at a point in time on unconditional exchange of contracts as this is the point at which the Group is considered to have satisfied its performance obligations. 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. 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.	Under IAS 18, revenue was recognised when the risks and rewards were transferred to the customer, which was deemed to be on unconditional exchange of contracts. Under IFRS 15, the land sale will continue to be recognised on unconditional exchange of contracts. If 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.
Commercial sales	Revenue is typically recognised at a point in time on unconditional exchange of contracts as this is the point at which the Group is considered to have satisfied its performance obligations. Cash is received on legal completion and in most cases there is no variable or financing component to the consideration received. In some cases, where longer-term performance obligations are present, for example design and build contracts, revenue is recognised over time as described above in "Affordable housing and PRS contracts".	Under IAS 18, revenue was recognised when the risks and rewards were transferred to the customer. For commercial sales recognised at a point in time, this was deemed to be on unconditional exchange of contracts. There is therefore no impact on the timing of revenue recognition on transition to IFRS 15. For revenue recognised over time there is no impact on transition to IFRS 15 as described above in "Affordable housing and PRS contracts".

Alternative Performance Measures (unaudited)

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

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

(a) Financial performance

Adjusted revenue

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

Adjusted gross margin

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

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

	Note	2019 £m	2018 £m
Gross profit		253.6	229.7
Add: non-underlying items	7	7.4	—
Add: share of gross profit from joint ventures and associate		47.8	47.2
Adjusted gross profit		308.8	276.9
Adjusted revenue	4a	1,422.8	1,229.5
Adjusted gross margin		21.7%	22.5%

Adjusted operating profit

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

Adjusted operating margin

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

	Note	2019 £m	2018 £m
Adjusted operating profit	4a	234.4	211.4
Adjusted revenue	4a	1,422.8	1,229.5
Adjusted operating margin		16.5%	17.2%

Adjusted basic and diluted earnings per share

Adjusted basic and diluted earnings per share exclude the impact of non-underlying items on Group profit. Refer to Note 11 for a reconciliation to reported basic and diluted earnings per share.

Return on capital employed ("ROCE")

ROCE is calculated as adjusted operating profit divided by average tangible net operating asset value ("TNOAV"). The table below presents the calculation of ROCE.

	Note	2019 £m	2018 restated £m
Opening TNOAV		575.1	554.9
Closing TNOAV	4b	664.4	575.1
Average TNOAV		619.8	565.0
Adjusted operating profit	4a	234.4	211.4
ROCE		37.8%	37.4%

(b) Financial position

Tangible net asset value ("TNAV")

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

	Note	2019 £m	2018 restated £m
Net assets		899.1	793.7
Less: intangible assets	12	(170.9)	(179.5)
Add: deferred tax on intangible assets		9.6	5.9
TNAV		737.8	620.1

Tangible net operating asset value ("TNOAV")

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

	Note	2019 £m	2018 restated £m
TNAV		737.8	620.1
Less: Net debt/(cash)	21c	(73.4)	(45.0)
TNOAV		664.4	575.1

Net debt

Net debt is calculated as borrowings less net cash and cash equivalents, and excludes debt arrangement fees including in borrowings. Refer to Note 21 for the calculation of net debt.

Gearing

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

	Note	2019 £m	2018 £m
Net debt/(cash)	21c	(73.4)	(45.0)
Net assets		899.1	793.7
Gearing		(8.2)%	(5.7)%

Adjusted gearing

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

	Note	2019 £m	2018 £m
Net debt/(cash)	21c	(73.4)	(45.0)
Add: Deferred land payments (excluding overage)	22	158.3	127.6
Adjusted net debt/(cash)		84.9	82.6
Net assets		899.1	793.7
Adjusted gearing		9.4%	10.4%