COUNTRYSIDE
Places People Love

30 November 2021

Focused Partnerships business to deliver strong and profitable growth

Countryside, the market leader in high quality, mixed tenure communities, today announces its results for the year ended 30 September 2021.

Results highlights

	2021	2020	Change
Completions[1]	**5,385**	4,053	+33%
Adjusted revenue[2]	**£1,526.2m**	£988.8m	+54%
Adjusted operating profit[3]	**£167.3m**	£54.2m	+209%
Adjusted operating margin[4]	**11.0%**	5.5%	+5.5%
Adjusted basic earnings per share[5]	**23.7 pence**	7.4 pence	+220%
Return on capital employed[6]	**18.6%**	7.1%	+11.5%
Reported revenue	**£1,371.4m**	£892.0m	+54%
Reported operating profit/(loss)	**£71.3m**	£(5.4)m	-
Net cash[7]	**£41.0m**	£98.2m	(58)%
Reported basic earnings/(loss) per share	**13.8 pence**	(0.8) pence	+14.6 pence

Group highlights

- Strong recovery from Covid-impacted 2020 results with adjusted revenue +54%, adjusted operating profit +209% and ROCE of 18.6%
- Partnerships teams established and securing development sites in all regions, including good progress establishing the Home Counties division
- Partnerships land bank of 52,903 plots supporting future growth
- Retained HBF 5-star builder status for the second year running
- New factory constructed to support Group's Modern Methods of Construction ("MMC") objectives
- £450m legacy asset realisation programme on track with proceeds of £50m realised and £49m of share buybacks completed to date
- Provision for building safety and quality of £41m
- Agreed voluntary undertakings with the CMA resulting in a £3.8m increase to the Ground Rent Assistance Scheme provision
- New medium-term plan to capitalise on the significant opportunity for sustained profitable growth
- Excellent opportunities to invest in Partnerships, so the Board does not recommend a final dividend

Outlook

We are 48% forward sold for 2022 including £426m from private sales (as at 30 September 2021) with a private net reservation rate in the nine weeks to 28 November 2021 at 0.94.

As the growth plans set out last year progress and our attractive market conditions are expected to continue, we expect to deliver adjusted operating profit in the range of £200m to £210m in the year to 30 September 2022, including a c.£40m contribution from legacy housebuilding operations.

New medium-term plan

Following the decision to focus 100% on Partnerships in the future, the Group has announced a new medium-term plan to deliver sustainable double-digit growth at attractive targeted return rates.

The Group has invested considerably in Partnerships land and work in progress over the last 5 years with assets employed increasing from £103m to £610m over that period, including £209m from the former Housebuilding division. We have also invested significantly in the regional teams and central support functions to generate capacity for profitable future growth. Over the next two to three years the Group expects to employ Tangible Net Operating Assets ("TNOAV") in the range of £750m (+/- £50m) until the targeted ROCE of 40%+ is achieved. Over the same period, we expect to grow operating margins to at least 13%.

After achieving the targeted ROCE, we will target organic double-digit profit growth, expected to be in the range 10% to 15% per annum to capitalise on the significant multi-year growth opportunity.

Capital structure

The Group will maintain a prudent approach to managing the balance sheet and seek to maintain net cash or net debt in the range of +/- one times adjusted operating profit. There are substantial opportunities for re-investment to deliver sustainable, profitable double-digit organic growth in Partnerships. This will take precedence over shareholder returns for the foreseeable future.

John Martin, Chair said: "Countryside has a clear path to becoming 100% focused on our differentiated and market-leading mixed tenure Partnerships business. Since we announced the strategy earlier this year, we have made excellent progress in establishing the new division in the Home Counties where we have a wealth of opportunities to bring our award-winning proposition to a new generation of home-owners and tenants in an area where it is sorely needed. We will stay focused on developing places where people love to live in the most environmentally sustainable way. We have also made good progress in the realisation of legacy assets and the return of proceeds to shareholders."

"Countryside is uniquely positioned to fulfil the considerable demand for homes in mixed-tenure developments and we believe that this represents a multi-year growth opportunity. We have made significant investments to align our resources – both capital and people - with this market opportunity and we believe that this will generate attractive returns for our shareholders in a sustainable, low-risk way. Our management team will present this new plan, and our associated expectations, at a Capital Markets Event later today."

Iain McPherson, Group Chief Executive, said: "We have achieved a strong recovery from Covid, with adjusted revenue growing by 54%, with a continued focus on quality of delivery. This is testament to the effort and commitment of our employees and the strength of our relationships with our partners. After a strategic review of the business, we have the structure and the team to continue to grasp the compelling opportunity that is ahead of us. This will see us create places people love, whilst delivering strong growth and attractive returns for shareholders over the medium term."

Analyst and investor presentations today:

1. **FULL YEAR 2021 RESULTS:**

There will be a live full year results webcast and conference call for our analysts and investors at 08.30 hrs (GMT). There will be the ability to ask questions via the webcast link as well as via the conference call. Details are set out below:

Date:	Tuesday 30 November 2021
Time:	0830hrs
Dial in (Int'l):	+44 203 936 2999
Dial in UK Free Call:	0800 640 6441
Dial in UK Local Call:	0203 936 2999
Conference ID / passcode:	**140781**
Webcast link:	https://www.investis-live.com/countryside-properties/61780095d5f3550c00092bad/q3r21

A recording of the event will be available shortly after the presentation has finished.

2. **CAPITAL MARKETS EVENT:**

There will be a live Capital Markets Event this afternoon at 14.30 hours (GMT) at Institute of Chartered Accountants in England and Wales, Chartered Accountants' Hall, Moorgate Place, London EC2R 6EA which will be webcast at https://www.investis-live.com/countryside-properties/617805770f8b6e0d000bc51c/cmd2021. Material covered in the presentations will include an update on the market, strategy, land sourcing and sustainability. No new material information will be given.

A recording of the event will be available shortly after the presentation has finished.

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Note to editors:

Countryside is the market leader in the delivery of high quality mixed-tenure communities in partnership with housing associations, public bodies and institutional private rental operators, with a strong focus on placemaking and regeneration.

Countryside's differentiated Partnerships business model:

- Mixed tenure developments, including affordable homes, homes for institutional private rental and homes for private sale.
- Over 40 years track record of collaborative working with partners in public and private sectors.
- Over 60% of developments on regeneration or brownfield sites.
- Increasing use of Modern Methods of Construction, with a target of 50% of all homes to be built using our in-house manufacturing facilities by 2025.
- Place-making at the heart of everything we do - designing places people love, helping to build successful communities. Committed to high quality design, construction and management, creating a positive legacy for future generations.

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

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

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

[1] Completions relate to legally completed private homes, in addition to affordable and PRS completions which are recognised on a pro-rata basis, based on contractual revenues. Completions include the Group's proportionate share of the joint ventures and associate.
[2]Adjusted revenue includes the Group's share of revenue from joint ventures and associate of £154.8m (2020: £96.8m).
[3] Adjusted operating profit includes the Group's share of operating profit from joint ventures and associate of £32.8m (2020: £17.2m) and excludes non-underlying items of £63.2m (2020: £42.4m). Refer to Note 7.
[4] Adjusted operating margin is defined as adjusted operating profit divided by adjusted revenue.
[5] Adjusted basic earnings per share is defined as adjusted profit attributable to ordinary shareholders, net of attributable

taxation, divided by the weighted average number of shares in issue for the period.
[6] Return on capital employed ("ROCE") is defined as adjusted operating profit for the last 12 months divided by the average of opening and closing tangible net operating asset value ("TNOAV") for the 12-month period. TNOAV is calculated as net assets excluding net cash or debt less intangible assets net of deferred tax.
[7] Net cash/(debt) is defined as bank borrowings less unrestricted cash. Unamortised debt arrangement fees and lease obligations are not included in net cash/(debt).

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

Chair statement

Focused Partnerships business to deliver strong growth and high returns over the medium term

In many respects 2021 has been a pivotal year for the Group and this report outlines how the Group has recovered from the impact of Covid and the economic uncertainty it created. It also outlines the Group's focused future strategy with all resources dedicated to driving our Partnerships business.

Countryside is uniquely positioned in attractive markets to fulfil the considerable demand for homes in mixed-tenure developments and we believe that this represents a multi-year growth opportunity. The Group has invested considerably in Partnerships land and work in progress with assets employed increasing from £103m to £610m over the last five years (including £209m from the former Housebuilding division). It has also invested significantly in the regional teams and central support functions to generate significant capacity for profitable growth. We believe this investment will generate very attractive returns for our shareholders in a low-risk way over the medium term and we set out a new plan for Partnerships in the Chief Executive's review below, and in more detail at our Capital Markets Event later today.

Board changes

Having joined the Board on 13 April 2021, I assumed the role of Chair with effect from 1 May 2021. David Howell stood down from the board on 30 April 2021 after seven years' service, including five as Chair. On behalf of the Board, I would like to thank David for his significant contribution to Countryside, which developed considerably under his Board leadership, and wish him every success for the future.

On 29 June 2021 we announced the resignation of Mike Scott as CFO, and he left the Company on 29 November 2021 to take up the CFO role at Barratt Developments plc. I would like to thank Mike for his sterling service to Countryside over the last seven years including serving as CFO for the last three years and wish him every success in his new role.

On 16 November 2021, we announced the appointment of Tim Lawlor as CFO and we greatly look forward to welcoming him to Countryside in the new year when he has fulfilled his exit obligations with Wincanton plc. During the selection process, we targeted candidates with an exceptional focus on driving operational performance as well as outstanding financial management and Tim fulfils these requirements, having served in several finance leadership roles, most recently as CFO of Wincanton plc.

During the year, Simon Townsend also assumed responsibility as the Board representative and Chair of the Group's new Sustainability Committee. The Committee focuses on assessing our sustainability approach and how it identifies and prioritises sustainability issues material to the business strategy, including climate change.

Building safety and quality

The quality of the homes that we build is a central tenet of our strategy and is of paramount importance to us and our customers. Since the Grenfell Tower fire, there has been considerable analysis of the impact of cladding and fire safety issues in multi-occupancy tall buildings. We have examined all buildings developed by Countryside over the last 15 years and identified 69 buildings across 17 sites where remedial works are required to bring them in line with current building regulations. Throughout the year, we have engaged with building owners, carried out invasive surveys and priced building owners' scope of works. This has enabled us to more accurately estimate the potential costs associated with these buildings. As a result, we have established a provision of £41m to cover the cost of remedial works and losses suffered by building owners where it is identified that the works are necessary because we fell short of our high standards at the time of construction. We are committed to high quality design and construction to deliver a positive legacy for future generations.

Capital allocation and shareholder returns

We have begun the programme of realising more than £450m from the sale of certain legacy Housebuilding assets. Proceeds from this programme have already started to be returned via the share buyback programme and this will continue for the next two years.

The priorities of the business in designing the appropriate capital structure for the Partnerships business going forward are clear. We will maintain a prudent approach to net debt and ensure that all stakeholders are comfortable with our balance sheet. Our Partnerships business model is highly cash generative and there are substantial opportunities for profitable reinvestment to deliver double-digit organic growth over the long term. This will take precedence over shareholder returns for the foreseeable future.

John Martin
Chair
29 November 2021

Group Chief Executive's review

Our strategy

We are proud to be the market leader in the delivery of high quality mixed-tenure communities. Our Partnerships business works closely with housing associations, public bodies and institutional private rental operators to deliver a balanced portfolio of affordable, private rental and private for sale homes.

We operate a highly differentiated mixed-tenure model underpinned by over 40 years of experience and a strong track record of delivery through collaborative working with partners. Our continual focus on establishing positive social change through the homes and communities we create means we are the partner of choice.

Our master planning and design capabilities ensure we utilise scarce land efficiently to create diverse, integrated and balanced communities. This is complemented by our capability to act as master developer on large sites, creating options for land owners in the development of large-scale communities. Our investment in off-site manufacturing facilities supports the delivery of high-quality developments of scale and at pace, in a highly energy efficient and sustainable manner. During the year, we completed construction of our second modular panel factory in Bardon, Leicestershire providing us with the infrastructure to deliver up to 4,700 closed panel homes across England each year and establishing our position in the use of modern methods of construction. In addition, our open-panel timber frame factory has capacity for a further 1,300 homes, supporting our low-rise home delivery.

Our model focuses on regeneration with opportunities generally sourced through public procurement processes or through direct negotiation with local authority partners. We also develop brownfield land or other land where we can deploy our mixed-tenure model, with both private and public sector landowners.

We utilise a lower capital business model, which is efficient with the pre-funding of both the private rental and affordable homes we develop with our trusted partners. Against the backdrop of continued demand across all housing tenures, this capital efficient, high return on capital employed model uniquely positions us to deliver multi-year double digit growth from new and existing regions in the UK.

Group structure

In July 2021 we announced that, after a strategic review of the business, the Group would focus all its resources on Partnerships and that we would no longer operate a two-division structure. We believe that this approach will create the greatest value for shareholders and all our stakeholders over the long-term. We have established a new Partnerships division to serve the Home Counties using people and resources from the legacy Housebuilding operations.

A small number of current Housebuilding sites and certain sites in the strategic land bank, identified as fitting the mixed-tenure Partnerships model, will be utilised by this new Partnerships division. The strategy is aligned to the rest of the Partnerships business. Any assets that do not fit the Partnerships model are being realised over the course of the next two years with the proceeds to be returned to shareholders. It is the Group's intention to return surplus cash of at least £450 million to shareholders via on-market purchases of ordinary shares in the Company's share capital by 30 September 2023.

In August 2021, we appointed a Chief Investment Officer to identify, develop and enhance long-term partnerships with public sector partners and local Government, as well as private partners such as institutional investors. This is to support our growth and movement into new geographical areas.

Our markets

In a recovery from Covid, we have seen homeowners and renters re-assess the ideals which they look for in a home and this has fuelled the "race for space" to take advantage of the stamp duty holiday which ended in September 2021. Demand has been sustained through low interest rates; improved mortgage availability, particularly in higher loan-to-value products; and the Government's Help to Buy scheme. With the latter coming to an end in 2023, we have been actively involved in several industry initiatives including working with lenders to ensure suitable mortgage availability for our customers.

Whilst household formation has been increasing, there has been a chronic under-supply of quality homes in recent years – well below the Government's annual target of 300,000 new homes. Commitment to this target was further strengthened through the announcement of a £1.8bn stimulus package to regenerate brownfield land that could unlock up to 160,000 new homes. The Group's strength in creating lasting communities and

sustainably delivering large scale developments means we are well placed to access opportunities and continue to strengthen our relationships across the industry.

The shortage of homes is particularly acute within the Affordable sector and demand from registered providers of social housing continues to remain strong. Government initiatives including the £12bn Affordable Homes Programme and First Homes scheme continue to be supportive of the sector. Whilst we have experienced some delays in the planning process during the year, which has impacted our start on site, the market fundamentals remain highly attractive and our presence on the key delivery panels ensures we are well placed to capitalise on future growth opportunities.

Demand from institutional investors for private rental housing has been further stimulated by the current economic climate as investors seek attractive yields from high quality homes with low maintenance costs. The Group has established a strong presence in key build to rent growth regions outside main city hubs, particularly in the North and Midlands. Our commitment to putting our customers at the heart of everything we do is built on a deep understanding of their needs and governed by the framework agreements under which we operate.

Group results

The Group has recovered strongly since the Covid crisis in 2020 and made excellent progress on executing our growth plans, which is testament to the effort and commitment of our employees and strength of relationships with our partners.

We increased total completions by 33% to 5,385 homes (2020: 4,053 homes), driven by a strong increase in private delivery, where completions were 65% higher than last year at 2,394 homes (2020: 1,454 homes) as we completed on homes deferred as a result of Covid from the prior year.

Our net reservation rate of 0.74 (2020: 0.78) remained within the Group’s target range of 0.6 to 0.8, slightly lower than last year as a result of our strong forward sales position as we entered the year.

Affordable completions increased by 25% to 2,107 homes (2020: 1,691 homes). PRS completions decreased by 3% to 884 homes (2020: 908 homes) impacted by delays to site starts as we recognise completions on an equivalent unit basis in line with construction activity. Underlying demand for these tenures remains strong and these delays are not expected to impact delivery over the medium term.

Our private average selling price (“ASP”) increased by 4% to £380,000 (2020: £364,000) reflecting house price inflation of 2.6% in the year and an increase in weighting of delivery in the South which typically has higher ASPs. House price inflation in the forward order book is around 6% (2020: 2%). Affordable ASP increased year on year by 7% to £161,000 (2020: £151,000), and PRS ASP increased 19% to £170,000 (2020: £143,000) reflecting geographical mix as we recorded a higher proportion of completions in London where pricing is stronger.

Overall, our total forward order book at £1,528m (2020: £1,432m) was up 7% year on year. Our private forward order book at £426m (2020: £528m, 2019: £241m) was 19% lower than last year as we completed on homes deferred from the prior year as a result of the pandemic.

The quality of our homes and our exceptional customer service act as key differentiators from our peers. For the second consecutive year we have been awarded five-star builder status by the HBF demonstrating the exceptional attention that goes into planning, designing and constructing our homes. Our customer satisfaction rating, as measured independently by the NHBC Recommend a Friend score, improved to 91.6% (2020: 90.6%).

The health and safety of our colleagues, customers and sub-contractors remains our key priority. We continued with our Covid-safe operating procedures across the business, and our sites operated without disruption throughout the period. Our Accident Injury Incident Rate (“AIIR”) showed an improvement over the prior year at 163 people injured over a year per 100,000 workers at risk (2020: 224) compared with the national average of 372 (2020: 416).

In March 2021, the CMA announced it had commenced the consultation stage of its inquiry into the sale of leasehold properties. In September 2021 we announced we had agreed voluntary undertakings with the CMA where we would seek to address all leases where the ground rent doubled more frequently than every 20 years either directly or through negotiations with the current freeholder, a positive outcome for affected leaseholders.

We made further progress with our three newer regions established in July 2020, adding 1,519 plots to the land bank in our Chilterns, South West and South London regions during the course of the year. Overall our Partnerships land bank plus preferred bidder stood at 73,391 plots at 30 September 2021, of which 13,949 were owned and had planning, up 12% on the prior year.

Outlook

While supply side constraints are continuing to generate inflationary pressure, we continue to see strong demand across all tenures with house price inflation off-setting much of the build cost inflation. Our unique and attractive model allows us to secure opportunities with partners and to work on a variety of opportunities, especially brownfield and sites requiring regeneration.

We are 48% forward sold for 2022 including £426m from private sales (as at 30 September 2021) with a private net reservation rate in the nine weeks to 28 November 2021 at 0.94.

As the growth plans set out last year progress and our attractive market conditions are expected to continue, we expect to deliver adjusted operating profit in the range of £200m to £210m in the year to 30 September 2022, including a c.£40m contribution from Legacy Operations.

New medium-term plan

Following the clarification of the Group's strategy, our Partnerships teams are established and securing development sites in all regions including excellent progress establishing the Home Counties division. The Board is focused on delivering lower risk, sustainable double-digit growth at target returns and today we set out our new medium-term plan for Countryside Partnerships for profitability and margins, ROCE and growth:

- We expect to make meaningful improvements in the performance of all our regions, including our established regions, over time.
- Group operating margins to be at least 13% when our new regions are all reasonably established.
- We have invested substantially in the expansion of Partnerships. TNOAV has increased from £103m to £610m over the last 5 years (including £209m from the former Housebuilding division). Going forward, we plan to maintain TNOAV for Partnerships at £750m (+/- £50m) until we achieve the optimised ROCE. We expect this to be achieved within 2 to 3 years. We continue to target ROCE of 40%+.
- Attractive market conditions are expected to continue and provide a significant multi-year growth opportunity.
- After reaching our optimised ROCE, we expect to resume double-digit growth in the range 10% to 15% per annum, with growth funded from retained earnings.

Sustainability

The Government's commitment to making the UK net zero by 2050 will require all companies to make significant operational changes to reduce the impact of their carbon emissions. Changes to Part L and F of building regulations in England will come into effect in 2022 requiring new homes to achieve a 31% reduction in carbon emissions compared to current standards. This will increase to 75%-80% under the 2025 Future Homes Standard, through the use of low carbon heating systems and improved fabric efficiency. We recently launched our route to achieving net zero emissions by 2030, supported by science-based reduction targets. Our pathway is underpinned by the need to modernise construction and collaborate with our stakeholders to identify challenges and mutually beneficial net zero emission opportunities.

Our state-of-the-art manufacturing facilities in Bardon, Warrington and Narborough provide us the infrastructure to build at least 50% of new homes using modern methods of construction by 2025. We will work closely with our customers, suppliers and sub-contractors as we transition to a net zero business.

Chief Financial Officer review

Group performance

As a result of the increase in volume and shift in mix, Group adjusted revenue increased by 54% year on year to £1,526.2m (2020: £988.8m). Reported revenue increased by 54% to £1,371.4m (2020: £892.0m). 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.

Group adjusted gross margin (including the Group's share of joint ventures and associate gross profit) increased by 430bps to 17.1% (2020: 12.8%). This margin increase was due to a recovery of margins in the Midlands towards target levels as we exited lower margin Westleigh sites and a higher proportion of land and commercial sales. During 2021 the Group recorded Covid-19 costs of £14.8m (2020: £21.6m). Current year costs relate to ongoing social distancing and health and safety measures at our sites and office locations.

Operating profit from land and commercial sales contributed £23.7m (2020: £7.8m), as we continue to realise value from our Legacy Operations land bank and focus the Group's resources on the Partnerships business. We sold land at Whittington Way, Bishop's Stortford and Sutton Road, Maidstone during the year. Land sales remain a part of our core Partnerships strategy for managing the balance sheet and geographical exposure and are expected to deliver £15m to £20m of operating profit per annum in the medium term. We would also expect land sales to play a big role in accelerating the cash generation from our Legacy Operations.

Additionally, as part of Legacy Operations strategy, we sold our interest in the Cambridge Medipark Limited joint venture to the JV partner Prologis for £16.2m. The joint venture delivers commercial units at a single site in Cambridge, which is not seen as core to our Partnerships model.

During the year, we continued to invest in future growth, opening two new offices, continuing our software upgrade programme and commissioning our new factory in Bardon. Together, these growth costs amounted to around £21m.

Adjusted operating profit increased by 209% to £167.3m (2020: £54.2m). This is stated after charging £5.9m of costs relating to the development and implementation of cloud-based IT systems, predominantly relating to the roll-out of our new accounting software, Microsoft Dynamics, including its integration to our wider IT infrastructure. These costs are required to be written off as incurred.

The Group's adjusted operating margin increased by 550bps to 11.0% (2020: 5.5%) reflecting the higher gross margins described above, lower Covid related costs, and overhead efficiency savings.

Build cost inflation in the year was around 5% (2020: 0.2%) driven by challenges in the supply chain as a result of a shortage of HGV drivers and the blockage of the Suez Canal, with materials cost seeing the biggest impact. Significant inflation was seen across several categories including timber and steel and we expect inflationary pressure to continue in the short term. With construction costs contributing around 40% of our cost base, combined with a focus to limit our exposure to cost increases through early procurement, the impact of build cost inflation on margin was 0.5% (2020: 0.1%).

We continue to focus on operational efficiency to minimise the impact of cost increases through the use of standard house types, use of Group buying deals and leveraging our off-site manufacturing capabilities.

The Group reported a statutory operating profit of £71.3m (2020: £5.4m operating loss) with the difference to adjusted operating profit being the proportionate consolidation of the Group's joint ventures and associate and non-underlying items recognised during the year. Further details of the difference can be found in Note 4 to the financial statements.

Our net reservation rate per open sales outlet remained at the upper end of our target range at 0.74 (2020: 0.78). As expected, this was slightly lower than the prior year as a result of our strong forward order position as we started the year. The average number of open sales outlets was broadly in line with the prior year at 60 (2020: 63). In total, 51 sites (2020: 62 sites) were under construction but not yet open for sale as at 30 September 2021, 18% lower than last year following the completion of a number of smaller, affordable-only sites.

Partnerships

Our Partnerships business has recovered well from the Covid-19 pandemic with strong underlying demand across all tenures.

Our three new operating regions in the Chilterns, the South West and South London are now established and operational. We appointed two new divisional Chief Executives to support the delivery of our growth plans in the North and Midlands. Construction of our new modular panel factory in Bardon, Leicestershire is complete and will begin production by the end of 2021.

The below results include the results of developments transferred from Housebuilding to Partnerships Home Counties unless stated otherwise. The results of the Partnerships Home Counties operating region are shown below:

Partnerships Home Counties

Year ended 30 September	**2021 £m**	2020 £m
Completions:		
Private	**121**	46
Affordable	**90**	38
PRS	**34**	—
Adjusted revenue (£m)	**113.3**	39.8
Adjusted operating profit (£m)	**21.5**	4.7
Adjusted operating margin (%)	**19.0**	11.8
ROCE (%)	**12.3**	4.0
Reported revenue (£m)	**29.2**	5.2
Reported operating profit/(loss) (£m)	**1.7**	(1.2)
Reported operating margin (%)	**5.8**	(23.1)

In total, 4,393 homes were delivered by the Partnerships business in the year, an increase of 33% (2020: 3,297 homes). Completions of private housing increased by 67% to 1,649 homes (2020: 985 homes) as we completed on homes deferred from the prior year due to Covid-19. As expected, our private forward order book reduced by 32% to 645 homes (2020: 949 homes) as a consequence. Delivery of affordable homes increased by 32% to 1,887 homes (2020: 1,428 homes) and PRS volume reduced by 3% to 857 homes (2020: 884 homes) with both non-private tenures impacted by delayed site starts. Our total forward order book for the business stands at £1,235m (2020: £1,092m).

Private ASP increased 5% to £329,000 (2020: £314,000), reflecting slightly stronger house price inflation in the Midlands and North and a greater proportion of delivery from the South particularly our London developments such as Acton Gardens, Ealing and Home Counties at Beaulieu, Chelmsford. Adjusted revenue increased by 54% to £1,033.2m (2020: £669.2m), with reported revenue, which excludes the Group's share of revenue from joint ventures, up 53% to £902.3m (2020: £590.5m).

Gross margin increased by 490bps to 17.0% (2020: 12.1%), driven by the recovery of margins particularly in the Midlands, and this has resulted in an adjusted operating margin increased by 480bps to 10.4% (2020: 5.6%) which has been further improved due to an improvement to operational gearing as we have seen a return to more normal delivery levels after the Covid-19 pandemic. Adjusted operating profit was up 187% to £107.7m (2020: £37.5m) and reported operating profit increased to £34.4m (2020: £15.0m).

In one of our underperforming regions we have a large site that is not currently achieving expected financial hurdles. Management continue to work to improve the financial performance of this scheme. If we are unable to achieve this, we may choose to exit from this particular site which could result in a write-down of inventory of up to £20m. During the year we secured 9,008 new plots (2020: 8,369) in addition to a further 9,665 plots where we have agreed terms on options (2020: 3,005), with significant new projects across all of our regions. These wins led to our Partnerships land bank, including preferred bidder, increasing by 12% with 73,391 plots under our control (2020: 65,705 plots), of which 13,949 are owned and with planning (2020: 9,340).

Legacy Operations

As previously noted, during the year, the Group completed a strategic review of its Housebuilding business and announced its intention to focus all its resources on its Partnerships business going forward, with a strategy to realise £450m of cash from the run off of former Housebuilding assets, now classified as Legacy Operations.

Legacy Operations include several large multi-phase developments including Newhall in Harlow, Hazel End in Bishops Stortford and Runwell, Essex, as well as the St Mary's Island, Chatham and Oaklands Hamlet, Chigwell joint ventures. Legacy Operations also include the Millgate business which we had already decided to close, and during the year we have accelerated the amortisation of the Millgate brand to align with the completion of the final Millgate sites.

The performance of Legacy Operations during the year was strong, as the business caught up with build delays caused by the Covid-19 pandemic and private sales were supported by strong demand in the Home Counties regions outside of London and by government incentives for new homes buyers.

Private completions, including the Group's share from joint ventures, increased to 745 (2020: 469), and affordable and PRS completions decreased to 247 homes (2020: 289).

In keeping with previous years, the results also include a number of land and commercial sales during the year, largely from the strategic land bank, which contributed £73.3m of revenue and £15.8m of profit (2020: revenue of £36.8m; profit of £6.8m). As part of the strategy to exit non-Partnerships activities, the Group also disposed of its interest in the Cambridge Medipark Limited joint venture, recognising a gain on disposal of £13.9m, reflecting the market value of the underlying land bank controlled by the joint venture. We expect to use land sales as a way of accelerating run off of Legacy Operations over the next two years.

As at 30 September 2021, the land bank for Legacy Operations, including strategic land parcels held for third party sales, totalled 3,903 plots (2020: 5,779). The Group expects to have disposed of the majority of these plots by the end of the 30 September 2023 year end, either through the traditional speculative build and sales model (underpinned by a strong forward sold position on private sales as at 30 September 2021 of 60%) or through land parcel disposals.

Non-underlying items

The quality and safety of the homes we deliver is of the utmost importance to the Group. Since December 2020, EWS1 surveys have identified 69 buildings on 17 sites, constructed between 2008 and 2017, where the current building owner believes there are defects in the building which need to be remediated. We have recognised a provision of £41m (2020: £Nil) in respect of these costs.

Following the Competition and Markets Authority's ("CMA") review into the sale of leasehold properties, on 15 September 2021 Countryside announced that it had agreed voluntary undertakings with the CMA to seek the removal of all 10 and 15 yearly doubling clauses from leases where the ground rent is not for the ultimate benefit of a local authority or registered provider of social housing, at no cost to leaseholders. These undertakings have resulted in an increase to the Ground Rent Assistance Scheme provision of £3.8m (2020: £10.0m), taking the total provision to £13.8m and the recognition of an inventory provision of £0.7m (2020: £Nil) relating to leases where Countryside is the freeholder.

Following the conclusion of the Group strategy review into the separation of the Housebuilding business and our subsequent announcement in July 2021 to focus all resources on our Partnerships business, the Group has recognised £6.0m of non-underlying costs. These costs comprise legal, tax, and accounting advisory services relating to the review.

Non-underlying items

Year ended 30 September	**2021 £m**	2020 £m
Non-underlying items included within cost of sales:		
Remediation costs for multi-occupancy buildings	**(41.0)**	—
Ground Rent Assistance Scheme	**(0.7)**	—
Non-underlying items included within administrative expenses:		
Costs relating to the Housebuilding separation	**(6.0)**	—
Ground Rent Assistance Scheme	**(3.8)**	(10.0)
Amortisation / de-recognition of acquisition-related intangible assets	**(11.7)**	(10.2)
Impairment of goodwill	**—**	(18.5)
Restructuring costs	**—**	(3.5)
Deferred consideration relating to Westleigh	**—**	(0.2)
Total non-underlying items	**(63.2)**	(42.4)

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

A total tax credit of £11.6m (2020: £4.7m) in relation to all of the above non-underlying items was included within taxation in the statement of comprehensive income.

Net finance costs

The Group has a £300m revolving credit facility expiring in May 2023. The agreement has a floating interest rate based on LIBOR. As at 30 September 2021 the Group had no drawings under the facility (2020: £Nil). The reference interest rate will be changed to SONIA later in 2021 following the retirement of LIBOR as a reference rate. This change is not expected to have a material impact on the Group's borrowing costs.

In 2021, net finance costs were £15.8m (2020: £13.5m), of which net cash costs were £2.4m (2020: £5.1m). Interest on the Group's bank loans and overdrafts was 40% lower than last year with total charges of £3.2m (2020: £5.3m).

Taxation

The income tax charge was £13.1m (2020: £2.1m), with an adjusted tax rate of 17.6% (2020: 17.2%) and, on a reported basis, an effective tax rate of 15.3% (2020: (107.7)%), the main difference between the rates reflecting non-underlying items and the treatment of joint ventures and associate. The adjusted tax rate reconciles to the reported rate as follows:

Adjusted tax rate

Year ended 30 September 2021	**Profit £m**	**Tax £m**	**Rate %**
Adjusted profit before tax and tax thereon	**150.3**	**26.4**	**17.6%**
Adjustments and tax thereon:			
Non-underlying items	**(63.2)**	**(11.6)**	
Taxation on joint ventures and associate in profit before tax	**(1.7)**	**(1.7)**	
Reported profit before tax and tax thereon	**85.4**	**13.1**	**15.3%**

In April 2017 Countryside obtained clearance from HMRC in respect of the VAT treatment of its supplies to Registered Providers, allowing us to treat the sale of land and supply of homes as one VAT supply. HMRC have notified us of their intention to withdraw this clearance and that they now view this as two separate VAT supplies. The withdrawal of the clearance will impact on the timing of receipts from Registered Providers and profit recognition.

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate would increase to 25% and this rate had been enacted at the reporting date.

In the Autumn Statement 2021, the Government confirmed that a Residential Property Developer Tax ("RPDT") will be introduced with effect from 1 April 2022. The RPDT will be charged at 4% on relevant profits exceeding an annual allowance of £25m.

In 2022, Countryside expects the adjusted tax rate to be higher than the UK statutory corporation tax rate due to the introduction of the RPDT.

Share buyback

On 7 July 2021 we announced the results of our Strategic Review, including the return of £450m of surplus cash generated from our Legacy Operations Division to shareholders by 30 September 2023.

As at close of 30 September 2021, we had repurchased 7,124,979 shares at a cost of £34.8m. As at 29 November 2021, we had repurchased a total of 9,474,979 shares at a cost of £49.9m.

Earnings per share

Adjusted basic earnings per share increased by 220% to 23.7 pence (2020: 7.4 pence) reflecting the increase in adjusted operating profit during the year, offset by the higher number of shares in issue following the equity placing in July 2020. The basic weighted average number of shares in issue was 523.0m (2020: 462.1m).

The Group recorded a basic earnings per share of 13.8 pence (2020 basic loss per share: 0.8 pence). Basic earnings per share is lower than adjusted basic earnings per share due to the effect of non-underlying items that are excluded from adjusted results.

Dividend

The Board has reviewed the capital allocation policy of the Group. Given the excellent opportunities for us to invest in the Partnerships business, the Board does not recommend the payment of a final dividend in respect of 2021 performance (2020: £Nil).

Statement of financial position

As at 30 September 2021, Group TNAV was £988.0m (2020: £951.7m), an increase of £36.3m.

The Group's net working capital increased by £140.7m primarily due to an increase in inventory of £84.7m as a result of later than expected site starts which has delayed unit completions. Receivables were £47.5m lower at year end due to higher than normal levels of amounts due from customers in 2020, as a result of the phasing of construction activity. This was partially offset by the recognition of additional provisions in the year in respect of remediation costs for multi-occupancy buildings and the Ground Rent Assistance Scheme.

Our net investment in joint ventures and associate, including loans from the Group, totalled £101.4m (2020: £111.3m) as increased levels of stock within our active investments were offset by reduced production from our Greenwich Millennium Village joint venture.

Deferred land and overage payables totalled £250.6m (2020: £224.1m), with £197.3m in Partnerships and £53.3m in Legacy Operations (2020: £129.3m in Partnerships, £94.8m in Legacy Operations). The decrease in Legacy Operations was driven by the settlement of payables during the year relating to Bishop's Stortford, Hertfordshire, and Maidstone, Kent.

ROCE increased to 18.6% (2020: 7.1%) reflecting the increase in adjusted operating margin. The Partnerships business achieved ROCE of 20.0% (2020: 10.1%).

Return on Capital Employed

Year ended 30 September	**2021**	2020
Adjusted operating profit (£m)	**167.3**	54.2
Average capital employed (£m)[1]	**900.3**	759.0
Return on capital employed (%)	**18.6**	7.1
Increase/(decrease)	**1,150bps**	(3,070bps)

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

Summary cash flow statement

Year ended 30 September	**2021** **£m**	2020 £m
Profit/(loss) before taxation	**85.4**	(1.9)
Non-cash items	**(0.3)**	38.5
Increase in inventories	**(84.7)**	(250.5)
(Increase)/decrease in receivables	**(47.5)**	48.2
(Decrease)/increase in payables	**(8.5)**	11.8
Increase in provisions	**45.6**	9.0
Cash used in operations	**(10.0)**	(144.9)
Interest and tax paid	**(23.7)**	(33.7)
Dividends paid	**—**	(50.5)
Purchase of own shares	**(34.8)**	(2.0)
Decrease/(increase) in advances to joint ventures and associate	**6.8**	(19.8)
Dividends received from joint ventures and associate	**24.3**	35.8
Repayment of members' interest	**5.8**	4.4
Proceeds of issue of share capital	**—**	243.0
Other net cash outflows	**(25.5)**	(7.4)
Net (decrease)/increase in cash and cash equivalents	**(57.1)**	24.9

Cashflow

The Group's cash position reduced by £57.1m in the year to 30 September 2021 to £43.4m. The Group invested £10.0m in its operations (2020: £144.9m cash investment) predominantly through a £84.7m increase in inventories during the year (2020: £250.5m) to support the growth into new regions.

The Group also repurchased 7.1 million shares as part of our share buyback programme at a cost of £34.8m (2020: nil). Overall, net cash reduced by £57.2m to £41.0m (2020 £98.2m).

Mike Scott
Group Chief Financial Officer
29 November 2021

Principal and emerging risks

Risk and impacts	How we monitor and manage the risk	Impact on strategy
1. A major incident impacts the United Kingdom or countries where key suppliers are located and significantly impacts the business ***Responsible Executive: Group Chief Executive*** The impact of a catastrophic event, such as flooding, failure of the National Grid, or the spread of an infectious disease on an epidemic or pandemic scale, can lead to the imposition of Government controls on the movement of people with the associated cessation of large parts of the economy for a significant period of time. The cessation of business can lead to zero or reduced revenues until business activity can be safely recommenced.	• Maintenance of a strong balance sheet to sustain periods of complete or partial cessation of business. • Monitoring of World Health Organization and/or UK Government health warnings. • Robust and tested business interruption plans, including “slow down” and “stop” procedures for all supply and contractor agreements. • Site layouts and planning to facilitate swift roll-out of social distancing requirements.	• Growth • Returns • Resilience ***Risk change*** No change
2. Adverse macroeconomic conditions ***Responsible Executive: Group Chief Executive*** A decline in macroeconomic conditions, or conditions in the UK residential property market, can reduce the propensity to buy homes. Higher unemployment, interest rates and inflation can affect consumer confidence and reduce demand for new homes. Constraints on mortgage availability, or higher costs of mortgage funding, may make it more difficult to sell homes.	• Funds are allocated between the businesses according to the Company’s capital allocation principles. • Land is purchased based on planning prospects, forecast demand and market resilience. • In Partnerships, contracts are phased and, where possible, subject to viability testing. • In all cases, forward sales, cash flow and work in progress are carefully monitored to give the Group time to react to changing market conditions.	• Growth • Returns ***Risk change*** No change
3. Adverse changes to Government policy and regulation ***Responsible Executive: Group Company Secretary and General Counsel*** Adverse changes to Government policy in areas such as climate change, tax, housing, planning, the environment and building regulations (including the potential for extending historical liability periods) 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 discontinuation of Government backed purchase assistance programmes (such as Help to Buy) may adversely affect the Group’s sales.	• The potential impact of changes in Government policy and new laws and regulations are monitored and communicated throughout the business. • Detailed policies and procedures are in place to address the prevailing regulations.	• Growth • Returns • Sustainability ***Risk change*** Risk increased
4. Climate change ***Responsible Executive: Managing Director, Corporate Affairs*** Failure to adequately recognise and prepare for the impacts of climate change on our operations and value chain, the risks of which are severe resource constraints, significant delays to programme, rising build costs, an inability to meet new, more demanding regulations and loss of customer confidence.	• Carbon Net Zero Pathway in place with a comprehensive spread of actions covering operations and central support activities. • GHG Management Plan in place to assimilate climate change data collection and reporting mechanisms. • Group-level targets cascaded down and addressed at monthly regional board meetings and within quarterly central services forums (e.g. Group technical forum). • Group technical team evaluating and addressing significant changes to building regulations. • Close liaison with the HBF Future Homes Hub. • Adaptation/flood risk assessment undertaken as part of land acquisition process.	• Growth • Returns • Sustainability ***Risk change*** NEW

Principal and emerging risks

Risk and impacts	How we monitor and manage the risk	Impact on strategy
5. Constraints on construction resources ***Responsible Executive: Chief Executive, Partnerships North*** Costs may increase beyond budget due to the reduced availability of skilled labour or shortages of sub-contractors or building materials at competitive prices to support the Group's growth ambitions. The Group's strategic geographic expansion may be at risk if new supply chains cannot be established.	• Optimise use of standard house types and design to maximise buying power. • Use of strategic suppliers to leverage volume price reductions and minimise unforeseen disruption. • Robust contract terms to control costs. • Modular panel factory mitigates supply chain exposures. • Resource efficient processes on sites and in the factory to minimise wastage	• Growth • Returns • Resilience ***Risk change*** Risk increased
6. Poor operational performance ***Responsible Executive: Group Chief Executive*** Inadequate controls or failures in compliance will impact the Group's operational and financial performance	• Uniform implementation of Group-wide policies and procedures. • Clear delegated authorities. • Group Directors responsible for key functions across the Group (e.g. Finance, Commercial, Technical, Sales, Health and Safety and Legal). • Regular training. • Regular review of all applicable policies and procedures with accompanying "bring-up" system. • Systematic audit process of all key procedures over an agreed time period.	• Growth • Returns • Resilience ***Risk change*** NEW
7. Land availability ***Responsible Executive: Group Chief Executive*** Inability to source suitable land or obtain necessary planning. Failure to secure timely planning permission on economically viable terms may cause delay or potentially termination of project.	• Identify land needs and requirements for at least a five-year period. • Maintain a significant forward land bank (with as much controlled but not owned) to ensure forward visibility of earnings. • Maintain strong relationships and reputation with land owners and agents. • Sufficient and skilled internal land and associated technical teams. • Use methods of land acquisition that give best opportunity of acquiring land at below current market value (e.g. use of optional/conditional contracts subject to planning).	• Growth • Returns ***Risk change*** No change
8. Inability to attract and retain talented employees ***Responsible Executive: Group Chief People & Culture Officer*** Inability to attract and retain highly skilled, competent people, with adequate diversity and inclusion, at all levels could adversely affect the Group's results, prospects and financial condition.	• Remuneration packages are regularly benchmarked against industry standards to ensure competitiveness. • Succession plans are in place for all key roles within the Group. • Exit interviews are used to identify any areas for improvement. • People development training programmes. • Embedding the culture, values and behaviours to support the agreed strategy. • Flexible working policy where practical.	• Growth • Returns • Resilience • Sustainability ***Risk change*** No change

Principal and emerging risks

Risk and impacts	How we monitor and manage the risk	Impact on strategy
9. Inadequate health, safety and environmental procedures ***Responsible Executive: Group Chief Executive*** A deterioration in the Group's health, safety and environmental standards could put the Group's employees, contractors or the general public at risk of injury or death and could lead to litigation or penalties or damage the Group's reputation.	• Procedures, training and reporting are all carefully monitored to ensure that high standards are maintained. • An environmental risk assessment is carried out prior to any land acquisition. • Appropriate insurance is in place to cover the risks associated with housebuilding. • Health and Safety audits. • Professional Health & Safety team.	• Returns • Sustainability ***Risk change*** No change
10. Cyber security ***Responsible Executive: Group Chief Financial Officer*** A failure of the Group's IT systems, a security breach of the internal systems or website, loss of data or ransomware could significantly impact the Group's business.	• Maintenance and communication of Group-wide IT policies and procedures. • Regular systems updates, backups and storage of data off site. • Compulsory GDPR and IT/cyber risk training for all employees within the business. • All systems have the ability to accommodate home working. • Third-party assessments, including penetration testing.	• Returns • Resilience ***Risk change*** Risk increased
11. Failure to generate or access adequate capital ***Responsible Executive: Group Chief Financial Officer*** The Group may fail to generate or access enough liquidity to manage the short or long-term funding or investment requirements.	• Five-Year Corporate Plan/budget process and timetable are clearly communicated. • Rigour around the forecasting process with the Development Managers updating the underlying financial appraisals supported by information provided by the Surveyors and market research team, etc. • Thorough market testing at estimating stage (pre-bid) and at procurement stage is undertaken to ensure costs are correctly forecast. • Performance vs budget and forecast is assessed on a monthly basis with commentary on all significant variances. • Regular updates to cash flow forecasts and regular reviews of forecasting accuracy. • Assessment of risks and opportunities is documented and reviewed on a monthly basis.	• Growth • Returns • Resilience • Sustainability ***Risk change*** NEW
12. Reputational damage ***Responsible Executive: Group Chief Executive*** The perception of Countryside and its brand and values deteriorate in the eyes of investors, customers, suppliers, local authorities, housing associations, banks, analysts or auditors which could lead to increased operational and financial risks.	• Agreement of Company "purpose" and implementation of culture and values to support agreed strategy. • Code of Conduct and Business Ethics. • Alignment of actions with cultural values. • Clear environmental, social and governance objectives and plan to achieve them. • Clear Whistleblowing Policy and independent whistleblowing reporting hotline. • Shareholder engagement programme.	• Growth • Returns • Resilience • Sustainability ***Risk change*** Risk increased

Consolidated statement of comprehensive income

For the year ended 30 September 2021

	Note	**2021 £m**	2020 £m
Revenue	6	**1,371.4**	892.0
Cost of sales		**(1,185.6)**	(783.9)
Gross profit		**185.8**	108.1
Administrative expenses		**(128.4)**	(113.5)
Other income	7	**13.9**	—
Operating profit/(loss)	7	**71.3**	(5.4)
Analysed as:			
Adjusted operating profit		**167.3**	54.2
Less: share of joint ventures and associate operating profit	14, 15	**(32.8)**	(17.2)
Less: non-underlying items	7	**(63.2)**	(42.4)
Operating profit/(loss)	7	**71.3**	(5.4)
Finance costs	8	**(17.3)**	(14.2)
Finance income	8	**1.5**	0.7
Share of post-tax profit from joint ventures and associate accounted for using the equity method	14, 15	**29.9**	17.0
Profit/(loss) before income tax		**85.4**	(1.9)
Income tax expense	9	**(13.1)**	(2.1)
Profit/(loss) and total comprehensive income/(loss) for the year		**72.3**	(4.0)
Profit/(loss) is attributable to:			
– Owners of the parent		**72.3**	(3.7)
– Non-controlling interest		**—**	(0.3)
		72.3	(4.0)
Earnings/(loss) per share (expressed in pence per share):			
Basic	10	**13.8**	(0.8)
Diluted	10	**13.7**	(0.8)

Revenue and operating profits/(losses) arise from the Group’s continuing operations. There were no items of other comprehensive income during the year (2020: £Nil).

Consolidated statement of financial position

As at 30 September 2021

	Note	**2021 £m**	2020 £m
Assets			
Non-current assets			
Intangible assets	11	**127.9**	143.1
Property, plant and equipment	12	**26.6**	15.1
Right of use assets	13	**70.6**	26.3
Investment in joint ventures	14	**38.3**	40.9
Investment in associate	15	**0.8**	1.3
Deferred tax assets	16	**6.0**	4.1
Trade and other receivables	18	**25.1**	19.6
		295.3	250.4
Current assets			
Inventories	17	**1,143.8**	1,059.1
Trade and other receivables	18	**250.4**	199.2
Current income tax receivable		**6.4**	0.6
Cash and cash equivalents	19	**43.4**	100.5
		1,444.0	1,359.4
Total assets		**1,739.3**	1,609.8
Liabilities			
Current liabilities			
Trade and other payables	20	**(306.0)**	(344.6)
Lease liabilities	13	**(8.0)**	(5.9)
Provisions	21	**(56.0)**	(10.9)
		(370.0)	(361.4)
Non-current liabilities			
Borrowings	19	**(2.4)**	(2.3)
Trade and other payables	20	**(182.3)**	(124.5)
Lease liabilities	13	**(64.8)**	(24.6)
Deferred tax liabilities	16	**(11.3)**	(10.5)
Provisions	21	**(1.0)**	(0.5)
		(261.8)	(162.4)
Total liabilities		**(631.8)**	(523.8)
Net assets		**1,107.5**	1,086.0
Equity			
Share capital	22	**5.2**	5.2
Share premium	22	**5.3**	5.3
Retained earnings		**1,096.7**	1,075.2
Equity attributable to owners of the parent		**1,107.2**	1,085.7
Equity attributable to non-controlling interest		**0.3**	0.3
Total equity		**1,107.5**	1,086.0

The notes on pages 22 to 54 form part of these financial statements.

These financial statements were approved for issue by the Board of Directors on 29 November 2021.

On behalf of the Board

Iain McPherson — ***Director***

Mike Scott — ***Director***

Consolidated statement of changes in equity

For the year ended 30 September 2021

	Note	Share capital £m	Share premium £m	Retained earnings £m	Equity attributable to owners of the parent £m	Non-controlling interest £m	Total equity £m
At 1 October 2019		4.5	—	892.3	896.8	2.3	899.1
Comprehensive income							
Loss and total comprehensive loss for the year		—	—	(3.7)	(3.7)	(0.3)	(4.0)
Transactions with owners							
Issue of shares, net of transaction costs	22	0.7	5.3	237.0	243.0	—	243.0
Share-based payments, net of deferred tax	16, 28	—	—	0.4	0.4	—	0.4
Purchase of shares by Employee Benefit Trust	22	—	—	(2.0)	(2.0)	—	(2.0)
Dividends paid to owners of the parent	32	—	—	(46.2)	(46.2)	—	(46.2)
Dividends paid to non-controlling interests		—	—	—	—	(4.3)	(4.3)
Reclassification		—	—	(2.6)	(2.6)	2.6	—
Total transactions with owners		0.7	5.3	186.6	192.6	(1.7)	190.9
At 30 September 2020		5.2	5.3	1,075.2	1,085.7	0.3	1,086.0
Comprehensive income							
Profit and total comprehensive income for the year		—	—	72.3	72.3	—	72.3
Transactions with owners							
Share-based payments, net of deferred tax	16, 28	—	—	2.8	2.8	—	2.8
Purchase of shares by Employee Benefit Trust	22	—	—	(1.4)	(1.4)	—	(1.4)
Purchase of own shares, including transaction costs	22	—	—	(52.2)	(52.2)	—	(52.2)
Total transactions with owners		—	—	(50.8)	(50.8)	—	(50.8)
At 30 September 2021		**5.2**	**5.3**	**1,096.7**	**1,107.2**	**0.3**	**1,107.5**

Consolidated cash flow statement

For the year ended 30 September 2021

	Note	**2021 £m**	2020 £m
Cash used in operations	23	**(10.0)**	(144.9)
Interest paid – lease liabilities		**(2.2)**	(1.1)
Interest paid – other		**(3.2)**	(5.4)
Interest received		**0.8**	0.2
Tax paid		**(19.1)**	(27.2)
Net cash outflow from operating activities		**(33.7)**	(178.4)
Cash flows from investing activities			
Purchase of intangible assets	11	**(2.1)**	(2.9)
Purchase of property, plant and equipment	12	**(13.8)**	(4.8)
Proceeds from disposal of financial assets at fair value through profit or loss		**—**	5.0
Decrease/(increase) in advances to joint ventures and associate	25	**6.8**	(19.8)
Repayment of members' interest from joint ventures	14	**5.8**	4.4
Dividends received from joint ventures and associate	14, 15	**24.3**	35.8
Net cash inflow from investing activities		**21.0**	17.7
Cash flows from financing activities			
Dividends paid to owners of the parent	32	**—**	(46.2)
Dividends paid to non-controlling interests		**—**	(4.3)
Repayment of lease liabilities		**(8.2)**	(4.9)
Purchase of shares by Employee Benefit Trust	22	**(1.4)**	(2.0)
Purchase of own shares, including transaction costs	22	**(34.8)**	—
Net proceeds from the issue of share capital		**—**	243.0
Borrowings under the revolving credit facility		**—**	297.6
Repayment of borrowings under the revolving credit facility		**—**	(297.6)
Net cash (outflow)/inflow from financing activities		**(44.4)**	185.6
Net (decrease)/increase in cash and cash equivalents		**(57.1)**	24.9
Cash and cash equivalents at the beginning of the year		**100.5**	75.6
Cash and cash equivalents at the end of the year	19	**43.4**	100.5

Notes to the consolidated financial statements

For the year ended 30 September 2021

1. General information

Countryside is the market leader in the delivery of high quality mixed-tenure communities in partnership with housing associations, public bodies and institutional private rental operators, with a strong focus on placemaking and regeneration.

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

2. Critical accounting judgements and estimates

The preparation of the Group's financial statements requires the Directors to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, expenses and related disclosures.

Critical accounting judgements

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

Key sources of estimation uncertainty

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

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

Estimation of site profitability

In order to determine the profit or loss that the Group recognises on its developments and construction contracts in a specific period, the Group allocates the total cost of each development or construction contract between the proportion completing in the period and the proportion completing in future periods. The assessment of the total costs to be incurred requires a degree of estimation.

Actual costs may differ to forecasts for several reasons such as site delays, unforeseen costs, change orders and uncontracted cost inflation and the Group is also exposed to various market fluctuations. The long-term nature of the Group's activities adds further complexity as forecasts are required for the duration of developments or construction contracts.

The Covid-19 pandemic has increased this estimation uncertainty due to the potential impact on house prices, materials, labour costs and construction timelines. Group management has established internal controls to review and ensure the appropriateness of estimates made on an individual development or contract basis.

The Directors note that a change in estimated margins on several sites (due, for example, to changes in estimates of cost inflation or a material reduction in-house prices in the private market) could materially alter future profitability. The Directors have performed a detailed review of the Group's developments at the year end and have recognised a net release of provisions relating to inventories of £0.7m (2020: charge of £6.2m). Refer to Note 17.

As an illustration, if the Directors were to reduce the forecast margins of all developments by 5 percentage points, the gross profit recognised in the year would have reduced by £69m, or £77m on an adjusted basis, with a reduction to net assets of the same value. Likewise, an increase to margins by 5% would have increased gross profit and net assets by the same values.

Remediation costs for multi-occupancy buildings

During the year, the Group recognised a provision of £41.0m relating to expected remediation costs for multi-occupancy buildings. The Directors have made estimates as to the extent of the remedial works required and the associated costs, using currently available information including third-party quotations where possible. The detailed review is ongoing and therefore the scope of remedial works required and the associated costs, are likely to change over time. The estimation of expected future outflows in relation to these properties, together with any potential recovery of costs, is complex resulting in significant estimation uncertainty. Refer to Note 21 and Note 31 for further detail.

As an illustration a reasonably possible increase of 20% in the estimated costs would increase cost of sales and reduce profit by £8.2m, and reduce the Group's operating margin by 60bps on both a reported and adjusted basis.

3. Accounting policies

Basis of preparation

These financial statements for the year ended 30 September 2021 are those of the Company and all of its subsidiaries. They have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 ("IFRS") and the applicable legal requirements of the Companies Act 2006. The consolidated financial statements also comply with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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 share-based payments and certain other assets and liabilities recognised at fair value as a result of business combinations.

Going concern

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

As described in the Viability Statement in the 2021 Annual Report, the Directors have performed a robust assessment of the principal risks facing the Company, including those risks that would threaten Countryside's business model, future performance, solvency, or liquidity. The Group's business activities, together with the factors likely to affect its future development, are set out in the Strategic Report in the 2021 Annual Report. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Strategic Report in the 2021 Annual Report. The Group's RCF was undrawn as at 30 September 2021 and further disclosures regarding the Group's borrowings are provided in Note 19.

The assessment includes a financial review derived from the Board-approved strategic forecasts over a three-year period to 30 September 2024. Plausible downside case scenarios have been reviewed to illustrate the potential impact on the Group's viability of one or more of the Group's principal risks crystallising, both individually and in combination. Two scenarios have been considered as follows:

- A prolonged economic downturn commencing in January 2022 resulting in a significant reduction in house prices followed by a gradual return to forecast volumes and prices over a three-year period; and
- A major incident occurs causing the business to shut down for a period of two months and resulting in a sharp fall in house prices.

Based on the forecasts and scenarios modelled, the Directors have assessed the Group's going concern status over the next 12 months, which incorporates the downside scenarios noted above. Having considered the Group's cash flow forecasts, the Directors are satisfied that the Group has sufficient liquidity and covenant headroom to remain liquid 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 2021, the Group adopted the following standards and amendments issued by the International Accounting Standards Board ("IASB"):

- Definition of a Business – Amendments to IFRS 3 "Business Combinations";
- Definition of Material – Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors";
- Interest Rate Benchmark Reform – Phase 1 – Amendments to IFRS 9, IAS 39 and IFRS 7; and
- Covid-19 Related Rent Concessions – Amendment to IFRS 16 "Leases".

The adoption of these amendments did not have a material impact on the Group financial statements.

Standards, interpretations and amendments in issue but not yet effective

The following amendments to standards and interpretations have also been issued, but are not yet effective and have not been early adopted for the financial year ended 30 September 2021:

- Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

The adoption of this amendment is not expected to have a material impact on the Group financial statements.

Basis of consolidation

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

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

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

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

Joint arrangements and associates

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

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

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

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

The Group funds its joint ventures and associate through a combination of equity investments and debt (advances to joint ventures). The Directors review the recoverability of its investments and advances for impairment annually.

Purchase of own shares

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.

During the year ended 30 September 2021, the Company announced its intention to return surplus cash to shareholders via on-market purchases of ordinary shares. Shares purchased by the Company are held in treasury and result in a charge to retained earnings. All directly attributable costs incurred relating to the purchase of treasury shares are also charged to retained earnings. Where the Company engages a third party to carry out a share purchase programme on a non-discretionary and irrevocable basis, a liability is recognised on the date of inception of the contract for the present value of the redemption amount.

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

Brands

The Group carries assets on the statement of financial position for acquired brands. The cost is determined at acquisition as being directly attributable cost or, where relevant, by using an appropriate valuation method. The brand assets are

tested for impairment when a triggering event is identified and are amortised over the estimated useful life of the brand, up to a maximum of 20 years. Internally generated brands are not recognised.

Customer-related assets

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

Computer software

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

Property, plant and equipment

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

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

- Plant and machinery: four to five years, except for manufacturing machinery with a maximum useful life of twelve years
- Fixtures and fittings: ten years

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 classification of financial assets 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.

The Group's financial assets comprise "trade and other receivables" and "cash and cash equivalents" in the statement of financial position. Trade and other receivables are classified as 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.

Inventories

Inventories are held at the lower of cost or net realisable value, with the exception of inventories acquired as part of a business combination which are held at fair value.

Cost comprises of land, land option costs, materials, applicable direct labour and those overheads incurred to bring the inventories to their present location and condition, less the value of inventories charged to 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 part of a site. Refer to page 28 for the Group's cost of sales accounting policy.

Net realisable value represents estimated selling price less all estimated costs to sell, including sales and marketing costs.

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

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

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

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

Trade and other receivables

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

The 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.

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

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

Cash and cash equivalents

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

Trade and other payables

Trade and other payables on normal terms are not interest bearing and are stated initially at their fair value and subsequently at amortised cost. They are classified as current liabilities if payment is due within 12 months. If not, they are classified as non-current liabilities.

Where land is purchased on deferred payment terms, the liability is discounted to fair value with the land recognised at the discounted value in inventories. The discount to fair value relating to the liability is amortised over the period of the credit term and charged to finance costs using the effective interest rate method.

Trade and other payables also include 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.

Changes in estimates of the final payment value of deferred land payments and overage payable are capitalised into inventories and, in due course, to cost of sales in the statement of comprehensive income. If there is a change to the timing of payments, the present value of the revised payments is recalculated with any change to the liability recognised within finance costs.

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

Leases

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

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

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

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

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

Borrowings

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

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

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

Bank overdrafts are classified as current liabilities.

Provisions

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

Share capital and share premium

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

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 operates a range of legal and contractual structures which are tailored according to the land structure and parties to the contract. Recognition of revenue reflects the underlying nature of these contracts, as described below in more detail by category.

Private housing revenue

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

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

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

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

Contract revenue for affordable housing and PRS contracts is recognised over time based on surveyor-certified valuations of work performed at the balance sheet date. Where there is a disposal of land to the customer under the contract, revenue for this disposal is recognised in line with the accounting policy for land sales below.

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 is finalised.

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

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

The Group recognises affordable housing and PRS unit completions on a pro-rata basis in line with revenue recognition.

Other revenue – land sales

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

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

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

Other revenue – commercial sales

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

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

Other revenue – project management services

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

Other revenue – part exchange

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

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

Other revenue – freehold reversions

Revenue is recognised on freehold reversion sales on unconditional exchange.

Cost of sales

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

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

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

Finance costs and finance income

Borrowing costs

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

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

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

Unwind of discounting

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

Current and deferred income taxation

Income tax comprises current and deferred tax.

Current taxation

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

Deferred taxation

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

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

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

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

Segmental reporting

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

On 7 July 2021, the Group announced an update to its strategy which resulted in all of the Group's resources being focused on the Partnerships business. Any non-Partnerships activities are regarded as Legacy Operations, which the Group is exiting as soon as practical.

The Group's Partnerships business comprises four geographical operating segments across the United Kingdom, each managed by a Divisional Chief Executive. All Divisional Chief Executives are members of the Group's Executive Committee. The Group aggregates the Partnerships operating segments into one reportable segment on the basis that they share similar economic characteristics.

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

Pension plans

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

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

Share-based payments

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

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

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

Non-underlying items

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

In addition, the Directors believe that in discussing the performance of the Group, the results of joint ventures and associates should be proportionally consolidated, including the Group's share of revenue and operating profit, as they are managed as an integral part of the Group's operations. As such, the Directors adjust for these non-underlying items in the calculation of the Group's Alternative Performance Measures ("APMs"), which are set out on pages 55 to 57.

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

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

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

Dividends

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

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

4. Segmental reporting

Segmental reporting is presented in respect of the Group's reportable 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 Executive Committee).

On 7 July 2021, the Group announced an update to its strategy which resulted in all of the Group's resources being focused on the Partnerships business. Any non-Partnerships activities are regarded as Legacy Operations, which the Group is exiting as soon as practical.

The Group's Partnerships business comprises of four geographical operating segments across the United Kingdom, each managed by a Divisional Chief Executive. All Divisional Chief Executives are members of the Group's Executive Committee. The Group aggregates the Partnerships operating segments into one reportable segment on the basis that they share similar economic characteristics. Each of the divisions build and deliver homes on mixed-tenure sites, sell to similar customers, and operate in the same legal and regulatory environment.

As a result of the Group's strategy update, the following changes have been applied for the year ended 30 September 2021:

- A number of sites previously included within the Housebuilding segment have been identified as fitting the mixed-tenure Partnerships model and have been reclassified within Partnerships. This includes the Group's investment in two of its joint ventures, Greenwich Millennium Village Limited and Countryside Zest (Beaulieu Park) LLP.
- The remaining operations previously disclosed as Housebuilding are now disclosed as Legacy Operations as the Group's second reportable segment. This reflects the Group's strategy to allocate its capital to the Partnerships business, with Legacy Operations expected to be substantially complete by 30 September 2023.

Further detail on the Group's strategy and the changes during the year is provided in the Strategic Report in the 2021 Annual Report.

Prior year information has been restated to reflect the changes above.

(a) Segmental financial performance

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

Adjusted revenue and adjusted operating profit are Alternative Performance Measures ("APMs") for the Group. Further detail on APMs is provided on pages 55 to 57.

	Partnerships £m	**Legacy Operations £m**	**Group items £m**	**Total £m**
Year ended 30 September 2021				
Adjusted revenue including share of revenue from joint ventures and associate	**1,033.2**	**493.0**	**—**	**1,526.2**
Less: share of revenue from joint ventures and associate	**(130.9)**	**(23.9)**	**—**	**(154.8)**
Revenue	**902.3**	**469.1**	**—**	**1,371.4**
Adjusted operating profit/(loss) including share of operating profit/(loss) from joint ventures and associate	**107.7**	**70.5**	**(10.9)**	**167.3**
Less: share of operating profit from joint ventures and associate	**(28.9)**	**(3.9)**	**—**	**(32.8)**
Less: non-underlying items (Note 7)	**(44.4)**	**(1.1)**	**(17.7)**	**(63.2)**
Operating profit/(loss)	**34.4**	**65.5**	**(28.6)**	**71.3**

	Partnerships £m	Legacy Operations £m	Group items £m	Total £m
Year ended 30 September 2020 (restated)				
Adjusted revenue including share of revenue from joint ventures and associate	669.2	319.6	—	988.8
Less: share of revenue from joint ventures and associate	(78.7)	(18.1)	—	(96.8)
Revenue	590.5	301.5	—	892.0
Adjusted operating profit/(loss) including share of operating profit/(loss) from joint ventures and associate	37.5	20.3	(3.6)	54.2
Less: share of operating profit from joint ventures and associate	(14.2)	(3.0)	—	(17.2)
Less: non-underlying items (Note 7)	(8.3)	(5.2)	(28.9)	(42.4)
Operating profit/(loss)	15.0	12.1	(32.5)	(5.4)

(b) Segmental financial position

Segmental TNAV represents the net assets of each operating segment, excluding intangible assets and related deferred tax liabilities. It includes items directly attributable to each segment as well as those that can be allocated on a reasonable basis. Segmental TNOAV is the Group's measure of capital employed, as used in the calculation of ROCE. Group and segmental TNAV and TNOAV are Alternative Performance Measures ("APMs") for the Group. Further detail on APMs is provided on pages 55 to 57.

As at 30 September 2021	**Partnerships £m**	**Legacy Operations £m**	**Total £m**
Segment assets	**1,092.9**	**475.1**	**1,568.0**
Segment liabilities	**(482.7)**	**(138.3)**	**(621.0)**
TNOAV	**610.2**	**336.8**	**947.0**
Net cash/(debt)	**41.0**	**—**	**41.0**
TNAV	**651.2**	**336.8**	**988.0**

As at 30 September 2020 (restated)	Partnerships £m	Legacy Operations £m	Total £m
Segment assets	804.1	561.1	1,365.2
Segment liabilities	(337.5)	(174.2)	(511.7)
TNOAV	466.6	386.9	853.5
Net cash/(debt)	(39.4)	137.6	98.2
TNAV	427.2	524.5	951.7

(c) Segmental other items

	Partnerships £m	**Legacy Operations £m**	**Group items £m**	**Total £m**
Year ended 30 September 2021				
Investment in joint ventures	**36.8**	**1.5**	**—**	**38.3**
Investment in associate	**—**	**0.8**	**—**	**0.8**
Share of post-tax profit from joint ventures and associate	**26.1**	**3.8**	**—**	**29.9**
Capital expenditure – property, plant and equipment	**11.8**	**2.0**	**—**	**13.8**
Capital expenditure – right of use assets	**44.4**	**6.1**	**—**	**50.5**
Capital expenditure – intangible assets	**—**	**—**	**2.1**	**2.1**
Depreciation – property, plant and equipment	**1.7**	**0.6**	**—**	**2.3**
Depreciation – right of use assets	**4.7**	**1.5**	**—**	**6.2**
Amortisation – intangible assets	**—**	**—**	**10.4**	**10.4**
Gain on sale of Group's interest in joint venture	**—**	**13.9**	**—**	**13.9**
Share-based payments	**—**	**—**	**1.9**	**1.9**

	Partnerships £m	Legacy Operations £m	Group items £m	Total £m
Year ended 30 September 2020 (restated)				
Investment in joint ventures	32.9	8.0	—	40.9
Investment in associate	—	1.3	—	1.3
Share of post-tax profit from joint ventures and associate	12.7	4.3	—	17.0
Capital expenditure – property, plant and equipment	4.2	0.6	—	4.8
Capital expenditure – right of use assets	3.1	1.3	—	4.4
Capital expenditure – intangible assets	—	—	2.9	2.9
Depreciation – property, plant and equipment	1.8	0.7	—	2.5
Depreciation – right of use assets	4.6	3.2	—	7.8
Amortisation – intangible assets	—	—	12.2	12.2
Impairment of goodwill	—	—	18.5	18.5
Share-based payments	—	—	1.0	1.0

5. Employee costs

	2021 £m	2020 £m
Wages and salaries	**127.5**	108.8
Social security costs	**14.9**	13.8
Other pension costs	**7.9**	6.6
Share-based payments (Note 28)	**1.9**	1.0
	152.2	130.2

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 £7.9m (2020: £6.6m), of which £1.1m (2020: £0.8m) was outstanding as at 30 September 2021. The Group does not operate any defined benefit pension schemes.

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

	2021 Number	2020 Number
Development	**1,826**	1,782
Head office	**219**	165
	2,045	1,947

6. Revenue

An analysis of Group reported revenue by type is set out below. Segmental revenue has been restated for the year ended 30 September 2020. Refer to Note 4.

	2021 £m	2020 restated £m
Partnerships:		
– Private housing	**449.2**	251.7
– Affordable	**274.9**	197.6
– PRS	**141.5**	116.5
– Other	**36.7**	24.7
7	**902.3**	590.5
Legacy Operations:		
– Private housing	**344.3**	205.1
– Affordable	**41.5**	45.2
– PRS	**7.5**	7.2
– Other	**75.8**	44.0
	469.1	301.5
Total revenue (reported)	**1,371.4**	892.0
Share of revenue from joint ventures and associate:		
– Partnerships	**130.9**	78.7
– Legacy Operations	**23.9**	18.1
Total revenue (adjusted)	**1,526.2**	988.8

Other revenue of £112.5m (2020: £68.3m) includes land sales of £87.2m (2020: £30.7m).

At 30 September 2021, the aggregate amount of unsatisfied performance obligations relating to contracts with customers was £1,042.3m (2020: £891.8m). Approximately 40% of these amounts are expected to be recognised as revenue within one year, with the remainder recognised over varying contractual lengths.

7. Operating profit/(loss)

(a) Operating profit/(loss)

Operating profit of £71.3m (2020: loss of £5.4m) is stated after charging/(crediting):

	Note	**2021 £m**	2020 £m
Inventories expensed to cost of sales		**1,151.2**	760.5
Net provisions for impairment of inventories	17	**(0.7)**	6.2
Gain on sale of Group's interest in joint venture	14	**(13.9)**	—
Staff costs	5	**152.2**	130.2
Amortisation – intangible assets	11	**10.4**	12.2
Impairment of goodwill	11	**—**	18.5
Depreciation – property, plant and equipment	12	**2.3**	2.5
Depreciation – right of use assets	13	**6.2**	7.8

During the year, the Group disposed of its investment in the Cambridge Medipark Limited joint venture for total consideration of £16.2m, net of transaction costs. Prior to disposal the carrying value of the investment was £2.3m, resulting in a gain on disposal of £13.9m.

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

	2021 £m	2020 £m
Fees payable to the Group's auditor for the audit of parent and consolidated financial statements	**0.8**	0.4
Fees payable to the Group's auditor for other services:		
– Audit of subsidiary companies	**0.5**	0.5
– Audit of joint ventures and associate (Group share)	**0.1**	0.1
– Audit-related services	**0.2**	0.2
Total	**1.6**	1.2

(b) Non-underlying items

	2021 £m	2020 £m
Non-underlying items included within cost of sales:		
– Remediation costs for multi-occupancy buildings	**41.0**	—
– Ground Rent Assistance Scheme	**0.7**	—
Non-underlying items included within administrative expenses:		
– Costs relating to the Housebuilding separation	**6.0**	—
– Ground Rent Assistance Scheme	**3.8**	10.0
– Amortisation/de-recognition of acquisition-related intangible assets	**11.7**	10.2
– Impairment of goodwill	**—**	18.5
– Restructuring costs	**—**	3.5
– Deferred consideration relating to Westleigh	**—**	0.2
Total non-underlying items	**63.2**	42.4

Remediation costs for multi-occupancy buildings

As a result of progress made in the Group's review of expected remediation costs for multi-occupancy buildings, a provision of £41.0m has been recognised. Refer to Note 21 for further detail.

Ground Rent Assistance Scheme

Following the Competition and Markets Authority's ("CMA's") review into the sale of leasehold properties, on 15 September 2021 Countryside announced that it had agreed voluntary undertakings with the CMA to seek the removal of all 10- and 15-year doubling clauses from leases where the ground rent is not for the ultimate benefit of a local authority or registered provider of social housing, at no cost to leaseholders. These undertakings have resulted in an increase to the Ground Rent Assistance Scheme provision of £3.8m (2020: £10.0m) and a write down of inventories of £0.7m (2020: £Nil) relating to leases where Countryside is the freeholder.

Costs relating to the Housebuilding separation

As announced on 3 December 2020, the Group appointed Rothschild & Co to examine the separation of its Housebuilding division. The Group's review was concluded in July 2021, with the Group issuing a strategy update on 7 July 2021. Total costs of £6.0m were incurred during the year for legal, tax and accounting advisory services relating to the review.

Amortisation/de-recognition of acquisition-related intangible assets

Amortisation/de-recognition 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.

Impairment of goodwill

During September 2020, the Directors announced the Board's decision to close the Millgate business with the remaining Millgate sites being transferred to the Housebuilding West region. The goodwill previously recognised on the acquisition of Millgate was tested for impairment and an impairment charge of £18.5m was recognised.

Restructuring costs

Restructuring costs of £3.5m were recognised in the year ended 30 September 2020 in relation to the closure of the Millgate business and restructuring in the Partnerships division.

Taxation

A total tax credit of £11.6m (2020: £4.7m) in relation to non-underlying items is included within taxation in the statement of comprehensive income.

8. Net finance costs

	Note	**2021 £m**	2020 £m
Bank loans and overdrafts		**(3.2)**	(5.3)
Amortisation of debt finance costs	19	**(0.9)**	(0.7)
Unwind of discount relating to:			
– Land purchases on deferred payment terms		**(10.9)**	(7.0)
– Lease liabilities	13	**(2.2)**	(1.1)
– Other loans		**(0.1)**	(0.1)
Finance costs		**(17.3)**	(14.2)
Interest receivable		**0.8**	0.2
Unwind of discount relating to:			
– Land sales on deferred settlement terms		**0.7**	0.5
Finance income		**1.5**	0.7
Net finance costs		**(15.8)**	(13.5)

9. Income tax expense

Analysis of charge for the year	**2021 £m**	2020 £m
Current tax		
Current year	**13.3**	1.9
Total current tax	**13.3**	1.9
Deferred tax (Note 16)		
Origination and reversal of temporary differences	**0.3**	0.2
Adjustments in respect of prior periods	**(0.5)**	—
Total deferred tax	**(0.2)**	0.2
Total income tax expense	**13.1**	2.1

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate would increase to 25% and this rate had been enacted at the reporting date. Deferred tax has been measured using the enacted rates that are expected to apply to the period in which each asset or liability is expected to unwind.

In the Autumn Statement 2021, the Government confirmed that a Residential Property Developer Tax ("RPDT") will be introduced with effect from 1 April 2022. The RPDT will be charged at 4% on relevant profits exceeding an annual allowance of £25m.

The Group effective tax rate for the year of 15.3% (2020: (107.7)%) results in a lower tax expense (2020: higher tax expense) than the standard rate of corporation tax in the United Kingdom of 19.0% (2020: 19.0%). The table below shows the reconciliation of the Group's income tax expense calculated at the standard rate of tax in the United Kingdom to the Group's income tax expense at the effective tax rate.

	2021 £m	2020 £m
Profit/(loss) before income tax	**85.4**	(1.9)
Tax calculated at the parent entity rate of tax of 19.0% (2020: 19.0%)	**16.2**	(0.4)
– Impairment of goodwill	**—**	3.5
– Adjustments to deferred tax due to increase in UK tax rates	**1.7**	0.7
– Other timing differences	**(1.5)**	(0.9)
– Deferred tax credited/(charged) directly to reserves	**0.9**	(0.6)
– Joint ventures and associate tax	**(1.6)**	(0.2)
– Adjustments in respect of prior periods – deferred tax	**(0.5)**	—
– Income not taxable	**(3.1)**	—
– Enhanced deductions for land remediation	**(0.3)**	—
– Expenses not deductible for tax	**1.3**	—
Income tax expense	**13.1**	2.1

10. Earnings/(loss) per share

Basic earnings per share ("basic EPS") is calculated by dividing the profit from continuing operations attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period.

The weighted average number of shares in issue is adjusted to exclude the weighted average number of treasury shares held by the Company and shares held by the Employee Benefit Trust ("EBT"). Refer to Note 22. The weighted average number of shares held in treasury during the year was 0.6 million (2020: £Nil) and the weighted average number of shares held in the EBT during the year was 1.0 million (2020: 1.2 million).

For diluted earnings per share ("diluted EPS"), the weighted average number of ordinary shares also assumes the conversion of all potentially dilutive share awards.

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

	2021	2020
Profit/(loss) from continuing operations attributable to equity holders of the parent (£m)	**72.3**	(3.7)
Basic weighted average number of shares (millions)	**523.0**	462.1
Basic earnings/(loss) per share (pence per share)	**13.8**	(0.8)
Diluted weighted average number of shares (millions)	**526.7**	464.5
Diluted earnings/(loss) per share (pence per share)	**13.7**	(0.8)

(b) Adjusted basic and diluted earnings per share

	2021	2020
Profit/(loss) from continuing operations attributable to equity holders of the parent (£m)	**72.3**	(3.7)
Add: non-underlying items net of tax (£m)	**51.6**	37.7
Adjusted profit from continuing operations attributable to equity holders of the parent (£m)	**123.9**	34.0
Basic weighted average number of shares (millions)	**523.0**	462.1
Adjusted basic earnings per share (pence per share)	**23.7**	7.4
Diluted weighted average number of shares (millions)	**526.7**	464.5
Adjusted diluted earnings per share (pence per share)	**23.5**	7.3

Non-underlying items net of tax include costs of £63.2m and a tax credit of £11.6m (2020: costs of £42.4m and a tax credit of £4.7m). Refer to Note 7.

Adjusted basic and diluted earnings per share are APMs for the Group. Refer to pages 55 to 57 for details of the Group's APMs.

11. Intangible assets

	Software £m	Customer related £m	Brand £m	Goodwill £m	Total £m
Cost					
At 1 October 2019	8.2	42.1	34.6	109.8	194.7
Additions	4.8	—	—	—	4.8
At 30 September 2020	11.1	42.1	34.6	109.8	197.6
Additions	2.1	—	—	—	2.1
Disposals and de-recognition	(5.4)	—	(10.4)	—	(15.8)
At 30 September 2021	**7.8**	**42.1**	**24.2**	**109.8**	**183.9**
Accumulated amortisation and impairment					
At 1 October 2019	3.3	10.1	10.4	—	23.8
Amortisation charge for the year	2.2	6.7	3.3	—	12.2
Impairment charge for the year	—	—	—	18.5	18.5
At 30 September 2020	5.5	16.8	13.7	18.5	54.5
Amortisation charge for the year	1.9	3.4	5.1	—	10.4
Disposals and de-recognition	(1.6)	—	(7.3)	—	(8.9)
At 30 September 2021	**5.8**	**20.2**	**11.5**	**18.5**	**56.0**
Net book value					
At 30 September 2021	**2.0**	**21.9**	**12.7**	**91.3**	**127.9**
At 30 September 2020	5.6	25.3	20.9	91.3	143.1

(a) Goodwill

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

	2021 £m	2020 £m
Copthorn Holdings Limited ("Copthorn") – April 2013	**19.3**	19.3
Westleigh Group Limited1 ("Westleigh") – April 2018	**72.0**	72.0
	91.3	91.3

1 Westleigh Group Limited was subsequently renamed as Countryside Properties (WGL) Limited.

Goodwill is tested annually for impairment at the year end.

For the purpose of impairment testing, goodwill is allocated at the acquisition date to cash generating units ("CGUs"), or groups of CGUs, that are expected to benefit from the synergies of the business combination. Goodwill is allocated to CGUs or groups of CGUs at the lowest level at which management monitors the goodwill and at no higher level than that of the Group's operating segments. As a result of the strategy update issued in July 2021, Management have redefined the Group's operating segments to be the Divisions within the Partnerships segment, resulting in a change to the allocation of the Group's goodwill balances.

The goodwill arising on the acquisition of Westleigh of £72.0m has been re-allocated to a group of CGUs in the Midlands Division (£40.6m) and one CGU in the North division (£31.4m). These CGUs reflect the geographical regions that the Group has been able to establish a presence in and grow as a result of the acquisition. The Copthorn goodwill of £19.3m has been re-allocated to the groups of CGUs, which represent the four Divisions of the Partnerships business (North, South, Midlands and Home Counties).

The impairment reviews were performed by comparing the value in use with the carrying amount of the relevant CGU, or group of CGUs, including the allocated goodwill. The recoverable amount has been determined to be the value in use, in line with the prior year assessment.

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

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

Cash flows beyond the strategic plan are extrapolated using a growth rate of 1% (2020: 1%) per annum based on GDP growth forecasts by HM Treasury.

To calculate the value in use, the forecast cash flows have been discounted using a pre-tax discount rate that reflects a current market assessment of the time value of money, and the estimated relative risk profile of each group of CGUs. The discount rate applied for each group of CGUs to which the Copthorn goodwill has been allocated was 10.1% (2020: 9.0%), whilst 12.1% (2020: 11.0%) was applied to the CGU, and group of CGUs, to which the Westleigh goodwill has been allocated.

The impairment testing illustrated that the recoverable amount exceeded the carrying amount in each instance, and therefore no impairment charge has been recorded.

Sensitivity analysis has been undertaken for each impairment review by changing discount rates and assumptions in the underlying cash flows, including reduced unit delivery, lower average selling prices, and reductions to gross margins from higher cost inflation. No impairment was indicated under any of the scenarios modelled. When modelled in isolation, a reduction in the forecast cash flows in excess of 45% per annum, or an increase in the discount rate to over 17%, would be required to derive £Nil headroom in any of the impairment tests carried out.

(b) Brands

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

	Acquired (year)	Life (years)	**2021 £m**	2020 £m
Countryside	2013	20.0	**7.8**	8.4
Millgate	2014	8.7	**4.9**	7.2
Westleigh	2018	—	**—**	5.3
			12.7	20.9

As a result of the strategy update issued on 7 July 2021, the Millgate brand is expected to have no further useful life to the Group beyond 30 September 2022, reducing the total useful life since acquisition to 8.7 years.

The Directors also reviewed the useful life and carrying value of the Westleigh brand during the year and consider it to have no future value to the Group beyond 30 September 2021. As a result, the Westleigh brand has been de-recognised during the year, generating a loss on de-recognition of £3.1m.

(c) Customer-related intangible assets

Customer-related intangible assets of £21.9m (2020: £25.3m) relate to customer relationships recognised on the acquisition of Westleigh in April 2018. The useful economic life of these customer relationships is ten years, reflecting the expected timeframe over which the Group will derive value from these assets.

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

12. Property, plant and equipment

	Plant and machinery £m	Fixtures and fittings £m	Assets under construction £m	Total £m
Cost				
At 1 October 2019	10.4	11.2	—	21.6
Additions	1.4	1.0	2.4	4.8
Disposals	(0.2)	(0.1)	—	(0.3)
At 30 September 2020	11.6	12.1	2.4	26.1
Additions	0.7	6.8	6.3	13.8
Disposals	(5.9)	(4.2)	—	(10.1)
At 30 September 2021	**6.4**	**14.7**	**8.7**	**29.8**
Accumulated depreciation				
At 1 October 2019	5.9	2.9	—	8.8
Depreciation charge for the year	1.6	0.9	—	2.5
Disposals	(0.2)	(0.1)	—	(0.3)
At 30 September 2020	7.3	3.7	—	11.0
Depreciation charge for the year	1.1	1.2	—	2.3
Disposals	(5.9)	(4.2)	—	(10.1)
At 30 September 2021	**2.5**	**0.7**	**—**	**3.2**
Net book value				
At 30 September 2021	**3.9**	**14.0**	**8.7**	**26.6**
At 30 September 2020	4.3	8.4	2.4	15.1

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

Assets under construction of £8.7m (2020: £2.4m) comprises machinery for the new modular panel factory in Bardon, Leicestershire. Depreciation will commence in the first half of 2022.

13. Leases

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

(a) Right of use assets

	Buildings £m	Other £m	Total £m
Cost			
At 1 October 2019	26.9	3.4	30.3
Additions	1.4	3.0	4.4
De-recognition	(1.2)	—	(1.2)
At 1 October 2020	27.1	6.4	33.5
Additions	47.1	3.4	50.5
De-recognition	—	(0.5)	(0.5)
At 30 September 2021	**74.2**	**9.3**	**83.5**
Accumulated depreciation			
At 1 October 2019	—	—	—
Depreciation charge for the year	5.9	1.9	7.8
De-recognition	(0.6)	—	(0.6)
At 1 October 2020	5.3	1.9	7.2
Depreciation charge for the year	4.0	2.2	6.2
De-recognition	—	(0.5)	(0.5)
At 30 September 2021	**9.3**	**3.6**	**12.9**
Net book value			
At 30 September 2021	**64.9**	**5.7**	**70.6**
At 30 September 2020	21.8	4.5	26.3

Right of use asset additions of £50.5m in the year include £31.9m relating to the new modular panel factory in Bardon, Leicestershire.

(b) Lease liabilities

	2021 £m	2020 £m
Current	**8.0**	5.9
Non-current	**64.8**	24.6
Total	**72.8**	30.5

The total cash outflow relating to lease liabilities for the year ended 30 September 2021 was £10.4m (2020: £6.0m). A maturity analysis of the contractual undiscounted future lease payments is presented in Note 27.

(c) Amounts recognised in the statement of comprehensive income

	2021 £m	2020 £m
Depreciation of right of use assets	**6.2**	7.8
Finance costs – unwind of discount	**2.2**	1.1
Expenses relating to short-term leases	**0.1**	0.9
Expenses relating to leases of low value assets	**0.4**	0.3

14. Joint arrangements

Joint ventures

The Directors have aggregated the disclosure of the joint ventures' statements of financial position and statements of comprehensive income, and separately disclosed material joint ventures below.

As a result of the Group's strategy update (refer to Note 4), the segmental presentation of the Group's joint ventures for the year ended 30 September 2020 has been restated as follows:

- The Group's investments in Greenwich Millennium Village Limited and Countryside Zest (Beaulieu Park) LLP have been reclassified within Partnerships; and
- All non-Partnerships joint ventures have been included within Legacy Operations.

The Group's aggregate investment in joint ventures is represented by:

			2021			2020 (restated)
	Partnerships £m	**Legacy Operations £m**	**Group £m**	Partnerships £m	Legacy Operations £m	Group £m
Summarised statement of financial position:						
Non-current assets	**1.3**	**0.1**	**1.4**	2.4	0.1	2.5
Current assets excluding cash	**239.6**	**7.8**	**247.4**	263.9	19.9	283.8
Cash	**6.7**	**9.8**	**16.5**	2.9	3.1	6.0
Current liabilities	**(79.1)**	**(11.8)**	**(90.9)**	(83.3)	(4.1)	(87.5)
Non-current liabilities	**(94.8)**	**(2.9)**	**(97.7)**	(120.0)	(3.0)	(123.0)
	73.7	**3.0**	**76.7**	65.9	15.9	81.8
Movements in net assets:						
At 1 October	**65.9**	**15.9**	**81.8**	95.6	28.8	124.4
Profit for the year	**52.2**	**7.4**	**59.6**	28.0	5.8	33.8
Dividends paid	**(38.4)**	**(9.0)**	**(47.4)**	(57.7)	(9.3)	(67.0)
Repayment of members' interest	**(6.0)**	**(5.5)**	**(11.5)**	—	(8.8)	(8.8)
Disposal	**—**	**(4.6)**	**(4.6)**	—	—	—
Other movements	**—**	**(1.2)**	**(1.2)**	—	(0.6)	(0.6)
At 30 September	**73.7**	**3.0**	**76.7**	65.9	15.9	81.8
Summarised statement of comprehensive income:						
Revenue	**261.8**	**47.6**	**309.4**	157.5	36.1	193.6
Expenses	**(204.0)**	**(40.0)**	**(244.0)**	(129.1)	(30.2)	(159.3)
Operating profit for the year	**57.8**	**7.6**	**65.4**	28.4	5.9	34.3
Finance costs	**(1.8)**	**(0.2)**	**(2.0)**	(0.3)	(0.1)	(0.4)
Income tax (expense)/credit	**(3.8)**	**—**	**(3.8)**	(0.1)	—	(0.1)
Profit for the year	**52.2**	**7.4**	**59.6**	28.0	5.8	33.8
Group's share in %	**50%**	**50%**	**50%**	50%	50%	50%
Share of revenue[1]	**130.9**	**23.8**	**154.7**	78.7	18.1	96.8
Share of operating profit[1]	**28.9**	**3.8**	**32.7**	14.2	3.0	17.2
Dividends received by the Group	**19.2**	**4.5**	**23.7**	28.9	4.6	33.5
Investment in joint ventures	**36.8**	**1.5**	**38.3**	32.9	8.0	40.9

1. The Group's share of revenue and operating profit from joint ventures is included in the Group's APMs as set out on pages 55 to 57.

Investment in joint ventures

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

	2021 £m	2020 £m
At 1 October	**40.9**	62.2
Share of post-tax profit	**29.8**	16.9
Dividends received	**(23.7)**	(33.5)
Repayment of members' interest	**(5.8)**	(4.4)
Disposal	**(2.3)**	—
Other movements	**(0.6)**	(0.3)
At 30 September	**38.3**	40.9

During the year, the Group disposed of its investment in the Cambridge Medipark Limited joint venture for total consideration of £16.2m. Prior to disposal the carrying value of the investment was £2.3m, resulting in a gain on disposal of £13.9m.

The amount due from joint ventures is £62.8m (2020: £69.5m) and the amount due to joint ventures is £0.5m (2020: £0.4m). Transactions between the Group and its joint ventures are disclosed in Note 25.

Individually material joint ventures

The Directors consider that joint ventures are material where they contribute 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:

			Partnerships	Legacy Operations
2021	**Acton Gardens LLP £m**	**Greenwich Millennium Village Limited £m**	**Countryside Zest (Beaulieu Park) LLP £m**	**Countryside L&Q (Oaks Village) LLP £m**
Summarised statement of financial position:				
Non-current assets	**1.5**	**0.1**	**0.5**	**0.1**
Current assets excluding cash	**50.0**	**50.4**	**115.0**	**3.9**
Cash	**0.2**	**1.9**	**2.2**	**9.6**
Current liabilities	**(34.3)**	**(8.7)**	**(12.7)**	**(7.9)**
Non-current liabilities	**(1.2)**	**(8.1)**	**(85.5)**	**(2.9)**
	16.2	**35.6**	**19.5**	**2.8**
Movements in net assets:				
At 1 October	**16.6**	**31.9**	**9.8**	**11.1**
Profit for the year	**16.1**	**15.7**	**19.6**	**6.1**
Dividends paid	**(16.5)**	**(12.0)**	**(9.9)**	**(8.9)**
Repayment of members' interest	**—**	**—**	**—**	**(5.5)**
At 30 September	**16.2**	**35.6**	**19.5**	**2.8**
Summarised statement of comprehensive income:				
Revenue	**80.7**	**76.4**	**91.6**	**31.2**
Expenses	**(64.6)**	**(56.6)**	**(72.0)**	**(25.0)**
Operating profit for the year	**16.1**	**19.8**	**19.6**	**6.2**
Finance costs	**—**	**(0.3)**	**—**	**(0.1)**
Income tax expense	**—**	**(3.8)**		**—**
Profit for the year	**16.1**	**15.7**	**19.6**	**6.1**

2020	Acton Gardens LLP £m	Greenwich Millennium Village Limited £m	Partnerships Countryside Zest (Beaulieu Park) LLP £m	Legacy Operations Countryside L&Q (Oaks Village) LLP £m
Summarised statement of financial position:				
Non-current assets	1.6	0.1	0.7	0.1
Current assets excluding cash	47.6	78.2	128.9	16.2
Cash	0.4	0.9	0.6	0.7
Current liabilities	(29.8)	(43.4)	(7.5)	(2.9)
Non-current liabilities	(3.2)	(3.9)	(112.9)	(3.0)
	16.6	31.9	9.8	11.1
Movements in net assets:				
At 1 October	27.0	30.6	30.2	22.0
Profit for the year	16.2	1.3	10.7	5.3
Dividends paid	(26.6)	—	(31.1)	(7.4)
Repayment of members' interest	—	—	—	(8.8)
At 30 September	16.6	31.9	9.8	11.1
Summarised statement of comprehensive income:				
Revenue	88.2	13.4	55.9	26.5
Expenses	(71.7)	(11.8)	(45.6)	(21.1)
Operating profit for the year	16.5	1.6	10.3	5.4
Finance (costs)/income	(0.4)	(0.1)	0.4	(0.1)
Income tax credit/(expense)	—	(0.1)	—	—
Profit for the year	16.1	1.4	10.7	5.3

The Group's joint ventures

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

	Country of incorporation	Ownership interest %	Principal activity
Acton Gardens LLP	UK	50.0	Development
Bracknell Forest Cambium Partnership LLP	UK	50.0	Development
Brenthall Park (Commercial) Limited	UK	50.0	Non-trading
Brenthall Park (Infrastructure) Limited	UK	50.0	Non-trading
Brenthall Park (Three) Limited	UK	50.0	Non-trading
Brenthall Park Limited	UK	50.0	Non-trading
Bromley Regeneration (Pike Close) LLP	UK	50.0	Development
Cambridge Road (RBK) LLP	UK	50.0	Development
Camden Development Partnership LLP	UK	50.0	Development
C.C.B. (Stevenage) Limited	UK	33.3	Non-trading
Countryside 27 Limited	UK	50.0	Commercial
Countryside L&Q (Oaks Village) LLP	UK	50.0	Development
Countryside L&Q (North East Chelmsford) LLP	UK	50.0	Development
Countryside Annington (Mill Hill) Limited	UK	50.0	Development
Countryside Clarion (Eastern Quarry) LLP	UK	50.0	Development
Countryside Properties (Accordia) Limited	UK	50.0	Non-trading
Countryside Properties (Booth Street 2) Limited	UK	39.0	Non-trading
Countryside Properties (Merton Abbey Mills) Limited	UK	50.0	Non-trading
Countryside Places for People (Lower Herne) LLP	UK	50.0	Development
Countryside Maritime Limited	UK	50.0	Development
Countryside Neptune LLP	UK	50.0	Non-trading
Countryside Zest (Beaulieu Park) LLP	UK	50.0	Development
Greenwich Millennium Village Limited	UK	50.0	Development
Mann Island Estate Limited	UK	50.0	Estate management
Marrco 25 Limited	UK	50.0	Non-trading
Oaklands Hamlet Resident Management Limited	UK	50.0	Estate management
Peartree Village Management Limited	UK	50.0	Estate management
Westleigh Cherry Bank LLP	UK	50.0	Non-trading

All joint ventures hold the registered address of Countryside House, The Drive, Brentwood, Essex CM13 3AT, except for C.C.B. (Stevenage) Limited (Croudace House, Tupwood Lane, Caterham, Surrey CR3 6XQ).

No joint venture was committed to the purchase of any property, plant and equipment or software intangible assets as at 30 September 2021 (2020: £Nil).

Joint operations

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

15. Investment in associate

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

The Group's investment in associate is represented by:

	2021 £m	2020 £m
Summarised statement of financial position:		
Current assets excluding cash	**0.5**	3.2
Cash	**8.4**	13.4
Current liabilities	**(5.6)**	(11.4)
Non-current liabilities	**(0.4)**	(0.5)
	2.9	4.7
Movements in net assets:		
At 1 October	**4.7**	12.3
Profit for the year	**0.2**	0.4
Dividends paid	**(2.0)**	(8.0)
At 30 September	**2.9**	4.7
Summarised statement of comprehensive income:		
Revenue	**0.2**	—
Expenses	**—**	—
Operating profit	**0.2**	—
Finance income	**—**	0.5
Income tax expense	**—**	(0.1)
Profit for the year	**0.2**	0.4
Group's share in %	**28.5%**	28.5%
Share of revenue[1]	**0.1**	—
Share of operating profit[1]	**0.1**	—
Dividends received by the Group	**0.6**	2.3
Investment in associate	**0.8**	1.3

1. The Group's share of revenue and operating profit from associate is included in the Group's APMs as set out on pages 55 to 57.

Transactions between the Group and its associate are disclosed in Note 25. No amounts are due to or from the associate as at 30 September 2021 (2020: £Nil).

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

	2021 £m	2020 £m
Reconciliation to carrying amount:		
At 1 October	**1.3**	3.5
Share of post-tax profit	**0.1**	0.1
Dividends received	**(0.6)**	(2.3)
At 30 September	**0.8**	1.3

Countryside Properties (Bicester) Limited is the sole subscriber to Kingsmere Estate Management Limited, an estate management company limited by guarantee. The address of the registered office of Countryside Properties (Bicester) Limited and Kingsmere Estate Management Limited is Countryside House, The Drive, Brentwood, Essex CM13 3AT.

16. Deferred tax assets and liabilities

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

	2021 £m	2020 £m
Amounts due to be recovered within one year	**3.0**	1.4
Amounts due to be recovered after more than one year	**3.0**	2.7
	6.0	4.1

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

	2021 £m	2020 £m
Amounts due to be settled within one year	**1.8**	1.3
Amounts due to be settled after more than one year	**9.5**	9.2
	11.3	10.5

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

	Share-based payments £m	Other timing differences £m	Total £m
At 1 October 2019	2.3	(7.9)	(5.6)
Credit/(charge) to the statement of comprehensive income for the year	(0.8)	0.6	(0.2)
Credit/(charge) to the statement of changes in equity for the year	(0.6)	—	(0.6)
At 30 September 2020	0.9	(7.3)	(6.4)
Credit/(charge) to the statement of comprehensive income for the year	0.3	(0.1)	0.2
Credit/(charge) to the statement of changes in equity for the year	0.9	—	0.9
At 30 September 2021	**2.1**	**(7.4)**	**(5.3)**

Temporary differences arising in connection with interests in joint ventures and associate are not significant. There are no unrecognised tax assets on joint ventures and associate relating to historical losses (2020: £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 £1.9m on historical losses of £7.8m (2020: £1.4m on historical losses of £7.6m).

17. Inventories

	2021 £m	2020 £m
Development land and work in progress	**1,092.9**	965.0
Completed properties unsold or awaiting sale	**50.9**	94.1
	1,143.8	1,059.1

Development land and work in progress of £1,092.9m (2020: £965.0m) includes land costs of £611.7m (2020: £417.8m), land options with a carrying value of £34.5m (2020: £26.9m) and development expenditure of £446.7m (2020: £520.3m).

During the year, the Group recognised a net release of provisions relating to inventories of £0.7m (2020: charge of £6.2m).

No borrowing costs were capitalised into inventories during the year (2020: £Nil).

18. Trade and other receivables

	2021 £m	2020 £m
Amounts falling due within one year:		
Trade receivables	**65.2**	44.5
Amounts recoverable on construction contracts	**53.0**	40.4
Advances to joint ventures	**62.8**	69.5
Other taxation and social security	**3.3**	6.0
Other receivables	**7.2**	1.5
Prepayments and accrued income	**58.9**	37.3
	250.4	199.2
Amounts falling due in more than one year:		
Trade receivables	**9.6**	—
Amounts recoverable on construction contracts	**15.5**	19.6
	25.1	19.6
Total trade and other receivables	**275.5**	218.8

Trade and other receivables are stated after provisions for expected credit losses of £0.3m (2020: £Nil).

A provision of £8.0m (2020: £8.0m) is held against an advance to Countryside Neptune LLP, a joint venture, to reflect the Directors' view of the recoverability of this advance.

Prepayments and accrued income of £58.9m (2020: £37.3m) include £47.5m of contract assets (2020: £31.1m) relating to uninvoiced amounts where revenue has been recognised in the statement of comprehensive income.

The fair value of the financial assets included in trade and other receivables is not considered to be materially different from their carrying value.

19. Cash and borrowings

(a) Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term deposits held in Sterling of £43.4m (2020: £100.5m).

As at 30 September 2021, no cash balances were ring-fenced for specific developments (2020: £Nil).

(b) Borrowings

	2021 £m	2020 £m
Other loans	**(2.4)**	(2.3)
Total borrowings	**(2.4)**	(2.3)

Bank loans

The Group has a £300m revolving credit facility ("RCF") with Lloyds Bank plc, Barclays Bank PLC, HSBC Bank plc and Santander UK plc, expiring in May 2023. The agreement has a floating interest rate based on LIBOR. As at 30 September 2021 and 30 September 2020 the Group had no drawings under the facility.

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

The Group also has the option to issue promissory notes from Barclays Bank PLC under the facility, with any notes issued reducing the available funds such that total borrowings under the facility does not exceed £300m. As at 30 September 2021, and 30 September 2020, the Group had no promissory notes in issue.

Bank loan arrangement fees are amortised over the term of the facility. At 30 September 2021, unamortised loan arrangement fees were £1.3m (2020: £2.2m). Amortisation of £0.9m (2020: £0.7m) 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 2021 or 30 September 2020, the unamortised loan arrangement fees are included within prepayments in the statement of financial position.

Other loans

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

Interbank Offered Rates ("IBOR") reform

The Directors do not anticipate the IBOR reform to have a material impact on the Group's finance costs.

20. Trade and other payables

	2021 £m	2020 £m
Amounts falling due within one year:		
Trade payables	**54.7**	71.9
Deferred land payments	**87.3**	109.5
Overage payable	**4.7**	11.5
Accruals and deferred income	**134.7**	141.7
Other taxation and social security	**4.1**	4.9
Other payables	**20.0**	4.7
Advances from joint ventures	**0.5**	0.4
	306.0	344.6
Amounts falling due in more than one year:		
Trade payables	**23.7**	21.4
Deferred land payments	**139.2**	83.3
Overage payable	**19.4**	19.8
	182.3	124.5
Total trade and other payables	**488.3**	469.1

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. 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. At 30 September 2021, the liabilities had been discounted by £15.1m (2020: £9.2m), reflecting the time value of money.

Other payables include £17.4m (2020: £Nil) recognised in relation to the share buyback programme. Refer to Note 22.

Accruals and deferred income include £4.0m (2020: £11.9m) of contract liabilities, where the value of payments made by customers exceeds the revenue recognised in the statement of comprehensive income. The Group recognised revenue of £10.2m during the year relating to the contract liabilities of £11.9m as at 30 September 2020.

21. Provisions

	Remediation costs for multi-occupancy buildings £m	Ground Rent Assistance Scheme £m	Other £m	2021 Total £m	2020 Total £m
At 1 October	**—**	**10.0**	**1.4**	**11.4**	2.4
Charged in the year	**41.0**	**3.8**	**3.1**	**47.9**	10.7
Released in the year	**—**	**—**	**(0.2)**	**(0.2)**	(1.0)
Utilised in the year	**(1.3)**	**(0.4)**	**(0.4)**	**(2.1)**	(0.7)
At 30 September	**39.7**	**13.4**	**3.9**	**57.0**	11.4
Current	**39.7**	**13.4**	**2.9**	**56.0**	10.9
Non-current	**—**	**—**	**1.0**	**1.0**	0.5
Total provisions	**39.7**	**13.4**	**3.9**	**57.0**	11.4

Remediation costs for multi-occupancy buildings

In October 2019, the Directors appointed an independent third party to carry out a risk review of all multi-occupancy buildings delivered by the Group during the previous 15 years. This review found that none of those buildings were assessed to have a high fire risk.

In December 2019, the External Wall System Fire Review (EWS1) process was introduced by the Royal Institute of Chartered Surveyors ("RICS") and others to support mortgage valuation processes for buildings over 18 metres tall, or where specific fire safety concerns exist. In January 2020, the Ministry of Housing, Communities & Local Government's ("MHCLG") mandated that a formal fire safety assessment must be conducted by a suitably qualified and competent professional for all multi-occupancy buildings.

As disclosed in the 2020 Annual Report, the review of buildings delivered by Countryside using the EWS1 assessment did not at that time identify any buildings with issues that would have resulted in a potential liability for remediation costs for Countryside. As a result, at 30 September 2020, no provision was recognised and this matter was disclosed as a contingent liability.

Since December 2020, as the extent of a number of EWS1 surveys at various sites has progressed, the Directors have become aware of 69 buildings on 17 sites, constructed between 2008 and 2017, where remedial works are required to enable an EWS1 certificate to be issued.

Countryside has been engaging with the building owners and others throughout the year to progress the intrusive building surveys and review their proposed scope of works to assess the extent and cost of remedial works that Countryside is liable for.

As a result of the progress made to estimate the potential liability to the Group, a provision of £25.0m was recognised in the interim results to 31 March 2021. During the second half of the year, considerable progress has been made to complete the surveys, in part to meet the September deadline for qualification under the Building Safety Fund. Knowing considerably more about the scope of remedial works required, the Directors have increased the provision by a further £16.0m in the second half of the year, resulting in a £41.0m charge to the Group statement of comprehensive income within non-underlying items (2020: £Nil).

The quantification of the cost of these remedial works is inherently complex and depends on a number of factors, including the size of the building, the cost of investigation and replacement materials and associated labour and the potential cost of managing the disruption to residents.

Refer to Note 31 "Contingent liabilities and contingent assets" for disclosures relating to further potential liabilities and recoveries relating to these remedial works.

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

Ground Rent Assistance Scheme

Following the Group's commitment to the Government's Leasehold Pledge, in April 2020 the Group established the Countryside Ground Rent Assistance Scheme. The purpose of the Scheme at inception was to support Countryside customers who own homes with ground rents that double more frequently than every 20 years to vary their leases to increase every 15 years in line with RPI instead. A provision of £10.0m was recorded in relation to the Scheme in the year ended 30 September 2020.

Following the Competition and Markets Authority's ("CMA's") review into the sale of leasehold properties, on 15 September 2021 Countryside announced that it had agreed voluntary undertakings with the CMA to seek the removal of all 10- and 15-year doubling clauses from leases where the ground rent is not for the ultimate benefit of a local authority or registered provider of social housing, at no cost to leaseholders. These undertakings have resulted in an increase to the provision of £3.8m, with the total cost to compensate freeholders plus related costs totalling £13.8m. The provision is expected to be utilised during the year ending 30 September 2022 and therefore, has been included within current liabilities.

Other provisions

The remaining provisions and movements during the year primarily relate to legal provisions and amounts in respect of expected dilapidations on office buildings that are leased by the Group.

22. Reserves

(a) Share capital and share premium

	Number of shares		Share capital		Share premium	
	2021 million	2020 million	**2021 £m**	2020 £m	**2021 £m**	2020 £m
Allotted, issued and fully paid						
Ordinary shares of £0.01 each	**524.6**	524.6	**5.2**	**5.2**	**5.3**	5.3

(b) Treasury shares

On 7 July 2021, the Company announced its intention to return surplus cash to shareholders via on-market purchases of ordinary shares. The Company entered into a non-discretionary and irrevocable arrangement with Barclays Capital Securities Limited to conduct the share purchase programme, with the initial programme capped at 23 million shares or £52.0m.

As a result, the Company recognised a reduction to retained earnings of £52.2m during the year, reflecting the maximum commitment under the arrangement with Barclays of £52.0m as well as directly attributable costs charged to equity of £0.2m.

A total of 7,124,979 shares were purchased during the year under the programme, all of which were held in treasury at 30 September 2021 (2020: £Nil). A further 2,350,000 shares were purchased between 1 October 2021 and 14 October 2021, when the initial programme was completed. 9,474,979 shares are held in treasury at the date of approval of these financial statements (2020: £Nil).

The cash outflows during the year associated with the share repurchases totalled £34.8m including transaction costs, with a further £15.1m paid between 1 October 2021 and 14 October 2021. Refer to Note 33.

(c) Employee Benefit Trust

On 18 June 2021, the EBT acquired 500,000 shares in the Company through purchases on the London Stock Exchange to meet the Group's expected obligations under share-based incentive arrangements. The total amount paid by the EBT for the shares was £2.4m, with the Group contributing £1.4m during the year to fund the purchases.

The EBT has waived its right to vote and to dividends on the shares it holds which are unallocated. The number of shares held in the EBT as at 30 September 2021 was 1,046,182 (2020: 1,649,207).

23. Notes to the cash flow statement

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

	Note	**2021 £m**	2020 £m
Profit/(loss) before income tax		**85.4**	(1.9)
– Amortisation – intangible assets	11	**10.4**	12.2
– De-recognition – intangible assets	11	**6.9**	—
– Depreciation – property, plant and equipment	12	**2.3**	2.5
– Depreciation – right of use assets	13	**6.2**	7.8
– Impairment of goodwill	11	**—**	18.5
– Share of post-tax profit from joint ventures and associate	14, 15	**(29.9)**	(17.0)
– Share-based payments (pre-tax)	28	**1.9**	1.0
– Finance costs	8	**17.3**	14.2
– Finance income	8	**(1.5)**	(0.7)
– Gain on disposal of interest in joint venture		**(13.9)**	—
– Increase in inventories		**(84.7)**	(250.5)
– (Increase)/decrease in trade and other receivables		**(47.5)**	48.2
– (Decrease)/increase in trade and other payables		**(8.5)**	11.8
– Increase in provisions	21	**45.6**	9.0
Cash used in operations		**(10.0)**	(144.9)

Changes in liabilities relating to financing activities are shown below:

	Borrowings £m	Lease liabilities £m	Share buyback £m	Total £m
Liabilities from financing activities at 1 October 2019	2.2	31.6	—	33.8
Financing cash flows	—	(4.9)	—	(4.9)
Operating cash flows	—	(1.1)	—	(1.1)
Lease additions	—	4.4	—	4.4
Lease disposals	—	(0.6)	—	(0.6)
Unwind of discount	0.1	1.1	—	1.2
Liabilities from financing activities at 30 September 2020	2.3	30.5	—	32.8
Share buyback programme	—	—	52.2	52.2
Financing cash flows	—	(8.2)	(34.8)	(43.0)
Operating cash flows	—	(2.2)	—	(2.2)
Lease additions	—	50.5	—	50.5
Unwind of discount	0.1	2.2	—	2.3
Liabilities from financing activities at 30 September 2021	**2.4**	**72.8**	**17.4**	**92.6**

24. 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 2021 are presented below:

	Country of incorporation	Voting rights %	Principal activity
Direct investment			
Copthorn Holdings Limited	UK	100	Holding company
Indirect investment			
Alma Estate (Enfield) Management Company Limited	UK	100	Estate management
Brenthall Park (One) Limited	UK	100	Non-trading
Beechgrove (Sunninghill) Management Company Limited	UK	100	Estate management
Breedon Place Management Company Limited	UK	100	Estate management
Berrywood Estates Ltd	UK	100	Non-trading
Countryside 26 Limited	UK	100	Development
Countryside 28 Limited	UK	100	Development
Countryside Cambridge One Limited	UK	100	Holding land
Countryside Cambridge Two Limited	UK	100	Holding land
Countryside Developments Limited	UK	100	Non-trading
Countryside Four Limited	UK	100	Holding company
Countryside Properties (Commercial) Limited	UK	100	Non-trading
Countryside Properties (Housebuilding) Limited[1]	UK	100	Development
Countryside Properties (In Partnership) Limited	UK	100	Non-trading
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	Non-trading
Countryside Properties (Northern) Limited	UK	100	Non-trading
Countryside Properties (Salford Quays) Limited	UK	100	Non-trading
Countryside Properties (Southern) Limited	UK	100	Non-trading
Countryside Properties (Special Projects) Limited	UK	100	Non-trading

	Country of incorporation	Voting rights %	Principal activity
Countryside Properties (Springhead) Limited	UK	100	Development
Countryside Properties (Strategic Land) 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	Non-trading
Countryside Residential (South Thames) Limited	UK	100	Non-trading
Countryside Residential (South West) Limited	UK	100	Non-trading
Countryside Seven Limited	UK	100	Non-trading
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	Non-trading
Dunton Garden Suburb Limited	UK	100	Land promotion
Fresh Wharf Residents Management Company Limited	UK	100	Estate management
Harold Wood Management Limited	UK	100	Estate management
Hilborn Management Company Limited	UK	100	Estate management
Knight Strategic Land Limited	UK	100	Land promotion
Mandeville Place (Radwinter) Management Limited	UK	100	Estate management
Marlowe Road Management Company Limited	UK	100	Estate management
Millgate Developments Limited	UK	100	Development
Millgate (UK) Holdings Limited	UK	100	Holding company
Mulberry Green Management Company Limited	UK	100	Estate management
New Avenue (Cockfosters) Management Company Limited	UK	100	Estate management
Newhall Land Limited	UK	100	Development
Newhall Resident Management Company Limited	UK	100	Estate management
Parklands Manor Management Company Limited	UK	100	Estate management
Skyline 120 Management Limited	UK	100	Estate management
Skyline 120 Nexus Management Limited	UK	100	Estate management
Springhead Resident Management Company Limited	UK	100	Estate management
Urban Hive Hackney Management Limited	UK	100	Estate management
Watersplash Lane Management Company Limited	UK	100	Estate management
Westleigh Construction Limited	UK	100	Non-trading
Westleigh LNT Limited	UK	100	Non-trading
Westleigh Homes Limited	UK	100	Non-trading
York Road (Maidenhead) Management Limited	UK	100	Estate management

1. Formerly Countryside Properties (Holdings) Limited.

All subsidiaries are fully consolidated, after eliminating intragroup transactions. The registered office address of all subsidiaries is Countryside House, The Drive, Brentwood, Essex CM13 3AT.

25. Related party transactions

Transactions with joint ventures and associate

	Joint ventures		Associate	
	2021 £m	2020 £m	**2021 £m**	2020 £m
Sales during the year	**22.0**	14.8	**0.2**	0.2
Net advances to joint ventures and associate at 1 October	**69.1**	49.3	**—**	—
Net advances/(repayments) during the year	**(6.8)**	19.8	**—**	—
Net advances to joint ventures and associate at 30 September	**62.3**	69.1	**—**	—

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.

	2021 £m	2020 £m
Salaries and bonus	**6.1**	3.0
Retirement benefits	**0.4**	0.4
Share-based payments	**0.3**	0.1
	6.8	3.5

Included within the above is £2.1m (2020: £2.1m) relating to the Board of Directors, including £1.3m (2020: £0.6m) relating to the highest paid Director. Refer to the Annual Report on Remuneration in the 2021 Annual Report for further detail.

The disclosures of shares granted under the long-term incentive schemes are included in Note 28.

Transactions with key management personnel

As at the reporting date, two of the Group's employees have a close family member on the Executive Committee. 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 two individuals is less than £60,000 (2020: three individuals, less than £190,000).

26. 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
2021	
Assets	
Trade and other receivables	**150.5**
Amounts due from joint ventures	**62.8**
Cash and cash equivalents	**43.4**
	256.7
2020	
Assets	
Trade and other receivables	106.0
Amounts due from joint ventures	69.5
Cash and cash equivalents	100.5
	276.0

There were no transfers of assets or liabilities between levels of the fair value hierarchy during the year.

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

	Other financial liabilities at amortised cost £m
2021	
Liabilities	
Other loans	**2.4**
Deferred land payments and overage payable	**250.6**
Lease liabilities	**72.8**
Other trade and other payables	**98.4**
Amount due to joint ventures	**0.5**
	424.7
2020	
Liabilities	
Other loans	2.3
Deferred land payments and overage payable	224.1
Lease liabilities	30.5
Other trade and other payables	98.0
Amount due to joint ventures	0.4
	355.3

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

27. Financial risk management

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

Liquidity risk

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

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

During the year ended 30 September 2020 the Group raised net proceeds of £243.0m to support accelerated growth of its Partnerships division, as well as to improve the liquidity of the business.

The Group has access to a £300m revolving credit facility which is committed to May 2023; this facility is provided by a syndicate of four banks, reducing the Group's exposure to any single institution. The facility is subject to a number of financial and technical covenants which, if breached, could result in the facility becoming immediately repayable. The Directors regularly review forecasts which extend beyond the maturity of the facility to ensure acceptable headroom exists across all of these financial covenants, including under certain downside scenarios as referenced in the Viability Statement on in the 2021 Annual Report. Following the onset of the Covid-19 pandemic, the Group's key gearing and interest cover covenants were relaxed until September 2022 to provide further security over the Group's funding. Operational controls preventing the breach of technical covenants have been implemented across the business.

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
2021					
Assets					
Cash and cash equivalents	**43.4**	**—**	**—**	**—**	**43.4**
Trade and other receivables	**124.2**	**19.9**	**5.3**	**0.3**	**149.7**
Amounts due from joint ventures	**62.8**	**—**	**—**	**—**	**62.8**
	230.4	**19.9**	**5.3**	**0.3**	**255.9**
2021					
Liabilities					
Other loans	**—**	**2.5**	**—**	**—**	**2.5**
Deferred land payments and overage payable	**94.5**	**57.0**	**96.7**	**17.5**	**265.7**
Lease liabilities	**8.4**	**8.3**	**22.8**	**60.7**	**100.2**
Other trade and other payables	**74.9**	**11.7**	**11.6**	**0.2**	**98.4**
Amounts due to joint ventures	**0.5**	**—**	**—**	**—**	**0.5**
	178.3	**79.5**	**131.1**	**78.4**	**467.3**
2020					
Assets					
Cash and cash equivalents	100.5	—	—	—	100.5
Trade and other receivables	86.4	14.1	5.0	0.5	106.0
Amounts due from joint ventures	69.5	—	—	—	69.5
	256.4	14.1	5.0	0.5	276.0
2020					
Liabilities					
Other loans	—	—	2.5	—	2.5
Deferred land payments and overage payable	123.2	69.7	35.1	5.3	233.3
Lease liabilities	5.5	5.2	10.3	13.7	34.7
Other trade and other payables	76.6	10.0	11.4	—	98.0
Amounts due to joint ventures	0.4	—	—	—	0.4
	205.7	84.9	59.3	19.0	368.9

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 2021 it is estimated that an increase of 0.5% to UK LIBOR would have decreased the Group's profit before tax by £0.4m (2020: £0.9m).

The Group's financial assets and liabilities are non-interest bearing with the exception of cash and cash equivalents of £43.4m (2020: £100.5m) which attracts interest at floating rates.

The Group has minimal exposure to foreign currency risk.

Housing market risk

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

Credit risk

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

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

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

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.

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.

	2021 £m	2020 £m
Total borrowings	**2.4**	2.3
Total equity	**1,107.5**	1,086.0
Total capital	**1,109.9**	1,088.3

28. Share-based payments

The Group recognised £1.9m (2020: £1.0m) of employee costs related to share-based payment transactions during the financial year, excluding accrued National Insurance contributions. A deferred tax asset of £2.1m (2020: £0.9m) is held in relation to share-based payments, of which £0.3m was credited to the statement of comprehensive income (2020: £0.8m charged) and £0.9m was credited directly to equity (2020: £0.6m charged) during the year.

National Insurance contributions are payable in respect of certain share-based payment transactions and are treated as cash-settled transactions. The cost of these contributions during the year was £0.7m (2020: £0.6m). At 30 September 2021, the carrying amount of National Insurance contributions payable was £0.9m (2020: £0.7m), which is included in accruals within trade and other payables in the statement of financial position.

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

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

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

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

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

Date of grant	22 June 2021	24 June 2020	27 June 2019	19 December 2017
Options granted (millions)	0.7	2.2	2.1	0.6
Share price at date of grant (pence)	492	329	293	349
Exercise price (pence)	401	245	245	282
Volatility (%)	39	36	30	38
Option life (years)	3	3	3	3
Expected dividend yield (%)	2.0	2.6	3.9	3.6
Risk-free rate (%)	0.3	(0.1)	0.6	0.6
Fair value per option – Black Scholes (pence)	152	77	63	93

Movements in the year	Instruments m	Instruments m	Instruments m	Instruments m
Options outstanding at 1 October 2019	—	—	2.1	0.4
Granted	—	2.2	—	—
Forfeited	—	(0.1)	(0.2)	—
Exercised	—	—	—	—
Options outstanding at 30 September 2020	—	2.1	1.9	0.4
Granted	0.7	—	—	—
Forfeited	—	(0.2)	(0.2)	—
Exercised	—	—	—	(0.4)
Options outstanding at 30 September 2021	**0.7**	**1.9**	**1.7**	**—**

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

Options under the December 2017 grant vested on 1 February 2021, with 82% of granted options vesting. The average share price during the year ended 30 September 2021 was 447 pence.

Awards under the June 2019 grant will vest on 27 June 2022.

The weighted average remaining contractual life of share options outstanding at 30 September 2021 was 1.5 years (2020: 2.1 years).

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

Under the LTIP, shares are conditionally awarded to senior managers of the Group. The core awards are calculated as a percentage of the participants' salaries and scaled according to grade. Awards issued in prior years are assessed against ROCE, TNAV and relative total shareholder return ("TSR"). Awards issued in the years ended 30 September 2020 and 30 September 2021 are assessed against ROCE and adjusted basic EPS.

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

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

The weighted average remaining contractual life of LTIP awards outstanding at 30 September 2021 was 1.3 years (2020: 1.2 years). Details of the shares conditionally allocated at 30 September 2021 are set out below.

The conditional shares were valued using the following methods:

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

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

Share price at date of grant (pence)	20 September 2021	4 March 2021	26 January 2021	11 December 2020	7 January 2020	12 December 2019	19 December 2018	19 December 2017
Awards granted (millions)	0.04	0.10	0.20	1.90	0.30	1.70	3.50	2.70
Share price at date of grant (pence)	516	493	428	400	462	426	288	349
Exercise price (pence)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Volatility (%)	40	40	40	39	29	29	35	38
Award life (years)	3	3	3	3	3	3	3	3
Expected dividend yield (%)	1.8	1.8	1.8	1.9	4.7	4.7	4.8	3.5
Risk-free rate (%)	(0.1)	(0.1)	(0.1)	(0.1)	0.6	0.6	0.7	0.6
Fair value per conditional share Black Scholes – no holding period (pence)	489	467	405	378	401	370	174	220
Fair value per conditional share Monte Carlo – no holding period (pence)	n/a	n/a	n/a	n/a	n/a	n/a	46	54
Total fair value per conditional share No holding period (pence)	489	467	405	378	401	370	220	274
Fair value per conditional share Black Scholes – two-year holding period (pence)	n/a	n/a	n/a	326	367	339	157	n/a
Fair value per conditional share Monte Carlo – two-year holding period (pence)	n/a	n/a	n/a	n/a	n/a	n/a	48	n/a
Total fair value per conditional share Two-year holding period (pence)	n/a	n/a	n/a	326	367	339	205	n/a

Movements in the year (millions)	20 September 2021	4 March 2021	26 January 2021	11 December 2020	7 January 2020	12 December 2019	19 December 2018	19 December 2017
Awards outstanding at 1 October 2019	—	—	—	—	—	—	3.0	2.5
Granted	—	—	—	—	0.3	1.7	—	—
Lapsed	—	—	—	—	—	(0.1)	(0.4)	(0.3)
Forfeited	—	—	—	—	—	(0.3)	(0.4)	(0.3)
Exercised	—	—	—	—	—	—	—	—
Awards outstanding at 30 September 2020	—	—	—	—	0.3	1.3	2.2	1.9
Granted	0.04	0.1	0.2	1.9	—	—	—	—
Lapsed	—	—	—	—	—	—	(0.1)	(1.5)
Forfeited	—	—	—	(0.1)	—	(0.1)	(0.2)	(0.1)
Exercised	—	—	—	—	—	—	—	(0.3)
Awards outstanding at 30 September 2021	**0.04**	**0.1**	**0.2**	**1.8**	**0.3**	**1.2**	**1.9**	**—**

Awards under the December 2017 grant vested on 21 December 2020 with 16.4% of the awards outstanding vesting.

Awards under the December 2018 grant will vest on 19 December 2021. The performance conditions for this award were measured for the period to 30 September 2021 and 30.0% of the awards outstanding are expected to vest.

(c) Deferred Bonus Plan ("DBP")

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

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

A reconciliation of the number of shares conditionally allocated is shown below:

Movements in the year	12 December 2019 m	19 December 2018 m	19 December 2017 m
Awards outstanding at 1 October 2019	—	0.4	0.4
Granted	0.4	—	—
Forfeited	(0.1)	(0.1)	(0.1)
Awards outstanding at 30 September 2020	0.3	0.3	0.3
Exercised	—	—	(0.3)
Awards outstanding at 30 September 2021	**0.3**	**0.3**	**—**

Awards under the December 2017 grant vested on 18 December 2020.

29. Capital commitments

At 30 September 2021, the Group was committed to the purchase of property, plant and equipment of £1.0m (2020: £6.0m) relating to machinery for the new modular panel factory in Bardon, Leicestershire.

The Group was not committed to the purchase of any software intangible assets at 30 September 2021 (2020: £Nil).

30. Guarantees

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

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

31. Contingent liabilities and contingent assets

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 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 estimates for individual developments or are otherwise accrued in the statement of financial position.

As detailed in Note 21, a provision of £41.0m has been recognised during the year in relation to remediation costs for multi-occupancy buildings. The provision is based on currently available information and reflects the Directors' best estimate of gross cash outflows for the Group. The quantification of the cost of these remedial works is inherently complex and depends on a number of factors, including the size of the building, the cost of investigation and replacement materials and associated labour and the potential cost of managing the disruption to residents.

The Directors also note that as Government legislation, regulation and guidance further evolves in this area this may result in additional liabilities for the Group that cannot currently be reliably estimated. There may also be changes concerning the use of materials currently undergoing fire safety tests instructed by product manufacturers. If such materials are no longer considered safe, this could result in an increase in the number of buildings requiring remediation works as well as an increase in the estimated cost to remediate the buildings currently provided for. We may however expect further Government intervention if such circumstances arise.

Further to this, the updated Building Safety Bill, published on 5 July 2021, will (if passed) extend the limitation period to bring a claim under the Defective Premises Act from 6 years to 15 years (or 25 years, if the latest amendment is passed) and this will be applied retrospectively. The provision recognised during the year for remediation costs reflects the Group's review of buildings up to 12 years and therefore the extension to 15 years (or 25 years) may result in additional liabilities for the Group.

In respect of the remediation costs noted above, the Directors believe that Countryside may be able to recover some of these costs via insurance or, in the case of defective workmanship, from subcontractors or other third parties. However, any such recoveries are not deemed to be virtually certain and therefore no contingent assets have been recognised during the year.

32. Dividends

No dividends have been declared or distributions made in the year (2020: £46.2m distribution paid in relation to the previous year's final dividend of 10.3 pence per share).

The Board of Directors has reviewed the capital allocation policy of the Group and considers that sufficient growth opportunities exist for the Partnerships business that all cash available for investment should be used to fund that growth. Accordingly, the Board of Directors does not recommend the payment of a final dividend for the year ended 30 September 2021 (2020: £Nil).

33. Post-balance sheet events

On 14 October 2021, Barclays Capital Securities Limited confirmed that it had completed the initial tranche of the share buyback programme announced by the Group on 7 July 2021 (Note 22). The total cost of the programme, including directly attributable costs, was £49.9m. The total charge recorded in the statement of changes in equity for the year ended 30 September 2021 was £52.2m, therefore a credit to retained earnings of £2.3m will be recognised in the year ending 30 September 2022.

This has been treated as a non-adjusting event after the reporting period.

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 present a clear and consistent presentation of the underlying performance of the ongoing business for shareholders.

On 7 July 2021, the Group announced an update to its strategy which resulted in all of the Group's resources being focused on the Partnerships business. Any non-Partnerships activities are regarded as Legacy Operations, which the Group is exiting as soon as practical. The strategy update resulted in some changes to the Group's segmental reporting as described in Note 4. The prior year segmental information below has been restated to reflect these changes.

(a) Financial performance

Adjusted revenue

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

Adjusted gross margin

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

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

	Note	**2021 £m**	2020 £m
Gross profit		**185.8**	108.1
Add: non-underlying items	7	**41.7**	—
Add: share of gross profit from joint ventures and associate		**34.1**	18.2
Adjusted gross profit		**261.6**	126.3
Adjusted revenue	4	**1,526.2**	988.8
Adjusted gross margin		**17.1%**	12.8%

Adjusted operating profit

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

	Note	**2021 £m**	2020 £m
Adjusted operating profit	4	**167.3**	54.2
Adjusted revenue	4	**1,526.2**	988.8
Group adjusted operating margin (%)		**11.0%**	5.5%

The table below presents the calculation of adjusted operating margin for the Partnerships segment:

	Note	**2021 £m**	2020 restated £m
Adjusted operating profit	4	**107.7**	37.5
Adjusted revenue	4	**1,033.2**	669.2
Partnerships adjusted operating margin (%)		**10.4%**	5.6%

The table below presents the calculation of adjusted operating margin for the Legacy Operations segment.

	Note	**2021 £m**	2020 restated £m
Adjusted operating profit	4	**70.5**	20.3
Adjusted revenue	4	**493.0**	319.6
Legacy Operations adjusted operating margin (%)		**14.3%**	6.4%

Adjusted basic and diluted earnings per share

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

Return on capital employed ("ROCE")

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

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

	Note	**2021 £m**	2020 £m
Closing TNOAV	4	**947.0**	853.5
Opening TNOAV		**853.5**	664.4
Average TNOAV		**900.3**	759.0
Adjusted operating profit	4	**167.3**	54.2
Group ROCE (%)		**18.6%**	7.1%

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

	Note	**2021 £m**	2020 restated £m
Closing TNOAV	4	**610.2**	466.6
Opening TNOAV		**466.6**	272.5
Average TNOAV		**538.4**	369.6
Adjusted operating profit	4	**107.7**	37.5
Partnerships ROCE (%)		**20.0%**	10.1%

The table below presents the calculation of ROCE for the Legacy Operations segment:

	Note	**2021 £m**	2020 restated £m
Closing TNOAV	4	**336.8**	386.9
Opening TNOAV		**386.9**	391.9
Average TNOAV		**361.9**	389.4
Adjusted operating profit	4	**70.5**	20.3
Legacy Operations ROCE (%)		**19.5%**	5.2%

Asset turn

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

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

	Note	**2021 £m**	2020 £m
Adjusted revenue	4	**1,526.2**	988.8
Average TNOAV		**900.3**	759.0
Group asset turn		**1.7**	1.3

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

	Note	**2021 £m**	2020 restated £m
Adjusted revenue	4	**1,033.2**	669.2
Average TNOAV		**538.4**	369.6
Partnerships asset turn		**1.9**	1.8

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

	Note	**2021 £m**	2020 restated £m
Adjusted revenue	4	**493.0**	319.6
Average TNOAV		**361.9**	389.4
Legacy Operations asset turn		**1.4**	0.8

(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	**2021 £m**	2020 £m
Net assets		**1,107.5**	1,086.0
Less: intangible assets	11	**(127.9)**	(143.1)
Add: deferred tax on intangible assets		**8.4**	8.8
TNAV	4	**988.0**	951.7

Net cash/(debt)

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

	Note	**2021 £m**	2020 £m
Borrowings	19	**(2.4)**	(2.3)
Add: net cash and cash equivalents	19	**43.4**	100.5
Net cash		**41.0**	98.2

Tangible net operating asset value ("TNOAV")

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

	2021 £m	2020 £m	2019 £m
TNAV	**988.0**	951.7	737.8
Less: net cash	**(41.0)**	(98.2)	(73.4)
TNOAV	**947.0**	853.5	664.4

Gearing

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

	2021 £m	2020 £m
Net cash	**(41.0)**	(98.2)
Net assets	**1,107.5**	1,086.0
Gearing	**(3.7)%**	(9.0)%

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	**2021 £m**	2020 £m
Net cash		**(41.0)**	(98.2)
Add: deferred land payments (excluding overage)	20	**226.5**	192.8
Adjusted net debt		**185.5**	94.6
Net assets		**1,107.5**	1,086.0
Adjusted gearing		**16.7%**	8.7%