Company Registration No. SC031286 (Scotland)

SPRINGFIELD PROPERTIES PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2018

CONTENTS

COMPANY INFORMATION

DIRECTORS:	Mr Sandy Adam Mr Innes Smith Ms Michelle Motion Mr Roger Eddie (non-executive) Mr Matthew Benson (non-executive) Mr Nick Cooper (non-executive) (appointed 1 June 2018)
SECRETARY:	Mr Andrew Todd
REGISTERED OFFICE:	Alexander Fleming House 8 Southfield Drive ELGIN IV30 6GR
COMPANY REGISTRATION NUMBER:	SC031286 (Scotland)
SOLICITORS:	Kerr Stirling LLP 10 Albert Place STIRLING FK8 2QL
	Burness Paull LLP 50 Lothian Road Festival Square EDINBURGH EH3 9WJ
	Pinsent Masons LLP 141 Bothwell Street GLASGOW G2 7EQ
INDEPENDENT AUDITOR:	Johnston Carmichael LLP Commerce House South Street ELGIN IV30 1JE
NOMINATED ADVISER AND BROKER	Nplus1 Singer LLP 1 Bartholomew Lane London EC2N 2AX

SPRINGFIELD PROPERTIES PLC

FINANCIAL HIGHLIGHTS
FOR THE YEAR ENDED 31 MAY 2018

Group Revenue	Group Completions	Group Adjusted PBT*	Private Homes Revenue	Affordable Homes Revenue
+27%	**+24%**	**+46%**	**+18%**	**+60%**
2018: £141m 2017: £111m	2018: 770 homes 2017: 620 homes	2018: £9.8m 2017: £6.7m	2018: £102m 2017: £86m	2018: £37m 2017: £23m

Group	2017/18 £m	2016/17 £m	Change %
Revenue	140.7	110.6	+27.2
Gross profit	22.1	16.7	+32.3
Adjusted Operating profit*	10.7	7.8	+37.2
Adjusted profit before tax*	9.8	6.7	+46.3
Net debt	15.3	33.2	-53.9

*Adjusted excludes exceptional items. Exceptional items are costs relating to acquisition of Dawn Homes and IPO costs relating to existing ordinary shares.

STRATEGIC AND OPERATIONAL HIGHLIGHTS

- Achieved growth across the business
- Successful IPO
- £20m acquisition of Dawn Homes
- Increased land bank by 3,281 plots to 12,476 plots
- Total active sites increased by 64%
- Sales start at Bertha Park Village, 3,000 homes

SPRINGFIELD PROPERTIES PLC

CHAIRMAN'S STATEMENT

FOR THE YEAR ENDED 31 MAY 2018

Overview

In our first full year results since floating on AIM, I am pleased to report another year of strong growth across the business, significantly beating our initial market forecasts, with profit before tax up 46% to £9.8 million (before exceptional items) and revenue increasing 27% to £141 million driven by a 24% increase in completions. Springfield group of companies (the Group) has continued to invest significantly in its strong land bank to secure future growth. Our land bank now stands (including secured sites subject to planning) at 12,476 plots (2017- 9,195). As a result of the IPO, net debt has decreased from £33.2m to £15.3m, a reduction of £17.9m.

Two significant events during the period underpin future growth. Firstly, we admitted to trading on AIM in October 2017, raising £25m from the placing of 23,584,906 shares priced at 106 pence, giving Springfield a market capitalisation of £87m. This was followed in May 2018 by the acquisition of Dawn Homes, for a consideration of up to £20m, supported by raising a further £15m from the placing of 12,500,000 shares at 120 pence on AIM from new and existing investors. Dawn Homes presented a good opportunity to acquire a well-run business with an excellent reputation and to accelerate growth with live sites in new areas and with a healthy land bank pipeline.

Springfield operates through two market sectors, Private Housing and Affordable Housing. These two sectors deliver two distinct revenue streams spreading our market reach. Private Housing division is the largest division providing 72% of total revenue with the Affordable Housing division providing income and cash flow visibility from Government backed contracts. We believe the combination of these divisions is key to sustained long term growth.

Private Housing

Demand continues to outstrip supply for private housing with continuing upward pressure on prices across the Scottish regions in which we operate.

Springfield's private housing business has a strong reputation of delivering value for customers. Our "Choices" and "It's Included" customer initiatives mean Springfield's high-quality homes include more in the list price, and offer more opportunities for customers to style their new home. Customers receive a personalised after sales service from a dedicated in house team and developments are in good locations.

Revenue in the Private Homes division rose 18% to £102m, (2017- £86m). Average sales price rose 12% to £221k, with 460 private house completions.

Strategically we have focused on two areas.

Firstly, we focus on seeking opportunities to immediately expand our sales presence and to strengthen our land bank. The £20m acquisition of Dawn Homes, in the final month of our financial year, extended our geographic reach bringing six live sites in new areas and adding 1,366 plots to our private land bank. With the live sites in full production we will see a strong positive impact on private house sales in 2018/19 demonstrating the merit of our strategy of geographic expansion. Looking to the future Dawn Homes has two new sites in the pipeline starting this year and with the support of the Group is positioned to grow.

Dawn Homes is based in Glasgow, operates in the West of Scotland and sells approximately 100 private homes each year. The business is a 'good fit' for Springfield, employees are rightly proud of their product and the company shares Springfield's core values of looking after customers and building high quality homes. The company is performing well and uniting Dawn with Springfield has been straightforward.

Of equal focus has been progressing Springfield Villages. These villages are standalone developments of 1,000 to 3,500 homes designed for greenfield sites by Springfield. Designs include all the infrastructure a community needs to thrive. We already build high quality, high specification homes. Now, with these extensive standalone zonings, we are designing high quality, high amenity new villages which are attractive to home buyers who want to be part of a community. We have a current pipeline of four villages secured in strong locations near fast-growing cities and towns. These four villages will deliver 10,000 homes and provide us with a firm base for the future. By designing an entire settlement we benefit from planning efficiencies as we control the full masterplan, from rising land values and from securing approximately 20 years of development with known land costs.

To date two village developments are fully operational. One has full planning consent with construction due to start in late 2018 and one is awaiting planning consent, expected March 2019. Post year-end, land for a fifth village has been secured at Gavieside, Livingston. This 1,900 home site is near Glasgow and Edinburgh, and has very high demand for residential property.

Affordable Housing

Springfield has built a solid track record since we entered the affordable housing market building over 1,500 houses in the last five years. This part of the Group's business has contracted revenues and requires low capital.

The Scottish Government has allocated £3.2 billion to build 50,000 affordable homes over the course of this parliament. This is a large increase from the 30,000 target of the previous five-year period, 2011 - 2016. To meet the target another c25,000 homes must be built in Scotland by 2021.

With Government policy underpinning the market it is our aim to increase the size of our affordable housing business. Revenue in the Affordable Homes division rose 60% to £37m, (2017- £23m). The average sales price is £120k, with affordable house completions of 310 homes.

Over the years we have become a trusted partner of local authorities. We have sustained the trend for growth in the Affordable Housing division this year with 310 homes built, up from 183 in 2017/18, a 69% increase. Affordable Housing now forms 26% of our business (2017- 21%), in terms of total revenue.

Dividend

In line with the Group's strong performance and our confidence in the outlook, I am pleased to inform shareholders that the Board is proposing a financial dividend of 2.7p per share subject to shareholder approval at the Annual General Meeting to be held on 25 October 2018. Taking into account the interim dividend of 1.00p per share already declared and paid, this equates to a total dividend of 3.70p per share.

Outlook

As we look to the future, I would like to thank those who have enabled us to reach this point. In particular, we would like to thank all of our 593 current staff for their hard work and dedication. We would like to welcome the Dawn Homes team, a strong addition who will ably develop our business in the West of Scotland.

With further strengthening of Springfield's foundations and the long-term growth drivers showing no sign of abating, we look forward to delivering further growth in 2018/19.

In 2018/19 we will focus on: progressing the exciting work on our five villages; growing our affordable housing division; identifying the right opportunities to expand our sales presence and land bank; and maintaining customer satisfaction while maximising margins.

We take very seriously the responsibility of developing new places for people to live and the opportunities this gives us as a business. We are motivated by the idea that we can contribute to making Scotland a better place to live. And the better job we make of designing and building these villages to be great places to live, the more demand there will be for the homes in them.

CHAIRMAN'S STATEMENT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2018

Growth brings challenge and change and we approach both with enthusiasm. The things that make Springfield successful - our focus on customers and quality - dominate our culture. They will go on making Springfield successful whatever the challenges.

With all this in mind it's an exciting future for Springfield and the Board is confident that Springfield is in a strong position to continue to grow revenue and profit.

Sandy Adam
Chairman
26 September 2018

SPRINGFIELD PROPERTIES PLC

CHIEF EXECUTIVE'S STATEMENT

FOR THE YEAR ENDED 31 MAY 2018

With another robust performance in 2017/18 Springfield continues to grow consistently at a rate which has seen the business double in size approximately every five years.

KPIs

We have achieved growth across our KPIs, revenue is up 27% to £141m driven by a strong sales performance, with completions up 24% to 770 homes, and a higher ASP in the year of £182.8k from £178.4k in 2016/17. Gross profit has increased by 32% (2017- 21%) and as a result of careful cash management, net debt has been reduced by 54% to £15.3m.

The number of active sites has increased to 41 (31 May 2017 - 25 active sites) whilst 25 new sites were added to the pipeline during the period and 9 sites were completed. Overall, we have expanded, our land bank by 36% to 12,476 plots; the equivalent of 15 years at current sales rates. (31 May 2017 - 9,195 plots, 14 years).

Private Housing

The Group's Private Housing division offers homes, on sites of various size, across Central and Northern Scotland. Following the successful IPO, Springfield is increasingly focused on developing larger, standalone Village sites each with 1,000-3,500 plots and that include local amenities. Springfield homes are differentiated by their high quality specification and a wide variety of personalised finishes as part of Springfield's "It's Included" and "Choices" initiatives.

Private Housing has had a very strong year with higher than expected sales at a number of key sites, as a result revenue grew 18% to £102m (2017- £86m). Revenue growth has been underpinned by strong sales, completions have increased to 460 (2017- 437), and ASP of £221k, an increase of 12% (2016/17: £198k).

Following the IPO Springfield has made good progress with the planning and development of the Villages.

Dykes of Gray village near Dundee is becoming established with 108 homes occupied at 31 May 2018 including 52 completions during this year. With the potential for 1,500 homes, the village has become its own shop window with attractive village streetscapes and public areas. This type of development is attractive to other developers and post year-end we finalised a land swap of 62 plots at Dykes of Gray with another major housebuilder. The swap has delivered a development of 59 homes at Kinross, extending our geographic presence.

Bertha Park, near Perth is, on a larger scale with around 3,000 homes and major community facilities planned. The infrastructure which makes Bertha Park a great place to buy a new home includes a high school opening in August 2019, primary schools, commercial and community buildings and extensive, attractive outdoor public and community spaces. With sales launched in late 2017 we expect the first homes to be occupied, and show homes to be operational, by 2018.

During the year all the necessary approvals and legal agreements have been secured to allow construction to start in late 2018 on the first 870 of 2,500 homes at Linkwood Village, Elgin. During this year a planning application has been submitted for 3,002 homes at Durieshill near Stirling. We are working closely with Stirling Council and expect to receive consent by March 2019.

Since the period end Springfield announced that land had been secured for a fifth village of 1,900 homes at Gavieside, near Livingston, where there is a very high demand for residential property and work has commenced on designing the masterplan.

The Group commenced sales at The Wisp, a large development area in South East Edinburgh. During the year the group agreed to purchase a second tranche of land for 120 homes as part of its ongoing development at The Wisp, expanding its existing 80-home development to 200 homes.

In the addition to progress at the villages, we have had strong sales completing a further 392 homes on 24 other private sites each at varying stages of completion.

Springfield grew its active Private Housing sites to 23 (31 May 2017 - 17 active sites) and 10 new sites were added to the pipeline while four sites were completed. The total Private Housing land bank was expanded to 8,757 plots on 50 sites (31 May 2017 - 6,372 plots and 33 sites). During the year, Springfield secured planning consent for 812 private plots and submitted planning applications for 2,439 plots. As at 31 May 2018, 42% of the Group's private plots had planning (31 May 2017 - 39%), with 28% of plots going through the planning process and 30% at the pre-planning stage.

Affordable Housing

Affordable home completions increased 69% to 310 from 183 in line with our aim to accelerate growth while there is strong government support for building affordable housing. Revenue from affordable homes increased by 60% from £23m in 2016/17 to £37m in 2017/18.

During the period the affordable housing division completed sites, including a 202 homes development at Muirhouse Edinburgh and a 30 home specialist dementia unit in Elgin, with several other partial phased handovers through its 24 active sites in the year.

Affordable Housing is a growing part of our business, 26% of revenue for 2017/18, up from 21% in 2016/17. With a growing reputation as a reliable partner for local authorities and housing associations across Scotland, a successful framework bid secured with the Local Authority for 10 developments over three years, 18 active sites and over 22 sites at the planning / pre-contract stage we expect this growth to continue.

During 2017/18 we have secured land for 12 new affordable only developments, planning consent for 981 more affordable homes and contracts to build 257 affordable homes. We are focused on being prepared with land and planning consents as Scottish Government pushes to meet its targets and opportunities increase for local authorities to develop homes.

Springfield completed the Linkwood View facility in Elgin that was specifically designed for the elderly. The development, created in partnership with Hanover Housing Association, is comprised of 30 wheelchair accessible apartments, with six of the self-contained flats being tailored to meet the needs of residents with dementia. Following the success of this development, Springfield is now in negotiations to build similar facilities in Central Scotland. At Springfield's Affordable Housing development in Muirhouse, Edinburgh, located on the site of a former BT Training Centre, the Company handed over the final 28 homes of the 202-home development. This development has generated a total of £23.0m of revenue for Springfield over the 3 year duration of the project.

Land and Planning

One of our advantages lies in our dynamic management team always being on hand to make informed decisions quickly. This and the wealth of experience of our land and planning teams expedites the securing of good sites. The relationships our expert teams continue to develop with local authorities enable more effective navigation of the planning process and more efficient delivery of the valuable planning consents which enable us to extract maximum value from our land bank. Using these advantages, we have built a core competency in developing difficult sites; and we are becoming expert in securing large standalone land zonings which are steered capably through the planning system to bring homes to market as quickly as possible. During the year our land and planning teams secured 2,181 plots in 22 locations and received planning approval on 1,793 plots over 10 different developments

Employees and Structure

Our strong performance is made possible by the hard work of our 593 current dedicated employees and I extend my thanks and congratulations to each one of them. Future growth relies on a well skilled and growing workforce. We grow talent from within with formal and informal training and mentoring programmes, and we attract new talent with good working conditions and opportunities for career progression. As such 21% of our employees are apprentices or are undertaking formal training or further education.

CHIEF EXECUTIVE'S STATEMENT (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2018

To enable employees to sustain growth we are implementing change within the management structure and post period have appointed two high calibre Managing Directors. One now heads up private housing in the North of Scotland and the other heads up private housing in Central Scotland. They have joined our newly formed Group Operating Board along with the Managing Director of our affordable homes business, the Managing Director of Dawn Homes and the Directors heading up corporate functions across the business. We believe this new structure will support sales growth and operational efficiencies as the business expands.

Outlook

We have started the new financial year with geographic expansion as our acquisition of Dawn Homes, which has provided Springfield with a significant foothold in Glasgow, begins contributing to our bottom line with 6 live sites and a healthy pipeline of land. As a group we expect to start work on 8 new sites across Scotland during the year.

With our new management structure in place, demand continuing to outstrip supply, and ongoing support from Scottish Government for developing affordable housing, we are in a strong position to deliver our growth targets.

Innes Smith
CEO
26 September 2018

CHIEF FINANCIAL OFFICER'S REVIEW
FOR THE YEAR ENDED 31 MAY 2018

Group revenue for the year to 31 May 2018 was 27.2% higher than the previous year at £140.7m (2017 - £110.6m). This was based on increased revenue in both the Private Housing and Affordable Housing divisions, with an increase in completions as well as overall ASP to £182.8k (2017 - £178.4k) driven by improvements to sales mix and by market pressures. The Private Housing division continued to be the largest contributor to revenue, accounting for 72.4% of total revenue (2017 - 78.1%).

Revenue	**2017/18 £'000**	**2016/17 £'000**	**Change**
Private Housing	101,867	86,367	+17.9%
Affordable	37,272	23,250	+60.3%
Other*	1,584	972	+63.0%
TOTAL	**140,723**	**110,589**	**+27.2%**

*Principally construction-only projects, typically on land not owned or controlled by Springfield where the Company receives fees for its design and construction work.

Gross profit for 2017/18 increased by 32.7% to £22.1m (2017- £16.7m), which reflects a consolidated gross margin improvement of 6 basis points to 15.7% (2017 - 15.1%). This was due to increased gross margin in the Affordable Housing division, which was 17.2% compared with 14.6% for 2016/17, while the gross margin in the Private Housing division was 15.2% (2017 - 15.4%). The strong improvement in the margin in the Affordable division was due to more efficient build processes and the start of new sites with higher margins. The slight softening in the margin in the Private Housing division was due to the accelerated completion of the sites that Springfield had acquired from Redrow in 2011 which had a lower margin than other sites. However, the Private Housing division continued to account for the majority of the gross profit at £15.5m with the Affordable Housing division generating £6.4m (2017 - £13.3m and £3.4m respectively).

Total administrative expenses for 2017/18 were £12.2m compared with £8.9m for the prior year. This includes exceptional costs of £0.6m comprising £0.3m in IPO-related expenses and £0.3m in costs related to the acquisition of Dawn Homes. On an adjusted basis, to exclude these exceptional items, administrative expenses were £11.6m. The increase compared with the prior year reflects the Group's investment in its future growth with the majority of the increase consisting of employee wages relating to the growth of the Group as well as reflecting the transition to becoming a public company.

Profit before tax increased by 37.7% to £9.2m (2017 - £6.7m). On an adjusted basis, to exclude the £0.6m of exceptional items as described above, profit before tax increased by 46.1% to £9.8m. This increase in profit before tax was primarily due to the higher revenue and improvement in gross margin. There was also a slight reduction in finance costs relating to bank interest payments and a slight increase in interest receivable.

The basic EPS for the year (excluding the exceptional items) increased by 17.4% to 10.78p compared with 9.18p for the prior year. The lower percentage increase compared with the increase in profit is due to the larger share capital of the Group in the later period as a result of the admission of shares pursuant to the Group's IPO and subsequent fundraising conducted during the year.

The return on capital employed ("ROCE") for the year ended 31 May 2018 was 11.3% compared with 11.9% for the prior year. The reduction was due to the Dawn Homes acquisition in May 2018 reflecting only one month of earnings.

Net debt at 31 May 2018 was £15.3m, which is a reduction of £17.9m compared with £33.2m at 31 May 2017. The reduction is primarily due to the reduction of bank loans through the receipt of the IPO proceeds of £25.0m and from the placing to raise £15.0m which was partly offset by the £15.5m cash payment for the acquisition of Dawn Homes.

Michelle Motion
CFO
26 September 2018

STRATEGIC REPORT
FOR THE YEAR ENDED 31 MAY 2018

The Directors' present their strategic report for the Group for the year ended 31 May 2018.

REVIEW OF THE BUSINESS

The principal business of the Group continued to be that of property development. The Chairman's Statement on page 4 and the CEO's Statement on page 7 detail activities and development of the business over the year.

FINANCIAL AND BUSINESS HIGHLIGHTS

Springfield achieved growth across all areas of the business. Financial and business highlights are detailed in the introduction to this report at page 3.

KEY PERFORMANCE INDICATORS
2018 vs 2017

Financial

	2017/18	2016/17	Change
Homes	770	620	+24%
Revenue	£140.7m	£110.6m	+27%
Gross profit margin	15.7%	15.1%	+6 bps
Adjusted profit before tax*	£9.8m	£6.7m	+46%
Net debt	£15.3m	£33.2m	-54%
Land Bank	12,476 plots	9,195 plots	+36%

*Adjusted excludes exceptional items. Exceptional items are costs relating to acquisition of Dawn Homes and IPO costs relating to existing ordinary shares.

Personnel

- Average number of employees up to 568 in May 2018 from 479 in May 2017
- 124 employees, 21% of the workforce in training / apprenticeships in May 2018, which is consistent with last year

Environmental

All homes are designed to perform above the latest environmental standards. Within the regulatory requirements when designing homes, we work to optimise the following: improving profitability, reducing environmental impact and minimising energy bills for customers.

Affordable housing is also built to an environmental standard higher than the regulatory requirement reducing the environmental impact of our homes overall.

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2018

Quality Management

The Group is accredited to ISO 19011-2011 standard. During 2018 improvements actioned as a result of quality management was similar to 2017 at 266.

KEY RISKS AND UNCERTAINTIES

The principle risks and uncertainties identified and mitigated against include: market, credit, liquidity, price / sales, cash flow, resources, legal and regulatory, health and safety, land supply, planning and funding. Market, credit and liquidity risk are dealt with in Note 26 of the financial statements.

Price / Sales Risk

The risk of facing reduced demand in an area is mitigated by the following factors:
- regular reviews of market conditions, product range, pricing and geographic spread to make sure the right homes are delivered in the right places at a profitable price;
- customer service, quality of build and customer satisfaction are monitored to maintain reputation;
- monitoring of changes in government housing policy, including by Innes Smith as an executive board member of homes for Scotland, allows forward planning to mitigate risks identified as result of changes in policy; and
- any reduction in mortgage availability or affordability in the private market is mitigated by growth of the affordable housing side of the business.

Cash Flow Risk

Detailed budgeting and regular review of forecasts allows efficient management of future cash flows.

Resources Risk

The labour market is competitive and there is some upward pressure on building material prices.

Strategies in place to maintain Springfield's reputation as a good employer and ensure the appropriate supply of skills includes:
- remuneration and reward review;
- annual training review for every employee; and
- a Board led culture of empowerment.

Upward pressure on materials prices is being mitigated by:
- actively seeking alternative suppliers and materials;
- standardising materials and products to add to buying power; and
- negotiating deals directly with manufacturers.

Legal and Regulatory Risk

The Group has an in house legal department which advises and supports the group with legal compliance.

Health and Safety Risk

There are health and safety risks inherent to construction. Health and safety is the first agenda item at every board meeting. The Group has an in house health and safety department which ensures overall compliance by:
- monitoring health and safety standards across sites with regular visits;
- taking action where required;
- initiating training; and
- introducing or updating applicable policies or procedures

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2018

Land Supply Risk

The risk of securing sufficient land is mitigated by a healthy and growing supply of land owned or secured by contract (15 years) in a spread of geographic locations which will appeal to our range of customers. Land is brought forward, through the planning system, in tranches considered by the Board to be sufficient to allow the Group to achieve its plans for growth.

Planning Risk

Delays in receiving planning consents could interrupt business. Planning is dealt with internally by expert planners who have good relationships with local authorities and who are supported by a full architectural and design team. The Board reviews the balance of land held at the various stages of planning to ensure the appropriate flow of consented land.

Funding Risk

The Group has bank facilities, securing funding until 2020 which have appropriate covenants and sufficient headroom in place. The Group and funders communicate regularly.

FINANCIAL RISK MANAGEMENT OBJECTIVES

Details of the Group's financial risk management objectives are set out in Note 26 to these financial statements.

FUTURE DEVELOPMENTS

The future development of the Group is dealt with in the Chairman's Statement.

CHARITABLE DONATIONS AND COMMUNITY SUPPORT

During the year the Group made payments of £17,793 (2017- £18,086) to local charities and £1,440 (2017- £2,572) to national charities.

Springfield looks for opportunities to engage with the community in towns where we are building. We aim to help young people achieve more and to help those who are disadvantaged. Staff visit schools to support a variety of initiatives including careers information, mentoring, and charitable programmes. Mentoring programmes also see young people join us for work placements. We sponsor youth sports teams and some individual young athletes and we support the Duke of Edinburgh's Award in Moray.

On a wider scale, we support events that bring the community together. For the last six years, Springfield have been the headline sponsor of the European Pipe Band Championships which brings bands from across Europe to an event organised largely by the local community in Forres and attracts over 20,000 people.

On behalf of the Board

Sandy Adam
Chairman
26 September 2018

GOVERNANCE

FOR THE YEAR ENDED 31 MAY 2018

BOARD OF DIRECTORS

Sandy Adam, Chairman
(Sits on Nomination Committee)
Sandy is the grandson of the founder of Springfield and has worked for the Company since the 1980s. Sandy led the Company during its change from a market garden business into a housebuilder in 1988. Sandy has been Chairman of the Company since 2004 and has been the driver behind many of the Group's key commercial decisions including the focus on affordable housing, the geographic expansion out of Elgin in 2010 and the acquisition of Redrow's Scottish assets/operations in 2011. Sandy has over 25 years of experience in the Scottish housing and property markets, including his role as Chairman of Homes for Scotland between 2014 and 2015, and leads the Group's land buying team.

Innes Smith, Chief Executive Officer
After graduating from Heriot Watt University in 1991, Innes qualified as a Chartered Accountant with KPMG before moving into industry as financial controller at SGL Technic, a subsidiary of RK Carbon Fibres (now called SGL Carbon Fibres Limited), a NASDAQ and Deutsche Börse listed company. Subsequently Innes was promoted to Finance Director at SGL Technic and after five years moved to Gael Force. Innes joined Springfield in 2005 as Finance Director and was appointed Chief Executive Officer at Springfield in October 2012 after seven years with the Company. In his role as Chief Executive Officer, Innes has grown the scale of the Group with annual revenue increasing from £53 million to £141 million and completions increasing from approximately 300 to over 700 per year. Innes was appointed to the Board of Homes for Scotland in 2016.

Michelle Motion, Finance Director
Michelle joined Springfield as a Finance Director in 2013. Michelle has over 20 years of experience within the property and construction industry, previously working for Morrison Developments Limited, a subsidiary of AWG plc, a FTSE 250 company, and the house building company Avant Group, previously known as Gladedale Group. Michelle graduated with a BA in Accounting and an MBA and is a qualified accountant from the Chartered Institute of Management Accountants.

Roger Eddie, Non-executive Director
(Chair of Remuneration and Nomination Committees, sits on Audit Committee,)
Roger worked for the Bank of Scotland for 32 years, most recently as Director of the North of Scotland Real Estate Team. Roger sits on the Board of the Port of Cromarty Firth and of their Cruise Highland subsidiary. Roger joined Springfield as a non-executive Director on 13 November 2008.

Matthew Benson, Non-executive Director
(Chair of Audit Committee, sits on Remuneration and Nomination Committees)
Matthew graduated from Oxford University and began his career with Morgan Stanley, working in international finance in London. Matthew then established his own consultancy business focused on the structuring and planning of high quality residential and leisure projects. Matthew joined Rettie & Co as a Director in 2002 with responsibility for land and development, new homes and rural projects. Matthew was appointed to the Board as a non-executive Director in 2011. Matthew has a number of other responsibilities including Member of the Advisory Board of Kleinwort Hambros private bank, Trustee of Project Scotland and Director of Edinburgh Arts Festival. Matthew was also the founding chair of bio-tech businesses EctoPharma Limited and Ryboquin Limited.

Nick Cooper, Non-executive Director (Appointed 1 June 2018)
Nick is a qualified solicitor with over 20 years' board experience with UK-listed and private companies. From 2010 to 2015, he was Corporate Services Director at Cable & Wireless Communications plc, which he joined from Cable & Wireless plc, where from 2006 to 2010 he was General Counsel and Company Secretary. His previous in-house legal and corporate experience includes roles at Energis Communications Limited, JD Wetherspoon plc, The Sage Group plc and Asda Group plc. Nick is currently a Non-Executive Director of AIM-listed CPP Group plc and a number of private start-up companies.

QCA CODE COMPLIANCE

1. Strategy and Business Model

Springfield Properties PLC is a housebuilder focused on developing a mix of private and affordable housing in Scotland. The Group operates through two divisions: private housing and affordable.

The private housing division has historically developed small to medium-sized developments in Scotland, as well as a small number of larger sites – and is now focused on developing a higher proportion of larger village sites. The division's model primarily focuses on sourcing land in areas with high growth potential and, subsequently, to progress developments through the planning process.

The affordable division's operations focus on the development of land into standalone sites that consist entirely of affordable homes. In addition to standalone developments, the affordable division develops affordable housing on the Group's private developments under section 75 agreements, pursuant to which we typically agree with a local authority to contribute housing, money and/or infrastructure as a condition of planning permission.

We have the in house skills to allow us to in develop difficult sites (often involving several land owners) that require considerable remediation works and/or significant investment in infrastructure prior to commencing development.

Further details on our strategy and business model are discussed in the Chairman's statement on pages 4-6.

2. Understanding Shareholder Needs and Expectations

The Board is committed to maintaining good relationships with shareholders. The Chairman is responsible for ensuring that appropriate channels of communication are established between the Executive Directors and Shareholders, ensuring shareholders' views are shared with the board.

Along with the opportunity to ask questions by email or telephone throughout the year, we conduct bi-annual investor presentations organised by our nominated advisor, N+1 Singer. The presentations provide us with a regular opportunity to understand the needs and expectations of Springfield's shareholders. These roadshows are held in London and Edinburgh. Shareholder relations are also managed through regular regulatory announcements.

We maintain a corporate website (https://www.springfield.co.uk/investor_relations). It contains a range of information required by AIM Rule 26 including our annual and half year reports, trading statements and all regulatory announcements. We also regularly distribute press releases to national and local press with news and updates on the Group's current projects. All press releases can be found at https://www.springfield.co.uk/news.

All shareholders are invited to attend Springfield's annual general meeting (AGM). Details of the AGM are available to download from our corporate website. Voting at the AGM will be conducted by a poll and the results announced to the market and displayed on our website as soon as possible after the meeting. The Board recognises the AGM as an important opportunity to meet shareholders. The Directors are available to listen to the views of shareholders informally immediately following the AGM.

3. Wider Stakeholder and Social responsibilities

Everyone in Scotland deserves a good house. Through our private and affordable divisions, we aim to fulfil that promise. However, we cannot do that alone. We maintain strong relationships with all stakeholders including employees, customers, national & local government and local communities.

QCA CODE COMPLIANCE (CONTINUED)

Employees (current): The Chairman and CEO meet bi-annually with all employees in departmental groups to hear employees' needs, interests and expectations. During these discussions key achievements of the groups are discussed as well as future goals. Employees have the opportunity to ask questions and provide feedback. We are proud that many of our employees have chosen to remain with Springfield with the average length of service being 4.4 years. This loyalty is also reflected in the number of employees who have invested in our Save as You Earn Scheme (SAYE) to share in the success of our business. In November 2018 we wanted to offer employees the opportunity to invest in the future of Springfield and share in the success of our business through SAYE. Over 68% of employees joined the scheme.

Employees (training & education): At April 2018 we supported 113 staff in further education, training and apprenticeships. This includes 96 apprenticeships. We have over 20% of our staff engaged with training or education.

Employees (future): Springfield has a strong focus on education and training. We encourage student placement programmes and we have placed 11 university students in a variety of work experience roles over the past two years. As a direct result of these placements Springfield has offered full-time employment to 5 of the students who now work for us, or will do after completion of their degree.

Customers: Customer views are sought via customer feedback forms mailed to them when they have been living in their new home for three months. Customers can provide feedback on the entire house purchase process with Springfield.

National & local government: Our CEO is a Director of Homes for Scotland, the voice of the home building industry in Scotland, representing some 200 companies and organisations which together deliver 95% of new homes built for sale each year and a significant proportion of affordable housing. Through Homes for Scotland we engage with the Scottish Government, local government and utility companies. Any direct contact with the Scottish Government is also governed by the Lobbying (Scotland) Act 2016 and we comply with all requirements of that Act.

Communities: For individual projects, we work with local communities as part of the planning process. Any new development that has more than 50 units or covers two hectares requires us to hold a community consultation. This event allows members of the local community to gather information on the proposed development, ask questions and provide their feedback on the proposals. We take these comments on board when taking the development forward.

Alongside the planning process, we support the communities in which we build. This can involve sponsorships, running or sponsoring local events, fundraising for local charities and providing talks at local schools.

More directly, our affordable division helps local authorities and housing associations provide much needed new affordable homes to meet the current national shortfall. We provide housing of all tenures and are particularly proud of the specialist care facilities we provide specifically for the elderly. For example, in partnership with Hanover Housing Association, we built a 30-apartment care facility in just over a year. Named Linkwood View by local nursery children, staff from Hanover welcomed the first residents in September 2017. The development has been awarded Social Housing Development of the Year by Premier Guarantee.

4. Embedding Risk Management

Springfield operates processes to identify, measure, manage and monitor those risks which impact the Group's business. The focus of our risk management framework is to ensure we are managed in a sustainable and controlled way within our risk tolerance. Material risks and control matters are reported to the Board via regular reports from the Group's senior executive team who in turn meet on a regular basis with risk and control issues being discussed at those meetings.

QCA CODE COMPLIANCE (CONTINUED)

Given the environment in which it operates the Board has focus and attention on Health and Safety issues. It receives a personal report from the CEO on health and safety matters at each meeting and meets regularly with the Group's director for health & safety so that it can discuss any matters directly with him.

The Board also maintains a system of internal controls to safeguard shareholders' investment and assets and for reviewing its effectiveness. The Board reviews the effectiveness of the Group's system of internal controls on an ongoing basis. Annual budgets are prepared and detailed management reports are presented to the Board and used to monitor financial performance and compliance with the Group's policies and procedures. All controls are covered including financial and operational controls to manage risk. The board meetings are also used to consider the Group's major risks. All potential areas of financial risk are regularly monitored and reviewed by directors and management. Any preventative or corrective measures are taken as necessary.

5. Maintaining a Well-Functioning Board

The skills and experience of the Board are set out in their biographical details on page 14. All directors receive regular and timely information the Group's operational and financial performance. Relevant information is circulated to the directors in advance of meetings. As Springfield has developed, the composition of the board has been under constant review to ensure that it remains appropriate to the managerial requirements of the Group. As such the Board identified that an additional Non-Executive Director would be highly beneficial to the Board, accordingly Nick Cooper was appointed to the Board on 1 June 2018 following a thorough assessment of potential candidates' skills and suitability for the role.

The board consider Nick Copper and Matthew Benson to be independent directors for the purpose of the Corporate Governance Code. From 13 November 2018 Roger Eddie will have completed ten years' service as a Director. Having considered his independence in the context of the Corporate Governance Code, the Board is also satisfied that Mr Eddie will remain independent from 13 November 2018, notwithstanding his length of service.

Andrew Todd, as Company Secretary, attends all board and committee meetings. Andrew is a solicitor qualified in Scotland and ensures board meetings and committee are conducted in accordance with all relevant legal and regulatory requirements.

One third of the directors retire annually in rotation in accordance with Springfield's articles of association. This enables the shareholders to decide on the election of the Board.

6. Director Skills and Capabilities

As mentioned under principle 5, all directors and their professional experiences, are set out on page 14. The skills, experience and knowledge of each director gives them the ability to constructively challenge strategy and decision making and scrutinise performance. All directors are offered appropriate coaching and training to develop their knowledge and ensure they remain up to date in relevant matters for which they have responsibility as a member of the Board. In 2017-18 the Board received training from Luther Pendragon, N+1 Singer and Pinsent Masons. It receives regular updates from its advisors.

All six members of the board bring relevant sector experience through their extensive and varied careers throughout the housing, financial, consulting and legal sectors. The board believes that its members possess the required qualities and skills necessary to effectively oversee and execute the Group's strategy.

7. Evaluation of Board Performance

The Board intends to conduct an evaluation of its own performance and that of its principal committees during 2018-19. The effectiveness of the Board and its committees will be kept under review in accordance with corporate governance best practice. Springfield's board currently does not have a formal review process, rather its effectiveness is assessed in an informal manner by the Chairman on an on-going basis. During the year 2018/19, the board will formalise a self-evaluation process, selecting criteria against which it will consider the quality of its performance, as well as specifying the frequency of such evaluations. Further information will be included on the next Annual Report, as well as published on the website.

QCA CODE COMPLIANCE (CONTINUED)

8. Corporate Culture

The Board believes that everyone deserves to live in a good house. This mean that there is a need for housing for every member of every community in Scotland and Springfield aims to address this need by providing high quality homes for private sale to first time buyers and those already on the housing ladder and providing affordable homes through its partnership arm which works with housing associations and local authorities. Where possible we also address the requirements of the elderly and those with special needs. An example of this is a flatted development specifically for the elderly in Elgin in partnership with Hanover Housing Association. The facility consists of 30 wheelchair accessible apartments six of which are tailored for residents with dementia.

Dedication to customers is at the heart of the Springfield culture. We offer our customers wide choice of options on design, fixtures and fittings through our online “Choices” initiative and we build trust through our “It’s Included” promise and our after sales service. Customer satisfaction statistics are an integral part of how we manage our business and incentivise our key people. Our CEO presents our customer satisfaction statistics at each board meeting. Springfield has received a number of awards for its customer services and for the sites it produces, including:

2017 PREMIER GUARANTEE AWARDS
Social Housing Development of the Year - Linkwood View, Elgin

2016 PREMIER GUARANTEE AWARDS
Large Development of the Year - Duncansfield, Elgin
Site Manager of the Year - Victor Grant

2016 HOMES FOR SCOTLAND AWARDS
Private Development of the Year - Medium - Middleton of Canmore, Braemar

2015 HOMES FOR SCOTLAND AWARDS
HOME BUILDER OF THE YEAR 2015
Employee of the Year - Heather Henderson; Best Customer Service Initiative 2nd year in a row - It's Included; Best Small Development - Powderhall Gate

The Board believes that high levels of customer service are only deliverable by talented and engaged employees. With strong local roots in the North of Scotland many of our employees joined the business in its early stages of development and have remained with us as we’ve grown and most recently become a public group listed on AIM. Ten of the original fourteen Springfield employees are still with the Group today - eight in promoted positions. As a result we benefit from the loyalty and commitment of employees who have played a major part in building the business and in many cases have taken the opportunity to share in its success via our SAYE Scheme. The Board works hard to promote the same levels of loyalty and engagement in its new recruits throughout Scotland.

Now that Springfield is listed on AIM there is a need to recruit professionals in key areas across the business. To support our objectives and to maintain a high level of professionalism and customer service the Board’s policy is that ‘the best person for the job’ is recruited to support the existing professionals in its in house teams of planning, engineering, marketing, design, finance, legal and governance and health and safety. Taken together the Board are committed to the development of Springfield whilst at the same time preserving the culture and ethos which has resulted in the Group's growth to date.

QCA CODE COMPLIANCE (CONTINUED)

9. Maintaining Good Governance

As an AIM listed group, the Board recognises the importance of applying sound governance principles in the successful running of the Group. We embrace the principles contained in the QCA Corporate Governance Code (QCA Code) for Small and Mid-Size Quoted Companies where appropriate. We are also mindful of the changes to the governance requirements for AIM listed companies. Given the size and nature of Springfield and composition of the Board we, in so far as is practical and appropriate, formally adopt and adhere to the QCA Code and will report accordingly in our next annual report from 28 September 2018.

Springfield operates processes to identify, measure, manage and monitor risks within acceptable limits identified by the Board which impact the Group's business. Further details on our approach to risk are set out in response to principle 4 above.

Springfield reviews its governance structures regularly. In June 2018, Springfield appointed a third Non-Executive Director which provides a balance between executive and non-executive directors on the Corporate Board. We have also taken the decision to appoint two Managing Directors – one for the North of Scotland projects and one for the central belt of Scotland projects.

The Board as a whole takes responsibility for ensuring the Company maintains appropriate corporate governance practices, in addition the Chairman and CEO take responsibility for obtaining feedback from key stakeholders.

10. Communicating Governance and Performance

We have set out how communication with investors and key stakeholders is maintained in relation to principles 2 and 3 above and shared via our website (more details of which are set out under principle 2). Please see the reports produced by the remuneration committee and audit committee.

Andrew Todd
Company Secretary
26 September 2018

REMUNERATION COMMITTEE REPORT

Introduction

This report outlines the Group's remuneration policy for its directors and shows how that policy was applied during the financial year ending on 31 May 2018. Springfield is not required to comply with Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. This report has been prepared on a voluntary basis and in order to fulfil the relevant requirements of AIM Rule 19.

Committee Members and Meetings

In the period following the Group's admission to trading on AIM on 16 October 2017, the Remuneration Committee comprised:

- Roger Eddie (Chairman); and
- Matthew Benson.

Both the above individuals are independent non-executive directors who have no personal financial interest (other than as shareholders) in the matters decided.

Under its terms of reference (a copy of which is available on the Group's website at www.springfield.co.uk/investor_relations), the Remuneration Committee is required to meet at least three times a year.

Committee Responsibilities

The main responsibilities of the Remuneration Committee are: -

- set the overall remuneration policy for the Group's executive directors (and certain other senior employees); and
- within the terms of that policy, determine the terms and conditions of employment of those individuals and the level of their remuneration (including short-term and long-term incentives).

The remuneration of the non-executive directors is determined by the Board as a whole within limits set out in Springfield's articles of association. The non-executive directors do not participate in performance related bonus or share based incentive arrangements.

Remuneration Policy for Executive Directors

The overarching aim of the Group's remuneration policy is to attract and retain the highest calibre individuals as executive directors and ensure they are appropriately and fairly rewarded for performance in a manner that is both as straightforward as possible and appropriate for Springfield's size and stage of development.

During the financial year to 31 May 2018, the overall remuneration package for executive directors consisted of the following elements: -

- Basic Salary;
- Annual Bonus;
- Pension Contributions;
- Long Term Incentive Plan;
- Opportunity to participate in an "all employee" SAYE share option scheme; and
- Other standard benefits.

Further disclosures in relation to each of the above elements are provided below.

REMUNERATION COMMITTEE REPORT (CONTINUED)

Basic Salaries

Each executive director receives a base salary, the level of which reflects the particular individual's experience and performance, the nature and complexity of their work and the market in which the Group operates.

As at 31 May 2018, the annual rates of base salaries for the executive directors were:-

- Sandy Adam - £75,000
- Innes Smith - £167,000 and
- Michelle Motion - £120,000

The Committee reviews the executive directors' salaries annually, with any increases taking effect on 1 June each year. Whilst normally the Committee would expect any such salary rises to be broadly in line with those applied to the wider workforce, it is anticipated that, in the initial period following admission to AIM, the executive directors' salaries will be increased at a slightly higher rate to ensure that they ultimately reach a level that is competitive when compared to other similarly sized organisations in the Group's sector. It is expected that this process will be completed during the course of the next two financial years.

Annual Bonus

Under the Group's annual bonus scheme for executive directors, individuals have the opportunity to receive a cash award that is linked to the achievement of specified targets that are aligned to the Group's corporate plan for the period in question. For each year of the scheme's operation, the Committee specifies a maximum opportunity (as a percentage of salary) for each participant.

For the financial year to 31 May 2018, the maximum bonus opportunity for Innes Smith and Michelle Motion was 75% of salary and the measures used to determine the amount of their individual awards included a mixture of targets relating to profit before tax, return on capital employed and (in the case of Innes Smith) customer care and health and safety. Each measure was ascribed its own weighting, with a sliding scale of achievement (between threshold and maximum) then being used to determine the level of award actually paid. Where performance was below threshold for any particular measure, no bonus was payable in respect of that element.

Sandy Adam did not participate in the annual bonus scheme for the financial year to 31 May 2018.

Pensions

During the year, the Group made contributions to pension plans for the executive directors. These contributions were at a rate of 5% of basic salary in respect of Sandy Adam, and at the rate of 10% of basic salary in respect of both Innes Smith and Michelle Motion.

Long Term Incentive Plan

Discretionary long term incentives are provided through the operation of the following arrangements that were first introduced in October 2017 as part of the process surrounding the Group's admission to AIM:

- The Springfield Properties PLC Company Share Option Plan (the "CSOP"), which allows tax advantaged options to be granted over the Company's shares to selected employees of the Group (including executive directors); and
- The Springfield Properties PLC Employee Share Option Plan (the "ESOP") which enables non-tax advantaged options to be granted to the same category of individuals.

Options granted under the CSOP and ESOP generally vest after three years. The price per share payable on their exercise will normally be equal to the market value of a share on the date they were originally granted.

Details of the grants made to Innes Smith and Michelle Motion under the CSOP and ESOP during the financial year to 31 May 2018 are set out on page 23. Given the size of his existing shareholding in the Group, Sandy Adam does not currently participate in either of these arrangements.

REMUNERATION COMMITTEE REPORT (CONTINUED)

Save As You Earn ("SAYE")

At the same time as establishing the CSOP and ESOP, the Group also adopted the Springfield Properties PLC SAYE Option Scheme (the "SAYE Scheme"). Under this tax advantaged arrangement, all employees (including executive directors) can be invited to apply for the grant of options over the Group's shares that are linked to a three-year savings contract. The price per share payable on the exercise of these options is set by the Board at the date invitations are issued, but cannot be less than 80% of the market value of a share on that date.

Details of the grants made under the SAYE Scheme to Innes Smith and Michelle Motion during the financial year to 31 May 2018 are set out on page 23. For the same reason stated above in relation to the CSOP and ESOP, Sandy Adam does not currently participate in the SAYE Scheme.

Remuneration in the Year

During the year to 31 May 2018, the directors received the following remuneration:

	Basic salary/fees	Annual Bonus	Taxable benefits	Pension contributions	2018 Total	2017 Total
	£000	£000	£000	£000	£000	£000
Executive Directors						
Sandy Adam	51	-	8	2	61	19
Innes Smith	157	94	8	16	275	146
Michelle Motion	111	119	8	11	249	125
Non-Executive Directors						
Matthew Benson	24	-	-	-	24	15
Roger Eddie	21	-	-	-	21	6
	364	213	24	29	630	311

The annual bonus for Michelle Motion includes £66,449 that relates to pre-float bonus. The taxable benefits figure in the above table for each of the executive directors relates to a range of benefits provided by the Group including a car allowance and life and health assurance. The bonus figure includes accrued bonus for the year to 31 May 2018 payable in September 2018 and March 2019.

Nick Cooper was appointed 1 June 2018.

The above table does not include the value of share options held by the Directors, details of which are set out below.

REMUNERATION COMMITTEE REPORT (CONTINUED)

Share Options

Details of options over the Group's shares granted to executive directors under the CSOP, ESOP and SAYE Scheme during the year to 31 May 2018 are as follows:

Director	Scheme	Date of grant	Earliest exercise date and date of vesting	Exercise price	Number of shares
Innes Smith	CSOP	16 October 2017	16 October 2020	106p	28,301
	ESOP	16 October 2017	16 October 2020	106p	208,019
	SAYE	8 November 2017	1 December 2020	84.8p	21,226
Michelle Motion	CSOP	16 October 2017	16 October 2020	106p	28,301
	ESOP	16 October 2017	16 October 2020	106p	84,906
	SAYE	8 November 2017	1 December 2020	84.8p	21,226

None of the above options are subject to performance conditions. During the year to 31 May 2018, no share options held by executive directors lapsed or were exercised.

Directors' Interests in the Group's Shares
Directors' interests in the Group's shares are disclosed in the Directors' Report (page 25).

Roger Eddie
Chairman of the Remuneration Committee
26 September 2018

AUDIT COMMITTEE REPORT

The Audit Committee comprises Matthew Benson (Chairman) and Roger Eddie. The Audit Committee meets at least twice a year.

The Committee

- monitors the integrity of the financial statements;
- reviews the internal controls and risk management systems; and
- oversees the relationship with the external Auditor

Since 1 June 2017, the Audit Committee has met twice to consider the planning of the statutory audit and to review the Group's draft half year and full year results prior to Board approval and to consider the external auditor's detailed reports.

SPRINGFIELD PROPERTIES PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MAY 2018

The directors present their annual report and the audited financial statements of the Group for the year ended 31 May 2018.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The Group is no longer required to include the Principal Activity and Review of the Business within the Directors' Report. This information is now included within the Strategic Report above, as part of the 'Review of the Business' under the Amendment to the Companies Act 2006 of s.414C(2a).

DIRECTORS

The Board comprised the following directors who served throughout the year and up to the date of this report:

Name	Position
Mr Sandy Adam	Chairman
Mr Innes Smith	Chief Executive Officer
Ms Michelle Motion	Chief Financial Officer
Mr Roger Eddie	Non-Executive Director
Mr Matthew Benson	Non-Executive Director
Mr Nick Cooper	Non-Executive Director – Appointed (1 June 2018)
Mrs Anne Adam	Director – Resigned (15 September 2017)
Mr James Adam	Director – Resigned (15 September 2017)
Mr Robert MacLeod	Civils Director – Resigned (15 September 2017)
Mr Ewan MacLeod	Commercial Director – Resigned (15 September 2017)
Mr Thomas Leggeat	Partnerships Director – Resigned (15 September 2017)

RESULTS AND DIVIDENDS

The results for the year are set out on page 35.

Interim ordinary dividends were paid amounting to £821k (2017 - £2.3m) equating to 1.00p (2017 – 4.00p) per share.

The Board is proposing a final dividend of 2.70p per share subject to shareholder approval at the next Annual General Meeting to be held on 26 October 2018. Taking into account the interim dividend of 1.00p (2017 – 4.00p) per share already declared and paid, this equates to a total dividend of 3.70p (2017 - 4.00p) per share.

During the year, the nominal value of shares was split from 1p to 0.125p. The weighted average number of ordinary shares in issue for 2017 has been recalculated based on this split. This has resulted in the dividend per share decreasing from 32.00p to 4.00p.

EMPLOYEE CONSULTATION

The Group's policy is to consult and discuss with employees' representatives matters likely to affect their interests.

On entering AIM, employees were given the opportunity to enter a Save as Your Earn share option scheme. The scheme allows employees to save up £500 per month over a period of 3 years at the end of which they can use their savings to purchase shares in the Group.

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on various factors affecting the performance of the Group.

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2018

DISABLED PERSONS

The Group's policy is to recruit disabled workers for those vacancies they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitude and abilities.

EQUAL OPPORTUNITIES

This is achieved through formal and informal meetings. Equal opportunities are given to all employees regardless of their gender, marital status, sexual orientation, disability, age, race, and religion or belief.

POST YEAR END EVENTS

There are no post year end events to report.

GOING CONCERN

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and the Directors are satisfied that the Group will generate sufficient cash to meet its liabilities as and when they fall due for a period of 12 months from signing these financial statements. The Directors therefore consider it appropriate to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in Note 2.4 of the financial statements.

DISCLOSURE OF INFORMATION TO THE AUDITOR

In the case of each of the persons who are directors of the Group at the date when this report is approved:

- so far as each director is aware, there is no relevant audit information of which the Group's auditor is unaware; and
- each of the directors has taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

This information is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

BOARD OF DIRECTORS

The Group supports the concept of an effective Board of Directors leading and controlling the Group. The Board of directors is responsible for approving Group policy and strategy. It meets regularly and has a schedule of matters specifically reserved to it for decision. All directors have access to advice from independent professionals at the Group's expense. Training is available for new and existing directors as necessary. Biographical details are set out on page 14.

INTERNAL CONTROL

The Directors acknowledge that they are responsible for the Group's system of internal control and for reviewing the effectiveness of these systems. The risk management process and systems of internal control are designed to manage rather than eliminate the risk of the Group failing to achieve its strategic objectives. It should be recognised that such systems can only provide reasonable and not absolute assurance against material misstatement or loss. The Group has well established procedures which are considered adequate given the size of the business.

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2018

AUDITOR

The Board as a whole considers the appointment of the external auditor and their independence, specifically including the nature and scope of non-audit services provided.

REMUNERATION

The remuneration of the Directors has been fixed by the Board as a whole. The Board seeks to provide appropriate reward for the skill and time commitment required so as to retain the right calibre of director at a cost to the Group which reflects current market rates.

Details of Directors' fees and of payments made for professional services rendered are set out in the Remuneration Report on page 20.

DIRECTORS' INTERESTS IN SHARES

Name of director	Number of ordinary shares	% of ordinary share capital and voting rights
Sandy Adam		
- Direct	24,900,000	25.8%
- Indirect	18,880,872	19.6%
Innes Smith		
- Direct	1,158,009	1.2%
- Indirect	33,019	0.0%
Roger Eddie	47,170	0.1%
Michelle Motion	43,849	0.1%
Matthew Benson	28,302	0.0%
	45,091,221	**46.8%**

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Details of the Group's financial risk management objectives and policies are set out in Note 26 to these financial statements.

STRATEGIC REPORT

The Group has chosen in accordance with the Companies Act 2006, s.414C(11) to set out in the Group's Strategic Report information required by Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the Directors' Report. It has done so in respect of future developments.

On behalf of the Board

Sandy Adam
Chairman
26 September 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law the directors have elected to prepare group financial statements in accordance with International Financial Reporting Standards ("IFRS" as adopted by the European Union ("EU")) and have also elected to prepare the parent company financial statements in accordance with IFRS as adopted by the EU. Company law requires that the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the parent group and profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and parent group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the group and parent company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board

Sandy Adam
Chairman
26 September 2018

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SPRINGFIELD PROPERTIES PLC

Opinion

We have audited the financial statements of Springfield Properties PLC (the 'parent company') and its subsidiaries (the 'Group') for the year ended 31 May 2018 which comprise the Consolidated Profit and Loss Account, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Company Statement of Cash Flows and the related notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 May 2018, and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusion relating to Going Concern

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Risk of incorrect recognition of revenue The Group has recorded revenue in the year of £140.7m and is a key metric of business performance. Recognition of revenue on affordable housebuilding construction contracts is linked to estimates of contractual performance as activity progresses which is inherently judgemental, albeit such estimates of performance are certified by or agreed with the housing association customer. Private housebuilding sales involve less inherent judgements as any recognition of any income is deferred until contract completion although the timing of recognition of property sales around the year-end can require management judgements in determining when the significant risks and rewards of ownership had transferred to the customer and therefore in which period revenue should be recognised.	For a sample of affordable housing contracts, we agreed that the sales value recognised to date was in line with surveyor reports as certified by or agreed with the housing association customer, and that these had been correctly recognised in the reported revenue figure. For private house sales we were able to agree, for a sample of plots that had incurred costs in the year that the house was either sold and included in reported revenue or was still under construction and included within work-in-progress. Where the house was included in reported revenue, we obtained copies of the sales pack and confirmed the date the missives were settled and the amount of consideration for the sale was accurately recognised in the sales ledger. Substantive testing regarding sales in the final week of the year and first week of the following accounting year was also undertaken to confirm that all private house sales were recognised in the appropriate accounting period. No issues were noted in the above testing.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SPRINGFIELD PROPERTIES PLC (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Construction contracts and private housebuilding sites profit recognition The Group has reported a gross profit of £22.1m. Gross profit is largely a function of margins recognised on both construction contracts and private housebuilding sites. The company prepares Cost Valuation Reports ("CVRs") for each site which form estimated site margins and which provide the basis for margin recognition as activity progresses at each site. The inherent estimates involved in this process present a risk of incorrect profit recognition.	We undertook a review of previous year estimates against current year actual (for completed sites) or latest current year estimates for ongoing sites based on the latest CVRs. In any cases where there was a significant change in estimated margin we obtained management's supporting reasons and corroborated that changes in estimated margins were as a result of specific changes in circumstances, such as market selling prices, thus leading to a difference in margin recognition over the remainder of the site and were not indicative of previous estimation errors. We also reviewed CVRs prepared after the financial year-end for any significant differences in estimated margin relative to the year-end position. We reviewed latest CVR site forecasts to ensure that all loss making contracts had been provided for in full. Upon completion of this testing we are satisfied that margins have been recognised on a consistent and appropriate basis.
Management override of controls Inherent in the construction industry, which requires some key judgements to be exercised, is the need for a level of management oversight over the systematic recording of transactions. Ensuring that this judgement is applied to improve the quality and accuracy of financial reporting is a key audit risk as there is potential for undue management bias to be exercised in this process.	Using data analytical tools, we undertook a review of all journal entry activity during the period to identify any activity that met certain risk-criteria pre-determined by us as auditor. Where such analysis highlighted activity outwith initial expectation, this was reviewed and followed up with management and supporting corroboration was obtained. In limited cases, journal activity review identified management estimates which were subject to separate audit verification and assessment based on supporting management explanations and subsequent corroboration. No issues were noted with this testing.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SPRINGFIELD PROPERTIES PLC (CONTINUED)

Our application of materiality

The scope of our audit was influenced by the application of materiality. We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Materiality was determined as follows:

Materiality Measure	Group	Parent company
Financial statements as a whole (Overall materiality)	£315,000 We determined that 5% of profit before tax of the Group was an appropriate measure for a profit-oriented trading business. However we restricted our materiality to a level commensurate with the comparative period profit, as agreed with the Audit Committee, so that expected improvements in current year profitability would not impact on the extent of testing undertaken.	£310,000 We determined that 5% of profit before tax of the company was an appropriate measure for a profit-oriented trading business. However we restricted our materiality to a level commensurate with the comparative period profit, as agreed with the Audit Committee, so that expected improvements in current year profitability would not impact on the extent of testing undertaken.
Performance materiality used to drive the extent of testing	75% of financial statement materiality.	75% of financial statement materiality.
Communication of misstatements to the Directors	£6,300 (2% of overall materiality) and any misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£6,200 (2% of overall materiality) and any misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

An overview of the scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all audits, we also considered the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SPRINGFIELD PROPERTIES PLC (CONTINUED)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 28, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SPRINGFIELD PROPERTIES PLC (CONTINUED)

Auditor's responsibilities for the audit of the financial statements

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Johnston Carmichael LLP

David McBain (Senior Statutory Auditor)
For and on behalf of Johnston Carmichael LLP
Chartered Accountants
Statutory Auditor
26 September 2018

Commerce House
South Street
Elgin
IV30 1JE

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MAY 2018

	Notes	2018 Pre – Exceptional Items £000	Exceptional Items £000	2018 Post – Exceptional Items £000	2017 £000
Revenue	**4**	140,723	-	140,723	110,589
Cost of sales		(118,580)	-	(118,580)	(93,905)
Gross profit		**22,143**	**-**	**22,143**	**16,684**
Administrative expenses	**10**	(11,625)	(558)	(12,183)	(8,945)
Share of post-tax profit of joint venture		21	-	21	-
Other operating income		126	-	126	93
Operating profit/(loss)	**5**	**10,665**	**(558)**	**10,107**	**7,832**
Interest receivable and similar income		147	-	147	4
Finance costs	**8**	(1,039)	-	(1,039)	(1,145)
Profit before tax/(loss)		**9,773**	**(558)**	**9,215**	**6,691**
Tax	**9**	(1,854)	-	(1,854)	(1,278)
Profit for the year and total comprehensive income		**7,919**	**(558)**	**7,361**	**5,413**
Profit for the year and total comprehensive income is attributable to:					
-Owners of the parent company		7,911	(558)	7,353	5,359
-Non-controlling interests		8	-	8	54
		7,919	**(558)**	**7,361**	**5,413**
Earnings per share					
Basic earnings, on profit for the year (pence per share)	**10**	10.78p	(0.76)p	10.02p	9.18p
Diluted earnings, on profit for the year (pence per share)	**12**	10.75p	(0.76)p	9.99p	9.18p

The Group has no items of other comprehensive income.

The accompanying notes on pages 42 to 75 form an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

AS AT 31 MAY 2018

	Note	2018 £000	2017 £000
Non-current assets			
Property, plant and equipment	**13**	4,492	2,803
Intangible assets	**14**	600	-
Investments	**15**	1,018	-
Accounts receivable	**17**	870	488
		6,980	**3,291**
Current assets			
Inventories and work in progress	**16**	105,630	81,800
Accounts receivable	**17**	19,104	6,447
Cash and cash equivalents	**24**	12,015	8,335
		136,749	**96,582**
Total assets		**143,729**	**99,873**
Current liabilities			
Accounts payable	**18**	33,910	25,050
Short-term obligations under finance lease	**21**	1,020	500
Corporation tax		1,139	874
		36,069	**26,424**
Non-current liabilities			
Long-term borrowings	**20**	25,000	40,429
Long-term obligations under finance lease	**21**	1,254	588
Provisions	**22**	2,394	45
		28,648	**41,062**
Total liabilities		**64,717**	**67,486**
Net assets		**79,012**	**32,387**
Equity			
Share capital	**23**	120	73
Share premium	**23**	50,105	10,285
Retained earnings		28,767	22,017
Equity attributable to owners of the parent company		**78,992**	**32,375**
Non-controlling interests		20	12
		79,012	**32,387**

These financial statements were approved by the Board of Directors on 26 September 2018

Signed on behalf of the Board by:

Mr Sandy Adam
Chairman

Company number: SC031286

The accompanying notes on pages 42 to 75 form an integral part of these financial statements.

SPRINGFIELD PROPERTIES PLC

COMPANY BALANCE SHEET

AS AT 31 MAY 2018

	Note	2018 £000	2017 £000
Non-current assets			
Property, plant and equipment	**13**	2,892	1,717
Intangible assets	**14**	600	-
Investments	**15**	19,627	42
Accounts receivable	**17**	135	488
		23,254	**2,247**
Current assets			
Inventories and work in progress	**16**	76,212	81,800
Accounts receivable	**17**	17,835	6,585
Cash and cash equivalents	**24**	8,505	8,324
		102,552	**96,709**
Total assets		**125,806**	**98,956**
Current liabilities			
Accounts payable	**18**	28,360	25,040
Short-term obligations under finance lease	**21**	555	222
Corporation tax		866	767
		29,781	**26,029**
Non-current liabilities			
Long-term borrowings	**20**	15,000	40,429
Long-term obligations under finance lease	**21**	676	336
Provision	**22**	2,054	38
		17,730	**40,803**
Total liabilities		**47,511**	**66,832**
Net assets		**78,295**	**32,124**
Equity			
Share capital	**23**	120	73
Share premium	**23**	50,105	10,285
Retained earnings		28,070	21,766
Total equity		**78,295**	**32,124**

As permitted s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the year was £6,906,949 (2017 - £5,108,803).

These financial statements were approved by the Board of Directors on 26 September 2018

Signed on behalf of the Board by:

Mr Sandy Adam
Chairman

Company number: SC031286

The accompanying notes on pages 42 to 75 form an integral part of these financial statements.

SPRINGFIELD PROPERTIES PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MAY 2018

	Notes	Share capital £000	Share premium £000	Retained earnings £000	Non-controlling interest £000	Total £000
1 June 2016		73	10,177	18,995	-	29,245
Share issue		-	108	-	-	108
Total comprehensive income for the year		-	-	5,359	54	5,413
Acquisition of minority interest		-	-	-	(42)	(42)
Dividends		-	-	(2,337)	-	(2,337)
31 May 2017		**73**	**10,285**	**22,017**	**12**	**32,387**
Share issue	**23**	47	39,820	-	-	39,867
Total comprehensive income for the year		-	-	7,353	8	7,361
Share option reserves			-	218	-	218
Dividends	**11**	-	-	(821)	-	(821)
31 May 2018	**23**	**120**	**50,105**	**28,767**	**20**	**79,012**

The share capital account records the nominal value of shares issued.

The share premium account records the amount above the nominal value received for shares sold, less transaction costs.

Retained earnings represents accumulated profits less losses, and distributions. Retained earnings also includes share option reserves.

The accompanying notes on pages 42 to 75 form an integral part of these financial statements.

SPRINGFIELD PROPERTIES PLC

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MAY 2018

	Notes	Share capital £000	Share premium £000	Retained earnings £000	Total £000
1 June 2016		**73**	**10,177**	**18,995**	**29,245**
Issue of share capital		-	108	-	108
Total comprehensive income for the year		-	-	5,108	5,108
Dividends		-	-	(2,337)	(2,337)
31 May 2017		**73**	**10,285**	**21,766**	**32,124**
Issue of share capital	**23**	47	39,820	-	39,867
Total comprehensive income for the year		-	-	6,907	6,907
Share options reserves		-	-	218	218
Dividends	**11**	-	-	(821)	(821)
31 May 2018	**23**	**120**	**50,105**	**28,070**	**78,295**

The share capital account records the nominal value of shares issued.

The share premium account records the amount above the nominal value received for shares sold, less transaction costs.

Retained earnings represents accumulated profits less losses and distributions. Retained earnings also includes share option reserves.

The accompanying notes on pages 42 to 75 form an integral part of these financial statements.

SPRINGFIELD PROPERTIES PLC

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR TO 31 MAY 2018

Operating activities	Note	2018 £000	2017 £000
Profit for the year after taxation		7,919	5,413
Adjusted for:			
Taxation charged		1,854	1,278
Finance costs		1,039	1,145
Interest receivable and similar income		(147)	(4)
Exceptional items	10	(558)	-
Gain on disposal of tangible fixed assets		(45)	(146)
Share option employment costs		218	-
Share of joint venture profit		(21)	-
Depreciation and impairment of tangible fixed assets		1,088	772
Operating cash flows before movements in working capital		**11,347**	**8,458**
Decrease/(Increase) in inventory		6,230	(7,963)
Increase in accounts and other receivables		(7,314)	(2,345)
Increase in accounts and other payables		4,166	5,000
Net cash generated from operations		**14,430**	**3,150**
Income taxes paid		(1,714)	(1,126)
Net cash inflow from operating activities		**12,716**	**2,024**
Investing activities			
Payments to acquire intangible assets	14	(600)	-
Purchase of property, plant and equipment		(752)	(843)
Proceeds on disposal of property, plant and equipment		62	526
Net purchase of subsidiary company	15	(14,719)	(42)
Interest received and similar income		19	4
Net cash used in investing activities		**(15,990)**	**(355)**
Financing activities			
Proceeds from issue of shares		42,180	108
Cost from issue of shares		(2,312)	-
Proceeds from bank loans		-	10,000
Repayment of bank loans		(22,500)	-
Proceeds paid to related parties		(4,647)	-
Proceeds from other borrowings		-	1,375
Repayment of other borrowings		(2,929)	(453)
Payment of finance leases obligations		(849)	(460)
Dividends paid		(821)	(2,337)
Interest paid		(1,168)	(1,145)
Net cash inflow from financing activities		**6,954**	**7,088**
Net increase in cash and cash equivalents		**3,680**	**8,757**
Cash and cash equivalents at beginning of year		8,335	(422)
Cash and cash equivalents at end of year	24	**12,015**	**8,335**

The accompanying notes on pages 42 to 75 form an integral part of these financial statements.

SPRINGFIELD PROPERTIES PLC

COMPANY STATEMENT OF CASH FLOWS

YEAR TO 31 MAY 2018

	Note	2018 £000	2017 £000
Operating activities			
Profit for the year after taxation		7,465	5,108
Adjusted for:			
Taxation charged		1,727	1,164
Finance costs		973	1,101
Interest receivable and similar income		(147)	(4)
Gain on disposal of tangible fixed assets		-	(20)
Exceptional items	**10**	(558)	-
Depreciation and impairment of tangible fixed assets		544	296
Share option employment costs		218	-
Operating cash flows before movements in working capital		**10,222**	**7,645**
Decrease /(increase) in inventory		5,999	(7,963)
Increase in accounts and other receivables		(6,636)	(2,483)
Increase in accounts and other payables		3,516	5,546
Net cash generated from operations		**13,101**	**2,745**
Income taxes paid		(1,612)	(1,126)
Net cash inflow from operating activities		**11,489**	**1,619**
Investing activities			
Payments to acquire intangible assets	**14**	(600)	-
Purchase of property, plant and equipment		(659)	(625)
Proceeds on disposal of property, plant and equipment		1	323
Purchase of subsidiary company	**15**	(17,585)	(42)
Interest received and similar income		19	4
Net cash used in investing activities		**(18,824)**	**(340)**
Financing activities			
Proceeds from issue of shares		42,180	108
Cost from issue of shares		(2,312)	-
Proceeds from bank loans		-	10,000
Repayment of bank loans		(22,500)	-
Proceeds from other borrowings		-	1,375
Repayment of other borrowings		(2,929)	(453)
Proceeds paid to related parties		(4,647)	
Payment of finance leases obligations		(388)	(106)
Dividends paid		(821)	(2,337)
Interest paid		(1,067)	(1,120)
Net cash inflow from financing activities		**7,516**	**7,467**
Net increase in cash and cash equivalents		**181**	**8,746**
Cash and cash equivalents at beginning of year		8,324	(422)
Cash and cash equivalents at end of year	**24**	**8,505**	**8,324**

The accompanying notes on pages 42 to 75 form an integral part of these financial statements.

1. Organisation and trading activities

Springfield Properties PLC is incorporated and domiciled in Scotland as a public limited company and operates from its registered office in Alexander Fleming House, 8 Southfield Drive, Elgin, IV30 6GR.

The Group consists of Springfield Properties PLC and its subsidiaries Glassgreen Hire Limited and DHomes 2014 Holdings Limited. The Group also includes Dawn Homes Limited, Dawn (Robroyston) Limited, DHPL Limited and Dawn Homes (Johnstone) Limited who are subsidiaries of DHomes 2014 Limited and its jointly owned entity DHHG 1 Limited.

2. Summary of significant accounting policies

The principal accounting policies adopted and applied in the preparation of the financial statements are set out below.

These have been consistently applied to all the years presented unless otherwise stated.

2.1. Basis of accounting

The financial statements of Springfield Properties PLC have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union ("EU") applied in accordance with the provisions of the Companies Act 2006.

The Group has adopted all the standards and amendments to existing standards which are mandatory for accounting periods beginning on 1 June 2017. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

At 31 May 2018 the following new and revised IFRSs relevant to the Group are issued but are not yet effective:

	Effective date
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 16 Leases	1 January 2019

- IFRS 9 will impact both the measurement and disclosures of financial instruments. The Group have assessed the impact of the revisions on the group's and company's results and financial position and have concluded there will not be a material impact to the financial statements.
- IFRS 15 'Revenue from Contracts with Customers'. It is expected that this standard will result in some changes for construction companies, however, our preliminary assessment is that there will not be a material impact to the financial statements.
- IFRS 16 'Leases'. IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a 'right of use asset' for virtually all lease contracts. This is effective for the period beginning on 1 June 2019, with earlier adoption permitted if IFRS 15 'Revenue from contracts with customers' is also applied. The group has not yet assessed the full effect of this standard.

Of the other IFRSs and IFRICs, none are expected to have a material effect on the financial statements.

The financial statements have been prepared under the historical cost convention.

2. Summary of significant accounting policies (continued)

2.2. Basis of consolidation

The consolidated financial statements incorporate those of Springfield Properties PLC and its subsidiaries (ie entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits) and jointly controlled entities.

Springfield Properties PLC and Glassgreen Hire Limited's financial statements are made up to 31 May 2018. All other subsidiaries and jointly associated entity's financial statements are made up to 31 January 2018.

The consolidated accounts for the Group include the assets, liabilities and result of the Company and subsidiaries in which Springfield Properties PLC have controlling interest, using accounts drawn up to 31 May except where entities do not have coterminous year ends. In such cases, the information is based on the accounting period of these entities and is adjusted for material changes up to 31 May. Accordingly, the information consolidated is deemed to cover the same period for all entities throughout the Group.

The jointly owned entity is accounted for using the equity method.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation.

2.3. Functional and presentation currencies

The financial statements are presented in Pound Sterling (£), rounded to the nearest £000, which is also the currency of the primary economic environment in which the group operates (its functional currency).

2.4. Going concern

Any consideration of the foreseeable future involves making a judgement, at a particular point in time, about future events which are inherently uncertain.

At the time of approving the financial statements, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

2.5. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable net of VAT and trade discounts.

Private house sales

Revenue on private house sales is recognised when the significant risks and rewards of ownership have been transferred to the purchaser which will normally occur at handover / legal completion.

Revenue is recognised at the fair value of the consideration received or receivable on legal completion.

2. Summary of significant accounting policies (continued)

2.6. Revenue recognition (continued)

Construction contracts

Revenue from construction contracts is generated from affordable housing contracts and is recognised based on the measured value of work completed as construction progresses. The measured value of work is based on certified valuations which consider the stage of completion of contracts.

Contract expenses are recognised as incurred unless they create an asset related to future contract activity. An expected loss on a contract is recognised immediately in the profit and loss account.

Revenues derived from variations on contracts are recognised only when they have been accepted by the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as expenses in the period in which they are incurred and contract revenue is recognised to the extent of contract costs incurred where it is probable that they will be recoverable.

2.7. Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense in the period in which the services are received, unless those costs are required to be recognised as part of the cost of stock.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the group is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

2.8. Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

2.9. Borrowing costs

Borrowing costs relating to qualifying assets are capitalised. All other borrowing costs are recognised as an expense in the profit and loss account as they are incurred.

2.10. Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

2. Summary of significant accounting policies (continued)

2.11. Taxation (continued)

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax is not recognised on temporary differences arising from the initial recognition of goodwill or other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax is measured on a non-discounted basis using the tax rates and laws that have then been enacted or substantively enacted by the balance sheet date.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority. Deferred tax has been recognised on the fair value adjustment of the investment in Dawn Homes.

2.12. Exceptional Items

Exceptional items are those material items which, by virtue of their size or incidence, are presented separately in the profit and loss account to enable a full understanding of the Company's financial performance.

Transactions that may give rise to exceptional items include transactions relating to acquisitions and costs relating to changes in share capital structure.

2.13. Property, plant and equipment

Tangible fixed assets are initially measured at cost and subsequently measured at cost net of depreciation and any impairment losses. Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Buildings	- 2% and 5% straight line
Plant and machinery	- 20% and 25% straight line
Fixtures, fittings & equipment	- 20% and 25% straight line
Motor vehicles	- 20% and 25% straight line

Land is not depreciated.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to the profit and loss account.

2.14. Intangible Fixed Assets

Intangible assets comprise of market related assets (e.g. trademarks, imprints & brands). Market-related assets are expected to have an infinite useful life, however, impairment reviews are performed annually. Any impairment losses or reversals of impairment losses are recognised immediately in the profit and loss account.

2. Summary of significant accounting policies (continued)

2.15. Fixed asset investments

Interests in subsidiaries and jointly owned entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in the profit and loss account. Costs associated with the acquisition of subsidiaries and jointly owned entities are recognised in the profit and loss account as an exceptional item.

Jointly owned entities are accounted using the equity method of accounting. The Group's investment includes the share of profit/losses.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

Entities in which the group has a long term interest and shared control under a contractual arrangement are classified as jointly controlled entities

2.16. Impairment of fixed assets

At each reporting end date, the group reviews the carrying amounts of its tangible fixed assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. Any impairment loss and reversal of losses are recognised in the profit and loss account.

2.17. Inventory

Property, including land held under development, acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as stock and is measured at the lower of cost and net realisable value.

Cost comprises of the invoiced value of the goods purchased and includes attributable direct costs, labour and production overheads.

Net realisable value is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date and discounted for the time value of money if material, less estimated costs of completion and the estimated costs necessary to make the sale. Any excess of the carrying amount of stocks over its net realisable value is recognised as an impairment loss in the profit and loss account.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in the income profit and loss account.

Where sites are 'secured' via option agreements, these sites are only included as stock when the agreement becomes unconditional.

Options included as part of stock are stated at the lower of cost and net realisable value.

2. Summary of significant accounting policies (continued)

2.18. Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the measured valuation of work of the contract activity at the reporting end date. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

When it is probable that total contract costs will exceed contract turnover, the expected loss is recognised as an expense immediately.

Where the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as expenses in the period in which they are incurred and contract revenue is recognised to the extent of the contract costs incurred where it is probable that they will be recovered.

The “percentage of completion method” is used to determine the appropriate amount to recognise in a given period. The stage of completion is measured by the proportion of contract costs incurred for work performed to date compared to the estimated total contract costs.

2.19. Financial instruments

Financial instruments are recognised in the balance sheet when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Loans and receivables

The group’s financial assets fall into loans and receivables category.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets included in loans and receivables are recognised initially at cost. Subsequent to initial recognition they are measured at amortised cost using the effective interest rate method, less any impairment losses.

Loans outside the group are valued at amortised cost and discounted at 6%. The discount is being spread over the development the loan is financing.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting date.

A provision for impairment is made when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected.

Impaired debts are derecognised when they are assessed as uncollectible.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

2. Summary of significant accounting policies (continued)

2.19. Financial instruments (continued)

Financial liabilities

All of the group's financial liabilities other than trade payables which are measured at historic cost fall into the other financial liabilities category.

Other financial liabilities

Other non-derivative financial liabilities are initially measured at historical cost less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

Derecognition of other financial liabilities

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

2.20. Provision

Deferred consideration payment is valued based on the probability-weighted average of the economic outflow of payment. An annual review will be performed on the deferred consideration.

2.21.Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

2.22.Dividends

Dividends are recognised as liabilities in the period in which the dividends are approved and once they are no longer at the discretion of the company.

2.23.Leases

A lease is classified at the inception date as a finance lease or an operating lease.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and the reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance charges are charged to the profit and loss account.

Operating lease payments, including any lease incentives received, are recognised in the profit and loss account on a straight-line basis over the term of the lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

2. Summary of significant accounting policies (continued)

2.24. Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of a group after deducting all of its liabilities. Equity instruments issued by the group are recorded at the proceeds received net of direct issue costs.

Share capital represents the amount subscribed for shares at nominal value.

The share premium account represents premiums received on the initial issuing of the share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits. Any bonus issues are also deducted from share premium.

Retained earnings include all current and prior period results as disclosed in the profit and loss account.

2.25. Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant and recognised as an expense over the vesting period. The amount recognised as an expense is adjusted for leavers to the scheme. Fair value is measured by use of a relevant pricing model.

3. Critical accounting estimates and judgements in applying accounting policies

In the application of the group's accounting policies the directors are required to make judgements, estimates and assumptions which affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. The estimates and associated assumptions are based on historical experience, expectations of future events and other factors that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are:

3.1. Work in progress measurement on construction contracts

The group undertakes construction contracts which takes place over a period of time and revenues and profits are recognised as the group performs under these contracts. The total work in progress value of £105,629,820 (2017 - £81,799,683) is impacted by the estimates involved in the construction contracts in relation to costs to complete and therefore expected profit margin.

3.2. Work in progress measurement on private house sales

The recognition of costs expensed against properties sold at sites remaining under construction requires estimation of costs to complete at these sites. These estimates impact the total work in progress value recognised of £105,629,820 (2017 - £81,799,683). The group regularly reviews these estimates to ensure they reflect the latest known position.

4. Segmental Reporting

A segment is a distinguishable component of the Group's activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's chief operational decision makers to make decisions about the allocation of resources and assessment of performance and about which discrete financial information is available. In identifying its operating segments, management generally follows the Group's service line which represent the main products and services provided by the Group. The Directors believe that the Group operates in 2 segments:

- Private
- Affordable

As the Group operates solely in the United Kingdom segment reporting by geographical region is not required.

Revenue	2018 £000	2017 £000
Private residential properties	101,867	86,367
Affordable housing	37,272	23,250
Other	1,584	972
Total Revenue	**140,723**	**110,589**
Private residential properties	15,508	13,301
Affordable housing	6,403	3,385
Other	232	(2)
Gross Profit	**22,143**	**16,684**
Administrative expenses	(11,625)	(8,945)
Operating Income	126	93
Profit after tax from JV	21	-
Finance income	147	4
Finance expenses	(1,039)	(1,145)
Exceptional items	(558)	-
Profit before tax	**9,215**	**6,691**
Taxation	(1,854)	(1,278)
Profit for the period	**7,361**	**5,413**

5. Operating profit

Operating profit is stated after charging / (crediting):

	Notes	2018 £000	2017 £000
Depreciation of owned tangible fixed assets		470	300
Depreciation of tangible fixed assets held under finance leases		618	472
Gain on disposal of tangible fixed assets		(45)	(146)
Cost of inventories recognised as an expense		118,580	93,905
Exceptional items	10	558	-
Operating lease charges		284	274

6. Auditor's remuneration

	2018 £000	2017 £000
Fees payable to the group's auditor for the audit of the group and company annual accounts	44	36
Fees payable to the group's auditor for the audit of the company's subsidiaries	6	6
Fees payable to the group auditor and their associates for other services to the group and company:		
- Other non-audit services	77	4
	127	46

7. Staff costs

The average monthly number of employees (including executive directors) for the continuing operations was:

	2018	2017
Building staff	368	336
Administrative staff	200	143
	568	479

	2018 £000	2017 £000
Wages and salaries	18,126	15,887
Share based payments	218	-
Social security costs	1,701	1,496
Pension costs	574	417
	20,619	17,800

Directors' remuneration

Full details of the directors' remuneration, for current directors, is provided in the audited part of the Directors' Remuneration Report on page 20.

Directors' remuneration for all directors who resigned during the year were:

June to October 2017	2018 £000	2017 £000
Remuneration for qualifying services	87	368
Company pension contributions to defined contribution schemes	14	19
	101	387

7. Staff costs (continued)

The group operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

The charge to the profit and loss in respect of defined contribution schemes was £574k (2017 - £417k). Contributions totalling £109k (2017 - £74k) were payable to the fund at the year-end and are included in creditors.

8. Finance costs

	2018 £000	2017 £000
Interest on bank overdrafts and loans	908	915
Interest on hire purchase contracts	95	53
Other interest	36	177
	1,039	1,145

9. Taxation

	2018 £000	2017 £000
Current tax		
UK corporation tax on profits for the current period	1,872	1,337
Adjustments in respect of prior periods	(27)	(46)
	1,845	1,291
Deferred tax		
Origination and reversal of timing differences	23	(4)
Adjustments in respect of prior periods	(14)	-
Effect of changes in tax rates	-	(9)
	9	(13)
	1,854	1,278

9. Taxation (Continued)

The charge for the year can be reconciled to the profit per the income statement as follows:

	2018 £000	2017 £000
Profit before tax	9,215	6,691
Tax at the UK corporation tax rate of 19% (2017- 19.83%)	1,751	1,327
Effects of:		
Tax effect of expenses that are not deductible in determining taxable profit	31	19
Exceptional allowances – no deductions	106	-
Adjustments in respect of prior years	(27)	(46)
Depreciation on assets not qualifying for tax allowances	4	(2)
Deferred tax adjustments in respect of prior years	(14)	-
Land remediation relief	(6)	(12)
Adjust deferred tax to closing average rate	9	(8)
Tax charge for period	1,854	1,278

10. Exceptional Items

	2018 £000	2017 £000
Acquisition and other transaction related costs (1)	255	-
Existing share capital conversion to AIM (2)	303	-
	558	-

(1) Acquisition and other transactions related costs relate to the costs incurred relating to the work undertake for the acquisition of DHomes 2014 Holdings Limited and its subsidiaries and jointly owned companies.
(2) Existing share capital conversion to AIM relates to costs incurred relating to the work undertaken for the Initial Public Ordering (IPO) for existing ordinary shares.

11. Dividends

	2018 £000	As restated 2017 £000
Total dividend payment	821	2,337
Weighted average number of ordinary shares in issue	82,083,642	58,423,264
Dividend per share (pence per share)	**1.00**	**4.00**

During the year, the nominal value of shares was split from 1p to 0.125p. The weighted average number of ordinary shares in issue for 2017 has been recalculated based on this split. This has resulted in the dividend per share decreasing from 32.02p to 4.00p.

12. Earnings per share

The basic earnings per share is based on the profit for the year divided by the weighted average number of shares in issue during the year. The weighted average number of ordinary shares for the year ended 31 May 2018 assumes that all shares have been included in the computation based on the weighted average number of days since issue.

The weighted average is calculated by adjusting for all outstanding share options that are potentially dilutive (i.e. where the exercise price is less than the average market price of the shares during the year).

	2018 £000	As restated 2017 £000
Profit for the year attributable to owners of the Company	7,353	5,359
Adjusted for the impact of exceptional costs in the year	558	-
Normalised earnings	7,911	5,359
Weighted average number of ordinary shares for the purpose of basic earnings per share	73,412,651	58,403,264
Effect of dilutive potential shares: share option	201,061	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share	73,613,712	58,403,264
Earnings per ordinary shares		
Basic earnings per share (pence per share)	10.02	9.18
Diluted earnings per share (pence per share)	9.99	9.18
Underlying earnings per ordinary shares (1)		
Basic earnings per share (pence per share)	10.78	9.18
Diluted earnings per share (pence per share)	10.75	9.18

(1) Underlying earnings is presented as an additional performance measure and is stated before exceptional items.

During the year, the nominal value of shares was split from 1p to 0.125p. The weighted average number of ordinary shares in issue for 2017 has been recalculated based on this split. This has resulted in the basic and diluted earnings per share decreasing from 73.42p to 9.18p.

13. Property, plant and equipment

Group	Land and buildings £000	Plant and machinery £000	Fixtures, fittings & equipment £000	Motor vehicle £000	Total £000
Cost					
At 1 June 2016	658	3,243	602	792	5,295
Additions	342	1,350	10	39	1,741
Disposals	(325)	(340)	(19)	(81)	(765)
At 31 May 2017	675	4,253	593	750	6,271
Acquisition of Subsidiary	-	1	-	7	8
Additions	6	2,507	211	61	2,785
Disposals	-	(175)	(4)	(116)	(295)
At 31 May 2018	**681**	**6,586**	**800**	**702**	**8,769**
Accumulated depreciation					
At 1 June 2017	47	2,016	590	428	3,081
Depreciation charge	12	601	6	153	772
Disposal	(26)	(290)	(19)	(50)	(385)
At 31 May 2017	33	2,327	577	531	3,468
Depreciation charge	19	831	104	134	1,088
Disposals	-	(166)	(3)	(110)	(279)
At 31 May 2018	**52**	**2,992**	**678**	**555**	**4,277**
Net book value					
At 31 May 2018	**629**	**3,594**	**122**	**147**	**4,492**
At 31 May 2017	**642**	**1,926**	**16**	**219**	**2,803**
At 31 May 2016	**611**	**1,227**	**12**	**364**	**2,214**

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts:

Net book value:	2018 £000	2017 £000
Plant and machinery	2,691	1,133
Motor vehicles	90	104
	2,781	1,237
Total depreciation charge	618	472

Fixed assets with the carrying value of £2,781k (2017 - £1,237k) are pledged as security.

13. Property, plant and equipment (continued)

Company	Land and buildings £000	Plant and machinery £000	Fixtures, fittings & equipment £000	Motor vehicles £000	Total £000
Cost					
At 1 June 2016	658	3,243	602	792	5,295
Additions	342	739	10	-	1,091
Disposals	(325)	(2,030)	(19)	(792)	(3,166)
At 31 May 2017	675	1,952	593	-	3,220
Additions	6	1,503	211	-	1,720
Disposals	-	-	(4)	-	(4)
At 31 May 2018	**681**	**3,455**	**800**	-	**4,936**
Accumulated depreciation					
At 1 June 2016	47	2,016	590	428	3,081
Depreciation charge	12	277	6	-	295
Disposals	(26)	(1,400)	(19)	(428)	(1,873)
At 1 June 2017	33	893	577	-	1,503
Depreciation charge	19	421	104	-	544
Disposals	-	-	(3)	-	(3)
At 31 May 2018	**52**	**1,314**	**678**	-	**2,044**
Net book value					
At 31 May 2018	**629**	**2,141**	**122**	**-**	**2,892**
At 31 May 2017	**642**	**1,059**	**16**	**-**	**1,717**
At 31 May 2016	**611**	**1,227**	**12**	**364**	**2,214**

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts:

	2018 £000	2017 £000
Net book value:		
Plant and machinery	1,500	639
	1,500	639
Total depreciation charge	324	85

14. Intangible fixed assets

Group and Company	Marketing-related assets
	£000
Cost	
At 1 June 2017	-
Additions	600
Disposals	-
At 31 May 2018	**600**
Amortisation and impairment	
At 1 June 2017	-
Impairment	-
Disposals	-
At 31 May 2018	-
Net book value	
At 31 May 2018	600
At 31 May 2017	-

Marketing-related assets comprises of brand name and licences which have been measured at cost. Market-related assets are expected to have an infinite useful life.

15. Fixed assets investment

	Group 2018		Company 2017	
	£000	**£000**	**£000**	**£000**
Cost				
Loans to joint ventures	764	-	-	-
Investment in joint ventures (company: joint ventures and subsidiaries)	254	-	19,627	42
	1,018	**-**	**19,627**	**42**

On 2 May 2018, the company acquired the entire share capital of DHomes 2014 Limited and its subsidiaries and joint ventures, Dawn Homes Limited, Dawn (Robroyston) Limited, DHPL Limited, Dawn Homes (Johnstone) Limited and DHHG 1 Limited for an initial consideration of £17,585,000. The consideration consisted of £15,485,000 in cash and £2,100,000 in the form of ordinary share capital. The purchase agreement also includes a deferred consideration payment of £2,500,000, of which £2,000,000 has been accounted for in the additions for the year. See note 22 Provisions contingent liabilities for further details. The costs relating to the acquisition is included within the profit and loss accounts as an exceptional item (note 10) which is in line with the accounting policy for fixed assets investments.

15. Fixed assets investment (continued)

Dawn Homes was purchased as it was a good opportunity to acquire a well-run business with an excellent reputation and to accelerate growth with live sites in new areas and with a healthy land bank pipeline. Dawn Homes has contributed revenue of £2.6m and profit before tax of £0.3m from the acquisition date of 2 May 2018 to 31 May 2018. If the acquisition of Dawn Homes has taken place at 1 June 2017 then the Group would have produced a combined revenue of £161.0m and profit after exceptional items and before tax of £11.0m.

Movement in fixed asset investment

Group	Investment in joint venture £000	Loans to joint venture £000	Total £000
Cost			
At 1 June 2017	-	-	-
Additions	236	761	997
Share of profit after tax	18	3	21
At 31 May 2018	**254**	**764**	**1,018**

Company	Share in group undertakings £000	Total £000
Cost		
At 1 June 2016	-	-
Additions	42	42
At 1 June 2017	42	42
Additions	19,585	19,585
At 31 May 2018	**19,627**	**19,627**

15. Fixed assets investment (continued)

	Book value	Revaluation adjustment	Fair Value to Group
Net assets at date of Acquisition	**£000**	**£000**	**£000**
Fixed assets	8	-	8
Investment in joint venture	997	-	997
Stock and work in progress	27,016	2,634	29,650
Accounts receivable	1,363	-	1,363
Bank	2,866	-	2,866
Accounts payable	(4,824)	-	(4,824)
Corporation tax	(135)	-	(135)
Deferred tax	-	(340)	(340)
Bank loans	(10,000)	-	(10,000)
At 31 May 2018	**17,291**	**2,294**	**19,585**

Discharged by:	
Consideration paid - Cash	15,485
Consideration paid - Shares	2,100
Deferred consideration	2,000
	19,585

Details of the company's subsidiaries and jointly owned entities at 31 May 2018 are as follows:

Name of Undertaking	Nature of Business	Class of Shares Held	% Held
Glassgreen Hire Limited	Hire of plant and machinery	Ordinary	96%
DHomes 2014 Holdings Limited	Holding Company	Ordinary	100%
Dawn Homes Limited	Housebuilder/ Construction	Ordinary	100%
Dawn (Robroyston) Limited	Housebuilder/ Construction	Ordinary	100%
DHPL Limited	Buying and selling of own real estate	Ordinary	100%
Dawn Homes (Johnstone) Limited	Housebuilder/ Construction	Ordinary	100%
DHHG 1 Limited	Housebuilder/ Construction	Ordinary	50%

16. Inventories and work in progress

Group

	2018 £000	2017 £000
Work in progress	105,630	81,800
	105,630	**81,800**

Land under development is included in work in progress.

	2018 £000	2017 £000
Accounts receivable in relation to construction contracts	9,770	4,665
	9,770	**4,665**

	2018 £000	2017 £000
Accounts payable in relation to construction contracts	448	352
	448	**352**

	2018 £000	2017 £000
Retentions held by customers for contract work	1,275	790
Advances received from customers for contract work	(448)	(352)
	827	**438**

Included within inventories is £27,009k (2017 - £23,950k) pledged as security.

Company

	2018 £000	2017 £000
Work in progress	76,212	81,800
	76,212	**81,800**

Land under development is included in work in progress.

16. Inventories and work in progress (continued)

	2018 £000	2017 £000
Accounts receivable in relation to construction contracts	9,760	4,665
	9,760	**4,665**

	2018 £000	2017 £000
Accounts payable in relation to construction contracts	340	352
	340	**352**

	2018 £000	2017 £000
Retentions held by customers for contract work	1,265	790
Advances received from customers for contract work	(340)	(352)
	925	**438**

Included within inventories is £27,009k (2017 - £23,950k) pledged as security.

17. Accounts receivable

Amounts falling due within one year

Group	2018 £000	2017 £000
Trade receivables	9,916	4,104
Other receivables	8,484	2,108
Prepayments and accrued income	704	235
	19,104	**6,447**

Company	2018 £000	2017 £000
Trade receivables	8,809	4,103
Other receivables	8,474	2,108
Amounts due from group undertakings	104	144
Prepayments and accrued income	448	230
	17,835	**6,585**

The directors consider the carrying amount of the receivables approximates to their fair value.

17. Accounts receivable (continued)

The group's exposure to credit risk is limited by the fact that the group generally receives cash at the point of legal completion of its sales. There are certain categories of revenue where this is not the case; for instance, housing association revenues or land sales where management considers that the ratings of these various debtors are good and therefore credit risk is low. Loans to related parties have also been assessed as low credit risk based on the expected profitability of their future contracts. Any assets which expose the group to credit risk can be spread over a considerable number of properties. As such, the group has no significant concentration of credit risk, with exposure spread over a large number of customers. The maximum exposure to credit risk at 31 May 2018 is represented by the carrying amount of each financial asset.

Amounts falling due after one year

Group	**2018 £000**	**2017 £000**
Trade receivables	735	-
Other receivables	135	488
	870	488

Company	**2018 £000**	**2017 £000**
Other receivables	135	488

18. Accounts payable

Group	**2018 £000**	**2017 £000**
Trade creditors	21,152	12,879
Other taxation and social security	546	446
Other creditors	977	111
Accruals and deferred income	11,235	11,614
	33,910	**25,050**

Company	**2018 £000**	**2017 £000**
Trade creditors	15,528	12,276
Other taxation and social security	547	443
Other creditors	421	110
Amounts due to group undertakings	760	651
Accruals and deferred income	11,104	11,560
	28,360	**25,040**

The directors consider the carrying amount of the accounts payable approximates to their fair value.

19. Financial assets and liabilities

Group

Assets	**2018 £000**	**2017 £000**
Loans and receivables	32,050	15,035
Total	**32,050**	**15,035**

Liabilities	**2018 £000**	**2017 £000**
Measured at amortised cost	60,637	66,121
Total	**60,637**	**66,121**

Company

Assets	**2018 £000**	**2017 £000**
Loans and receivables	26,027	15,167
Total	**26,027**	**15,167**

Liabilities	**2018 £000**	**2017 £000**
Measured at amortised cost	44,044	65,583
Total	**44,044**	**65,583**

Included within loans and receivables is a loan to a related party which is valued at amortised cost. £127,373 (2017 - £nil) has been recognised as interest received in the profit and loss account. Market rate interest has been used. (Note 27).

The above amortised costs figures are deemed to be approximate to their fair values.

20. Borrowings

Group	**2018 £000**	**2017 £000**
Secured borrowings:		
Bank loans	25,000	37,500
	25,000	37,500
Unsecured borrowings:		
Directors' loans	-	2,929
	-	40,429
Less: payable within one year	-	-
Payable after one year	**25,000**	**40,429**

20. Borrowings (continued)

Company	**2018 £000**	**2017 £000**
Secured borrowings:		
Bank loans	15,000	37,500
	15,000	37,500
Unsecured borrowings:		
Directors' loans	-	2,929
	15,000	40,429
Less: payable within one year	-	-
Payable after one year	**15,000**	**40,429**

The bank overdraft is secured by fixed securities over certain of the group's properties, and is repayable on demand.

The bank loan comprises of a revolving credit facility which is repayable by August 2020 and is secured over certain of the group's properties. The facility attracts an interest rate of 2.5% per annum above the Bank of England Base Rate.

21. Obligations under hire purchase contracts

Finance lease and hire purchase payments represent rentals payable by the group for certain items of plant and machinery and are secured by the assets under lease in question.

Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

Group	**Minimum lease payments**		**Present value of minimum lease payments**	
	2018 £000	**2017 £000**	**2018 £000**	**2017 £000**
Within 1 year	1,128	557	1,020	500
Two to five years	1,322	606	1,254	588
	2,450	1,163	**2,274**	**1,088**
Less: unearned finance income	(176)	(75)		
	2,274	**1,088**		

Company	**Minimum lease payments**		**Present value of minimum lease payments**	
	2018 £000	**2017 £000**	**2018 £000**	**2017 £000**
Within 1 year	617	242	555	222
Two to five years	708	367	676	336
	1,325	609	**1,231**	**558**
Less: unearned finance income	(94)	(51)		
	1,231	**558**		

22. Provisions

	Group		Company	
	2018 £000	2017 £000	2018 £000	2017 £000
Deferred taxation	394	45	54	38
Deferred Consideration	2,000	-	2,000	-
	2,394	**45**	**2,054**	**38**

Deferred consideration

As part of the purchase agreement of DHomes 2014 Limited there is a further £2,500,000 payable for an area of land if (i) we make a planning application when we reasonably believe the council will recommend approval; or (ii) it is zoned by the council. The directors have assessed the likelihood of the landed being zoned and have included a deferred consideration of £2,000,000 based on 80% probability.

Deferred Taxation

Group	2016 £000	Profit and Loss Account £000	2017 £000	Profit and Loss Account £000	On Acquisition £000	2018 £000
Fixed assets – temporary differences	58	(15)	43	18	-	61
Other – temporary differences	-	2	2	(9)	340	333
	58	**(13)**	**45**	**9**	**340**	**394**

Company	2016 £000	Profit and Loss Account £000	2017 £000	Profit and Loss Account £000	2018 £000
Fixed assets – temporary differences	58	(15)	43	18	61
Other – temporary differences	-	(5)	(5)	(2)	(7)
	58	**(20)**	**38**	**16**	**54**

23. Share capital

The company has one class of ordinary share which carry full voting rights but no right to fixed income or repayment of capital.

The share capital account records the nominal value of shares issued.

The share premium account records the amount above the nominal value received for shares sold, less transaction costs.

Group and Company

Ordinary shares of £1 - allotted, called up and fully paid	Number of shares	Share capital £000	Share premium £000
At 1 June 2017	7,302,908	73	10,285
Share reorganisation in the year	51,120,356		
Share issue – Pre IPO	75,472		80
Share issue – IPO	23,584,906	29	24,971
IPO Costs			(1,849)
Share issue – Additional Placing	12,500,000	16	14,984
Additional placing costs			(464)
Share issue – Post IPO	1,750,000	2	2,098
At 31 May 2018	**96,333,642**	**120**	**50,105**

During the period, the nominal value of shares was split from 1.00p to 0.125p.

Subsequently, 75,472 of 0.0125p ordinary shares were allotted and fully paid up for consideration of £80,000. On 16 October 2017, the Company completed an Initial Public Offering by way of a placing of 23,584,906 Ordinary Shares at 106p for a consideration of £25,000,000. On 2 May 2018, 1,750,000 0.0125p ordinary shares were allotted and fully paid for a consideration of £2,100,000. This was part of the DHomes 2014 Holdings acquisition agreement. On 22 May 2018, 12,500,000 0.0125p ordinary shares were allotted and fully paid for a consideration of £15,000,000.

Share based payments

During the year the Group operated three share based schemes.

Share related share options scheme

The Group operates a Savings related Share Option Scheme which is open to all employees. Grant options were made in December 2017 and become exercisable after 3 years, subject to employees remaining in continuous employment. Employees enter into a savings contract with the Yorkshire Building Society who administers the scheme. The options are granted at a 20% discount of the share price at the date of grant and lapse if not exercised within six months of maturity. Special provisions apply to employees who leave their employment for ill health, redundancy or retirement.

Long-Term Incentive Plan (LTIP)

The Company operates a LTIP for senior management to retain and align their interests with shareholders. The LTIP is split into a CSOP and ESOP scheme.

23. Share capital (continued)

Fair Value of share options

Options are valued using the Black-Scholes option-pricing model. No performance conditions are included in the fair value calculation.

Savings Related Share Option Scheme

	2018 CSOP	2018 ESOP	2018 SAYE	2017 CSOP	2017 ESOP	2017 SAYE
Date of grant	16-Oct-17	16-Oct-17	01-Dec-17			
Share price at date of grant	115p	115p	112p	n/a	n/a	n/a
Exercise price	106p-134p	106p-134p	84.80p	n/a	n/a	n/a
Estimated vesting period (years)	5	7	3	n/a	n/a	n/a
Expected volatility	29.00%	29.00%	29.00%	n/a	n/a	n/a
Risk free rate	0.49%	0.49%	0.49%	n/a	n/a	n/a
Expected dividends	-	-	-	n/a	n/a	n/a
Fair value of options	34.00p	39.00p	37.00p	n/a	n/a	n/a
Charge per option	32.00p	37.00p	35.00p	n/a	n/a	n/a

Volatility was calculated using historical share price information of the house-building sector.

No shares have vested in the year and none can be exercised at the year-end.

	CSOP		ESOP		SAYE	
	Number of shares	Weighted average exercise price (pence)	Number of shares	Weighted average exercise price (pence)	Number of shares	Weighted average exercise price (pence)
Options at the beginning of the year	-	-	-	-	-	-
Granted during the year	1,061,683	110.46p	597,048	110.29p	3,129,975	84.80p
Lapsed during the year	(28,301)	106.00p	(524)	106.00p	(99,332)	84.80p
Options at the year end	1,033,382	110.59p	596,524	110.29p	3,030,643	84.80p

Charge for share based incentive schemes

The total charge for the year relating to employee share-based plans were £217,742 (2017 - £nil), all of which related to equity-settled share-based payment transactions.

24. Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following as at 31 May:

Group	2018 £000	2017 £000
Cash at bank and in hand	12,015	8,335
	12,015	**8,335**

At 31 May 2018, the group had available £37,000,000 (2017- £2,500,000) of undrawn committed borrowing facilities.

Company	2018 £000	2017 £000
Cash at bank and in hand	8,505	8,324
	8,505	**8,324**

At 31 May 2018, the company had available £25,000,000 (2017- £2,500,000) of undrawn committed borrowing facilities.

25. Capital risk management

The group manages its capital to ensure that the group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the group consists of equity attributable to equity holders of the parent company and its subsidiary, comprising issued capital, reserves and retained earnings, all as disclosed in the balance sheet. The group is not subject to externally imposed capital requirements other than those included, from time to time, in the financial covenants associated with bank borrowing.

26. Financial risk management

The group is exposed to a variety of financial risks which result from both its operating and investing activities. The group's risk management is coordinated by the Board of Directors, and focuses on actively securing the group's short to medium term cash flows by minimising the exposure to financial markets.

26.1. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The group's exposure to the interest rate risk relates primarily to its floating rate borrowings.

	2018 £000	2017 £000
Financial liabilities at fixed rate	2,274	2,157
Financial liabilities at floating rate	25,000	39,360
Non-interest bearing financial liabilities	33,363	24,604
	60,637	**66,121**

26. Financial risk management (continued)

26.1.Market risk (continued)

Interest rate sensitivity analysis

The table below details the group's sensitivity to increase or decrease of floating interest rates by 0.5%, which the directors consider to be a reasonable possible change. The analysis was applied to loans and borrowings (financial liabilities) based on the assumption that the amount of liability outstanding as at the balance sheet date was outstanding for the whole year.

	Bank of England base rate 31 May 2018		Bank of England base rate 31 May 2017	
	Interest rate +0.5% £000	Interest rate –0.5% £000	Interest rate +0.5% £000	Interest rate –0.5% £000
(Loss) / profit	(125)	125	(202)	202

Limitations of sensitivity analysis

The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear and larger or smaller impacts should not be interpolated or extrapolated from these results. The sensitivity analysis does not take into consideration that the group's assets and liabilities are actively managed. Additionally, the financial position of the group may vary at the time that any actual market movement occurs.

Other limitations in the above sensitivity analysis include the use of hypothetical market movements to demonstrate potential risk that only represent the group's view of possible near-term market changes that cannot be predicted and the assumption that all interest rates move in an identical fashion.

This analysis is for illustrative purposes only, as in practice market rates rarely change in isolation of other factors that also affect group's financial position and results

Management believe that fair value of the loans, borrowings and finance lease obligations approximates their carrying amounts as the majority of obligations bear interest rates approximating market rates at 31 May 2018.

26.2.Liquidity risk

Liquidity risk is the risk that the group will be unable to meet its liabilities as they fall due. The group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, medium to long term borrowings and hire purchase contracts.

The maturity profile of the group and parent company's financial liabilities based on contractual undiscounted payments (including interest payments) is as follows:

26. Financial risk management (continued)

26.2. Liquidity risk (continued)

Group

31 May 2018	Carrying amount £000	Total minimum future payment £000	Within 1 year £000	Within 1-2 years £000	Within 2-5 years £000
Accounts payable	33,363	33,363	33,363	-	-
Borrowings	25,000	25,000	-	25,000	-
Hire purchase	2,274	2,274	1,020	871	383
	60,637	**60,637**	**34,383**	**25,871**	**383**

31 May 2017	Carrying amount £000	Total minimum future payment £000	Within 1 year £000	Within 1-2 years £000	Within 2-5 years £000
Accounts payable	24,604	24,604	24,604	-	-
Borrowings	40,429	40,429	-	37,500	2,929
Hire purchase	1,088	1,088	500	406	182
	66,121	**66,121**	**25,104**	**37,906**	**3,111**

Company

31 May 2018	Carrying amount £000	Total minimum future payment £000	Within 1 year £000	Within 1-2 years £000	Within 2-5 years £000
Accounts payable	27,813	27813	27,813	-	-
Borrowings	15,000	15,000	-	15,000	-
Hire purchase	1,231	1,231	555	493	183
	44,044	**44,404**	**28,368**	**15,493**	**183**

31 May 2017	Carrying amount £000	Total minimum future payment £000	Within 1 year £000	Within 1-2 years £000	Within 2-5 years £000
Accounts payable	24,596	24,596	24,596	-	-
Borrowings	40,429	40,429	-	37,500	2,929
Hire purchase	558	558	222	211	125
	65,583	**65,583**	**24,818**	**37,711**	**3,054**

26.3. Credit risk

Credit risk is the risk that a customer may default or not meet its obligations to the group on a timely basis, leading to financial losses to the group.

The group's maximum exposure to credit risk in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the balance sheet. At the balance sheet date, there was no significant concentration of credit risk to the group.

The group manages credit risk actively monitoring their level of trade receivables and following up when they are overdue more than 3 months:

The ageing profile of trade receivables was:

		31 May 2018		31 May 2017
	Total book value £000	**Allowance for impairment £000**	**Total book value £000**	**Allowance for impairment £000**
Current	8,554	-	3,908	-
Overdue 90 days	1,362	-	196	-
	9,916	**-**	**4,104**	**-**

During the year, the group had no allowance for impairment for trade receivables.

The ageing profile of other receivables was:

		31 May 2018		31 May 2017
	Total book value £000	**Allowance for impairment £000**	**Total book value £000**	**Allowance for impairment £000**
Current	8,484	-	2,108	-
Overdue 90 days	-	-	-	-
	8,484	**-**	**2,108**	**-**

During the year, the group had no allowance for impairment for other receivables.

27. Transactions with related parties

Other related parties include transactions with retirement scheme in which the directors are beneficiaries, and close family members of key management personnel.

During the year dividends totalling £384k (2017 - £2,222k) were paid to key management personnel (Board of Directors and the members of the Operational Board). Dividends were paid to Board of Directors as follows:

27. Transactions with related parties (continued)

Name of director	2018 £000	2017 £000
Mr Sandy Adam	374	996
Mr Innes Smith	10	10
Ms Michelle Motion	-	-
Mr Matthew Benson	-	-
Mr Roger Eddie	-	-
Mr Nick Cooper	-	-
	384	**1,006**

The remuneration of Key Management Personnel was £1,538k (2017 - £744k).

During the year the group entered into the following transactions with related parties:

	Sale of goods		Purchase of goods	
	2018 £000	**2017 £000**	**2018 £000**	**2017 £000**
Bertha Park Limited (1)	5,471	565	-	-
AW & JG Adam Limited (2)	2,741	5,129	-	-
DHHG 1 Limited (3)	577	-	-	-
Other entities which key management personnel have control, significant influence or hold a material interest in	266	454	363	312
Key management personnel	44	352	650	447
Other related parties	35	37	200	-
	9,134	**6,537**	**1,213**	**759**

Sales to related parties represent those undertaken in the ordinary course of business.

Included within purchases from key management personnel is £600k (2017 - £nil) from Sandy Adam, director, to terminate annual licence fee in respect of the group's use of a trademark. The licence was terminated, Sandy Adam waived any claims against the group and the trademark was transferred to the group.

	Interest paid		Rent paid	
	2018 £000	**2017 £000**	**2018 £000**	**2017 £000**
Entities which key management personnel have control, significant influence or hold a material interest in	-	-	162	162
Key management personnel	12	163	-	-
Other related parties	15	-	134	161
	27	**163**	**296**	**323**

27. Transactions with related parties (continued)

	2018 £000	2017 £000
Interest received:		
Entities which key management personnel have control, significant influence or hold a material interest in (short-term)	102	-
	102	**-**

The following amounts were outstanding at the reporting end date:

	2018 £000	2017 £000
Amounts receivable:		
Bertha Park Limited (1)	8,948	895
AW & JG Adam Limited (2)	-	1,217
DHHG 1 Limited (3)	930	-
Other entities which key management personnel have control, significant influence or hold a material interest in (short-term)	86	301
Key management personnel	2	-
Other related parties	-	-
	9,966	**2,413**

	2018 £000	2017 £000
Accounts payable:		
Entities which key management personnel have control, significant influence or hold a material interest in (short-term)	57	115
Sandy Adam	-	1,069
Anne Adam	-	796
James Adam	1,419	1,084
Other related parties	-	40
	1,476	**3,104**

27. Transactions with related parties (continued)

Amounts owed to/from related parties are included within creditors and debtors respectively at the year-end. No security has been provided on any balances.

Transactions between the company and its subsidiary, which is a related party, have been eliminated on consolidation and are not disclosed in this note.

(1) Bertha Park Limited, a company in which Sandy Adam and Innes Smith are directors. During the year the group made sales to Bertha Park Limited of £5,471k (2017 - £565k) in relation to a build contract. At the year-end £4,231k (2017 - £542k) was included in trade debtors. £4,647k (2017 - £4k) was advanced in the year, at the year-end £4,717k (2017 - £354k) was included in other debtors.

(2) AW & JG Adam Limited, a company in which Sandy Adam is a director. During the year sales of £2,741k (2017 - £5,129k) were made to AW & JG Adam Limited in relation to a build contract. £nil (2017 - £1,217k) was included within debtors at the year end.

(3) DHHG 1 Limited is a jointly owned entity and Michelle Motion is a director. The group acquired 50% of the share capital of DHHG 1 Limited on 2 May 2018 and during the period to 31 May 2018 made sales to DHHG 1 Limited totalling £577k in relation to a build contract. At the year-end £930k was due from DHHG 1 Limited.

28. Contingencies, commitments and guarantees

In the ordinary course of the group's business the group is required to enter into performance bond arrangements. The group's bankers have provided such guarantees in the ordinary course of business totalling £206k (2017 - £206k).

28.1.Contingent liabilities

On 2 May 2018, the company acquired the entire share capital of DHomes 2014 Holdings Limited and its subsidiaries and joint ventures, for a consideration of £20,085,000, which includes a deferred consideration of £2,500,000. The deferred consideration is for land and paid if (i) we make a planning application when we reasonably believe the council will recommend approval; or (ii) it is zoned by the council. The directors have reviewed the probability of the land being zoned for planning and included £2,000,000 as a provision (see note 24), the remaining £500,000 has been treated as a contingent liability due to the uncertainty over the future payment.

28.2.Capital commitments

	2018	2017
	£000	£000
Acquisition of property, plant and equipment	700	462
Call and put options for the purchase of plots for development	4,919	9,736

28. Contingencies, commitments and guarantees (continued)

28.3.Operating lease commitments

Operating lease payments represent rentals payable by the group for certain of its assets. Leases are with an option to extend on completion. At 31 May the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2018	2017
	£000	£000
Within one year	348	278
Two to five years	1,131	1,023
Over five years	1,231	1,159
	2,710	2,460