Company Registration No. SC031286 (Scotland)

SPRINGFIELD PROPERTIES PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2020

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COMPANY INFORMATION

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STRATEGIC REPORT

The Directors' present their strategic report for Springfield Properties plc (the "Company") and its Group of companies ("Springfield" or the "Group") for the year ended 31 May 2020.

FINANCIAL HIGHLIGHTS
FOR THE YEAR ENDED 31 MAY 2020

Group Revenue	Group Completions	Group Adjusted PBT*	Private Homes Revenue	Affordable Homes Revenue
2020: £144.4m 2019: £190.8m	**2020: 727 homes** 2019: 952 homes	**2020: £10.2m** 2019: £16.5m	**2020: £98.9m** 2019: £143.3m	**2020: £43.4m** 2019: £42.9m

Group	2019/20 £m	2018/19 £m	Change %
Revenue	144.4	190.8	-24.3%
Gross profit	27.4	34.3	-20.1%
Gross margin	18.9%	18.0%	+90bps
Adjusted operating profit*	12.1	17.6	-31.3%
Adjusted profit before tax*	10.2	16.5	-38.2%
Earnings per share*	8.33p	13.92p	-40.2%
Net debt (excluding right of use lease liabilities)	68.8	29.6	+132.4%

*Adjusted excludes exceptional items detailed at Note 11

Strategic and Operational Highlights

- On target to achieve revenue, margin and profit growth across the business until closure of sites due to the COVID-19 pandemic
- £18m additional bank term loan facility secured to secure additional capital in case of extreme lockdown of 12 months
- Planning permission secured (subject to signed section 75 agreement) for 3,042 homes at Durieshill, Stirling
- Land bank 15,882 plots – 49.7% with planning achieved
- Gross development value of land bank of £3.3bn
- Strong first year contribution from Walker Group

SPRINGFIELD PROPERTIES PLC

STRATEGIC REPORT

EXECUTIVE CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 31 MAY 2020

This was another year of sustained strategic delivery for Springfield. We expanded our geographic presence, significantly progressed the development of our Villages and entered a collaboration agreement to deliver homes in the private rented sector with Sigma PRS Management Ltd adding the potential for a new revenue stream. Securing planning permission for 3,042 homes at Durieshill, Stirling was an important highlight of this year. Durieshill is Springfield's largest development to receive planning permission to date and the largest detailed planning consent to have ever been granted in Scotland which will generate a GDV of £649m. I am also pleased to note that we were able to achieve our target of increasing the Group's gross margin.

In March 2020, Springfield was delivering good growth across the business, with a strong order book of contracted revenue for the remainder of the year to 31 May 2020, and we were on track to achieve our targets. However, as a result of the lockdown implemented in response to the COVID-19 pandemic, we ceased all construction activity on 24 March and were therefore unable to complete the delivery of homes scheduled to take place in April and May 2020, with a corresponding impact on our sales for the full year. However, thanks to the actions taken by our management team combined with the support of our employees, subcontractors and suppliers, once it was safe to recommence work on site post period end, we have been able to effectively resume construction where our initial focus has been on completing and handing over homes.

We were delighted to reopen our sales offices in June / July to exceptionally strong interest, with reservations for 24% more private homes in Q1 2020/21 than in Q1 2019/20. This reflects both pent up demand and an increased desirability for the type of housing Springfield offers with large gardens and surrounded by greenspace.

People

The wellbeing of our workforce has always been a critical consideration for Springfield – and it has been our first priority throughout the COVID-19 pandemic. We implemented a number of important measures to protect the health, safety and wellbeing of our employees and the wider community during the uncertain times.

During the Scottish Government's enforced lockdown, it was necessary to temporarily close all of our operations. In order to support the business and protect jobs, over 90% of our workforce was furloughed under the UK Government's Job Retention Scheme with 80% brought back by the end of July. For those still working, arrangements were made for employees to effectively do so from home. To protect cash flow until sales resumed, the Non-Executive Directors and the Executive Management Team agreed to reduce their base salaries by 50%, deferring 30% and 20% forgone, and all senior managers across the business agreed to a 20% voluntary cut. Our CEO, Innes Smith, sent weekly updates to all staff and our HR team contacted those on furlough to provide an opportunity to ask questions.

I am extremely proud of the response of our workforce to the crisis, both during lockdown and as we gradually returned to work. Our teams have transitioned well to new ways of working – from greater use of technology for engaging with customers and communicating with each other to social distancing measures on site. Their support – along with that of our subcontractors and suppliers – has been vital in enabling Springfield to effectively return to delivering great quality housing. On behalf of Springfield's board, I would like to thank all of our employees for their continued hard work and dedication.

Housing market

Following the COVID-19 lockdown, Scotland's housing market has remained buoyant with demand outstripping supply, supported by low interest rates and good mortgage availability. In recent months, Scotland and the UK as a whole have seen record sales. In Scotland, this has been supported by government initiatives including the extension of both the First Home Fund (which is not restricted by property price) and Help to Buy (Scotland) to March 2022; and the raising of the Land and Buildings Transaction Tax (Stamp Duty equivalent) zero rate threshold to £250,000 until March 2021.

As has been widely reported, there has been an increase in demand for the type of housing that we offer-larger homes, with gardens, located within commuting distance of cities – particularly with our Villages, which have ample green space alongside community facilities. A key theme in the Scottish Government's recently launched Programme for Government 2020-21 is the commitment to support the development of '20 minute neighbourhoods where people can live, work and learn in communities close to home', and with 'greenspace on your doorstep'.

In affordable housing, the suspension of construction during lockdown disrupted progress towards reaching the Scottish Government's target of 50,000 new affordable homes by the end of this Parliament in 2021. In addition, independent research suggests that there is a need for a further 53,000 affordable homes by 2026 and housing organisations in Scotland are now calling for this as a target for the next Parliamentary term. With our strong partnerships with local authorities and housing associations, we are well-positioned to deliver homes to help meet this demand and work towards our goal of ensuring everyone in Scotland has a great place to live.

Key differences in the Scottish legal system have strengthened confidence in delivery. The Scottish missive system means that customers are contracted into the purchase much earlier in the build programme. This minimises the number of cancellations, secures the income stream and thereby reduces the amount of speculative building. In addition, new homes that are built in Scotland are freehold where the buyer becomes the sole owner of both the building and the land on which it stands. Consequently, our income streams are not dependant on ground rents and the issue currently developing elsewhere in the UK does not apply.

Community

At our Villages, we have taken great care to create attractive, welcoming and sustainable new places that include everything needed to establish a thriving community. We continued to expand the community facilities with further playparks, public art and the opening, post period end, of convenience stores at Dykes of Gray and Bertha Park. The store at Dykes of Gray, which was the first at one of our Village developments, was established by a resident to much excitement in the community. The lifestyle on offer at our Villages with handy amenities, beautiful landscape and plenty of open green space is increasingly desirable in a post-COVID-19 environment.

In delivering affordable housing, we help local authorities and housing associations provide much needed, new affordable homes in places people want to live. In doing so, we help the Scottish Government to meet the current national shortfall. We have also continued to provide specialist facilities and modifications to our homes when required, such as enhancements for wheelchair users.

We are passionate about supporting local communities across Scotland. This can involve sponsorships, running local events, fundraising for local charities, offering site tours to school children or providing talks at local schools, and we were active in doing this during the year. We actively participate in local career and skills events, helping young people prepare for their future careers by undertaking mock interviews and recruiting for our apprenticeship programmes. For the wider community, we contributed to an initiative led by The Highland Council to restore a playpark in Nairn to make it a much loved community asset once again. Springfield donated an eco-friendlier asphalt mix – which incorporates plastic waste and increases durability and longevity – to resurface a road and car park at the playpark.

Dividends

During the year to 31 May 2020, we made £3.1m in dividend payments relating to the distributions for the prior year. At the time of our half-year results in February 2020, we were pleased to propose an interim dividend that was 16.7% higher than the interim dividend for H1 2018/19. However, with the onset of the COVID-19 pandemic and uncertainty as to how the situation would develop, to preserve our cash position, we took the decision to withdraw the proposed interim dividend.

The board of Springfield (the "Board") recognises the importance of dividend payments to shareholders. Accordingly, following a strong return to business after reopening post lockdown, we are pleased to propose a final dividend for 2019/20 of 2 pence per ordinary share.

EXECUTIVE CHAIRMAN'S STATEMENT (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2020

Board

I would like to thank my colleagues on Springfield's board for their ongoing support and contribution. The combination of their respective skills and experience have been invaluable, particularly in navigating these uncertain times.

During the year, I was delighted to welcome Colin Rae to the Board. He brings considerable industry experience and expertise in building large-scale development and regeneration projects across Scotland and the wider UK, in particular during his time at Places for People where he held several leadership positions. Colin is a former director of Homes for Scotland, the representative trade body for the housebuilding sector in Scotland, and is a former chair of Turning Point Scotland, a social care charity that specialises in supporting people facing the most complex and challenging situations.

We value dialogue with our shareholders and our annual general meeting ("AGM") is an important opportunity for this communication. We were delighted with the support shown at our October 2019 AGM – with each resolution receiving over 93% approval and the average approval rate being 98%.

The Board also recognises the importance of strong corporate governance. Post period end, I have led a review of how the Board functions, as discussed in our corporate governance section, and we are taking steps to increase our effectiveness and enhance our stakeholder engagement. We continue to establish policies and procedures as we develop our business to ensure that we are complying with corporate governance regulation and meeting standards of best practice.

Future

Throughout our history, Springfield's strategy has been to ensure our business is strongly positioned to be able to navigate any unexpected events and secure sustainable growth. We have been successful in achieving this in the past and we believe that we will continue to do so in the future. As noted, we are supported by strong market drivers. The resilience of our business is enhanced by our strong management team, diversified revenue streams – delivering private, affordable and, going forward, private rented sector; and our large, high-quality land bank.

As we now focus on delivering our strong order book of contracted revenue, while also expanding our sales pipeline, I would like to thank our shareholders for their ongoing support and we look forward to continuing to provide great places for people to live.

Sandy Adam
Executive Chairman
28 September 2020

CHIEF EXECUTIVE'S STATEMENT
FOR THE YEAR ENDED 31 MAY 2020

During the year to 31 May 2020, before the COVID-19 pandemic, we were delivering good growth across the business, with a strong order book of contracted revenue to 31 May 2020, and the Group was on track to achieve its targets. As a result of the lockdown, the completion of private homes scheduled to take place in April and May 2020, which for the previous two years had accounted for 30% of revenue, was postponed into the next financial year, which impacted full year sales. Nonetheless, despite this disruption, we delivered 727 new homes during the year – with our affordable housing revenue being marginally ahead of the previous year at £43.4m (2018/19: £42.9m) while private housing revenue was £98.9m (2018/19: £143.3m). We also achieved our target of improving gross margin by 90 basis points from 18.0% to 18.9% as we benefited from the integration of the Walker acquisition. To secure headroom in the severe scenario of a full 12 month lockdown, we agreed a 12 month increase in our credit facility to £85m. I am pleased to note that, while we still have the surety of the facility, it is not being utilised.

Operational Review

Springfield made solid operational progress during the year to 31 May 2020. While total completions and sales were impacted by lockdown, we achieved a number of strategic milestones and made excellent progress on our Village developments.

- Reacted decisively and effectively to the challenges of the COVID-19 pandemic, with our first priority being the health and safety of our workforce, customers and local communities
- Total completions were 727 homes (2018/19: 952)
- Expanded geographical presence with strategic land acquisitions in Inverness
- Progressing the development of our Land Bank, including receiving the largest detailed planning consent to ever be granted in Scotland – for over 3,000 homes at Durieshill, Stirling which will generate a GDV of £649m
- Diversifying revenue streams by entering a collaboration agreement with Sigma PRS Management Ltd to deliver private rented sector housing

Land Bank

Springfield expanded the geographic reach of its land bank during the year, securing 747 plots in 13 locations, in particular growing our footprint in the Highlands region. At year end, we had 44 active developments (31 May 2019: 43 active developments) and during the year:

- 11 new active developments were added to the land bank;
- the proportion of the land bank with planning consent increased to 49.7% (31 May 2019: 28.4%); and
- as at 31 May 2020, the land bank consisted of 15,882 plots (31 May 2019: 15,938) with 3,769 consented plots over eight developments added during the year.

The increase in consented plots primarily relates to approval (subject to the receipt of section 75 agreement) being received for 3,042 private and affordable homes at Durieshill, Stirling which is expected to generate a GDV of £649m.

Private Housing

During the year, in private housing delivery:

- we completed 419 homes (2018/19: 630);
- the average selling price of our private housing increased to £236k compared with £227k for 2018/19;
- we had 25 active private housing developments at year end (31 May 2019: 29), with three active developments added during the year while seven developments were completed;
- in total, the private housing land bank was 11,416 plots on 61 developments (31 May 2019: 11,511 plots on 62 developments);
- we gained planning consent for 2,507 plots across five developments; and
- as at 31 May 2020, 49.7% of private plots had planning consent (31 May 2019: 29.6%), with 30.2% (3,452 plots) going through the planning process and 20.1% at the pre-planning stage.

STRATEGIC REPORT

CHIEF EXECUTIVE'S STATEMENT (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2020

Village developments

Springfield Villages are standalone developments that include infrastructure and neighbourhood amenities. Each Village is designed to have up to approximately 3,000 homes, catering for around 7,000 residents. They primarily offer private housing, but also include affordable housing and, as described below, will expand to include private rented sector ("PRS") housing.

Key developments during the year include the launch of sales at Linkwood, Elgin, which is our third Village to have reached the sales phase and expands Springfield's Village offering to the north of Scotland. The first homeowners moved in during the year, immediately prior to lockdown – with further homes handed over, post period end, once operations resumed. Also during the year, a sports centre was opened by a third party and construction of a primary school was progressed, which is due to complete in the Autumn 2020.

At Dykes of Gray near Dundee, where 222 Springfield homes were occupied at 31 May 2020, we continued to progress the development of community infrastructure, including extensive planting, a second installation of public art and the opening of two further playparks. The Village amenities were further strengthened with the opening, post period end, of a convenience store.

At Bertha Park near Perth, Bertha Park Secondary School welcomed its first pupils, and has been a significant draw for potential buyers. It is the first entirely new secondary school to be established in Scotland for more than 15 years and is the first Microsoft Flagship School in the UK. A convenience store was also opened, post period end, at Bertha Park.

At Durieshill, Stirling, we received consent, subject to completing a section 75 agreement with Stirling Council, for a 3,042-home development. This is our largest development to receive planning permission to date and the largest detailed planning permission to be granted in Scotland, which is expected to generate a GDV of £649m.

At Gavieside, Livingston, which is in the Edinburgh commuter belt, we have submitted a detailed planning application for the first phase of 502 homes, play areas and up to eight business units.

Other private housing highlights

Outside of our Village developments, we completed 328 private homes during the year (2018/19: 506). Private housing revenue excluding the contribution from Villages made up 78.4% of total private housing revenue (2018/19: 81.5%).

During the year, we strengthened our geographic reach in the Highlands with strategic land acquisitions in Inverness, at Easterfield for 90 homes and a further development for 100 homes at Milton of Culloden (both of which will include a proportion of affordable housing). Other highlights included the launch of sales at Banff; receiving consent for a 237-home development at Ferrylea; and receiving consent at Ardersier, near Inverness, for a 116-home development (including 29 affordable homes). In Central Scotland, key highlights during the year include receiving planning approval for 240 homes at Dalhousie South and planning permission in principle for 561 homes at Tranent, both near Edinburgh.

Affordable Housing

During the year, in affordable housing delivery:

- the number of completions was 308 homes (2018/19: 322);
- the average selling price increased to £141k (2018/19: £133k);
- we expanded the number of active affordable housing developments to 19 at year end (31 May 2019: 14), of which nine were affordable-only developments (31 May 2019: six);

- the total affordable housing land bank increased to 4,466 plots on 47 developments (31 May 2019: 4,427 plots on 41 developments);
- we secured planning consent for 1,262 affordable housing plots; and
- as at 31 May 2020, 48.7% (2,175 plots) of our affordable housing plots had planning (31 May 2019: 25.3%), with 33.7% of plots going through the planning process and 17.6% at the pre-planning stage.

Key operational highlights in affordable housing during the year include receiving planning consent for 237 affordable homes in Dalmarnock, in Glasgow and signing an agreement totalling £18.2m with West of Scotland Housing Association. The agreement is for the development of the first phase of 144 affordable homes and two commercial units. This development is part of the Clyde Gateway, which is Scotland's largest regeneration programme.

At The Wisp, a large development area for over 200 homes in south east Edinburgh, we received planning consent for 139 affordable apartment homes (initially submitted as a mix of affordable and private). During the year, we signed a £18.5m development agreement with PfP Capital for 104 apartments and a development contract with another partner for the remaining 35 apartments.

As noted above, the affordable land bank was strengthened in the Highlands. This includes the acquisition of two developments in Inverness (which include approximately 55 affordable homes) and we also received planning consent for a total of 108 affordable homes at Ardersier and Ferrylea.

At our Village developments, we completed the first phase of handovers of affordable homes at Bertha Park during the year, the first affordable housing to be delivered at any of our Villages. We also completed the sale of two commercial units at Bertha Park (and are in advanced negotiations for the sale of a further three units) and one at Dykes of Gray. As noted above, the commercial unit at Dykes of Gray and one at Bertha Park were opened as convenience stores post period end.

Springfield continued to make good progress under its local authority framework agreement with Moray Council for 10 affordable-only developments. We completed handovers at one development, commenced construction on two developments and secured a contract for two developments totalling 66 homes.

Private Rented Sector

During the year we entered our first partnership for the private rented sector ("PRS") with a collaboration agreement to acquire and develop sites in Scotland for PRS with Sigma PRS Management Ltd ("Sigma"), a wholly-owned subsidiary of Sigma Capital Group plc (AIM: SGM). We believe this strategic partnership with another high-quality provider can offer a further revenue stream alongside our private and affordable housing, with strong revenue and cash flow visibility where a development margin will be secured.

A number of Springfield sites, primarily Village developments, have been identified as potential sites for PRS development. Subject to meeting certain criteria, Sigma will purchase part of these developments from Springfield and will award Springfield a fixed-cost design and build contract to deliver housing on the acquired land. Following handover, the homes will be owned, let and managed by Sigma under its 'Simple Life' brand, which focuses on delivering quality homes for families. This is expected to increase the build out rate for our Villages as well as enhance their 'Village' attributes through offering a range of tenures.

The first Village to receive PRS housing is expected to be Bertha Park, Perth where we plan to develop approximately 75 two-, three- and four-bedroom homes.

STRATEGIC REPORT

CHIEF EXECUTIVE'S STATEMENT (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2020

COVID-19 Response

Since the start of the pandemic, our first priority has been the health and safety of our employees, customers and the communities in which we operate. Consequently, in accordance with Scottish Government guidance, on 24 March 2020 all of our sites under construction and our kit factory were temporarily closed. As a result, we were unable to complete the delivery of homes scheduled to take place in April and May 2020, which for the previous two years accounted for 30% of annual revenue. Our sales and administrative offices were also closed to the public, with employees working from home wherever possible.

We undertook a number of actions to preserve our cash position during lockdown and in light of an uncertain timescale. This included furloughing over 90% of our workforce under the UK Government's Coronavirus Job Retention Scheme; cancelling our proposed interim dividend; voluntary salary reductions by Senior Management and the Board of Directors; and measures to significantly reduce our monthly running costs, such as the delay or cancellation of land purchases. We also agreed an additional £18m, 12-month term loan facility with Bank of Scotland, increasing our total credit facility to £85m. Securing this additional capital gave added confidence that we could pay our supply chain and overheads on time, even if lockdown extended to a twelve month period.

I am extremely proud of how our management team and workforce responded to the lockdown, which lasted longer for the construction industry in Scotland than in England. During a period of great uncertainty, we acted swiftly and responsibly, and thanks to the dedication, skill and preparedness of our employees, we were well-positioned for when operations could resume.

Operations on site recommenced from 15 June 2020 and all of our sales offices reopened on 29 June 2020. Construction activity had resumed on every site by mid-July, with 80% of our staff brought back from furlough by the end of the month. We continue to have COVID-19 safe-working protocols in place in compliance with the Scottish Government Construction Sector Guidance, such as physical distancing. Our sales teams have also successfully adapted to new ways of engaging customers as a result of the pandemic. In particular, this includes greater use of technology, such as virtual walkthroughs of show homes and online reservations.

From the end of June 2020, we were able to commence handing over homes that had been nearing completion prior to lockdown. In private housing, these homes were contracted under the Scottish missive system and we had only one cancellation during lockdown. Our sales offices reopened to exceptionally strong interest, reflecting pent up demand and the increased desirability for the type of housing that we offer. The number of reservations received in Q1 2020/21 was 24% higher than in Q1 2019/20. We have also completed handovers of two affordable projects since resuming operations.

We continue to closely monitor our costs, with all non-essential spend still curtailed and we have not yet resumed future land purchases, focusing on delivering on our existing large and high-quality land bank. We have also undertaken a review of our business to identify areas for greater efficiency and rationalisation, including consolidating our Livingston operations at our office in Larbert. These measures will improve the efficiency of our business, reduce overheads and strengthen our ability to navigate any potential future challenges.

STRATEGIC REPORT

CHIEF EXECUTIVE'S STATEMENT (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2020

Customer Satisfaction

Delivering a great service and quality homes to our customers has always been at the heart of what Springfield offers. This year we enhanced our ability to listen to our customers by adopting a more formal and in-depth approach through participating in the In-House survey, the largest independent research Company specialising in housing in the UK. We are honoured that our Springfield, Dawn and Walker brands were all strongly endorsed, receiving In-House Gold Standard Award with over 95% of customers surveyed stating that they would recommend us and a Group Net Promoter Score (NPS) of 69. Springfield and Dawn also received Outstanding Achievement Awards for the positivity of the word of mouth recommendations they receive from customers.

We have sought means of assisting our customers with the particular challenges associated with the COVID-19 pandemic. I am confident that these advancements, designed to serve our customers well today, also serve to modernise the home buyer's journey by offering digital based information and services. Examples include web based 360 degree walkthroughs of our show homes, digital reservations with secure online payments and a virtual home demonstration on the maintenance and use of a home which can be referred to for years to come.

Outlook

We entered 2020/21 with a strong order book of contracted revenue in private and affordable housing as completions for April and May were postponed into the new financial year. Since the recommencement of operations towards the end of June we have made excellent progress in completing these and other handovers as well as receiving significant interest across private and affordable housing.

In private housing, the strong interest reflects the pent up demand and the increasing desirability for the type of private housing we offer with larger homes and plenty of green space. As a result, in the first quarter of 2020/21, and despite show homes being closed until 29 June we received reservations for 24% more homes than in Q1 2019/20. Our private housing also continues to be supported by a buoyant housing market in Scotland with demand outstripping supply supported by low interest rates and good mortgage availability.

In affordable housing we have delivered two developments since resuming operations and have a solid pipeline for the remainder of the year, with £38.8m of contracted revenue. In addition, the suspension of construction during lockdown disrupted progress towards reaching the Scottish Government's target of 50,000 new affordable homes by the end of this Parliament in 2021 resulting in a continuing undersupply. With our strong partnerships with local authorities and housing associations we are well-positioned to deliver homes to help meet this demand.

As a result, and notwithstanding a further lockdown, we expect a significant increase in revenue for full year 2020/21 over 2019/20, with substantial visibility over the anticipated revenue based on homes delivered, missived or reserved to date. Consequently, the Board of Springfield continues to look to the future with confidence and to delivering shareholder value.

Innes Smith
Chief Executive Officer
28 September 2020

STRATEGIC REPORT

CHIEF FINANCIAL OFFICER'S REVIEW
FOR THE YEAR ENDED 31 MAY 2020

Revenue for the year to 31 May 2020 was £144.4m (2018/19: £190.8m). The reduction in revenue was due to the Group being unable to complete the delivery of handovers scheduled for April and May 2020 as a result of the lockdown in response to the COVID-19 pandemic. For the previous two years, these two months accounted for 30% of the Group's annual revenue.

Private housing remained the largest contributor to Group revenue, accounting for 68.5% (2018/19: 75.1%) of total sales. Affordable housing revenue continued to be strong and, despite the lack of completions in the last two months of the year, achieved a small increase on the prior year.

Revenue	**2020 £'000**	**2019 £'000**	**Change**
Private housing	98,924	143,260	-30.9%
Affordable housing	43,435	42,906	+1.2%
Other*	2,088	4,638	-55.0%
TOTAL	**144,447**	**190,804**	**-24.3%**

*Principally land sale, plant hire revenues as well as construction only projects, typically on land not owned or controlled by Springfield where we receive fees for design and construction work.

The Group achieved its target of increasing gross margin, which improved by 90 basis points to 18.9% (2018/19: 18.0%). This primarily reflects the positive impact of the Walker Group properties, which generate a slightly higher margin, as well as the Group benefitting from the ongoing integration of Dawn Homes and Walker Group.

Total administrative expenses were £19.7m (2019: £18.2m) with the increase reflecting the larger scale of the business, primarily the addition of Walker Group, which was acquired in the third quarter of the prior financial year. This was partly offset by the cost mitigation measures that the Group implemented in response to the COVID-19 pandemic. As noted above, the Group has undertaken a review, post period end, of its business to identify areas for greater efficiency and rationalisation, and it expects these measures to reduce expenses by approximately £1m on an annualised basis from the current financial year.

Exceptional items were £0.4m (2019: £0.6m) – This mainly relates to the cost of furloughed employees for the months of April and May (£3.1m) when sites were closed, largely offset by grant income (£2.7m) received under the UK Government's Coronavirus Job Retention Scheme.

With respect to the impact of COVID-19, the furlough grant income received from the government has been separately disclosed within the consolidated profit and loss account as exceptional, due to its incremental nature. The direct furlough payroll costs are considered abnormal costs in the current year and consistent with previous years, any direct payroll costs reflecting employee down time (abnormal production) is expensed to the profit and loss account. Due to the COVID-19 pandemic and sites being closed across April and May 2020, the quantum of direct employee down time in the current year is significant. The administrative furlough payroll costs disclosed as exceptional are considered to be interdependent with the related government grant income and while not being incremental or abnormal in nature, the government support measures were key in protecting these jobs.

Despite a reduction in gross profit to £27.4m (2018/19: £34.3m), due to the cessation of business two months prior to the year end, and having overheads for the full 12 month period net of other operating income of £15.7m (2018/19: £17.2m), the Group made an operating profit of £11.7m (2018/19: £17.1m). Excluding exceptional items, operating profit was £12.1m (2018/19: £17.6m).

Profit before tax and exceptional items was £10.2m (2018/19: £16.5m) reflecting the lower revenue.

Basic Earnings per share (excluding exceptional items) were 8.33 pence (2019: 13.92 pence) and return on capital employed was 8.3% (2019: 14.6%).

STRATEGIC REPORT

CHIEF FINANCIAL OFFICER'S REVIEW (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2020

To strengthen the Group's balance sheet in preparation for the potential of a prolonged period of shutdown, Springfield secured an additional £18m, 12-month, term loan from Bank of Scotland. The term loan was agreed on similar terms to the Group's existing credit facility of £67m, which is in place until 31 January 2022. The additional loan increased the Group's total credit facility to £85m to secure sufficient capital in case of a twelve-month lockdown. Of the total credit facility, the £18m that was secured in April 2020 has been fully drawn, but is not currently being utilised.

Net debt (excluding right-of-use lease liability as described below) at 31 May 2020 was £68.8m compared with £53.7m at 30 November 2019 and £29.6m at 31 May 2019. The primary reason for the increase is that for the homes scheduled to be delivered in April and May 2020, the majority of build costs had already been incurred, but the Group was unable to recognise the revenue during the year due to being unable to complete the handovers. Following the recommencement of operations at the end of June, the Group has been delivering against a strong order book for near-term revenue resulting in a reduction in the net debt position as anticipated. As at 25 September 2020, net debt had been reduced to £41.9m and the Group expects this trend to continue through the first half of the current financial year.

The Group has adopted IFRS 16 for its accounting period beginning on 1 June 2019 using the modified retrospective approach. The effect of this is to replace previously recognised operating lease payments under IAS17 with a right-of-use asset and liability under IFRS 16. The financial effect is that from 1 June 2019, the Group has recognised right of use assets totalling £2.5m with a corresponding lease liability for the same amount. See Note 2.1 for further detail. The effect of adopting IFRS 16 is that the profit before tax has decreased by £131k.

Michelle Motion
Chief Financial Officer
28 September 2020

STRATEGIC REPORT

COMPANY OVERVIEW AND RISKS
FOR THE YEAR ENDED 31 MAY 2020

Environmental

Our homes are designed to be energy efficient and we regularly adopt measures to make them more environmentally sustainable, taking designs beyond the latest environmental standards and reducing the environmental impact of our homes overall.

Within the regulatory requirements when designing homes, we work to optimise the following: improving profitability, reducing environmental impact and minimising energy bills for customers. Regular audits and inspections of our construction activities are carried out to ensure our statutory obligations are met and that we are continually looking at reducing our environmental impact.

Quality Management

The Group is accredited to ISO 9001-2015 standard. During 2019/2020 improvements completed as a result of quality management were 111 (2018:/2019 187). Due to COVID-19 our external audit covering the financial year 2019/2020 has been delayed until November 2020.

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 27 of the consolidated 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 and representations in relation to changes in government housing policy, including by the CEO 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 our 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 include:

- annual remuneration and reward review;
- annual training review for every employee;
- developing the workforce by maintaining the percentage of employees in training, further education or apprenticeships at 20% or above;
- a Board led culture of empowerment;
- the introduction in June 2019 of the offer of free gym memberships for all employees
- satellite television discount; and
- launch of a green committee

STRATEGIC REPORT

COMPANY OVERVIEW AND RISKS (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2020

Upward pressure on materials prices is being mitigated by:

- actively seeking alternative suppliers and materials;
- standardising materials and products across the Group 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;
- advising on safe practice at the outset of projects;
- initiating training; and
- introducing or updating applicable policies or procedures.

In addition to the risks we currently manage, we have also had the COVID-19 pandemic added to our risk register which is applicable to all areas of our operations, and we have developed suitable control measures to allow the business to continue, taking into consideration current Government guidance and legislative requirements.

Land Supply Risk

The risk of securing sufficient land is mitigated by a healthy and growing supply of land owned or secured by contract in a growing 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. Acquisitions offer further mitigation with the bulk addition of land spanning the planning pipeline in new geographic locations.

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 an appropriate flow of consented land.

Funding Risk

The Group has bank facilities, securing funding until 2022 which have appropriate covenants and sufficient headroom in place. Additional funding was secured to April 2021 when the business was closed due to the COVID-19 pandemic. The Group and funders communicate regularly.

Financial Risk Management Objectives

Details of the Group's financial risk management objectives are set out in Note 27 to these consolidated financial statements.

STRATEGIC REPORT

COMPANY OVERVIEW AND RISKS (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2020

Future Developments

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

Charitable Donations and Community Support

During the year the Group made payments of £17,067 (2019: £6,130) to local charities and £1,010 (2019: £21,090) 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 and we support Developing the Young Workforce and staff act as mentors for Career Ready students. We sponsor youth sports teams and some individual young athletes and we support the Duke of Edinburgh's Award in Moray.

Springfield are headline sponsors of Scottish Squash, this enabled the resurrection of the Scottish Squash Open, now the Springfield Scottish Squash Open in 2019. The sponsorship is also enabling Scottish Squash to develop the game in communities around Scotland and to support its elite players.

STRATEGIC REPORT

STREAMLINED ENERGY AND CARBON REPORTING FOR THE YEAR ENDED 31 MAY 2020

Since gaining the first Gold Active Building standards sustainability certificate for an environmentally friendly new home back in 2012 to being one of the first house builders in the UK to make infrastructure for vehicle charging a standard feature in all new-build properties, the reduction of environmental impact of our homes and operations across the Group remains an area of significant focus and innovation.

The environmental impact of our homes

New homes in Scotland are built to some of the highest technical standards in Europe, with the new Scottish Government Building Standards in October 2015 resulting in a 75% reduction in carbon emissions compared to 1990 levels.

Above and beyond these standards, as a responsible house builder, we recognise the most important indirect environmental impact of our development activities is the ongoing impact of our new homes. The Group focuses on building homes to high sustainability standards that benefit from eco-friendly design, Green construction practices and enhancing the range of environmentally beneficial options for customers such as the ability to order solar PV systems and the cabling for electric car charging points.

All timber used by the Group within the building of our homes is from sustainable sources and is either Programme for the Endorsement of Forest Certification (PEFC), or Forestry Stewardship Council (FSC) approved.

The environmental impact of our operations

We recognise our responsibility to mitigate the impact of our operations on climate change and are taking steps to reduce this wherever possible. Energy saving measures taken across the Group include: -

- the fitting of PV solar panels and electric car charging points at Springfield offices in Larbert and Elgin;
- LED lighting with motion sensing fitted at the Larbert office;
- Dawn Homes working towards paperless offices with sales offices and the admin office achieving 90% and 40% reductions respectively to date; and
- Walker Group has a number of PHEV vehicles and has ordered its first all-electric Company car

Across the Group cycle to work schemes are in place with car sharing and crew cabs for site operatives actively encouraged.

As part of the Group’s ongoing efforts to improve energy efficiency and share best practice across the Group, a Green Committee was established to discuss and implement ideas, proposed by employees. The committee was set up shortly before the COVID-19 lockdown so we will report on their achievements in next year’s annual report.

Continuing to innovate

In summer 2019, the Group took another step towards making its developments more environmentally sustainable by becoming the UK’s first housebuilder to use waste plastic, that cannot currently be recycled, to build a road on a housing development.

The product reduces the amount of bitumen needed in the asphalt mix. For every tonne of bitumen replaced, the road surfacing carbon footprint is reduced by a tonne of carbon dioxide. The new surface looks like a typical road, however, thanks to the flexible properties of plastic, it benefits from increased longevity and is 60% more durable than traditional asphalt.

In recent years the Group has invested in improvements to our timber kit factory in Elgin to improve efficiency and increase the number of kits produced in a year. Part of this improvement included resurfacing the car park and road in July 2019 using the same innovate waste plastic asphalt mix. The 2,800m^2 road and car park used 3.5 tonnes of the mixture which is the equivalent weight of 297,000 plastic bottles.

STRATEGIC REPORT

STREAMLINED ENERGY AND CARBON REPORTING (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2020

Energy Use and Greenhouse Gas Emissions

For the financial year ended 31 May 2020	Energy Use mWh	Tonnes CO_2e
Scope 1 energy use and emissions from stationery combustion gas and generator construction site fuel use	2,194	533
Scope 1 energy use and emissions from mobile combustion, transport and plant construction site fuel use	5,074	1,288
Scope 2 energy use and emissions from electricity use	1,229	314
Scope 3 energy use and emissions from business mileage from staff's own vehicles	1,469	357
Total energy use and greenhouse gas emissions	9,966	2,492
Greenhouse gas emissions per home sold		3.42

Please note as this is the first year of reporting under Streamlined Energy and Carbon Reporting no comparative years are available, 2020 will therefore form the baseline year.

Homes sold	Total	Private	Affordable
Actual	727	419	308

The intensity metric for energy use and greenhouse gas as noted above is higher than would normally be expected due to the COVID-19 lockdown. Whilst the effect of the lockdown was the reduction of carbon emissions for April and May, as these months are historically two of the highest months for the sales of new homes, it disproportionally affects the intensity metric.

The Group controls the majority of all site emissions, proudly employing staff and controlling assets at all stages of the build cycle including ground works through to completed homes. We own our timber kit factory which supplies the majority of our kits for private homes. In doing so we are conscious that our reported omissions may be marginally higher compared to those who have sub-contracted greater elements of their site activity, but ultimately it affords us the opportunity moving forwards to better monitor and improve such emissions by direct control and influence.

Methodology

Our Scope 1, Scope 2 and Scope 3 energy use and greenhouse gas emissions data for 2020 has been independently produced from information provided by the Group to an external consultancy with expertise in this area.

To calculate the footprint, data was collated from across the Group and from our suppliers to identify the amount of energy used in our operations. The Group uses the most robust and accurate data source available for each component of its energy use and carbon emission calculations. Assumptions and estimations are only used when strictly necessary by means of the most robust data and assumptions available.

Where actual emissions for the financial year are not available by the reporting date, the Group uses of estimates for the last one to two months of the period.

Where actual emissions data from energy consumption is not available for an individual site, the Group calculates an average energy consumption for its show homes, plots and site cabins across the actual population that full data is held for and this average is then used. We do not consider refrigerant losses on our air conditioning units to be material and as such these are not reported in our emissions data.

STREAMLINED ENERGY AND CARBON REPORTING (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2020

Methodology (continued)

For business travel, the Group analyses fuel card usage, mileage information, expense claims and fuel invoices to establish the level of scope 1 emissions. Each vehicle's respective $CO^{2}e$ g/km rating is applied. Where these are not available, estimates based on a representative sample of Company car or van users are applied.

We do not consider train travel to be material and as such this is not reported in our emissions data.

Where emissions for the period that cover the financial year are not available, the Group pro-rates for business mileage.

For site diesel, usage is based on litres delivered to site within the financial period.

Greenhouse gas (GHG) emissions are calculated in line with GHG Reporting Protocol – Corporate standard and reported in line with the UK Government's Guidance on Streamlined Energy and Carbon Reporting and mandatory GHG reporting guidance.

The boundary has been set based upon operational control approach on our business activities and property portfolio. There is alignment with our financial reporting and 100% of our energy consumption and carbon emissions are UK based.

Sandy Adam
Executive Chairman
28 September 2020

CORPORATE GOVERNANCE

BOARD OF DIRECTORS

Sandy Adam, Executive Chairman
(Sits on Nomination Committee)

Sandy is the grandson of the founder of Springfield and has worked for the Company since the 1980s leading its change from a market garden business into a housebuilder in 1988. Sandy has been Executive 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, geographic expansion and the acquisition of Redrow's Scottish assets, Dawn Homes and Walker Group. 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 trebling annual revenue and more than doubling the number of completions per year. Innes was appointed to the Board of Homes for Scotland in 2016.

Michelle Motion, Chief Financial Officer

Michelle joined Springfield as 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, latterly as Director of the North of Scotland Real Estate Team. Roger is Chairman of the Port of Cromarty Firth and sits on the Board of their Cruise Highland subsidiary. Roger joined Springfield as a Non-Executive Director in 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 and heads up the Investment and Development teams, with particular focus on build to rent and affordable housing in Scotland. Matthew was a member of the Advisory Board of Kleinwort Hambros private bank and was the founding chair of bio-tech businesses EctoPharma Limited and Ryboquin Limited. Matthew was appointed to the Board as a Non-Executive Director in 2011.

CORPORATE GOVERNANCE

BOARD OF DIRECTORS (CONTINUED)

Nick Cooper, Non-Executive Director
(Sits on Audit, Remuneration and Nomination Committees)

Nick is a qualified solicitor with over 20 years' board experience with UK-listed and private companies. Nick is currently General Counsel and Company Secretary of Johnson Matthey Plc. 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 Ltd, JD Wetherspoon plc, The Sage Group plc and Asda Group plc. Nick is currently a Non-Executive Director of AIM-listed CPP Group plc. Nick joined Springfield as a Non-Executive Director in 2018.

Colin Rae, Non-Executive Director
(Sits on Audit, Remuneration and Nomination Committees)

Colin has over 35 years' experience working in the construction and housebuilding industries, from chartered quantity surveying through to development management. From 2002 to 2019 he held leadership positions at Places for People, one of the largest development, regeneration, property management and leisure companies in the UK. Most recently he was executive member of the Group board with direct responsibility for a UK-wide mixed tenure development programme of c£200 million. He has a particular interest in high quality design in placemaking and offsite construction. A Member of the Royal Institution of Chartered Surveyors, Colin now acts as "critical friend" with organisations active in the residential sector through his Development Solutions business. He is also an Academician of The Academy of Urbanism and Member of the Chartered Institute of Housing. Colin was appointed to the Board as a Non-Executive Director in 2019.

CORPORATE GOVERNANCE

QCA CODE COMPLIANCE AND SECTION 172 STATEMENT FOR THE YEAR ENDED 31 MAY 2020

This corporate governance report intends to give shareholders a clear understanding of the Group's corporate governance arrangements and their operation within the Group during the year, including analysing compliance with the Quoted Companies Alliance's 2018 Corporate Governance Code for Small and Mid-Size Quoted Companies ("**the QCA Code**").

The QCA Code provides a robust framework which enables the Group to maintain high standards of corporate governance. It sets out ten principles and each principle and the Group's actions are set out below. Sandy Adam, in his capacity as Chairman, is responsible for ensuring the Group has the necessary corporate governance framework in place and that the ten principles are followed and in place across the Group.

1. Strategy and Business Model

The Group operates within two markets – private housing and affordable – with the belief that this combination is key to sustained long term growth. The Group focuses on developing a mix of private and affordable housing in Scotland.

Private:
The Group delivers private housing via Springfield Properties Plc and its subsidiaries: Walker Group and Dawn Homes. Sourcing land in areas with high growth potential is a priority for the Group with a view to then progress developments through the planning process. We are motivated by making Scotland a better place to live and we value the idea that when purchasing a new home it should feel like 'YOUR home'. Through our "Choices" and "It's Included" customer incentives, our customers receive many features as standard along with the ability to customise their own home.

Affordable:
Our affordable housing operation focuses on developing land into (i) standalone sites that consist entirely of affordable homes; and (ii) developing affordable housing on the Group's private developments as a condition of receiving planning permission. With over 158,000 applicants to local authority housing lists in March 2019 there is a substantial need for affordable housing in Scotland. The Scottish Government has set a target of building 50,000 affordable homes by 2021. We have built over 1,200 affordable houses in the last five years and we aim to further increase the size of our affordable housing business.

We have an abundance of in-house skills to support our strategy and allow us to develop 'difficult' sites (often involving several land owners) that require considerable remediation works and/or significant investment in infrastructure prior to commencing development. The wealth of knowledge and expertise our in-house staff provide increases our ability to competitively purchase 'difficult' sites. Further details on our strategy and business model are discussed in the Chairman's statement on pages 5-7**.**

2. Section 172 Statement and Understanding Shareholder Needs and Expectations

Along with compliance with QCA Code, the Directors are required to include a statement of how they have had regard to shareholders to promote the success of the Company, in accordance with section 172 of the Companies Act 2006. This section along with pages 40 – 42 sets out how the Board has discharged its duties.

Maintaining positive relationships with shareholders is important to the Board. 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.

Our shareholders have the opportunity to ask questions by email or telephone throughout the year and can also attend bi-annual investor presentations organised by our nominated advisor, N plus1 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. Roadshows were held in 2019/2020 however for 2020/2021 given the ongoing COVID-19 pandemic presentations are being held virtually.

CORPORATE GOVERNANCE

QCA CODE COMPLIANCE (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2020

2. Section 172 Statement and Understanding Shareholder Needs and Expectations (continued)

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 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 were invited to attend Springfield's AGM. Details of this year's AGM will be available to download from our corporate website. The Board recognises the AGM as an important opportunity to meet shareholders and 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 decent place to live. Through delivering private and affordable housing, we aim to fulfil that promise. However, we cannot do that alone. We maintain strong relationships with all stakeholders including employees, customers, suppliers, national & local government and local communities. With the COVID-19 pandemic in 2020 the health and safety of Springfield employees, customers and the communities in which we operate have been of paramount importance. Consequently, in accordance with Scottish Government guidance, on 24 March 2020 we temporarily closed down all of our sites under construction and our kit factory, as well as closing our sales and administrative offices to the public with employees working from home wherever possible.

Employees (current): Departmental Groups of employees meet with the Chairman and CEO bi-annually to discuss employees' needs, interests and expectations. During these meetings key achievements of the Groups are discussed as well as future goals. Employees are also updated regularly by email to any major news as it happens (and in line with market announcements). Employees have been updated by email and text alerts weekly during the COVID-19 pandemic. Employees have the opportunity to ask questions and provide feedback. We currently have 719 employees at 31 May 2020 and are proud that many of our employees have chosen to remain with Springfield with the average length of service being 5.5 years. We undertake an annual pay review most years and at June 2019 our current employees were paid at least 3% above minimum wage. No pay review has taken place in the year 2019/2020 due to the COVID-19 pandemic. Springfield recognise gender diversity and are confident that male and female employees are paid fairly and appropriately for work of equal value. The construction industry has typically been dominated by men, however we have seen proportionally more women joining us to begin a career in construction. You can read more about our findings in the Gender Pay Gap Report on our website. The Group has a series of data protection policies which have been updated, along with providing training for staff, to ensure compliance with the General Data Protection Regulation.

Employees (training & education): At May 2020 we supported 130 (18.1%) staff in further education, training and apprenticeships. This includes 91 apprenticeships.

Employees (future): The Group has a strong focus on education and training. We encourage student placement programmes and we have placed 17 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 4 of the students who now work for us, or will do after completion of their degree. We have recently introduced an 'ideas' initiative where our employees are encouraged to be creative and suggest any ideas they have for the Group. One of the ideas that has already been actioned is the creation of an employee 'Green Committee'. Employees are encouraged to send environmentally friendly initiatives that they think Springfield should adopt and these are considered and, if approved, actioned by the employee representatives who make up the Green Committee.

Customers: Customer views are sought via In-house Research Limited who contact our customers around nine weeks after handover of their home and gather feedback. Each managing director actions any points required as a result of this feedback.

CORPORATE GOVERNANCE

QCA CODE COMPLIANCE (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2020

3. Wider Stakeholder and Social Responsibilities (continued)

Suppliers: The Group's commercial and purchasing teams communicate closely with suppliers. During the early weeks of the COVID-19 lockdown the Company contacted all major suppliers to provide reassurance and direction during the uncertainty of sites closing and work stopping.

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 legislation.

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 developments forward.

Environment: We have implemented several environmentally friendly policies and initiatives including installation of electric car charging points in some of our staff car parks and cabling for electric car charging points in all our private homes. In 2019 we put in our first 'waste plastic road' using the equivalent of 6,000 plastic bottles or 17,042 plastic bags. These 'waste plastic roads' are up to 60% stronger than a standard road due to the flexible properties of the plastic. Springfield is the first UK housebuilder to do this, and we intend to work with local authorities to use recycled plastic roads on all of our developments across Scotland.

Our affordable housing operation has a variety of environmentally friendly approaches to their sites which includes air source heat pumps, energy efficient boilers with gas saver units and the provision of water butts in gardens which are connected to down pipes enabling the collection of rainwater which can then be used for things such as watering the garden. In 2020 our employee Green Committee was formed to consider, and action environmentally friendly and sustainable initiative suggested by fellow employees.

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.

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.

Given the environment in which it operates the Board has a strong 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. 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 and preventative or corrective measures are taken as necessary.

CORPORATE GOVERNANCE

QCA CODE COMPLIANCE (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2020

5. Maintaining a Well-Functioning Board

The skills and experience of the Board are set out in their biographical details on pages 21-22**.** All Directors receive regular and timely information on the Group's operational and financial performance. Relevant information is circulated to the Directors in advance of meetings. The Board meets at least bi-monthly. 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 Colin Rae was appointed to the Board on 16 September 2019 following a thorough assessment of potential candidates' skills and suitability for the role.

The Board consider Colin Rae, Nick Cooper and Matthew Benson to be independent Directors for the purpose of the QCA Code. From 13 November 2020 Roger Eddie will have completed twelve years' service as a Director. Having considered his independence in the context of the QCA Code, the Board is also satisfied that Mr Roger Eddie will remain independent from 13 November 2020, 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 and committee meetings 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 experience, are set out on pages 21-22. 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. The Board receives regular updates from its advisors.

All seven 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 identified the potential benefits of appointing a further Non-Executive Director to increase the knowledge and skills of the board and for succession planning.

Additionally, the effectiveness of the Board and its committees is kept under review in accordance with corporate governance best practice. The Board implemented a formal review process in the year 2019/20. Springfield's human resources department prepared a self-evaluation criterion which was issued and approved by the Board. The intention was to have the self-evaluation process completed in the year 2019/20 but this was delayed due to COVID-19. All directors completed self-evaluation reports in the first quarter of 2020/21 and the results of the exercise will be acted upon in the second quarter of 2020/21.

The Board's effectiveness is also assessed in an informal manner by the Chairman on an on-going basis.

CORPORATE GOVERNANCE

QCA CODE COMPLIANCE (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2020

8. Corporate Culture

The Board believes that everyone deserves a decent place to live. In other words, there is a need for good housing for every member of every community in Scotland. Where this need is not met Springfield aims to provide high quality homes for private sale to first time buyers and those already on the housing ladder and provide affordable homes through its partnership arm which works with housing associations and local authorities.

Dedication to customers is at the heart of the Springfield culture. We offer our customers a 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.

The Group has received numerous awards for customer service and for the sites we build. Our Dawn Homes Limited site at Camas Walk, Cambuslang was a recipient of the Commended and Highly Commended Sites NHBC award for 2019. More recently, Springfield and both subsidiaries (Walker Group (Scotland) Limited and Dawn Homes Limited) were each awarded the “In House Gold Award for Customer Satisfaction” over the last year. This means that over 95% of our customers would recommend us to their friends and family. Springfield and Dawn Homes Limited also received “Outstanding Achievement” awards for the positivity of the word of mouth recommendations we receive from customers. These awards are a testament to the ethos of the Group to provide our customers with a great house, a nice place to live and excellent customer service.

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 Company listed on the AIM market operated by the London Stock Exchange plc (“AIM”). 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 an additional 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 teams. 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.

The Group has adopted, and will operate as applicable, a code for Directors’ and applicable employees dealings in securities in accordance with Rule 21 of the AIM Rules for Companies.

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 Code 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, in so far as is practical and appropriate, we formally adopt and adhere to the QCA Code.

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

CORPORATE GOVERNANCE

QCA CODE COMPLIANCE (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2020

9. Maintaining Good Governance (continued)

Springfield reviews its governance structures regularly. In September 2019, Springfield appointed a fourth Non- Executive Director to provide a balance between executive and Non-Executive Directors on the Board. Meanwhile, day-to-day operational responsibility has been delegated to four managing directors: Dave Main for the North of Scotland projects, Martin Egan for the West of Scotland projects, Peter Matthews for the Central Belt projects and Tom Leggeat for the Partnerships projects delivering affordable housing across the Group.

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

The Board is supported by the Audit, Remuneration and Nomination Committees.

The Audit Committee is responsible for determining and reviewing matters relating to the financial affairs of the Group. The Audit Committee examines reports received from management and the Group's auditor in relation to the accounts, as well as the internal control systems utilised throughout the Group.

The Remuneration Committee reviews and sets the terms and conditions of the Directors' appointment, along with their remuneration and benefits package and makes recommendations to the Board in relation to the allocation of share options to employees under our Share Plans. The Remuneration Committee meets at least three times a year.

The Nomination Committee's role is to consider the selection and re-appointment of Directors, and make recommendations for the nominations of candidates to fill vacancies on the Board. The Nomination Committee also regularly reviews the structure, size and composition of the Board, providing recommendations for change where appropriate.

Further information can be found in the Audit and Remuneration Committees' reports on pages 29-38.

10. Communicating Governance and Performance

The Group recognises the importance of maintaining a good relationship with shareholders and stakeholders, communicating to them through the Annual and Half-Year Reports, the Annual General Meeting (AGM), bi-annual presentations and other trading updates.

We maintain an investor relations section of our website which provides a range of corporate information to shareholders, investors and the public (www.springfield.co.uk/investor_relations), with all press releases regarding news and updates on the Group's current projects being posted in the news section of our website (www.springfield.co.uk/news).

Results from the AGM are announced to the market and displayed on the website after the meeting.

Andrew Todd
Company Secretary
28 September 2020

CORPORATE GOVERNANCE

AUDIT COMMITTEE REPORT
FOR THE YEAR ENDED 31 MAY 2020

Statement from the Chairman of the Audit Committee

On behalf of the Board, I am pleased to present the Committee Report for the year to 31 May 2020. This report provides shareholders with an overview of the activities carried out by the Committee during the year. The Committee ensures the financial performance of the Group is properly measured and reported.

Committee Members

The Committee is comprised solely of independent Non-Executive Directors, being myself as Chairman and the other Non-Executive Directors: Nick Cooper, Roger Eddie and Colin Rae. Both myself and Roger Eddie have worked within the financial industry and have recent and relevant financial experience. The Board is satisfied that I have significant and relevant experience to chair the Committee.

Responsibilities

The responsibilities and activities of the Committee include determining and examining matters relating to the financial affairs of the Group including the terms of engagement of the Group's auditor and, in consultation with the auditor, the scope of the annual audit. It receives and reviews reports from management and the Group's auditor relating to the half yearly and annual accounts and the accounting and internal control and risk management systems in use throughout the Group reviewing the Group's overall risk appetite and strategy and monitors, on behalf of the Board, current risk exposures. The Committee monitors the integrity of the financial statements produced by the Group and makes recommendations to the Board on accounting policies and their application. The Committee receives reports from compliance functions within the Group and is responsible for reviewing and approving the means by which the Group seeks to comply with its regulatory obligations. The Committee also ensures that the arrangements for employees and contractors to raise concerns confidentially about possible wrongdoing in financial reporting (or other matters) are proportionate and allow for independent investigation. The duties of the Committee are set out in its terms of reference. These are regularly reviewed to ensure they remain applicable and up-to-date with legislation, regulation and best practice.

Meetings

In the year to 31 May 2020, the Committee met three times (excluding meetings relating to the tender process referred to on page 30) and twice since the year end. Since 1 June 2019 to 22 September 2020, the Committee met five times 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. Other members of the Board occasionally attend Committee meetings when requested by invitation. In the year to 31 May 2020 the Chief Financial Officer and the Chairman attended two Committee meetings

Internal Audit

The Group does not currently have an internal audit function. The Committee has considered the size and nature of the Group and believes that existing management within the Group is able to derive assurance as to the adequacy of internal control and risk management systems without the introduction of an internal audit function. As the Group continues to grow rapidly the Committee will review on an annual basis the requirement for implementing an internal audit process.

Risk Management and internal controls

The Group has a range of internal controls, policies and procedures in place, some of which are discussed on pages 23-28 of the Governance Report. There is a framework of risk management within the Group for risk management. The Committee works alongside the Board to review, and where necessary suggest changes to, the current systems in place.
The Committee is satisfied that the current systems in place are operating effectively.

CORPORATE GOVERNANCE

AUDIT COMMITTEE REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2020

Anti-bribery

The Group has a zero tolerance anti-bribery and corruption policy in place. The policy is contained within employee handbooks and provides guidance on what constitutes bribery and corruption. Line managers are responsible for ensuring employees comply with this policy and maintain the Group's image and reputation. The Board is ultimately responsible for ensuring this policy complies with the Group's legal and ethical obligations.

External Audit

Johnston Carmichael LLP were re-appointed for the year to 31 May 2020. The Committee monitors the relationship with the external auditor to ensure independence and objectivity at all times. The Committee also reports to the Board on the independence, objectivity and effectiveness of the external auditor. Johnston Carmichael LLP have been the external auditor for the Group since 2008 with Stephen McIlwaine as the signing partner this year. The Committee had recommended that this position is tendered for the next financial year. During the year, a tender process took place involving four parties which included a detailed interview and presentation process. BDO LLP have been appointed as external auditor which is expected to be formally approved at the AGM in October 2020.

Johnston Carmichael LLP also carry out ad-hoc VAT work, process reviews, due diligence and other ad-hoc works for the Group. Any non-audit work carried out by Johnston Carmichael LLP is undertaken by a separate team from the audit team to ensure segregation of duty. The Committee is made aware of any non-audit work being carried out by Johnston Carmichael LLP. The fees paid for non-audit work are included in the table at note 7**.** The Committee held two days of audit tender scoping meetings in 2020.

External Audit process

Johnston Carmichael LLP prepare an audit plan. This plan sets out the scope and timetable of the audit as well as the areas to be specifically targeted. The plan is provided to the Committee for approval in advance of the audit. On completion of the audit, the findings are presented to the Committee by the auditor for discussion. There were no significant areas of concern highlighted by the auditor this year.

The Chief Financial Officer has regular contact and communication with the auditor during the year. This allows for any areas of concern or of significance to be raised with the auditor throughout the year.

CORPORATE GOVERNANCE

AUDIT COMMITTEE REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2020

Main issues discussed and conclusions

The table below highlights the issues discussed at the audit close meeting.

Issue	How it was addressed by the Committee
Revenue recognition Revenue from private housebuilding is recognised when the house is handed over although the timing may require management judgement in determining when ownership has transferred.	With sites closing at the end of March due to the COVID-19 lockdown, the Committee reviewed the revenue recognised around the year end. The Committee satisfies itself that there is no issue with revenue recognition.
Profit recognition The Group undertakes construction contracts which take place over a period of time. There is a significant element of judgement involved in estimations of these construction contracts surrounding costs to complete and the overall expected profit margin.	The Committee monitors the cost value report process and the effectiveness of the internal controls exercised over these processes.
IFRS 16 - Leases During the year IFRS 16 became a reporting requirement for the Group. As a lessee of building premises, motor vehicles and office equipment, this will result in a material adjustment to recognise these within the balance sheet this year.	The Committee reviewed the disclosure requirements and satisfies itself that the accounting treatment of leases under IFRS16 is correctly reflected within the financial statements.

Matthew Benson
Chairman of the Audit Committee
28 September 2020

CORPORATE GOVERNANCE

REMUNERATION COMMITTEE REPORT
FOR THE YEAR ENDED 31 MAY 2020

Introduction

This report outlines the Group's remuneration policy for its Directors and shows how that policy was applied during the financial year ended on 31 May 2020.

Springfield is not required to comply with Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and is under no obligation to prepare, or seek shareholder approval of, a directors' remuneration report. This section of the annual report has, therefore, been prepared on a voluntary basis and in order to fulfil the relevant requirements of Rule 19 of the AIM Rules for Companies.

Committee Members and Meetings

In the period of twelve months to 31 May 2020, the Committee comprised:

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

Each of the above individuals is an independent Non-Executive Director who has no personal financial interest (other than as a shareholder) in the matters decided.

Under its terms of reference (which are summarised 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 Committee are:

- to set the overall remuneration policy for the Group's Executive Directors (and certain other senior employees); and
- within the terms of that policy, to 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 2020, the overall remuneration package for Executive Directors consisted of the following elements:

- Basic Salary;
- Annual Bonus;
- Pension Contributions;
- Long Term Incentive Plan;
- Participation 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.

CORPORATE GOVERNANCE

REMUNERATION COMMITTEE REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2020

Impact of the COVID-19 crisis on the Group's remuneration arrangements for Executive Directors

As highlighted in the strategic report, the Group's business was significantly disrupted by the COVID-19 pandemic. This included, amongst other things, the cancellation of the interim dividend previously announced on 25 February 2020 and the placing of over 90% of the Group's employees on furlough under the UK Government's Job Retention Scheme.

At the same time as the above decisions were being made, the Committee conducted a full review of the Group's remuneration structures for Executive Directors with the aim of ensuring that the pay arrangements and outcomes for our senior leadership team appropriately reflected the experience of the Group's shareholders and its wider employee population during this difficult time. The agreed actions that were taken following this review (which were arrived at in consultation with the Executive Directors and after taking into account relevant guidance issued by institutional investors and their representative bodies) can be summarised as follows:

- with effect from April 2020:
  - the salaries of Innes Smith and Michelle Motion were temporarily reduced by 20%, with the payment of a further 30% of salary being deferred until further notice;
  - the salary of Sandy Adam was reduced by 100% until such time as the Group's various sites were re-opened and thereafter limited to 50% of the previous level until further notice;
- no bonuses would be awarded to the Executive Directors for the financial year to 30 May 2020; and
- no salary increases would be awarded to the Executive Directors in respect of the financial year commencing on 1 June 2020 (which mirrored the approach taken in relation to the Group's general employee base).

Although not within the scope of the Committee's responsibilities, it should also be noted that, for the same reasons described above, the wider Board decided that, with effect from April 2020, the fees payable to the Non-Executive Directors should be temporarily reduced by 20%, with the payment of a further 30% of those fees being deferred until further notice.

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.

The Committee reviews the Executive Directors' salaries annually, with any increases taking effect on 1 June each year. With effect from 1 June 2019, the annual rates of base salaries for the executive directors were increased to:-

- Sandy Adam - £112,500
- Innes Smith - £225,000 and
- Michelle Motion - £180,000

The above salary levels (which are stated before the impact of the COVID-19 related reductions described above represented the final increase made by the Remuneration Committee in accordance with its previously stated intention of ensuring that, in the initial period following admission to AIM, the Executive Directors' pre-admission salaries should be increased at an enhanced rate to ensure that they reached a level that was competitive when compared to other similarly sized organisations in the Group's sector.

Going forward, any salary raises for Executive Directors will normally reflect those applied to the wider workforce. In the case of the financial year that commenced on 1 June 2020 (and as explained above), this approach resulted in no increase being applied to the above salary rates.

CORPORATE GOVERNANCE

REMUNERATION COMMITTEE REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2020

Annual Bonus

Under the Group's annual bonus scheme for Executive Directors (other than Sandy Adam who does not participate in this arrangement), 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 2020, the maximum bonus opportunities for Innes Smith and Michelle Motion were 100% of salary and 75% of salary respectively. The following table identifies the measures used and their respective weightings:

Measure	**Weighting (as a % of maximum opportunity)**	
	Innes Smith	*Michelle Motion*
Profit before tax	50%	50%
Return on capital employed	30%	25%
Gross margin	10%	25%
Customer satisfaction	10%	0%

As explained on page 33, the Committee concluded that, in light of the COVID-19 pandemic and its impact on the business, no awards should be made under the Group's annual bonus scheme for the year to 31 May 2020 irrespective of the level of achievement delivered against the above measures.

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

As part of the process surrounding the Group's admission to AIM in October 2017, the following plans were adopted in order to allow share-based incentives to be provided to the Executive Directors and other senior managers:

- The Springfield Properties PLC Company Share Option Plan (the "CSOP"); and
- The Springfield Properties PLC Employee Share Option Plan (the "ESOP").

The CSOP and the ESOP are relatively straightforward arrangements under which options over the Company's shares can be granted to selected employees of the Group (including Executive Directors). These options normally vest after three years and, on exercise, require participants to pay a price equal to the market value of a share on the date they were originally granted.

The CSOP and ESOP (the "Option Plans") were used to grant options to Innes Smith and Michelle Motion during the financial year to 31 May 2019 and earlier periods (details of which are included in the table set out on page 37). The terms on which these grants were made do not require additional performance conditions to be satisfied before the relevant options can be exercised.

During the early part of the financial year to 31 May 2020, the Committee undertook a detailed examination of the form and structure of the Option Plans in order to determine whether they remained appropriate for the Company. This exercise took into account feedback received from shareholders (particularly around the Committee's previous approach of not imposing additional performance conditions in relation to share-based incentive plans) as well as recent developments in market and best practice.

CORPORATE GOVERNANCE

REMUNERATION COMMITTEE REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2020

The view reached by the Committee was that the Option Plans should be replaced with a new Performance Share Plan or ("PSP") under which key executives could be granted conditional "whole share" awards (i.e. rights to acquire shares where the individual is required to pay a zero or negligible exercise price) the vesting of which is normally conditional on both continued employment and the satisfaction of specified performance measures.

The new PSP was adopted by the Board on 9 January 2020 and the initial awards were made pursuant to its terms on that same date. Details of the grants made to the Executive Directors, which were publicly announced on 13 January 2020, can be summarised as follows:

- Awards (in the form of "nominal cost" options) were granted to Innes Smith (over 127,828 shares with a face value at grant equal to approximately 87% of salary) and Michelle Motion (over 68,176 shares with a face value at grant equal to approximately 58% of salary). This can be compared to the last set of awards granted under the Option Plans to these individuals in October 2018 where Innes Smith received an option over 257,142 shares with a face value at grant equal to 150% of salary and Michelle Motion was granted an option over 129,795 shares with a face value at grant equal to 100% of salary.

- The above PSP awards will normally vest on the third anniversary of grant but only if, and to the extent that, certain performance conditions are satisfied. These conditions, which were set by the Remuneration Committee at the time of grant and will be assessed over a total of three financial years commencing with the one in which the grant was made, require the achievement of stretching targets relating to earnings per share (75% weighting) and the Company's net debt / EBITDA ratio (25% weighting). The precise terms of these targets are commercially sensitive but full details will be disclosed following their final assessment by the Committee at the expiry of the performance period.

- The vesting of the above awards will also be conditional on continued employment by the individuals (although market standard "good leaver" provisions apply in terms of which participants who cease employment in prescribed circumstances will normally retain the right to a time pro-rated proportion of their award that will remain subject to the originally imposed performance conditions).

- Vested awards may be recovered and/or withheld where the Remuneration Committee determines that (i) financial results have been materially misstated; (ii) there has been a miscalculation in respect of award levels / performance conditions; (iii) a participant has been dismissed for gross misconduct; or (iv) there are reputational reasons for applying these provisions.

- On a change of control, awards will be scaled-back on a pro-rata basis and vesting will be dependent on performance up to the date of the transaction, but with the Remuneration Committee retaining the discretion to waive the time pro-rata reduction if it considers it appropriate.

Given the size of his existing shareholding in the Group, Sandy Adam does not currently participate in any of the above long-term incentive plans.

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.

No grants were made under the SAYE Scheme during the year to 31 May 2020. Details of the options granted under this arrangement to Innes Smith and Michelle Motion in earlier periods are set out on page 36. For the same reason stated above in relation to the Long Term Incentive Plans, Sandy Adam does not currently participate in the SAYE Scheme.

CORPORATE GOVERNANCE

REMUNERATION COMMITTEE REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2020

Remuneration in the Year

During the year to 31 May 2020, the directors received the following remuneration:

	Basic salary/fees[1,2]	Annual Bonus	Taxable benefits[3]	Pension contributions	2020 Total	2019 Total
	£000	£000	£000	£000	£000	£000
Executive Directors						
Sandy Adam	94	-	8	5	107	108
Innes Smith	218	-	8	21	247	358
Michelle Motion	174	-	8	17	199	263
Non-Executive Directors						
Matthew Benson	39	-	-	-	39	35
Roger Eddie	39	-	-	-	39	35
Nick Cooper	39	-	-	-	39	35
Colin Rae[4]	27	-	-	-	27	-
	630	-	24	43	697	834

Notes:

[1] In the case of the Executive Directors, the basic salary figures set out in this column (a) reflect the reductions described on page 33; and (b) include any amounts the payment of which was deferred to a later date (also as described on page 33).

[2] In the case of the Non-Executive Directors, the fees figures set out in this column reflect (a) an increase in the annual fee rate payable to these individuals (from £35,000 to £40,000) that came into effect on 1 June 2019; and (b) the reductions described on page 33. These figures also include any amounts the payment of which was deferred to a later date (also as described on page 33).

[3] 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.

[4] Colin Rae was appointed as a Non-Executive Director on 16 September 2019.

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

CORPORATE GOVERNANCE

REMUNERATION COMMITTEE REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2020

Share Options and PSP awards

Details of options over the Group's shares that have been granted to executive directors under the CSOP, ESOP, SAYE Scheme and PSP and which were outstanding during the year to 31 May 2020 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
	ESOP	1 October 2018	1 October 2021	122.5p	257,142
	PSP	9 January 2020	9 January 2023	0.125p	127,828
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
	ESOP	1 October 2018	1 October 2021	122.5p	129,795
	PSP	9 January 2020	9 January 2023	0.125p	68,176

Notes:

[1] An overview of the performance conditions that must be satisfied before options granted under the PSP vest and become exercisable is provided on page 35. Options granted under the CSOP, ESOP and SAYE Scheme are not subject to performance conditions.

[2] Awards granted under the PSP carry "dividend equivalent" rights that entitle the holder to receive the benefit of any dividends declared on vested shares during the period from the date of grant to the date of vesting.

During the year to 31 May 2020, no share options held by Executive Directors lapsed or were exercised.

CORPORATE GOVERNANCE

REMUNERATION COMMITTEE REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2020

Directors' Interests in the Group's Shares

Directors' interests in the Group's shares are disclosed in the Directors' Report (page 41).

Roger Eddie
Chairman of the Remuneration Committee
28 September 2020

CORPORATE GOVERNANCE

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MAY 2020

The Directors present their annual report and the audited financial statements of the Group for the year ended 31 May 2020.

Principal Activity and Business Review

This information is included within the Strategic Report above, 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	Executive 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
Mr Colin Rae	Non-Executive Director (appointed 16 September 2019)

Results and Dividends

The results for the year are set out on page 50.

On 24 March 2020 it was announced that the interim ordinary dividend previously announced on 27 February 2020 amounting to 1.4p (2019: 1.2p) per share was being withdrawn. This decision was made by the Group as a result of the level of uncertainty created by the COVID-19 pandemic and to preserve cash. The Board believed this to be an appropriate and prudent measure to preserve liquidity in these uncertain times.

The Board is proposing a final dividend of 2p per share subject to shareholder approval at the next Annual General Meeting to be held on 30 October 2020. As no interim dividend was paid, this equates to a total dividend of 2p (2019: 4.4p) per share.

Employee Consultation

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

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.

Further information on the employee consultation and changes required as a result of the COVID-19 pandemic are set out in the QCA Code section.

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.

CORPORATE GOVERNANCE

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2020

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

On 1 June 2020, the remaining shares in DHHG 1 Limited were purchased for consideration of £264,502.

Going Concern

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and 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 consolidated financial statements. The impact of COVID-19 has been considered as part of this assessment.

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 pages 21-22.

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.

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.

CORPORATE GOVERNANCE

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2020

Remuneration

The remuneration of the Executive Directors has been fixed by the Remuneration Committee 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 36.

Directors' Interests in Shares

Name of Director	Number of ordinary shares	% of ordinary share capital and voting rights
Sandy Adam		
- Direct	24,918,300	25.5%
- Indirect	18,890,022	19.3%
Innes Smith		
- Direct	908,009	0.9%
- Indirect	44,419	0.0%
Michelle Motion	52,999	0.1%
Roger Eddie		
- Direct	22,170	0.0%
- Indirect	25,000	0.0%
Nick Cooper		
- Indirect	14,895	0.0%
Matthew Benson	28,302	0.0%
Colin Rae	20,000	0.0%
	44,924,116	**45.9%**

Financial Risk Management Objectives and Policies

Details of the Group's financial risk management objectives and policies are set out in Note 27 to these consolidated 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.

Section 172 Compliance

A general duty is imposed on every Director by Section 172 of the Companies Act 2006 to act in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefits of its shareholders as a whole. In doing so, the Directors should have regard to several matters including:

- The likely consequences of any decision in the long term;
- The interests of the Company's employees;
- The need to foster the Company's business relationships with suppliers, customers and others;
- The impact of the Company's operations on the community and the environment;
- The desirability of the Company maintaining a reputation of high standards of business conduct; and
- The need to act fairly as between members of the Company.

CORPORATE GOVERNANCE

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2020

The Board factors stakeholder interest into long term policies and objectives. The business of the Company requires engagement with shareholders, customers, local authorities, housing associations, employees and suppliers.

The Board, when considering stakeholder interest, are responsible for ensuring the long-term policies and objectives implement allow the Group to continue to consistently produce high quality homes and developments.

The Executive Directors are responsible for the operations of the business whilst the Non-Executive Directors are independent and are well positioned to provide objective judgement and scrutiny to decisions made by the Board.

Information about our stakeholders and how the Board has discharged its duties are included on page 23 - 25

On behalf of the Board

Sandy Adam
Executive Chairman
28 September 2020

CORPORATE GOVERNANCE

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 MAY 2020

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 Company 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 Company 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
Executive Chairman
28 September 2020

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 2020 which comprise the Consolidated Profit and Loss Account, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Company Balance Sheet, the Company Statement of Changes in Equity, 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 2020, 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

- the financial statements 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.

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

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 £144.4m (2019 - £190.8m) as detailed per note 4 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 control has passed to the customer although the timing of recognition of property sales around the year-end can require management judgements.	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 correctly been recognised in the reported revenue figure. For private house sales, we verified a sample from the internal sales team report to 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 nominal ledger. We also confirmed that plots sold were no longer showing as available for sale per the website. Substantive testing regarding missives concluded in the first month of the following accounting year have also confirmed that all house sales were recognised in the appropriate accounting period. We confirmed that there had been no sales pre-year end in line with our expectations given site closures at this time. Substantive testing was also conducted on sales invoices posted in the ledger in the final week of the year and first week of the following year for non-private house sales to confirm these had been 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 £27.4m (2019 - £34.3) as detailed per note 5. Gross profit is largely a function of margins recognised on both construction contracts and private housebuilding sites. The Group prepares Cost Valuation Reports ("CVRs") for each site which provide 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 and conclude that the Group's estimation processes provide a reliable basis for margin recognition. We also reviewed CVRs prepared after the financial year-end for any significant differences in estimated margin relative to the year-end position. No significant differences were noted. We reviewed latest CVR site forecasts and confirmed that any loss-making contracts had been provided for in full. No issues noted in the above testing.
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 and subsequent to the year-end to identify any activity that met certain risk-criteria pre-determined by us as auditor. Our findings in these areas confirm our assertion that there had been no unexplained or unusual activity that could suggest manipulation of the financial statements. 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 noted in the above 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)	£487,000 We determined that 5% of profit before tax of the Group was an appropriate measure for a profit-oriented trading business.	£373,500 While 5% of profit before tax of the Parent Company would normally also be considered an appropriate measure for a profit-oriented trading business, exceptional circumstances resulting from COVID-19 and the impact on the Company profit before tax meant that an alternative basis was selected. A materiality level based on the Parent Company's position within the overall Group, and in particular its share of turnover, was instead deemed more appropriate.
Performance materiality used to drive the extent of testing	60% of financial statement materiality.	60% of financial statement materiality.
Communication of misstatements to the Directors	£10,000 and any misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£7,500 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.

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

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.

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 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.

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

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 43, 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.

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

Stephen McIlwaine (Senior Statutory Auditor)
For and on behalf of Johnston Carmichael LLP

Chartered Accountants
Statutory Auditor

30 September 2020

Commerce House
South Street
Elgin
IV30 1JE

FINANCIAL STATEMENTS

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MAY 2020

	Notes	2020 Pre – Exceptional Items £000	Exceptional Items £000	2020 Post – Exceptional Items £000	2019 Post – Exceptional Items £000
Revenue	4	144,447	-	144,447	190,804
Cost of sales		(117,096)	-	(117,096)	(156,470)
Gross profit		**27,351**	**-**	**27,351**	**34,334**
Administrative expenses	11	(16,520)	(3,145)	(19,665)	(18,238)
Share of JV profit before interest and taxation		852	-	852	584
Other operating income	11	428	2,723	3,151	384
Operating profit/(loss)	6	**12,111**	**(422)**	**11,689**	**17,064**
Interest receivable and similar income		320	-	320	416
Finance costs	9	(2,273)	-	(2,273)	(1,511)
Profit/(loss) before tax		**10,158**	**(422)**	**9,736**	**15,969**
Tax	10	(2,093)	-	(2,093)	(3,111)
Profit for the year and total comprehensive income		**8,065**	**(422)**	**7,643**	**12,858**
Profit for the year and total comprehensive income is attributable to:					
-Owners of the parent company		8,068	(422)	7,646	12,848
-Non-controlling interests		(3)	-	(3)	10
		8,065	**(422)**	**7,643**	**12,858**
Earnings per share					
Basic earnings, on profit for the year (pence per share)	13	8.33p	(0.44)p	7.89p	13.34p
Diluted earnings, on profit for the year (pence per share)	13	8.24p	(0.43)p	7.81p	13.21p

The Group has no items of other comprehensive income.

The accompanying notes on pages 54 to 82 form an integral part of these financial statements.

FINANCIAL STATEMENTS
CONSOLIDATED BALANCE SHEET
FOR THE YEAR ENDED 31 MAY 2020

	Note	2020 £000	2019 £000
Non-current assets			
Property, plant and equipment	14	4,331	4,977
Right of use assets	14	2,011	-
Intangible assets	15	1,649	1,649
Investments	16	202	1,481
Accounts receivable	18	5,102	903
		13,295	**9,010**
Current assets			
Inventories and work in progress	17	174,400	148,649
Accounts receivable	18	8,968	20,144
Cash and cash equivalents	25	1,522	3,062
		184,890	**171,855**
Total assets		**198,185**	**180,865**
Current liabilities			
Accounts payable	19	20,781	43,697
Bank Term loan	21	18,000	-
Short-term obligations under finance lease	22	782	1,012
Lease liabilities	22	406	-
Corporation tax		780	2,018
		40,749	**46,727**
Non-current liabilities			
Long-term borrowings	21	51,000	31,000
Long-term obligations under finance lease	22	519	624
Lease liabilities	22	1,736	-
Provisions	23	8,317	13,954
		61,572	**45,578**
Total liabilities		**102,321**	**92,305**
Net assets		**95,864**	**88,560**
Equity			
Share capital	24	122	120
Share premium	24	52,330	50,118
Retained earnings		43,412	38,292
Equity attributable to owners of the parent company		**95,864**	**88,530**
Non-controlling interest		-	30
Total equity		**95,864**	**88,560**

These financial statements were approved and authorised for issue by the Board of Directors on 28 September 2020. Signed on behalf of the Board by:

Company number: SC031286

Sandy Adam
Executive Chairman

The accompanying notes on pages 54 to 82 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MAY 2020

	Notes	Share capital £000	Share premium £000	Retained earnings £000	Non-controlling interest £000	Total £000
1 June 2018		120	50,105	28,767	20	79,012
Share issue		-	13	-	-	13
Total comprehensive income for the year		-	-	12,848	10	12,858
Share option reserves	**24**	-	-	434	-	434
Dividends	**12**	-	-	(3,757)	-	(3,757)
31 May 2019		**120**	**50,118**	**38,292**	**30**	**88,560**
Share issue	**24**	2	2,212	-	-	2,214
Total comprehensive income for the year		-	-	7,646	(3)	7,643
Share option reserves	**24**	-	-	557	-	557
Acquisition of minority interest		-	-	-	(27)	(27)
Dividends	**12**	-	-	(3,083)	-	(3,083)
31 May 2020		**122**	**52,330**	**43,412**	**-**	**95,864**

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 54 to 82 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR TO 31 MAY 2020

Cash flows generated from operating activities	Note	2020 £000	2019 £000
Profit for the year after taxation (excluding exceptional items)		8,065	13,423
Adjusted for:			
Taxation charged		2,093	3,111
Finance costs		2,273	1,511
Interest receivable and similar income		(320)	(416)
Exceptional items – cash movement	**11**	(341)	(565)
Gain on disposal of tangible fixed assets	**6**	(71)	(270)
Share option employment costs	**24**	557	434
Cost of sales – non cash movement		550	310
Share of joint venture profit		319	(420)
Amortisation of intangible fixed assets		8	-
Depreciation and impairment of tangible fixed assets		2,356	1,591
Operating cash flows before movements in working capital		**15,489**	**18,709**
(Increase)/decrease in inventory		(25,642)	638
Decrease in accounts and other receivables		6,533	653
Decrease in accounts and other payables		(22,960)	(3,978)
Net cash used (in)/ from operations		**(26,580)**	**16,022**
Income taxes paid		(3,125)	(2,868)
Net cash (outflow) / inflow from operating activities		**(29,705)**	**13,154**
Investing activities			
Purchase of property, plant and equipment		(553)	(1,549)
Proceeds on disposal of property, plant and equipment		101	368
Net purchase of subsidiary undertakings		(4,000)	(20,891)
Interest received and similar income		38	98
Repayment of loan from JV		828	-
Net cash used in investing activities		**(3,586)**	**(21,974)**
Financing activities			
Proceeds from issue of shares		26	13
Proceeds from bank loans	**30**	38,000	68,000
Repayment of bank loans	**30**	-	(62,000)
Payment of finance leases obligations	**30**	(1,531)	(1,065)
Dividends paid	**12**	(3,083)	(3,757)
Interest paid		(1,661)	(1,324)
Net cash inflow/(outflow) from financing activities		**31,751**	**(133)**
Net decrease in cash and cash equivalents		**(1,540)**	**(8,953)**
Cash and cash equivalents at beginning of year		3,062	12,015
Cash and cash equivalents at end of year	**25**	**1,522**	**3,062**

The accompanying notes on pages 54 to 82 form an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR TO 31 MAY 2020

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, DHomes 2014 Holdings Limited, Walker Holdings (Scotland) Limited and SP Sub 2018 Limited.

The Group also indirectly 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. DHHG 1 Limited has a financial year end date of 31 January.

The Group also indirectly includes Walker Group (Scotland) Limited, Perten Limited, Walker Residential (Scotland) Limited, Walker Group (Land & Projects) Limited, Walker Contracts (Scotland) Limited and Craig Developments Limited who are subsidiaries of Walker Holdings (Scotland) 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 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 16 – Leases - The Group has adopted IFRS 16 for its accounting period beginning on 1 June 2019 using the modified retrospective approach. The effect of this is to replace previously recognised operating lease payments under IAS17 with a right-of-use asset and liability under IFRS 16. IFRS 16 captures agreements covering the Group's rental of its existing premises in Elgin, Larbert, Livingston and Glasgow along with the rent of certain office equipment and motor vehicles. The financial effect is that from 1 June 2019, the Group has recognised right of use assets totalling £2,501k with a corresponding lease liability for the same amount. Depreciation is charged through the profit and loss account on a straight-line basis over the term of the lease. Interest is calculated on the outstanding liability, using a market rate, and is charged through the profit and loss account. Rent payments, which previously would have been charged to profit and loss account (under the treatment of operating leases) are now treated as deductions of the applicable outstanding lease liabilities on the balance sheet. In the year to 31 May 2020, the Group has charged depreciation of £490k and interest expense of £151k through the profit and loss account and made lease payments totalling £510k. The effect of adopting IFRS 16 is that the profit before tax has decreased by £131k.

The table below presents a reconciliation from operating lease commitments disclosed at 31 May 2019 to lease liabilities at 1 June 2019:

	£000
Operating lease commitments disclosed under IAS 17 at 31 May 2019	3,277
Effect of discounting	(702)
Other adjustments including adjustments for short term leases and hindsight adjustments	(74)
Lease liabilities recognised at 1 June 2019	**2,501**

2. Summary of Significant Accounting Policies (continued)

2.1 Basis of accounting (continued)

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

2.2 Basis of consolidation

The consolidated financial statements incorporate those of Springfield Properties PLC and its subsidiaries (i.e. 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.

All financial statements are made up to 31 May 2020.

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.

The Directors have considered the principal risks and uncertainties the Group faces and other factors impacting the Groups future performance such as the COVID-19 pandemic. The Chief Executive's Statement on page 11 details a number of actions taken and those along with the significant debt reduction in Q1 of the new financial year give the Directors comfort 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.

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

Private house sales

Revenue on private house sales is recognised when control has been transferred to the purchaser which will normally occur at handover / legal completion.

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.

2. Summary of Significant Accounting Policies (continued)

2.5. Revenue recognition (continued)

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.

2.6. Grants

Grants are recognised when it is reasonable to expect that the grants will be received and that all related conditions will be met, usually on submission of a valid claim for payment. Revenue grants are credited to the income statement as and when the relevant expenditure is incurred.

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.

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.

2. Summary of Significant Accounting Policies (continued)

2.10. Taxation (continued)

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.

2.11. 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 Group'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.

With respect to the impact of COVID-19, the furlough grant income received from the government has been separately disclosed within the consolidated profit and loss account as exceptional, due to its incremental nature. The direct furlough payroll costs are considered abnormal costs in the current year and consistent with previous years, any direct payroll costs reflecting employee down time (abnormal production) is expensed to the profit and loss account. Due to the COVID-19 pandemic and sites being closed across April and May 2020, the quantum of direct employee down time in the current year is significant. The administrative furlough payroll costs disclosed as exceptional are considered to be interdependent with the related government grant income and while not being incremental or abnormal in nature, the government support measures were key in protecting these jobs.

2.12. 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	- 2-5 years straight line
Fixtures, fittings & equipment	- 2-5 years straight line
Motor vehicles	- 4-5 years straight line
Right of use leased assets	- over the lease term, straight line with no residual value

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.

2.13. Intangible Fixed Assets

Intangible assets comprise of market related assets (e.g. trademarks, imprints & brands) and goodwill on acquisition.

Market Related Assets

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)

2.13. Intangible Fixed Assets (continued)

Goodwill on Acquisition

Goodwill on acquisitions of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired.

Any impairment losses or reversals of impairment losses are recognised immediately in the profit and loss account.

Goodwill on associated companies is included in the carrying amount of the investments.

2.14. 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.

2.15. 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.

2.16. Inventories and work in progress

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.

2. Summary of Significant Accounting Policies (continued)

2.16. Inventories and work in progress (continued)

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 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.

2.17. 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.

2.18. 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 a market rate of interest. The discount is being spread over the development the loan is financing.

2. Summary of Significant Accounting Policies (continued)

2.18. Financial instruments (continued)

Impairment of financial assets

The Group recognises an allowance for expected credit losses for all debt instruments not held at fair value through profit and loss account. Expected credit losses are based on the difference between the contracted cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

For trade receivables and, in the Parent Company, intercompany receivables, the Group applies a simplified approach in calculating expected credit losses. The Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime expected credit losses at each reporting date.

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.

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.

2.19. Provisions

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

2.20. 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.

2.21. 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. Summary of Significant Accounting Policies (continued)

2.22. Leases

Right of use assets are stated at the present value of the contractual payments due to the lessor over the lease term. Right of use assets comprise the Group's existing premises in Elgin, Larbert, Livingston and Glasgow along with certain items of office equipment and motor vehicles.

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

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.

The Group have elected not to recognise right of use assets and lease liabilities for short term and low value assets. The lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

2.23. 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.

2.24. 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. Critical accounting estimates and judgements in applying accounting policies (continued)

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 Group regularly reviews these estimates to ensure they reflect the latest known position. The total work in progress value of £174,400k (2019: £148,649k) 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 £174,400k (2019: £148,649k). The Group regularly reviews these estimates to ensure they reflect the latest known position.

3.3. Fair value assessment

The Group undertakes a fair value assessment of all assets and pays particular attention to work in progress as part of the acquisition process. The fair value assessment is a one-off exercise. These estimates are arrived at on arms-length basis and where appropriate third-party valuations are acquired. These estimates impact the total work in progress value recognised of £nil (2019: £43,727k).

4. Revenue

Analysis of the Group's revenue is as follows:

Revenue	**2020 £000**	**2019 £000**
Private residential properties	98,924	143,260
Affordable housing	43,435	42,906
Other revenue	2,088	4,638
Revenue from the sale of goods and services as reported in the profit and loss account	**144,447**	**190,804**
Operating Income	3,151	384
Profit before interest and tax from JV	852	584
Finance income	320	416
	148,770	**192,188**

For affordable housing revenue, the Group has taken advantage of the practical expedient in IFRS 15 from the disclosure of information relating to its remaining performance obligations as revenue is recognised in accordance with right to invoice which is based on work completed, as certified by a third party valuation.

For affordable housing combined contracts, revenue is recognised in line with the individual contract price as long are the contract terms are deemed to be normal commercial practice within the industry.

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5. 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 one segment:

- Housing building activity

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

Revenue	2020 £000	2019 £000
Private residential properties	98,924	143,260
Affordable housing	43,435	42,906
Other	2,088	4,638
Total Revenue	**144,447**	**190,804**
Gross Profit	**27,351**	**34,334**
Administrative expenses	(16,520)	(17,673)
Operating Income	428	384
Profit before interest and tax from JV	852	584
Finance income	320	416
Finance expenses	(2,273)	(1,511)
Net Exceptional items	(422)	(565)
Profit before tax	**9,736**	**15,969**
Taxation	(2,093)	(3,111)
Profit for the period	**7,643**	**12,858**

6. Operating profit

Operating profit is stated after charging / (crediting):

	Notes	2020 £000	2019 £000
Depreciation of owned tangible fixed assets	14	1,068	754
Depreciation of tangible fixed assets held under finance leases	14	798	837
Depreciation of right of use assets	14	490	-
Gain on disposal of tangible fixed assets		(71)	(270)
Cost of inventories recognised as an expense		117,096	156,470
Exceptional items	11	422	565
Expenses relating to short term and low value leases		121	459

7. Auditor's remuneration

	2020 £000	2019 £000
Fees payable to the Group's auditor for the audit of the Group and Company annual accounts	52	55
Fees payable to the Group's auditor for the audit of the Company's subsidiaries	39	55
Fees payable to the Group's auditor and their associates for other services to the Group and Company - other non-audit services	107	64
	198	174

8. Staff costs

The average monthly number of employees (including Executive Directors) for the continuing operations was:

	2020	2019
Building staff	437	409
Administrative staff	273	277
	710	686

	2020 £000	2019 £000
Wages and salaries	26,526	28,273
Share based payments	557	434
Social security costs	3,389	3,266
Pension costs	1,227	964
	31,699	32,937

Directors' Remuneration

Full details of the Directors' remuneration, for current Directors, is provided in the audited part of the Directors' Remuneration Report on page 36.

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 account in respect of defined contribution schemes was £1,227k (2019: £964k). Contributions totalling £154k (2019: £156k) were payable to the fund at the year-end and are included in creditors.

9. Finance costs

	2020 £000	2019 £000
Interest on bank overdrafts and loans	1,561	1,202
Interest on hire purchase contracts	76	113
Interest on right of use assets	138	-
Other interest	498	196
	2,273	1,511

10. Taxation

	2020 £000	2019 £000
Current tax		
UK corporation tax on profits for the current period	1,929	3,117
Adjustments in respect of prior periods	101	(7)
	2,030	3,110
Deferred tax		
Origination and reversal of timing differences	61	16
Adjustments in respect of prior periods	2	(15)
	63	1
	2,093	3,111

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

	2020 £000	2019 £000
Profit before tax	9,736	15,969
Tax at the UK corporation tax rate of 19% (2019: 19%)	1,850	3,034
Effects of:		
Tax effect of expenses that are not deductible in determining taxable profit	30	(12)
Exceptional items – no deductions	15	107
Adjustments in respect of prior years	101	(7)
Depreciation on assets not qualifying for tax allowances	5	4
Deferred tax adjustments in respect of prior years	2	(15)
Land remediation relief	(1)	(4)
Other non reversing timing differences	102	-
Adjust deferred tax to closing average rate	(11)	4
Tax charge for period	2,093	3,111

11. Exceptional Items

	2020 £000	2019 £000
Acquisition and other transaction related costs (1)	81	565
Wages costs for furloughed employees (2)	3,064	-
	3,145	565
Grant furlough income (2)	(2,723)	-
	422	565

(1) Acquisition and other transactions related costs relate to the planning being achieved at Carlaverock which had previously been assessed as 98% likely – see note 23 for further detail. This is a non-cash transaction. In the prior year acquisition and other related costs were the costs incurred relating to the work undertaken for the acquisition of Walker Holdings (Scotland) Limited and its subsidiaries.

(2) The £3,064k is the Company cost of all employees who were on furlough during the months of April and May 2020. The £2,723k is the furlough grant income received from the UK government in relation to the furloughed employees for the months of April and May 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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12. Dividends

	2020 £000	2019 £000
Total dividend payment	3,083	3,757
Weighted average number of ordinary shares in issue	96,349,561	96,333,642
Dividend per share (pence per share)	**3.20**	**3.90**

13. 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 2020 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).

	2020 £000	2019 £000
Profit for the year attributable to owners of the Company	7,646	12,848
Adjusted for the impact of exceptional costs in the year	422	565
Normalised earnings	8,068	13,413
Weighted average number of ordinary shares for the purpose of basic earnings per share	96,850,807	96,336,885
Effect of dilutive potential shares: share options	1,080,721	953,235
Weighted average number of ordinary shares for the purpose of diluted earnings per share	97,931,528	97,290,120
Earnings per ordinary shares		
Basic earnings per share (pence per share)	7.89	13.34
Diluted earnings per share (pence per share)	7.81	13.21
Underlying earnings per ordinary shares (1)		
Basic earnings per share (pence per share)	8.33	13.92
Diluted earnings per share (pence per share)	8.24	13.79

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

14. Property, Plant and Equipment

	Land & buildings £000	Plant & machinery £000	Fixtures, fittings & equipment £000	Motor vehicle £000	Total £000
Cost					
At 1 June 2018	681	6,586	800	702	8,769
Acquisition of Subsidiary	2	160	35	-	197
Additions	-	1,655	250	72	1,977
Disposals	-	(788)	(112)	(202)	(1,102)
At 31 May 2019	683	7,613	973	572	9,841
Additions	288	785	166	13	1,252
Disposals	-	(191)	(1)	(36)	(228)
At 31 May 2020	**971**	**8,207**	**1,138**	**549**	**10,865**
Accumulated depreciation					
At 1 June 2018	52	2,992	678	555	4,277
Depreciation charge	21	1,331	142	97	1,591
Disposals	-	(696)	(107)	(201)	(1,004)
At 31 May 2019	73	3,627	713	451	4,864
Depreciation charge	22	1,606	185	53	1,866
Disposals	-	(160)	-	(36)	(196)
At 31 May 2020	**95**	**5,073**	**898**	**468**	**6,534**
Net book value					
At 31 May 2020	**876**	**3,134**	**240**	**81**	**4,331**
At 31 May 2019	**610**	**3,986**	**260**	**121**	**4,977**
At 31 May 2018	**629**	**3,594**	**122**	**147**	**4,492**

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

	2020	2019
Net book value:	£000	£000
Plant and machinery	3,332	2,198
Motor vehicles	171	78
	3,503	2,276
Total depreciation charge for assets held under finance leases or hire purchase	1,065	837

Fixed assets with the carrying value of £3,503k (2019: £2,276k) are pledged as security.

Right of use Assets

	Land & buildings £000	Plant & machinery £000	Fixtures, fittings & equipment £000	Motor vehicle £000	Total £000
Cost					
At 1 June 2019	2,220	-	29	252	2,501
Depreciation	(357)	-	(9)	(124)	(490)
At 31 May 2020	**1,863**	**-**	**20**	**128**	**2,011**

15. Intangible fixed assets

	Goodwill	Marketing-related assets	Total
	£000	£000	£000
Cost			
At 1 June 2018	-	600	600
Additions	1,049	-	1,049
At 31 May 2019	1,049	600	1,649
Additions	8	-	8
Disposals	-	-	-
At 31 May 2020	**1,057**	**600**	**1,657**
Amortisation and impairment			
At 1 June 2018 and 31 May 2019	-	-	-
Impairment	8	-	8
Disposals	-	-	-
At 31 May 2020	8	-	8
Net book value			
At 31 May 2020	**1,049**	**600**	**1,649**
At 31 May 2019	**1,049**	**600**	**1,649**
At 31 May 2018	**-**	**600**	**600**

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.

Goodwill has arisen due to the prior year acquisition of Walker Holdings (Scotland) Limited.

16. Fixed assets investments

	2020	2019
	£000	£000
Cost		
Loans to joint ventures	-	807
Investment in joint ventures	202	674
	202	**1,481**

Movement in fixed asset investments

	Investment in joint venture	Loans to joint venture	Total
	£000	£000	£000
Cost			
At 1 June 2018	254	764	1,018
Additions	-	43	43
Share of profit after tax and dividends	420	-	420
At 1 June 2019	674	807	1,481
Additions	-	21	21
Share of loss after tax and dividends	(472)	-	(472)
Repayment of loan from joint venture	-	(828)	(828)
At 31 May 2020	**202**	**-**	**202**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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16. Fixed assets investments (continued)

The Group's aggregate share of joint ventures at the year-end is as follows:

	2020 £000	2019 £000
Profit before interest and tax	852	584
Interest	(70)	(62)
Taxation	(154)	(102)
Dividend	(1,100)	-
(Loss) / profit after tax and dividends	(472)	420

	2020 £000	2019 £000
Share of assets		
Current assets	419	2,331
Share of liabilities		
Liabilities due with one year	(217)	(564)
Liabilities due after one year or more	-	(1,093)
Share of net assets	**202**	**674**

17. Inventories and work in progress

	2020 £000	2019 £000
Work in progress	174,400	148,649
	174,400	**148,649**

Land under development is included in work in progress

	2020 £000	2019 £000
Accounts receivable in relation to construction contracts	4,186	10,003
	4,186	**10,003**

	2020 £000	2019 £000
Accounts payable in relation to construction contracts	712	477
	712	**477**

	2020 £000	2019 £000
Retentions held by customers for contract work	1,682	1,538
Advances received from customers for contract work	(712)	(477)
	970	**1,061**

Included within inventories is £31,149k (2019: £41,006k) pledged as security.

18. Accounts receivable

Amounts falling due within one year

	2020 £000	2019 £000
Trade receivables	2,814	9,546
Other receivables	5,225	9,351
Prepayments and accrued income	929	1,247
	8,968	**20,144**

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

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 low concentration of credit risk, with exposure spread over a large number of customers. The maximum exposure to credit risk at 31 May 2020 is represented by the carrying amount of each financial asset.

Amounts falling due after one year

	2020 £000	2019 £000
Trade receivables	415	548
Other receivables	4,484	141
Deferred tax asset (see note 23)	203	214
	5,102	**903**

19. Accounts payable

	2020 £000	2019 £000
Trade creditors	3,427	23,413
Other taxation and social security	2,574	1,083
Other creditors	668	1,612
Accruals and deferred income	14,112	17,589
	20,781	**43,697**

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

20. Financial assets and liabilities

Assets	2020 £000	2019 £000
Loans and receivables at amortised cost	14,593	23,455
Total	**14,593**	**23,455**

Liabilities	2020 £000	2019 £000
Measured at amortised cost	89,536	74,773
Total	**89,536**	**74,773**

Included within loans and receivables is a loan to a related party which is valued at amortised cost. £252k (2019: £275k) has been recognised as interest received in the profit and loss account. A market rate of interest has been charged (note 27).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS YEAR TO 31 MAY 2020

21. Borrowings

	2020 £000	2019 £000
Secured borrowings:		
Bank loans	69,000	31,000
	69,000	31,000
Less: payable within one year	18,000	-
Payable after one year	**51,000**	**31,000**

The bank loan comprises of a revolving credit facility which is repayable by 31 January 2022 and is secured over certain of the Group's properties. The facility attracts an interest rate of 2% per annum above the Bank of England Base Rate. The amount payable within one year relates to a Term loan which was drawn down on 24 April 2020, attracts an interest rate of 2.5% above the Bank of England Base Rate and is repayable on 23 April 2021.

22. Obligations under hire purchase contracts and right of use leases

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. Right of use leases are stated at the present value of the contractual payments due to the lessor over the lease term.

	2020		2019	
	Hire Purchase	Right of use	Hire Purchase	Right of use
Future minimum payments due:	**£000**	**£000**	**£000**	**£000**
Not later than one year	838	531	1,079	-
After one year but not more than five years	543	1,240	642	-
After five years	-	963	-	-
	1,381	2,734	1,721	-
Less finance charges allocated to future periods	(80)	(592)	(85)	-
	1,301	2,142	1,636	-
Present value of minimum lease payments is:				
Not later than one year	782	406	1,012	-
After one year but not more than five years	519	922	624	-
After five years	-	814	-	-
	1,301	2,142	1,636	-

23. Provisions

	2020 £000	2019 £000
Deferred taxation	2,413	2,361
Deferred consideration	5,904	11,593
	8,317	**13,954**

Deferred consideration

	2020 £000	2019 £000
Acquisition of DHomes 2014 Holdings Limited (“Dawn”)	2,000	2,000
Acquisition of Walker Holdings (Scotland) Limited (“Walker”)	3,904	9,593
	5,904	**11,593**

23. Provisions (continued)

Deferred consideration movement

	2020 £000	2019 £000
Opening Balance	11,593	2,000
Additions on acquisition (discounted)	-	9,403
Deemed interest in year	338	190
Transfer to P&L – exceptional item	81	-
Payments made	(6,108)	-
Closing balance	**5,904**	**11,593**

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 we can achieve planning approval; or (ii) or the site is zoned for housing. The Directors have assessed the likelihood of the land being zoned and have included a deferred consideration of £2,000,000 based on 80% probability.

As part of the purchase agreement of Walker Holdings (Scotland) Limited there was a further £10,375,000 to pay. This can be broken down into: (i) £2,187,500 payable on the first anniversary of the acquisition date (31 January 2020); (ii) £2,187,500 payable on the second anniversary of the acquisition date (31 January 2021); (iii) £4,000,000 payable when outline planning is granted at Carlaverock and (iv) £2,000,000 payable when detailed planning is granted at Carlaverock. (iii) and (iv) probability has been assessed at 98% and 95% respectively. This has been discounted at a market rate of interest.

During the year (i) and (iii) were paid leaving £3,903,775 recognised as a provision at the year end representing the discounted values of (ii) and (iv).

Deferred Taxation

	2018 £000	Profit and Loss Account £000	On Acquisition £000	2019 £000	Profit and Loss Account £000	2020 £000
Fixed assets – temporary differences	61	7	-	68	-	68
Other – temporary differences	333	(6)	1,752	2,079	61	2,140
Prior year adjustment	-	-	-	-	2	2
	394	**1**	**1,752**	**2,147**	**63**	**2,210**

	2020 £000	2019 £000
Deferred tax liability	2,413	2,361
Deferred tax assets (note 18)	(203)	(214)
	2,210	**2,147**

24. 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.

Ordinary shares of 0.125p - allotted, called up and fully paid	**Number of shares**	**Share capital £000**	**Share premium £000**
At 1 June 2019	96,349,561	120	50,118
Share issue	1,511,402	2	2,212
At 31 May 2020	**97,860,963**	**122**	**52,330**

During the year 30,660 shares (2019: 15,919) were issued in satisfaction of share options exercised.
On 31 January 2020, 1,480,742 shares (2019: nil) were issued to satisfy the first anniversary payment for Walker Holdings (Scotland) Limited as detailed in note 23.

Share based payments

During the year the Group operated four 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, ESOP and Performance Share Plan ("PSP") scheme. The PSP was introduced during the year and under which key executives could be granted conditional "whole share" awards (i.e. rights to acquire shares where the individual is required to pay a zero or negligible exercise price) the vesting of which is normally conditional on both continued employment and the satisfaction of specified performance measures.

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.

24. Share Capital (continued)

Savings Related Share Option Scheme

CSOP

	2020 Number of shares	2020 Weighted average exercise price (pence)	2019 Number of shares	2019 Weighted average exercise price (pence)
Options at the beginning of the year	1,215,406	112.29	1,033,382	110.59
Granted during the year	95,930	108.50	182,024	121.94
Lapsed during the year	(71,225)	112.98	-	-
Options at the year end	1,240,111	111.95	1,215,406	112.29

Share Option	Grant Price (p)	Number of shares at year end	Exercise price (p)	Vesting Period
CSOP – 16th October 2017	106.00	780,554	106.00	3
CSOP – 8th December 2017	111.00	27,027	111.00	3
CSOP – 15th January 2018	110.50	27,149	110.50	3
CSOP – 3rd May 2018	134.00	22,388	134.00	5
CSOP – 16th May 2018	134.00	132,396	134.00	5
CSOP – 1st October 2018	122.50	154,667	122.50	5
CSOP - 4th September 2019	108.50	95,930	108.50	5

ESOP	2020 Number of shares	2020 Weighted average exercise price (pence)	2019 Number of shares	2019 Weighted average exercise price (pence)
Options at the start of the year	2,271,757	119.29	596,524	110.29
Granted during the year	-	-	1,675,233	122.49
Lapsed during the year	(104,730)	120.51	-	-
Options at the year end	2,167,027	119.23	2,271,757	119.29

Share Option	Grant Price (p)	Number of shares at year end	Exercise price (p)	Vesting Period
ESOP – 16th October 2017	106.00	491,735	106.00	5
ESOP – 15th January 2018	110.50	1,810	110.50	5
ESOP – 3rd May 2018	134.00	72,761	134.00	7
ESOP – 16th May 2018	134.00	18,322	134.00	7
ESOP – 1st October 2018	122.50	1,582,399	122.50	7

24. Share Capital (continued)

SAYE	2020 Number of shares	2020 Weighted average exercise price (pence)	2019 Number of shares	2019 Weighted average exercise price (pence)
Options at the start of the year	2,717,824	84.80	3,030,643	84.80
Lapsed during the year	(250,365)	84.80	(296,900)	84.80
Exercised during the year	(30,660)	84.80	(15,919)	84.80
Options at the year end	2,436,799	84.80	2,717,824	84.80

Share Option	Grant Price (p)	Number of shares at year end	Exercise price (p)	Vesting Period
SAYE – 16th October 2017	112.00	2,436,799	84.80	3

PSP	2020 Number of shares	2020 Weighted average exercise price (pence)
Granted during the year	376,936	0.13
Options at the year end	376,936	0.13

Share Option	Grant Price (p)	Number of shares at year end	Exercise price (p)	Vesting Period
PSP – 9th January 2020	0.13	376,936	0.13	3

Inputs used to determine fair value of options

	CSOP	ESOP	SAYE	PSP
Expected volatility	29.00%	29.00%	29.00%	7.50%
Risk free interest rate	0.49%	0.49%	0.49%	-1.18%
Expected dividends	-	-	-	5.00%
Fair value of options	34.00p	39.00p	37.00p	131.13p
Charge per option	32.00p	37.00p	35.00p	131.13p

Expected volatility was calculated using historical share price information of the house-building sector for the CSOP and ESOP and the 12 month average Springfield share price prior to the grant of the PSP options.

CSOP and ESOP - no shares have vested in the year and none can be exercised at the year-end.

SAYE – 30,660 (2019: 15,919) of shares were exercised during the year.

Charge for share based incentive schemes

The total charge for the year relating to employee share-based plans were £557k (2019: £434k), all of which related to equity-settled share-based payment transactions.

FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR TO 31 MAY 2020

25. Cash and cash equivalents

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

	2020 £000	2019 £000
Cash at bank and in hand	1,522	3,062
	1,522	**3,062**

At 31 May 2020, the Group had available £16,000k (2019: £36,000k) of undrawn committed borrowing facilities.

26. 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.

27. 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.

27.1. 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.

27.2. Interest 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.

The responsibility for setting the level of fixed rate debt lies with the Board and is continually reviewed in the light of economic data provided by a variety of sources.

	2020 £000	2019 £000
Financial liabilities at fixed rate	3,443	1,636
Financial liabilities at floating rate	69,000	31,000
Non-interest-bearing financial liabilities	17,093	42,137
	89,536	**74,773**

27. Financial risk management (continued)

27.2. Interest 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 2020		Bank of England base rate 31 May 2019	
	Interest rate +0.5% £000	**Interest rate –0.5% £000**	**Interest rate +0.5% £000**	**Interest rate –0.5% £000**
(Loss) / profit	(345)	345	(155)	155

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 2020.

FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR TO 31 MAY 2020

27. Financial risk management (continued)

27.3. 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 Directors continually assess the balance of capital and debt of the Group.

They consider the security of capital funding against the potentially higher rates of return offered by debt financing in order to set an efficient but stable balance appropriate to the size of the Group.

The Board reviews projects against build programmes and contractual agreements to avoid any risk of incurring contractual penalties or damaging the Group's reputations, which would in turn reduce the Group's ability to borrow at optimal rates. Covenant tests are continually reviewed to ensure covenant criteria is met in the event of deterioration in market conditions.

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

31 May 2020	**Carrying amount £000**	**Total minimum future payment £000**	**Within 1 year £000**	**Within 1-2 years £000**	**Within 2-5 years £000**	**Greater than 5 years £000**
Accounts payable	17,093	17,093	17,093	-	-	-
Borrowings	69,000	69,000	18,000	51,000	-	-
Hire purchase & Right of use	3,443	4,115	1,369	828	954	964
	89,536	**90,208**	**36,462**	**51,828**	**954**	**964**

31 May 2019	**Carrying amount £000**	**Total minimum future payment £000**	**Within 1 year £000**	**Within 1-2 years £000**	**Within 2-5 years £000**
Accounts payable	42,137	42,137	42,137	-	-
Borrowings	31,000	31,000	-	-	31,000
Hire purchase	1,636	1,721	1,079	549	93
	74,773	**74,858**	**43,216**	**549**	**31,093**

27.4 Credit risk

The nature of Scotland's housing industry and the legal framework surrounding it results in the Group having a low exposure to 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.

27. Financial risk management (continued)

27.4. Credit Risk (continued)

The Group manages credit risk actively monitoring their level of trade receivables and following up when they are overdue more than three months. The ageing profile of trade receivables was:

	31 May 2020		31 May 2019	
	Total book value £000	**Allowance for impairment £000**	**Total book value £000**	**Allowance for impairment £000**
Current	2,686	-	9,435	-
Overdue 90 days	128	-	111	-
	2,814	**-**	**9,546**	**-**

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

The ageing profile of other receivables was:

	31 May 2020		31 May 2019	
	Total book value £000	**Allowance for impairment £000**	**Total book value £000**	**Allowance for impairment £000**
Current	10,125	-	9,351	-
Overdue 90 days	-	-	-	-
	10,125	**-**	**9,351**	**-**

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

28. Transactions with related parties

Other related parties include transactions with a retirement schemes in which Directors and close family members of key management personnel are beneficiaries.

During the year dividends totalling £1,446k (2019: £1,759k) 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:

Name of Director	**2020 £000**	**2019 £000**
Mr Sandy Adam	1,402	1,708
Mr Innes Smith	38	46
Ms Michelle Motion	2	2
Mr Matthew Benson	1	2
Mr Roger Eddie	2	1
Mr Colin Rae	1	-
Mr Nick Cooper	-	-
	1,446	**1,759**

The remuneration of Key Management Personnel was £1,465k (2019: £1,825k).

FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR TO 31 MAY 2020

28. Transactions with related parties (continued)

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

	Sale of goods		Purchase of goods	
	2020 £000	2019 £000	2020 £000	2019 £000
Bertha Park Limited (1)	14,911	15,821	-	-
DHHG 1 Limited (2)	2,519	5,756	-	-
Other entities which key management personnel have control, significant influence or hold a material interest in	1,249	191	232	11
Key management personnel	32	19	-	-
Other related parties	5	806	-	287
	18,716	**22,593**	**232**	**298**

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

	Rent paid	
	2020 £000	2019 £000
Entities which key management personnel have control, significant influence or hold a material interest in	153	184
Key management personnel	3	5
Other related parties	104	132
	260	**321**

	2020 £000	2019 £000
Interest received:		
Entities which key management personnel have control, significant influence or hold a material interest in (short-term)	260	188
	260	**188**

The following amounts were outstanding at the reporting end date:

	2020 £000	2019 £000
Amounts receivable:		
Bertha Park Limited (1)	6,755	9,152
DHHG 1 Limited (2)	26	564
Other entities which key management personnel have control, significant influence or hold a material interest in (short-term)	3	97
Other related parties	-	37
	6,784	**9,850**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR TO 31 MAY 2020

28. Transactions with related parties (continued)

	2020	2019
	£000	£000
Accounts payable:		
Entities which key management personnel have control, significant influence or hold a material interest in (short-term)	15	-
James Adam	283	770
Other related parties	-	46
	298	**816**

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 Group companies have been eliminated on consolidation and are not disclosed in this note.

(1) Bertha Park Limited is a Company in which Sandy Adam and Innes Smith are Directors. During the year the Group made sales to Bertha Park Limited of £14,911k (2019: £15,821k) in relation to a build contract. At the year-end £2,411k (2019: £4,389k) is included in trade debtors and included within other debtors is a loan of £4,344k (2019: £4,763k) at the year-end.

(2) DHHG 1 Limited is a jointly owned entity of Dawn Homes Limited, which Michelle Motion is a Director. During the year the Group made sales to DHHG 1 Limited totalling £2,519k (2019: £5,756k) in relation to a build contract and management fees. At the year-end £26k (2019: £564k) was due from DHHG 1 Limited.

29. 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 £4,360k (2019: £4,436k).

29.1. Contingent Liabilities

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 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 23), the remaining £500,000 has been treated as a contingent liability due to the uncertainty over future payment.

The Company acquired the entire share capital of Walker Holdings (Scotland) Limited and its subsidiaries and joint ventures, for a consideration of £72,775,000, which includes a deferred consideration of £10,375,000. This can be broken down into: (i) £2,187,500 payable on the first anniversary of the acquisition date (31 January 2020); (ii) £2,187,500 payable on the second anniversary of the acquisition date (31 January 2021); (iii) £4,000,000 payable when the council grant outlined planning concern at Carlaverock and (iv) £2,000,000 payable when the council grant detailed planning concern at Carlaverock. This has been discounted at a market rate of interest. During the year (i) and (iii) were paid leaving £3,903,775 as a provision at the year end (see note 23), the remaining £100,000 has been treated as a contingent liability due to the uncertainty over the future payments.

FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR TO 31 MAY 2020

29. Contingencies, commitments and guarantees (continued)

29.2. Capital Commitments

	2020 £000	2019 £000
Acquisition of property, plant and equipment	-	517
Call and put options for the purchase of plots for development	1,550	2,725

30. Analysis of Net Debt

The Analysis of net debt is as follows:

	2020 £000	2019 £000
Cash in hand and bank	1,522	3,062
Finance lease	(1,301)	(1,636)
Bank borrowings	(69,000)	(31,000)
	(68,779)	(29,574)
Right of use lease liability	(2,142)	-
Net Debt	**(70,921)**	**(29,574)**

Reconciliation of net cashflow to movement in net debt is as follows:

	2020 £000	2019 £000
Net debt' as previously reported	(29,574)	(15,258)
Implementation of IFRS16	(2,501)	-
Net debt at beginning of year, as adjusted	(32,075)	(15,258)
Decrease in cash in the year	(1,540)	(8,953)
Increase in bank borrowings	(38,000)	(6,000)
New finance leases	(699)	(428)
Repayment of lease liabilities	1,531	1,065
Other non-cash movements	(138)	-
Net Debt	**(70,921)**	**(29,574)**

31. Post Balance Sheet Events

On 1 June 2020, the remaining shares in DHHG 1 Limited were purchased for consideration of £264,502.

FINANCIAL STATEMENTS

COMPANY BALANCE SHEET
AS AT 31 MAY 2020

	Note	2020 £000	2019 £000
Non-current assets			
Property, plant and equipment	**1**	2,669	3,262
Right of use assets	**1**	1,497	-
Intangible assets	**2**	600	600
Investments	**3**	54,467	54,431
Accounts receivable	**5**	4,608	196
		63,841	**58,489**
Current assets			
Inventories and work in progress	**4**	99,194	78,960
Accounts receivable	**5**	14,791	21,639
Cash and cash equivalents	**12**	794	1,165
		114,779	**101,764**
Total assets		**178,620**	**160,253**
Current liabilities			
Accounts payable	**6**	19,666	34,302
Short-term borrowings	**8**	18,000	-
Short-term obligations under finance lease	**9**	245	493
Lease liabilities	**9**	241	-
Corporation tax		361	890
		38,513	**35,685**
Non-current liabilities			
Long-term borrowings	**8**	51,000	31,000
Long-term obligations under finance lease	**9**	-	183
Lease liabilities	**9**	1,347	-
Provision	**10**	5,904	11,593
		58,251	**42,776**
Total liabilities		**96,764**	**78,461**
Net assets		**81,856**	**81,792**
Equity			
Share capital	**11**	122	120
Share premium	**11**	52,330	50,118
Retained earnings		29,404	31,554
Total equity		**81,856**	**81,792**

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 £376,430 (2019: profit of £6,806,761).

These financial statements were approved by the Board of Directors on 28 September 2020.
Signed on behalf of the Board by:

Sandy Adam
Executive Chairman
28 September 2020

Company number: SC031286

Company accounting policies are in line with Group – See Group note 2. The accompanying notes on pages 86 to 99 form an integral part of these financial statements

FINANCIAL STATEMENTS

COMPANY STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 MAY 2020

	Notes	Share capital £000	Share premium £000	Retained earnings £000	Total £000
1 June 2018		**120**	**50,105**	**28,070**	**78,295**
Issue of share capital		-	13	-	13
Total comprehensive income for the year		-	-	6,807	6,807
Dividends paid		-	-	(3,757)	(3,757)
Share options reserve		-	-	434	434
31 May 2019		**120**	**50,118**	**31,554**	**81,792**
Issue of share capital	**11**	2	2,212	-	2,214
Total comprehensive income for the year		-	-	376	376
Dividends paid		-	-	(3,083)	(3,083)
Share options reserve		-	-	557	557
31 May 2020		**122**	**52,330**	**29,404**	**81,856**

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.

Company accounting policies are in line with Group – See Group note 2

The accompanying notes on pages 86 to 99 form an integral part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS
YEAR TO 31 MAY 2020

	Note	2020 £000	2019 £000
Cash flows generated from operating activities			
Profit for the year after taxation (before exceptional items)		719	7,372
Adjusted for:			
Taxation charged		289	1,704
Finance costs		2,116	1,168
Interest receivable and similar income		(273)	(297)
Gain on disposal of tangible fixed assets		-	(122)
Exceptional items – cash movement		(262)	(565)
Depreciation and impairment of tangible fixed assets	1	1,306	909
Share option employment costs	11	557	434
Cost of sales – non cash movement		550	350
Operating cash flows before movements in working capital		**5,002**	**10,953**
Increase in inventory		(20,125)	(2,869)
Decrease/(increase) in accounts and other receivables		5,407	(447)
(Decrease)/increase in accounts and other payables		(18,039)	2,625
Net cash (used in)/generated from operations		**(27,755)**	**10,262**
Income taxes paid		(891)	(1,791)
Net cash (outflow)/inflow from operating activities		**(28,646)**	**8,471**
Investing activities			
Purchase of property, plant and equipment	1	(446)	(1,374)
Proceeds on disposal of property, plant and equipment		1	217
Purchase of subsidiary Company	10	(4,000)	(62,400)
Dividends received		-	37,000
Interest received and similar income		33	22
Net cash used in investing activities		**(4,412)**	**(26,535)**
Financing activities			
Proceeds from issue of shares	11	26	13
Proceeds from bank loans	15	38,000	68,000
Repayment of bank loans	15	-	(52,000)
Payment of finance leases obligations	15	(714)	(555)
Dividends paid		(3,083)	(3,757)
Interest paid		(1,542)	(977)
Net cash inflow from financing activities		**32,687**	**10,724**
Net decrease in cash and cash equivalents		**(371)**	**(7,340)**
Cash and cash equivalents at beginning of year		1,165	8,505
Cash and cash equivalents at end of year	12	**794**	**1,165**

Company accounting policies are in line with Group – See Group note 2

The accompanying notes on pages 86 to 99 form an integral part of these financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS
YEAR ENDED 31 MAY 2020

1. Property, Plant and Equipment

	Land and buildings £000	Plant and machinery £000	Fixtures, fittings & equipment £000	Total £000
Cost				
At 1 June 2018	681	3,455	800	4,936
Additions	-	1,138	236	1,374
Disposals	-	(463)	(96)	(559)
At 31 May 2019	681	4,130	940	5,751
Additions	288	1	157	446
Disposals	-	-	(1)	(1)
At 31 May 2020	**969**	**4,131**	**1,096**	**6,196**
Accumulated depreciation				
At 1 June 2018	52	1,314	678	2,044
Depreciation charge	21	755	133	909
Disposals	-	(372)	(92)	(464)
At 31 May 2019	73	1,697	719	2,489
Depreciation charge	21	855	162	1,038
Disposals	-	-	-	-
At 31 May 2020	**94**	**2,552**	**881**	**3,527**
Net book value				
At 31 May 2020	**875**	**1,579**	**215**	**2,669**
At 31 May 2019	**608**	**2,433**	**221**	**3,262**
At 31 May 2018	**629**	**2,141**	**122**	**2,892**

The net book value of tangible fixed assets held under finance leases at 31 May 2020 is £1,935k (2019: £971k). Depreciation charge on tangible fixed assets held under finance leases was £266k (2019: £422k)

Leases – Right of use assets

	Land and buildings £000	Plant and machinery £000	Fixtures, fittings & equipment £000	Total £000
Cost				
At 1 June 2019	1,736	-	29	1,765
Depreciation	(259)	-	(9)	(268)
At 31 May 2020	**1,477**	**-**	**20**	**1,497**

2. Intangible fixed assets

	Marketing-related assets £000
Cost	
1 June 2018	600
Additions	-
At 31 May 2019 and 31 May 2020	600
Amortisation and impairment	
At 1 June 2018 and 31 May 2019	-
Impairment	-
At 31 May 2020	-
Net book value	
At 31 May 2020	**600**
At 31 May 2019	**600**

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.

3. Fixed Asset Investments

	2020 £000	2019 £000
Cost		
Investment in subsidiaries	91,467	91,431
Provision for impairment		
Impairment	(37,000)	(37,000)
Net book value	**54,467**	**54,431**

During the year the Company purchased the remaining 4% share capital of Glassgreen Hire Limited for consideration of £36,000.

Impairment is as a result of a £37,000k dividend from Walker Holdings (Scotland) Limited the month after the acquisition.

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3. Fixed asset investments (continued)

Movement in fixed asset investments

	Share in Group undertakings £000	Total £000
Cost		
At 1 June 2018	19,627	19,627
Additions	71,804	71,804
At 31 May 2019	91,431	91,431
Additions	36	-
At 31 May 2020	**91,467**	**91,431**
Provisions for impairment		
At 1 June 2018	-	-
Impairment	(37,000)	(37,000)
At 31 May 2019	(37,000)	(37,000)
Impairment	-	-
At 31 May 2020	**(37,000)**	**(37,000)**
Net Book Value		
At 31 May 2020	**54,467**	**54,467**
At 31 May 2019	**54,431**	**54,431**
At 31 May 2018	**19,627**	**19,627**

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3. Fixed asset investments (continued)

Details of the Company's subsidiaries and jointly owned entities at 31 May 2020 are as follows:

Name of Undertaking	Nature of Business	Class of Shares Held	% Held
Glassgreen Hire Limited	Hire of plant and machinery	Ordinary	100%
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%
Walker Holdings (Scotland) Limited	Housebuilder/ Construction	Ordinary	100%
Walker Group (Scotland) Limited *	Housebuilders/ property development/ management services	Ordinary	100%
Perten Limited *	Dormant	Ordinary	100%
Walker Residential (Scotland) Limited *	Dormant	Ordinary	100%
Walker Group (Land & Projects) Limited *	Dormant	Ordinary	100%
Walker Contracts (Scotland) Limited *	Dormant	Ordinary	100%
Craig Developments Limited *	Sale of residential property	Ordinary	100%
SP SUB 2018 Limited	Dormant	Ordinary	100%
DHHG 1 Limited *	Housebuilder/ Construction	Ordinary	50%

*Indirectly held

All of the above have a registered office address of:

Alexander Fleming House 8 Southfield Drive Elgin IV30 6GR

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4. Inventories and work in progress

	2020 £000	2019 £000
Work in progress	99,194	78,960
	99,194	**78,960**

Land under development is included in work in progress

	2020 £000	2019 £000
Accounts receivable in relation to construction contracts	4,186	9,993
	4,186	**9,993**

	2020 £000	2019 £000
Accounts payable in relation to construction contracts	212	149
	212	**149**

	2020 £000	2019 £000
Retentions held by customers for contract work	1,682	1,528
Advances received from customers for contract work	(212)	(149)
	1,470	**1,379**

Included within inventories is £16,435k (2019: £23,224k) pledged as security.

5. Accounts receivable

Amounts falling due within one year

	2020 £000	2019 £000
Trade receivables	2,708	8,721
Other receivables	4,771	8,814
Amounts due from Group undertakings	6,779	3,422
Prepayments and accrued income	533	682
	14,791	**21,639**

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

The Company's exposure to credit risk is limited by the fact that the Company 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 Company to credit risk can be spread over a considerable number of properties. As such, the Company has low concentration of credit risk, with exposure spread over a large number of customers. The maximum exposure to credit risk at 31 May 2020 is represented by the carrying amount of each financial asset.

5. Accounts receivable (continued)

Amounts falling due after one year

	2020 £000	2019 £000
Other receivables	4,484	140
Deferred tax asset (see note 10)	124	56
	4,608	196

6. Accounts payable

	2020 £000	2019 £000
Trade creditors	2,167	15,994
Other taxation and social security	1,836	811
Other creditors	195	222
Amounts due to Group undertakings	5,774	7,996
Accruals and deferred income	9,694	9,279
	19,666	**34,302**

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

7. Financial assets and liabilities

Assets	2020 £000	2019 £000
Loans and receivables at amortised cost	23,879	22,262
Total	**23,879**	**22,262**

Total Liabilities	2020 £000	2019 £000
Measured at amortised cost	88,451	65,017
Total	**88,451**	**65,017**

Included within loans and receivables is a loan to a related party which is valued at amortised cost. £252k (2019: £275k) has been recognised as interest received in the profit and loss account. Market rate interest has been used (note 14).

8. Borrowings

	2020 £000	2019 £000
Secured borrowings:		
Bank loans	69,000	31,000
	69,000	31,000
Less: payable within one year	(18,000)	-
Payable after one year	**51,000**	**31,000**

The bank loan comprises of a revolving credit facility which is repayable by January 2022 and is secured over certain of the Company's properties. The facility attracts an interest rate of 2% per annum above the Bank of England Base Rate. The amount payable within one year relates to a Term loan which was drawn down on 24 April 2020, attracts an interest rate of 2.5% above the Bank of England Base Rate and is repayable on 23 April 2021.

9. Obligations under hire purchase contracts and right of use leases

Finance lease and hire purchase payments represent rentals payable by the Company for certain items of plant and machinery and buildings 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. Right of use leases are stated at the present value of the contractual payments due to the lessor over the lease term.

	2020		2019	
	Hire Purchase	Right of use	Hire Purchase	Right of use
Future minimum payments due:	£000	£000	£000	£000
Not later than one year	259	333	523	-
After one year but not more than five years	-	882	186	-
After five years	-	849	-	-
	259	2,064	709	-
Less finance charges allocated to future periods	(14)	(476)	(33)	-
	245	1,588	676	-
Present value of minimum lease payments is:				
Not later than one year	245	241	493	-
After one year but not more than five years	-	629	183	-
After five years	-	718	-	-
	245	1,588	676	-

10. Provisions

	2020	2019
	£000	£000
Deferred consideration	5,904	11,593
	5,904	**11,593**

	2020	2019
	£000	£000
Acquisition of DHomes 2014 Holdings Limited ("Dawn")	2,000	2,000
Acquisition of Walker Holdings (Scotland) Limited ("Walker")	3,904	9,593
	5,904	**11,593**

Deferred consideration movement	2020	2019
	£000	£000
Opening Balance	11,593	2,000
Additions on acquisition (discounted)	-	9,403
Deemed interest in year	338	-
Transfer to P&L	81	190
Payments made	(6,108)	-
Closing balance	**5,904**	**11,593**

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 land being zoned and have included a deferred consideration of £2,000,000 based on 80% probability. As part of the purchase agreement of Walker Holdings (Scotland) Limited there was a further £10,375,000 to pay. This can be broken down into: (i) £2,187,500 payable on the first anniversary of the acquisition date (31 January 2020); (ii) £2,187,500 payable on the second anniversary of the acquisition date (31 January 2021); (iii) £4,000,000 payable when outline planning is granted at Carlaverock and (iv) £2,000,000 payable when detailed planning is granted at Carlaverock. (iii) and (iv) probability has been assessed at 98% and 95% respectively. This has been discounted at a market rate of interest. During the year (i) and (iii) were paid leaving £3,903,775 recognised as a provision at the year end representing the discounted values of (ii) and (iv).

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10. Provisions (continued)

Deferred Taxation

	2018 £000	Profit & Loss Account £000	2019 £000	Profit & Loss Account £000	2020 £000
Fixed assets – temporary differences	61	32	93	-	93
Other – temporary differences	(7)	(142)	(149)	(68)	(217)
	54	**(110)**	**(56)**	**(68)**	**(124)**

	2020 £000	2019 £000
Deferred tax assets (note 5)	(124)	(56)
	(124)	**(56)**

11. 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.

Ordinary shares of 0.125p - allotted, called up and fully paid	Number of shares	Share capital £000	Share premium £000
At 1 June 2019	96,349,561	120	50,118
Share issue	1,511,402	2	2,212
At 31 May 2020	**97,860,963**	**122**	**52,330**

During the year 30,660 shares (2019: 15,919) were issued in satisfaction of share options exercised.
On 31 January 2020, 1,480,742 shares (2019: nil) were issued to satisfy the first anniversary payment for Walker Holdings (Scotland) Limited as detailed in note 10.

Share based payments

During the year the Company operated four share based schemes.

Share related share options scheme
The Company 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, ESOP and Performance Share Plan (“PSP”) scheme. The PSP was introduced during the year and under which key executives could be granted conditional “whole share” awards (i.e. rights to acquire shares where the individual is required to pay a zero or negligible exercise price) the vesting of which is normally conditional on both continued employment and the satisfaction of specified performance measures.

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YEAR ENDED 31 MAY 2020

11. 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 of the CSOP and ESOP.

Savings Related Share Option Scheme

CSOP

	2020		2019	
	Number of shares	**Weighted average exercise price (pence)**	**Number of shares**	**Weighted average exercise price (pence)**
Options at the beginning of the year	1,215,406	112.29	1,033,382	110.59
Granted during the year	95,930	108.5	182,024	121.94
Lapsed during the year	(71,225)	112.98	-	-
Options at the year end	1,240,111	111.95	1,215,406	112.29

Share Option	Grant Price (p)	Number of shares at year end	Exercise price (p)	Vesting Period
CSOP – 16th October 2017	106.00	780,554	106.00	3
CSOP – 8th December 2017	111.00	27,027	111.00	3
CSOP – 15th January 2018	110.50	27,149	110.50	3
CSOP – 3rd May 2018	134.00	22,388	134.00	5
CSOP – 16th May 2018	134.00	132,396	134.00	5
CSOP – 1st October 2018	122.50	154,667	122.50	5
CSOP – 4th September 2019	108.50	95,930	108.50	5

ESOP

	2020		2019	
	Number of shares	**Weighted average exercise price (pence)**	**Number of shares**	**Weighted average exercise price (pence)**
Options at the beginning of the year	2,271,757	119.29	596,524	110.29
Granted during the year	-	-	1,675,233	122.49
Lapsed during the year	(104,730)	120.51	-	-
Options at the year end	2,167,027	119.23	2,271,757	119.29

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11. Share Capital (continued)

Savings Related Share Option Scheme (continued)

Share Option	Grant Price (p)	Number of shares at year end	Exercise price (p)	Vesting Period
ESOP – 16th October 2017	106.00	491,735	106.00	5
ESOP – 15th January 2018	110.50	1,810	110.50	5
ESOP – 3rd May 2018	134.00	72,761	134.00	7
ESOP – 16th May 2018	134.00	18,322	134.00	7
ESOP – 1st October 2018	122.50	1,582,399	122.50	7

SAYE

	2020		2019	
	Number of shares	Weighted average exercise price (pence)	Number of shares	Weighted average exercise price (pence)
Options at the beginning of the year	2,717,824	84.80	3,030,643	84.80
Lapsed during the year	(250,365)	84.80	(296,900)	84.80
Exercised during the year	(30,660)	84.80	(15,919)	84.80
Options at the year end	2,436,799	84.80	2,717,824	84.80

Share Option	Grant Price (p)	Number of shares at year end	Exercise price (p)	Vesting Period
SAYE – 16th October 2017	112.00	2,436,799	84.80	3

PSP

	2020	
	Number of shares	Weighted average exercise price (pence)
Granted during the year	376,936	0.13
Options at the year end	376,936	0.13

Share Option	Grant Price (p)	Number of shares at year end	Exercise price (p)	Vesting Period
PSP – 9th January 2020	0.13	376,936	0.13	3

Inputs used to determine fair value of options

	CSOP	ESOP	SAYE	PSP
Expected volatility	29.00%	29.00%	29.00%	7.50%
Risk free interest rate	0.49%	0.49%	0.49%	-1.18%
Expected dividends	-	-	-	5.00%
Fair value of options	34.00p	39.00p	37.00p	131.13p
Charge per option	32.00p	37.00p	35.00p	131.13p

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11. Share Capital (continued)

Savings Related Share Option Scheme (continued)

Expected volatility was calculated using historical share price information of the house-building sector for the CSOP and ESOP and the 12 month average Springfield share price prior to the grant of the PSP options.

CSOP and ESOP - no shares have vested in the year and none can be exercised at the year-end.

SAYE - 30,660 (2019: 15,919) of shares were exercised during the year.

Charge for share based incentive schemes

The total charge for the year relating to employee share-based plans were £557k (2019: £434k), all of which related to equity-settled share-based payment transactions.

12. Cash and Cash Equivalents

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

	2020 £000	2019 £000
Cash at bank and in hand	794	1,165
	794	**1,165**

At 31 May 2020, the Company had available £16,000k (2019: £36,000k) of undrawn committed borrowing facilities.

13. Capital risk management

The Company manages its capital to ensure that the Company 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 Company consists issued capital, reserves and retained earnings, all as disclosed in the balance sheet. The Company is not subject to externally imposed capital requirements other than those included, from time to time, in the financial covenants associated with bank borrowing.

14. Financial risk management

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

14.1 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company'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.

14. Financial risk management (continued)

14.1 Market risk (continued)

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 Company's exposure to the interest rate risk relates primarily to its floating rate borrowings.

The responsibility for setting the level of fixed rate debt lies with the Board and is continually reviewed in the light of economic data provided by a variety of sources.

	2020	**2019**
	£000	**£000**
Financial liabilities at fixed rate	1,833	676
Financial liabilities at floating rate	69,000	31,000
Non-interest-bearing financial liabilities	17,618	33,341
	88,451	**65,017**

Interest rate sensitivity analysis

The table below details the Company'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 2020		**Bank of England base rate 31 May 2019**	
	Interest rate +0.5% £000	Interest rate – 0.5% £000	Interest rate +0.5% £000	Interest rate – 0.5% £000
(Loss) / profit	(345)	345	(155)	155

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 Company's assets and liabilities are actively managed. Additionally, the financial position of the Company 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 Company'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 2020.

14. Financial risk management (continued)

14.2 Liquidity Risk

Liquidity risk is the risk that the Company will be unable to meet its liabilities as they fall due. The Company'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 Directors continually assess the balance of capital and debt of the Company. They consider the security of capital funding against the potentially higher rates of return offered by debt financing in order to set an efficient but stable balance appropriate to the size of the Company.

The Board reviews projects against build programmes and contractual agreements to avoid any risk of incurring contractual penalties or damaging the Company's reputations, which would in turn reduce the Company's ability to borrow at optimal rates. Covenant tests are continually reviewed to ensure covenant criteria is met in the event of deterioration in market conditions.

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

31 May 2020	Carrying amount £000	Total minimum future payment £000	Within 1 year £000	Within 1-2 years £000	Within 2-5 years £000	Greater than 5 years £000
Accounts payable	17,618	17,618	17,618	-	-	-
Borrowings	69,000	69,000	18,000	51,000	-	-
Hire purchase & right of use	1,833	2,323	592	313	569	849
	88,451	**88,941**	**36,210**	**51,313**	**569**	**849**

31 May 2019	Carrying amount £000	Total minimum future payment £000	Within 1 year £000	Within 1-2 years £000	Within 2-5 years £000
Accounts payable	33,341	33,341	33,341	-	-
Borrowings	31,000	31,000	-	-	31,000
Hire purchase	676	709	523	186	-
	65,017	**65,050**	**33,864**	**186**	**31,000**

14.3 Credit risk

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

The Company'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 Company.

The Company manages credit risk actively monitoring their level of trade receivables and following up when they are overdue more than three months.

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14. Financial risk management (continued)

14.3 Credit risk (continued)

The ageing profile of trade receivables was:

	31 May 2020		31 May 2019	
	Total book value £000	**Allowance for impairment £000**	**Total book value £000**	**Allowance for impairment £000**
Current	2,595	-	8,632	-
Overdue 90 days	113	-	89	-
	2,708	**-**	**8,721**	**-**

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

The ageing profile of other receivables was:

	31 May 2020		31 May 2019	
	Total book value £000	**Allowance for impairment £000**	**Total book value £000**	**Allowance for impairment £000**
Current	9,114	-	8,814	-
Overdue 90 days	-	-	-	-
	9,114	**-**	**8,814**	**-**

During the year the Company had no allowance for impairment for other receivables.

15. Analysis of Net Debt

The Analysis of net debt is as follows:

	2020 £000	**2019 £000**
Cash in hand and bank	794	1,165
Finance lease	(245)	(676)
Bank borrowings	(69,000)	(31,000)
	(68,451)	(30,511)
Right of use lease liability	(1,588)	-
Net Debt	**(70,039)**	**(30,511)**

Reconciliation of net cashflow to movement in net debt is as follows:

	2020 £000	**2019 £000**
Net debt' as previously reported	(30,511)	(7,726)
Implementation of IFRS16	(1,765)	-
Net debt at beginning of year, as adjusted	(32,276)	(7,726)
Decrease in cash in the year	(371)	(7,340)
Increase in bank borrowings	(38,000)	(16,000)
Repayment of lease liabilities	714	555
Other non-cash movements	(106)	-
Net Debt	**(70,039)**	**(30,511)**